

An aerial photograph of a city waterfront. On the left, a wide river flows. The middle ground features a mix of industrial buildings with smokestacks and modern, multi-story residential towers with balconies. The foreground is dominated by a large body of water. The sky is clear and blue, suggesting a bright day. The overall scene depicts a blend of urban development and natural waterways.

ETALON

ANNUAL REPORT '22

BUILDING MODERN CITIES WITH CARE

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1

ANNUAL
REPORT
2022

INTRODUCTION

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About this report



Reporting period

The Annual Report provides information on Etalon Group's activities in 2022 and its financial and non-financial results, including its consolidated audited IFRS statements.

The sections of the report that provide an overview of the Company and its business as well as its work in the areas of sustainability, corporate governance practices and investor relations may include events that occurred after the reporting date.

Reporting form and standards

In 2023, consistent with the objectives set out in its ESG Policy, the Company is publishing two separate reports for 2022: an Annual Report and a Sustainability Report. This Annual Report informs all stakeholders about how Etalon Group is creating value in the short, medium and long term and outlines the Group's sustainability initiatives. More detailed ESG-related information is provided in the Sustainability Report.

The Annual Report is based on best practices and standards as well as relevant data from management reports, which ensures that the information it contains is as transparent, accurate and relevant as possible.

The Annual Report is consistent with a number of guidelines, including the selected GRI Sustainability Reporting Standards. In line with the requirements of the GRI Standards, this report includes a GRI Index, which presents a clear structure for users of the report.

Material issues

Following 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 to stakeholders 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 mentioned 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

The report did not undergo external assurance.



About Etalon Group

Etalon Group is one of Russia's largest and longest-established development and construction companies. During the 35 years of its existence, Etalon Group has become one of the leading nationwide players, with operations in eight regions of Russia and the best margins in the industry. As part of its strategy, the Company plans to further scale up its business and improve its efficiency by increasing regional expansion, developing new technologies and digitalising the entire value chain.

In May 2022, the Company completed a lucrative transaction to acquire YIT Russia that included 19 projects at the design and construction phases in five regions of Russia, exclusive rights to Dispatcher 24 software for managing apartment buildings, project design documentation and a library of standard design solutions for cast-in-place construction and buildings made of prefabricated panels, as well as service companies with 2.5 mln sqm under management.

Etalon Group's assets as of the end of 2022 included a land bank with a net sellable area of 6.4 mln sqm as well as a construction and maintenance division that includes the Company's own general contracting and subcontracting companies, service businesses, as well as IT companies and manufacturing enterprises, including a production facility for modular construction.

38%

pre-PPA
gross profit
margin

16%

net profit
margin

About Etalon Group

>35

Years in the market¹

8.6

MLN SQM

Delivered throughout the Company's history

8

REGIONS

St Petersburg, Moscow and the Moscow region, Kazan, Ekaterinburg, Omsk, Novosibirsk and Tyumen

6.4

MLN SQM

Project portfolio²

288

BLN RUB

In assets²

38

Projects at the design and construction stages

TOP 3

Among the top 3 nationwide developers³

TOP 10

Among the top 10 companies in a rating of confidence in developers according to Forbes⁴

TOP 5

Among the top 5 in terms of the volume of housing deliveries⁵

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

² According to Nikoliers' valuation of Etalon Group's assets as of 31 December 2022.

³ A rating of developers with operations in six or more regions in terms of the volume of ongoing construction as of 1 January 2023, according to data available from nash.dom.rf.

⁴ Position in a rating of confidence in Russian developers in the category of mass housing for 2022.

⁵ Rating of Russian developers in terms of the amount of floor space delivered in 2022, according to data available from nash.dom.rf.

Our strengths

1

One of the largest nationwide developers in Russia, with an extensive geographical footprint

The Company's current project portfolio includes 38 projects in Russia's largest regions and in cities with a population of more than 1 million (Moscow and the Moscow region, St Petersburg, Omsk, Novosibirsk, Ekaterinburg, Kazan, Tyumen).

The Company's entry into fragmented regional markets with an offer of an affordable and high-quality product provides the Group with opportunities to expand its business and consolidate the industry. In 2022, Etalon Group was the leader in terms of expansion into new regions (adding five regions during the year), growth in construction volumes (up 38% year-on-year) and deliveries (up 74% year-on-year).

For more information about the structure and valuation of the Company's portfolio, see the section [Project portfolio](#).

2

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

Etalon Group provides a full range of project implementation services and the preparation of all necessary documentation right up to the sale, delivery and servicing of new homes.

The Company's business model is based on the use of its software platform and the integration of new technologies, which supports the flexibility, efficiency and scalability of projects as well as the ability to quickly adapt operational processes to changing market conditions.

In addition, the Company ensures strict cost and quality control at all project stages, including by achieving economies of scale through centralised procurement, improving its product in response to customer feedback and automating support functions.

For more on the business model and creating additional value, see page 13.

3

New technologies and digital solutions to improve business efficiency

Etalon Group is one of the leaders in the Russian real estate market when it comes to using digital solutions and innovations.⁶

The Company was one of the first in Russia and the CIS countries to develop and approve its own BIM design standard, and it continues the systematic development of its in-house design and construction know-how. In 2022, the Company switched to the full-scale use of standardised design and a standardised product in regional projects; the Company is also building a pilot modular production facility and has already begun assembling test modules.

The integration of technologies and innovative approaches obtained as part of the acquisition of YIT Russia not only strengthens our competitive advantages but also creates a foundation for successful competition in new markets for the Company.

For more about new technologies and digital solutions, see [Innovations](#) on page 114.

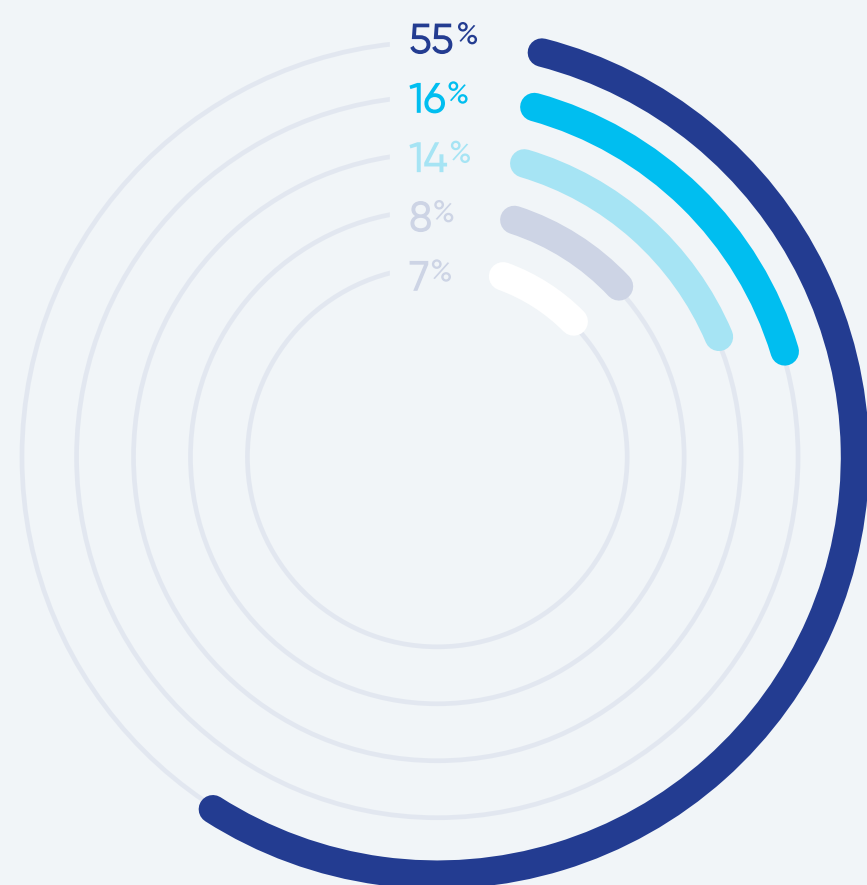
⁶ Since 2014, Etalon Group has been the industry leader in the field of BIM technologies in Russia according to Autodesk.



Acquisition of YIT Russia

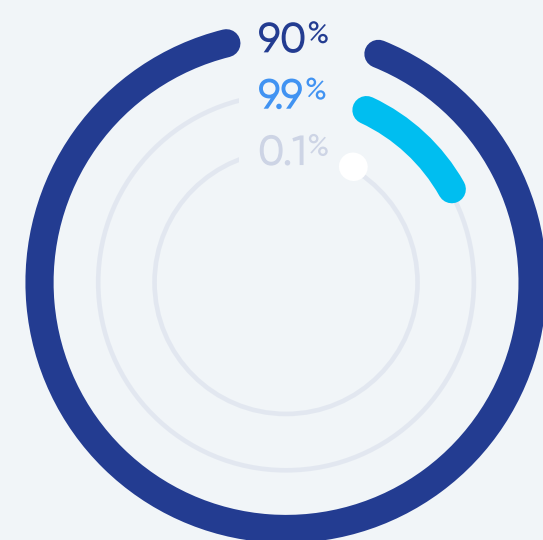
In May 2022, the Company completed its acquisition of YIT Russia, enlarging its land bank with the addition of 19 projects at the design and construction phases in five regions of Russia – Moscow and the Moscow region, St Petersburg, the Sverdlovsk region, Kazan and Tyumen – with an NSA of more than 0.6 mln sqm.

Regional breakdown



● Ekaterinburg ● Moscow region ● Kazan
 ● St Petersburg ● Tyumen

Stages of construction



● Construction ● Design ● Completed

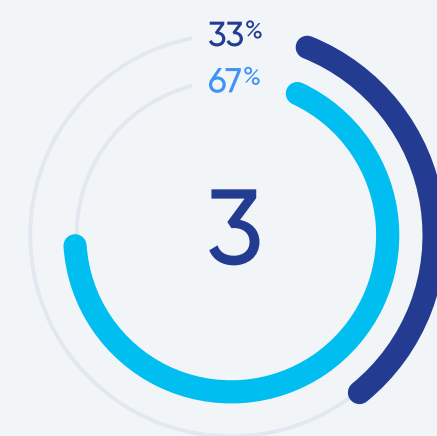
St Petersburg



Moscow and the Moscow region



Kazan



Ekaterinburg and the Sverdlovsk region



Tyumen



● Construction ● Design

YIT Russia, as of 28 February 2022

19
 projects in its portfolio

5
 regions of operations

245 THS
 SQM
 under construction

0.6 MLN
 SQM
 of NSA

Acquisition of YIT Russia

In addition to the portfolio of projects, Etalon Group received a number of digital products and technologies as part of the transaction.

Dispatcher 24

THE LARGEST PRIVATE B2C PLATFORM FOR HOUSING AND COMMUNAL SERVICES IN RUSSIA

Dispatcher 24 is a contact centre and an ecosystem for housing and communal services

- Affordable and high-quality services for customers
- Full-fledged dispatch service for a management company or housing cooperative
- Utilities: data entry and payments
- Communication with the service company
- Additional services

Synergistic effect:

- the possibility of creating fully automated housing and communal services enterprises
- increased customer loyalty by combining well-known brands with a solid reputation
- integration with Etalon Group's smart home systems
- integration with the Etalon Group's digital platform to receive feedback from customers for further product improvement
- scalable service business and ecosystem development

Innovative technologies and design management

KEY PRINCIPLES OF YIT RUSSIA DESIGN MANAGEMENT

Standardisation

80% of building components are standardised; diversity is achieved thanks to the fact that 20% of the elements are non-standardised

Project management

proactive approach to design management – creating and following housing construction trends

Work with contractors

framework agreements with suppliers, established pool of design contractors

Innovation

centralised innovation development process, integrated innovation base (all projects are created using BIM technology)

Synergistic effect:

- strengthened competencies in the development of standard projects in regional markets
- ready-made database of reliable suppliers and contractors for work in regional markets
- expertise in flexible structures and modular furnishing projects
- effective integration of projects due to the complementarity of the functionality of the YIT platform with Etalon Group's digital platform

48 %

revenue CAGR in 2018–2021

585 THS

apartments are under management

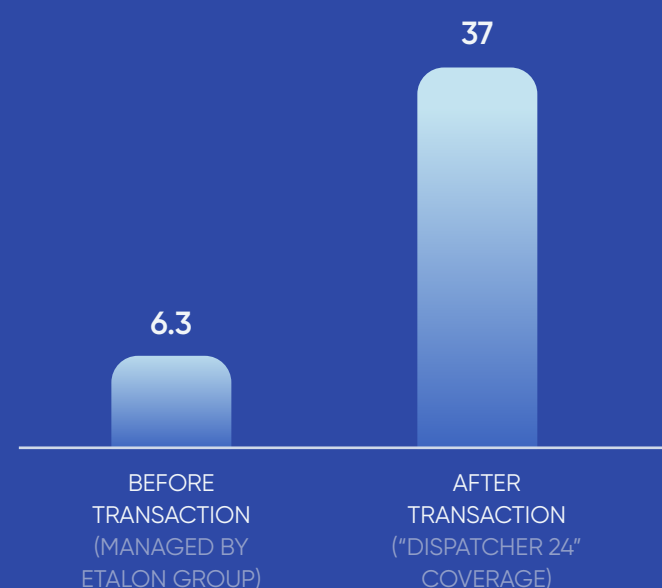
19 %

CAGR of the subscriber base in 2018–2021

>180

service organizations in 28 cities

Area under service, mln sqm



Acquisition of YIT Russia

YIT Russia's portfolio of projects, service business and building management division as well as its innovative technologies not only enable us to extract significant operational synergies from the pooling of assets but also have a positive impact on our financial results. The cost of acquiring the asset in monetary terms amounted to RUB 1.9 billion at the fair value of identifiable assets of RUB 14.2 billion. Thus, the recognised benefit from the acquisition exceeded RUB 12 billion, which made it possible to obtain a record net profit in 2022.

4.3x

Increase in net profit in 2022 due to the lucrative acquisition of a major player with advanced technological expertise

Due to the low level of corporate and project-related debt, the combined business of Etalon Group and YIT Russia has a strong cash position.

Financial synergies:

- economies of scale
- increased cash flows due to the merger of large companies with a strong financial position
- the possibility of using YIT Russia's credit lines at lower rates

The rapid, seamless integration process also helped the Company achieve operational and financial efficiency – sales of YIT projects under the Etalon Group brand began three months after the transaction, and the following works were completed by the end of 4Q 2022:

- integration of architectural and planning solutions;
- combination of competencies for successful regional business;
- integration of YIT Russia projects into the Etalon sales network;
- integration of digital solutions – product standardisation approach, Dispatcher 24 and others; and
- integration of design systems and completion of product standardisation work.

The geographical distribution of YIT Russia's projects and the company's experience in the residential real estate market are perfectly in line with Etalon Group's strategic plans to 2024, which include expanding the scope of activities as well as strengthening market positions and developing technologies.

The acquisition of the company's projects in five regions and the integration of innovative technologies enabled us to do the following:

- accelerate regional expansion beyond key regions with the support of product standardisation; it was important to enter the promising market of Kazan;
- strengthen loyalty to the Etalon brand in regions of operations;
- promote projects started by YIT Russia through Etalon Group's extensive regional sales network.

STRATEGIC GOAL	IMPACT OF TRANSACTION ON ACHIEVEMENT OF THE GOAL	ETALON GROUP TODAY
Expansion of the project portfolio to over 6 mln sqm, expansion into 5 new regions by 2024	Entering a large new market in Kazan (with no competition with other nationwide players) with a large population and an income level above the average in Russia	A nationwide player operating in 8 regions of Russia
Digital and technological business transformation	Integrated product management system during design based on standardisation, automation and innovation	A company that develops modular technologies for housing construction and expands competencies in terms of creating a standardised product
Ecosystem development and customer loyalty enhancement	Exclusive rights to the Dispatcher 24 apartment building management program were purchased	Etalon's customers show a high degree of brand loyalty due to continuous improvements, ecosystem development and response to feedback
Product standardisation	80% of YIT's standardised solutions have been integrated into Etalon's digital platform	Reducing costs and construction time, improving housing affordability and quality through standardisation



Key regions and segments

The Group's portfolio is highly diversified and includes quality projects in the affordable segment and partially in the upper price segment in St Petersburg, Moscow and the Moscow region, as well as in five new regions: Omsk, Ekaterinburg, Kazan, Tyumen and Novosibirsk. Considering the high degree of competition, customer needs and strategic objectives for business growth, the Company is increasing its offer in the mass housing segment.

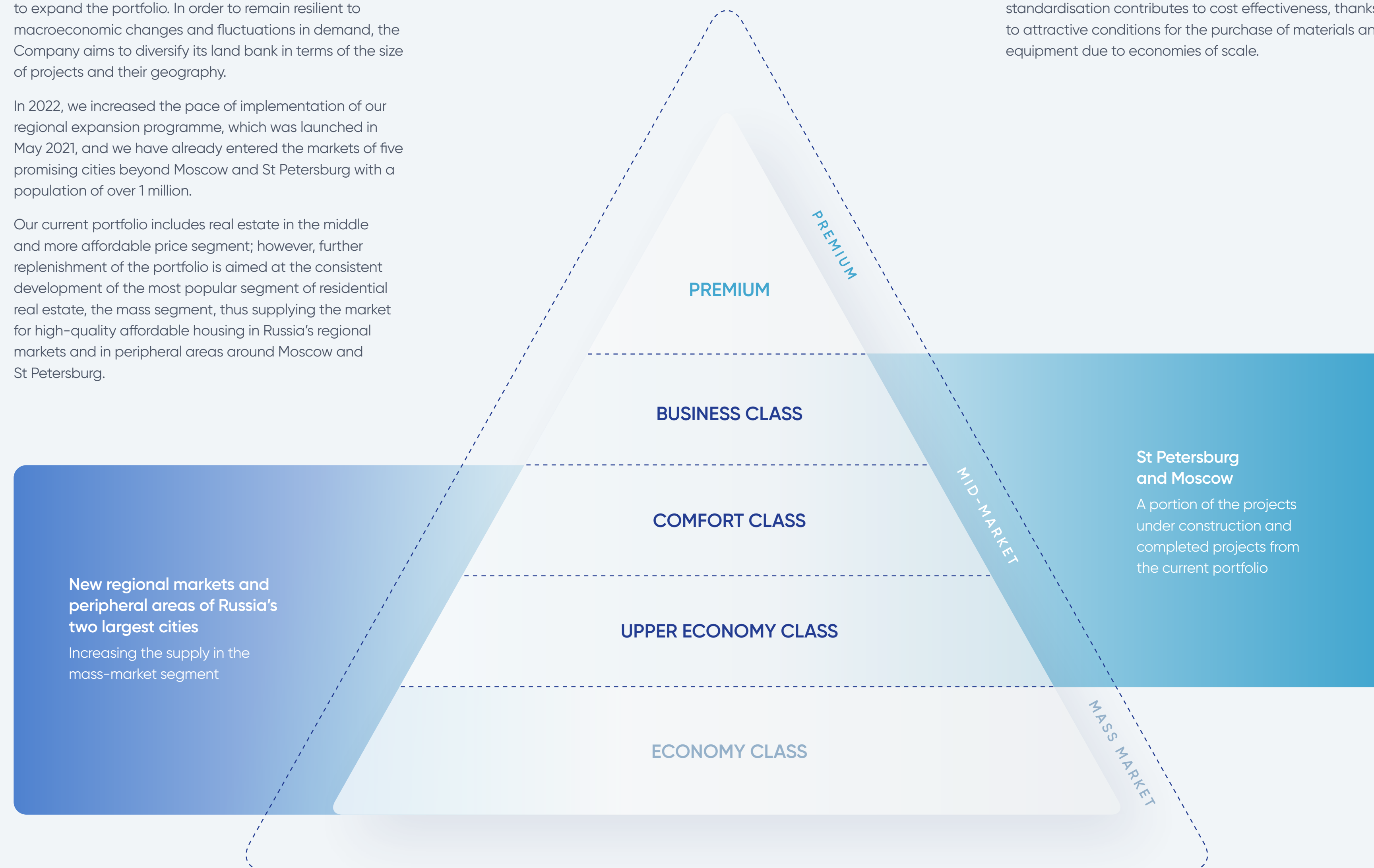
Approach to portfolio development

An attractive level of profitability and complementarity remain the most important criteria for selecting projects to expand the portfolio. In order to remain resilient to macroeconomic changes and fluctuations in demand, the Company aims to diversify its land bank in terms of the size of projects and their geography.

In 2022, we increased the pace of implementation of our regional expansion programme, which was launched in May 2021, and we have already entered the markets of five promising cities beyond Moscow and St Petersburg with a population of over 1 million.

Our current portfolio includes real estate in the middle and more affordable price segment; however, further replenishment of the portfolio is aimed at the consistent development of the most popular segment of residential real estate, the mass segment, thus supplying the market for high-quality affordable housing in Russia's regional markets and in peripheral areas around Moscow and St Petersburg.

Access to the mass segment and its affordability are achieved through cost competition. Project standardisation contributes to cost effectiveness, thanks to attractive conditions for the purchase of materials and equipment due to economies of scale.



Our geography

Etalon Group's expansion into regional markets enabled the Company to become one of the largest nationwide developers. The target regions for the Company are large cities with a population of more than 1 million and a developed real estate market. Entering less competitive regional markets with a product for the large lower price segment provides opportunities for business scaling on the strategic horizon.

8

REGIONS
OF OPERATIONS

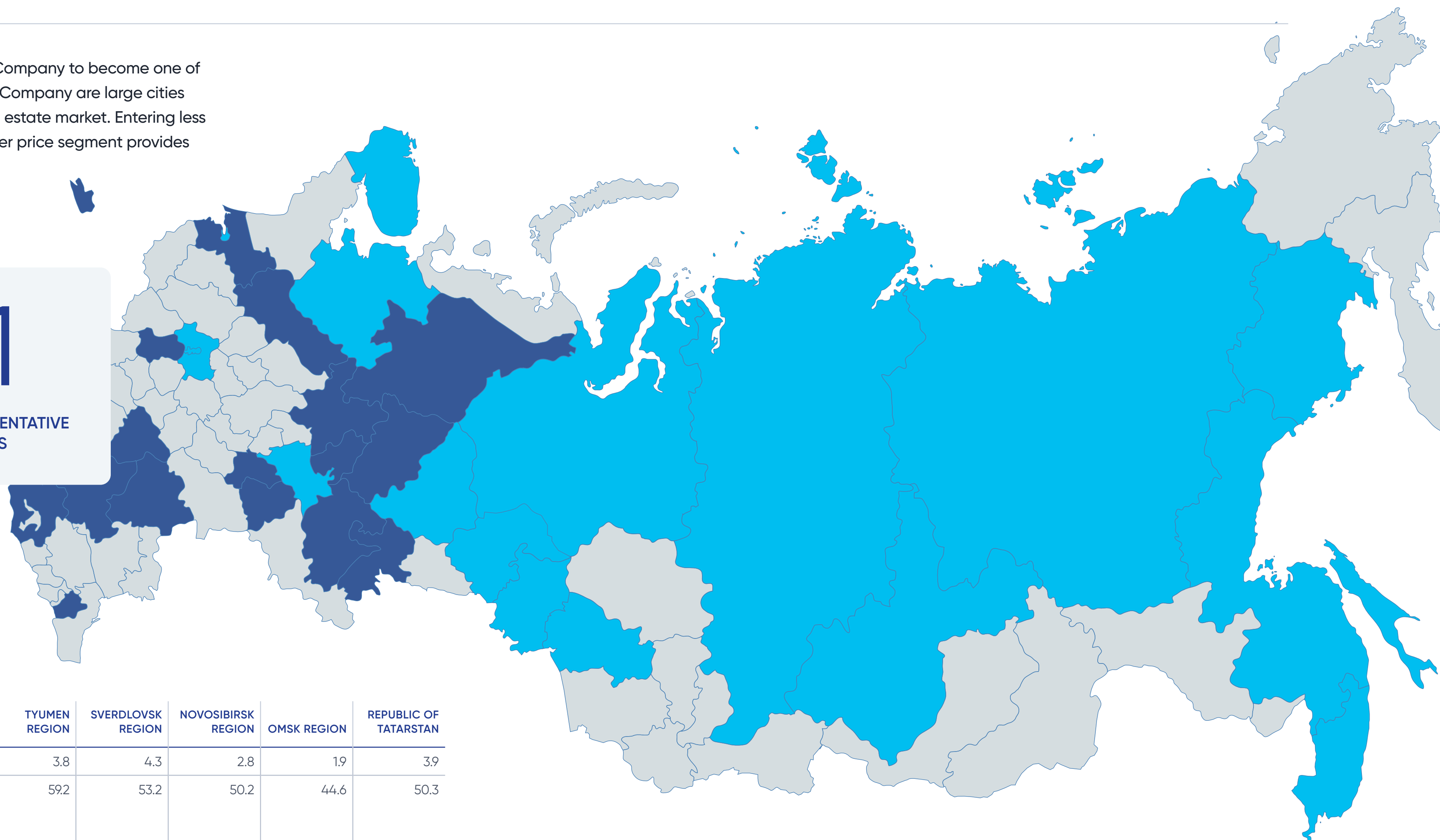
25

SALES OFFICES

11

REPRESENTATIVE
OFFICES

- Established relationships / partnerships with local sales agencies
- Etalon Group's sales offices / representatives



	MOSCOW	MOSCOW REGION	ST PETERSBURG	TYUMEN REGION	SVERDLOVSK REGION	NOVOSIBIRSK REGION	OMSK REGION	REPUBLIC OF TATARSTAN
Population, millions ¹	12.6	7.8	5.4	3.8	4.3	2.8	1.9	3.9
Average per capita income, RUB ths per month ²	117.3	67.9	81.4	59.2	53.2	50.2	44.6	50.3
Volume of ongoing construction, mln sqm ³	16.6	8.4	8.0	2.7	3.6	3.1	0.5	2.2
Average cost per sqm in the primary market, ⁴ RUB ths	374.7	160.0	231.2	97.0	113.1	106.1	89.0	134.2

¹ Source: Rosstat, size of the resident population of the respective region as of 1 January 2022.

² Estimate for the period from January to October 2022 based on preliminary data from Rosstat.

³ Volume of ongoing shared-equity housing construction, including on the basis of project financing through escrow accounts, as of 1 January 2023. Source: nash.dom.rf.

⁴ Source: Rosstat, data for 4Q 2022 for all types of apartments sold in the primary market.

Business management structure

After expanding into regional markets, Etalon Group revised its management structure and adapted it to its new strategic goals, improving efficiency and speeding up decision-making.

The overall management and planning of strategic development as well as oversight of the implementation of all initiatives are carried out by Etalon Group. The Company consists of three large operating divisions in the regions where the Group operates – St Petersburg, Moscow and other regions – as well as a construction and maintenance division and service companies whose operations are controlled by Etalon Group.

This structure makes it possible to quickly adapt the business for entry into new regions and for increasing the volume of business, as well as reducing administrative overhead costs during the implementation of the Company's strategy and improving efficiency.



Results achieved thanks to the updated management structure:

- Understanding the specifics of regional markets** → fast, high-quality decision-making
- Creation of separate operational divisions by region** → full responsibility for financial and operational results at the level of each region
- Centralisation of support functions (finance and accounting, HR, legal support and security)** → reduction of administrative costs
- Creation of new divisions within the Strategic Marketing Department** → customer and brand focus
- Creation of an Innovation and Development Department** → strengthening the innovation and IT functions



Value creation

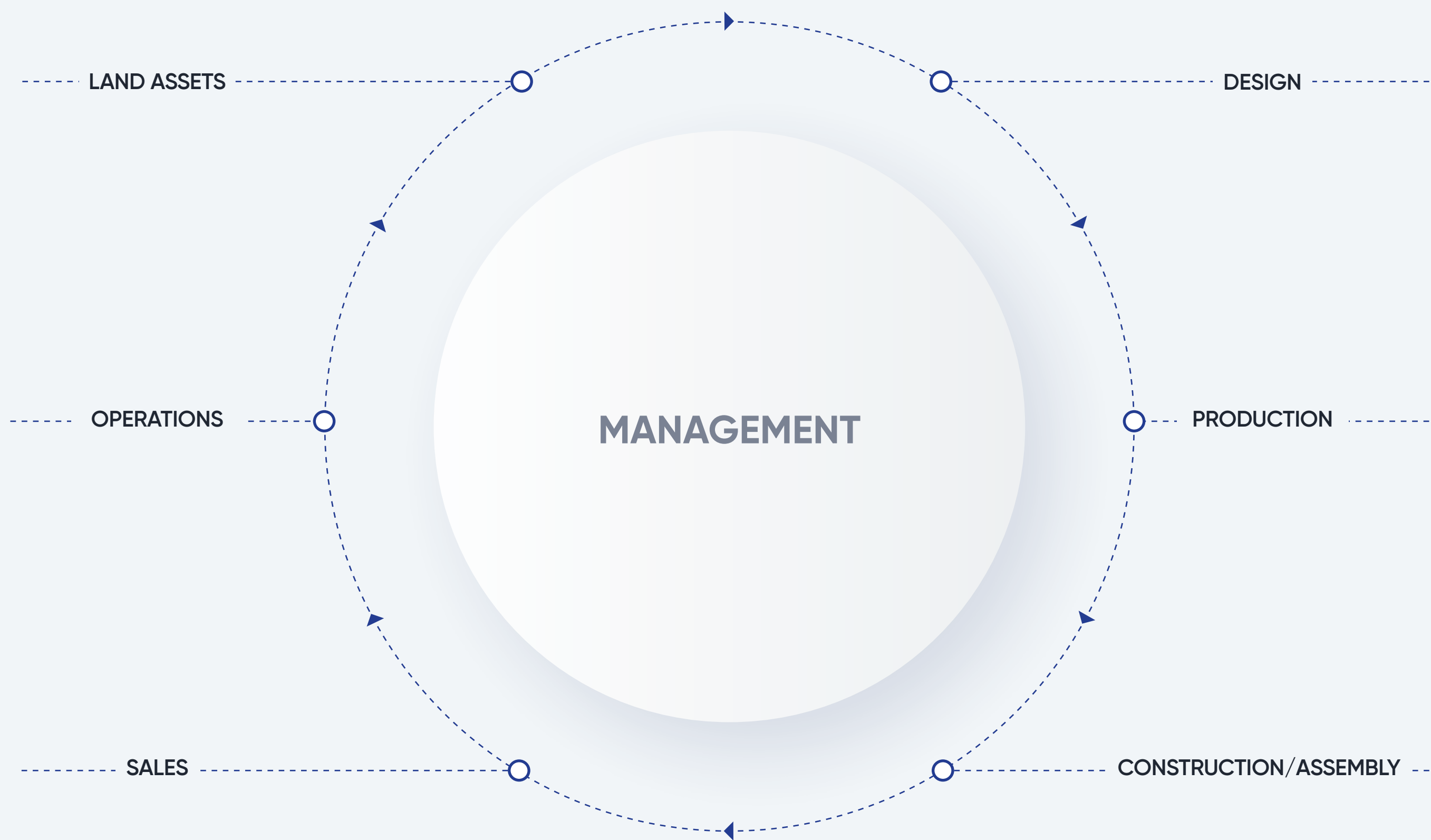
At every stage of its development, Etalon Group is committed to maximising investment returns and creating profit for stakeholders, thereby maintaining the Company's investment appeal and encouraging loyalty to the Etalon brand.

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

In addition to actively replenishing our land bank, we also manage land assets, thus ensuring high returns on investment and diversification. We are increasing the share of the affordable price segment in our portfolio, while choosing projects with target profitability that can become the basis for creating a quality product.

We are continuously improving the quality of our projects, and we consider the opinion of buyers, thus improving the maintenance of our buildings and expanding our range of services, including by bolstering our competencies since the acquisition of YIT Russia. Thanks to this approach, our completed projects remain appealing to residents and potential buyers in the long term.

We focus on customer requests and ensure high-quality service and sales efficiency by focusing on digitalisation in identifying target groups, as well as studying best practices in the area of user experience.



Investment case

Rapid scaling and adaptation of our business at a time of turbulence and market consolidation

1

Active expansion of geographic footprint

The Company's strategy to 2024 assumes a balanced portfolio of projects in at least eight regions with a volume of at least 6 mln sqm. Since the beginning of 2021, thanks to organic and inorganic growth, Etalon Group's project portfolio has more than doubled, from 2.8 mln sqm to 6.4 mln sqm, and the Company has entered five new regions. Our strategic goal is to achieve a steady double-digit annual sales growth rate thanks to regional expansion and business growth.

2

Successful experience of inorganic growth

Over the past three years, the Company has completed two M&A transactions that provided significant business synergies. At the beginning of 2019, Etalon Group acquired the Moscow developer Leader-Invest, increasing the value of the Company's portfolio by 39%, from RUB 127 billion to RUB 177 billion. In 2022, Etalon Group completed the acquisition of YIT Russia. The successful integration of YIT Russia's assets was one of the key factors that enabled us to significantly increase our construction and delivery volumes, while also strengthening our competencies in terms of digitalisation, design and building maintenance.

3

Industry-leading efficiency

More efficient work with prime cost due to standardisation and improvement of process management enabled the Company to take a leading position in terms of profitability among the largest developers. Pre-PPA gross margin at the end of 2022 reached 38% (No. 2 among the largest Russian developers and above the industry average); in the segment of housing development in regional markets, it reached an impressive 43%. The Company's net profit margin is the highest in the industry, at 16%.

4

Rapid introduction of innovations for successful cost competition

IN 2022, THE COMPANY:

- completed work on the creation of a product standard;
- rolled out a digital integration platform for testing and prepared to put the system into commercial operation;
- started production of test modules;
- implemented elements of the Digital Neighbourhood system at a number of projects in Moscow and St Petersburg;
- launched a procurement automation project and transferred 95% of applications to the digital ecosystem.

The large-scale application of a standardised approach to design, the digitalisation of operational processes and the development of state-of-the-art house-building technologies allows for more efficient cost management and, consequently, makes the Company more competitive in a market that is being consolidated.

Innovative technologies make more efficient implementation of the portfolio in the mass segment possible: the share of this segment in the portfolio has doubled since the beginning of 2021.

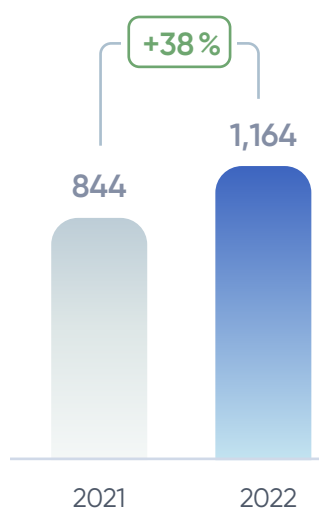
5

Commitment to ESG values

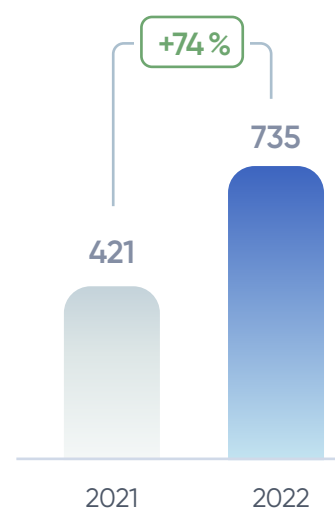
By basing its approach to business on the principles of social responsibility and sustainability, the Company is able to build partnerships with shareholders, investors and customers. In 2022, we continued to implement best ESG practices in our daily activities: we developed and approved a Supplier Code and continued to work on the establishment of specific measurable goals and strategies in the area of ESG as well as the implementation of a pilot project for green certification of apartment buildings according to a new standard.

The Company's global depositary receipts remain undervalued, which creates strong growth potential on the strategic horizon.

Construction volumes, ths sqm



Deliveries, ths sqm

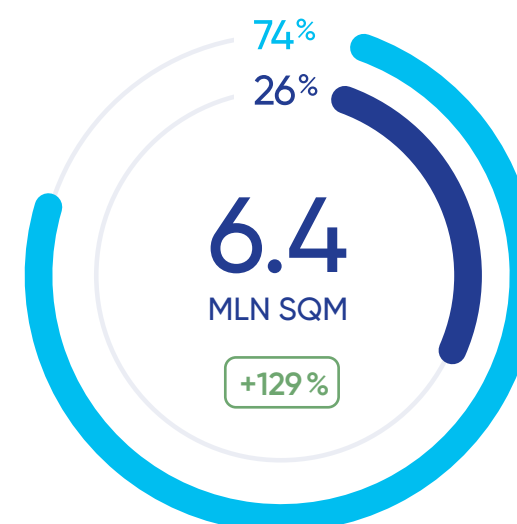


Project portfolio before regional expansion, as of 1 January 2021

- Middle and premium segments
- Mass segment



Project portfolio now, as of 31 December 2022



2022 in brief

Implementation of the plans outlined in the strategy for 2022 enabled us to achieve robust financial results. In the future, we will focus on new advances in technology, improved operational efficiency to make a larger percentage of our product affordable, successful regional expansion and the launch of new regional projects.

1Q



Etalon Group entered the Ekaterinburg market to implement a housing construction project.



A transaction was completed to acquire a 50% stake in Strana Etalon LLC, a joint venture created with Strana Development Group to carry out construction in Tyumen.



The **Schastye na Semyonovskoy** and **Wings** residential complexes were delivered.

1Q22 RESULTS:

19.7^{BLN}
RUB

New contract sales from the beginning of the year

32%

Increase in the average price per sqm
y-o-y

21.2^{BLN}
RUB

Cash collections from the beginning of the year

175.7^{THS}
SQM

Deliveries

2Q



YIT Russia was acquired.



The **Green River** residential complex in Omsk – a flagship project beyond Moscow and St Petersburg – was put on sale.



We introduced our own service for assessing the investment appeal of development projects; the Board of Directors decided to postpone consideration of the matter of dividend payments for 2021 until constraints currently in force are removed.



Sales were launched at **Monograph**, a comfort-class residential complex in St Petersburg.

1H22 RESULTS:

29.3^{BLN}
RUB

New contract sales from the beginning of the year

10%

Increase in the average price per sqm
y-o-y

32.6^{BLN}
RUB

Cash collections from the beginning of the year

235.0^{THS}
SQM

Deliveries

2022 in brief

3Q



Sales began in the **Solnechniy** residential district of Ekaterinburg.



A new phase of the **Domino Premium** residential complex was launched.



Sales began for a new phase of the **Novoorlovskiy** residential complex in St Petersburg.

9M22 RESULTS:

42.6 ^{BLN}
^{RUB}

New contract sales from the beginning of the year

8%

Increase in the average price per sqm
y-o-y

43.8 ^{BLN}
^{RUB}

Cash collections from the beginning of the year

326.0 ^{THS}
^{SQM}

Deliveries

4Q



Sales began at the new **Schastye v Kazani** residential complex.



Sales began at the new **Schastye v Tyumeni** residential complex.



The **Che Quarter** in St Petersburg was delivered.



The final buildings at the **Rifey** residential complex in the Sverdlovsk region were delivered.



The **Domino** residential complex in St Petersburg was delivered.



An agreement was signed on the construction and subsequent operation of the interuniversity student campus at the world-class Eurasian Scientific and Educational Centre in Ufa.

12M22 RESULTS:

71.8 ^{BLN}
^{RUB}

New contract sales from the beginning of the year¹

6%

Increase in the average price per sqm
y-o-y

75.0 ^{BLN}
^{RUB}

Cash collections from the beginning of the year²

734.8 ^{THS}
^{SQM}

Deliveries

¹ Including cumulative sales at YIT projects under development.

² Including cash from YIT development operations.

Chairman's statement



Dear shareholders,

Foreign-policy developments and changes in market conditions in 2022 had a huge impact on global business and the investment community. Etalon Group, like other market players, had to adapt to the new environment by taking a flexible approach to the restructuring of its business management, operational processes and supply chains. Last year's results show that we were able to respond to external challenges in a timely manner: we transformed our approaches to business management, bolstered our competencies when it comes to new technologies and the efficiency of our internal processes, and took advantage of opportunities for inorganic growth. As a result of these changes, Etalon Group has become stronger and more efficient, and we are better prepared to work in a challenging market environment.

It was impossible that geopolitical tensions, sanctions pressure and related restrictions, including the suspension of trading in Russian securities on a number of international platforms, would not have an impact on public companies. Nevertheless, Etalon Group remains committed to respecting the rights of all groups of investors, continues to disclose information to the same extent and does not take any decisions that could adversely affect a particular group of shareholders. Despite everything, we are committed to complying with the principle of transparency because we believe that feedback from shareholders and their involvement in decision-making helps us correctly formulate our shared strategic goals and plans for further action.

Alongside transparency, one of our key principles remains the independence of the Board of Directors, which saw changes to its membership during the reporting year, as Martin Cocker, Oleg Mubarakshin and Maxim Berlovich all stepped down. In an effort to continue to ensure balanced and impartial decision-making, the Board of Directors nominated and approved a new independent director, Vitaly Pyltsov, who has many years of experience in finance, auditing and strategy development. Five of the eight members of the Board of Directors are independent.

It should be noted that when making decisions at any level, starting with the level of the Board of Directors, we are always guided by the principles of corporate and social responsibility.

In 2021, we systematised our approach to this issue, approving a single ESG policy for all Group companies, and we have strictly followed the steps outlined in that policy ever since. In particular, in the context of the policy, we plan to issue a separate sustainability report this year. At the operational level, we continue to implement best ESG practices, including by taking measures to reduce our environmental impact, develop local communities and integrate innovative technologies. Since 2014, we have been using our own occupational safety monitoring system based on information modelling technologies, and we have not recorded a single fatal accident in the past seven years. During the reporting year, we also joined a public-private partnership project that is building innovative student campuses: in December, we signed a concession agreement for the construction and subsequent operation of the interuniversity student campus at the world-class Eurasian Research and Education Centre in Ufa.

Despite the external environment, we achieved during the reporting year many of the goals that we had set for ourselves for the strategic horizon. I would like to sincerely thank our management and all our employees for their professionalism and perseverance, as well as our shareholders for their support and loyalty. I am confident that our openness, commitment to the principles of responsible business and focus on results will help us continue to successfully deal with all the challenges that we encounter.

SERGEY EGOROV

Chairman of the Board of Directors

CEO's statement



Dear shareholders,

The year 2022 was a jubilee year for Etalon Group: in June we celebrated our 35th anniversary. During this period, we have built one of the largest and most efficient real estate and construction corporations in Russia with a respected and stable reputation. In recent decades, we have significantly changed the scale of our business, our approaches to design and construction and our financial situation. But there are aspects that have remained unchanged, such as the professionalism and cohesion of our team, our customer focus and the high level of service offered by Etalon Group.

The last few years have demonstrated that we are resilient to crises and to any turbulence in the business environment. Despite all the challenges of 2022, Etalon has remained true to its principle of fulfilling its obligations to its customers, employees and partners. In a short period of time, the team managed to adapt to the new environment, not only keeping the business stable but also achieving sustainable results.

In the reporting year, we continued to implement our development strategy to 2024. We focused on the regional expansion of our business and on the operational efficiency of Etalon Group. As a result, we entered five new regional markets and added approximately 20 projects to our portfolio. Etalon Group now has a presence in eight Russian regions. We also acquired YIT Russia, thereby expanding our business and strengthening our leading position in the market. By implementing digital cost control solutions, improving sales efficiency and reacting promptly to external changes, we achieved a record gross margin of 38%, exceeding the target level of 35% set out in our development strategy.

Operating results

Over the past few years, Etalon Group has noticeably expanded its project portfolio and geography of operations through organic and inorganic growth. In 2022, we continued to develop our land bank, expanding it to 6.4 mln sqm and raising the value of our assets to a record RUB 288 billion, up 7% from 2021. This was made possible thanks to the lucrative acquisition of YIT Russia as well as the launch of new projects in regions such as Omsk, Ekaterinburg, Tyumen and Kazan, among other things.

By adding projects to our portfolio that are at different stages of completion, we increased the amount of NSA delivered by 74% year-on-year to 735 ths sqm – a record high for the Company. Since the Company was founded, we have delivered a total of 8.6 mln sqm. And in 2022 Etalon Group considerably bolstered its position among the five largest developers in Russia.

In the reporting year, our sales volume amounted to 423 ths sqm in terms of floor space and RUB 71.8 billion in monetary terms including YIT Russia's accumulated sales. Sales trends varied throughout 2022. Nevertheless, the challenging external environment and temporary supply constraints at the beginning of the year were partially offset by the active expansion of the Company's portfolio, the improved affordability of its product and the launch of new buildings in the second half of 2022, which enabled the Company to restore positive sales trends by the end of the year. An important driver of the sales recovery in the new economic environment was the increase in the share of regional projects in the affordable price segment, including projects from YIT's portfolio.

Financial results

In a turbulent and increasingly competitive development market, we focused on increasing our operational efficiency and maintaining high margins. Among other things, we turned our attention to technological transformation to reduce the production cost of projects.

As a result, Etalon Group's gross profit increased from RUB 27.8 billion to RUB 28.2 billion in 2022. Pre-PPA gross profit margin once again showed year-on-year growth from 36% to 38% (and 43% in regional markets), exceeding the target of 35% set in the Group's strategy. Thanks to the lucrative acquisition of YIT Russia, Etalon Group's net profit more than quadrupled during the year and reached a record RUB 13 billion. EBITDA in 2022 amounted to RUB 16.5 billion. Despite the costs associated with the deal, EBITDA margin remained flat year-on-year at 20.5%.

In spite of the external environment, we managed to maintain a comfortable level of leverage and low debt servicing costs. The ratio of net corporate debt to pre-PPA EBITDA was less than 1x, significantly below the target level of 2x–3x. The average borrowing rate decreased from 6.5% at the end of 2021 to 5.2% as of 31 December 2022.

Strategic objectives

Etalon Group's strategic goal is to become one of the leaders in the industry in terms of business efficiency. Regional expansion and technological transformation were initially among the priority vectors of our strategy to 2024. In 2022, we were convinced once again that we chose the right path. Expanding into large regional markets enables us to ensure business growth, while digitalisation and new technologies allow us to keep production costs in check and remain competitive in terms of overhead.

With market consolidation and with the entry of major players into regional markets, we aim to make our product even more affordable. In 2021, we worked on product standardisation, and in 2022 we will apply the approach we developed to new regional projects. We are also testing state-of-the-art modular construction technology and preparing to launch our own production facilities. The standardisation of our product and the application of new approaches to construction enable us to significantly reduce the need for materials and, consequently, the production cost. In addition, our approach makes it possible to improve the quality of construction while reducing project time frames. All of these factors put in place the prerequisites for us to compete successfully with other players and to consolidate the market.

In conclusion, I would like to emphasise that Etalon Group is ready for change and is able to take on potential challenges. In 2023, we will continue to move confidently towards our strategic goals. I am convinced that, with a professional team, and with a stable and flexible business model that ensures continuous improvement of our efficiency and profitability, we will further expand our business even if market conditions remain challenging.

Thank you for your confidence in Etalon Group.

GENNADIY SHCHERBINA
Chief Executive Officer



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MARKET OVERVIEW AND TRENDS

Macroeconomic context ²⁰

Factors driving demand ²¹

Supply redistribution ²⁴

Competitive environment ²⁴



Market overview and trends

The year 2022 tested the resilience of the development industry. The market was turbulent throughout the year as a result of uncertain consumer demand, a tight monetary policy, inflation and rapidly increasing production costs.

A variety of instruments were utilised to support demand: state mortgage programmes were extended, developers provided individualised offers for mortgage subsidies as well as personal discounts, and the key rate dropped in the second half of 2022. As a result, there was pent-up demand, but inflation risk remained high at the same time, so consumers were looking for alternative investments to preserve capital instead of putting their money in savings deposits with low returns.

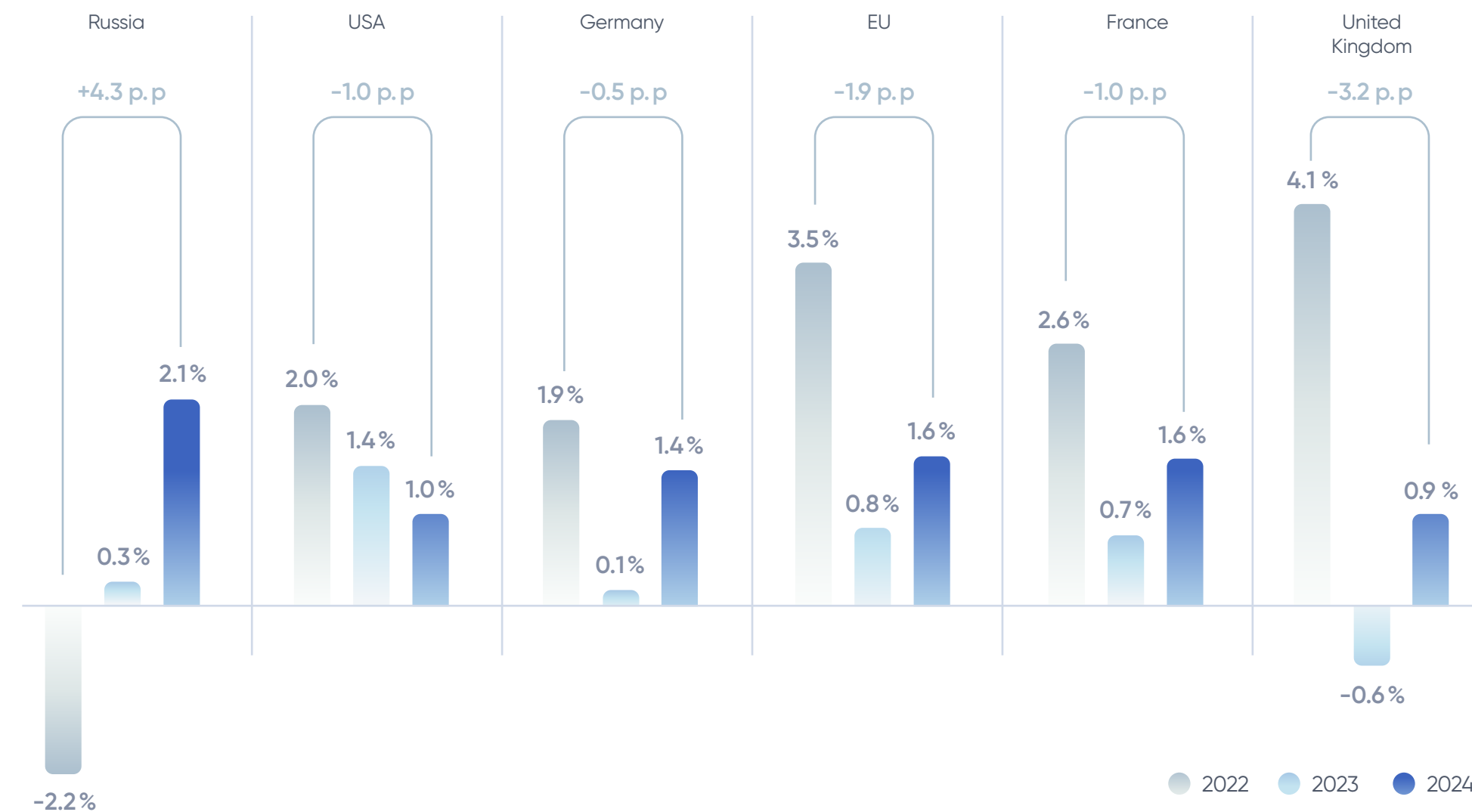
Key market players continued to expand their portfolios, and developers also entered new regional markets and segments, which were important means of diversifying their portfolios and creating a quality offer in regional markets.

Macroeconomic context

The Russian economy turned out to be more stable than analysts were expecting in mid-2022, and the forecast growth rate remains at the same level or higher than that of the EU.

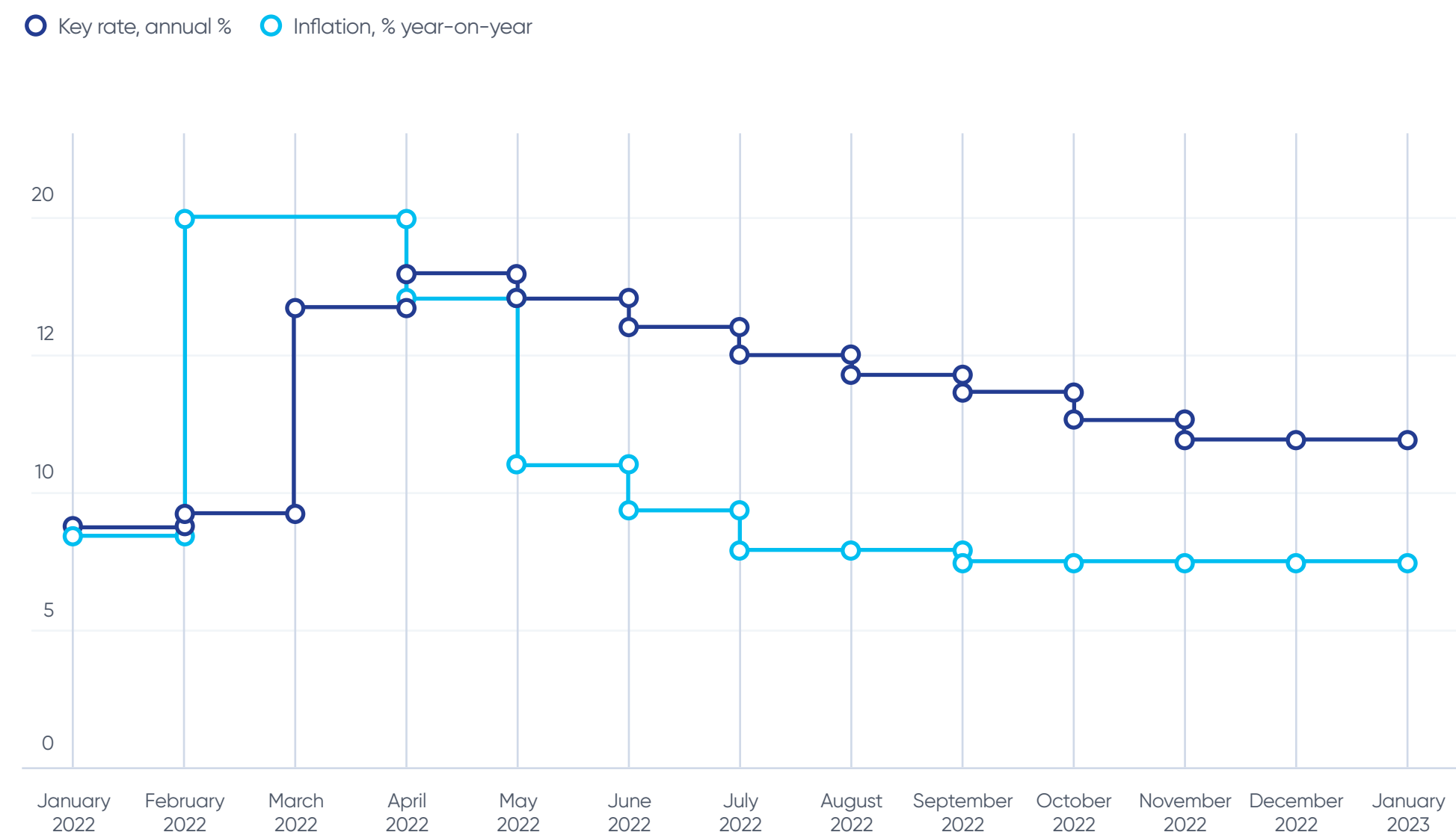
Despite challenges associated with the geopolitical context and tight monetary policy, the Russian economy demonstrated strong GDP results last year. In the middle of the year, IMF analysts predicted that Russia's GDP would decrease by 6%, while the World Bank estimated in June a contraction of 8.9%. However, GDP was supported in the second half of the year, largely thanks a strong budget surplus, driven by oil and gas revenues, as well as the appreciation of the rouble and an expansionary monetary policy. The result was a less severe recession with underlying potential for rapid recovery and growth.

According to IMF forecasts, the Russian economy will expand by 0.3% in 2023, the same as in the Eurozone, and in 2024 Russia's GDP will grow by 2.1%, outpacing the majority of countries in the EU.



High inflation during the year gave way to a steady deflationary trend, and the result for the year was better than that of most EU countries.

Inflation in Russia reached 11.9% in 2022, three times the Bank of Russia's target. Nevertheless, an inflationary spiral was avoided thanks to a tight monetary policy in early 2022, and the inflation rate began to decrease rapidly in the second half of 2022. According to the Bank of Russia, inflation will return to target levels in 2024, while the key rate will remain at 7.5% in 2023, dropping to 6.8% in 2024.



Factors driving demand

More affordable housing in key regions of operations

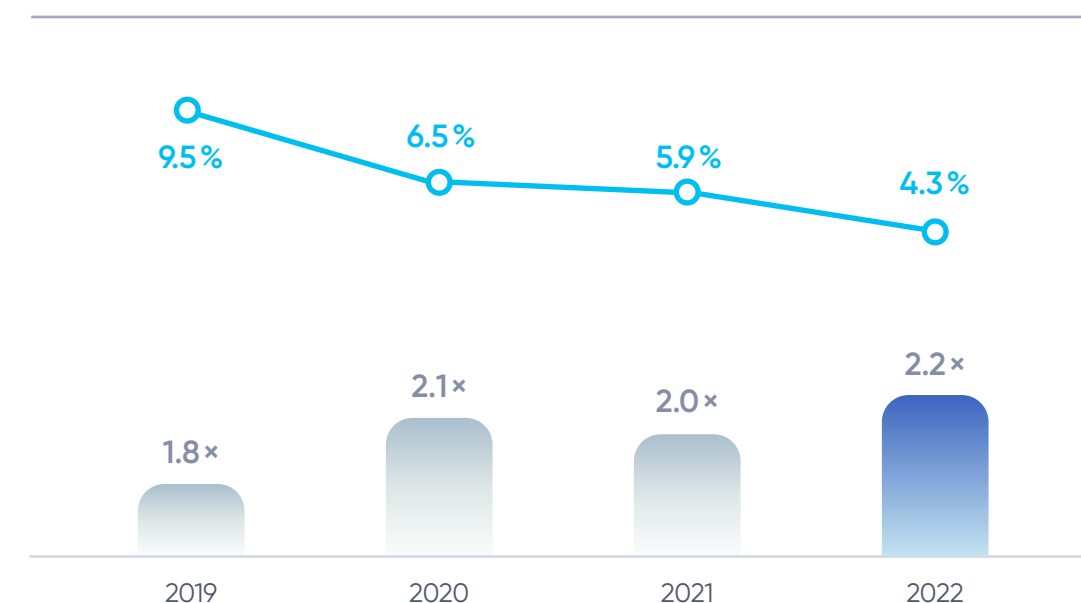
The key demand driver in 2022 was the fact that mortgage-backed purchases of housing in new developments became more affordable thanks to state mortgage programmes and individualised offers from developers to subsidise mortgage rates.

One of the trends of 2022 was the opportunity for buyers to purchase real estate in the primary market at subsidised mortgage rates. Due to the tight monetary policy in April, the key rate was at 17%, and the state-backed preferential mortgage rate was 12%, which strongly discouraged consumers from purchasing property. However, a subsequent reduction in the key rate and preferential mortgage rates supported sales, while developers began offering subsidised preferential mortgages at record-low rates.

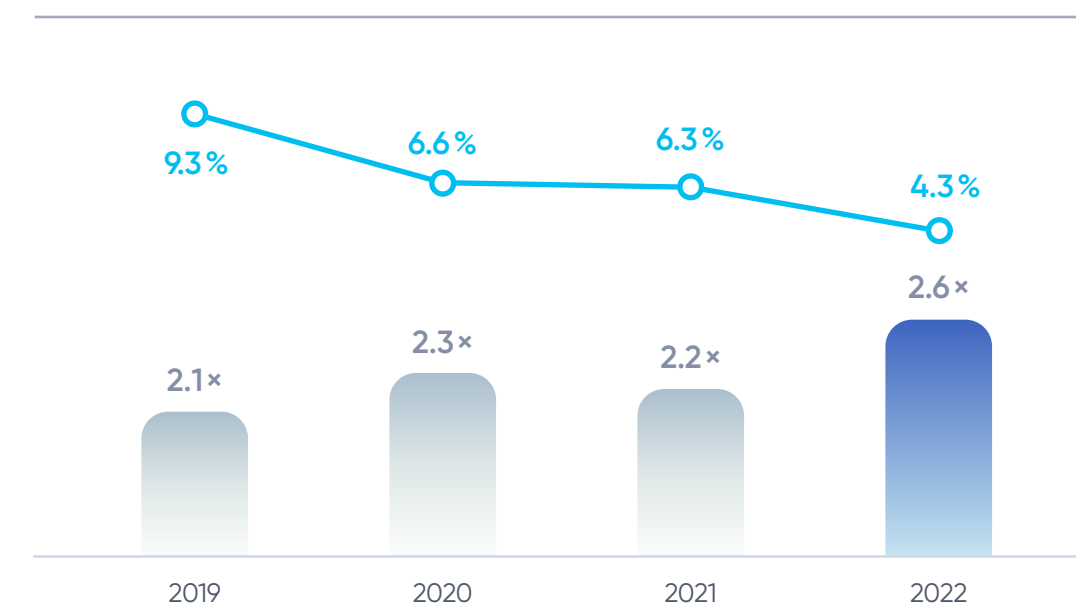
As a result, the ratio of average wages to monthly mortgage payments increased to 2.2x in the Russian Federation, 2.6x in Moscow and 2.7x in St Petersburg, which made purchasing a home with a mortgage more affordable. In regional markets, since the price of the average listing met the criteria for getting a preferential mortgage rate, property also became more affordable beyond Moscow and St Petersburg.

● Average monthly income to mortgage payment ● Weighted average interest rate on mortgage loans

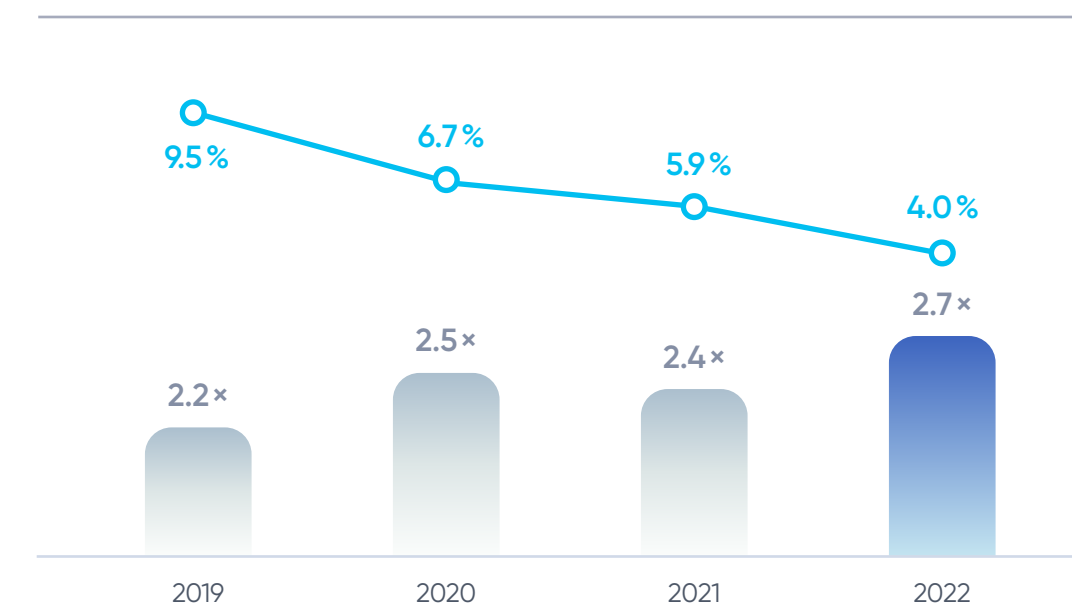
In Russia



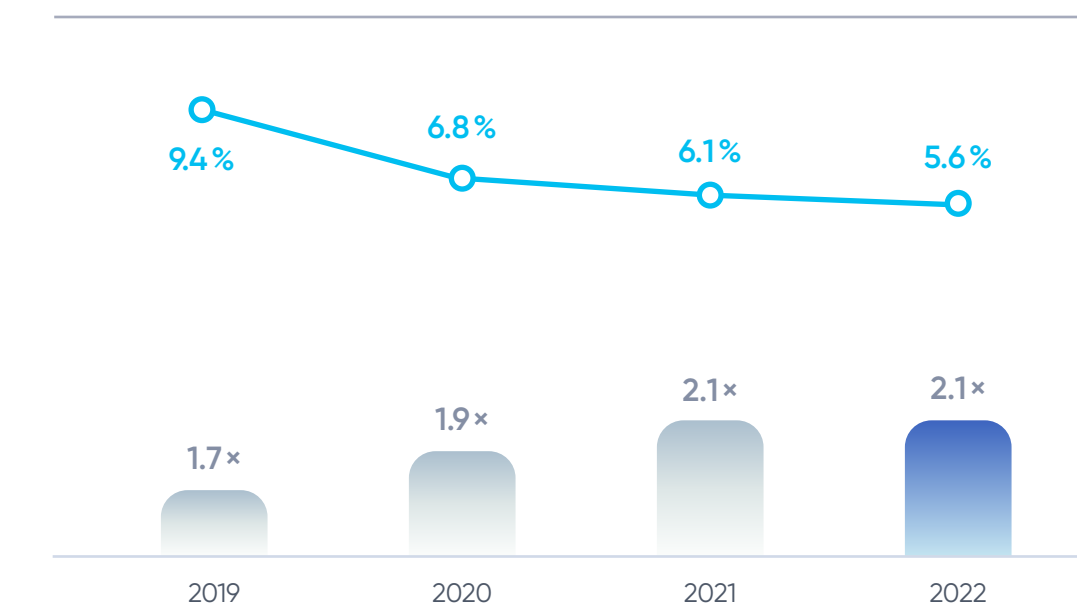
In Moscow



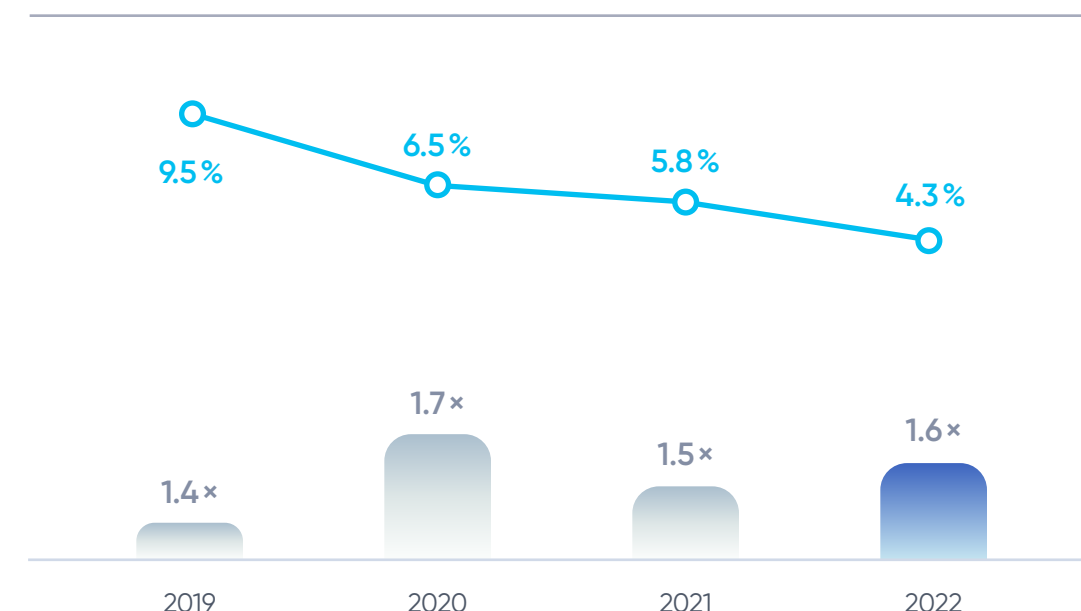
In St Petersburg



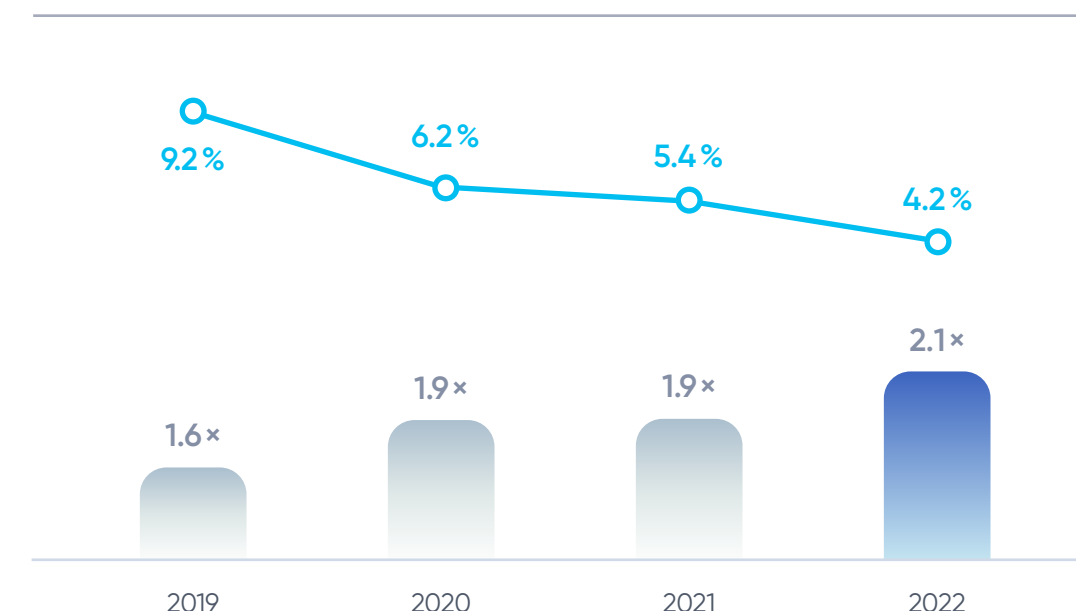
In the Sverdlovsk region



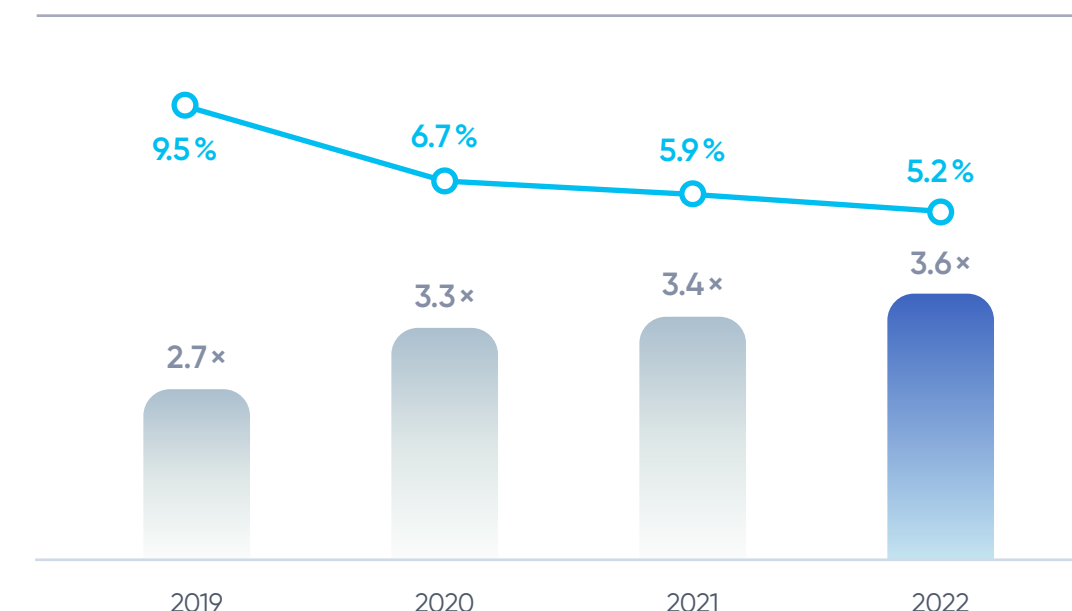
In the Omsk region



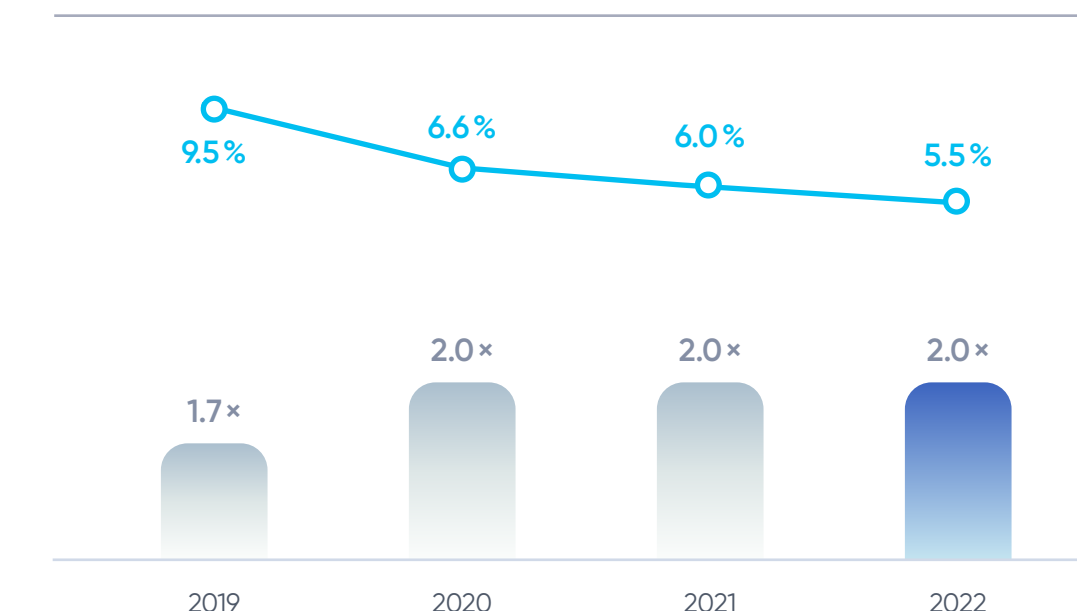
In Tatarstan



In the Tyumen region



In the Novosibirsk region



Factors driving demand

Need for improved living conditions

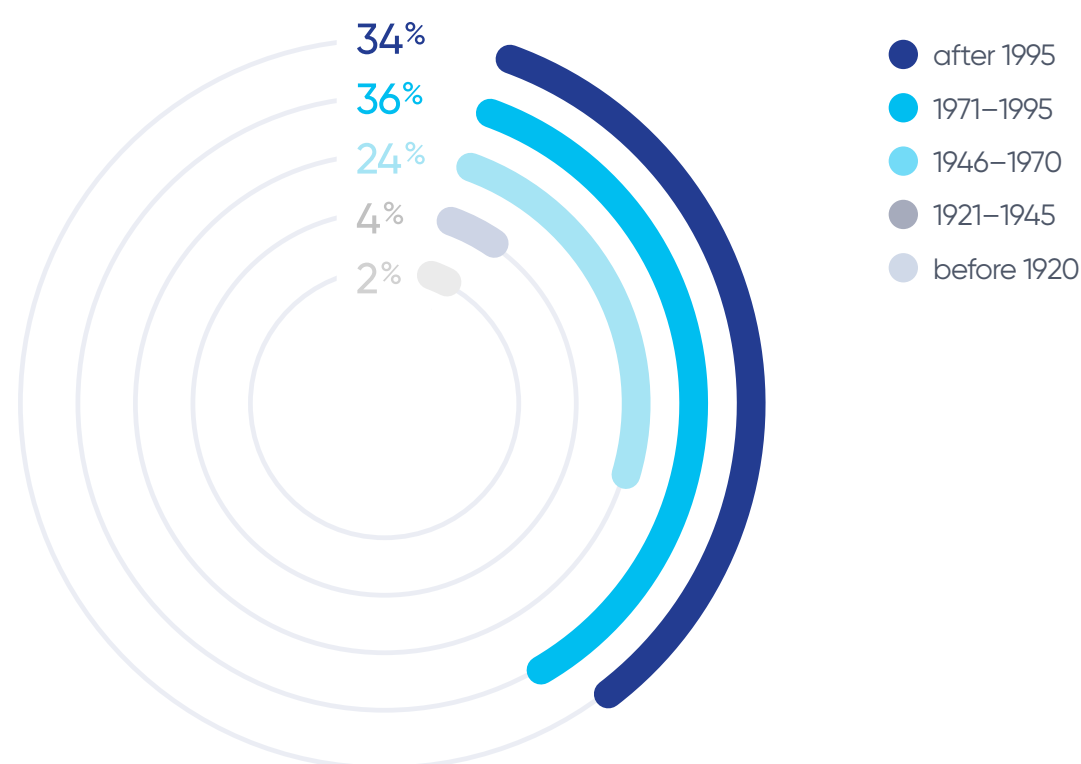
Population growth in megacities and ageing housing stock together with the Russian government’s priority of increasing the average amount of living space per person have been driving improvements to the quality of housing conditions.

In terms of the amount of available living space both in megacities and in the Russian Federation as a whole, the average amount of space per person has been increasing. At the same time, according to the Strategy for the Development of the Construction Industry and Housing and Communal Services of the Russian Federation for the period to 2030, the amount of available living space per person should be no less than 33.3 sqm.

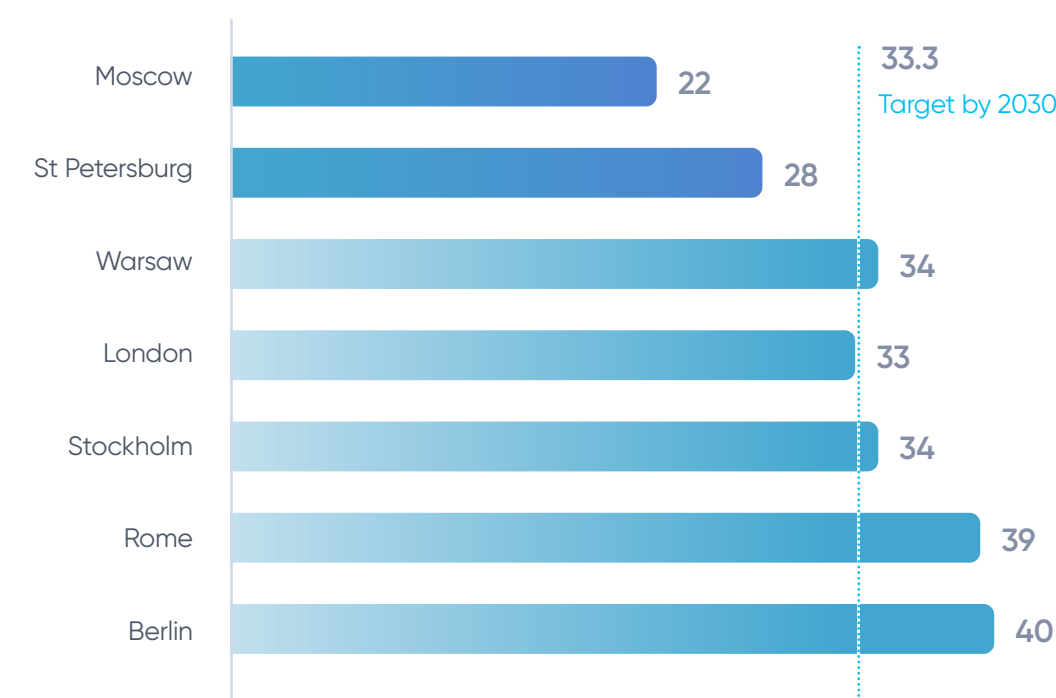
Sixty-six per cent of the housing stock in the Russian Federation was built before 1995. The quality of this housing no longer meets the needs of the modern consumer, and buildings that are more than 50 years old and in need of renovation account for about 30% of Russia’s housing stock.

Russia’s unemployment rate in 2022 reached a record low of 3.7% of the working-age population, which in turn will stimulate wage growth and make residential real estate more affordable.

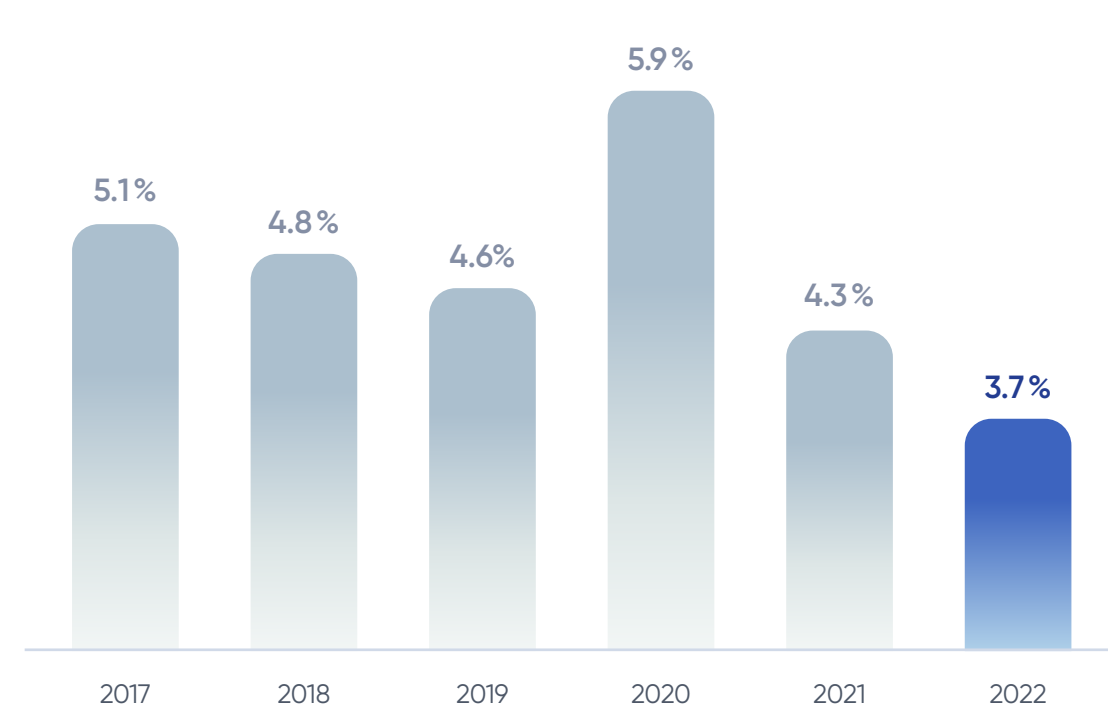
Russian housing stock by period of construction



Amount of living space, sqm/person



Unemployment in Russia



Considerable increase in mortgage lending

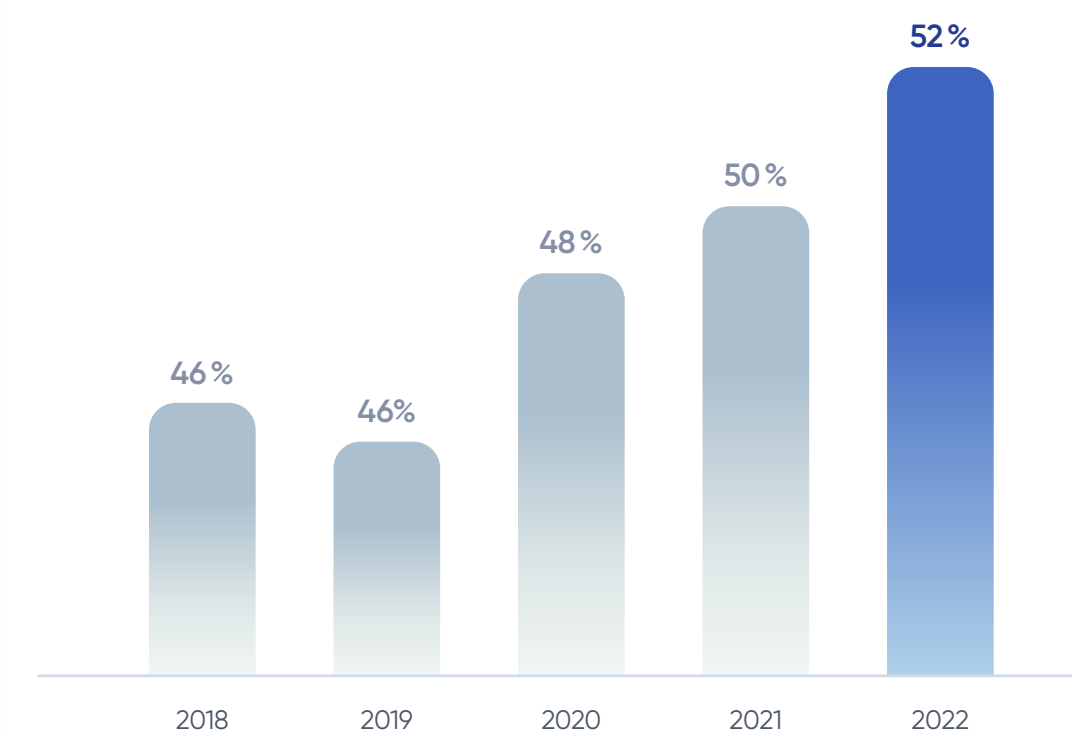
Preferential mortgages, subsidised mortgages from developers, and key mortgage programmes for regional markets and IT specialists played a major role in supporting sales rates, while mortgage lending as a percentage of GDP reached 10%.

Mortgage lending has been gaining new momentum from year to year, and its share of retail lending has increased significantly, from 40% in 2016 to 52% in 2022. Thanks to this instrument, more and more families have an opportunity both to upgrade their housing conditions and to purchase their first home.

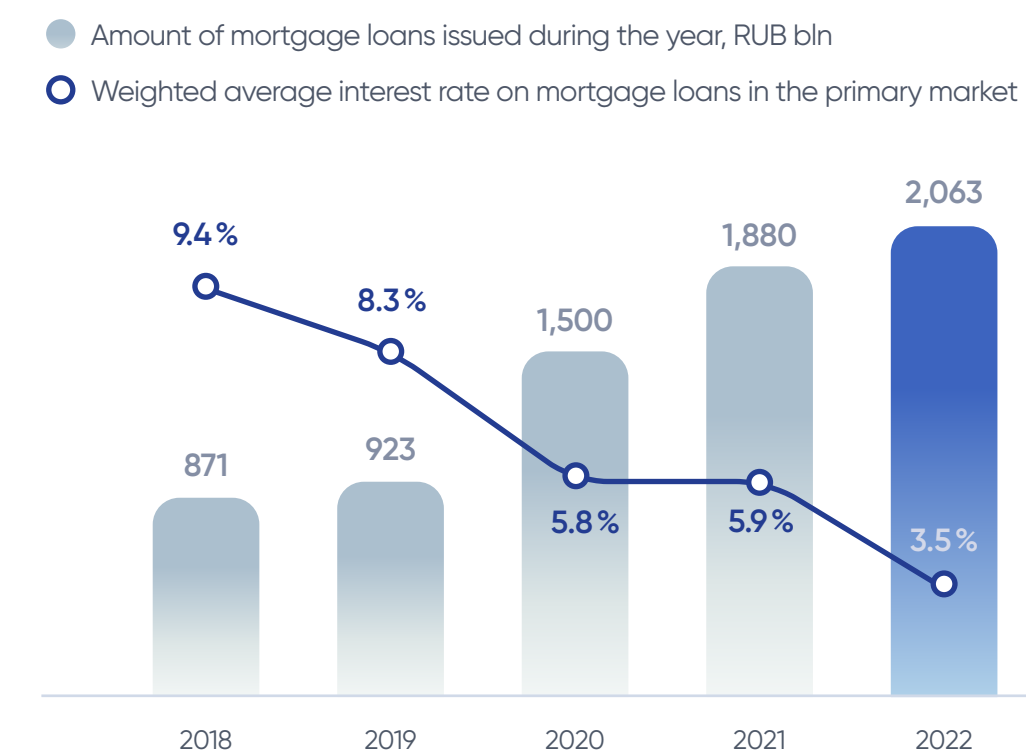
Thanks to subsidised mortgages from developers and preferential programmes from the state, last year’s results surpassed the record set the previous year in terms of the

amount of mortgage loans granted to individuals for the purchase of housing in the primary market, reaching RUB 2.1 trillion. And the weighted average mortgage rate in the primary market reached a record low of 3.5%. According to the forecast of the Bank of the Russia, the percentage of mortgage-backed housing purchases is expected to rise to 12%–16% in 2023.

Share of mortgages as percentage of retail lending



Amount of mortgage loans issued, RUB bln



Factors driving demand

Considerable increase in mortgage lending

Despite the impressive rate of mortgage lending and the increase in the percentage of retail lending that mortgages account for, the ratio of mortgage debt to GDP is 10% in the Russian Federation, while this figure is above 50% in the United States, the United Kingdom, Canada and Sweden.

There has been a steady downward trend in terms of the amount of overdue mortgage debt relative to total mortgage debt. Overdue debt in 2018 amounted to 0.96% of a total debt of RUB 6.4 trillion; in 2022, the percentage decreased to 0.4% of a total debt of RUB 13.9 trillion.

Capital preservation through low mortgage rates

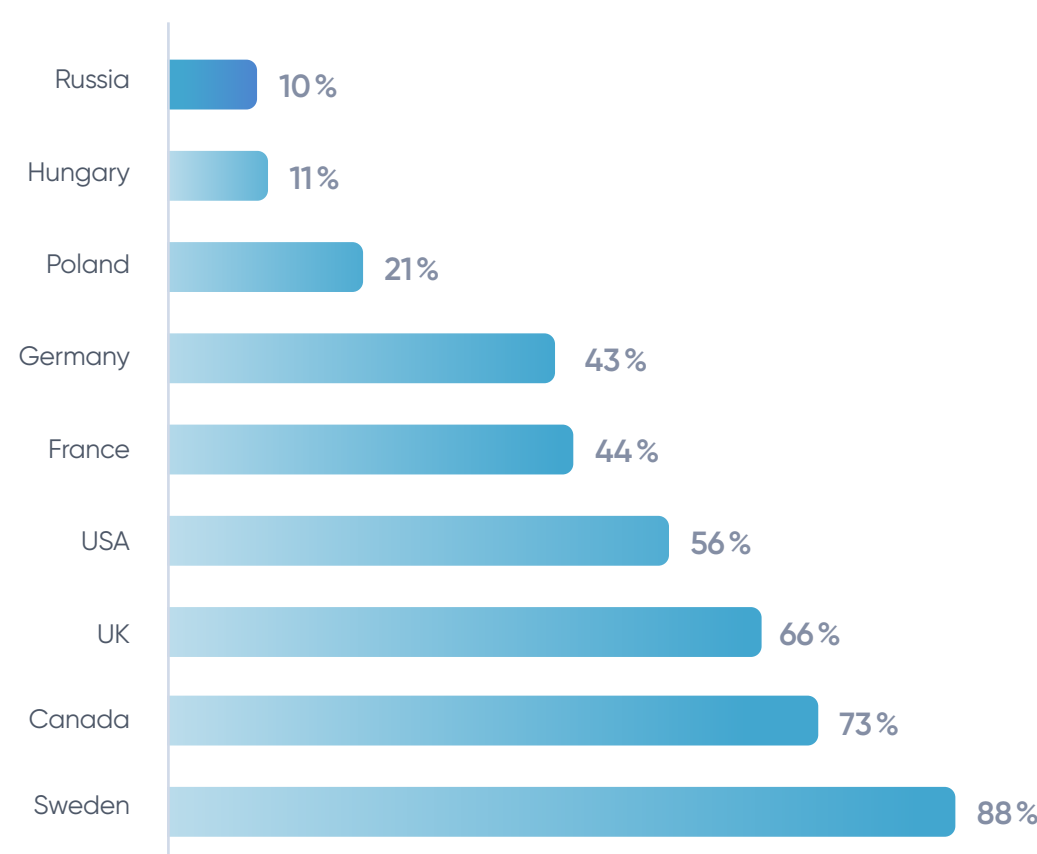
The lack of alternative ways to save capital during periods of economic uncertainty pushes investors and consumers towards established instruments, one of which is real estate.

Capital and stock markets, derivatives and other risky instruments fade into the background during periods of economic instability. People increasingly choose simpler, more conservative investment instruments where they can acquire a physical asset while simultaneously earning a tax deduction and thereby maximising profit.

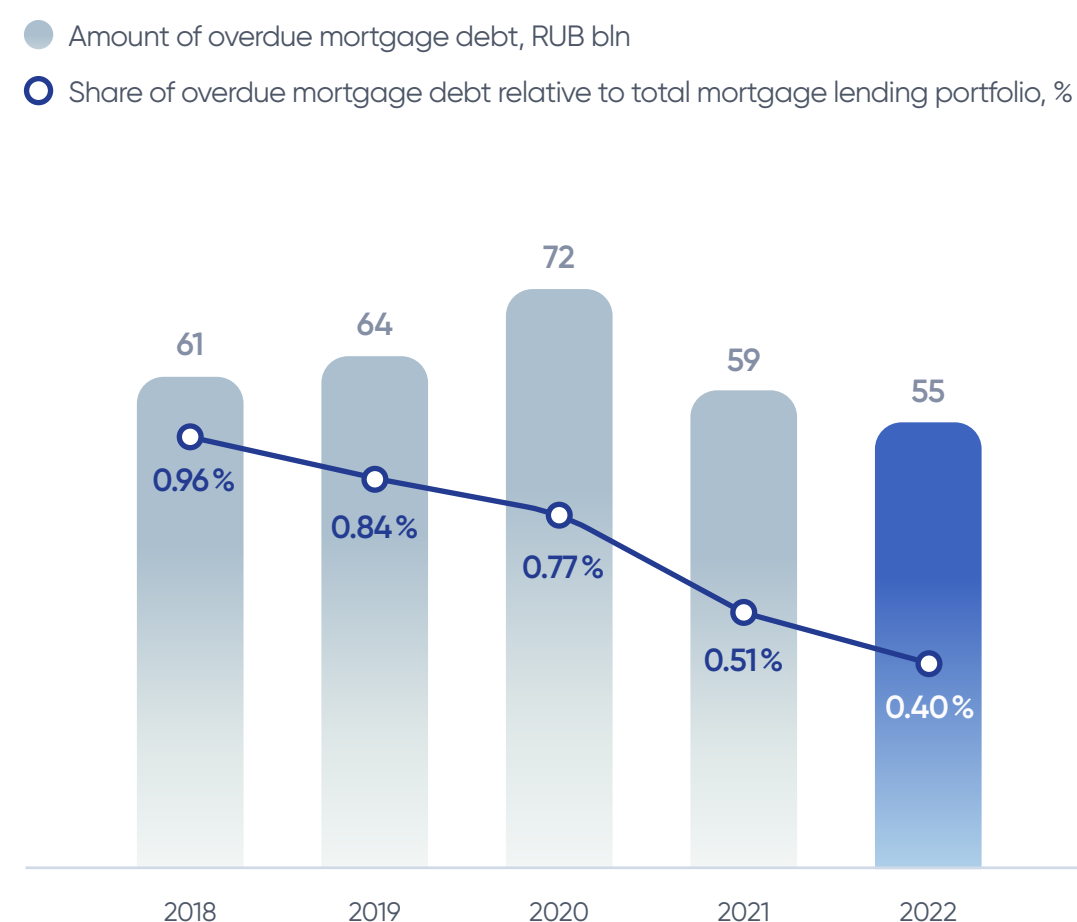
Higher inflation and sanctions imposed on banks had a negative impact on deposits in the first quarter of 2022. As a result of a subsequent increase in the key rate and stabilisation of the situation, the inflow of deposit funds returned to normal.

But even despite the inflow of funds into deposit accounts in 2022, the real rate of return was negative. As a result, according to the Bank of the Russia, the average rate of return on rouble deposits increased from 5.1% in 2021 to 5.4% in 2022, but the inflation rate in 2022 was 11.9%.

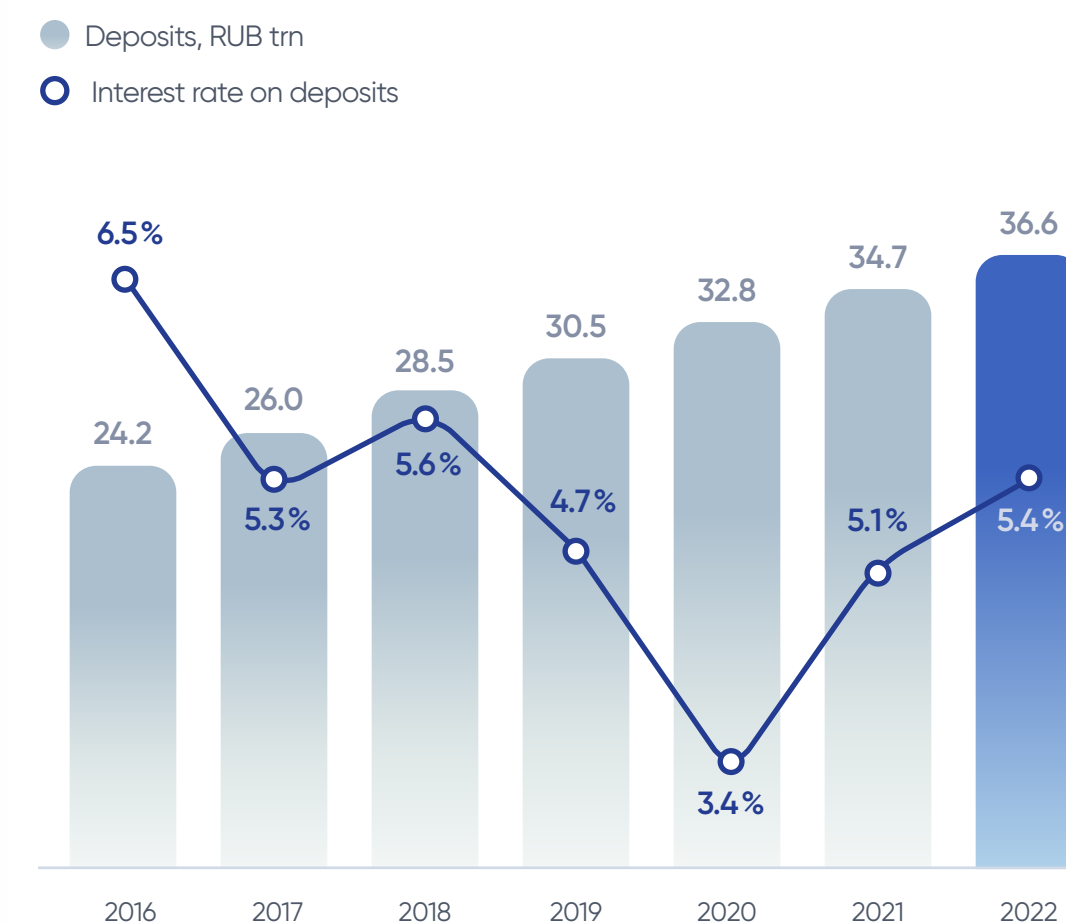
Ratio of mortgage debt to GDP, by country



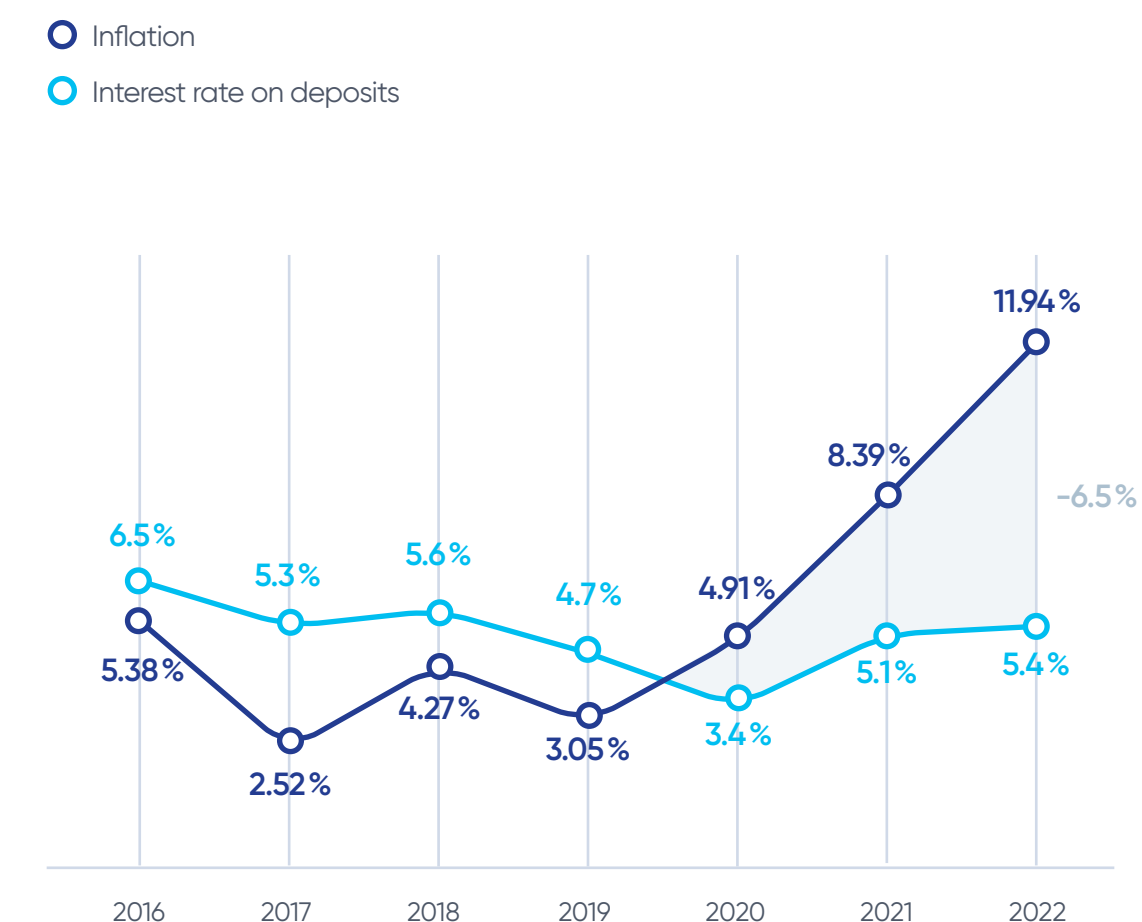
Overdue debt on mortgage loans, RUB bln



Amount of deposits and rate of return



Negative real income on deposits



Supply redistribution

Shift in main supply and demand to regional markets – large cities home to major companies and new industrial centres

Improved affordability and increased demand in regional markets

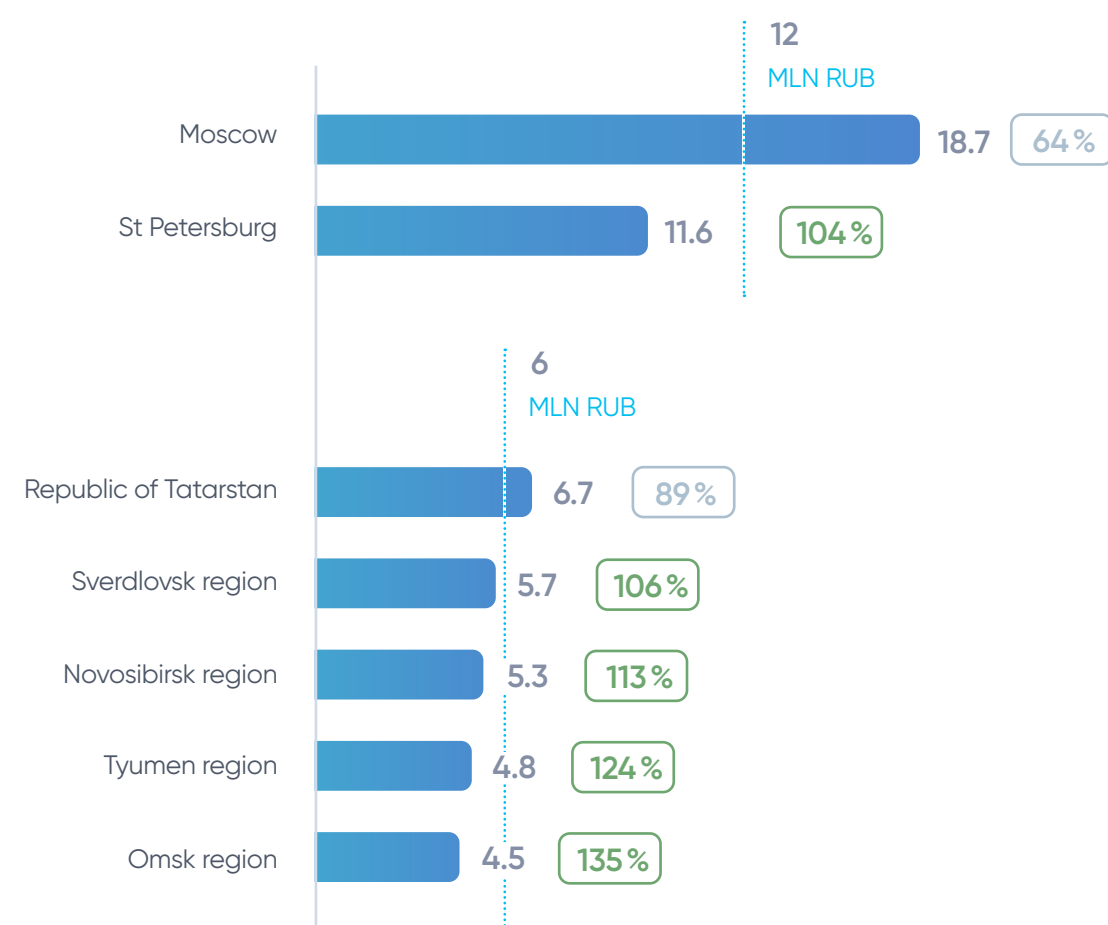
As a consequence of the pandemic, there has been a trend in recent years towards remote work in many sectors of the economy: IT, services, consulting and even residential real estate development prefer to keep some of their staff out of the office, which enables them to save on administrative costs. More and more companies from Moscow and St Petersburg are hiring personnel from other regions to work remotely, which gives those employees an opportunity to earn more than they would in the local labour market. Moreover, many applicants, seeing positive changes in regional cities, are deciding to relocate from metropolitan areas to more environmentally friendly cities. Regional markets are seeing the development of

effective demand that is being fuelled by preferential mortgage programmes: general programmes as well as specialised programmes for IT workers, families and others.

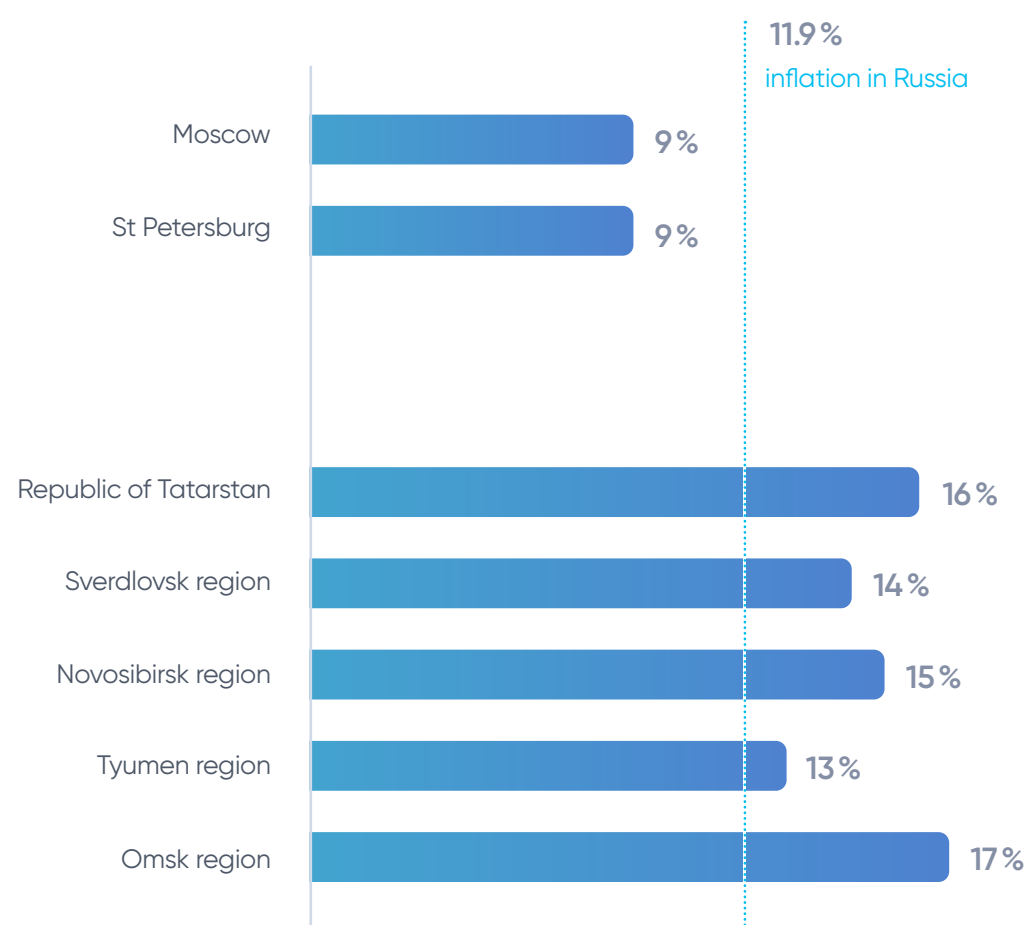
In Moscow and St Petersburg, the limit for preferential mortgages is RUB 12 million, but the price of an average listing of 50 sqm in Moscow typically exceeds the limit by a large amount, and it is near the limit in St Petersburg. As a result, the decision to apply for a preferential mortgage is a difficult one. At the same time, the average listing price in regional markets does not exceed the limit, which is RUB 6 million, thus enabling access to mortgages at a reduced interest rate.

Percentage of average price of 50 sqm listing covered by preferential mortgage limit

Percentage of average price of 50 sqm listing covered by preferential mortgage limit



Wage growth in regional markets in 2022 outstripped inflation



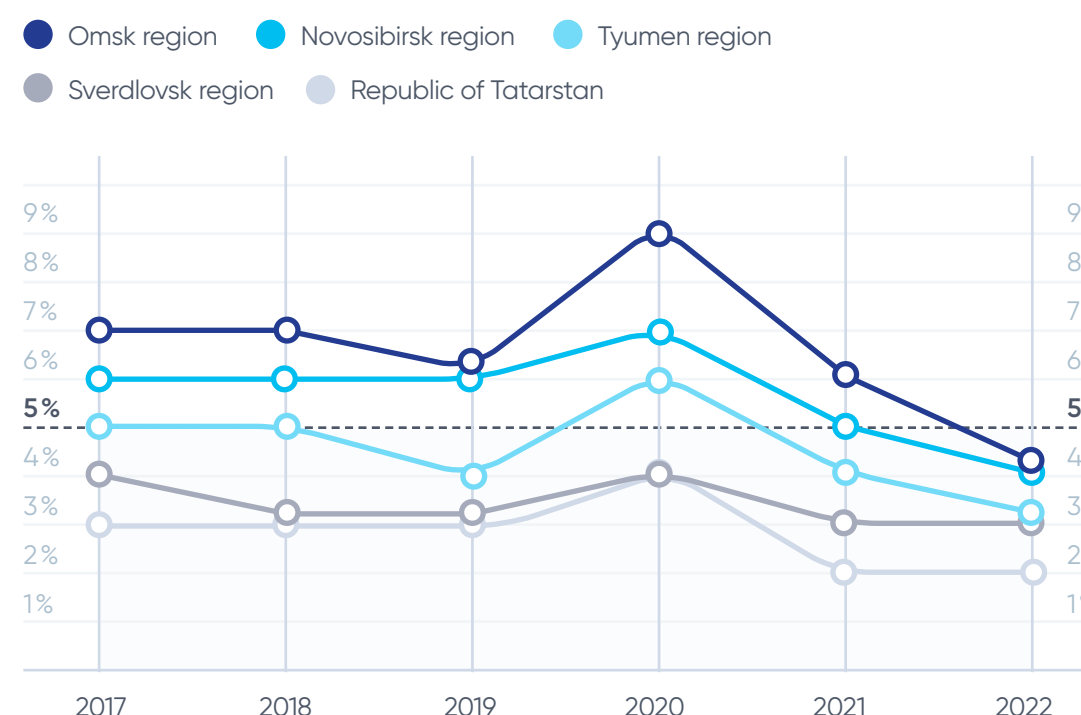
Increase in investments and creation of new jobs in regional markets

The country's economy faced a challenging environment in 2022, as it became necessary to find new markets for exports and to invest in the development of enterprises manufacturing products for import substitution. A significant percentage of investments were made in regional markets. For example, capital investments in Tatarstan, the Sverdlovsk region and the Tyumen region in 2022 increased by 27%–29%; the average for the Russian Federation as a whole was only 20%.

The implementation of large infrastructure projects in regional megacities creates new growth points. The creation of new jobs helped reduce the unemployment rate. In all of Etalon Group's new regions of operations, unemployment fell below 5% – a psychologically important level – which is considered low, indicating that regional markets are healthy.

The decline in unemployment to record low levels in regional markets as well as the migration of qualified personnel from Moscow and St Petersburg led to wage growth in the regions that outstripped inflation.

The unemployment rate in regional markets dropped considerably below the psychologically important level of 5%



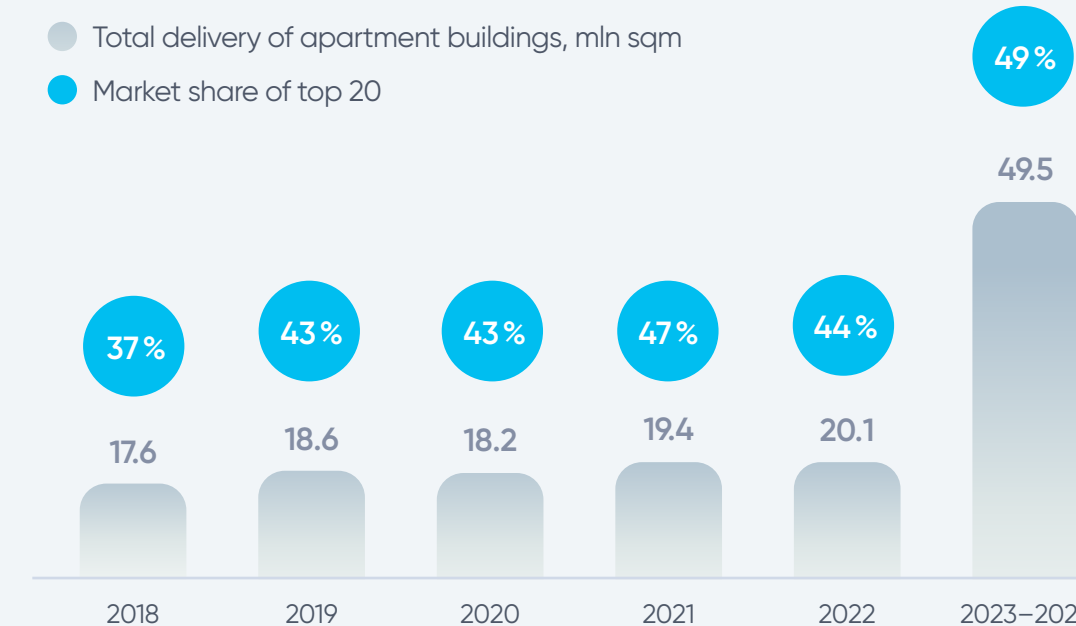
Competitive environment

Industry consolidation

The trend towards industry consolidation continues and by 2026 the top 20 developers are expected to account for a record 49% of the supply of apartment buildings in the key regions of Etalon Group's operations, and the number of small and medium-sized players will continue to decline.

One of the main factors driving the decrease in the number of small players in the market remains the complicated procurement and transportation process that supports uninterrupted operating capacity for construction. And since the key rate was high throughout the year, it became increasingly difficult for a large number of small and medium-sized players to conclude new financing agreements, so the rate of organic portfolio growth through the acquisition of land plots slowed down considerably, while key market players had an opportunity to actively expand their land banks thanks to free cash savings or through inorganic growth.

Top 20 developers will strengthen their position



Data on Etalon Group's delivery of apartment buildings in key regions is from Dom.rf: Moscow, the Moscow region, St Petersburg, the Republic of Tatarstan, the Omsk region, the Tyumen region, the Sverdlovsk region and the Novosibirsk region.

Data on expectations for 2023–2026 was taken from ERZ.rf.



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STRATEGY 2024

Strategy 2024 ²⁶

Strategic goals and
their implementation ²⁷

Strategy for developing
the value chain ²⁸

Strategic initiatives ²⁹



Strategy 2024

Digitalisation of the entire value chain and the development of an affordable product in regional markets will ensure more dynamic development of the Company's business in a challenging market environment.

Etalon Group's strategy involves the re-engineering of all the Company's business processes: from working with land assets and design to construction, the sale of apartments and residential occupancy at Etalon Group complexes. In accordance with its strategy, Etalon Group is focused on developing technologies that can already effectively reduce costs and that offer high potential for commercialisation. By incorporating positive changes in its key processes, Etalon Group is adapting its operations to a changing environment and creating sustainable long-term competitive advantages and value for all stakeholders.

The acquisition of new projects as well as further expansion into regional markets will facilitate the implementation of the Company's plans to increase the scale of its business. Taking new industry challenges into account, the Company will improve its business efficiency through the development of an affordable product and standardisation as well as the development of proprietary software that will shorten the construction cycle and reduce costs.



Strategic goals and their implementation

Our current strategy was approved in late 2020. Since its announcement, we have been consistently achieving our goals, demonstrating excellent profitability, actively expanding our regional presence and bolstering our position as one of the largest technologically advanced nationwide players.

	2024	2020	2022	CURRENT PROGRESS	
	STRATEGIC GOAL	STRATEGY ANNOUNCEMENT			
PROJECT PORTFOLIO, MLN SQM	6.0+	3.3 ¹	6.4	✓	ABOVE TARGET
NUMBER OF REGIONS OF OPERATIONS	8	2	8	✓	
SALES GROWTH IN MONETARY TERMS	DOUBLE-DIGIT GROWTH	+3%	-15% (decrease in the face of a sharp rise in the key rate and negative geopolitical factors)	🕒	ON TRACK (return to annual growth thanks to expansion into regional markets and a more affordable product)
PRE-PPA GROSS MARGIN	>35%	29% ²	38%	✓	ABOVE TARGET
RATIO OF NET CORPORATE DEBT TO PRE-PPA EBITDA	2×–3×	1.8×	0.9×	✓	BELOW TARGET
RATIO OF SELLING AND ADMINISTRATIVE EXPENSES TO REVENUE	10%	10%	15% ³	🕒	ON TRACK (factoring in technological advancements, we expect this metric to recover)

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.

³ Taking into account the costs associated with the acquisition and integration of YIT as well as the launch of sales at new projects.

Key qualitative strategic goals:

PROGRESS IN 2022:

Digitalisation of the value chain, from land acquisition to after-sales service

- The development of individual modules of the digital platform was completed, and testing of the modules began; notably.
- The design process was automated (a library of architectural solutions and master planning elements was developed).
- Testing of the system for digital technical specifications got under way.

Development of modular housing construction and prefabrication technologies

- Modules were tested, and construction of the Company's own modular production facility began
- Prefabricated elements were used successfully in a number of Company projects
- A pilot project for the use of easy-to-assemble piping systems and partitions was launched.

Centralisation of procurement to achieve economies of scale

- The majority of procurement was transferred to a digital ecosystem.
- A project to automate procurement procedures was launched, increasing the speed of processing requisitions by 24% and reducing personnel costs by 9%.



Strategy for developing the value chain

The transformation of our business model will enable us to adapt to changing conditions and create an environment for the sustainable development of the Company as an innovative construction and development business.

LAND ASSET MANAGEMENT

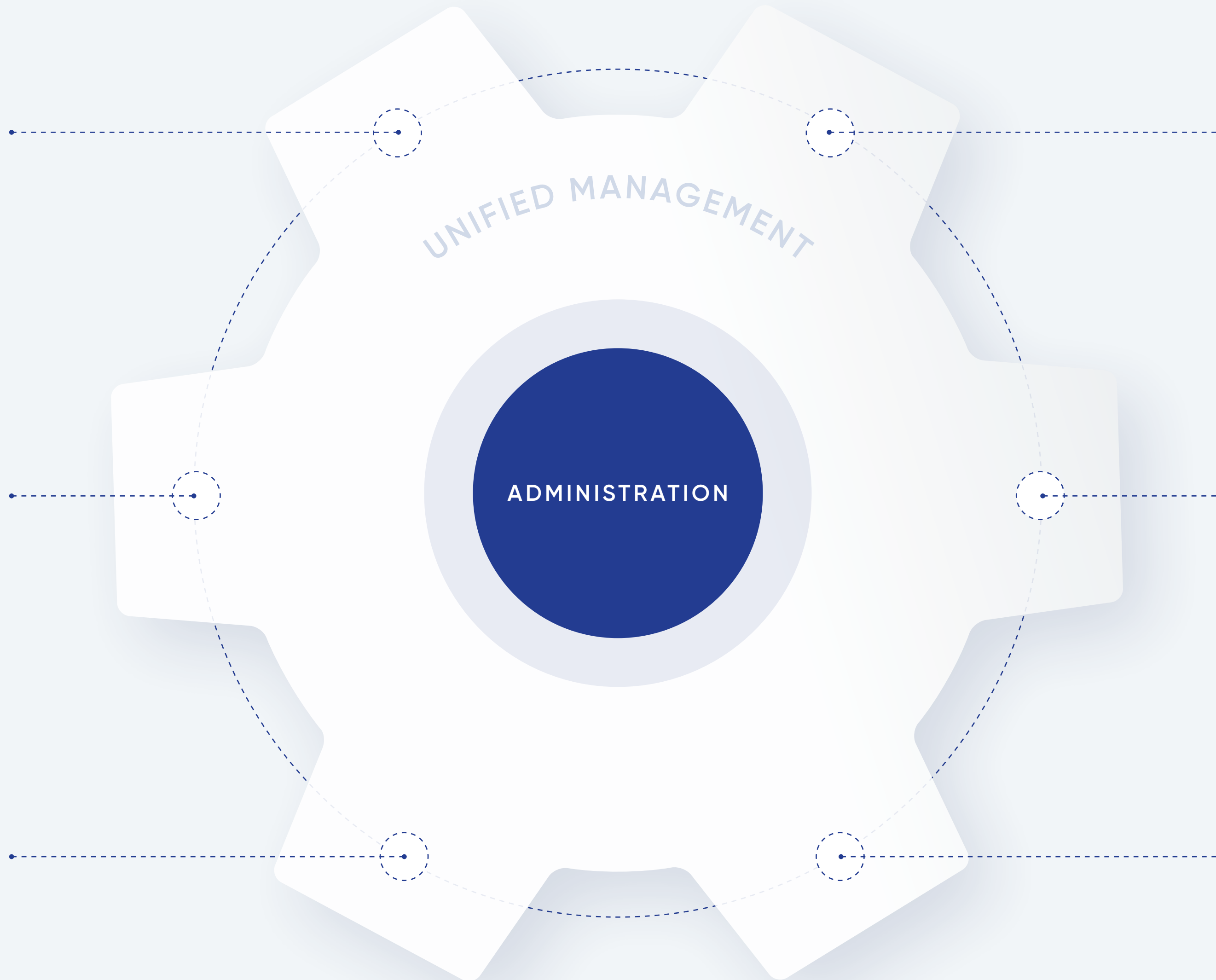
In the property development stream, in the context of industry consolidation and facing a high degree of competition for land assets, the Group aims to implement projects with high margins and expand its presence in regional markets.

SERVICES

We are developing our property management business: by improving the quality of customer relations and providing additional services at the occupancy stage, we are committed to further increasing customer loyalty and generating repeat purchases.

PROCUREMENT

We prefer to choose counterparties through a competitive selection procedure and arrange uninterrupted supplies with due regard for cost-effectiveness and production efficiency, including through automation and digitalisation of our procurement activities. Centralised procurement helps us achieve economies of scale.



DESIGN

At the design stage, the main priority is product standardisation, which enables the Company to make its product more affordable, which is especially important at a time of expansion into regional markets. The development of digital tools for procurement, long-term planning and the effects of economies of scale will also help optimise costs.

CONSTRUCTION

We continue to develop prefabrication and modular housing construction technologies, which enable us to reduce the amount of work performed at construction sites by manufacturing certain elements off-site. We are building our own modular production facility and have started manufacturing the first pilot modules, and we are also testing prefabricated piping systems and partitions. New technologies have enabled us to improve business efficiency and speed up construction.

SALES

We are constantly improving our approach to effective sales and improving the quality of customer relations in order to encourage loyalty and repeat purchases.

Strategic initiatives

1

Increasing business scale through the development of mass-market projects and operations in new regions

The main objective of the Company's land bank strategy is to ensure a balanced portfolio and maintain a minimum balance of NSA that is sufficient to scale up the Company's business. Today, the Company is successfully implementing a strategic regional expansion programme and has already launched new projects in the affordable price segment in five regional markets in addition to its three key regions of operations: Moscow, the Moscow region and St Petersburg.

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

In the face of increasing competition in the industry, making the Company's product line more affordable is a key component of its product strategy. The introduction of product standards that help reduce the cost of production facilitates a further increase in construction and sales volumes at target margins. In 2022, the Company worked on developing standard solutions and updating its library of apartment and section layouts while factoring in the integration of innovative YIT solutions.

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.

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 commensurate with those of our key markets.

Results in 2022:

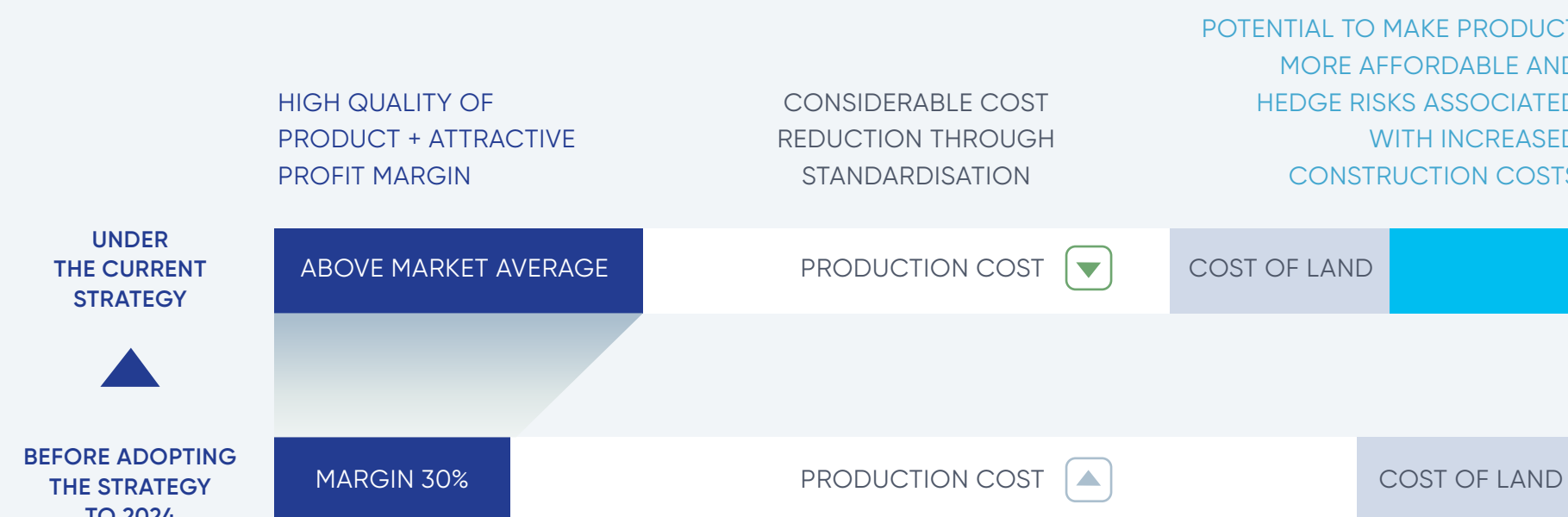
- Expansion of the Company's geographic footprint to eight regions, including five new regional markets (Omsk, Kazan, Ekaterinburg, Novosibirsk, Tyumen)
- Transition to a standardised product for the middle-class and mass-market segments, and applying the new product standard both in our new regions of operations and for projects being built in outlying areas around Moscow and St Petersburg
- The gross margin of regional projects reached 43% with an average selling price of RUB 123.6 thousand per sqm.¹

Increased affordability as a result of lower costs and greater competitiveness

Work aimed at efficiency improvements will enable the Company to make housing more affordable for Etalon Group customers. At the same time, having a reserve under management enables the Company to improve affordability at a competitive price during market downturns, and to support margins during periods of recovery.

At the same time, our consumers are able to customise the product thanks to the development of a methodology for large-scale customisation during the design phase, which enables the Company to meet the needs of a wide range of consumers with comparable incomes.

Efficiency gains from changes in the market environment



¹ The average selling price per sqm of housing in regional markets in 4Q 2022.

Strategic initiatives

2

Development of components of software 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 was to build a business management software platform that 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.

The following are the key projects involved in the development of the software platform:

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.

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.

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.

Results in 2022:

- As part of design automation, prototypes of architectural solutions and master planning elements (modular grid, zoning, logistics, etc.) were developed.
- Testing of individual modules of the CONTRUST platform, a real-time construction oversight system, is ongoing.
- Automation of the process of creating and adjusting the technical design specifications was completed, and pilot testing is under way.
- About 95% of requisitions for materials were transferred to the digital ecosystem.

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.

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 software platform enables the rapid integration of new suppliers and reorientation towards new procurement channels; it will also make it possible to optimise supply chains and achieve economies of scale when managing a business with a broad geographic footprint.

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.

Strategic initiatives

3

Development of new technologies

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.

Development of modular technology

Modular technology involves off-site production. Focusing on cost reduction, Etalon Group is developing technologies for prefabricated apartment buildings, the construction cycle of which may be reduced by 15%–20% by moving 85% of the construction cycle for a modular building off-site.

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 modular technology was successfully tested in late 2022, and production of test modules got under way.

The strategy calls for the Company to build its own modular production facility:

DELIVERY:

2023 → **2024**
FIRST PHASE SECOND PHASE

PRODUCTION CAPACITY:

1,000
MODULES PER YEAR

Prefabrication: development of an off-site production facility

Since 2021, the Che Quarter and Galactica projects 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.

Results in 2022:

- Pilot production of modules and production of test modules began.
- Piloting of prefabricated construction of piping systems and partitions for further testing at regional projects was completed.



4

ANNUAL
REPORT
2022

PROJECT PORTFOLIO

Portfolio highlights ³³

Project portfolio additions ³⁴

Current project portfolio ³⁵

Integrated development projects ³⁸

Business-class projects ⁴⁷

Comfort-class projects ⁵⁴



Portfolio highlights

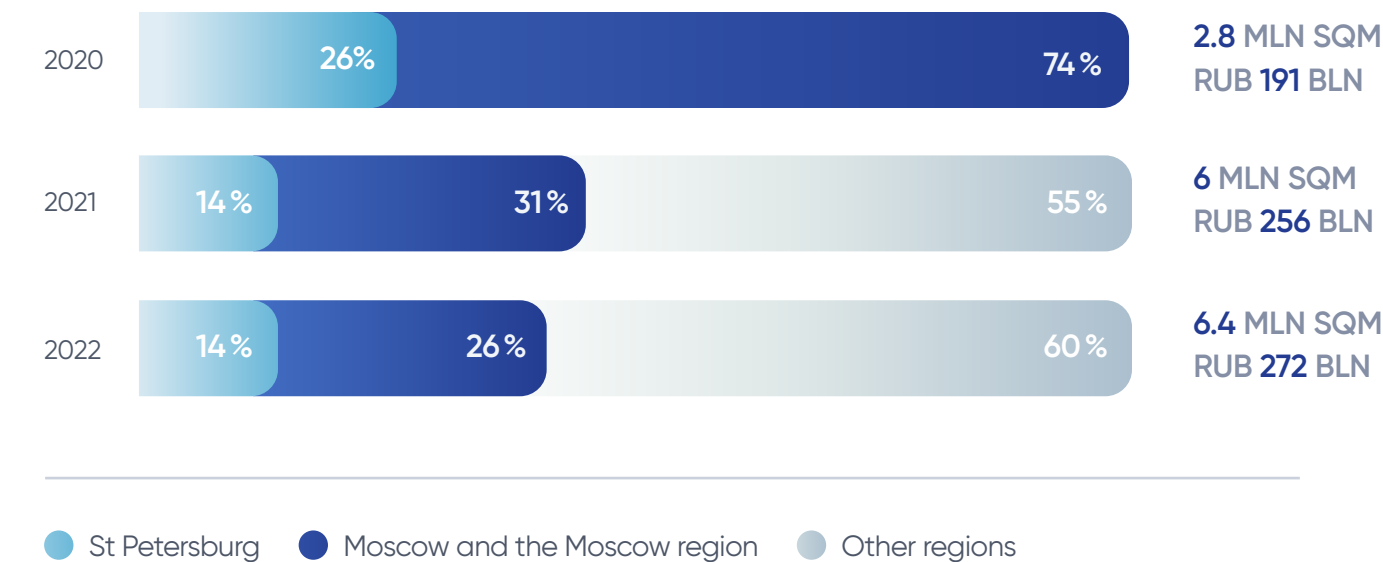
The year 2022 was a successful one for Etalon Group in terms of replenishing its project portfolio. Thanks to the acquisition of YIT Russia, the Company was able to expand its geographic footprint by adding promising new projects to its portfolio. As of the end of the year, the Company had 6.4 mln sqm of housing of various classes in its portfolio and was carrying out construction work on 28 properties.

272 BLN RUB
 Portfolio market value
 +6% y-o-y

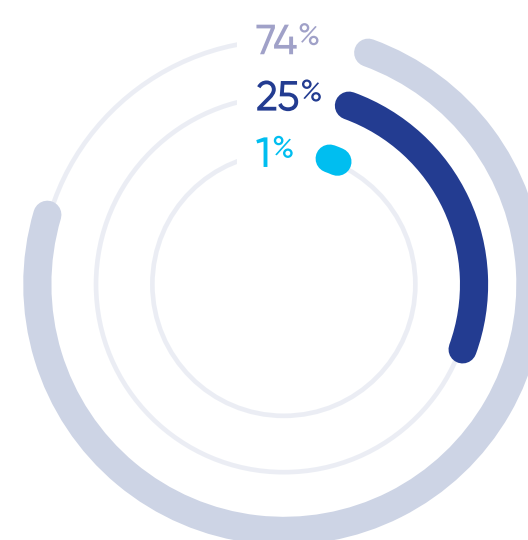
Current project portfolio

Project portfolio by region, sqm (unsold NSA)

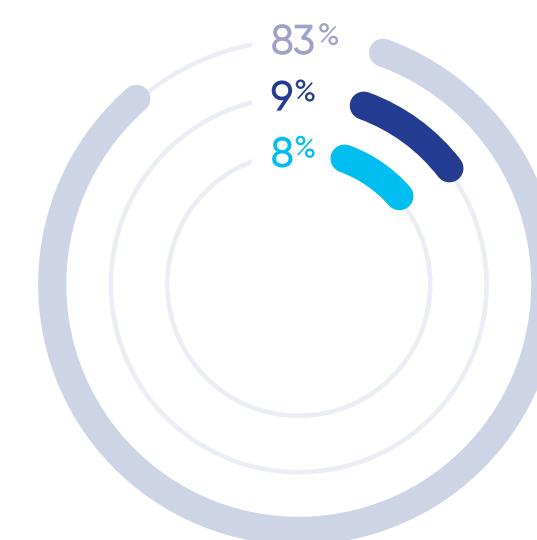
As of 31 December 2022, the market value of Etalon Group's project portfolio was RUB 272 billion. The portfolio includes 38 projects with a total NSA of 6.4 mln sqm in St Petersburg, Moscow, the Moscow region, Omsk, Tyumen, Novosibirsk, Ekaterinburg and Kazan.



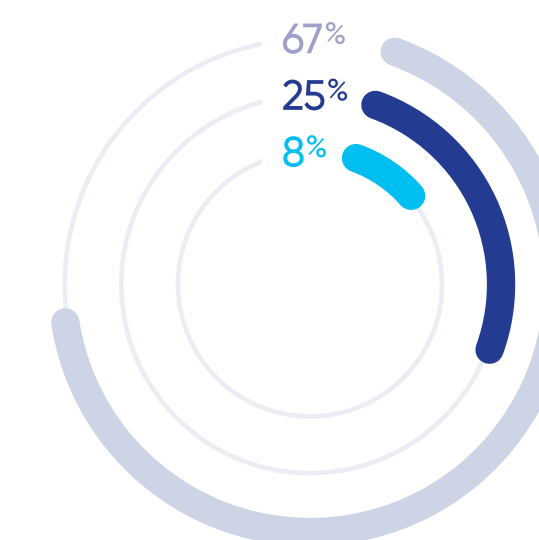
2022 portfolio breakdown, sqm (unsold NSA)



- Comfort
- Business
- Premium



- Construction
- Design
- Completed



- Flagship projects, up to 1 mln sqm
- Mid-size projects, 50-300 ths sqm
- Small-size projects, 5-30 ths sqm

Our portfolio consists of comfort- and business-class projects. In addition, we are implementing several integrated development projects, such as Zil-Yug, Nagatino i-Land, Galactica and Green River.

Thirty-eight Etalon Group properties are at various stages of development. These include recently acquired projects as well as residential complexes where project phases are under construction. We firmly believe that it is important to provide buyers with a large selection of real estate from different housing segments so that everyone can find an offer that meets their needs in terms of budget, location, floor space, etc.

Project portfolio additions

In May 2022, Etalon Group completed its acquisition of YIT Russia, including a portfolio of projects with an NSA of more than 0.6 mln sqm, exclusive rights to Dispatcher 24 software for managing apartment buildings, project design documentation and a library of standard design solutions for cast-in-place construction and buildings made of prefabricated panels.

The integration of YIT Russia enabled Etalon Group to achieve several important goals, including expanding the scope of its operations and bolstering its market position. YIT Russia's projects are a perfect addition to Etalon Group's portfolio: the land bank acquired included 19 projects at the design and construction phases in five regions of Russia: Moscow and the Moscow region, St Petersburg, the Sverdlovsk region, Kazan and Tyumen.

Thanks to YIT's successful experience in regional markets, reliable reputation and experienced construction and sales experts, Etalon Group was able to accelerate its regional expansion, ramping up the pace of construction of its projects in Ekaterinburg and Tyumen as well as adding promising new projects to its portfolio. In addition, the acquisition of YIT Russia enabled the Company to enter one of the most promising markets in Russia, Kazan, thereby expanding its geographic footprint to eight regions while also increasing its supply in Moscow and St Petersburg.

The Company also sees huge potential from the acquisition with respect to further transforming the technological aspect of its business and becoming a leader in terms of the adoption of new technologies. Combining the design solutions developed by YIT Russia and Etalon Group will further accelerate the Company's work on standardisation and the creation of the best product in the market. In addition, the Dispatcher 24 platform will help the Company take a leading position among Russian providers of additional services for residents, and integration with the platform will enable seamless feedback for further product improvement.

Our approach to further diversification of our portfolio:

1

Optimal portfolio structure in terms of project size

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

2

Regional expansion

Launching operations and expanding our business in Russian cities with a population of over a million. In 2022, the Company launched new projects in Omsk, Ekaterinburg, Kazan and Tyumen.

3

Making our product more affordable and ensuring that it is of the highest quality

The Company's portfolio includes both business-class projects and affordable housing in its key regions of operations as well as beyond Moscow and St Petersburg. The Company's priority in regional markets as well as in commuter towns around Moscow and St Petersburg is to develop an affordable, high-quality product through the introduction of uniform standards and digital technologies.

8
Regions
+5 regions in 2022

Current project portfolio

St Petersburg

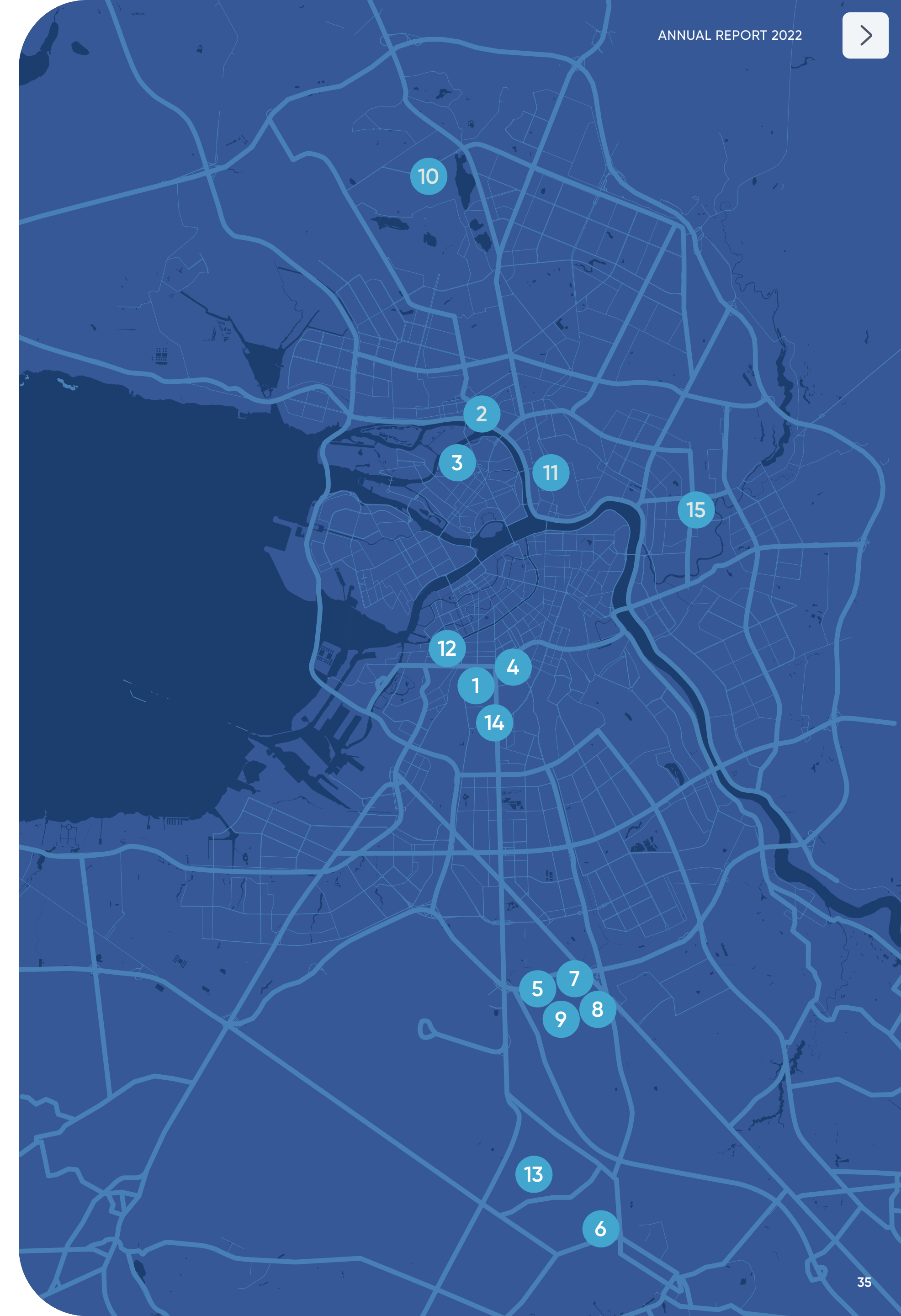
PROJECT	STATUS	TOTAL NSA THS SQM	UNSOLD NSA THS SQM ¹	UNSOLD PARKING SPACES	OMV RUB MLN	INCOME FROM SALES RUB MLN ²	CONSTRUCTION BUDGET RUB MLN ³	OUTSTANDING BUDGET RUB MLN ³
1 Galactica	Construction	665	130	1,135	13,101	90,174	50,576	6,371
2 Domino	Construction	40	30	330	3,175	10,604	4,227	1,621
3 Project on Professor Popov Street (Petrogradskiy district)	Design stage	61	53	493	10,123	34,379	11,053	10,850
4 Project on Kievskaya Street	Design stage	35	34	278	1,414	7,537	5,006	4,502
5 Monograph	Construction	36	33	100	1,679	6,746	3,788	3,392
6 Pushkin Village	Design stage	143	117	634	2,748	20,379	13,375	13,169
7 Class!	Construction	42	42	100	1,771	7,302	3,960	3,922
8 Shushary, Shkolnaya, zone 9	Construction	28	28	100	968	4,685	2,680	2,665
9 Shushary, Shkolnaya, zone 25	Construction	35	35	100	1,328	6,052	3,312	3,292
10 Novoorlovskiy	Construction	49	20	321	1,570	9,563	3,855	1,686
11 iLona	Construction	23	17	139	3,212	6,437	2,180	1,252
12 Wellamo	Construction	7	3	25	869	1,881	519	210
13 Tsarskoselskie holmi	Design stage	13	13	0	571	2,291	1,119	1,110
14 Project on Chernigovskaya Street	Construction	129	67	854	7,273	22,724	10,456	2,282
15 Project in the Krasnogvardeiskiy district	Design stage	24	24	217	1,251	7,475	3,507	3,506
TOTAL St Petersburg		1,330	645	4,826	51,053	238,228	119,613	59,830

Source: Nikoliers estimate as of 31.12.2022

¹ Including parking. The parking area at 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 31.12.2022.

³ Excluding land acquisition costs.



Current project portfolio

Moscow and the Moscow region

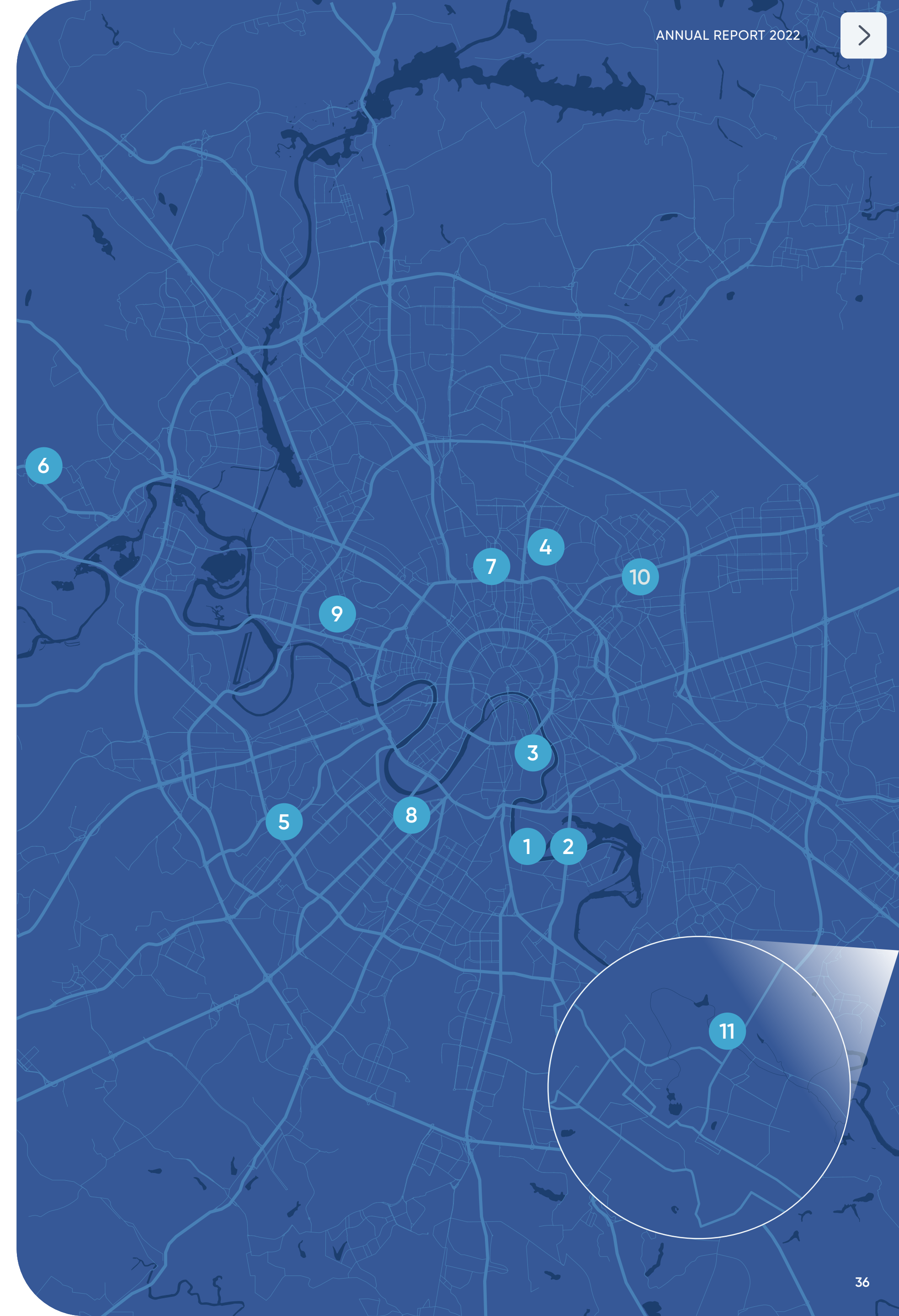
PROJECT	STATUS	TOTAL NSA THS SQM	UNSOLD NSA THS SQM ¹	UNSOLD PARKING SPACES	OMV RUB MLN	INCOME FROM SALES RUB MLN ²	CONSTRUCTION BUDGET RUB MLN ³	OUTSTANDING BUDGET RUB MLN ³
1 Zil-Yug	Construction	1,253	1,083	10,097	86,797	470,235	237,268	224,477
2 Nagatino i-Land	Construction	253	186	1,148	32,234	84,655	39,051	27,802
3 Voxhall	Construction	66	63	563	8,005	32,910	14,993	12,962
4 Silver Fountain	Construction	190	49	1,056	7,692	47,747	21,711	2,883
5 Wings	Construction	169	26	215	2,032	39,470	18,998	5,507
6 Emerald Hills	Construction	431	4	120	0	59,965	10,708	2,501
7 Project on Oktyabrskaya Street	Design stage	10	10	81	981	4,848	2,604	2,604
8 Fotievoi 5	Design stage	11	11	72	1,640	6,090	2,177	2,177
9 Zorge 3	Design stage	12	12	99	796	3,845	2,664	2,664
10 Bolshaya Cherkizovskaya Street 4	Design stage	7	7	46	288	2,058	1,452	1,452
11 Desyatka	Construction	32	38	248	1,943	8,144	2,747	2,122
TOTAL Moscow and the Moscow region		2,434	1,490	13,745	142,408	759,967	354,372	287,150

Source: Nikoliers estimate as of 31.12.2022

¹ Including parking. The parking area at launched projects with partially sold parking lots is calculated as 30 sqm per 1 parking space.

² Income from sales includes potential and received incomes as of 31.12.2022.

³ Excluding land acquisition costs.



Current project portfolio

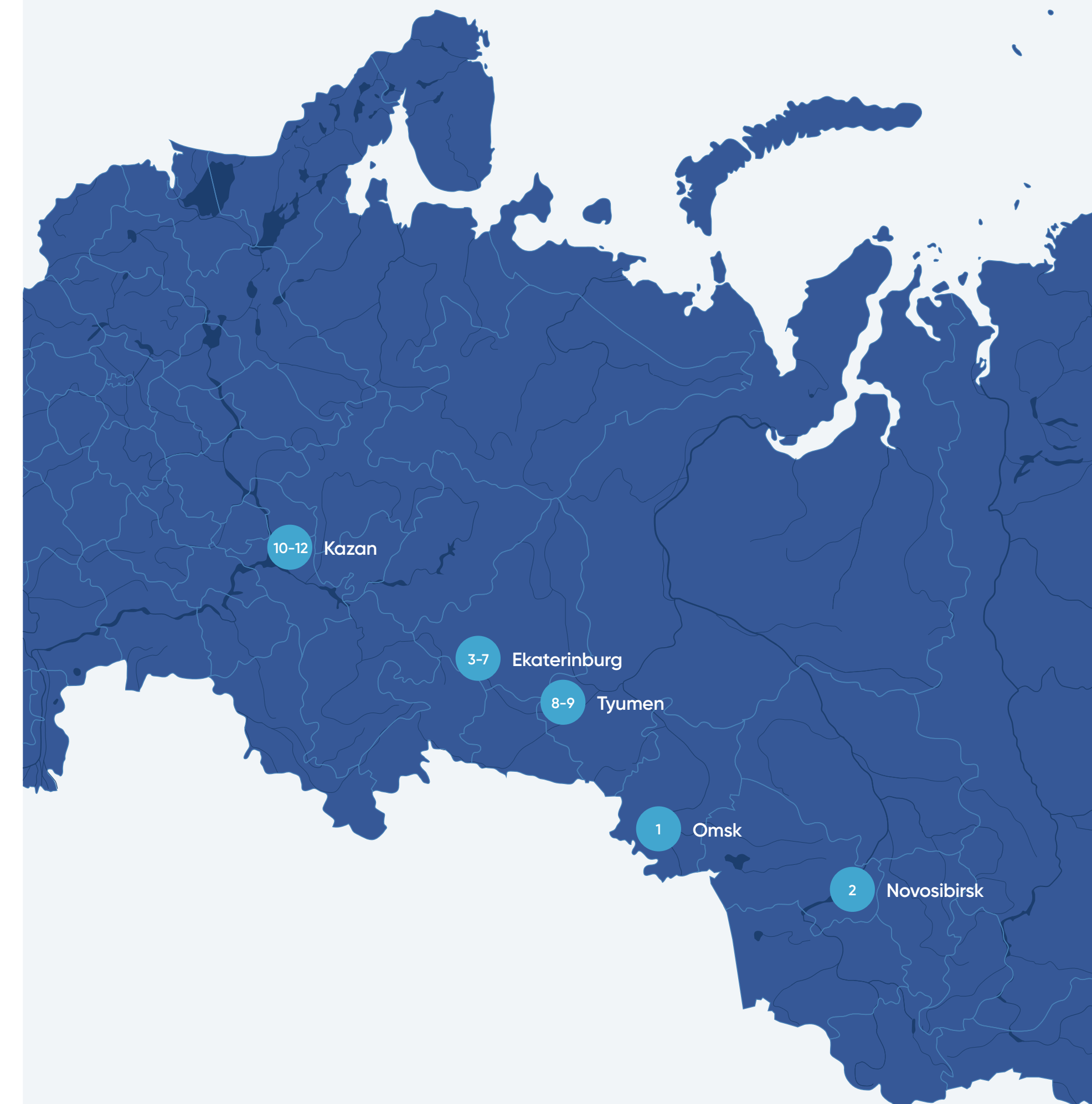
Other regions

PROJECT	STATUS	TOTAL NSA THS SQM	UNSOLD NSA THS SQM ¹	UNSOLD PARKING SPACES	OMV RUB MLN	INCOME FROM SALES RUB MLN ¹	CONSTRUCTION BUDGET RUB MLN ²	OUTSTANDING BUDGET RUB MLN ²
Omsk								
1 Green River	Construction	1,440	1,376	12,546	12,359	160,356	78,254	77,055
Novosibirsk region								
2 Project in Novosibirsk	Design stage	275	275	995	4,482	35,228	24,582	24,476
Ekaterinburg								
3 Project in Ekaterinburg	Construction	1,625	1,619	5,097	22,175	258,563	104,389	103,823
4 Suomen Ranta	Construction	34	26	355	1,403	5,048	2,448	2,059
5 Rauta	Construction	103	95	550	2,703	12,939	7,873	7,406
6 Baltym Park	Construction	234	225	0	525	29,430	26,558	26,015
7 Rifey	Construction	18	5	0	428	2,144	1,087	28
Tyumen								
8 Project in Tyumen	Construction	219	109	809	2,161	9,594	6,167	5,916
9 City Zen	Construction	59	40	753	889	5,454	4,270	3,253
Kazan								
10 Schastye v Kazani	Construction	56	57	554	3,135	13,227	7,320	7,237
11 Kvartal Suita	Construction	31	19	182	3,058	6,791	3,047	2,221
12 Green	Construction	23	11	87	325	2,555	1,550	693
TOTAL CURRENT PROJECTS		7,881	5,992	40,499	247,104	1,539,528	741,530	607,161
COMPLETED PROJECTS								
Residential property in completed projects		3,413	417	7,867	24,837	300,332		
Completed stand-alone commercial properties		0	3		123			
TOTAL COMPLETED PROJECTS		3,413	420	7,867	24,960	300,332		
TOTAL ETALON GROUP PROJECTS		11,293	6,412	48,366	272,064	1,839,855	741,530	607,161
PRODUCTION UNIT								
Production Unit's business and properties			18		16,310			
TOTAL ASSETS VALUE		11,293	6,429	48,366	288,374	1,839,855	741,530	607,161

¹ Sales revenue includes potential and received revenues as of 31 December 2022.

² Excluding land acquisition costs.

Source: Nikoliers estimate as of 31.12.2022





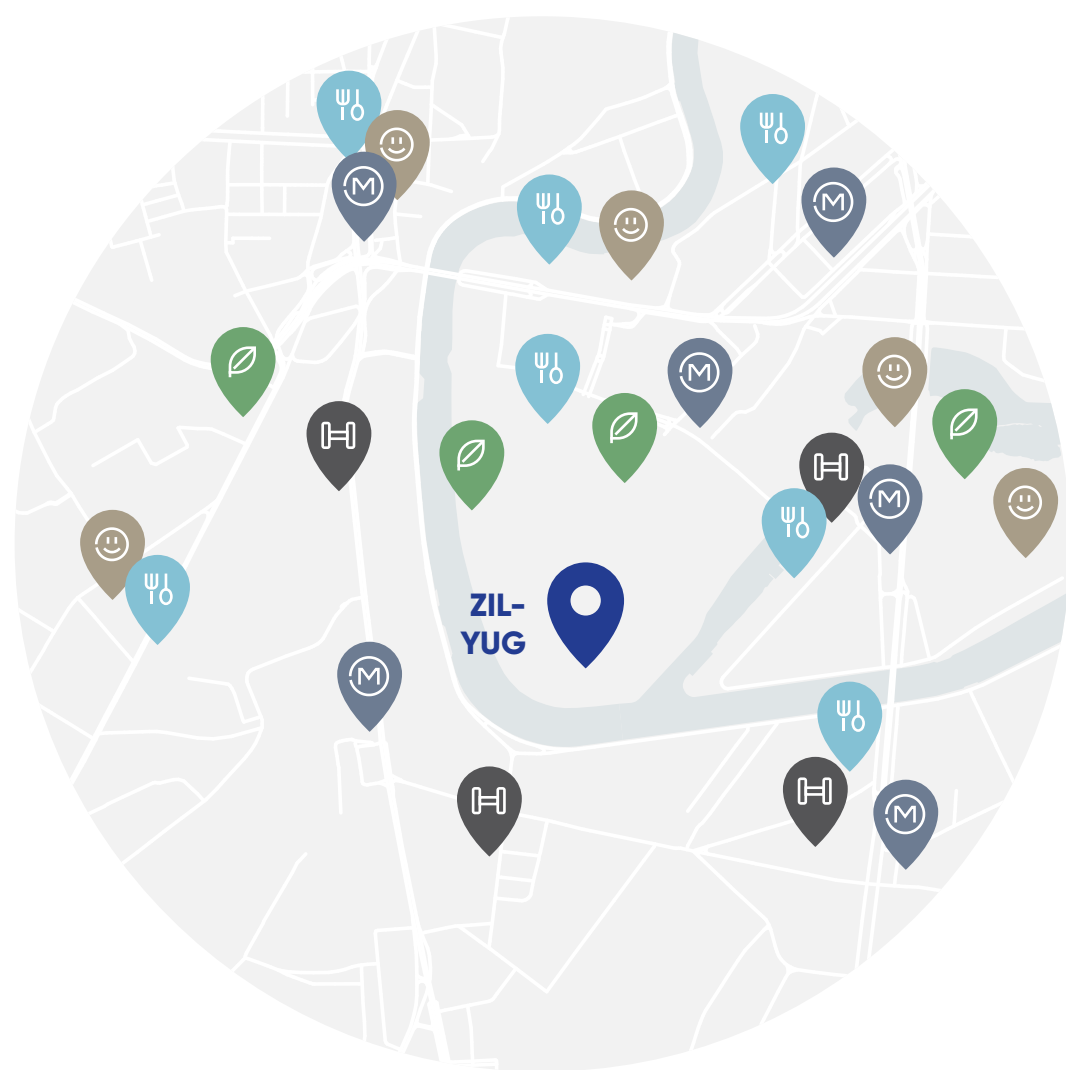
PROJECTS

INTEGRATED DEVELOPMENT



Zil-Yug

AVTOZAVODSKAYA ST.



25 min to Red Square
~ 7 km

15 min to the Garden Ring
~ 5 km

Zil-Yug is a large-scale integrated development project on the grounds of the former ZIL plant in Moscow. The project entails the transformation of the industrial zone into a multifunctional space based on the “15-minute city” principle: the creation of a new district consisting of housing, social amenities and business centres, where all the necessary infrastructure is within a 15-minute walk from anywhere in the neighbourhood.



2021 —————> 2030

CONSTRUCTION TIMELINE

470.2 BLN RUB

Income from sales¹

86.8 BLN RUB

Market value¹

1,253 THS SQM

Net sellable area¹

¹ According to the valuation by Nikoliers as of 31 December 2022.

Zil-Yug

AVTOZAVODSKAYA ST.

About the project

Experts in urban planning, sociology and other related fields were engaged to create the development plan, and local residents were also consulted: the project was discussed on [Generation Zil](#), an urban planning and media platform. When planning the neighbourhood, special attention was paid to the organic development of the site, taking into account nearby areas, the development of transport infrastructure, and the creation within the neighbourhood of a highly diverse urban environment to meet the needs of a variety of lifestyles.

The project involves a mix of all types of urban buildings, from townhouses to apartment towers. On the western side of the site, the project's first phase, adjacent to the Chagall Embankment, blends seamlessly into the surrounding natural environment. This part of the complex includes low- and medium-rise residential buildings surrounded by water and landscaped public parks. Closer to the metro, the project takes on more and more urban features. Thus, the areas adjacent to the metro station and business cluster form a modern



urban space filled with commercial, leisure and business infrastructure: social and cultural facilities, multifunctional centres, municipal buildings, etc.

Well-designed transport links, including for pedestrians and cyclists, expand the space of every resident to include not only the courtyard of their building but also tree-lined streets, parks, a unique landscaped area along the Moscow River extending over 10 km, along with the Chagall Embankment, piers, and areas for sports and recreation. It takes no more than 15 minutes on foot or by bicycle to reach the nearest amenities. Public spaces – private courtyards, tree-lined streets and squares inside the complex as well as public embankments and parks – have an intuitive design that makes their intended purpose clear.

Location

The complex is located on the banks of the Moscow River and the Novinki Backwater, next to the modernised and fully developed Chagall Embankment. Since the project is located in a green area surrounded by parks, such as Tyufeleva Roshcha and Kozhukhovo National Park, residents will feel like they are in complete harmony with nature. Along the Moscow River Embankment, which stretches for more than 6 km, there is also a park with a large number of walking trails, jogging and cycling paths, as well as a riverside amphitheatre. Plans are also in place to add swimming pools, a garden on the water and architectural installations.

Its proximity to the Third Ring Road and Prospekt Andropova ensures excellent transport accessibility for the residential complex, which is also within walking distance of the ZIL, Tekhnopark and Avtozavodskaya metro stations.



Nagatino i-Land

ANDROPOVA AVE.



15 min to Red Square
~ 11 km

10 min to the Garden Ring
~ 7 km

Nagatino i-Land is a true residential island in the middle of Moscow. The project is located in the Danilovskiy district of the Southern Administrative Division, very close to the Nagatino i-Land business cluster and Port Plaza, occupying a site with banks of the Moscow River on two sides. The Nagatino i-Land complex will include residential and commercial space along with social amenities with a total NSA of about 253 ths sqm.

¹ According to the valuation by Nikoliers as of 31 December 2022.



84.7 BLN RUB
Income from sales¹

32.2 BLN RUB
Market value¹

253 THS SQM
Net sellable area¹

Nagatino i-Land

ANDROPOVA AVE.

About the project

The project concept – maximum comfort for every resident – combines the features of a modern urban space with elements of nature to create an organic, balanced living environment.

The buildings in the project are of varied heights – from 5 to 35 storeys. The complex's multilevel structure and excellent insolation will enable residents to enjoy sunshine and fresh air all year round. The apartments overlook the picturesque embankments of the Moscow River, quiet green courtyards that are free of cars as well as the project's own landscape park.

The buildings of Nagatino i-Land form cosy neighbourhoods and courtyards that are accessible only to residents of the complex, where there will be recreation areas, artificial ponds as well as spaces for socialising and sports.

The complex's multilevel structure and excellent insolation will enable residents to enjoy sunshine and fresh air all year round.



Proximity to the centre of Moscow is combined with outstanding conditions for peaceful relaxation. The goal of the project is to create a green residential zone in the middle of the city: more than 25% of the grounds will enjoy the benefits of a landscaping programme that will include a single landscape park for the entire project, tree-lined pedestrian boulevards, garden squares and a green promenade. At the same time, the residents of Nagatino i-Land will feel close to nature even inside their apartments: the project offers exclusive housing designs with private terraces as well as spacious apartments with ceilings up to 3.3 metres high and spectacular apartments with panoramic views of the Moscow River Embankment.

Nagatino i-Land is a project that meets all the demands of a state-of-the-art development. Residents will enjoy comfort and safety thanks to top-of-the-line engineering solutions: monolithic buildings with enhanced soundproofing, a heating control system in every apartment, a state-of-the-art fire safety system, high-speed silent lifts and a supply and exhaust ventilation system that ensures that the air is continuously exchanged.

Location

With the Tekhnopark and ZIL metro stations within easy reach as well as convenient access onto two main thoroughfares – Prospekt Andropova and the Third Ring Road – the project offers residents excellent transport options. At the same time, the project is only four metro stops from the very heart of the city – the Kremlin and the Bolshoi Theatre.



Galactica

MITROFANIEVSKOYE SHOSSE – OBOVDNIY KANAL EMB. –
VARSHAVSKIY PROEZZD



25
min

to the airport
~ 16 km

10
min

to Nevskiy Prospekt
~ 5 km

Galactica is the largest redevelopment project in central St Petersburg, on the grounds of the former Warsaw railway line. The residential complex consists of 30 multi-storey brick monolithic buildings that form an avenue that runs lengthwise with closed courtyards between them. The project also includes 3 schools, 10 preschools and a public space with sports grounds and recreation areas.

2016 —————> 2023

CONSTRUCTION TIMELINE

90.2 BLN
RUB

Income from sales¹

13.1 BLN
RUB

Market value¹

665 THS
SQM

Net sellable area¹

¹ According to the valuation by Nikoliers as of 31 December 2022.



Galactica

MITROFANIEVSKOYE SHOSSE – OBVODNIY KANAL EMB. –
VARSHAVSKIY PROEZZD

About the project

The project offers a wide range of apartments with both classic and atypical layouts. Virtually every apartment has a balcony, sunroom or open terrace, and there are options with oversized windows, master bedrooms and spacious kitchens.

The northern and southern parts of the complex are home to the Galactica Premium and Galactica Pro business-light properties, which are notable for their apartment layouts and unique building features.

Location

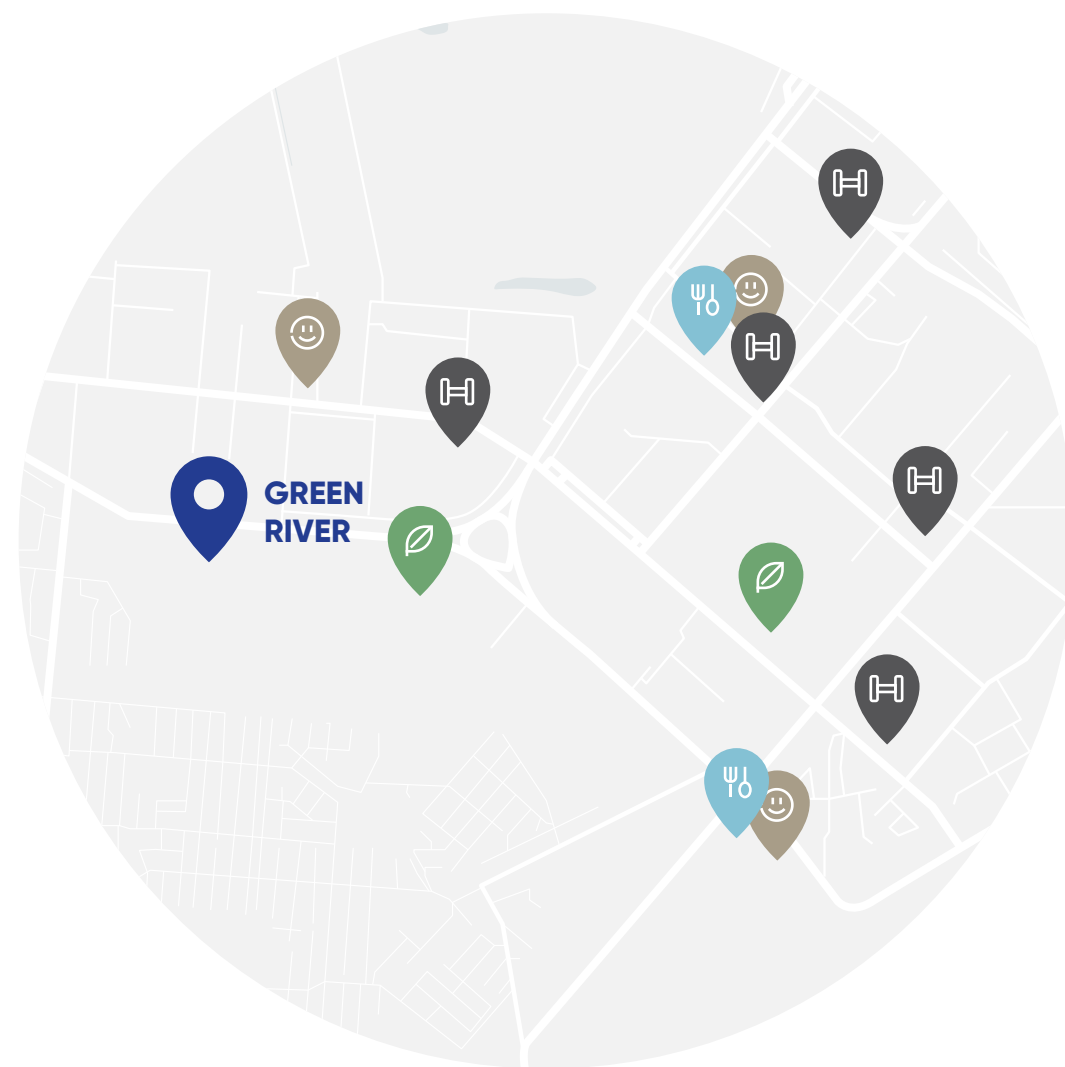
The residential complex is located in the central part of St Petersburg, straddling the Admiralteiskiy and Moskovskiy districts, alongside Naberezhnaya Obvodnogo Kanala and Moskovskiy Prospekt. A wide range of commercial, social and recreational infrastructure is within walking distance, including Varshavskiy Ekspres, a shopping and entertainment complex with a cinema, a concert venue and a sports area, as well as supermarkets, department stores, restaurants and cafes, garden squares and museums. The area has a well-developed network of surface public transport, and there are three metro stations within walking distance: Frunzenskaya, Baltiyskaya and Moskovskie Vorota.

The area is conveniently located near important transport routes: Moskovskiy Prospekt, Naberezhnaya Obvodnogo Kanala and Mitrofanievskoye Shosse, as well as an access road onto the Western High-Speed Diameter. The airport can be reached within 20 minutes by car.



Green River

KIROVSKIY ADMINISTRATIVE DISTRICT,
VOLGOGRADSKAYA ST.



25 min

to the airport
~ 13 km

20 min

to the historical
city centre
~ 10 km

Green River, a large-scale residential complex in Omsk, is Etalon Group's first project beyond Moscow and St Petersburg. Developed in line with the "city within a city" concept, the project offers a large selection of apartments of different sizes with a variety of floor plans: from classic to open-plan layouts.



2022 —————> 2030

CONSTRUCTION TIMELINE

160.4 BLN RUB

Income from sales¹

12.4 BLN RUB

Market value¹

1.4 MLN SQM

Net sellable area¹

¹ According to the valuation by Nikoliers as of 31 December 2022.

Green River

KIROVSKIY ADMINISTRATIVE DISTRICT,
VOLGOGRADSKAYA ST.

About the project

Particular attention has been paid to developing the grounds of the property: a wide promenade passing through varying terrain will join the project's open public spaces, such as playgrounds and sports facilities, recreation areas and landscaped garden squares. The plans for the first phase of the project include a pump track as an additional recreation space. The track's state-of-the-art surface, high-quality fencing and well-designed course will ensure safety.

In 2022, Etalon Group launched sales at the first phase of the project, which includes 14 residential buildings, a preschool, commercial premises, parking lots and landscaped courtyards.

Location

The Green River residential complex is located on the left bank of the Irtysh River, in the Kirovskiy district of Omsk, which is the most promising, best-equipped and most modern district in the city. The construction site occupies the area from Baucentre on Volgogradskaya Street to Kondratyuka Street and Verkhnedneprovskaya Street. Schools, preschools, sports facilities and grocery stores are all within a 10-minute walk.

Nearby public transport stops and major thoroughfares provide convenient transport connections for residents.





PROJECTS

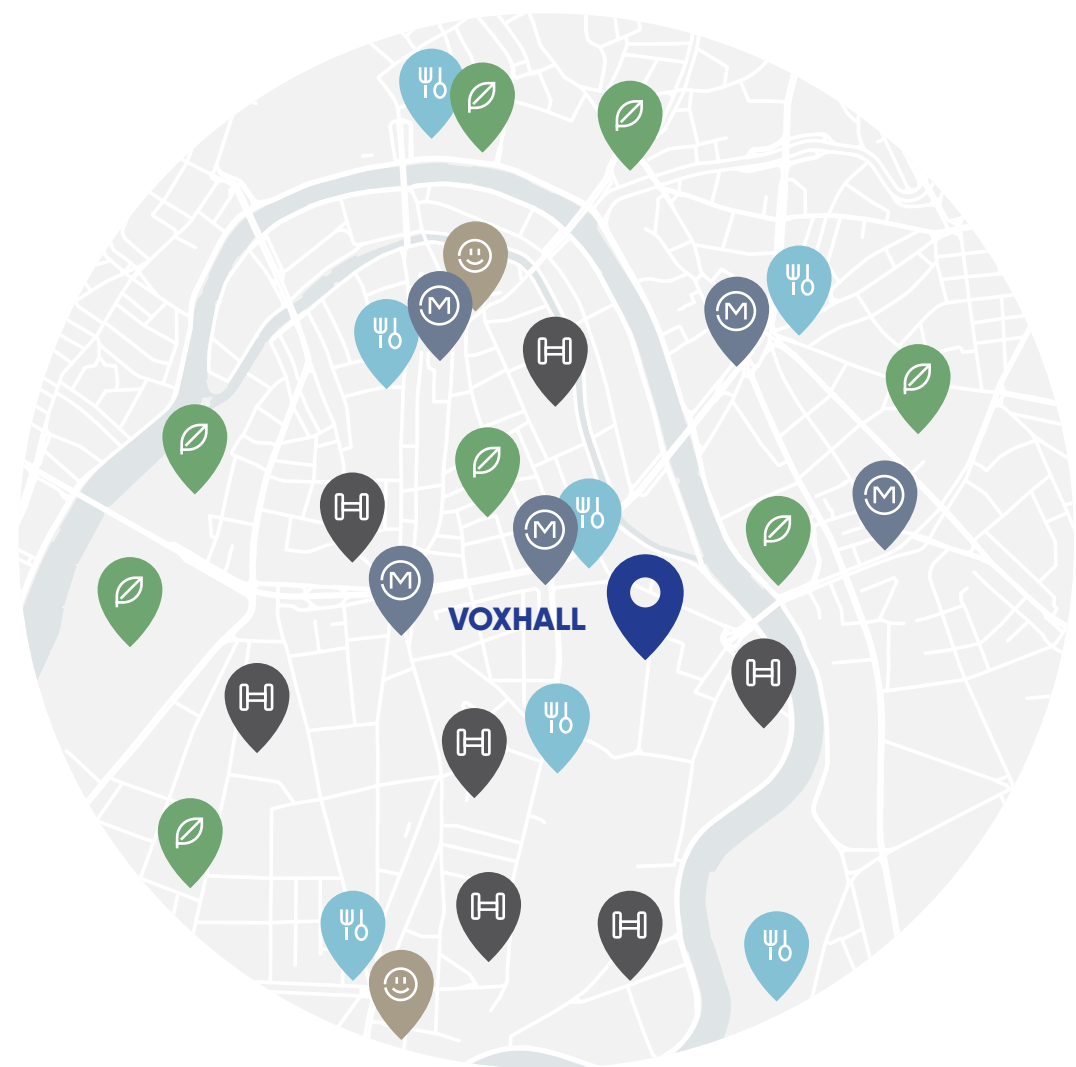
BUSINESS CLASS





Voxhall

4 LETNIKOVSKAYA ST.



Voxhall, a multifunctional business-class complex located on Letnikovskaya Street, in the prestigious Zamoskvorechye district in the heart of Moscow, includes a seven-section residential complex and two aparthotel towers. The residential building is designed as a single urban block with its own commercial amenities to complement the extensive infrastructure already available in the district.



2021 —————> 2025

CONSTRUCTION TIMELINE

32.9 BLN RUB

Income from sales¹

8.0 BLN RUB

Market value¹

66 THS SQM

Net sellable area¹

¹ According to the valuation by Nikoliers as of 31 December 2022.

Voxhall

4 LETNIKOVSKAYA ST.

About the project

The project offers unique architecture and an excellent location combined with functional layouts, panoramic windows, master bedrooms, high ceilings, designer lobbies, a living environment designed by well-known companies and high-quality construction and finishing materials. The living environment is well suited to the district's status: the dynamically zoned interior space was designed to ensure harmony with nature.

The project offers wonderful views thanks to its convenient location 5 km from the Kremlin and near the Moscow River Embankment. In 2022, Etalon Group launched sales at the first phase of the project, which includes 14 residential buildings, a preschool, commercial premises, parking lots and landscaped courtyards.

Construction and installation works are currently ongoing.



Location

The multifunctional business-class complex is located in the very heart of the capital, in the immediate vicinity of the Paveletskaya metro station. The complex is easily accessible by personal and public transport. Only 350 metres away, to the north of Letnikovskaya Street, is Paveletskiy station, where Aeroexpress trains depart for Domodedovo Airport.

The property's excellent transport accessibility is coupled with the district's wide range of developed infrastructure and amenities as well as proximity to a promenade and parks. Residents will have access to all the benefits of living in the prestigious centre of Moscow, with its modern residential, business and entertainment infrastructure alongside cultural attractions and the city's main business centres. Voxhall is near business districts where a number of financial institutions and major 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, developed green space and an open-air amphitheatre. Gorkiy Park, one of the largest and most popular recreational areas in the capital, can be reached in 20 minutes by scooter.



Silver Fountain

16 NOVOALEKSEEVSKAYA ST.



30
min

to Red Square
~ 10 km

20
min

to the Garden Ring
~ 5 km

The Silver Fountain business-class residential complex is located in the historical Alekseevskiy district of Moscow. The complex consists of five buildings, including residential and commercial buildings as well as a business centre, social amenities and parking facilities. The project is being built among 19th-century architectural monuments, with a restored vintage fountain, in the middle of a century-old linden alley, that serves as the centrepiece of the entire complex.

2017 —————> 2023

CONSTRUCTION TIMELINE

47.7 BLN
RUB

Income from sales¹

7.7 BLN
RUB

Market value¹

190 THS
SQM

Net sellable area¹

¹ According to the valuation by Nikoliers as of 31 December 2022.



Silver Fountain

16 NOVOALEKSEEVSKAYA ST.

About the project

The total NSA of the project will be 190 ths sqm, including a two-level underground parking garage for more than 2 thousand vehicles.

The facades of the first phase of the Silver Fountain residential complex emphasise its relationship to its immediate surroundings and the seamless use of architectural techniques typical of this part of Moscow. High windows without horizontal lattices draw attention to the brickwork while illuminating the interior as much as possible.

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. The residential complex's third building has been certified as a smart home and included in the register of new smart buildings established by the Unified Register of Russian Developers. Silver Fountain's high degree of energy efficiency and environmental friendliness have been confirmed by a Green Zoom platinum certificate.

Location

Thanks to its location 500 metres from the Alekseevskaya metro station, alongside 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

7 PETROVSKIY SPIT



This business-class residential complex, located on the Neva embankment, in one of the most interesting and most promising areas in central St Petersburg, was delivered in early 2022. The project was designed by the well-known architectural firm Intercolumnium.

¹ According to the valuation by Nikoliers as of 31 December 2022.



2018 —————> 2021

CONSTRUCTION TIMELINE

19.1 BLN RUB

Income from sales¹

7.6 BLN RUB

Market value¹

62 THS SQM

Net sellable area¹

Petrovskiy Landmark

7 PETROVSKIY SPIT

About the project

Each of Petrovskiy Landmark's buildings has its own unique design; at the same time, the entire complex shares a unified style thanks to details made of natural Jurassic stone, niello and Flemish brick. The suspended facades of building A are made of hand-moulded red brick; the ground floors, where commercial premises are housed, feature panoramic windows 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. The location next to the Malaya Neva is one of the property's biggest selling points, and it was used in the project's design. The complex offers apartments with oversized windows, panoramic or corner glazing as well as floor-to-ceiling windows offering access to open balconies, enclosed balconies with floor-to-ceiling windows, open terraces or glazed winter gardens.

The complex features a central air-conditioning system, silent lifts, round-the-clock monitoring of utility systems, a closed heating system, underground parking and a preschool.

The stylish design of the inner courtyards, with small architectural shapes, benches and elegant lamps, is part of the project's overall concept.

The location next to the Malaya Neva is one of the property's biggest selling points, and it was used in the project's design.

Location

The residential complex is located on Petrovskiy Island, a prestigious and rapidly developing part of the city. The historical city centre can be reached in 10 minutes by car. In such a location, residents have every possible opportunity to lead an active lifestyle and to relax in a peaceful environment.

Three metro stations are located within walking distance, but not on Petrovskiy Island itself, which ensures excellent transport accessibility while maintaining the district's peaceful island-like atmosphere. Not far from Petrovskiy Landmark is a riverside yacht club with a large marina and service area. The neighbouring Krestovskiy Island is home to a high-end residential development and extensive recreation, leisure and sports facilities.





PROJECTS

COMFORT CLASS



Normandy

MOSCOW

9 TAININSKAYA ST.

2017 → 2021

CONSTRUCTION TIMELINE

Normandy is a comfort-class residential complex in the north-east of Moscow, located on Taininskaya Street. The property has been delivered and consists of five buildings of 7 to 24 floors with minimalist facades and bright architectural accents. For the convenience of residents, the project offers easily accessible pram storage rooms, spacious halls with finishings made of eco-friendly materials, waiting areas for guests and a concierge area, underground parking, landscaped grounds with walking trails, elegant benches and areas for relaxation, equipped playgrounds for children and sports grounds, a security and video surveillance system, as well as shops, bakeries and beauty salons on the ground floors.

The project is conveniently located in a picturesque green area of Moscow, alongside Losiny Ostrov National Park. The Losino-ostrovskiy district of Moscow's North-Eastern Administrative Division offers well-developed social amenities, with a wide range of healthcare facilities and educational institutions, sports stadiums and fitness clubs, and shopping and entertainment infrastructure available in the area. In addition, the district is home to several universities, including the Moscow Suvorov Military School, the Academy of Economic Security of the Ministry of Internal Affairs of the Russian Federation, the Moscow Institute of the Border Guard Service of the Federal Security Service and others.

Thanks to its parks and forests, including the famous Losiny Ostrov National Park, the district is one of the most environmentally friendly parts of the capital. Nearby parks and garden squares are popular recreational areas for Muscovites: Babushkinskiy Park, Torfyanka Park with its pondside recreation area, Dzhamgarovskiy Park, and the beautifully developed Yauza River valley with its numerous playgrounds.

The project offers convenient transport accessibility thanks to two nearby metro stations – Babushkinskaya and Medvedkovo – two suburban train stations and surface public transport stops. The Moscow Ring Road is less than a five-minute drive away, which makes it easy for residents to travel anywhere in the region.

Summer Garden

MOSCOW

107 DMITROVSKOYE SHOSSE

2016 → 2021

CONSTRUCTION TIMELINE

Summer Garden is a residential complex consisting of 11 residential buildings that have already been constructed. It is located in one of the most developed areas of Moscow, near two metro stations: Seligerskaya is a 15-minute walk away, while the Yakhromskaya station can be reached in 2 minutes on foot (set to open in 2023).

Spacious lobbies flooded with sunshine through panoramic windows are a continuation of the distinctive style of the bright multicoloured facades. The enclosed structure of the neighbourhood keeps the wind and urban noise at bay, creating a calm, peaceful atmosphere. In addition to the

comfort-class residential buildings, amenities, a garden, parking facilities and a three-storey shopping centre have already been built on the grounds of the project.

The 38-hectare Angarskiye Prudy Park and an equestrian centre are a 10-minute walk away. The project offers excellent transport accessibility thanks to its own convenient exit from Dmitrovskoye Shosse, which makes it possible to reach anywhere in the city quickly and easily.

11

Residential buildings

34 THS SQM

Net sellable area¹

55 MLN RUB

Market value¹

16 BLN RUB

Income from sales¹

146 THS SQM

Net sellable area¹

1.9 BLN RUB

Market value¹

34 BLN RUB

Income from sales¹



¹ According to the valuation by Nikoliers as of 31 December 2022.

Etalon City

MOSCOW

13 STAROKRYMSKAYA ST.

2013 → 2018

CONSTRUCTION TIMELINE

Etalon City is a high-rise comfort-class residential complex located in the middle of one of the largest forest parks in Moscow, in a pristine area with well-developed infrastructure straddling North and South Butovo. All the buildings in the complex have already been delivered. The project includes nine comfort-class residential buildings, commercial space and social amenities. The buildings are brick monolithic structures with suspended ventilated facades.

The complex features a unique architectural concept, whereby every building has its own look symbolising a particular city. The first-phase facades reflect the skylines of New York,

9

Comfort-class residential buildings

Chicago, Barcelona and Monaco. In addition to the facades, the finishing in the common areas and the landscape design of the surrounding grounds continue the theme.

The residential complex was designed in line with the latest urban planning trends in the capital: the project includes enclosed, vehicle-free courtyards with landscaped walking areas, playgrounds for children and sports facilities. The grounds of the complex include a preschool and school; courts for volleyball, basketball and futsal; a fitness centre; and underground parking.

The project provides convenient access onto the Moscow Ring Road, Kaluzhskoye Shosse and Varshavskoye Shosse; the Ulitsa Skobelevskaya metro station is a 15-minute walk away. Stops on nine surface transport routes are within easy reach of the complex, from where residents can travel to the Bulvar Dmitriya Donskogo, Annino, Ulitsa Akademika Yangelya and Yasenevo metro stations.

Schastye na Semyonovskoy

MOSCOW

20 IZMAILOVSKOYE SHOSSE

2020 → 2022

CONSTRUCTION TIMELINE

The Schastye na Semyonovskoy project, delivered in 2022, consists of a 13-storey residential building with underground parking and an aboveground parking lot for guests. The complex features a variety of layouts, including highly glazed apartments as well as apartments with closed or French balconies.

The ground floor of the residential complex houses commercial amenities with a separate entrance, as well as a spacious lobby, a pram storage room and other public spaces for the comfort of residents.

1

13-storey residential building

The Schastye na Semyonovskoy residential complex is located in a developed green area of Moscow alongside two of the capital's largest parks: Sokolniki Park and Izmailovskiy Park. The 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, ensures excellent transport accessibility for residents.

298 THS SQM

Net sellable area¹

1.3 BLN RUB

Market value¹

29 BLN RUB

Income from sales¹

6 THS SQM

Net sellable area²

0.5 BLN RUB

Market value²

1.6 BLN RUB

Income from sales²

¹ According to the valuation by Nikoliers as of 31 December 2022.

² Source: Colliers International estimate as of 31 December 2021.

Emerald Hills

MOSCOW REGION

KRASNOGORSK, KOSMONAVTOV BLVD. – MERLOUSHKINA ST.

2009 → 2023

CONSTRUCTION TIMELINE

The Emerald Hills residential complex was the Company's first – and one of its largest – projects in the Moscow region. It is located in one of the greenest parts of the region and is surrounded by forest parkland – in Krasnogorsk, a pristine suburb north-west of Moscow. The project is located just 8 km from the Moscow Ring Road and close to the Opalikh Moscow Central Diameter station.

A large part of the grounds of the complex itself is reserved for green space and the development of recreational areas, sports facilities and playgrounds for children. The project also includes

20

Residential buildings

an open-air space museum, Cosmonaut Alley, featuring life-size models of spacecraft. A landscaped park with recreational areas and dedicated paths for pedestrians and cyclists has been laid out in the forest adjoining the complex.

Emerald Hills is a fully inhabited residential neighbourhood with functioning infrastructure and amenities as well as three working schools and preschools. The complex consists of 20 residential buildings. The final phase in the construction of the neighbourhood will be buildings 18, 19 and 20, known as the "New Emeralds".

Finskiy residential complex

MOSCOW REGION

SHCHELKOVO, FRUNZE ST.

2017 → 2023

CONSTRUCTION TIMELINE

The Finskiy residential complex is an Etalon Group project located in the western part of the Shchelkovo district centre.

This pristine area with developed infrastructure and amenities, within commuting distance of Moscow, will be a wonderful place to live for both young families and older people.

The modern architecture of the complex and the layout of the apartments have been thought through down to the smallest detail in order to provide the most comfortable setting possible for future residents. Residents can enjoy active recreation at

any time of year, given that every possible type of fun and entertainment for young people and families with children is available in the Shchelkovo residential area.

Alongside the Finskiy residential complex is a preschool and a secondary school, and a short walk away can be found 24-hour pharmacies, polyclinics and supermarkets, a post office and a bank. The project offers a variety of options for family recreation: from visiting an amusement park or rope park to walking around pleasant garden squares.

The Finskiy complex is located far away from polluting industries and major highways; the picturesque Klyazma River passes near the complex. The air is very clean thanks to the wealth of forestland nearby. In addition, the materials used in the construction of the Finskiy residential complex are environmentally friendly.

431 THS SQM

Net sellable area¹

0 MLN RUB

Market value¹

60 BLN RUB

Income from sales¹

38 THS SQM

Net sellable area¹

0.5 BLN RUB

Market value¹

6 BLN RUB

Income from sales¹



¹ According to the valuation by Nikoliers as of 31 December 2022.

Desyatka

MOSCOW REGION

RAMENSKOYE, MOLODEZHNAJA ST.

2017 → 2024

CONSTRUCTION TIMELINE

The concept for the Desyatka residential complex calls for the creation of a compact, environmentally friendly and pleasant “city within a city”. Located in the peaceful Ramenskiy district, the complex was designed for people who value peace and comfort. Plans are in place to include not only zones for townhouses with land plots but also cosy apartment buildings.

There are also opportunities for active outdoor recreation that will enable residents to make the most of their free time throughout the year. The homes are being built in an area bordering forestland near Lake Plotina. In addition,

the Ramenskiy State Park of Culture and Recreation is a 30-minute walk from the complex, and the Dergaevskoye Reservoir is a 15-minute walk away.

The centre of the city of Ramenskoye can be reached in only 10 minutes on public transport, and it takes about an hour by car or suburban train to reach the centre of Moscow.

The architectural design is marked by a contemporary minimalist aesthetic and laconic solutions.

The range of available apartments feature a huge number of functional planning solutions: from compact studios to so-called transformer apartments. All the necessary amenities can be found on the grounds of the residential neighbourhood: a preschool, a school, sports facilities for people of different age groups, shopping centres, shops and a building supplies market.

Domino

ST PETERSBURG

28 BELOOSTROVSKAYA ST.

2020 → 2024

CONSTRUCTION TIMELINE

Domino is a comfort-class residential complex that includes a 10-storey residential building with underground and aboveground parking for 219 vehicles.

It is located in the historical part of the Primorskiy district, within walking distance (600 m) from the Chyornaya Rechka metro station. The complex is located alongside parks and picturesque areas suitable for walking: Stroganovskiy Park, the Saltykovskiy Garden, the Bolshaya Nevka River embankment, as well as the parks and palaces of Kamenny Island.

The combination of minimalist architectural lines, state-of-the-art technologies, infrastructure and amenities, landscaping and thoughtful apartment design guarantee future residents a high level of comfort.

There are no studio apartments in the residential complex. Various floor plans are available – from cosy one-room apartments to spacious five-room apartments. There are also several apartment options with open-plan kitchen-living rooms. One of the project’s key features is that there are four to six apartments on each floor. Every apartment has a glazed sunroom, including some with oversized windows. The apartments are equipped with Airbox micro-ventilation valves in the windows, which ensure a flow of fresh air even when the windows are closed.

The complex has a closed, vehicle-free courtyard as well as guarded grounds with 24-hour video surveillance and a dispatch service. The project includes landscaped and outfitted recreation areas for adults and children, an amphitheatre, as well as a bicycle path and sports grounds. There are already developed infrastructure and amenities in the area surrounding the complex, including theatres, museums, shops, cafes, schools and preschools.

32 THS
SQM

Net sellable area¹

1.9 BLN
RUB

Market value¹

8.1 BLN
RUB

Income from sales¹

40 THS
SQM

Net sellable area¹

3.2 BLN
RUB

Market value¹

10.6 BLN
RUB

Income from sales¹



¹ According to the valuation by Nikoliers as of 31 December 2022.

Monograph

ST PETERSBURG

SHKOLNAYA ST.

2022 —————> 2025

CONSTRUCTION TIMELINE

Monograph is a new comfort-class residential complex from Etalon Group.

The complex is located in the town of Shushary, in the Pushkinskiy district, near the suburbs of St Petersburg and major city roads, 15 minutes to the Kupchino metro station.

Important social amenities, including a school, a preschool and a polyclinic, are located within walking distance from the Monograph residential complex. The complex was created with

the comfort and safety of residents in mind: the project includes well-considered, ergonomic layouts, and state-of-the-art technological solutions were used.

The project provides modern, safe recreation areas for children and adults, a parking area for bicycles, pram storage rooms, a 24-hour dispatch service, commercial premises and video surveillance systems.

Social amenities can be found in the immediate vicinity of the project. A school with places for 1,925 pupils is already being built, and plans are in place to open a preschool with places for 320 children.

Novoorlovskiy

ST PETERSBURG

SUZDALSKOYE SHOSSE

2013 —————> 2024

CONSTRUCTION TIMELINE

Novoorlovskiy is a large-scale Etalon Group project in the northern part of St Petersburg that combines residential neighbourhoods separated by small streets. All of the residential areas are built using the same architectural style – neoclassical. They include modern buildings with light facades and surrounded by a forest park. In total, the project foresees the construction of six 25-storey towers and five 7–9-storey apartment buildings. Two preschools and a secondary school have already opened on the grounds of the project.

At the heart of the project is a pedestrian shopping street filled with shops, pharmacies, beauty salons and other properties. All the necessary social and commercial infrastructure and amenities are readily available. The ground floor of the residential complex will be for commercial purposes. Sports facilities, playgrounds for children and recreation areas will be developed alongside the residential buildings.

With convenient exits onto the Ring Road, the Western High-Speed Diameter and the main highways in the northern part of St Petersburg, the Novoorlovskiy residential complex offers excellent transport connections to the city centre and the suburbs of St Petersburg.

36 THS
SQM

Net sellable area¹

1.7 BLN
RUB

Market value¹

6.7 BLN
RUB

Income from sales¹

49 THS
SQM

Net sellable area¹

1.6 BLN
RUB

Market value¹

9.6 BLN
RUB

Income from sales¹



¹ According to the valuation by Nikoliers as of 31 December 2022.

Rauta

EKATERINBURG

ZHELEZNODOROZHNIY DISTRICT,
NADEZHDINSKOY-PEKHOTINTSEV ST.

2021 → 2027

CONSTRUCTION TIMELINE

This project includes nine residential buildings and several aboveground multilevel parking garages. The ground floors house space for offices, shops, cafes and hairdressers. The landscaped grounds include recreational areas, playgrounds for children and sports facilities, as well as pedestrian and bicycle paths. The grounds of the residential area were designed based on the safe home concept (a car-free courtyard).

The Rauta residential complex is located in the Zheleznodorozhniy district of Ekaterinburg. The district's distinctive features include developed commercial and

transport infrastructure as well as social amenities. Nearby are a railway station and the northern bus station, an arena for team sports, the Cosmos cinema and concert hall, the Olympic Embankment along the Iset River, a park for walking and relaxing, schools and preschools, supermarkets, shops and cafes.

The Rauta residential complex took part in a pilot project for certification according to the new GOST R green standard (developed for apartment buildings by Dom.rf). The project meets the transitional criteria of the green GOST R standard for residential buildings: a high energy-efficiency rating, landscaped grounds with green space, the use of environmentally friendly materials and accessibility.

Suomen Ranta

EKATERINBURG

OKTYABRSKIY DISTRICT, LUGANSKAYA – SAVVY BELYKH ST.

2022 → 2024

CONSTRUCTION TIMELINE

The Suomen Ranta residential complex was added to Etalon Group's portfolio in 2022 as part of the acquisition of YIT Russia. The project includes five residential buildings, three of which have already been delivered, as well as underground and aboveground parking areas. The complex offers a wide range of layouts, including open-plan apartments with kitchen-living rooms, walk-in closets and utility rooms, as well as the possibility of dividing apartments into common and private areas. Space for seasonal storage is available in the underground part of the buildings. The ground floors house commercial infrastructure, including a supermarket and a marketplace pickup point.

All the buildings in the complex have the same type of facade; the concept calls for a functional layout for the ground floor with barrier-free access and a passageway into the courtyard. The grounds include separate areas for games, sports and general recreation as well as bicycle and pedestrian paths.

The complex is located in a developed area of Ekaterinburg, on the banks of the Iset River, within easy reach of Mayakovskiy Park, the largest park in the city. Within walking distance can be found all the necessary commercial infrastructure and social amenities as well as public transport stops and two metro stations: Botanicheskaya and Chkalovskaya. A convenient exit onto one of the city's key roadways, the Novokoltsovskiy Highway, a bypass road, ensures excellent accessibility for motorists. The city centre, airport, train station and surrounding districts can be reached in 10–15 minutes by car.

103 THS
SQM

Net sellable area¹

2.7 BLN
RUB

Market value¹

12.9 BLN
RUB

Income from sales¹

34 THS
SQM

Net sellable area¹

1.4 BLN
RUB

Market value¹

5.0 BLN
RUB

Income from sales¹



¹ According to the valuation by Nikoliers as of 31 December 2022.

Solnechniy district

EKATERINBURG

CHKALOVSKIY DISTRICT, ZOLOTISTIIY BLVD. - LUCHISTAYA ST.

2022 → 2034

CONSTRUCTION TIMELINE

The architecture of the Solnechniy residential district is notable for its modern European style. The buildings are of varying heights, thus ensuring that the apartments and courtyards enjoy plenty of natural light. Another architectural feature is the oversized windows in the residential buildings. The project design calls for the installation of French and corner windows as well as sunrooms with glass walls.

The project offers a new housing format that is unique for the district: apartments on the ground floor have their own separate entrance and terrace. Terraces around the project's perimeter will be surrounded by shrubbery, thus creating

a sense of seclusion from the bustle of the city. Places for relaxation can also be set up on the outdoor balconies or sunrooms that are planned for nearly every apartment in the quarter.

State-of-the-art utility systems – meters, silent lifts and a dedicated furnace room capable of maintaining a microclimate at any time of year by providing an uninterrupted supply of heat and hot water – will help ensure the comfort of residents.

Play areas for children of various age groups, football fields, sports grounds and space for relaxation will be built in the closed courtyards. The customised landscape design calls for the arrangement of lawns as well as the planting of shrubs and trees.

Residents of the residential complex will enjoy a high level of security thanks to an advanced video surveillance network, monitoring centre, access control and the presence of alarm buttons on the grounds. It should also be noted that parents also have access to surveillance cameras that can monitor their children remotely through a special app.

Essential social amenities can be found within walking distance from the complex: the Governor's Lyceum, a vocational school for 1,200 students (under construction); an innovative preschool with places for 300 children; and the Centre for Rhythmic Gymnastics – the largest in the Urals and the No. 3 centre in the country in terms of size and available facilities. Quantorium, a technology park for children that will help youngsters choose a future profession at a very early age, will be housed in the Governor's Lyceum building.

The Solnechniy project will be home to the IT-Kub centre for digital education, a modern space where schoolchildren can learn about trends in the world of IT. In addition, the Ice Hockey Academy, which helps develop physical education and promotes the values of a healthy lifestyle in the Sverdlovsk region, is also located on the grounds of the project.

The district offers excellent transport accessibility thanks to convenient exits onto the Ekaterinburg Ring Road and nearby public transport routes. There will be convenient aboveground parking alongside the residential buildings.

1,625 THS
SQM

Net sellable area¹

22.2 BLN
RUB

Market value¹

259 BLN
RUB

Income from sales¹



¹ According to the valuation by Nikoliers as of 31 December 2022.

Schastye v Kazani

KAZAN

NOVO-SAVINOVSKIY DISTRICT, GAVRILOVA ST.

2021 → 2026

CONSTRUCTION TIMELINE

In 2022, Etalon brought its umbrella Schastye brand to its new regions of operations: Schastye v Kazani was the Company's first project as part of the its regional expansion of the brand.

The first phase of the project includes two buildings – of 19 and 20 floors – with built-in commercial and office space as well as a two-level enclosed parking garage. According to the project plans, the NSA of the first phase will be 20 ths sqm, including 19 ths sqm of residential and commercial real estate. The project offers a diverse range of functional layouts. Apartments are

available with either a classic or open-plan layout: apartments with spacious kitchen-living rooms and apartments with walk-in closets, master bedrooms as well as saunas.

The landscaping concept for the grounds surrounding the project was developed in collaboration with landscape designers and environmental experts. The Company plans to build operational terraces and publicly accessible recreation areas atop the project's stylobate; the adjacent grounds will feature recreation and sports facilities, playgrounds as well as an extensive walking area.

The residential complex is located in a developed green area with extensive social and commercial infrastructure: within walking distance are schools, shops and cafes, several shopping centres and sports facilities. The complex is located in close proximity to the picturesque Savinovo recreation park, on the banks of the Kazanka River.

The project offers convenient access onto Prospekt Yamasheva, one of the most important thoroughfares in Kazan.

Schastye v Tyumeni

TYUMEN

TSENTRALNIY DISTRICT, PROFSOYUZNAYA ST. - OLOVYANNIKOVA ST. - SEVERNAYA-DAOUDELNAYA ST.

2022 → 2024

CONSTRUCTION TIMELINE

The Schastye v Tyumeni residential complex is the Company's fourth regional project brought to market since the beginning of 2022. The project's NSA is expected to be 38 ths sqm, including 27 ths sqm of residential and commercial real estate.

Located in Tyumen, the new residential complex consists of three buildings of 15 to 25 floors along with an aboveground multilevel parking garage. The project offers a wide range of apartments with open-plan layouts with a combined kitchen-living room as well as a master bedroom. Some of the apartments on the upper floors have terraces offering

panoramic views. The grounds of the complex will feature playgrounds for children of different ages as well as small islands for recreation. A gym with outdoor training equipment will be located on the roof of the parking garage. The project also plans to include a promenade that will run alongside a gallery of shops and offices with display windows on the ground floor.

The Schastye v Tyumeni residential complex is located in the very centre of the city, at the intersection of Profsoyuznaya Street and Olovyannikova Street. This convenient location ensures that residents will have access to developed social amenities and commercial infrastructure. Near the complex can be found schools, preschools, universities, medical centres, banks, shopping and business centres, sports facilities and many small cafes and restaurants. Within walking distance of the project are several parks and garden squares, including the City Park of Culture and Recreation, and a well-equipped promenade along the Tura River embankment. Transport accessibility is provided by convenient access to the city's major thoroughfares: 50 let Oktyabrya Street, Profsoyuznaya Street and Respubliki Street.

56 THS SQM

Net sellable area¹

3.1 BLN RUB

Market value¹

13.2 BLN RUB

Income from sales¹

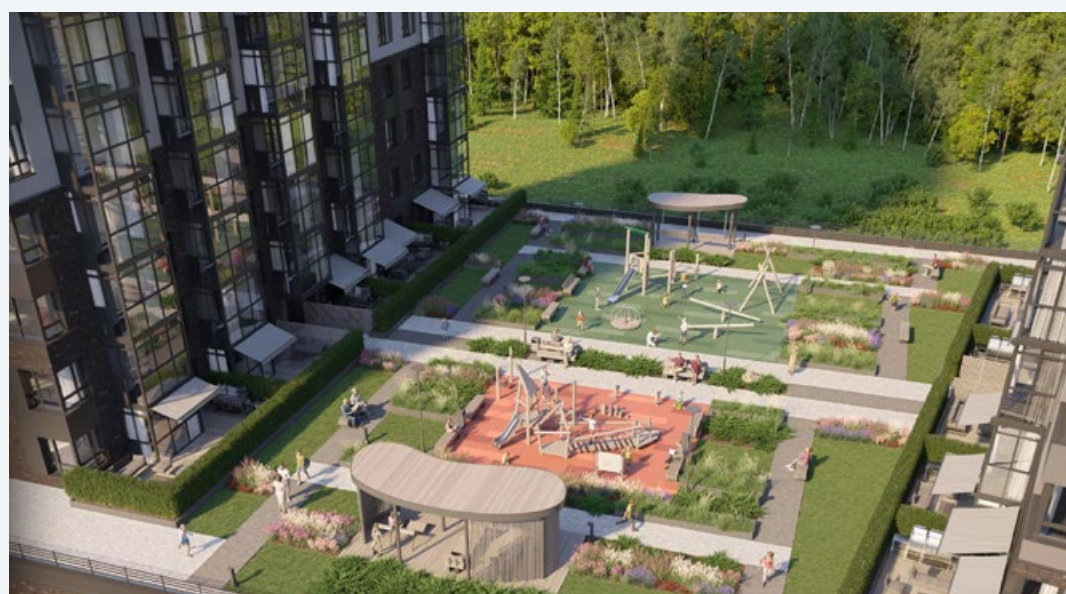
38 THS SQM

Net sellable area

889 MLN RUB

Market value²

5.5 BLN RUB

Income from sales²

¹ According to the valuation by Nikoliers as of 31 December 2022.

² According to the valuation by Nikoliers as of 31 December 2022. Schastye v Tyumeni is included in the valuation report as part of the City Zen project. The presented market value and income from sales refer to City Zen.



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OPERATING RESULTS





Operating results

71.8

RUB
BLN¹

New contract sales

Factors driving sales on the strategic horizon

01

Continuing regional expansion

02

Offering affordable housing in regional markets and the suburbs of Moscow and St Petersburg

03

Expanding offer by increasing land bank and maintaining it at a level of at least 6 mln sqm of NSA

¹ Including accumulated sales at YIT projects under development.



652

THS
SQM

New
launches
2.3× y-o-y





735 THS SQM

Record delivery volume

+74% y-o-y

750 RUB BLN¹

Cash collections

¹ Including funds accumulated from YIT Russia's development business as of the moment of Etalon Group's takeover.



261.7 RUB THS

Average apartment price per sqm

+10% y-o-y



Operating results at a glance

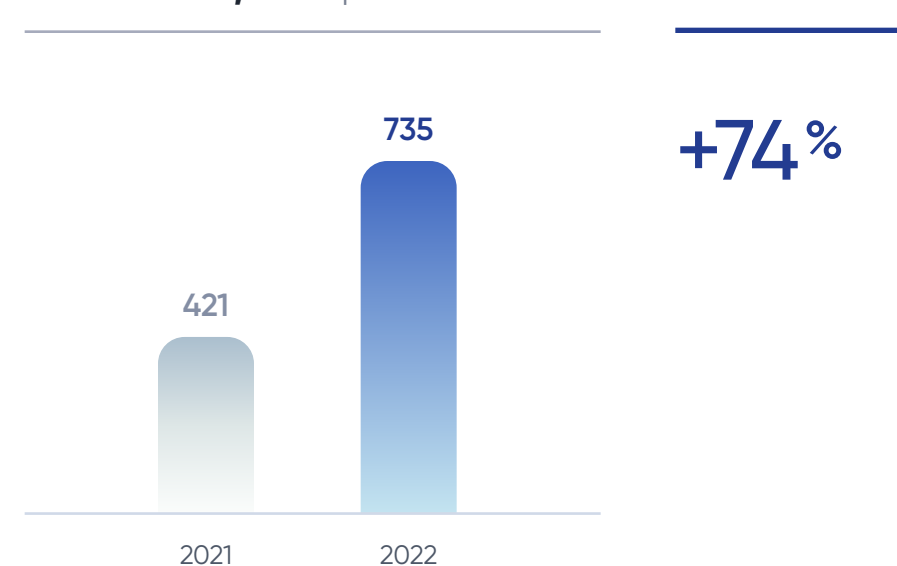
In 2022, Etalon Group concluded a lucrative deal to acquire YIT Russia. The successful takeover enabled the Company to come close to achieving its strategic goals: its portfolio expanded to over 6.4 mln sqm of NSA in eight regions.

The considerable expansion of the Company's business was reflected in the amount of space delivered, which increased by 74% in 2022, reaching 735 ths sqm. While the Moscow region and St Petersburg remain Etalon Group's key regions in terms of housing deliveries, the Company completed a number of buildings in regional projects in 2022, delivering space at three properties – in Ekaterinburg, the Sverdlovsk region and Kazan. And in early 2023, the Company received permits for the construction of the first building at its first project in Novosibirsk.

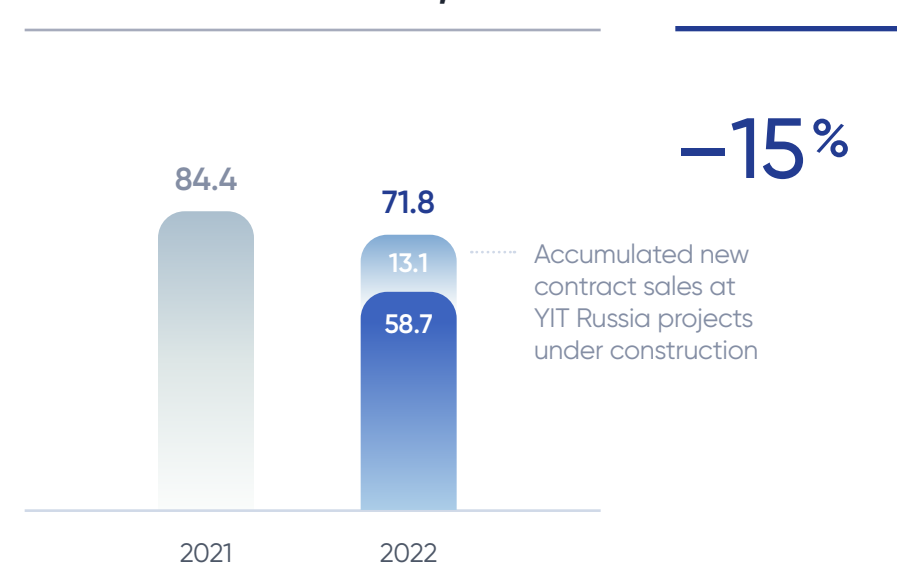
The macroeconomic environment and geopolitical factors had an impact on new contract sales and cash collections in 2022. During the year, the Company sold 292.4 ths sqm of NSA worth RUB 58.7 billion, not including YIT Russia's sales as of the date of its acquisition. Etalon Group's cash collections from new contract sales, taking into account funds accumulated from YIT Russia's development business at the time of the takeover, amounted to RUB 75.0 billion.

For more on the acquisition of YIT Russia and the operational synergies achieved through the integration, see [About Etalon Group](#).

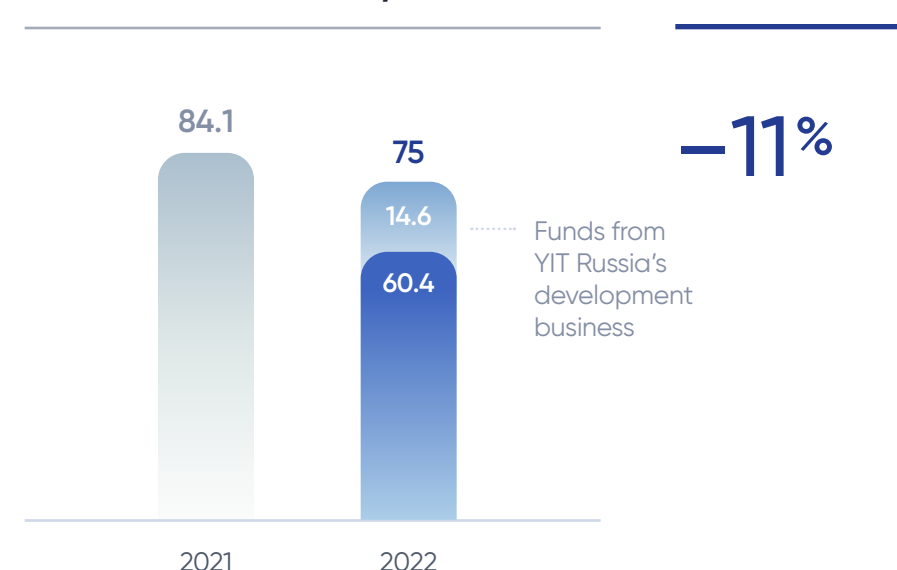
Deliveries, ths sqm



New contract sales, RUB bln



Cash collections, RUB bln



Deliveries by region, ths sqm



Factors driving sales in 2022

Launch of new NSA in key regions and in new regions

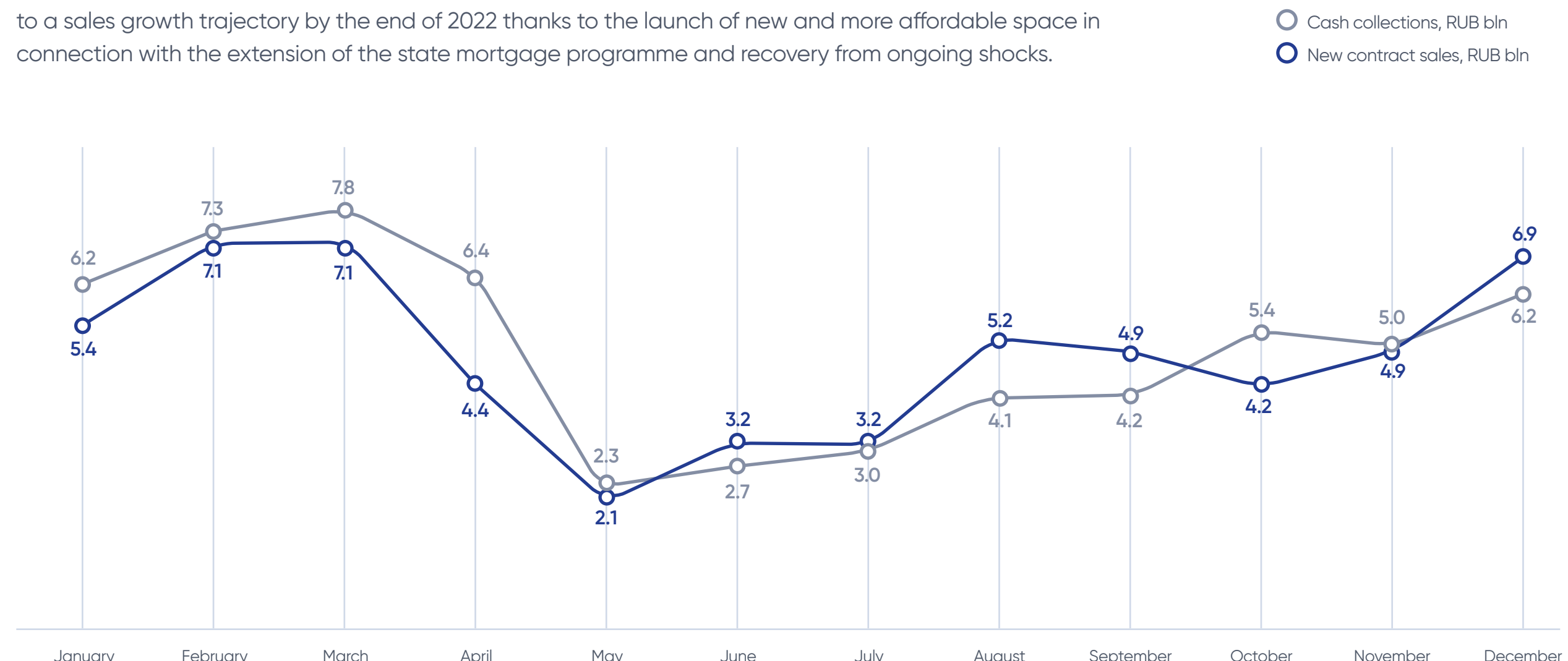
In total, the Company put 652 ths sqm of NSA on sale in 2022, an increase of 131% year-on-year. The majority of the new space was launched towards the end of 2Q 2022 or later, driving a gradual recovery in monthly sales dynamics in the second half of the year.

Space put on sale, NSA,¹ ths sqm



¹ Net sellable area

Despite a slowdown in new contract sales, in both monetary and volume terms, stemming from a drop in consumer confidence and a sharp increase in the key rate in early 2022, the Company was able to return to a sales growth trajectory by the end of 2022 thanks to the launch of new and more affordable space in connection with the extension of the state mortgage programme and recovery from ongoing shocks.

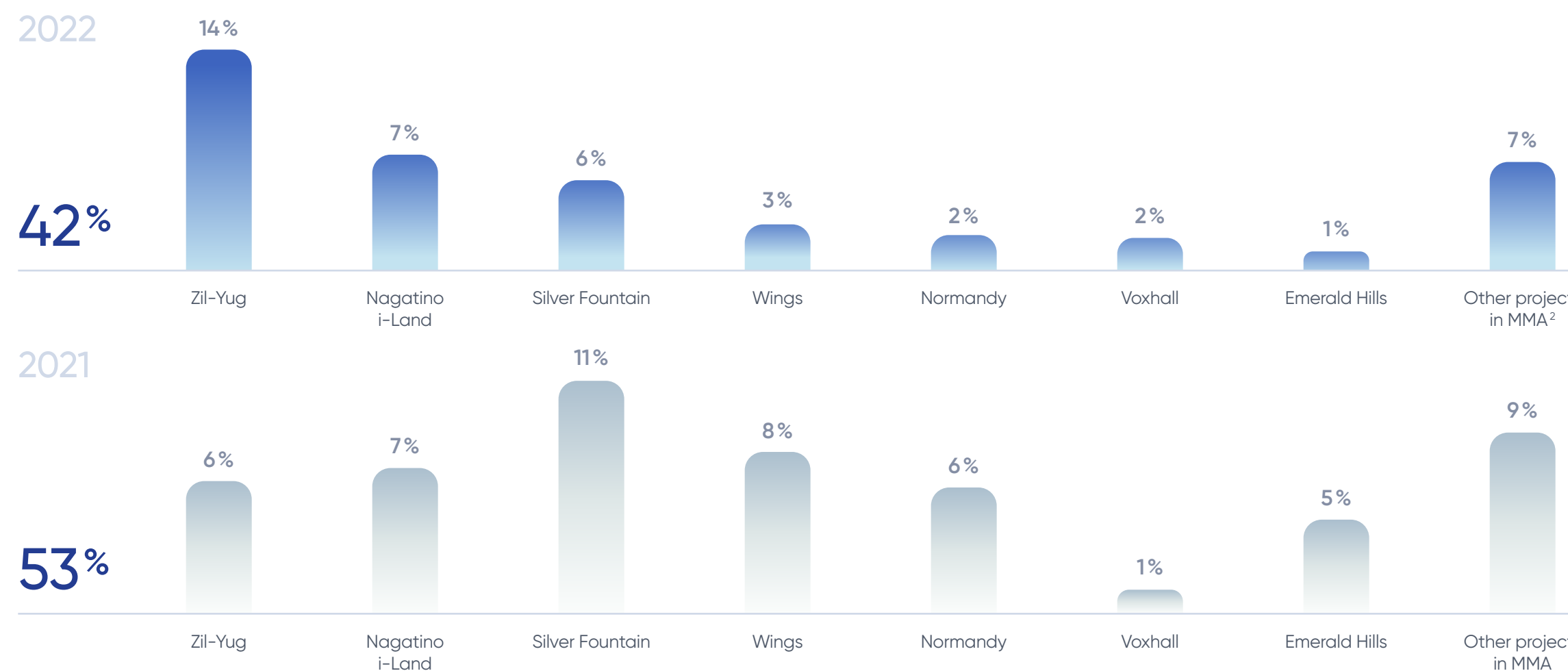


Sales breakdown by region

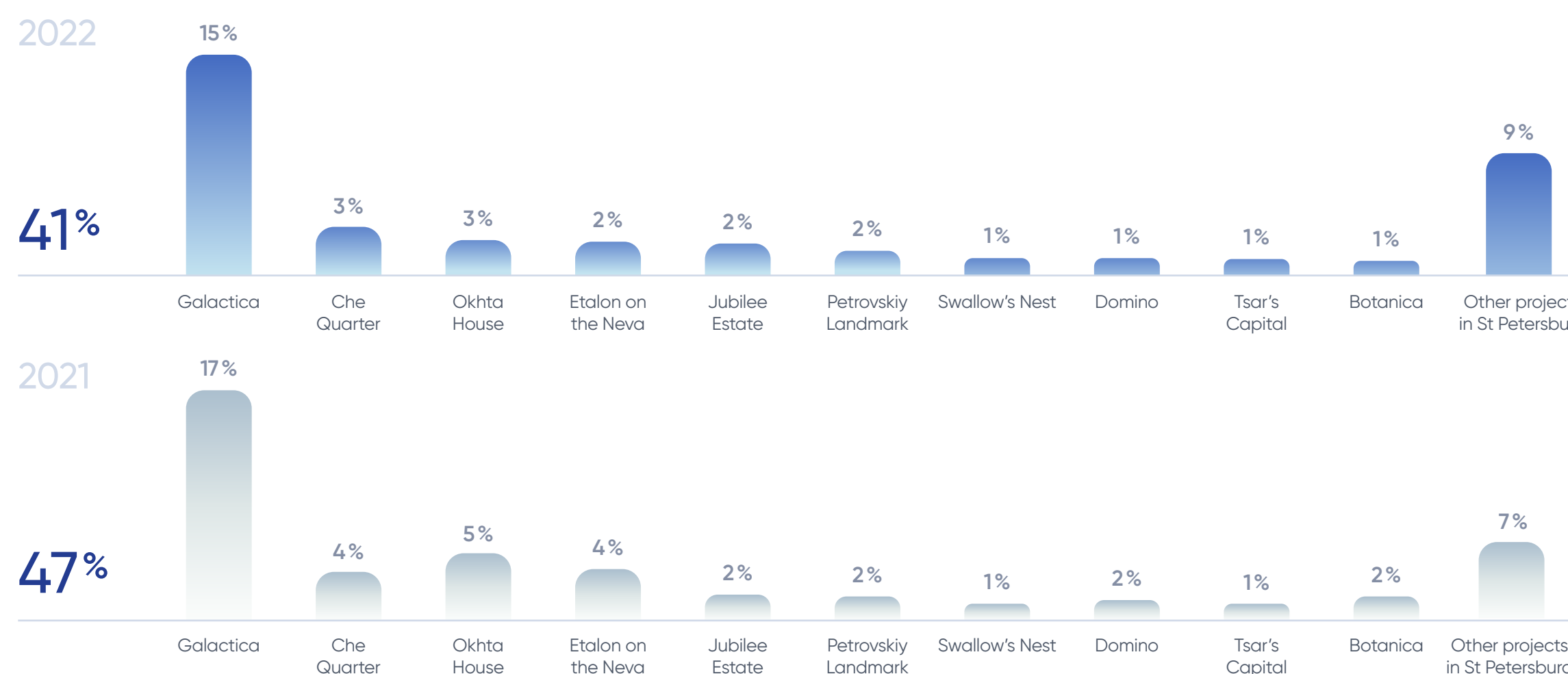
During the year, the Company continued to launch sales at new phases of popular projects, such as Nagatino i-Land and Zil-Yug, in Moscow. The considerable share of such projects supported price trends and enabled the Company to offset, to a certain extent, the temporary decline in demand for real estate.

At the same time, the Company launched new projects in 2022 in promising and less competitive regional markets, where there is effective demand for quality housing. In the last quarter of the reporting year, less than a year after the active launch of regional projects, they already accounted for 34% of sales in terms of NSA and 21% in monetary terms.

Share of contracts¹ in sqm in Moscow and the Moscow region



Share of contracts¹ in sqm in St Petersburg

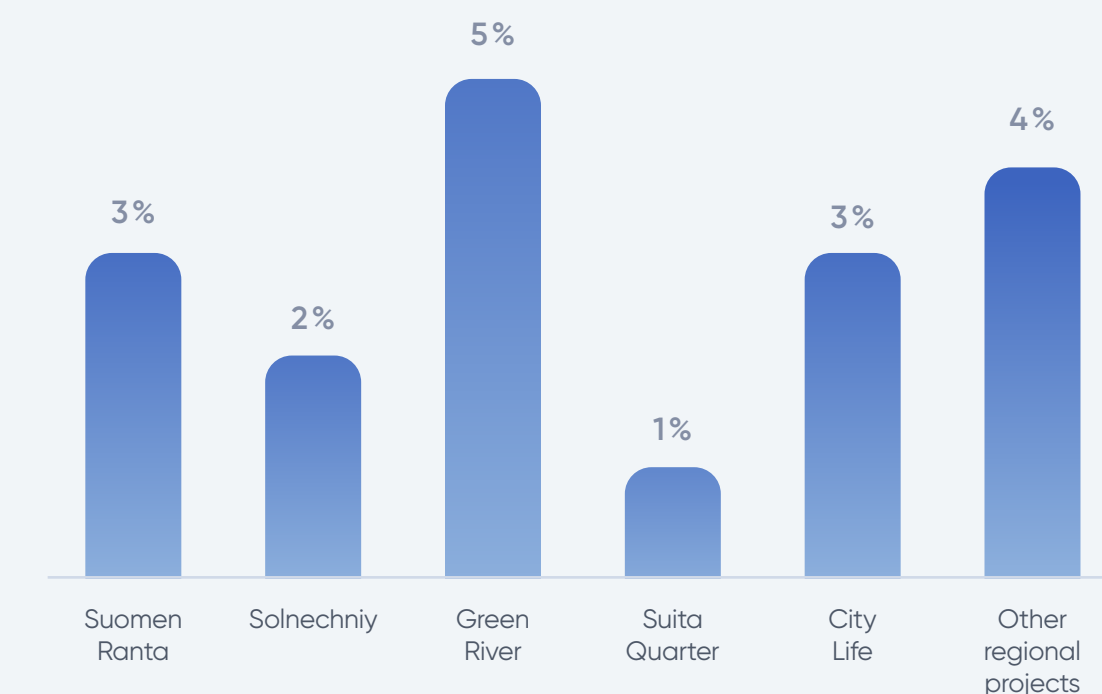


¹ The total may not add up to 100% due to rounding.

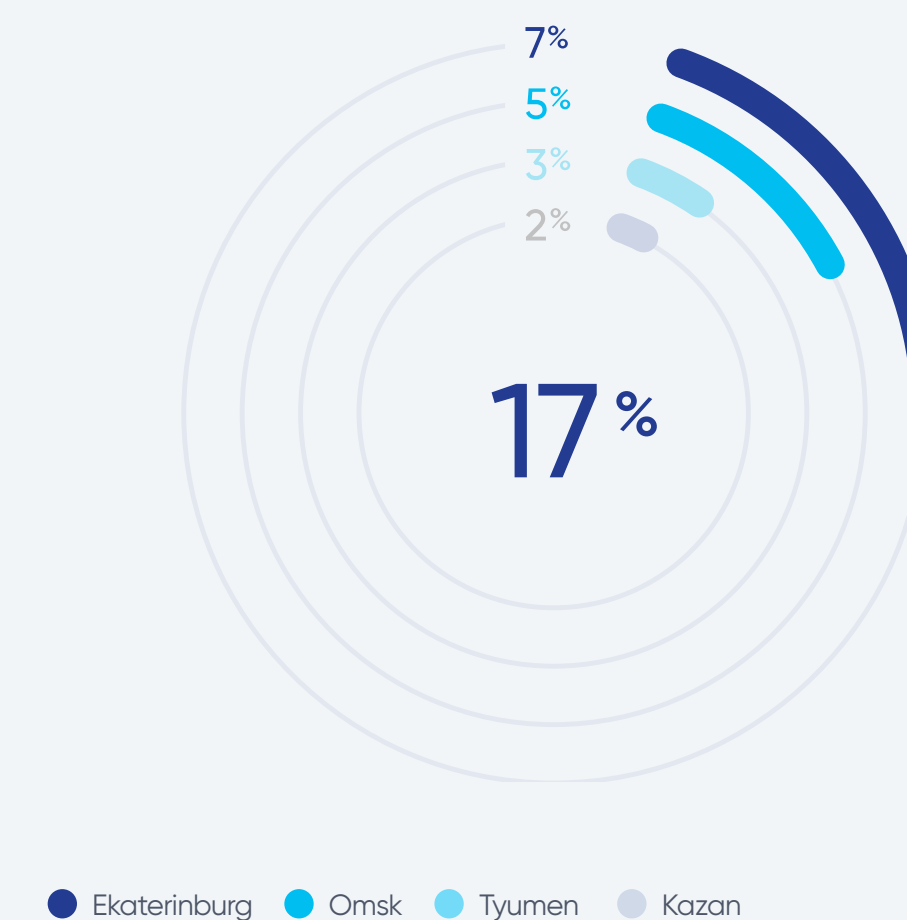
² MMA – Moscow Metropolitan Area.

Share of contracts¹ in sqm in other regions

In regional markets, the Company sold apartments at 15 comfort-class projects, where the average price of an apartment in 4Q was RUB 123.6 ths per sqm, an increase of 13% from 2Q 2022.



Regional breakdown



Sales portfolio: average price trends

Construction progress coupled with the considerable percentage of projects in the upper price segment in Moscow (Zil-Yug, Nagatino i-Land) supported price trends.

The average price of an apartment increased by 33% year-on-year in St Petersburg and by 14% in Moscow; however, the increase in the average apartment price in the portfolio as a whole was influenced by the launch of Etalon Group projects in regional markets, with lower prices. Nevertheless, prices rose in regional markets, which is an indicator of growth in these promising markets.

200.6 RUB THS

average price per sqm for all types of real estate in 2022

Affordable mortgages

Despite the fact that the key rate reached 20% in March 2022, its subsequent reduction and the continuation of preferential mortgage programmes meant that Etalon Group customers were able to get mortgages at comfortable rates.

Amid a growing supply in regional markets and the expansion of state-subsidised mortgage programmes, the share of sales with mortgage financing increased by 9 p. p., reaching the same level as in late 2021. At the same time, the increase in mortgage-backed sales supported a high average down payment, which recovered to 86% following a period of macroeconomic uncertainty.

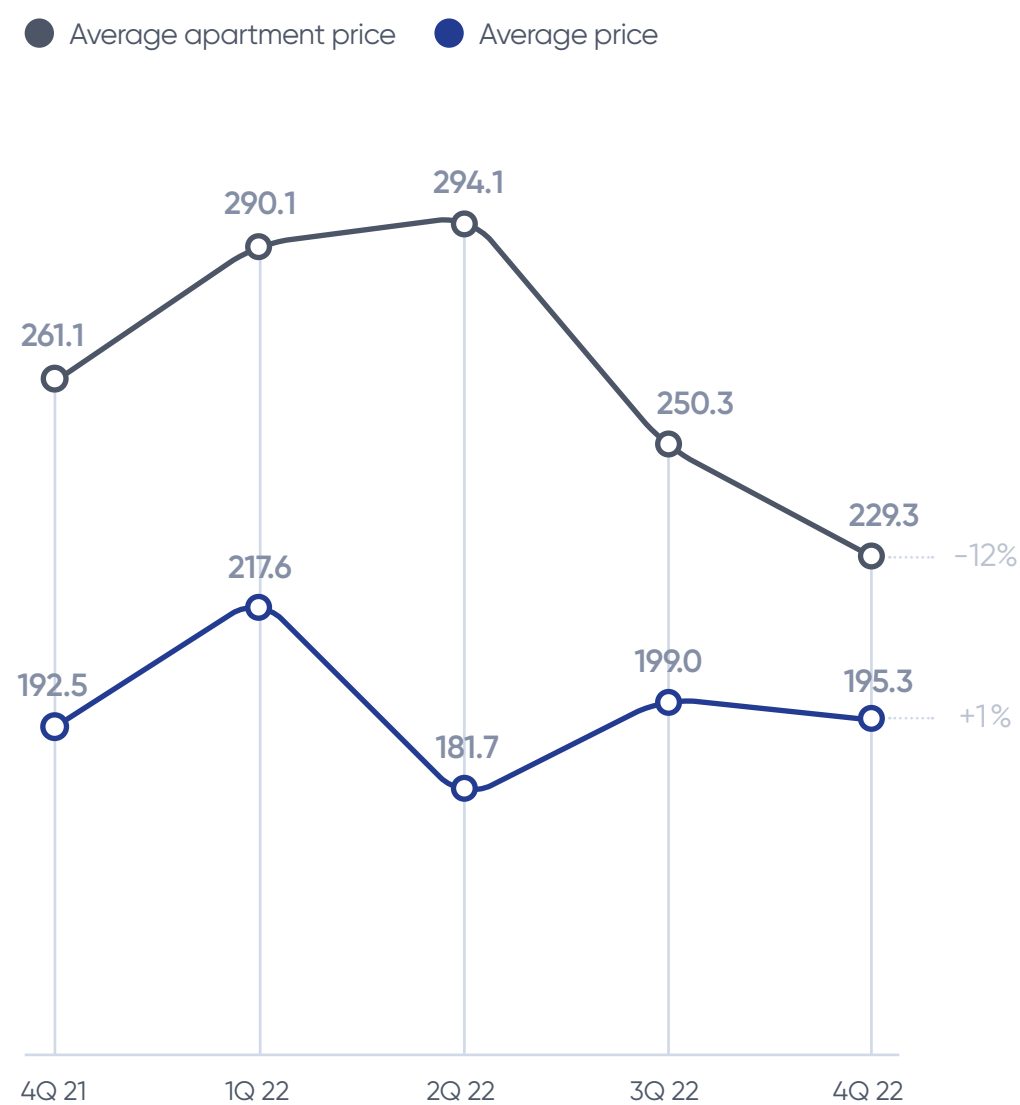
79%

percentage of mortgage-backed sales in 4Q 2022

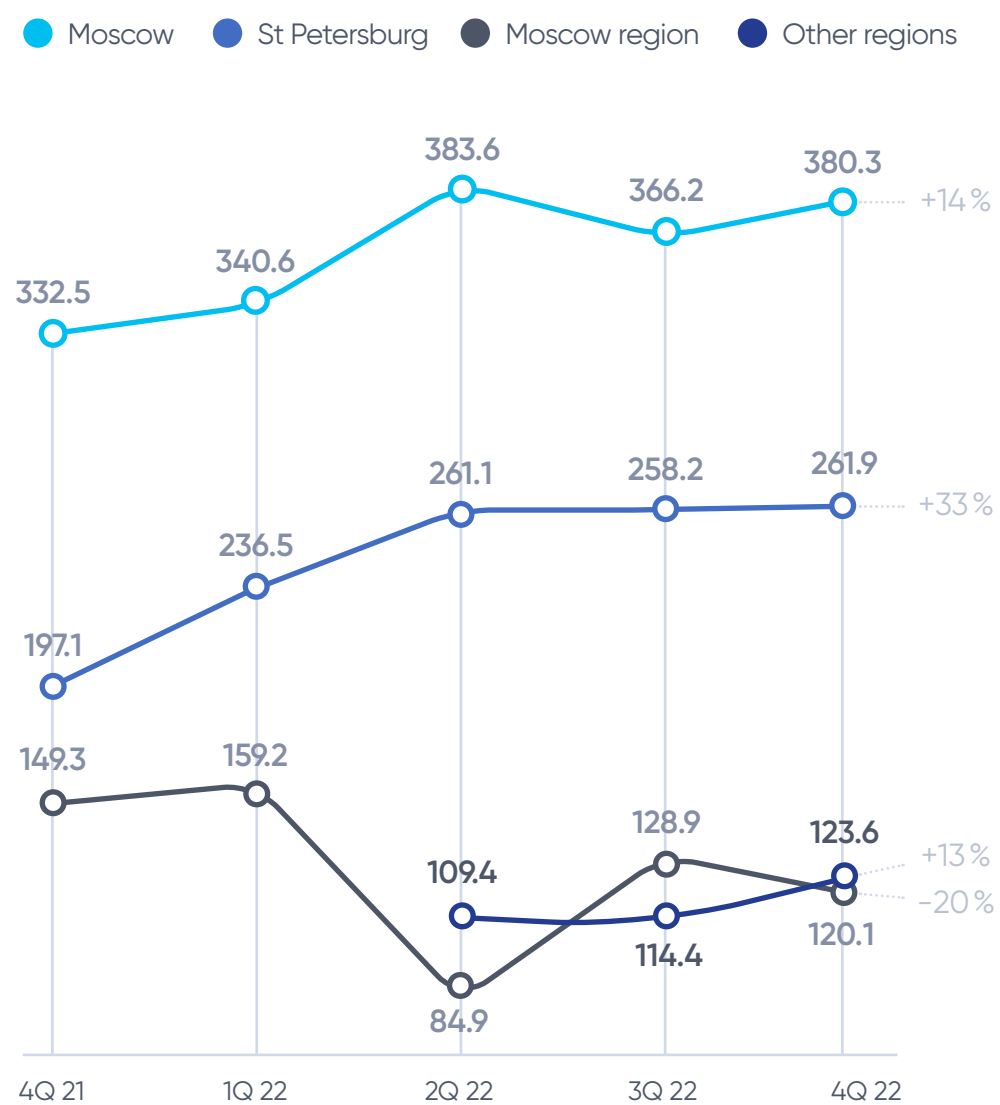
86%

high average down payment thanks to increased percentage of mortgage-backed sales

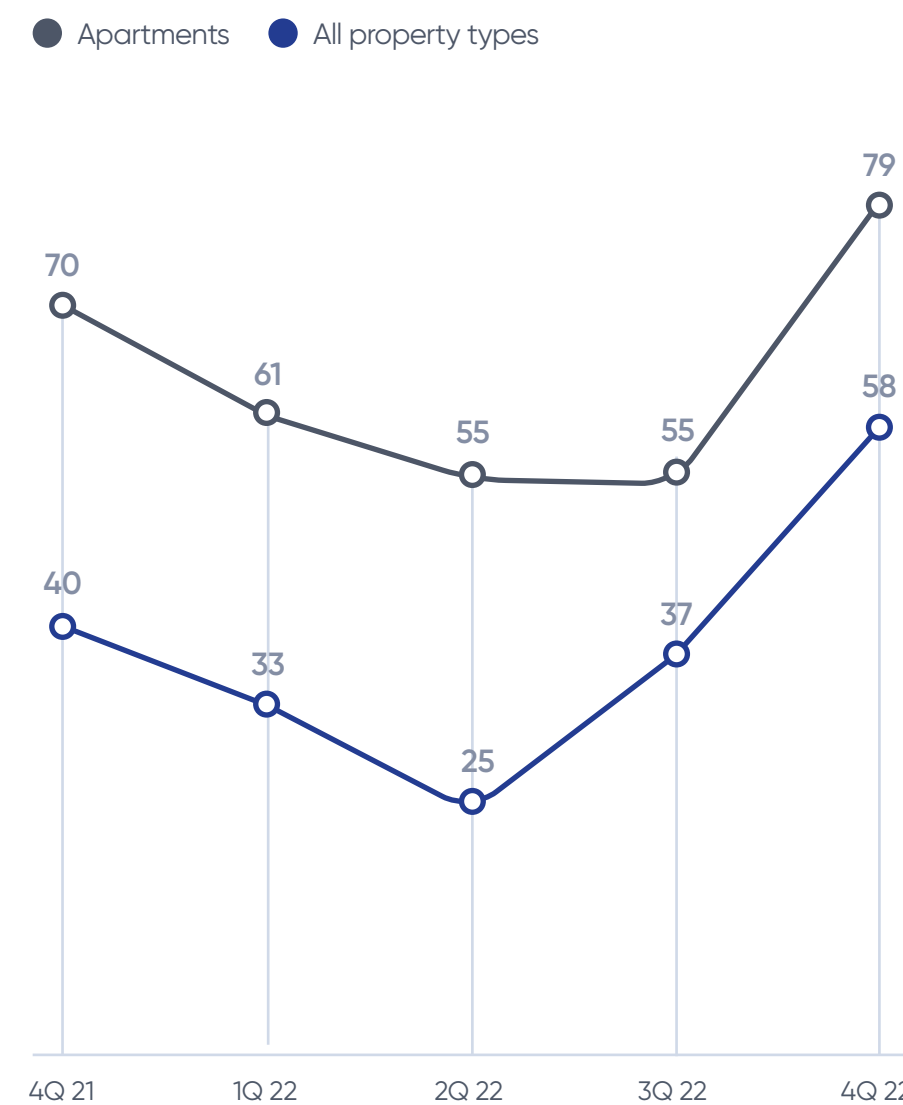
Average price, RUB ths/sqm



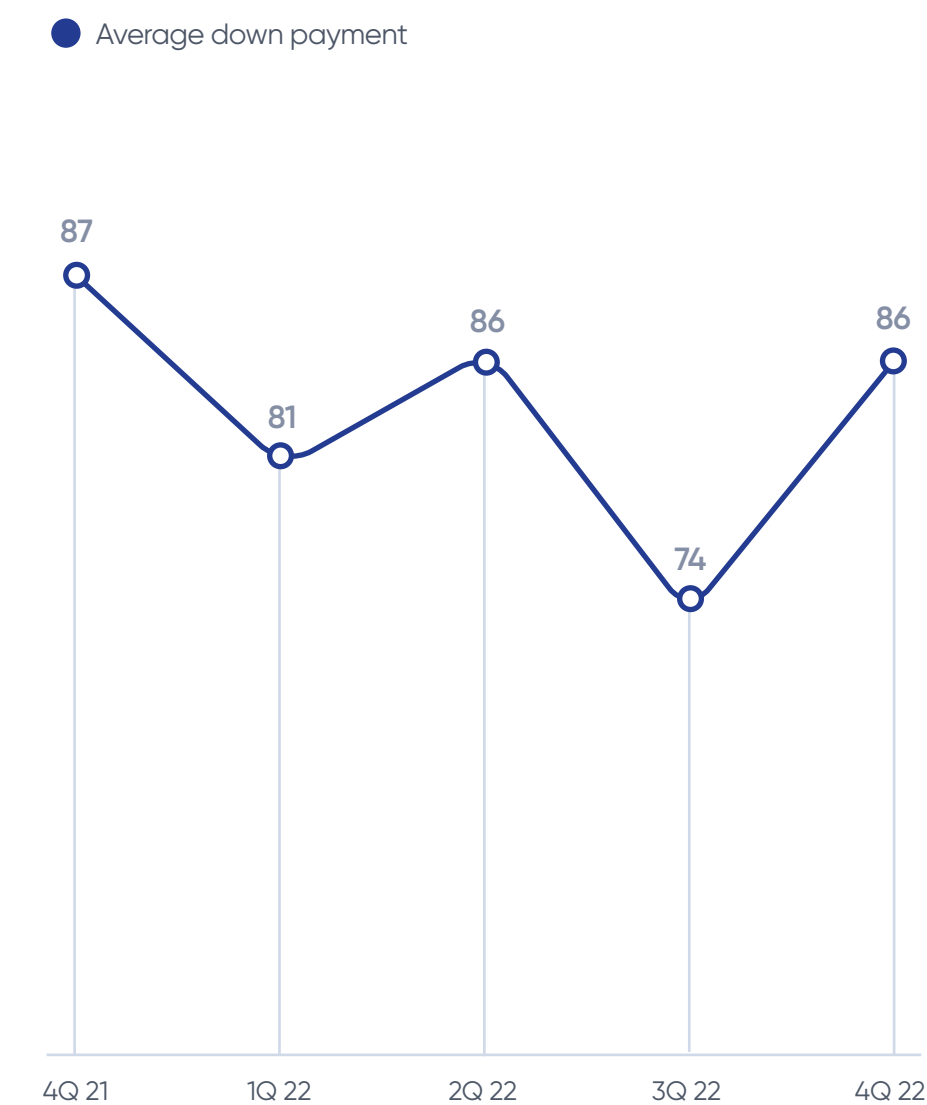
Average apartment price, RUB ths/sqm



Share of new mortgage contracts, %



Average down payment, %





256

partner
agencies
in 2022

~30%

share of annual
sales attributed
to the regional
network

Regional sales network

Etalon Group's regional marketing network, which includes sales offices and partner agencies, enables the Company's customers to consult with specialists and purchase an apartment in a convenient nearby region. 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 there.

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

In 2022, the share of regional customers was 30.1%

Etalon Group's regional sales¹

REGION	PERCENTAGE OF ALL CONTRACTS
Leningrad region	3.0%
Krasnoyarsk Krai	1.2%
Krasnodar Krai	1.1%
Yamalo-Nenets AD	1.0%
Novosibirsk region	0.8%
Khanty-Mansi AD	0.8%
Republic of Bashkortostan	0.8%
Omsk region	0.7%
Republic of Tatarstan	0.7%
Foreigners	0.3%
Other Russian regions	19.6%
TOTAL	30.1%

Despite market volatility in 2022, Etalon Group demonstrated its resilience and achieved excellent results. The Company completed a lucrative deal to acquire YIT Russia – and successfully integrated it by the end of the year – expanded into five new regions and put more than 650 ths sqm of NSA from its updated portfolio on sale, twice as much as the year before. In addition, the Company delivered 735 ths sqm last year, setting a new record and bolstering its position among the five largest developers in Russia.

Active portfolio expansion, improved product affordability and the launch of new buildings helped Etalon Group return to its trajectory of month-on-month sales growth by the end of the year. Further work in this area will enable the Company to support sustainable business growth and achieve its strategic goals to 2024.

¹ Data for 2022. The percentage of regional customers who have concluded a contract for the purchase of housing at Etalon Group projects in Moscow and St Petersburg



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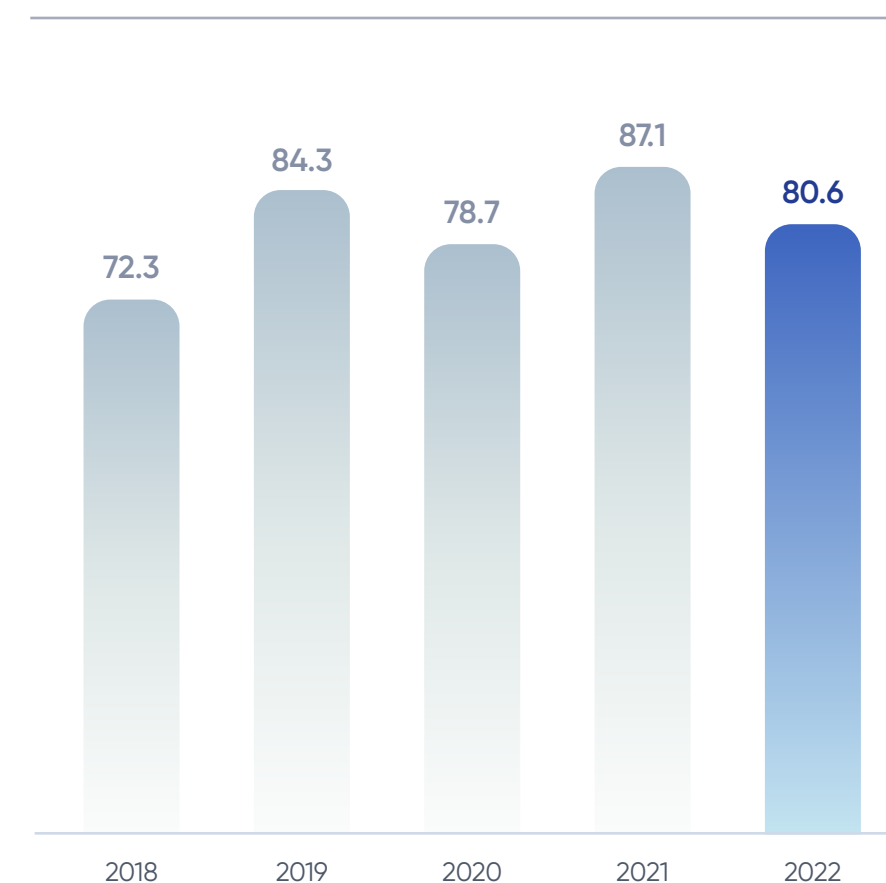
FINANCIAL RESULTS



Financial results

Thanks to efforts to improve business efficiency and the acquisition of YIT Russia on profitable terms, in 2022 the Company achieved a high level of gross profitability and record net profit.

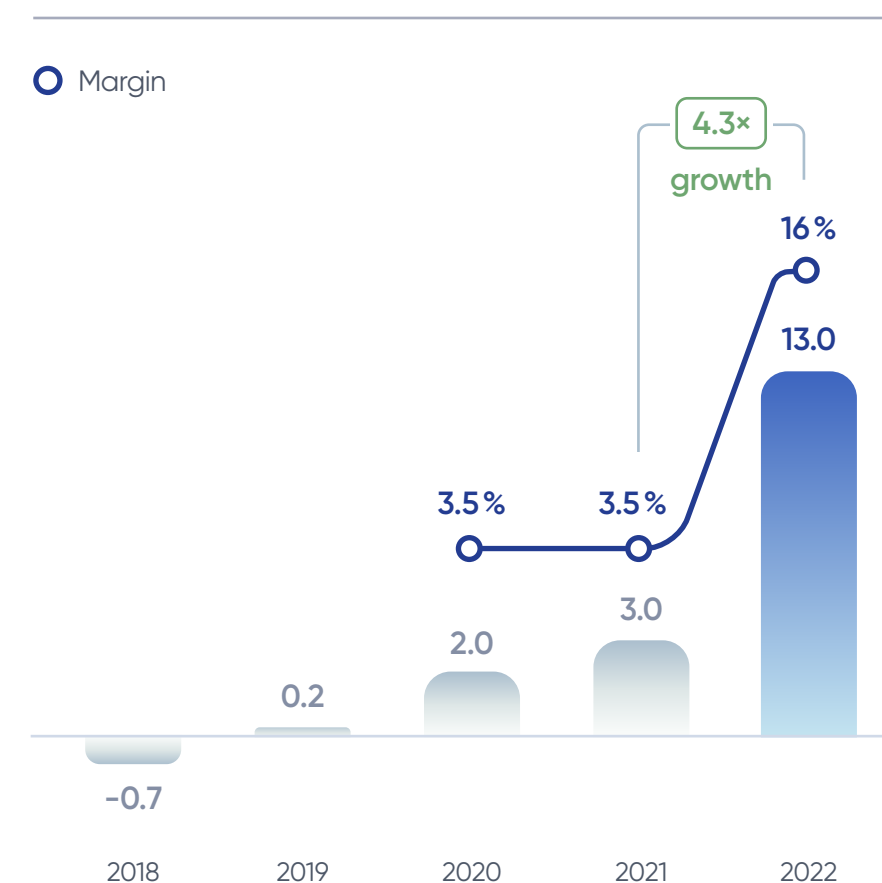
Revenue, RUB bln



Pre-PPA gross profit, RUB bln



Net profit, RUB bln



Statement of profit or loss

Despite the challenging market environment and lower consumer confidence, Etalon Group's revenue for 2022 was RUB 80.6 billion, down just 7.6% year-on-year. A supporting factor was record delivery volumes, which unlocked funds held in escrow, resulting in recognition of revenue for completed properties.

In an increasingly competitive environment we have been focusing on improving operational efficiency and maintaining high profit margins. As a result of our efforts, our gross profit increased from RUB 27.8 billion to RUB 28.2 billion. Our pre-PPA gross profit margin increased from 36% in 2021 to 38% in 2022, exceeding the target level of 35% set in our strategy to 2024.

In our core segment of residential property development, pre-PPA profitability increased from 38% to 40%. Projects implemented as part of the regional business expansion

programme showed the highest profitability: in the regional markets, the pre-PPA residential development gross margin reached an impressive 43%.

Gross profit at the consolidated level was up 2% to RUB 28.2 billion, and profitability grew by 3 p.p. to 35%, and in the residential development segment to 37% (+3 p.p.).

EBITDA was RUB 16.5 billion, after adjusting for purchase price allocation (PPA) of RUB 18.8 billion. Despite the costs associated with the acquisition and integration of YIT Russia, our EBITDA margin remained flat year-on-year, at 20.5%.

Thanks to the deal with YIT on favourable terms for Etalon Group, net profit for the year more than quadrupled, reaching a record RUB 13 billion.

80.6 RUB BLN

Revenue outpaced operating results on the back of record delivery volumes

13.0 RUB BLN

Thanks to the profit generated by the M&A deal for the strategic acquisition of YIT Russia
+332% y-o-y

Pre-PPA gross margin

38%

Above the 35% target stated in the strategy
+2 p. p. y-o-y

Pre-PPA gross margin, main segment

40%

In the housing development segment, and an impressive 43% in regional projects
+2 p. p. y-o-y

Comfortable financial position

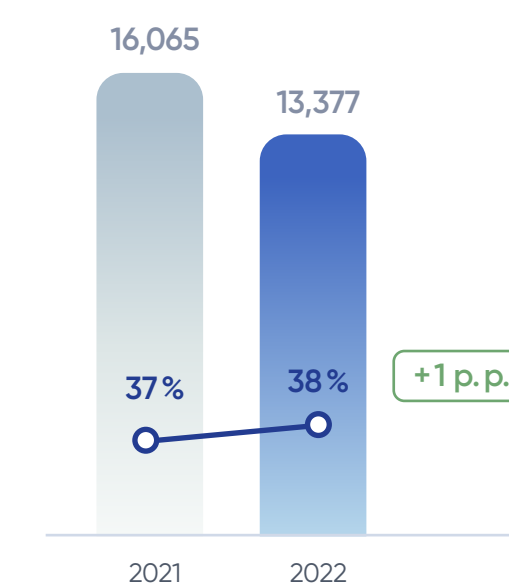
0.8x

Ratio of net corporate debt to pre-PPA EBITDA: less than 1x, and well below the target of 2x-3x

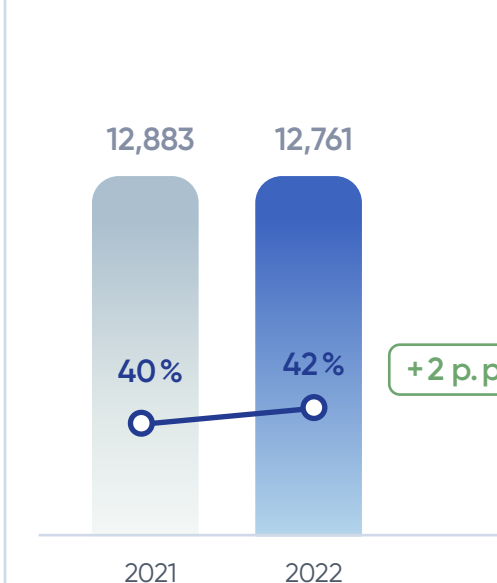
Pre-PPA¹ residential development gross profit, RUB mln

● Pre-PPA gross profit ● Pre-PPA gross margin

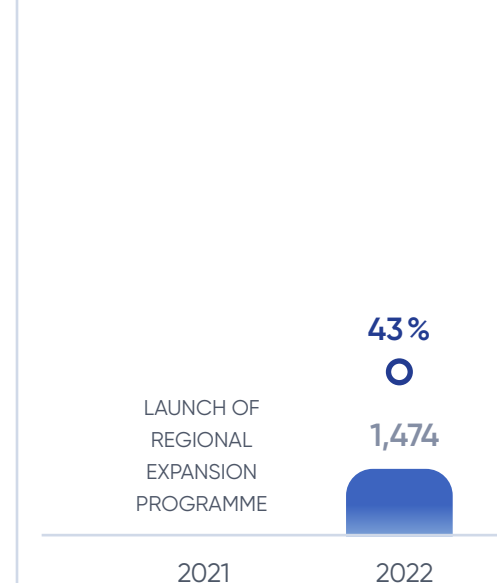
MOSCOW



ST PETERSBURG



OTHER REGIONS

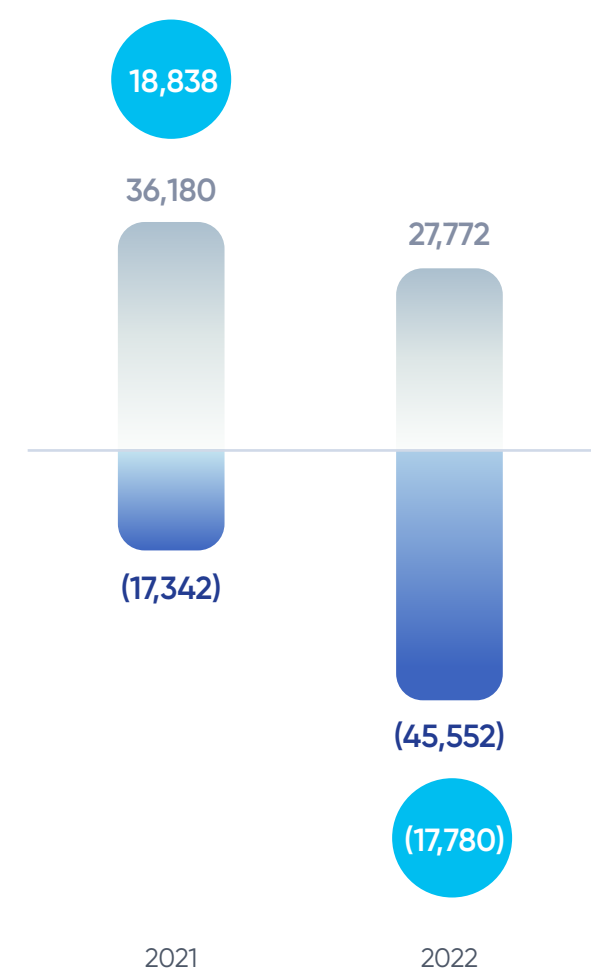


¹ Purchase price allocation.

Cash flows

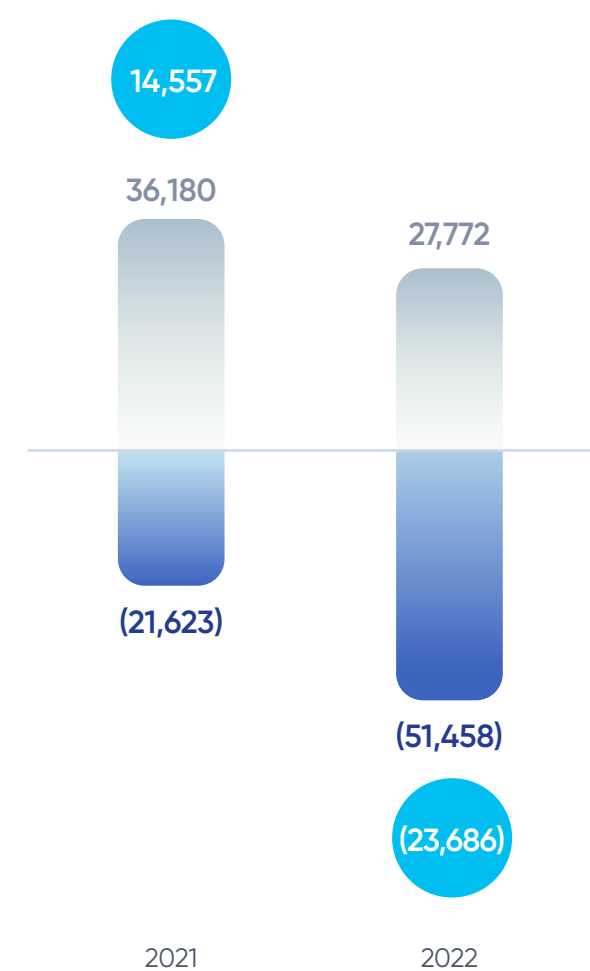
Cash flows came under pressure due to the acquisition of YIT Russia, higher payments on project acquisitions, and an increase in the number of projects at the stage of construction and design. But notably, since the end of 2021 the Company has increased its portfolio to 6.4 mln sqm, the number of regions has grown from 3 to 8, and over 650 ths sqm of NSA that can generate future profits has been put on the market.

Operating cash flow,¹ RUB mln



- Cash inflows into escrow accounts (net balance) and repayments of project financing in 2022 offset against funds released from escrow
- Operating cash flow (OCF) less interest paid
- Operating cash flow (OCF) adjusted for cash inflows into escrow accounts and repayments of project financing in 2022 offset against funds released from escrow

Free cash flow,¹ RUB mln



- Cash inflows into escrow accounts (net balance) and repayments of project financing in 2022 offset against funds released from escrow
- Free cash flow (FCF)²
- Free cash flow (FCF) adjusted for cash in escrow accounts and repayments of project financing in 2022 offset against funds released from escrow

¹ Incl. cash inflows into escrow accounts.

² Free cash flow is calculated as profit for the year adjusted for depreciation, share-based payments, impairments, interest, taxation, change in working capital, and change in invested capital.

Balance sheet

In the reporting year, the Company maintained a strong financial position. As of 31 December 2022, the total balance of funds held in escrow had increased to RUB 60.4 billion, enabling the Company to attract project financing at a lower rate of 3% to 4%, even in the face of upward movement in the Bank of Russia's benchmark interest rate. Interest rates on our loan portfolio also remained at a comfortable level during the reporting period. The weighted average cost of servicing the debt portfolio was 5.2%, compared to 6.5% in 2021.

The ratio of net corporate debt to pre-PPA EBITDA was 0.8x, which was less than 1x, and well below our target of 2x-3x.

Our debt continues to be entirely in roubles, and thanks to sufficient liquidity reserves and the terms of existing loan agreements we are able to keep the average interest on our loan portfolio at a comfortable level, even against a backdrop of rising interest rates, thus ensuring that we can fulfill our obligations to lenders, partners and customers. At the same time, we are in a strong financial position to implement strategic programmes in key areas, allowing us to follow through on the planned expansion of the business in new regions where we operate.

Net debt (cash), RUB bln



- Net corporate debt
- Net project debt (cash)²

Source: IFRS financial statements, Company data; year-on-year change and net debt were calculated without rounding.

¹ Project debt used in calculating the coverage ratio includes escrow adjustments.

² Project finance debt less cash in escrow accounts.

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SUSTAINABILITY

Introduction ⁷⁶

Stakeholder engagement ⁸⁰

Occupational health and safety ⁸⁵

Environment ⁹⁰

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Social responsibility ¹⁰⁴

Innovations ¹¹⁴

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Business conduct ¹²²

Responsible supply chain ¹²⁷

Risk management framework ¹³²

GRI Standards ¹⁴¹



Introduction

In today's world, a business must adhere to high standards in terms of environmental protection, social responsibility and corporate governance (ESG).

In an effort to support long-term mutually beneficial collaboration with customers, partners and local communities, Etalon Group uses state-of-the-art technologies and the latest approaches to the design of residential complexes to create comfortable urban environments, develops infrastructure and amenities, carries out public-interest projects, takes measures to reduce its environmental impact, and is discerning in its choice of partners and counterparties. The principles of sustainability are deeply integrated into the Company's daily operations and underpin Etalon Group's corporate values.

Reporting principles and framework

This section of the report provides a brief overview of the Company's ESG performance in 2022 and early 2023. More detailed information on Etalon Group's ESG activities in 2022 is included in a separate sustainability report that the Company is publishing for the first time in 2023. Etalon Group previously disclosed its non-financial reporting as part of its [integrated annual report](#), which was published in April 2022 and is available on the Company's website, etalongroup.com.

In preparing this report, the Company relied on the principles and standards recommended by the Global Reporting Initiative's sustainability reporting guidelines. In deciding on the content of the report, the principles of materiality, stakeholder coverage, and completeness were used. To ensure the quality of disclosure, the principles of balance, comparability, accuracy, timeliness, clarity and verifiability were used.

The report discusses Etalon Group's results for its traditional regions (St Petersburg, Moscow and the Moscow region) as well as its new regional markets: Omsk, the Novosibirsk region, Ekaterinburg, Tyumen and Kazan.

Disclosure standards

When making disclosures, we were guided by individual GRI standards that were part of GRI's updated reporting guidance published in 2021. 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.

The financial indicators included in the report are sourced from the financial statements of Etalon Group or its subsidiaries. Information regarding Etalon Group's employees is based on the Company's internal records. Statistics on occupational health and safety, environmental protection, as well as other non-financial information are based on the Company's own data or that submitted by its subcontractors. Unless indicated otherwise, the reporting includes YIT Russia's results for the period since it was acquired by Etalon Group.

Our assessments and forward-looking statements are based mainly 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.

For questions related to the report and the data presented in it, please contact the Investor Relations and ESG Department: ir@etalongroup.com.

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 our business strategy is in line with the long-term development trajectory in the regions where we operate and also with the values of society. They also help us improve our business processes and incorporate innovations for the sustainability of our business and local communities.

Of the 17 UN Sustainable Development Goals, we continue to adhere to 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:

- Good health and well-being
- Industry, innovation and infrastructure
- Sustainable cities and communities
- Responsible consumption and production
- Climate action

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. Our current sustainability goals and plans to expand our ESG practices are listed in [Etalon Group PLC's ESG Policy](#), which was approved in December 2021 and is available on our website.

Etalon Group's key sustainable development goals under its current strategy:





Material topics covered in the report

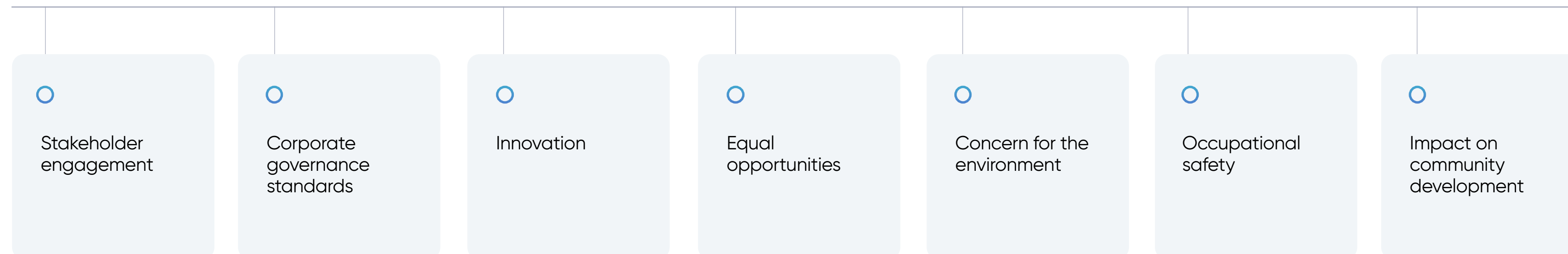
In identifying material topics, we were guided by the analyses of market conditions and the situation in the industry that are conducted on a regular basis by the Group's divisions as part of their daily activities.

These analyses identified bottlenecks and growth points in today's turbulent market landscape. Feedback from stakeholders in the context of events held by the Company or with its participation – such as question-and-answer sessions for employees with the Company's management, direct engagement with investors, dialogue with existing and potential suppliers, etc. – made it possible to identify the most important issues for stakeholders and to rank them in order of importance.

Identification of material topics



Material topics



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 its business and society. The Company supports the UN Sustainable Development Goals and adheres to the principles enshrined in the Universal Declaration of Human Rights and to a policy aimed at preventing any form of discrimination, fraud or 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, including the Supplier's Code
- 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 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. The Investor Relations and Information Disclosure Committee is responsible for ESG issues.

Operational management of the Company as a whole, including in this area, is the responsibility of the CEO and his deputies in the corresponding 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 ESG 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 laws 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.



Sustainable Development Goals and accomplishments in 2022

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

- Safety standard for construction sites developed and incorporated
- Zero fatalities and an increase in the safety index from 87% to 89% during the year (with a target of 75%); LTIFR of 0.36 (2021: 0.43)
- 3.9 thousand employees insured under the life insurance programme; 3.5 thousand employees provided with private health insurance policies
- 133 employees completed occupational health and safety training

REPORT SECTION

- [Occupational health and safety](#)
- [Employees](#)



- Incorporating 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 incorporating new industrial technologies for housing construction
- Promoting best practices among contractors and other industry companies

- Using available prefabrication technologies and adapting them for use in combination with traditional cast-in-place technology
- Building our own modular production facility and beginning the assembly of test modules
- Industry BIM Leader since 2014
- Introducing a standardised approach to design for regional projects
- Developing seamless digital IT architecture

- [Strategy](#)
- [Innovation](#)



- Building social amenities in the cities where the Company operates
- Taking part in charitable projects
- Collaborating with higher education institutions to jointly develop training programmes, educational events and internships for students

- In 2022, Etalon Group opened three preschools and delivered a secondary school, with a total capacity of 1,095 pupils
- RUB 2.4 million was invested in the development of local communities
- The Company participated in more than 40 charitable programmes/initiatives, providing RUB 154 million in charitable assistance
- Signed an agreement to build and subsequently operate the interuniversity student campus at the world-class Eurasian Scientific and Educational Centre, in Ufa
- Signed a cooperation agreement with St Petersburg State Agrarian University

- [Social responsibility](#)
- [Employees](#)



- Carrying out a comprehensive environmental impact assessment and taking 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

- The Company does not produce waste in hazard classes 1–3 (hazardous waste); most of its waste was sent for recycling (99%)
- Operating expenses associated with waste management and the treatment of emissions and discharges in 2022 amounted to RUB 5.1 million
- An Etalon Group project was one of the first to undergo a pilot assessment in line with the green GOST R standard for apartment buildings
- Codes of conduct for suppliers and contractors approved

- [Environment](#)
- [Responsible supply chain](#)



Stakeholder engagement

With the goal of becoming a leading nationwide player and being aware of its responsibility to those impacted by its operations, Etalon Group engages in open and effective dialogue on a regular basis with all its stakeholders: customers, partners and suppliers, employees, shareholders and investors, government agencies and local communities. We create long-term value at each stage of property development by taking into account the interests and expectations of various groups of stakeholders when formulating and implementing our strategy.

Key principles of stakeholder engagement:

01

Honest dialogue

Honest dialogue is the basis of respectful and trust-based relations with stakeholders. We aim to understand and take into account the primary needs, interests and expectations of our stakeholders in order to improve our performance.

02

Openness and information transparency

We regularly disclose all necessary information about the results of our operations and our further plans. This approach enables us to keep stakeholders informed and to receive detailed feedback from them.

03

Prioritising stakeholder interests

A company committed to the values of sustainability cannot make important decisions alone. We are always guided by the interests of our stakeholders and avoid activities that could harm them.

04


Responsibility

We are responsible for our commitments, and we aim to be both a low-risk partner for other businesses and a reliable developer for our customers, which helps build long-term loyalty to the Etalon brand.

05

Improvement

In order to raise awareness of our activities among stakeholders, we are constantly improving means of communication and investing in organisational and digital solutions that facilitate access to Etalon Group information and services.



Our goal is to create long-term value for stakeholders at each stage of the project life cycle.

Stakeholders



Fundamental approach to stakeholder engagement



Customers

Key issues and goals of engagement

- Analysis of customer needs and development of a quality product
- Raising awareness of Etalon Group's product
- Getting feedback from buyers
- Improving every stage of the customer journey
- Expanding our customer base and increasing repeat purchases thanks to brand loyalty

Means and frequency of communication

CONTINUOUS:

- Streamlining our communication policy, developing precise targeting tools and competencies in analysing the selection stage of the customer journey
- Personalising communication channels and offers for customers
- Communicating 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 apps to facilitate the customer's access to services, as well as providing B2C services to foster customer loyalty

Active development of digital means of communication

Profitbase Office

service for convenient online sales covering the entire customer journey

Customer Data Platform

together with Smartis, developed and incorporated our own customer data management platform

2×

increase in initial qualified leads from potential customers thanks to intelligent targeting

CONTRUST

a single platform is being developed that will combine all of our previous systems; it will also include improvements and additions based on feedback from internal stakeholders and from customers

To find out more about Etalon's customer profile, see the [Customers](#) section of this report.

Etalon official accounts on social platforms



Etalon Group feedback form

etalongroup.ru/msk/hotline

Etalon Group personal accounts for the purchase of real estate: from property choice to conclusion of the transaction

Personal account

Mobile App

Business partners and suppliers

Key issues and goals of engagement

- Mutually beneficial cooperation
- Financial and operating results
- Responsible approach to conducting business
- Focus on innovation

Means and frequency of communication

CONTINUOUS:

- Implementation of new and improvement of existing policies, publication of tender schedules
- Incorporation of digital solutions to create platforms for engaging potential partners, as well as to increase operational synergies
- Applying and disseminating BIM-based technologies to find solutions that are more efficient and ergonomic, as well as to control quality and monitor deadlines throughout the entire project life cycle
- Developing and incorporating advanced industrial technologies for housing construction
- Sharing experiences and best practices, establishing partnerships

Internal documents



- Code of Corporate Ethics
- Tender Regulation and Supplier Code (approved in 2022)
- Anti-corruption and Antitrust Policy

Corporate ethics

- Anti-corruption clause in contractual documents with counterparties

Supply chain reengineering and digitalisation of procurement activities

Incorporation of BIM in the e-procurement system

more effective joint planning, decreased workload for staff

Digitalisation of procurement

verified responsible platforms and suppliers, increased transparency for external contractors connected to the platforms

Development of our own partner database

direct deliveries with the ability to reduce the Company's and partners' overhead costs, supply chain transparency

Strict selection of suppliers

- A methodology for assessing counterparties is being developed with a score assigned according to two scales - > reduction of financial risks, ability to meet deadlines and high-quality supplies
- Development of standards for supplier engagement (Supplier Code) means involvement of partners in solving environmental, social and management problems; assessment of partners' responsibility in terms of sustainability issues

More detailed information on interaction with suppliers is presented in the section [Responsible supply chain](#).

Partner portal

ETALON
PRO

Etalon Group hotline

8 800 300 81 03

2022 RESULTS

32%

percentage of repeat purchases in sales
vs 31% in 2021

0.76%

lost call rate
vs 1.41% in 2021

9.9/10

customer satisfaction index

2022 RESULTS

1,751

counterparties in the register of accredited suppliers
+27% y-o-y

373

new partnerships
+47% y-o-y

81.4%

of applications for the supply of materials are processed through an automated procurement system

Shareholders and investors, analysts

Key issues and goals of engagement

- Etalon Group's investment case
- Company strategy
- Financial and operating results
- Dividend payments and respect for shareholder rights
- The Company's activities in capital markets

Means and frequency of communication

CONTINUOUS:

publication of the Group's key news, participation in conferences, organisation of on-site presentations and visits to construction sites, holding meetings and conference calls with investors and analysts

QUARTERLY:

publication of operating results

SEMI-ANNUALLY:

publication of the Group's financial results

ONCE A YEAR:

publication of the Annual Report on the Company's website



The Company upholds the rights of all shareholders – individuals and legal entities, minority and majority shareholders – in an equal manner

More detailed information on interaction with retail and institutional investors and results is presented in the section [Shareholder interactions](#).

IR contacts for investors and shareholders

+44 (0) 20 8123 1328



Etalon Group feedback form

ir@etalongroup.com



Website for shareholders in Russian and English with feedback form

etalongroup.com



Employees

Key issues and goals of engagement

- A safe and healthy working environment
- Respect for human rights, equal opportunities and inclusion
- Recruiting, training and retaining competent professionals
- Ensuring that employees are aware of the Company's strategy and goals
- Fair remuneration

Means and frequency of communication

CONTINUOUS:

- Implementing an anti-discrimination policy and protecting human rights in accordance with Etalon Group's Code of Corporate Ethics and legal regulations
- Disseminating important information via the corporate intranet and e-mail
- Responding to questions from employees submitted using the electronic form in the HR section of the internal portal

ANNUALLY:

- Identifying needs and planning training
- Employee satisfaction survey, performance feedback and career planning
- "Dialogue with the President" project, which gives every employee a chance to ask the Company's top executives questions

For more detailed information about staff treatment, see the [Employees](#) section of this report.

2022 RESULTS

30

press releases published

4

major webinars conducted for private investors

2

channels for private investors created on the Tinkoff Pulse and BCS Profit platforms

2022 RESULTS

>2,000 SUBSCRIBERS

an online space was launched for employees where they can express gratitude, share their feelings, conduct surveys and hold contests, and publish attractive corporate offers

219

releases about Company news on the corporate portal

>100

questions submitted in the context of the "Dialogue with the President" project

1.1^{THS}

employees surveyed on employee satisfaction and engagement

78%

employee satisfaction rate

Government agencies

Key issues and goals of engagement

- Construction safety
- Minimising the Company's negative environmental impact
- Compliance of the Company's operations with legal regulations
- Technological development of the industry
- Tax receipts
- Facilitating the development of social amenities

Means and frequency of communication

CONTINUOUS:

- Providing government agencies with financial and operational reports
- Communication on issues related to construction permits, compliance with standards and urban planning regulations
- Participation in construction industry working groups, round tables and commissions

For more detailed information see the [Project portfolio](#) section of this report.

The joint work of the city government and Etalon Group in developing the grounds of the Zil-Yug project testifies to the high quality and impact of dialogue between the city government and stakeholders.

Through its dialogue with the city, the Company consciously began revitalising the former industrial zone and is also developing a master plan for the project to strengthen existing and create new urban connections and to improve the penetration, safety and diversity of modes of transport.



Local communities

Key issues and goals of engagement

- Environmental protection issues
- Creating jobs and improving quality of life in regions of operations
- Tax payments to local budgets
- Building social amenities and developing human capital

Means and frequency of communication

CONTINUOUS:

- Investing in developing the cities where we operate: building social amenities, restoring historical monuments, supporting and organising cultural and sports events as well as charitable programmes, collaborating with universities
- Developing formalised approaches and policies to ensure sustainability and responsible business practices
- Publishing press releases and interviews
- Maintaining effective channels of communication with leading media
- Visiting construction sites, giving presentations and arranging events for journalists covering the Company's operations



The Company's management supports accessibility projects that take into account the inclusive needs of residents and participates in initiatives regarding the voluntary certification of projects.

We are shaping the buyer's lifestyle; we are developing the concept of the 15-minute city – residents can reach all the necessary infrastructure and amenities within 15 minutes of their home on foot or by bicycle.

2022 RESULTS

5.6 RUB BLN
tax payments
+57% y-o-y

133 THS SQ.M
total area of the innovative student campus of the Eurasian Scientific and Educational Centre to be built in Ufa through a public-private partnership between Etalon Group and the Government of the Republic of Bashkortostan

2022 RESULTS

15 THS SQM
of social amenities delivered

15,900
mentions in the media
+22% y-o-y

953
mentions of our ESG agenda
+41% y-o-y

20
events supported by the Company

Main topics of engagement in 2022

TOPIC	CUSTOMERS	PARTNERS	EMPLOYEES	REGULATORS	INVESTORS AND SHAREHOLDERS	LOCAL COMMUNITIES
Improving the quality of products and services	✓	✓	✓		✓	
Fair and transparent commercial policies	✓	✓				
Business development strategy		✓	✓		✓	
Increased profitability and business efficiency		✓			✓	
Innovation and new technologies	✓	✓		✓	✓	✓
Environmental impact management	✓	✓		✓	✓	✓
Occupational health and safety		✓	✓			
Equal opportunities and rights, inclusion and working conditions	✓		✓	✓	✓	✓
Sustainable supply chain		✓			✓	
Engagement with local communities / development programmes				✓	✓	✓
Business transparency and responsibility		✓	✓	✓	✓	✓

The Company's engagement with all stakeholder groups contributes to the creation of long-term benefits from mutual cooperation.

Creating value for stakeholders at all stages of operations

01

Operational and financial efficiency:

- We maintain a high-quality product while reducing costs through standardisation, the use of new housing construction technologies and process automation
- We are expanding into new regions while maintaining the high level of profitability of our projects
- We take a balanced approach to debt financing
- We are creating partnerships and synergies

02

Digitalisation and innovation:

- We are incorporating end-to-end digital architecture and design technologies
- We employ digital modelling in the process of construction and safety oversight in the workplace
- We are developing automated systems for big data analysis for acquisition planning, taking into account customer comments and building a marketing strategy

03

Sustainability:

- We are formulating an ESG strategy and policies
- We are improving the quality of our corporate governance
- We are developing social projects and protecting human rights
- We are taking steps to protect the health and safety of our customers, employees and society
- We are minimising our negative impact on the environment

SUSTAINABILITY

OPENNESS

SAFETY

INTEGRITY

EFFICIENCY

DEVELOPMENT

QUALITY

COLLABORATION

Occupational health and safety

Our top priority is the health and safety of our employees. We pay close attention to regular monitoring of compliance with requirements on occupational health and safety (OHS) and improve our security procedures to avoid accidents at our facilities.

Occupational health and safety policy

In its operations, Etalon Group is guided by applicable laws and best practices, and also uses digital technologies to monitor compliance with workplace safety requirements.

When carrying out its operations, the Company is committed to ensuring workplace safety in such a way so as to minimise the risks of injury and protect the health of both its personnel and the employees of contractors.

ETALON GROUP IS GUIDED BY STANDARDS AND POLICIES BASED ON COMPLIANCE WITH THE REQUIREMENTS OF RUSSIAN OHS LAWS:

- Regulation on the Occupational Health and Safety Management System at Etalon Group
- Methodology for Determining the Safety Index at Etalon Group Construction Sites
- Methodology for Monitoring Fire Safety at Temporary Construction Camps at Etalon Group Construction Sites and for Determining the Fire Safety Index
- Procedure for the Authorisation and Monitoring of Contractors for the Performance of Construction and Installation works at Etalon Group Facilities
- Rules and Regulations for Providing the Company's Employees with Personal Protective Equipment (PPE) and First-Aid Equipment

ETALON GROUP'S OCCUPATIONAL HEALTH AND SAFETY POLICY IS BASED ON THE FOLLOWING:

- the unquestioned priority of protecting the life and health of employees
- strict compliance with applicable laws specifying the requirements for occupational health and safety, and facilitating state oversight and monitoring of compliance with OHS requirements
- targeted monitoring and assessment of working conditions, including additional multistage monitoring of workplace safety and the development of OHS measures
- providing PPE for employees at construction sites;
- 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





Safe operations are an unwavering priority for Etalon Group. We set ourselves a goal and do everything possible to protect our workers from exposure to occupational hazards, to prevent workplace accidents and occupational diseases, and to improve our culture of safe operations and productivity.

Key elements of the OHS system:

- Managers at all levels are personally responsible for ensuring an adequate level of occupational health and safety in the divisions and companies they manage.
- The construction process takes place in strict compliance with OHS requirements.
- Regular independent risk monitoring is carried out at Etalon Group properties.
- Participants in the construction process are motivated to ensure occupational safety and health.
- Company employees undergo systematic OHS training.

Main indicators of 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. 89)
- the accident rate at construction sites

In the event of an accident or emergency, the Company conducts an investigation to identify the causes of the incident and prevents the recurrence of such events in the future. The OHS service receives monthly reports on compliance with OHS rules and regulations and on the situation regarding workplace injuries from every Etalon Group company. This practice makes it possible to identify and analyse OHS violations at the Group level as well as to identify key areas where the OHS system can be improved in order to minimise safety violations, prevent risks and avoid serious and fatal injuries.

Organisation of the OHS service

Etalon Group has established a functional OHS hierarchy as a separate part of its oversight system, which helps ensure that the system operates as intended.

The functional hierarchy is headed by the CEO of Etalon Group, who is responsible for monitoring OHS issues through the HR Director. The functional hierarchy for occupational health and safety includes the following Etalon Group divisions and employees:

- Etalon Group HR Director
- Etalon Group's Occupational Health and Safety Department
- Managers at all levels within Etalon Group companies
- OHS departments and OHS specialists at the level of Etalon Group companies

Contractors also operate at Etalon Group's construction sites. In accordance with OHS regulatory requirements, general contractors are responsible for coordinating the operations of other contractors.

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

Construction and installation works are carried out in accordance with project plans and process checklists that are approved in accordance with established procedures.

Our construction sites are extremely safe thanks to the precautions we take and the constant improvement of our OHS system.



OHS activities

Risk identification and assessment

In the event of any changes or innovations in work practices, the selection of materials, work processes and equipment, Etalon Group employees take steps to identify hazards and assess risks.

The main risk groups are included in a unified register of the main hazards, sources and causes. The safety index and fire safety index are used to monitor these risks. 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.

Employees' job descriptions stipulate that they are obliged to refuse to perform any work that poses a risk to their health or their life. In such a case, the employee has to prepare a memo addressed to their manager that indicates the reasons for refusing to perform the work in question. There is no penalty for refusing to perform work in such a case. The manager is obliged to take measures to eliminate risk factors, and the employee in question will continue their work only once corrective actions have been taken.

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 properly and serviced on a regular basis.

Preventing workplace injuries

In order to prevent injuries and safety violations, the Company implements a range of measures, such as incorporating safe production systems, limiting the total time that employees are in contact with harmful or hazardous production factors, and conducting a preliminary risk analysis and subsequent regular safety monitoring.

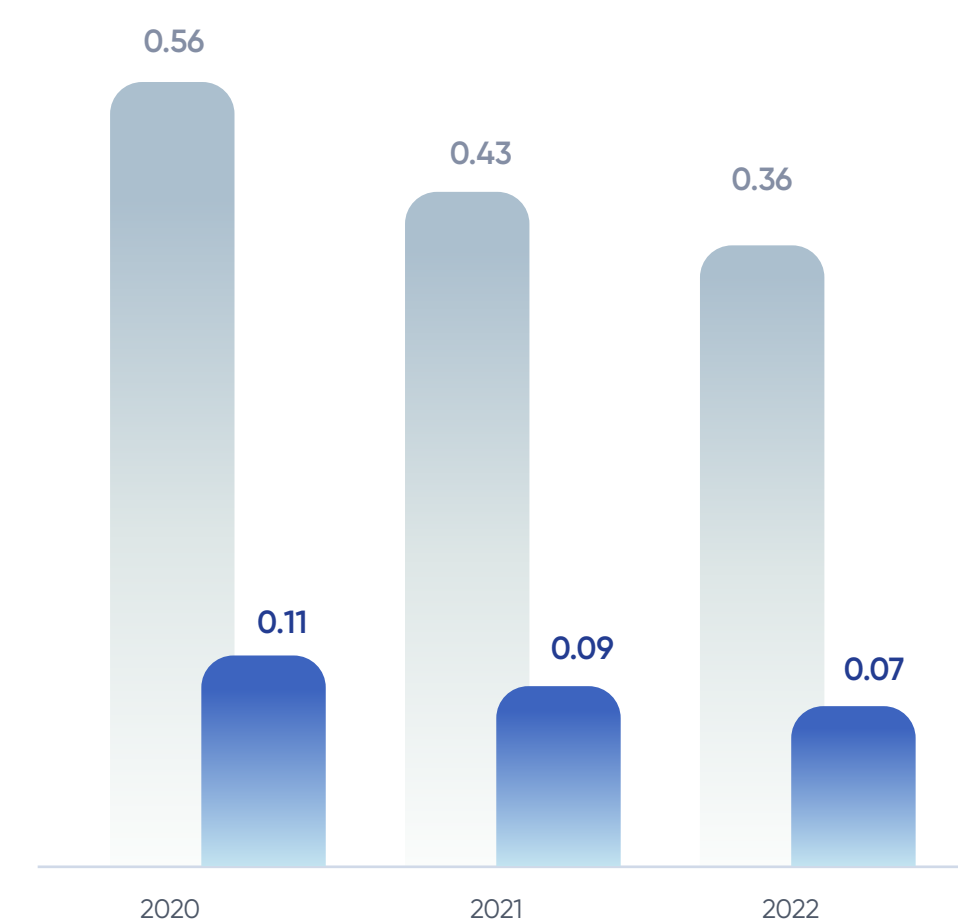
A dedicated assessment of working conditions is carried out at all workplaces. Employees performing work duties at construction sites are given protective clothing, footwear and other personal protective equipment, and employees undergo periodic medical examinations based on the results of an assessment of their working conditions. Workplace injuries are investigated in accordance with the laws of the Russian Federation. Contracts concluded with healthcare providers stipulate that a general practitioner will be available on-site for all groups of employees once a month.

Rate of workplace injuries

	2020	2021	2022
Number of fatal accidents	-	-	-
Number of employees of contractors (employed at Company properties) injured as a result of work-related accidents	3	2	2
TRIR ¹	0.11	0.09	0.07
LTIFR ²	0.56	0.43	0.36
Number of registered cases of occupational diseases	-	-	-
Number of registered deaths due to occupational diseases	-	-	-

Occupational injury rates

● LTIFR ● TRIR



In 2022, there were no fatal work-related incidents involving Company employees.

¹ The total recordable incident rate (TRIR) is the overall number of accidents*200,000 / total number of working hours during the year.

² The lost time injury frequency rate (LTIFR) is the number of lost-time injuries occurring in the workplace*1,000,000 / total number of hours worked by all employees.

Monitoring

Etalon Group is committed to providing safe working conditions at its construction sites and requires the same on the part of contractors; therefore, the Company carries out strict oversight of compliance with OHS requirements on the part of contractors performing 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 accredited companies. Contractors are granted access to sites based on the results of an assessment of their readiness to begin work, which includes, among other things, an assessment of their compliance with OHS and fire safety requirements. Once every two weeks, construction sites are monitored pursuant to the methodology for determining the safety index and degree of risk. Monitoring results, including photographic evidence of violations, are shared on a special platform that can be accessed by all managers of the companies concerned. Based on the monitoring results, the necessary measures are taken to correct any identified violations.

To encourage compliance with the corporate safety culture, the best construction site in terms of occupational health and safety is chosen twice a year; the winning site receives a flag that identifies it as the winner as well as a gift from Etalon Group.



Strict rules are 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 that are mandatory for all Etalon Group employees. At construction sites, all safety fencing is regularly checked for strength and resistance to variable force.



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



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.



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. Independent safety index assessments of individual properties and of all Etalon Group construction sites in general are conducted on a regular basis. 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 regional divisions are responsible for arranging regular independent monitoring of Company properties based on the safety index.



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



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.



Three-stage system for monitoring compliance with OHS and fire safety requirements:

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

DAILY

During workplace rounds throughout the day, the superintendent monitors compliance with OHS requirements. Any violations discovered are immediately rectified.

WEEKLY

Site supervisors in conjunction with superintendents carry out inspections; the results are logged, timelines are set for addressing any deficiencies, and the individuals responsible for doing so are appointed.

MONTHLY

A commission that includes the construction manager, the site manager and designated representatives of contractors carries out inspections. Following each inspection, a report is drawn up that is then sent to the OHS specialist at the corresponding regional office.

Safety index

Since 2014, the Company has been using its safety index, a tool developed in-house, to determine its degree of compliance with OHS regulations at construction sites. The index is calculated based on an objective assessment of compliance with OHS standards; the same approach is taken to calculate the safety index at all Etalon Group construction sites. The index enables the Company to quickly identify hazards that require immediate intervention.

The safety index at every Etalon Group property is updated at least once every two weeks. 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 at Group properties does not fall below the minimum permissible score. Scores can range from 0% to 100%, but the target index for Etalon Group is a minimum of 75%. If an accident results in a serious injury or death, the safety index score for the construction site where the accident occurred drops to 0%.

Safety index

	2020	2021	2022
Average safety index for the year	86%	87%	89%

Etalon Group's high safety index score is an indicator of the Company's compliance with safety standards and regulations.

89%

the average safety index score in 2022, 14 percentage points higher than the target

Training

To ensure that employees have a high level of competence in terms of OHS matters, the Company arranges systematic training and testing.

The Company has approved a training programme on occupational health and safety, and commissions verify employees' knowledge. Staff not only undergo training but also take exams at specialised training centres operated by Rostekhnadzor, Energonadzor and other organisations.

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.

Employees are informed about occupational health and safety during OHS briefings. All new employees are required to familiarise themselves with the results of a dedicated assessment of their working conditions and with their job description, including OHS-related duties.

Employees who are required to undergo compulsory training do so at specialised training centres. The results of the training are subsequently monitored by Etalon Group's commissions to verify employees' knowledge of OHS requirements.

Training sessions are conducted not only with Etalon Group staff but also with employees of contractors. In 2022, OHS briefings covered the following main topics:

- the requirement to take OHS issues into account when performing construction and installation works
- the safety index and risk assessment training

The decrease in the number of OHS training hours per person was due to an extension of existing accreditations. Nevertheless, the Company regularly certifies employees based on their knowledge of OHS standards.

1,749 hours

of OHS training was conducted in 2022 for 133 Etalon Group employees

OHS training in 2022

	NUMBER OF PEOPLE TRAINED	NUMBER OF HOURS	
		TOTAL	PER PERSON
Moscow and the Moscow region			
Management	–	–	–
Line employees	9	324	36
St Petersburg			
Management	49	969	20
Line employees	72	408	6
Other regions			
Management	3	48	16
Line employees	–	–	–
TOTAL	133	1,749	13

Environment

Etalon Group is committed to minimising its negative impact on the environment and aims to optimise its business processes in accordance with its Sustainability Policy.

The Company tracks its responsible use of resources, protects biodiversity and the ambient air, and properly disposes of waste during its operations. In addition to strict compliance with Russian environmental laws, the Company also takes additional steps to improve measures aimed at environmental protection.

Etalon Group's approach to environmental management

The architectural and urban-planning concept for every one of Etalon Group's projects is based on a risk analysis and efforts to minimise the Company's negative impact on the environment. The Company takes into account international experience and trends in the construction industry in order to present design solutions for environmental remediation and the construction of sustainable infrastructure, especially at former industrial sites.

At the design stage, Company specialists develop measures to reduce the anthropogenic impact on the environment, such as restoring land, averting the loss of natural resources, and preventing harmful emissions into the soil and atmosphere.

During the construction phase, Etalon Group carefully monitors compliance with its design and working documentation as well as its adherence to construction deadlines, which enables the Company to carry out measures to protect the environment against any possible negative impact.

When implementing integrated development projects, the Company restores natural areas near the construction site, thus creating a pleasant environment.

Environmental management system

Etalon Group specialists are guided by environmental laws, including the following:

- 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
- The Forest 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
- Federal Law No.52-FZ on Sanitation and Epidemiological Safety
- Presidential Decree No. 666 on Reducing Greenhouse Gas Emissions
- Federal Law No. 296-FZ on Limiting Greenhouse Gas Emissions

Internal policies and job descriptions are also taken into account.

Technical departments in every region of operations are responsible for environmental oversight. The following are within the remit of the Company's specialists and environmental engineers:

- Conducting expert reviews of design documentation
- Supporting project assessments
- Solving problems related to environmental protection
- Providing informational and technical support to the Company's business units
- Monitoring and analysing the construction process

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

Thanks to its environmental monitoring at every stage of project implementation in all regions of operations, the Company is able to minimise its negative impact on the environment, which is confirmed by external inspections conducted by regulatory authorities.





Supply chain management

Etalon Group works with responsible suppliers and is committed to using in its projects only environmentally friendly materials and equipment that are not harmful to the environment or residents.

During implementation of the Zil-Yug project, an expert contractor was engaged to develop recommendations on the use of environmentally friendly materials that are suitable for Russia. All materials and equipment comply with both SanPiN regulations (products have certificates of conformity, sanitary and epidemiological inspection reports, quality certificates, fire safety certificates, etc.) and project-specific requirements.

When selecting responsible suppliers of services and products, Etalon Group uses its internal oversight systems and a formal procedure for conducting tenders that has enabled it to establish a pool of reliable partners involved in the implementation of its projects. With its integrated management system in every region of operations, the Company is able to take a unified approach to the oversight of general contractors, which enables effective monitoring of compliance on the part of those contractors with legal standards and the requirements enshrined in project documentation concerning natural resources, noise levels, protection of the ambient air, etc.

More information on supplier selection is available in the [Responsible supply chain](#) section.

Environmental protection efforts

Protection of soils, vegetation and wildlife

The design and construction stages of all Company projects involve strict compliance with a full slate of environmental protection measures. Prior to the start of construction, Group specialists conduct a number of studies and take a variety of measures that include a preliminary assessment of the environmental conditions; a study of the extent and nature of impacts on biodiversity, plant and animal communities; the development of possible alternatives with the aim of reducing negative impacts; and forecasting changes in biodiversity following construction.

To assess the impact of the construction of the Schastye v Kazani residential complex on biodiversity and plant life in the nearby floodplain of the Kazanka River, experts from the Institute of Ecology and Environmental Management at Kazan (Volga) Federal University presented research and recommended environmental protection measures.

Also, for one of the Company's largest redevelopment projects, Zil-Yug, a concept was developed for the environmental remediation of the former industrial site and to ensure a healthy environment as part of the development of environmentally friendly infrastructure on the grounds of the project.

In terms of environmental conservation, the Company is guided in part by international experience, and it develops nature-based solutions¹ aimed at the sustainable management and careful use of natural features in response to social and environmental challenges.

Etalon Group does not conduct any activities other than construction that could have a possible impact on biodiversity.

Water resources²

Despite the fact that Etalon Group's activities do not involve exposed water intake from natural sources, the Company attaches great importance to monitoring the use of water resources and does so in full compliance with applicable laws.

Water is supplied to construction sites by third-party providers. As a result of measures to reduce water intake at some Group construction sites, water obtained from the drawdown of the construction pit or during the drainage of foundation structures is used, which enables the Company to reduce its water intake

considerably. In addition to using this method of water intake more extensively, the Company is developing new technological solutions to decrease its water consumption.

Water consumption is metered and discharges monitored at all Etalon Group construction sites and office buildings; before the discharge, all wastewater undergoes preliminary treatment or is transferred to specialised companies (operators of municipal water utilities) for mechanical and biological treatment.

At the operational stage, all Etalon Group projects install individual meters for residents that are integrated into automated commercial metering systems for water, heat and energy consumption. All apartments in projects managed by the Group's service companies are equipped with water meters. As a result, our customers can take a responsible approach to resource consumption, thus reducing the negative impact on the environment.

¹ Nature-based solutions are aimed at the sustainable management and careful use of natural features in response to social and environmental challenges.

² 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 also changed.

³ For 2020, data for the construction and maintenance division is in line with the information disclosed in annual reports for previous periods.

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.

Water usage in 2020–2022³

INDICATOR	2020	2021 ⁴	2022 ⁴
Total water sourced, ths m ³	1,275	874	667
Total waste water discharged, ths m ³	845	1,148	783

Recycled and reused water³

INDICATOR	2020	2021	2022
Recycled and reused water, ths m ³	2.5	1.5	1.7
Proportion of recycled and reused water, %	0.22	0.22	0.26

Environmental protection efforts

Waste management

Waste of various classes is generated during the course of Etalon Group's activities, including construction, the operation of the Company's office premises and the operation of residential complexes managed by Etalon Group. The Company assesses the risks involved in the handling of construction waste at the construction stage and closely monitors the activities of general contractors. All generated waste is handed over to licensed companies for processing, recycling or disposal in accordance with all applicable

requirements and regulations in every region where the Company operates. At the same time, the Company does not produce hazardous waste in classes 1–3 during the construction process.

Waste minimisation, sorting, reusability and recycling are of increasing interest to the Company and are an area ripe for innovation and technological development.

In 2022, 99% of the Company's waste – 909 thousand tonnes – was sent for recycling.

Waste management¹

INDICATOR	2020	2021	2022
Construction materials used, ths tonnes	1,056	1,664	1,842
Waste generated, ths tonnes	168	709	914
Hazardous waste (class 1–3)	–	–	–
Non-hazardous waste (class 4–5)	168	709	914

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

Energy consumption and efficiency

The Company is taking measures to reduce energy consumption by improving the efficiency of its supply chains and using electricity from municipal grids in the construction process. These steps also reduce emissions of nitrogen oxide and fine particles of soot into the atmosphere.

Etalon Group 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

INDICATOR	UNITS	2020	2021	2022
Electricity	mIn kW·h	23.3	391	42.8
Heat energy in hot water and steam	Gcal	41,902	25,893	19,918

Energy-efficiency classes of properties as of the end of 2022

PROPERTIES BY ENERGY-EFFICIENCY CLASS, THS SQM	A	B+	B	C
Completed	317	–	369	191
Under construction	454	280	173	112

¹ For 2020, data for the construction and maintenance division for 2021, data for Etalon Group according to the updated organisational structure.

Measures to reduce carbon footprint and environmental impact

One of the main goals of the Paris Agreement¹ in recent years has been a reduction in carbon footprint and resilience to climate change. In implementing our projects, we rely on these goals and are committed to 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

we have been improving since 2012, at all project stages. These technologies enable us to improve energy efficiency as well as to optimise emissions, the use of raw materials and performance in other areas, especially during the construction and operation phases.

When landscaping the grounds of our projects, we make every effort to use natural surfaces made of granular materials (sand, wood chips, pebbles, shells) for playgrounds and sports venues. These 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

TYPES OF EMISSIONS, TONNES	2020	2021	2022
NOx	44.7	30.5	147.0
SOx	6.1	2.6	16.2
Volatile organic compounds (VOCs)	13.1	8.3	13.1
Particulate matter (PM)	7.9	5.0	23.5
Other standard categories of atmospheric emissions used in relevant regulations	49.1	13.1	40.9

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

Green projects

The Company's portfolio already includes three properties that have received a Green Zoom certificate: the Botanica residential complex, in St Petersburg; and the Silver Fountain residential complex and Residence on Pokrovskiy Boulevard, in Moscow.

In early 2023, the first building at the Company's Rauta project, in Ekaterinburg, successfully completed the pilot assessment for compliance with the GOST R 70346-2022 national green standard for apartment buildings at the project stage. The standard was developed by Russia's Ministry of Construction together with the

Dom.rf development institute and approved in September 2022. At the testing stage, Dom.rf carried out a preliminary assessment of pilot projects' compliance with the standard.

The Rauta residential complex meets all the standard's key criteria: it offers class A energy efficiency and a white box finish; water- and energy-saving systems have been installed; the temperature at the property is maintained at a comfortable level; the complex is accessible and barrier-free; and the project meets the requirements for responsible construction. The project also meets a sufficient number of the standard's additional (optional) criteria for compliance purposes.



Employees

Thanks to the Company's regional expansion programme and the acquisition of YIT Russia, Etalon Group's headcount increased by 23% in 2022, as the Company added 1,114 highly qualified personnel in a variety of specialisations. As of the end of year, 8% of the Group's employees were working in regional markets, which is commensurate with the volume of real estate delivered beyond St Petersburg and Moscow.

As of the end of 2022, all of the Company's salaried employees were full-time; at the same time, 3% of staff members (up from 1.4% in 2021) worked remotely or according to a personalised schedule. The Company did not have any employees with zero-hour contracts – that is, contracts that do not specify a minimum number of working hours.

Some 99.4% of employees had permanent contracts; only 36 staff members worked on a fixed-term contract.

4,765

Total Etalon Group headcount in 2021¹

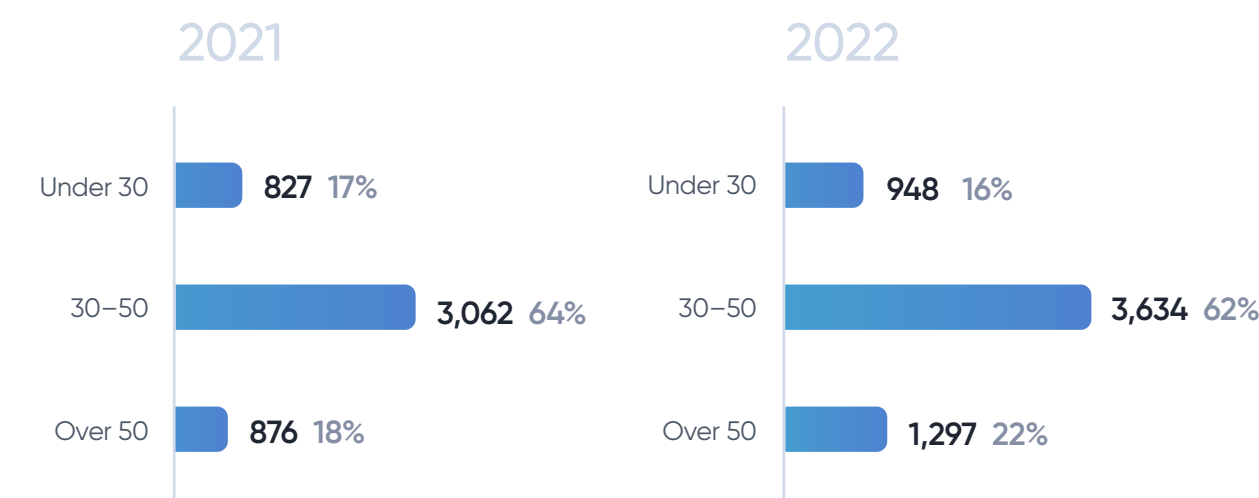
5,879

Total Etalon Group headcount in 2022¹

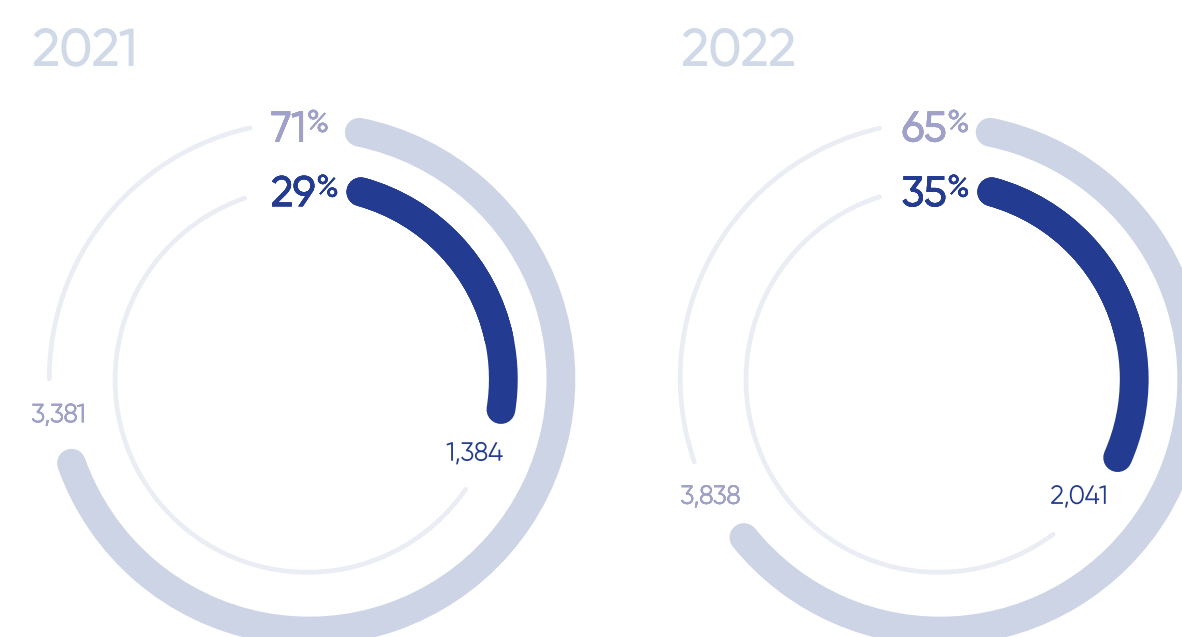
+23%

increase in headcount in 2022

Workforce and breakdown of employees by age



Number and percentage of men and women



● Men ● Women

¹ As of 31 December of the year indicated.

² The redistribution of percentages between regions is due to the centralisation of a number of functions within the management company in the context of improving the Company's organisational structure and completing the acquisition of YIT Russia. Production and service companies, whose employees work in several regions, are assigned to the production unit.

³ The total may not add up to 100% due to rounding.

Number and percentage of employees by region²



Number and percentage of employees by contract type in 2022³

	ST PETERSBURG	MOSCOW	OTHER REGIONS	PRODUCTION UNIT	COMPANY TOTAL
Permanent contract, total:	967 17%	609 10%	446 8%	3,821 65%	5,843
Men	457	296	181	2,870	3,804
Women	510	313	265	951	2,039
Fixed-term contract, total:	6 17%	7 19%	7 19%	16 44%	36
Men	5	6	7	16	34
Women	1	1	-	-	2

Approach to personnel management

Employees are Etalon Group's key asset. In personnel management, the Company adheres to unchanging principles based on protecting the health and safety of its employees, providing them with equal opportunities for professional development, ensuring open dialogue and offering fair remuneration.

Key personnel management principles

1

Protecting health and safety

2

Equal opportunities and fair remuneration

3

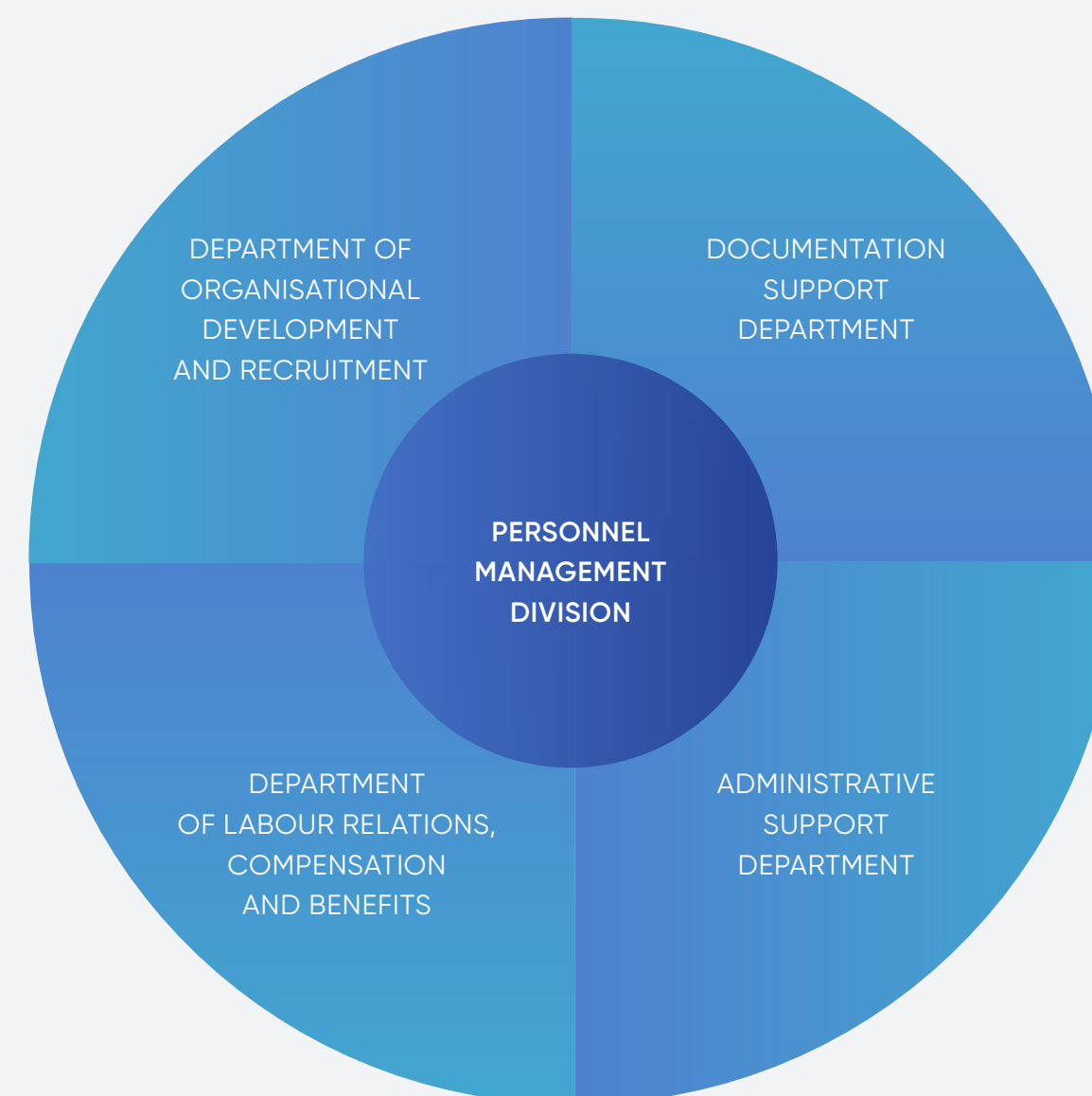
Open and honest dialogue

4

Supporting engagement and professional development

Etalon Group's resources management system is led by the Company's Personnel Management Division, and Group subsidiaries have their own HR departments.

Processes relating to personnel management, HR policy and automation are set by the management company; within individual subsidiaries, personnel management is supervised by the heads of HR departments, who are responsible for the recruitment, onboarding and training of personnel as well as compliance with the Group's HR policies and procedures.



Successful implementation of Etalon Group's overall strategy is impossible without recruiting, developing and retaining talented professionals. The Company's personnel management strategy covers 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

TOP 10

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

Gold in the Employees and Society and Corporate Governance categories in Forbes ranking

Personnel management policy

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

The Company has documents in place that reflect the basic principles and mechanisms for the implementation of its personnel and social policies.

Remuneration and non-financial incentives:

- Regulation on Remuneration, Bonuses and Benefits
- Regulation on Etalon Group Corporate Awards

Basic principles of working arrangements:

- Corporate Labour Policy
- Regulation on Material, Technical and Information Support

• Onboarding of new employees:

- Regulation on Employee Orientation

Recruitment and approach to professional training and development:

- Regulation on Recruitment
- Regulation on Staff Training and Development

In addition to the documents listed above, the Company has policies in place to avoid conflicts of interest and to combat corruption and fraud, as reflected in Etalon Group's Code of Corporate Ethics and Anti-Corruption Policy, as well as in the Regulation on Etalon Group's Fraud, Corruption and Theft Prevention Hotline. These 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

In order to incentivise staff and reinforce their commitment to the Company, Etalon Group provides employees with a large variety of opportunities for professional and career development. The Company offers employees a competitive salary, performance-based bonuses, as well as training through both professional and personal development programmes.

Every year, the Company makes a list of training needs, assesses requests and monitors the progress of programme participants. Following the completion of any course, feedback is collected in order to improve the process.

Employees are able to undergo training not only through third-party educational platforms but also thanks to investments in the development of in-house training programmes.

In early 2022, recognising the effectiveness of distance education, 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.

Since the Company encourages employee initiatives aimed at professional development and efficiency gains, it often covers some or all of the costs of training that employees themselves choose.

Workshops and programmes on occupational health and safety (OHS) are an important part of training. In 2022, 133 Etalon Group employees took part in OHS programmes and workshops covering a total 1,749 hours.

External training was conducted mainly on the following topics:

- industrial and civil engineering and design
- accounting and taxation
- marketing and sales
- personnel management and document management
- data analysis
- courses on a variety of software
- occupational health and safety

Staff training

	2021			2022		
	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						
Management	153	5,185	34	762	30,402	40
Line employees	616	13,605	22	1,608	39,832	25
Gender						
Women	245	4,135	17	1,126	15,257	14
Men	524	14,655	28	1,244	54,977	44
Total	769	18,790	24	2,370	70,234	30

In 2022, nearly equal numbers of men and women participated in training programmes; however, the number of hours of training per person for women differed given that the Group's female staff are employed primarily in managerial and administrative positions, where training programmes are shorter than the specialised professional programmes for the production unit, where most of the personnel are men.

The following factors had an impact on training metrics in 2022: the increase in the Company's headcount, the launch of new programmes, the increasing popularity of a philosophy of continuous professional development, as well as the resumption of in-person programmes.

OHS training courses are discussed in more detail in the [Occupational health and safety](#) section.

30 TRAINING HOURS PER PERSON

+25% YEAR-ON-YEAR

increase in the number of hours of training per person

Developing workforce capacity

In order to ensure that it is able to recruit and retain qualified personnel, Etalon Group uses various platforms to search for and hire employees, and it also develops programmes and events for students in partnership with specialised universities.

Recruitment services are used for the placement of vacancies and 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, Moscow State University of Civil Engineering, the Russian Presidential Academy of National Economy and Public Administration, and the St Petersburg Stieglitz State Academy of Art and Design. In 2022, Etalon Group and St Petersburg State Agrarian University entered into an agreement on cooperation in the field of education.

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.

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 BIMSkills competition for architectural and design works using information modelling technologies was held for the second year in a row. In 2022, the competition took place in every federal district of the Russian Federation; more than 300 students from specialised higher educational institutions as well as institutions of secondary vocational education from 35 Russian cities applied to take part in the competition. The winners were given an opportunity to complete an internship with the possibility of subsequent employment at leading Russian development and design companies that use information modelling technologies in their work.

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 staff turnover in 2022

	18–24	25–30	31–40	41–50	ABOVE 50	TOTAL
Percentage of new hires relative to the average annual headcount	77%	51%	35%	32%	23%	35%
Personnel turnover ¹	38%	28%	19%	17%	12%	19%
	Women			Men		
Percentage of new hires relative to the average annual headcount	32%			36%		
Personnel turnover ¹	12%			23%		

Etalon Group's key asset is its employees. The Company is concerned not only with its employees' professional development but also with the establishment of an efficient, close-knit team functioning in a healthy working environment. The orientation programme for new employees helps them quickly become part of their new team; acquire the skills they need to do their jobs; learn about the Company's operations, standards and values; and also identify their strengths and

weaknesses in their new positions. Every new employee is assigned a mentor who prepares a list of orientation assignments, keeps track of their performance and provides feedback. In 2022, the number of employees participating in the orientation programme increased considerably, as the successful integration of YIT Russia would not have been possible without paying careful attention to the onboarding of new staff.

Orientation programme for new employees

	2019	2020	2021	2022
Number of employees taking part in the orientation programme	315	344	113	821

As part of its team-building efforts, Etalon Group arranges a variety of contests, events and sporting competitions for employees. In 2022, Etalon Group employees participated in the Builders Football Cup, which took place at the Nova Arena

in St Petersburg; the Race of Heroes, a patriotic sport-related project in the Republic of Tatarstan; the Tsarskoye Selo Marathon, in the town of Pushkin; the Fontanka SUP, an international paddle board festival; and ZaBeg races across the country.

¹ The percentage of the number of former employees relative to the average annual headcount in the corresponding category.

Etalon Group social policy

Taking care of the health and safety of employees

One of the priorities of Etalon Group's HR strategy is the health and safety of employees, which the Company protects, first and foremost, by creating safe working conditions and preventing workplace injuries.

In 2022, as in previous years, Etalon Group continued to offer employees life and health insurance programmes, which covered nearly 4,000 people. Private health insurance programmes were available to more than 3,500 employees regardless of the region.

Employee life and health insurance

NUMBER OF EMPLOYEES taking part in the life and health insurance programme	2019	2020	2021	2022
St Petersburg	506	483	642	973
Moscow and the Moscow region	683	602	708	616
Other regions	-	-	10	305
Production unit	1,500	1,500	1,200	2,042
TOTAL	2,689	2,585	2,560	3,936

Private health insurance programme

NUMBER OF EMPLOYEES taking part in private health insurance programme	2019	2020	2021	2022
St Petersburg	506	483	642	973
Moscow and the Moscow region	683	602	708	616
Other regions	-	-	10	434
Production unit	1,200	944	842	1,515
TOTAL	2,389	2,029	2,202	3,538

Concern for employees' quality of life

Etalon Group is committed not only to providing safe working conditions for its employees in the workplace but also to improving the quality of their life outside work. That is why the Company has developed partnership programmes that offer employees discounts on insurance services, medical services, recreation, fitness club memberships and educational programmes. In addition, Company employees are able to purchase apartments at a discount, depending on the length of their service time with Etalon Group.

The Company supports employees facing challenging life circumstances and provides financial assistance to retirees as well as to existing employees upon the birth of a child or the loss of a close relative. In 2022, the Company provided 415 employees with financial support totalling RUB 12.9 million. Thirty-eight individuals who had made a major contribution to Etalon Group's development and who had spent a long time working for the Company were awarded a corporate pension at the end of 2022.

Financial assistance provided to employees in 2022

	AMOUNT OF ASSISTANCE, RUB MLN	NUMBER OF EMPLOYEES RECEIVING ASSISTANCE
Total amount of financial assistance paid out:		
for the death of a close relative	4.1	126
for the birth of a child	4.3	163
for other purposes	4.4	126
TOTAL	12.9	415

Employee evaluation and remuneration policy

One of the Company's key personnel management principles is to offer decent, fair and non-discriminatory remuneration based solely on each employee's professional value.

In addition to the base salary, Etalon Group employees' remuneration consists of bonuses, non-financial incentives and various other benefits.

In 2022, the Company did not employ anyone whose salary was below the minimum wage; the average salary last year was nearly six times higher than the minimum wage. In order to retain sought-after professionals and recruit talented employees, the personnel service regularly studies salary scales and ensures that employees are paid at market rates.

Open and honest dialogue with employees and feedback from their immediate supervisor make it possible to properly assess the quality of their work and potential opportunities for career growth. The Company regularly conducts studies and surveys on employee satisfaction and engagement: in 2022, 1,128 people took part in such a survey.

It is clear that employees are unable to work effectively if they are unaware of the main changes taking place within the Company. The Company notifies employees at least eight weeks in advance of changes that could affect them.

The Group uses the following channels to keep employees up to date on Company news:

- the corporate intranet
- a portal created in 2022 to mark Etalon Group's 35th anniversary that is used for publishing news, holding discussions, hosting competitions, conducting surveys and expressing gratitude to co-workers
- the corporate newsletter
- the Dialogue with the President project, which enables staff to ask questions of Etalon Group's President and get detailed answers

Etalon Group's employee evaluation and remuneration policy ensures that the Company does the following:

1

Provides employees with fair, clearly specified remuneration that contributes to the achievement of the 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



Equal opportunities

All opportunities for career advancement and salary increases are available equally to men and women regardless of their age, nationality, skin colour, religion or other factors. When making decisions about recruitment and personnel management, the Company pays particular attention to an individual's personal and professional qualities.

Despite the specific nature of the industry, women accounted for 35% of all Company employees as of the end of 2022, up 6 percentage points from 2021.

Women also filled 36% of managerial positions in 2022. As of 24 April 2023, there were two women on Etalon Group's eight-member Board of Directors.

Etalon Group management¹

Number of managers at all levels	2020		2021		2022	
	NUMBER	PERCENTAGE	NUMBER	PERCENTAGE	NUMBER	PERCENTAGE
Age						
Under 30	78	8%	89	8%	85	7%
30–50	752	72%	823	73%	906	73%
Over 50	208	20%	223	20%	253	20%
Gender						
Women	326	31%	454	40%	448	36%
Men	712	69%	681	60%	796	64%
TOTAL	1,038		1,135		1,244	

36%

of Etalon Group's managerial staff in 2022 were women

58%

of the Company's line employees in 2022 were women

201 EMPLOYEES

(3%) worked remotely or according to a personalised schedule in 2022

Percentage of women among Etalon Group employees in 2022

	ST PETERSBURG	MOSCOW	OTHER REGIONS	PRODUCTION UNIT	TOTAL	PERCENTAGE
Managers	289	185	98	672	1,244	
Women	127 44%	78 42%	36 37%	207 31%	448	36%
Men	162 56%	107 58%	62 63%	465 69%	796	64%
Line employees	638	424	326	1,118	2,506	
Women	377 59%	236 56%	229 70%	617 55%	1,459	58%
Men	261 41%	188 44%	97 30%	501 45%	1,047	42%
Blue-collar workers	46	7	30	2,046	2,129	
Women	7 15%	- -	1 3%	126 6%	134	6%
Men	39 85%	7 100%	29 97%	1,920 94%	1,995	94%

Work–life balance

Etalon Group takes into account the fact that, in addition to their work duties, employees should be able to lead a full life, with enough time for family matters, hobbies and recreation or downtime. The Company fully respects and supports employees' right to personal time; it does so mainly by offering standard working hours and time off. Employees who are unable to work according to a standard schedule may be offered a personalised schedule provided that such an arrangement is not detrimental to operations.

In 2022, 201 Group employees – 100 women and 101 men – worked remotely or according to a personalised schedule (regardless of the epidemiological situation).

Company employees are free to exercise their right to parental leave. In 2022, 98 employees, including two men, took parental leave (compared with 75 employees, including four men, in 2021). In order to help parents financially in the first months after the birth of their child, the Group provides additional support payments beyond the benefits required by law. The Company values the fact that the majority of employees return to their jobs following parental leave. In 2022, 29 employees returned from parental leave (compared with 28 employees, including one man, in 2021).

¹ Total amounts may not add up to 100% due to rounding.

Customers

Customer profile¹

1/3

- In 2022, the percentage of customers aged 35–44 in St Petersburg increased from the previous year, reaching 36%.
- Most of our customers are line personnel, while business owners and civil servants have started making repeat purchases more often.
- In 2022, the number of customers purchasing housing as an investment or for their children increased.
- Most of the people who bought an apartment in St Petersburg were registered in the city, but there was also a high percentage – 42% – of customers from other regions and from abroad.
- In terms of payment, customers in St Petersburg predominantly chose to pay in full up front, although mortgage financing and instalment plans were also popular.

14

MLN
RUB

Average budget

57

SQM

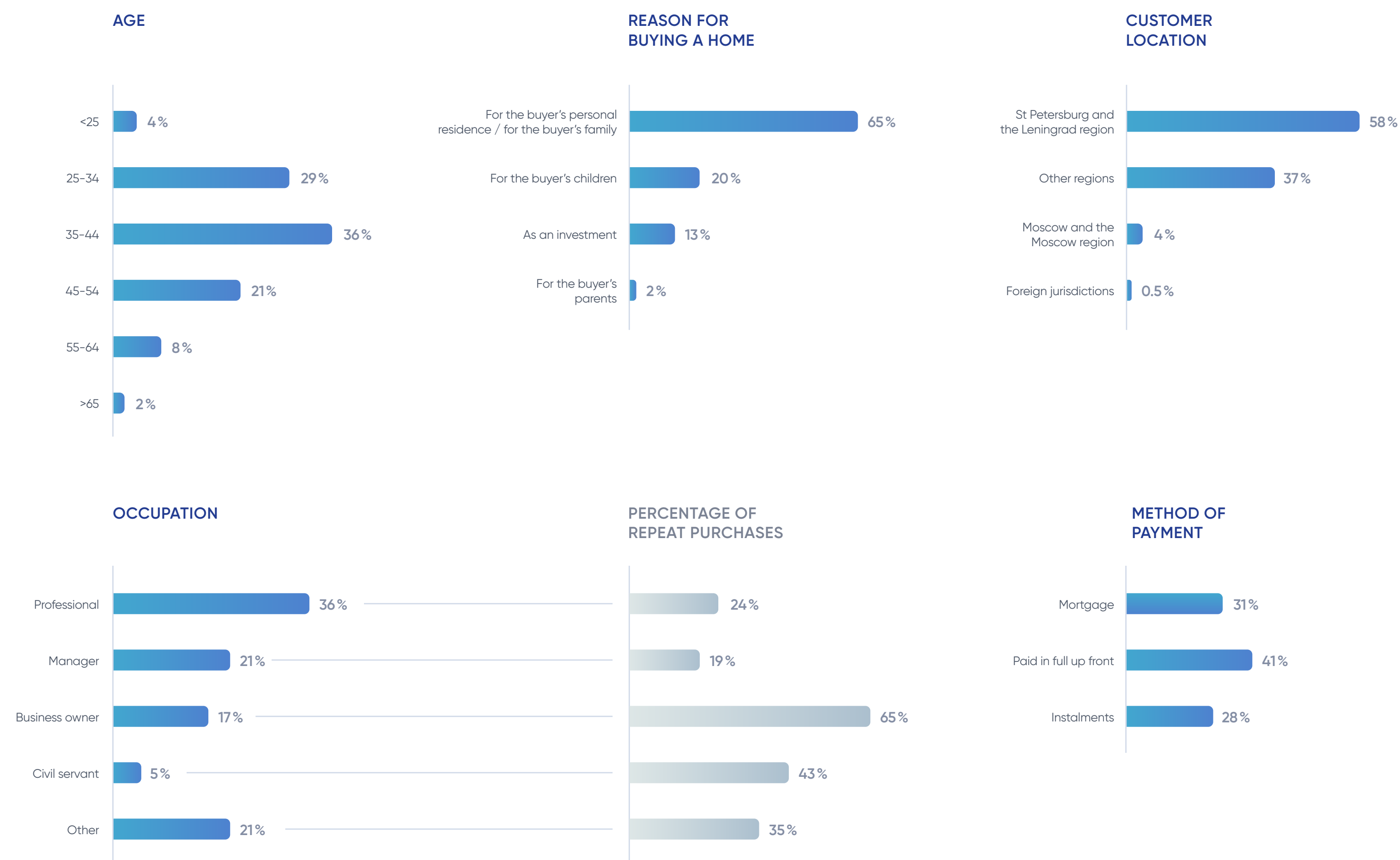
Average area of
purchased apartment

46

Percentage of repeat
purchases

Most of our customers are middle-class individuals aged 35–45 who want to improve their housing conditions for themselves and their family.

St Petersburg



Totals may not add up due to rounding.

¹ According to customer surveys conducted by Etalon Group in 2022.

Customer profile¹

2/3

- Etalon Group's main customers in Moscow in 2022 were professionals, managers or business owners aged 35–44. They acquired housing as their personal residence.
- Most of the people who purchased an apartment in Moscow or the Moscow region were Muscovites, but residents of other regions were also active in purchasing apartments in 2022.
- Compared with 2021, the percentage of customers in Moscow who paid for their apartment in full up front increased considerably, from 39% to 52%.

23

MLN
RUB

Average budget

65

SQM

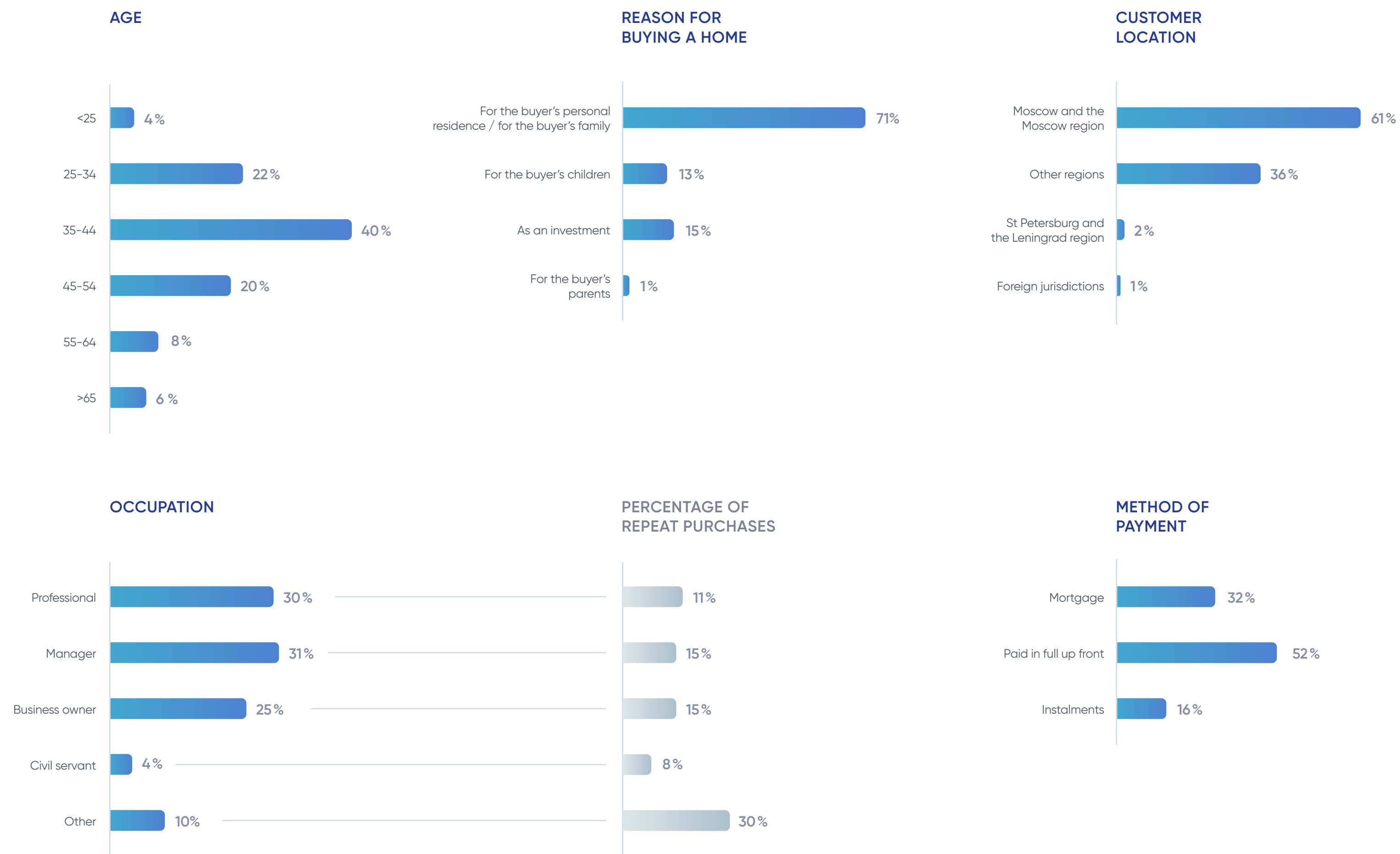
Average area of
purchased apartment

28

%

Percentage of repeat
purchases

Moscow



Totals may not add up due to rounding.

¹ According to customer surveys conducted by Etalon Group in 2022.

Customer profile¹

3/3

- A third of the apartments purchased at Etalon Group projects are bought by people 25–34 years of age.
- Nearly 80% of customers used mortgage programmes to purchase housing.
- Not many repeat purchases were made in regional markets, as the Company began its regional expansion programme only in 2021, in contrast to Etalon Group's key markets of Moscow and St Petersburg.

6 MLN
RUB

Average budget

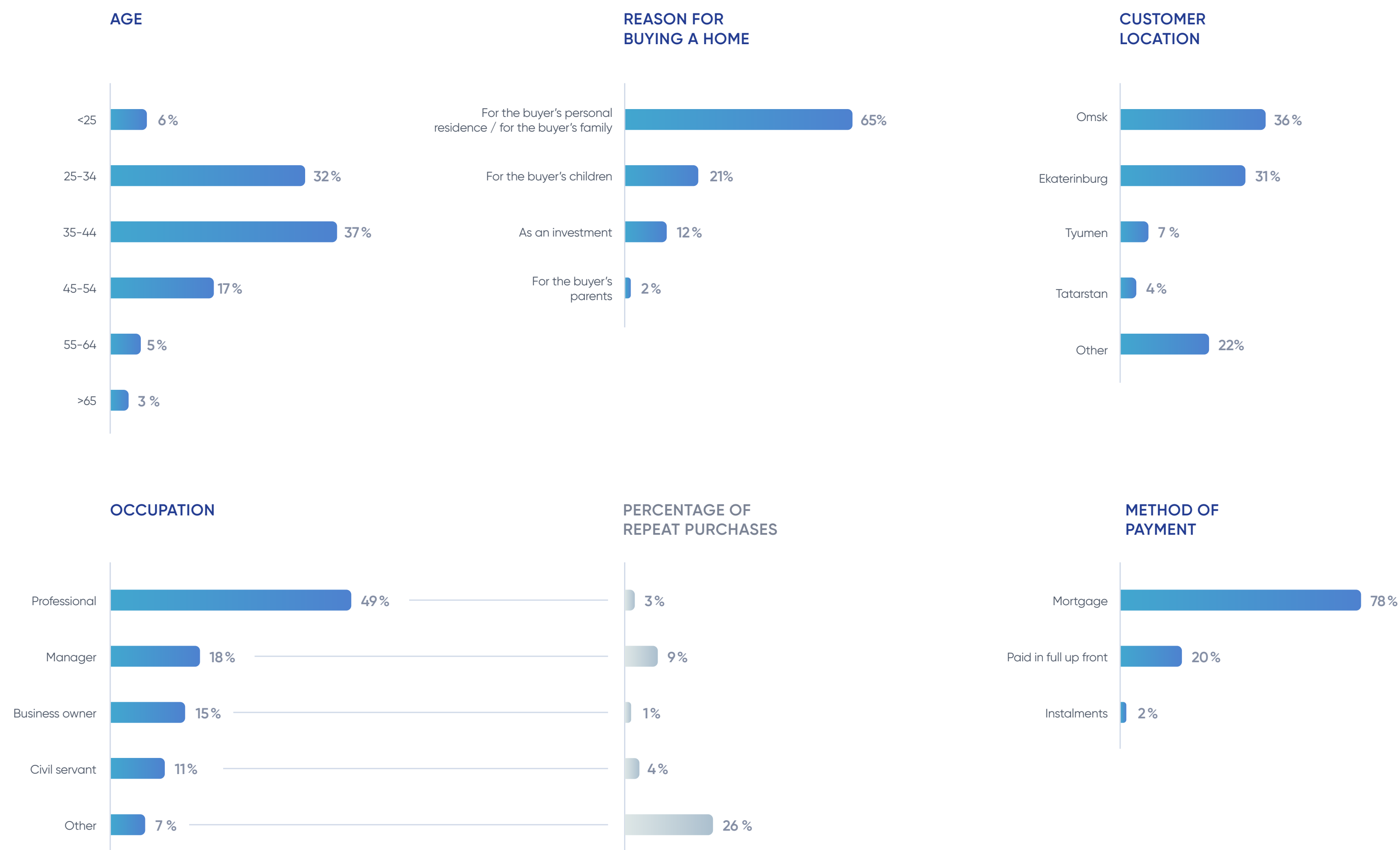
48 SQM

Average area of
purchased apartment

1 %

Percentage of repeat
purchases

Regional markets



Totals may not add up due to rounding.

¹ According to customer surveys conducted by Etalon Group in 2022.

Social responsibility

Social responsibility is an important aspect of the Company's policy. For many years, Etalon Group has been supporting a variety of educational, environmental, social and charitable projects as well as projects related to historical education and sports. In doing so, the Company's aims are to promote a positive environment and a healthy society, to encourage socio-economic development in the regions where it operates and to establish a conducive business environment in those regions.



Development of social infrastructure

In 2022, Etalon Group opened three preschools and delivered one general secondary school.

House on Blyukhera residential complex, St Petersburg

A state-of-the-art preschool for 160 pupils opened at the House on Blyukhera residential complex.

Galactica Premium residential complex, St Petersburg

A preschool for 220 children and an advanced office for paediatrics, a branch of the city's paediatric polyclinic No. 35, opened on the grounds of the Galactica Premium project. Once construction is completed, the project will be home to nine preschools and two schools.

Petrovskiy Landmark residential complex, St Petersburg

A three-storey preschool for 90 children, with a total area of about 3 ths sqm, opened at the Petrovskiy Landmark residential complex.

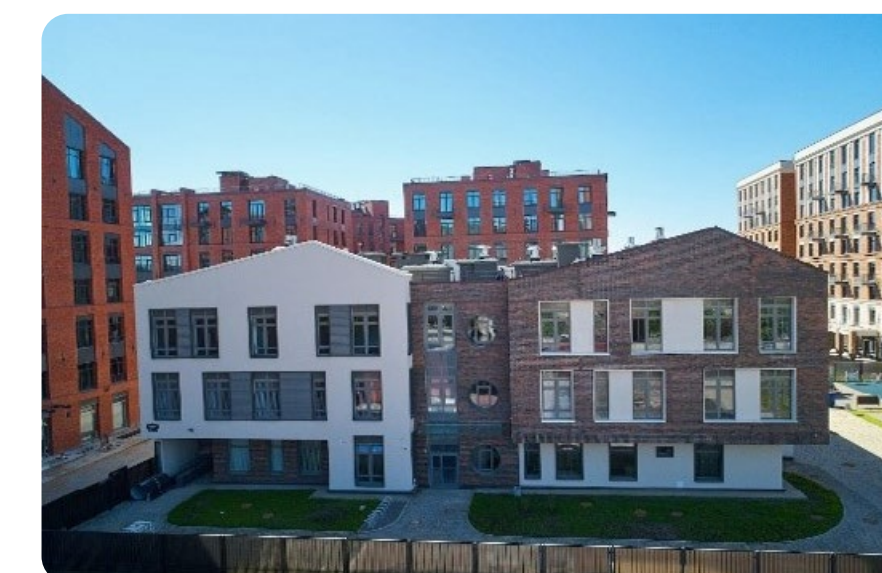
Etalon City residential complex, Moscow

A general secondary school for 625 pupils was delivered as part of the Etalon City residential complex. In 2021, a preschool was delivered as part of the project. The preschool's proximity to the school means that children will be able to continue their education without having to leave the microdistrict, which will also help them form strong social connections.

In the future, the Group plans to build preschools and schools at other residential complexes as well.

For example, the Company plans to build six preschools, two schools and a polyclinic at its Shagal residential project. The concept for one of the preschools, developed in 2022, calls for the use of natural materials, the landscaping of about 40% of the grounds and the use of custom solutions to enable meaningful interaction between teachers and parents regarding the upbringing and development of their children.

The Company will pay particular attention to the establishment of social amenities and infrastructure in its new regions of operations.



The educational institutions delivered by Etalon Group in 2022 are designed to serve up to 785 pupils.

The new preschools opened in 2022 and the school built by the Company have a combined area of c. 24 ths sqm.

Development of social infrastructure



Interuniversity student campus at the Eurasian Scientific and Educational Centre

In 2022, Etalon Group and the Government of the Republic of Bashkortostan signed a concession agreement for the construction and subsequent operation of the interuniversity student campus at the world-class Eurasian Scientific and Educational Centre in Ufa.

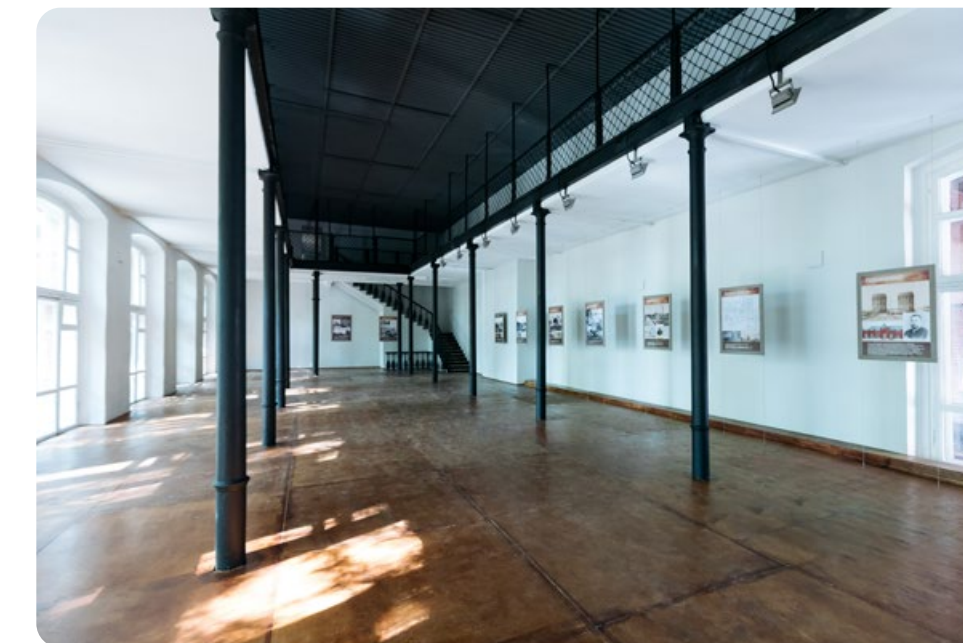
The innovative, state-of-the-art campus will include residential buildings with room for 4,400 students, instructors and guests; an IQ park; a building that houses an auditorium and laboratory facilities; and a genome centre. The total area of all of the facilities is expected to be at least 133 ths sqm; the final parameters will be determined once the design documentation is completed.

Preservation of cultural and historical heritage

One of the fundamental principles of Etalon Group's philosophy is to respect the history of the locations where its projects are being developed.

Preservation of urban heritage

Etalon Group is building the Silver Fountain residential complex and, at the same time, carrying out restoration work at the site of the Alekseevskaya water-lifting station, which is part of the capital's cultural and historical heritage. The Company preserved the historical buildings, which, after restoration, were used to develop infrastructure for the residential complex, and it also restored the legendary Wallace fountain, the only one in Moscow.



Participation in events commemorating Russian history



9 May – Victory Day

In the lead-up to Victory Day, Etalon Group took part in commemorative events in St Petersburg, Moscow and Omsk.

78th anniversary of the complete lifting of the siege of Leningrad

In the lead-up to the 78th anniversary of the complete lifting of the siege of Leningrad, Etalon Group took part in the organisation of commemorative events: Company employees together with students from school No. 690 – whose new building was constructed by Etalon Group – laid flowers at a monument to the heroic defenders of Leningrad, a memorial established by Etalon Group in 2013 in Utkina Zavod, near the Swallow's Nest residential complex. In addition, representatives of the Company visited the Moskovskiy district branch of the Russian Red Cross in St Petersburg to greet veterans.



Developing local communities

Creating comfortable surroundings

The needs of future residents are a constant priority when designing new residential complexes. The Company is changing the concept of the urban environment by developing projects where every important facility for residents inside the development can be reached within 15 minutes. This unique integrated-development concept is the basis of the Zil-Yug project, for example, which Etalon Group is building in the south of Moscow: a variety of housing types and architectural solutions, well-planned social amenities and transport infrastructure are within walking distance from any point in the development; the project ensures excellent visual permeability; pedestrian and transport routes are separated; and there is an abundance of landscaped green areas for recreation and walks – all of these features are combined to ensure comfortable conditions for future residents.

In addition, Etalon Group is committed to simplifying the management of its services and making them more efficient both for residents and for the operating company by applying new smart solutions. At the Silver Fountain residential complex in Moscow, for example, the Company is piloting a “digital neighbourhood” project that links up the utilities infrastructure of the residential buildings with the business processes of the developer and the service company.

Besides, Etalon Group participates in social projects aimed at creating a friendly urban community. At the very end of 2022, 17 Etalon Group sales offices in five regions of operations – St Petersburg, Ekaterinburg, Omsk, Kazan and Tyumen – took part in a [kid-friendly social project](#) to create a favourable urban environment for children.



Developing local communities



Local festivals

Every year, Etalon Group hosts events at its finished properties to celebrate the New Year, Knowledge Day, Cosmonautics Day, Victory Day and Maslenitsa, and the Company also pays a great deal of attention to regional holidays, which are especially important for the local population.

Knowledge Day in the Emerald Hills microdistrict

On 1 September, Knowledge Day was celebrated at school No. 18, located in the Emerald Hills microdistrict.

Builder's Day in Ekaterinburg

Etalon Group took part in celebrations to mark Builder's Day in Ekaterinburg and organised an attention-grabbing photo zone as well as workshops.

4th Atmofest Eurasian Festival of Landscape Art

Ekaterinburg hosted the fourth Atmofest Eurasian Festival of Landscape Art, a major event for the city, where Etalon Group presented a multifunctional platform featuring a children's play area, workshops and other activities.

Children's Day in Omsk

Etalon Group helped arrange the celebration of Children's Day at the 30th Anniversary of the Komsomol Culture and Entertainment Park.

City anniversaries

To mark the anniversary of the founding of Ekaterinburg's Solnechniy district, which Etalon Group continues to develop, local businesses as well as youth performers and sports teams from the district presented an entertainment programme and conducted a variety of workshops.

On the 299th anniversary of Ekaterinburg's founding, the Company took part in Dance KB, a traditional dance festival, and held a competition for the best duo that featured the participation of the Company's mascot.

Festivities were also organised to celebrate the founding of St Petersburg and Omsk.



Education and awareness-raising

Etalon Group plays a role – as partner or organizer – in numerous educational projects aimed at informing residents about the specific features of their place of residence. The Company also works with schoolchildren and students to encourage an interest in architecture and to create a pool of talented young professionals. Etalon Group is happy to share its experience, and in return it gets a fresh new look at solutions to urban-planning issues.

Moscow through the eyes of an engineer

In late 2022, Etalon Group became a partner for the social and educational project “Moscow through the Eyes of an Engineer”, which discusses the architecture of the capital and monuments to the art of engineering.

Builders of the future

As part of RBC’s Second Annual Forum on the Development of Infrastructure Projects in Russia, a foresight session called “Builders of the Future: Open Meeting of the Children’s Council under the Public Council of the Russian Ministry of Construction, Housing and Utilities” was held, where representatives of Etalon Group discussed the Company’s projects with young members of the Children’s Council. Following the session, Etalon Group was invited to join the working group for the “I Am a Builder of the Future!” project, to promote construction-related professions and incorporate ground-breaking new ideas from young people into its projects.

4th United Eurasian Congress “BIM Community 2022: People, Technologies, Strategy”

The fourth United Eurasian Congress “BIM Community 2022: People, Technologies, Strategy” was held in Moscow, at the House of Architects, with the support of Etalon Group. The Congress was attended by representatives of industry-related regional and federal government agencies, heads of professional associations and non-governmental organisations, universities, property developers and design bureaus, as well as developers of information systems. Participants discussed issues related to the digital transformation of the construction industry, an issue that both the state and the Company are now paying particular attention to.

BIMSkills-2022

BIMSkills-2022, the second nationwide competition for architectural and design works using information modelling technologies, was held in St Petersburg – one of the main events related to digitalisation in Russia, which is traditionally held at the initiative of and with support from Etalon Group.

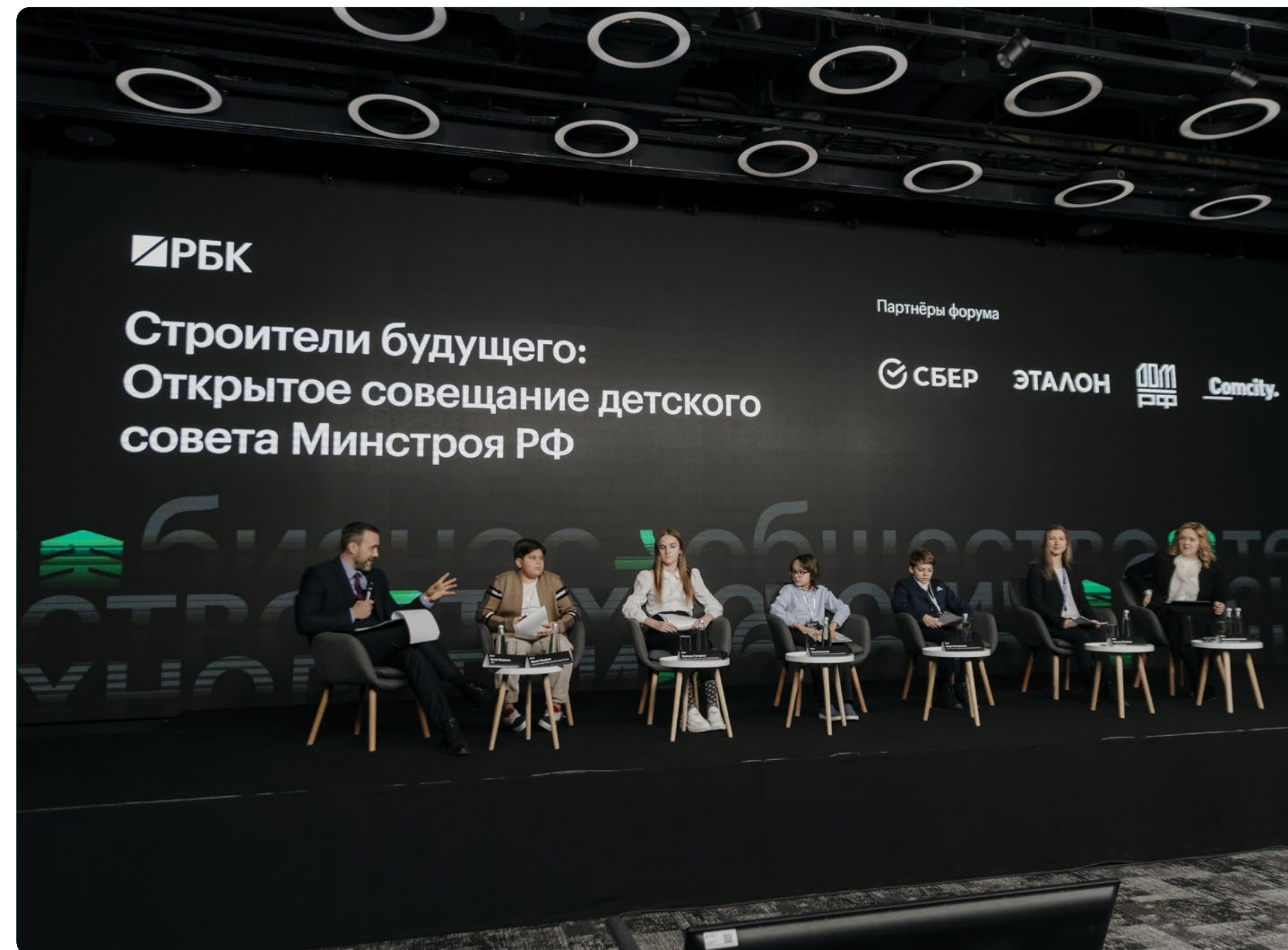
The competition was held in every federal district of the Russian Federation; more than 300 students from specialised higher educational institutions as well as institutions of secondary vocational education from 35 Russian cities applied to take part. The winners were given an opportunity to complete an internship with the possibility of subsequent employment at leading Russian development and design companies that use information modelling technologies in their work.

Open City educational project

Etalon Group, as an official partner of the Open City educational project, conducted a tour for project participants of the construction site of the Shagal residential district. The most important goal of the project is to engage students from architectural universities in real architectural processes in collaboration with leading professionals from the architectural and development community.

Sistema Fest

Etalon Group supported Sistema Fest, which was held in Omsk 23–25 September. The programme for the charity sociocultural festival included career guidance workshops, featuring speakers from Etalon Group, for students from schools and colleges; an environmental event; and a nationwide campaign focused on culture. During the festival, more than 2,000 spruce trees were planted, and participants were offered a tour of the construction site of the Green River residential complex.



Education and awareness-raising



Educational Laboratory for the Parametric Design of Objets d'Art

Etalon Group together with the Moscow Museum of Modern Art launched the Educational Laboratory for the Parametric Design of Objets d'Art for talented students in an effort to engage young professionals in the processes of designing and improving the urban environment.

Functional Diagram for the 300th Anniversary of Omsk Park

Etalon Group arranged a competition for students from construction-related educational institutions in Omsk to develop functional diagrams for the 300th Anniversary of Omsk Park. The finalists were offered a paid internship at the Company.

Cooperation with St Petersburg State Agrarian University

Etalon Group and St Petersburg State Agrarian University signed a cooperation agreement aimed at implementing educational projects in the area of industrial and civil construction.

Tour of the Silver Fountain residential complex

Etalon Group conducted a tour, for students from the Russian Presidential Academy of National Economy and Public Administration and Moscow State University of Civil Engineering, of the Silver Fountain residential complex, during which Etalon Group specialists described the structure of the state-of-the-art development project and explained how it is being built.

Tour of the construction site of the Moscow Gates II residential complex

Etalon Group conducted a tour for students from Peter the Great St. Petersburg Polytechnic University of the construction site of the Moscow Gates II project. Etalon Group specialists told students about the organisation of the construction process, described the main technologies used in housing construction as well as the materials used. In addition, they talked about occupational health and safety and the Company's success using information modelling technologies.



Sport and health

Etalon Group encourages the adoption of a healthy lifestyle not only by sponsoring sporting events but also by engaging its own employees in sports.

Partnership with the Novosibirsk Region Athletics Federation

Etalon Group became the general partner of the Novosibirsk Region Athletics Federation. In this context, the Company will support the A. Raevich Siberian Running Festival (Novosibirsk half-marathon), a major event.

Builders Football Cup

The Etalon Group team was one of the prize winners at the Builders Football Cup, which took place at the Nova Arena in St Petersburg.

Race of Heroes

Etalon Group took part in the Race of Heroes, in the Republic of Tatarstan, a patriotic project that includes an extreme cross-country race.

Tsarskoye Selo Marathon

The Etalon Group team participated in the Tsarskoye Selo Marathon, held in the town of Pushkin.

ZaBeg races

Etalon Group employees competed in races across the country, demonstrating their love for sports and their team spirit.

Fontanka SUP

The Group took part in the Fontanka SUP international paddle board festival for the fourth time, having expanded its team to over 100 employees.



Environment

Healthy City project

In August 2022, an environmental drive was launched, with Etalon Group's support, in the Siberian capital of Novosibirsk, as part of the Healthy City social project.

Using the +1Gorod interactive online service, participants performed tasks related to responsible consumption and environmental impact reduction, attended online educational lectures given by experts, and also received interesting assignments and prizes from the project's strategic partner and co-organiser, Etalon Group.

Tree-planting drive

Etalon Group supported a tree-planting drive in the Kalininskiy district of St Petersburg. As part of the event, participants put down lawns and flower beds, and they also planted trees and shrubs at the House on Blyukhera project.

Omsk Garden City volunteer movement

Etalon Group participated in a campaign to create green space along a river embankment in Omsk; the event was organised by the Omsk Garden City volunteer movement. The Company purchased more than 600 seedlings for the campaign.

Planting maple trees

Etalon Group once again supported an environmental initiative of *Delovoi Peterburg*, at Hero Cities Park (Pulkovo Park), where maple trees were planted as part of the Business Alley project.

Zil Veterans Alley at the Shagal residential project

An alley in honour of former employees of the Zil automobile factory was established at the Shagal development project. Company executives and employees together with former staff of the Zil factory planted 15 five-metre-tall maple trees and erected a commemorative plaque.



Omsk Garden City volunteer movement

Community development programmes

	2020	2021	2022
Community development programmes			
Number of events/programmes	17	19	20
Amount invested in the development of local communities, RUB ths	3,821	2,500	2,390

2.4 MLN RUB

was invested by the Company in the development of local communities in 2022

Charity

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

New Year's Miracle and Tree of Wishes

In late 2022, Etalon Group employees were involved in supporting New Year's Miracle, an online campaign to raise funds to arrange individual tutoring for children in the child-welfare system.

The New Year's Miracle campaign was held for the second time as part of a fundraising project. The project helps children living in child-welfare institutions to prepare for their final exams and post-secondary entrance exams in order to help them learn a profession, which would give them a chance to find employment and improve their lives.

During the campaign, about RUB 600 thousand was collected in the form of private donations, which will be spent on nearly a thousand hours of individual classes with teachers to help the children fill in academic gaps and prepare for exams. In addition, among the more than 20 companies that took part, the largest total donation came from Etalon Group employees.

A winter garden in every home

Etalon Group was a partner for the Winter Garden in Every Home charity event in St Petersburg.

As part of this campaign, Company employees and other volunteers carefully prepared plants from the winter garden of the former Leningrad Youth Centre and gave them to St Petersburg-based organisations as well as interested residents. Everyone involved was able to take the plants home free of charge, and they also received keepsakes.

Wastepaper collection

The Company supported an initiative to collect wastepaper as part of a charity project to support children's education. Etalon Group was the leader among participating companies.

Special event at Family Support Centre

On Knowledge Day, 1 September, *Komsomolskaya Pravda v Sankt-Peterburge* together with its partners, including Etalon Group, organised a special event at Family Support Centre No. 2, on Vasilievskiy Island.



	2020	2021	2022
Charity			
Number of charity events/programmes	14	28	48
Amount of charitable assistance provided, RUB ths	46,301	53,900	154,389

Innovations

In 2022, Etalon Group elevated the strategic importance of IT innovations and of innovative construction technologies as independent businesses in light of the emergence of demand for domestic software and the expansion of innovative programmes.

The Company began developing proprietary digital products that are specially adapted to its business needs. All digital products were integrated into a single technology platform. The pivot towards the development of proprietary solutions was a necessary response to challenges stemming from the geopolitical situation and the departure of a number of IT companies from the Russian market.

Technology platform

In 2022, Etalon Group's IT departments worked hard to develop a digital integration platform that will improve business efficiency considerably. The project is expected to be ready for commercial operation in 2Q 2023.

The platform will integrate all of our IT resources – about thirty digital products altogether – and will enable them to be managed in a consistent and highly efficient manner.

The platform supports the following:

1

the integration of all Group digital products into a single management environment

2

the automation of business processes and a considerable reduction in the amount of time spent on manual labour

3

data analysis using machine learning and artificial intelligence (AI)

4

the creation of accurate forecasts for planning and making strategic management decisions

5

the creation of a single entry point for interaction among all participants in the Group's business processes, including for customers

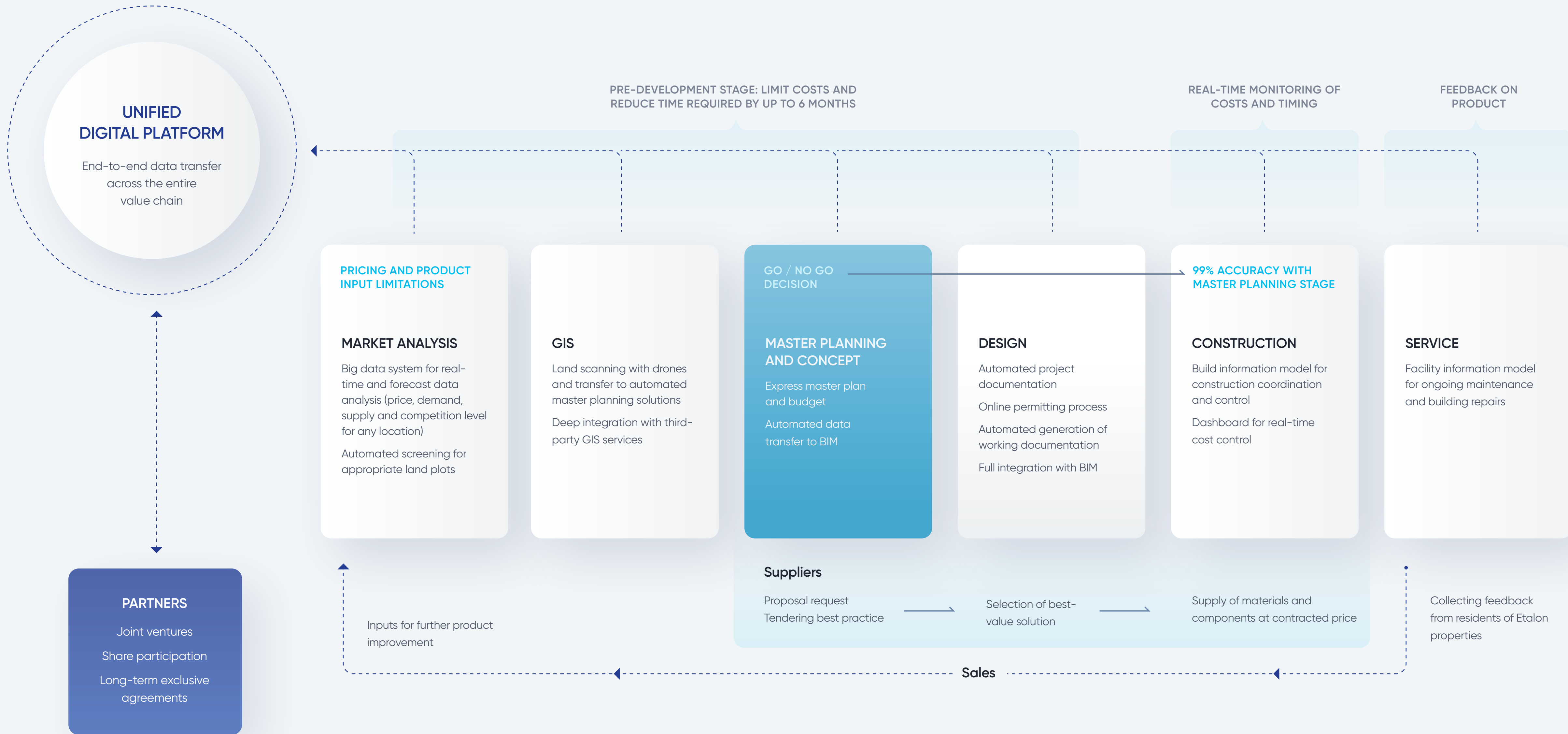
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a high level of security and data protection





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



BIM

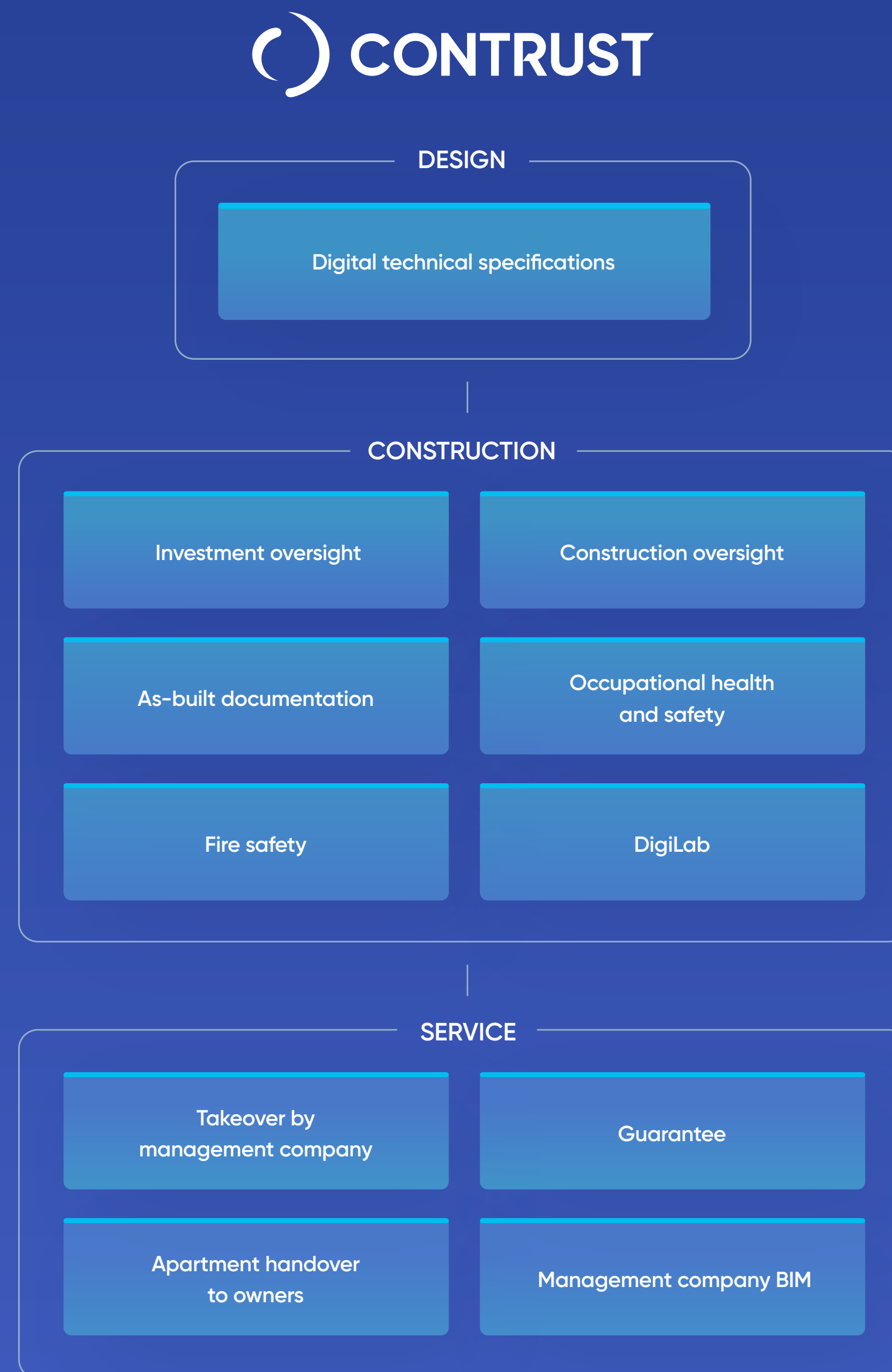
CONTRUST

One of Etalon Group's promising developments is the multimodule web platform CONTRUST, which several of the Company's development teams from the Technology Platform Department are working on at the same time. CONTRUST will bring together all the main parties involved in the implementation of investment and construction projects, support seamless data transfer, and digitalise and automate routine operations, both in the office and at construction sites.

As the system's modules are put into operation, the work acceptance process at construction sites will become simpler and more transparent, since the system can automatically calculate the amount of work and volume of construction materials at every stage of construction.

Providing digital tools for managing the timing, cost and quality of investment and construction projects being carried out

Reduction in SG&A expenses



Noteworthy results in 2022:

- 1 Testing of the "As-Built Documentation" module got under way.
- 2 Development of the core framework for the CONTRUST platform began.

"As-Built Documentation" module

One of Etalon Group's proprietary digital products for the CONTRUST web platform is a tool to facilitate the work of engineering supervisors, whereby work that used to be done on paper is transformed into a construction project information model.

Testing of the "As-Built Documentation" module began in 2022.



Automation of engineering supervisor's routine processes



Use of visual aids



Systematisation of tasks



Comments register



Automated preparation of package of as-built documentation



General contractor's dashboard



Document status models



Uploading documents according to standard forms

BIM

Building information modelling (BIM) within Etalon Group

This year marks 10 years since Etalon Group began using BIM. The Company has automated many processes in recent years, such as its analysis of target construction data, scheduling and as-built documentation. In 2022, the Company independently developed CDE (common data environment) software. At the same time, Etalon Group completed the transfer of sales-related data, such as apartment layouts and their parameters, from the BIM model directly to the CRM. All these steps make it possible to work with an enormous amount of data, to quickly analyse information and to make decisions under tight deadlines.

As a strategic priority, BIM is one of the key components of Etalon Group's entire technology platform (or digital integration platform). The Group is aware of the need to create uniform transparent technical standards for exchanging information with various government agencies, which makes it easier for businesses to integrate their digital platforms. That is why the Company takes into account current developments and trends in the construction industry in the context of digitalisation, key government objectives as well as the challenges facing businesses in connection with the processes involved in the transformation of the construction industry.

BIM development in 2022

In 2022, Etalon Group developed and approved a business process that expands the scope in which information modelling technologies are used at all stages of the life cycle of investment and construction projects. The requirements for preparing BIM-compatible design and working documentation for construction projects were also standardised.





BIM

Consistent leadership in the industry

- Fully developed on the basis of information modelling technologies, the design for a preschool at the House on Blyukhera project, in St Petersburg, successfully passed a state expert review in digital format for the first time in Russian practice. In June 2022, Etalon Group received the permits necessary to deliver the preschool. Thanks to the use of BIM, this event took place ahead of schedule.
- Etalon Group's Omsk projects won awards at the **BIM Leaders 2021/22 competition**:¹ the Green River residential district took first place in the category **"Information Modelling for Residential Buildings"**; the sales office that opened in May on Karl Liebknecht Street took second place in the category **"BIM Interiors"**.

The Company used BIM technologies to design its office in Omsk, which is located in the historical building that used to house the Tver Textile Mill. Etalon Group experts created a 3D model of the building that was then used to identify protected areas and spaces that could be transformed. The project enabled the creation of an office that combines history, modernity and digital technologies.

Students from Peter the Great St Petersburg Polytechnic University were also winners of the BIM Leaders 2021/22 competition. The students, supervised by Vladimir Sharmanov, an Etalon Group process engineer, prepared a project entitled "Application of BIM Technology for Modelling Safe Working Conditions at Construction Sites". Etalon Group and the Polytechnic University have enjoyed fruitful cooperation for many years in the areas of science and technology as well as research methodology with the aim of retraining and upgrading the skills of young specialists.

- 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 information modelling 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.
- The BIMSkills competition (held at the initiative of Etalon Group) is a unique Russia-wide project aimed at finding the top current students and graduates of universities and colleges in the Russian Federation specialising in digital construction. The competition provides participants with a unique opportunity to apply their knowledge in real projects being implemented by the largest construction companies in the country. The main prize for participants is an opportunity to undertake a paid internship.

In 2022, the competition was held in every federal district of the Russian Federation; more than 300 students from specialised higher educational institutions as well as institutions of secondary vocational education from 35 Russian cities applied to take part in the competition. Based on the results, 10 finalists who were developing information models and also performing the tasks of BIM coordinators to support design were accepted for internships. Etalon Project, an Etalon Group company, hired four interns for its projects and has plans for long-term collaboration with them.

Digital Neighbourhood

An integral part of a large project to create a digital integration platform was the unification of all digital products used to manage the Company's Digital Neighbourhood.

In 2022, Etalon Group switched to the independent implementation of its Digital Neighbourhood hardware and software project, which is aimed at the digitalisation of residential complexes and the provision of digital services to the residents of those complexes.

The 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.

The requirements for digitalisation are established during the conceptualisation phase of the residential complex and are included in the technical specifications for the design of all facilities.

Digital technologies are being incorporated that make it easier for residents to interact with the infrastructure of the residential complex and the management company: an IP intercom, an access control and management system, contactless access to apartment areas, automobile access to the parking area, automatic transfer of meter readings, creation of requests for the provision of services by the management company, a marketplace, etc. Work is ongoing to strengthen the mobile communications signal in underground parking areas, common areas, elevator shafts, staircases, spaces between apartments and entrance lobbies.

In early 2022, elements of the Digital Neighbourhood system were incorporated into the Silver Fountain project; were designed for incorporation at the Shagal and Nagatino i-Land residential complexes; and are being designed for use at the Voxhall residential complex, in Moscow, and the Che Quarter project, in St Petersburg. The Company is also working on incorporating the system into its regional projects (Omsk, Kazan, etc.).

The low-current systems and infrastructure at buildings in the Silver Fountain project that have already been delivered were upgraded to increase the comfort of residents. A pilot project for the digitalisation of apartments at the Silver Fountain residential complex was carried out. The following functionalities were incorporated into the mobile app: an IP intercom; lighting control, including dimming; socket control; air conditioning control; leakage, lighting, presence and opening/closing sensors.

During the reporting year, the IT company Udobnye Resheniya (Convenient Solutions), the developer of the mobile application for residents and Etalon Group housing and communal services management companies (Our Home Etalon), became part of Etalon Group.

¹ The international competition BIM Leaders 2021/22 was held with the support of the Ministry of Construction Industry, Housing and Utilities Sector of the Russian Federation. This year, more than 150 companies and organisations from nearly 30 Russian regions took part in the competition.

BIM

Product standardisation (integration with BIM)

Improving operating efficiency at every stage of implementation by bringing together all process participants in the BIM system

Product development and standardisation are among Etalon Group's strategic priorities. You can read more about standardisation management, design automation and digital technical specifications in the [2021 report](#).

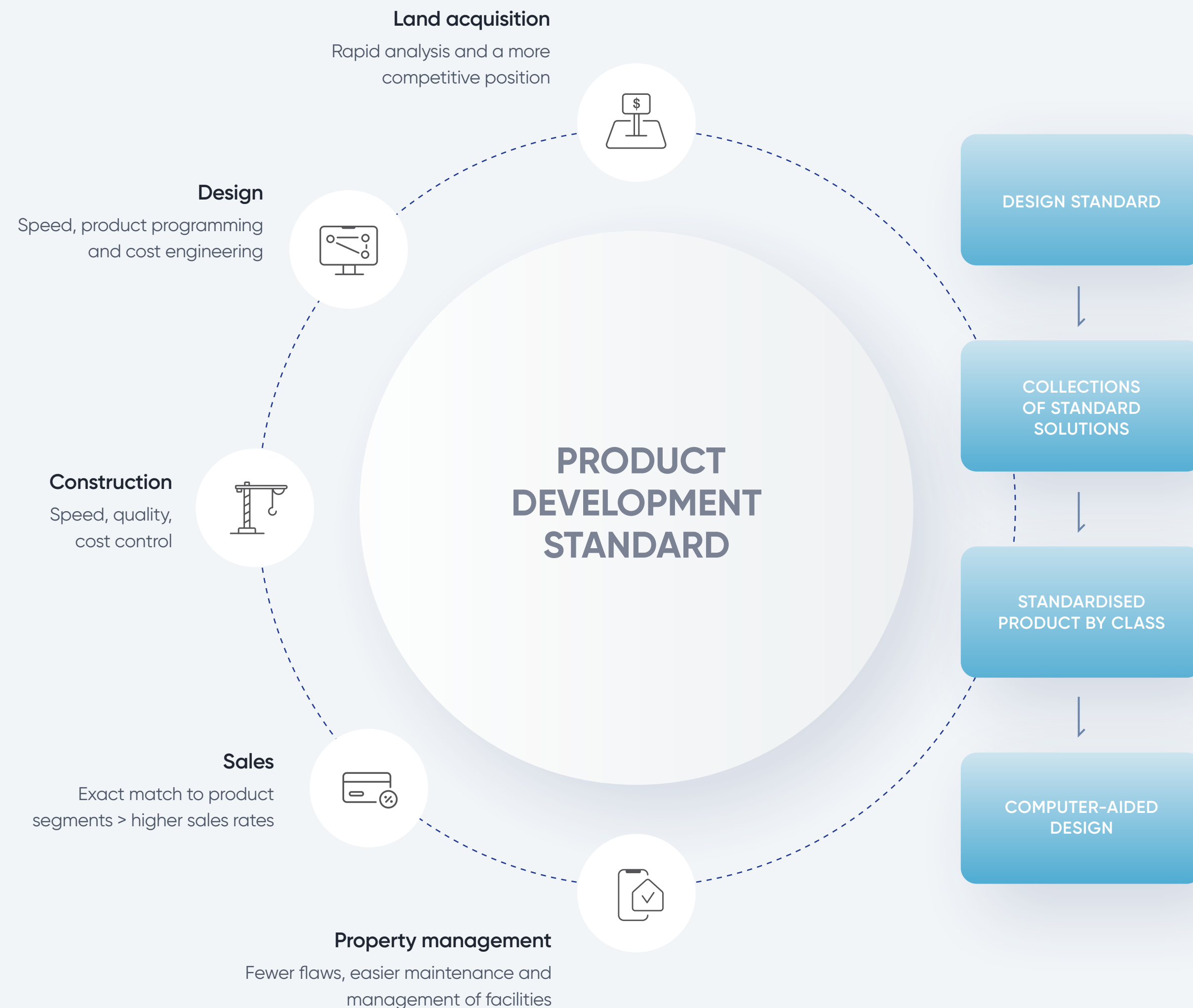
IMPLEMENTED IN 2022:

- technical specifications for the development of an information model
- a classification system for construction-related information
- a common data environment
- automation of architectural solutions and master plans
- scheduling
- investor oversight of construction and installation works
- management of design and working documentation

ADVANTAGES OF A STANDARDISED APPROACH:

- development of an optimal product line in terms of price-to-class ratio
- shorter timeline for design, preparation of documentation and construction
- reduced costs at all project stages
- increased product appeal thanks to improved quality and affordability

Standardisation methods



Digital technical specifications

Automation of the process of creating and editing technical specifications for project design, and linking the technical specifications with the library of construction elements and materials through BIM.

Impact from incorporation

- Transparent system for the creation, approval and amendment of technical specifications; integration with existing tools and common data environment
- Shortening of the construction cycle by at least two weeks by reducing the time needed to prepare the concept and so-called stage P

Noteworthy results in 2022

- 1 Database created and populated with parameters
- 2 Limited testing performed
- 3 Version 1.0 developed; pilot testing in progress



BIM

Standardisation methods



Data protection and cybersecurity

Customers' personal data protection

As the construction industry becomes increasingly digitalised, the risks associated with cybersecurity are growing. The storage of large amounts of information about properties in electronic form, including technical, financial, confidential and other data, as well as the processing of the personal data of our customers raises questions about the construction industry's potential increased vulnerability to hackers. That is why we pay a great deal of attention to protecting our own data and that of our customers by improving cybersecurity. Maintaining data confidentiality and creating secure channels for data transmission are of paramount importance to us.

Etalon Group's Security Division is responsible for developing policies and standards as well as for implementing them and putting the necessary information infrastructure in place.

When collecting, processing and storing personal data, the Company is guided by the laws of the Russian Federation and its own by-laws. In order to ensure the confidentiality of customer data, Etalon Group adheres to the following key documents on information security:

- Information Security Policy
- Personal Data Processing Policy
- Information Security Standards
- Methodological Instructions and Requirements Relating to Information Security
- Information Security Concept

THE BEST INDUSTRY SOLUTIONS AND STATE-OF-THE-ART SOFTWARE ARE USED TO ENSURE THE PROTECTION OF INFORMATION, INCLUDING PERSONAL DATA:

- Protection against unauthorised or unlawful access
- Centralised anti-virus protection
- Firewalling
- Data leak prevention system
- Data classification system
- Data backup and recovery system

In addition, software is being introduced to manage information security events.

Protection of the Company's information systems

Etalon Group's Security Division successfully countered external cyber threats during the reporting year. The information security department processed more than 1,000 negative events that could have posed a threat to cybersecurity. No fewer than 10 of them were classified as highly pernicious incidents, and the necessary response measures were taken in a timely manner, enabling the Company to avoid suspending any services.

In order to mitigate risks, the Company upgraded the security measures it deploys to protect against attacks on its information systems; these measures identified 327 and blocked 254 malicious e-mails, including links to malware, and also blocked more than 25,000 phishing messages.

Etalon Group's Security Division developed and introduced a staff training system during the reporting year aimed at raising awareness of various cyber threats and forms of cyber fraud. To date, 1,500 Etalon Group employees have successfully completed training and testing.

78%

of unsafe email messages blocked by the Company's security system

1,500

employees trained and tested on cyber threats and cyber fraud

Business conduct

At the core of Etalon Group's corporate culture and policies are high ethical standards; zero tolerance for human rights violations, discrimination and corruption; as well as the principles of fair competition.

The Company has documents in place that enshrine the fundamental values and principles of corporate behaviour as well as methods for monitoring the rules of corporate ethics:

- Etalon Group Code of Corporate Ethics
- Regulation on Conducting Tenders
- Anti-corruption Policy

The rules of corporate conduct apply both to relations between co-workers and to relations with the Company's business partners.

The Company operates a hotline for confidential reports of violations of business ethics and applicable laws as well as corruption and abuse of power within the Company. The main goals, objectives and principles of the hotline, its operating procedures and the distribution of tasks and responsibilities between Etalon Group divisions and its subsidiaries are specified in the Regulation on the Hotline for Countering Fraud, Corruption and Embezzlement.

As of 2022, 100% of employees and counterparties were briefed on the Company's requirements and policies, including human rights provisions.

Respect for human rights

Etalon Group supports and protects internationally proclaimed human rights and complies with legal requirements in this area.

In line with high ethical standards, the Company strictly observes and carefully monitors compliance on the part of its partners with fundamental human rights enshrined at the Russian and international levels.

Concerning human rights, the Company is guided by the following key external documents:



Etalon Group supports equal opportunities; creates a working environment free of harassment and persecution; does not discriminate on the basis of race, nationality, religious beliefs, gender, origin, age or other grounds; and expects employees and contractors to treat one another with respect and dignity, and to integrate these principles into all processes in the value chain.

The Company does not permit any form of child or forced labour, and it makes every effort to create favourable working conditions, to ensure equal pay for work of equal value, to protect families and mothers, and to enable rest and leisure, education, and participation in cultural and sporting life.

All employees and contractors are required to familiarise themselves with the human rights provisions included in Etalon Group's main policies regarding corporate ethics and anti-corruption.

In addition, when screening contractors and suppliers, the Company's Security Division conducts procedures to confirm that they have an impeccable reputation and follow fair business practices.

No human rights violations were identified within Etalon Group in 2022.

Respect for human rights

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

1

As an employer, the Company:

- ensures decent working conditions
- prohibits the use of child and forced labour
- prevents discrimination and harassment
- ensures work-life balance

THESE PRINCIPLES ARE OBSERVED THANKS TO:

- strict compliance with the law, in particular the provisions of the Labour Code
- decent wages based solely on professionalism
- the development of human resources
- equal conditions for career growth and salary increases regardless of gender, age, religion, skin colour or other factors
- support for employees in difficult life circumstances or upon the birth of a child (flexible working hours, material assistance, social benefits)

CHANNELS OF COMMUNICATION ON HUMAN RIGHTS VIOLATIONS:

- the Company's specialised services: HR, security, etc.
- the Etalon Group hotline (anonymous reporting is possible)
- the Corporate Conduct Officer

2

As a developer, the Company:

- is responsible for protecting the environment
- ensures that work is performed in a safe manner
- develops infrastructure, including social amenities, that respects equal rights and opportunities

THESE PRINCIPLES ARE OBSERVED THANKS TO:

- compliance with environmental laws, including by conducting environmental impact assessments and taking measures to limit the impact on the environment at all stages of a project
- use of resource-efficient equipment as well as environmentally friendly materials and technologies
- collaboration with leading experts and local residents for optimal project development (for example, the [Generation ZIL platform](#), which enables open discussions concerning the Zil-Yug project)
- construction of commercial infrastructure and social amenities, including schools and preschools
- a wide range of convenient, high-quality services for tenants

CHANNELS OF COMMUNICATION ON HUMAN RIGHTS VIOLATIONS:

- the Etalon Group hotline (anonymous reporting is possible)
- the service company's call centre

3

As a contractor, the Company:

- ensures compliance with industrial safety requirements
- cares for the environment

THESE PRINCIPLES ARE OBSERVED THANKS TO:

- compliance with high standards of occupational health and safety as well as environmental safety
- compliance with and continuous 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 formalised screening system

CHANNELS OF COMMUNICATION ON HUMAN RIGHTS VIOLATIONS:

- the Etalon Group hotline (anonymous reporting is possible)

The main provisions and regulations reflecting Etalon Group's fundamental approach to ethical and social values, including human rights, are listed in the corresponding sections:

Code of Corporate Ethics

Anti-corruption

Employees

Occupational health and safety

Environment

Social responsibility

Responsible supply chain

Code of Corporate Ethics

Compliance with the principles of business ethics bolsters Etalon Group's reputation today and supports the Company's future sustainability.

Handling matters of corporate ethics

The Code of Corporate Ethics reflects the commitment of Etalon Group and its management to high ethical standards of business conduct (conducting business openly and fairly); these standards were designed to improve the corporate culture, to ensure adherence to best corporate governance practices and to protect the business reputation of Etalon Group companies.

Issues related to the clarification and monitoring of compliance with the Code of Corporate Ethics are the responsibility of Etalon Group management and the Corporate Conduct Officer.

In 2022, no conflicts of interest were identified within the Company.

Parties involved in handling ethical issues

1

Board of Directors and CEO

- Setting policies and standards
- Providing a personal example of high standards in terms of the corporate management culture

2

HR Management Division

- Informing all employees about the Code of Corporate Ethics and other standards of corporate conduct
- Conducting training and reviews on issues relating to ethical behaviour

3

Security Division, Corporate Conduct Officer

- Providing advice on corporate ethics and conflicts of interest
- Registering and responding to violations

4

Internal Audit Service

- Monitoring compliance with by-laws
- Analysing violations and formulating conflict resolution measures

Monitoring

In order to verify compliance on the part of employees with the Company's corporate ethics principles, Etalon Group conducts ethics reviews. When undergoing a review, employees complete a Declaration on Ethics and Conflicts of Interest in the form of a questionnaire. The questionnaires are then analysed and a report is generated with suggestions for conflict resolution measures, which is sent for review to the CEO and the Chairman of the Board of Directors.

Advice and whistle-blowing

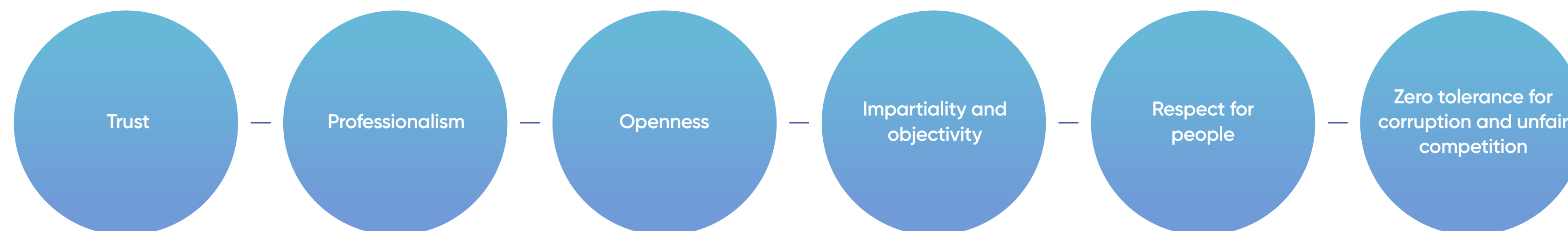
For advice or to report violations of corporate ethics, Etalon Group employees may contact their immediate supervisor, the Corporate Conduct Officer or the hotline. The Company guarantees confidentiality in respect of any person reporting a violation of corporate ethics. Based on the reports received by the Corporate Conduct Officer, a decision is made aimed at preventing violations of corporate ethics, eliminating conflicts of interest or explaining 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.

Hotline

Since 2020, the Company has been operating a hotline for combating fraud, corruption and embezzlement. In 2022, the hotline received 15 reports, including one from a Company employee. All reports were carefully reviewed; six of them were recognised as violations on the part of Company employees. Following an official investigation in each case, precautionary steps were taken, ranging from preventive measures to dismissal.

Group ethics guidelines



Anti-discrimination policy

In addition to Russian laws, Etalon Group's internal policies, including the Code of Corporate Ethics and the Regulation on Conducting Tenders, are aimed at countering discrimination.

In all its activities, Etalon Group takes a zero-tolerance approach to discrimination in all its forms, including on the basis of age, race, ethnicity, gender or any other grounds. The Company also prohibits any form of harassment, including sexual harassment and coercion in verbal, written, visual, physical or other form.

Employees' career growth, as well as their salary, benefits and bonuses, depends solely on their professional competencies.

The Company encourages so-called work dynasties, where professional skills are passed down from one generation to the next, but prohibits protectionism based on nepotism, limiting cases of direct or indirect subordination involving relatives.

Cases of discrimination can be reported to the Corporate Conduct Officer through official communication channels – for example, by contacting the hotline. The Company guarantees anonymity and that there will not be any negative repercussions for the career of employees who contact the Corporate Conduct Officer.

In 2022, no cases of discrimination were identified within the Company.

Anti-corruption policy

The Group has a strict zero-tolerance policy for corruption in all its forms and manifestations in its relations with all stakeholders: shareholders and investors, counterparties, representatives of government agencies, subsidiaries, employees and others.

Regulatory framework

Etalon Group's anti-corruption policy is based on the following guidelines and regulations:

Criminal Code of the Russian Federation

Etalon Group and its management are committed to improving corporate governance practices and the corporate culture, thus maintaining its excellent business reputation. All Company employees, regardless of their position, must comply with the requirements of the Code of Corporate Ethics and the Anti-corruption Policy.

Code of Administrative Offences of the Russian Federation

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 in general. Notably, the Company conducts its anti-corruption efforts in cooperation with state and regulatory authorities as well as with local communities and associations, partners and counterparties.

Federal Law on Combating Corruption

Etalon Group Code of Corporate Ethics

Etalon Group Anti-corruption Policy

Anti-corruption management system

Management principles

Etalon Group has established several anti-corruption goals. First, the Company is committed to minimising 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
- enshrining official obligations to comply with them
- developing procedures to prevent corrupt practices

Second, in its relations with shareholders, the investment community, counterparties, members of management bodies, employees and other parties, Etalon Group is committed to creating a company brand with zero tolerance for corruption in all its form and manifestations.

In accordance with the Group's Anti-corruption Policy, senior executives demonstrate how to meet these standards by setting an example through their own ethical behaviour. 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. In addition to communicating to employees the importance of avoiding corrupt activities, Etalon Group conducts integrity due diligence in relation to all counterparties.

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.



Anti-corruption policy

Monitoring and risk assessment

Etalon Group regularly monitors compliance with anti-corruption procedures, including through periodic audits by the Internal Audit Service. To protect potentially vulnerable business processes, the Company periodically updates its industry-specific corruption risk factors, and develops and incorporates suitable corruption prevention procedures to respond to identified risks.

Working with counterparties

Etalon Group makes reasonable efforts and takes measures to avoid entering into business relations with unreliable counterparties and to avoid getting involved in corrupt activities. To do this, the Company scrutinises each counterparty's business reputation, adds anti-corruption clauses to contracts and finds out whether a counterparty has its own policies regarding ethics and corruption.

When joining organisations and associations as well as joint ventures, the Company strives to comply with anti-corruption principles and requirements. Etalon Group advocates the adoption of similar anti-corruption policies in joint ventures, organisations and associations in order to prevent or uncover violations so as to avoid the Group's involvement in corrupt activities.

According to the Code of Ethics, all suppliers and contractors working with the Company must be familiar with Etalon Group's anti-corruption policy.

HR management

In addition to carrying out integrity due diligence in respect of counterparties, the Company also considers the professional reputation of applicants for vacant positions. When signing an employment contract, employees are required to familiarise themselves with the Code of Corporate Ethics and Anti-corruption policy.

Participation in charitable activities and sponsorship

Etalon Group does not finance charitable or sponsorship projects in order to obtain commercial advantages 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 to government 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 counterparties.

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 is open about its stance against corruption; welcomes compliance with the principles and requirements of its anti-corruption policy on the part of all counterparties, employees and other individuals and entities; and promotes advancements in its anti-corruption culture through information sharing and training. Introductory training is conducted for new employees, and periodic information seminars are held in person or remotely for existing employees. Ethics reviews are conducted annually for senior executives and middle management.

Any employee, customer, 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 or abuses of office may report such violations through the available channels, including Etalon Group's hotline for combating fraud, corruption and embezzlement.

In 2022, Etalon Group's hotline received and resolved four reports concerning abuse of power. That said, no cases of corruption were identified.

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 liability in accordance with applicable law.

Audit, control and reporting

Etalon Group conducts internal and external audits on a regular basis in order to verify that information concerning the Company's financial and operating position in its accounting and other systems is complete and accurate and also in compliance with Company by-laws and legal requirements. Audits verify the implementation of key business processes, confirm that payments have been made and review their rationale and legality, and also check compliance with anti-corruption requirements.

Compliance on the part of employees and contractors with the principles and requirements of the anti-corruption policy is subject to review by senior management.

Informing contractors about the anti-corruption policy in 2022

NUMBER OF COUNTERPARTIES INFORMED ABOUT THE COMPANY'S ANTI-CORRUPTION POLICY AND PROCEDURES	MOSCOW	ST PETERSBURG	OTHER REGIONS	TOTAL
Number of suppliers	1,811	1,782	234	3,827
Number of contractors	2,409	2,030	190	4,629

No cases of corruption were identified in 2022.

Responsible supply chain

When procuring works, services, materials and equipment, Etalon Group prefers to choose counterparties through a competitive selection procedure and arranges uninterrupted supplies with due regard for cost-effectiveness and production efficiency.

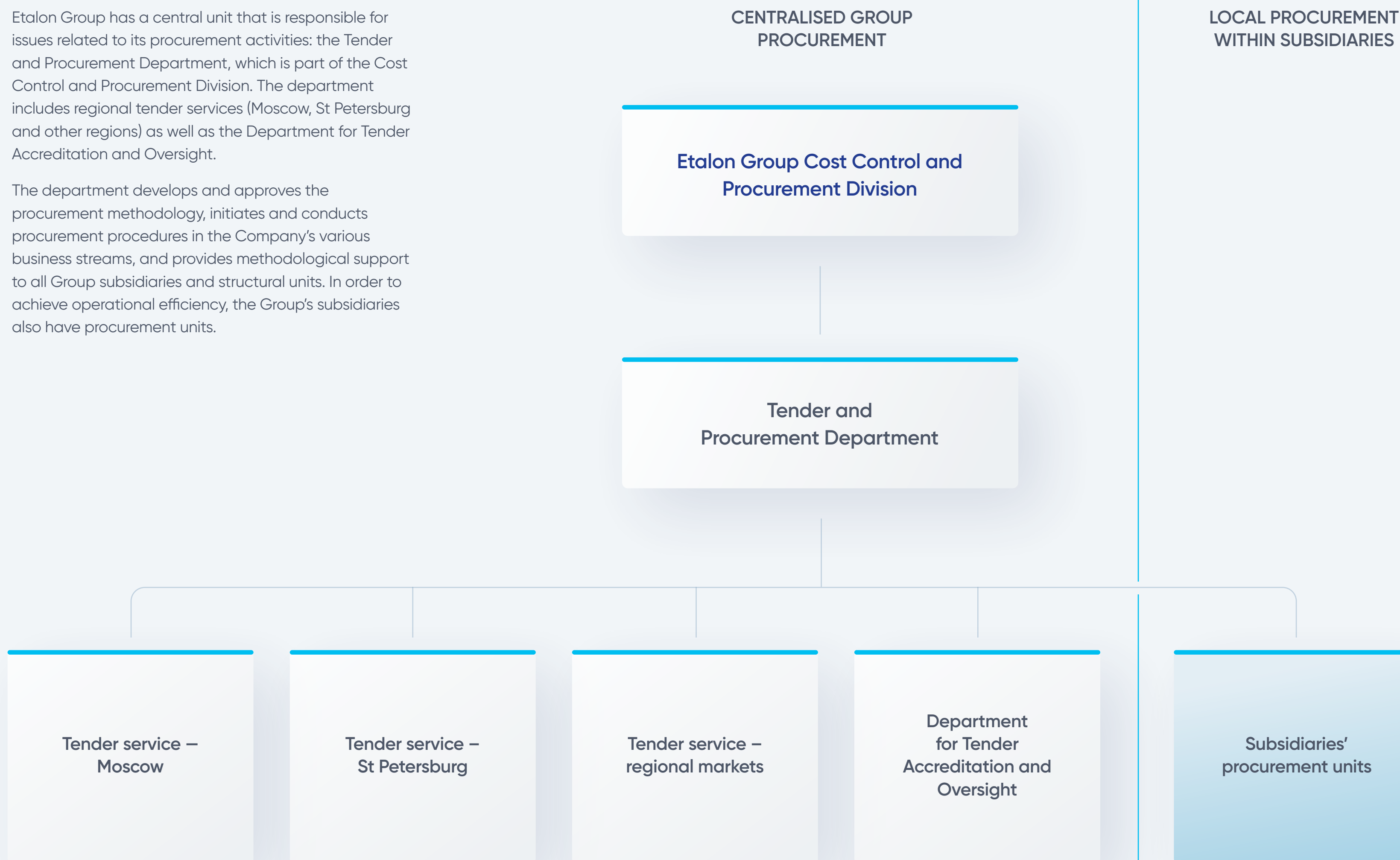
ETALON GROUP'S KEY PROCUREMENT PRINCIPLES AND APPROACHES TO COMPLIANCE WITH THOSE PRINCIPLES:

- **fair competition**, by conducting procedures aimed at creating a reasonable level of competition among potential participants
- **equal treatment** of and a **uniform approach** to all participants in the procurement process, by establishing equal competitive opportunities and uniform rules for all participants before the procedure begins
- **economic feasibility**, by assessing the need for procurement at any stage of procurement activities
- **transparency** of the procurement procedure, by enabling procurement oversight at any stage

Procurement management

Etalon Group has a central unit that is responsible for issues related to its procurement activities: the Tender and Procurement Department, which is part of the Cost Control and Procurement Division. The department includes regional tender services (Moscow, St Petersburg and other regions) as well as the Department for Tender Accreditation and Oversight.

The department develops and approves the procurement methodology, initiates and conducts procurement procedures in the Company's various business streams, and provides methodological support to all Group subsidiaries and structural units. In order to achieve operational efficiency, the Group's subsidiaries also have procurement units.



Regulatory framework and approach to procurement

Since ensuring the fair selection of contractors is the core principle of Etalon Group's procurement activities, the Company selects suppliers and contractors on a competitive basis. The applicable laws of the Russian Federation provide the basic rules for relations with counterparties in the procurement process.

The by-law regulating tenders is the Regulation on Conducting Tenders within Etalon Group, the main purpose of which is to avoid violations of antitrust law and unfair competition, as well as to oversee the selection of suppliers of materials, works and services. The Regulation contains requirements for companies participating in procurement procedures in order to ensure that all participants in the process comply with the principles of due diligence.

Approach to the selection of suppliers and contractors and to procurement planning



Procedure for screening suppliers and contractors

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. In 2022, together with Etalon Group's oversight units, new, more stringent requirements were developed and incorporated in the form of qualifying benchmarks.

In 2022, the Group's list of potential suppliers included more than 7,000 counterparties, 1,751 of which were included in the Register of Accredited Contractors and Suppliers and entitled to participate in Group tenders worth RUB 3 million or more.



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 Contractors 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, which includes the heads of Etalon Group companies and specialised units.



Etalon Group's Tender and Procurement Department monitors the fulfilment of obligations on the part of counterparties selected through procurement procedures.

Reviews of counterparties are carried out according to the 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.

The Department consolidates information on each counterparty and keeps a record of it in company dossiers.



Companies from the Register of Accredited Contractors 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 Etalon Group's Board of Directors.

1,751

The Register of Accredited Contractors and Suppliers includes 1,751 counterparties

+27%

year-on-year thanks to regional expansion and diversification of the supplier pool

Minimisation of ESG risks in the supply chain

Etalon Group pays close attention to compliance on the part of its suppliers and contractors with established requirements in the areas of fire and industrial safety, occupational health and safety, waste and natural resources management, and public health. The Company does a lot of work to monitor compliance with these requirements and purchases materials exclusively from environmentally responsible suppliers that have been duly certified.

Progress in minimising ESG risks in the supply chain in 2022:

- Codes of business ethics were developed and introduced for suppliers and contractors, stipulating that the Group's partners must comply with sustainability principles. Violators of these requirements are subject to the penalties provided for in the corresponding contracts, including possible removal from the Group's Register of Accredited Contractors and Suppliers.
- A safety standard for construction sites was developed and incorporated; in accordance with the applicable methodology, the standard determines the level of safety at a particular property, and it also reinforces the basic requirements of laws on safe working practices and environmental protection.

Supply structure

Etalon Group carries out centralised procurement through its Tender and Procurement Department, while local procurement is carried out by the tender divisions of Etalon Group companies. The Group's procurement activities are conducted through direct interaction with counterparties, without intermediaries.

In 2022, the Group continued taking steps to centralise its procurement. In this context, by-laws aimed at centralising the procurement of construction materials, works and services were developed and approved. As a result, up to 90% of the Company's core construction materials (depending on the region and the project) are procured centrally through UPTK-Etalon, a Group-wide trading company.

The development of centralised procurement and regional expansion led to a 13% year-on-year increase in Etalon Group's procurement volume in 2022.

90%

of the Group's core construction materials are purchased centrally through a Group-wide trading company

90.6%

of procurements made from SMEs

Procurement structure in 2022



Supply chain

SUPPLIERS	2020	2021	2022
Moscow			
Number of local suppliers	495	644	745
Number of other suppliers	26	41	65
St Petersburg			
Number of local suppliers	537	637	710
Number of other suppliers	67	56	75
Other regions			
Number of local suppliers	-	-	128
Number of other suppliers	-	-	28
Group total			
Local suppliers	1,032	1,281	1,583
Other suppliers	93	97	168
Procurement volume, RUB mln	31,836	38,204	43,335

Procurement volume

PROCUREMENT, RUB MLN	2020	2021	2022
Procurement volume, RUB mln	31,836	38,204	43,335
Including the volume of procurement from small and medium-sized enterprises (SMEs), ¹ RUB mln	25,955	31,146	39,261
Number of SME suppliers	731	923	1,187

¹ Companies with up to 100 employees.

Procurement automation

One of the Company's strategic priorities is to automate and digitalise its procurement activities.

In 2022, the automation of the centralised procurement of materials continued:

- Thanks to the introduction of specialised software for automated processing of applications to supply materials, up to 95% of applications were transferred to the Company's digital ecosystem, which increased the speed of application processing by 24% and reduced personnel costs by 9%.
- In conjunction with the Project Oversight and Analytics Department, a project was launched to automate procurement procedures using 1C software. In 2022, the Company digitalised tender procedures for a number of stock item groups as well as construction and installation works.
- In November 2022, following testing, providers of the largest electronic trading platforms were approved for use for Etalon Group's procurement. Under the new Procurement Regulation, up to 80% of the Group's procurement will be carried out through independent electronic trading platforms.

Challenges in 2022

In March 2022, the construction industry entered a challenging period, partly in connection with disruptions in logistics and the supply chain.

The Group's core business units carried out systematic work to establish new supply chain logistics for materials and equipment:

- A working group was formed to coordinate and amend the Group's existing design solutions in order to take measures to replace materials with others that were more accessible from a logistics perspective (import substitution measures).
- Contracts were concluded with customs brokers and arrangements were made for supplies of construction materials and equipment from countries such as China and Turkey.
- A large amount of experience was gained in terms of successful supplies of materials from China and Turkey.

Thanks to the effective implementation of the above steps, the Group currently has very little dependence on materials supplied mainly from European countries.

Relations with suppliers and contractors

In order to improve the procurement process, establish beneficial collaboration and improve the quality of services provided by suppliers and contractors, the Company regularly collects and analyses feedback from suppliers and contractors, through two main communication channels:

- The hotline on the Group's website
- A checklist that contractors complete after fulfilling a contract. The checklist gives contractors and suppliers space to add all their comments and recommendations concerning their collaboration with Group divisions and companies; that feedback is then taken into account in order to create conditions for mutually beneficial cooperation

To ensure the quality of services provided by contractors and the overall development of professionalism in the industry, the Company regularly conducts training activities:

1

The Group's partners provide training for contractors on the use of new materials and equipment when delivering supplies to properties.

2

Etalon Group's Quality Department and Testing Laboratory arrange training for contractors where specialised departments demonstrate the standard way to perform certain types of work in accordance with regulatory and technical documentation.

3

Specialised training for staff regarding equipment installation is carried out by the manufacturer's technical experts.

2022 AUTOMATION RESULTS

95%

of material requisitions are processed through the Company's digital ecosystem

24%

increase in the speed of application processing

UP TO 80%

of the Group's procurements will be carried out through independent electronic trading platforms

Risk management

In connection with the current geopolitical situation and sanctions imposed on Russia and Russian companies, a number of risks – mainly macroeconomic as well as operational and financial – were realised during the reporting period. The fast-changing environment was the driver behind the rapid transformation of the Company's business and improvements to its risk management system. Based on the realisation of negative scenarios and market uncertainties, Etalon Group developed additional measures to prevent or reduce negative impacts, including approaches to project financing, changes to supply chains and efforts to reduce production costs, etc.

Approach to risk management

Integrated risk management system

Etalon Group's risk management complies with the generally accepted conceptual framework for risk management.

Risk management is carried out as part of the core function of all Etalon Group employees, which includes the identification, analysis, assessment and prioritisation of risks as well as the development and implementation of a set of procedures for responding to risk events and monitoring the effectiveness of the risk management process.

Risk management is an integral part of Etalon Group's strategic management, operational management, business planning and investment activities.

Risk management is aimed at providing a reasonable guarantee that the Company will be able to achieve its strategic goals and maintain its risk level within limits that are acceptable to the Company's management.

Development of the risk management system is one of the factors involved in improving the quality of strategic management decisions during a period of high uncertainty, and making it possible to identify, monitor and minimise the negative impact of critical risks on the Company's activities during periods of high volatility.

THE RISK MANAGEMENT SYSTEM INCLUDES THE FOLLOWING:

- aligning the Company's risk appetite with its strategy, ensuring that management takes the Company's risk appetite into account when assessing options for strategic development, setting goals accordingly and developing mechanisms for managing the associated risks
- improving risk management decisions, taking a careful approach to ensure that the risk management methodology chosen is suitable
- reducing the number of unforeseen events and losses in business activities by improving the ability to identify potential events and to establish methods for managing them
- identifying and managing the full range of risks by responding effectively to interdependent risks and applying a uniform methodology to manage repeated risks
- improving capital utilisation by obtaining reliable information on risks in order to make an impactful assessment of the total capital requirements and to improve how capital is utilised

Etalon Group's risk management principles

Integrated approach

The Company takes a systematic approach to managing all types of risks inherent in its business. Etalon Group supports cross-functional interaction and coordination of business units when managing risks outside their specialisations, while also taking into account the interplay of risks facing different units. A single channel is in place for informing management about the entire spectrum of risks in order to ensure that the information provided for each decision-making level is complete, sound and comparable.

Continuity

Implementing a set of consistent risk management procedures on a regular basis.

Feasibility

Analysing the ratio of the cost of reducing a risk to the potential damage from its realisation.

Risk management methodology

Etalon Group's management is constantly improving the methodology for the Company's risk management system.

Risk avoidance

Risk avoidance/aversion means refusing to perform certain actions or forgoing high-risk assets. Risk avoidance is applied in exceptional cases as a way to cover risks and where the cost of risk treatment is too high, or where such treatment would not reduce the risk to an acceptable level, and also where the risk cannot be passed on to a third party or when doing so would not have the desired impact.

Risk reduction

Risk control and prevention are a means of risk management that implies risk retention alongside active risk treatment on the part of the Company. Measures are aimed at reducing the probability of the occurrence of a risk event as a preventive measure and/or reducing the potential damage from the occurrence of a risk event to an acceptable level that is in line with Etalon Group's risk appetite. Risk reduction is the risk management priority by default.

Risk acceptance

Accepting a risk without treatment as a means of risk coverage is used in cases where the risk is at an acceptable level or where treatment of the impact is impossible or costly.

Risk transfer

Risk transfer is carried out in cases where treatment using Etalon Group's available resources is impossible or economically unjustified, and where the level of risk exceeds the Company's permissible level. Risk transfer can be carried out through insurance, hedging, outsourcing, etc.

Compliance system

Etalon Group's main objectives are to be highly competitive in its target market segments, combining economic success with social responsibility, which is inextricably linked with the need to operate in line with the compliance system for managing compliance risks.

The compliance system is a set of elements that are part of Etalon Group's corporate culture, values and ethics, organisational structure, and rules and procedures regulated by the Group's corresponding by-laws, and its policy for managing risk management and counteracting threats, all of which ensure that Etalon Group's employees adhere to the Company's compliance principles regardless of their position.

An integral part of the compliance system is the organisational structure, ethical standards for conducting business in an open and honest manner, adherence to best corporate governance practices and maintaining Etalon Group's business reputation at the appropriate level.

THE COMPLIANCE SYSTEM'S MAIN OBJECTIVES ARE AS FOLLOWS:



to ensure that Etalon Group's activities comply with the applicable legal requirements, internal standards and other binding documents



to manage compliance risks that arise in the course of Etalon Group's activities

Areas of compliance:



Anti-corruption compliance

Covers the risks of the commission of anti-corruption offences by employees, the likelihood of involving the Company (through its employees) in situations connected with a risk of legal violations or loss of reputation.



Tax compliance

Covers tax risks and helps configure business processes to ensure that they are in line with frequently changing regulatory documents from the Federal Tax Service and the Ministry of Finance.



Construction compliance

Aimed at creating mechanisms for protection against failure to meet deadlines and substandard workmanship, prevention of safety violations, and non-compliance with occupational health and safety requirements.



Data protection compliance

Prevents information leaks, insider trading and market manipulation, protects against the actions of unfair competitors, and ensures the protection of personal data.



Procurement compliance

Facilitates the creation of an open and transparent procedure for selecting contractors on the most favourable terms for Etalon Group and promotes competition.



Legal compliance

Aimed at avoiding lost profit for the Company. It is carried out by analysing the compliance of the Company's activities with the applicable laws and identifying risks of failure to comply with contractual obligations and of facing civil and/or administrative liability.



Antitrust compliance

Covers the risks of negative repercussions associated with antitrust violations (including when dealing with securities); is aimed at identifying violations by the Company, and not by the regulator; helps to prevent or considerably reduce the risks of prosecution and of the resulting costs for the Company for the payment of fines and legal fees.



Compliance in the area of labour relations and management of conflicts of interest

Facilitates oversight of compliance with labour law on the part of both staff and management; stipulates the procedure for identifying and resolving conflicts of interest, with the Company's interests taking precedence over personal interests.

Compliance system

In order to develop its compliance system, Etalon Group took the following measures in 2022:

- 1**

IN THE AREA OF TAX COMPLIANCE:

Developed a tax clause – a condition requiring that the parties to a contract comply with the requirements of tax laws and stating the consequences of violations of this obligation

The inclusion of a tax clause in contracts with counterparties will provide additional grounds for reimbursement of losses incurred by Etalon Group companies that could arise as a result of the improper fulfilment of tax obligations on the part of any of the counterparties within a chain of transactions.
- 2**

A FOUNDATIONAL DOCUMENT WAS PREPARED

Draft Etalon Group Compliance Policy

This document stipulates the main principles and objectives of the compliance system, which are aimed at preventing the risk that Etalon Group companies will be held liable on account of non-compliance with legal requirements.
- 3**

DATA PROTECTION COMPLIANCE

The Regulation on Personal Data Processing within JSC Etalon Group was approved (order No. 80 of 3 September 2021).

The Policy of Etalon Group JSC on Personal Data Processing was approved (Order No. 80 of 3 September 2021).

Consent forms for the processing of personal data were updated.

A new consent form for the processing of website users' personal data was introduced.

As a result of the implementation of these measures, all existing legislative innovations and law enforcement trends at the time of approval were taken into account; the list of duties of the person responsible for personal data processing was expanded, and the person responsible for personal data processing was appointed.

Etalon Group's next steps to improve its compliance system

- Developing regulatory documents in the above-mentioned and new areas of compliance
- Making additions to employment contracts and job responsibilities
- Training and informing Group employees: familiarising employees with by-laws, conducting training and providing individual consultations
- Analysing the results of the implementation of these by-laws
- Conducting regular monitoring, auditing activities and analysing the results
- Building a system for managing compliance risk
- Implementing a compliance system at all Etalon Group companies

Organisation of risk management

In developing its risk management system, Etalon Group takes into account the generally accepted conceptual framework for risk management:

- ISO 31000, Risk Management – Guidelines
- GOST R ISO 31000-2019, Risk Management – Principles and Guidelines
- the Committee of Sponsoring Organizations of the Treadway Commission (COSO) document “Enterprise Risk Management: Integrating with Strategy and Performance” (2017)
- the COSO document (concept) “Internal Control – Integrated Framework” (2013)
- the risk management standards developed by the Federation of European Risk Management Associations (FERMA) (2002), which take into account international practices (including those on risk management related to compliance with FATCA requirements) and have been adapted to the business environment that Etalon Group operates within with due regard for the specifics of the Company's activities and management structure

Division of powers concerning risk management

The Board of Directors determines the general requirements for the risk management system, approves key risk management parameters (risk appetite), determines Etalon Group's strategy and approves the nature and parameters of acceptable risks when making decisions in the process of achieving the Group's strategic goals.

The Board of Directors delegates to the Audit Committee responsibility for oversight of the effectiveness of risk management and for making proposals to improve the risk management system.

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 approved policies.

Etalon Group management (the Management Board) takes decisions within its remit with due regard for the risk management parameters approved by the Board of Directors; takes into account the current list of risks and risk appetite when developing Etalon Group's strategy, business plans and budgets at all levels; determines the need for resources necessary for managing risks and achieving strategic and operational goals; and takes measures to develop a risk management culture within Etalon Group.

In 2022, by decision of Etalon Group's Management Board,¹ a Risk Management Committee was established that is responsible for the following:

- developing and coordinating organisational and administrative documents for the risk management system
- developing a methodology and tools for identifying, assessing and managing risks
- analysing and clarifying the role and responsibilities of the Company's employees and business units involved in risk management (including the identification of risk owners), and taking actions to improve their risk management competencies
- organising the process of establishing and updating of the list of risks, assessing them in accordance with the applicable methodology, and preparing and maintaining a risk map
- arranging regular monitoring and the preparation of reports in the area of risk management

- developing proposals regarding the acceptable level of risk (risk appetite) when preparing Etalon Group's strategy, and making management and investment decisions
- developing and monitoring the implementation of action plans to prevent, manage or respond to realised risks
- taking part in the external audit process

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

¹ The Audit, Finance and Risk Committee under the Board of Directors of Etalon Group JSC (the subsidiary that manages the Group's Russia business).

Risk reporting

Etalon Group prepares risk reports on a regular basis

Internal corporate reporting:

- A risk report for Etalon Group JSC’s Risk Management Committee: in accordance with the Committee’s meeting schedule but at least once every six months.
- A risk report for the Audit, Finance and Risk Committee under Etalon Group JSC’s Board of Directors: as required but at least once every six months.
- A report for Etalon Group JSC’s Board of Directors: at the recommendation of the Audit, Finance and Risk Committee, at least once a year.

Reporting for external users:

- A section on risks for quarterly reports from companies that are issuers of equity securities as well as during the preparation of each securities prospectus. The information in the prospectus / quarterly reports must be disclosed in accordance with the laws of the Russian Federation on securities.
- A section on risks for Etalon Group’s Annual Report: once a year in accordance with the timing for the publication of the Annual Report.

Risk reporting principles

To manage risks, Etalon Group has developed reporting forms that meet the following requirements and criteria:

- #### 1 Completeness

 - Reporting should cover all possible risk categories in every area of the Company’s activities.
 - The risk management reporting system should also contain quantitative and qualitative risk assessments.
- #### 2 Consistency across time and risk categories

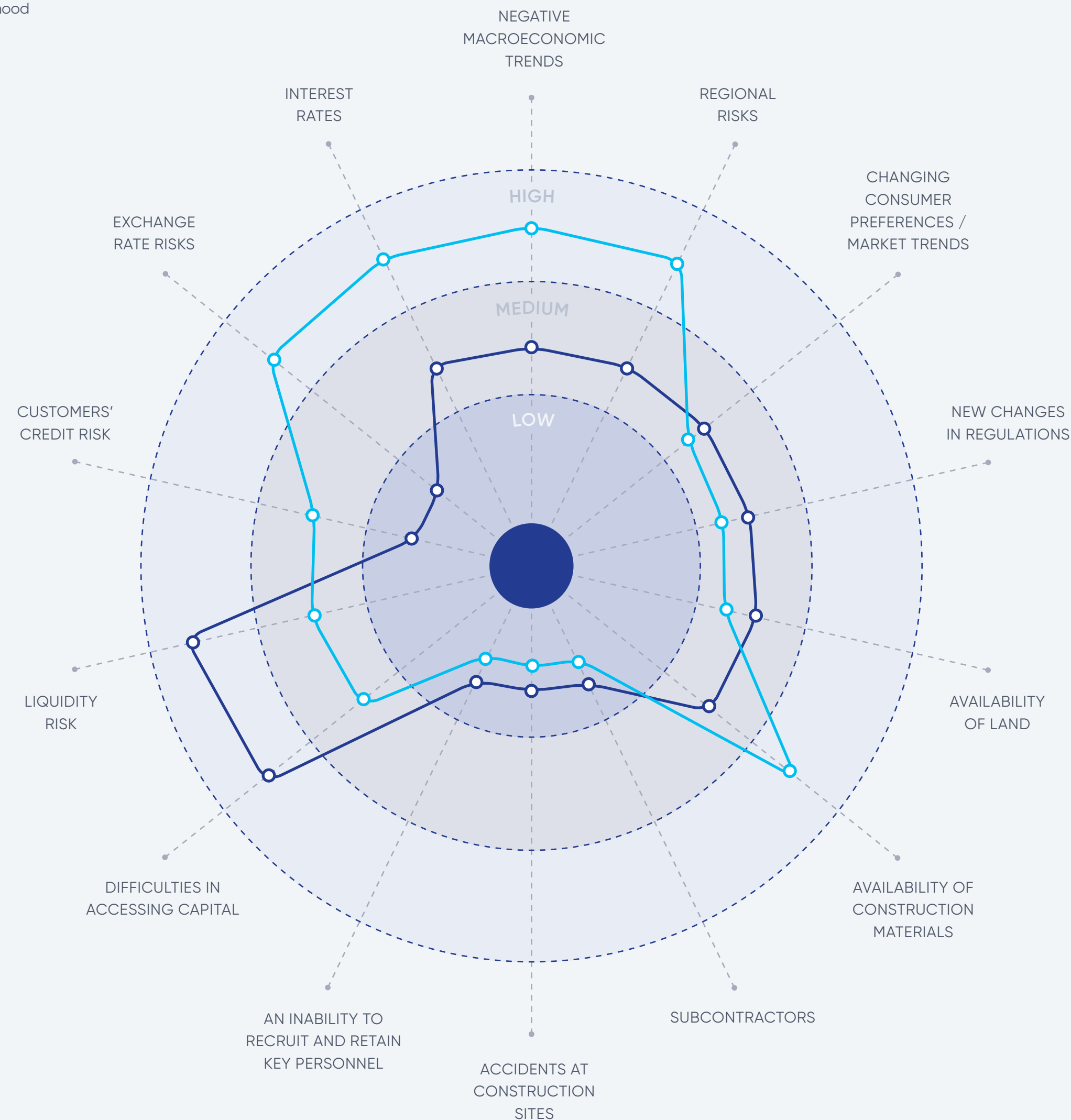
 - Adherence to a common reporting format and updates to that format on an established regular basis.
 - The reporting system standards adopted ensure consistency and adherence to the methodologies used within Etalon Group and in individual companies.
- #### 3 Regularity

 - Reporting should be prepared in a timely manner, as scheduled.
 - Prepared reports should be provided to Etalon Group’s management bodies in a timely manner (according to the level of decision-making).
 - The system for reporting on risk events should be structured in such a way that appropriate measures are taken in response if necessary.
- #### 4 Veracity

 - The reporting system should reflect the existing risk profile as accurately as possible.

Risks

- Level of potential impact
- Likelihood





Risks

RISK	HOW IT AFFECTS THE COMPANY	MITIGATION/MINIMISATION OF THE CONSEQUENCES	LIKELIHOOD / LEVEL OF POTENTIAL IMPACT
Macroeconomic, industry risks			
Negative macroeconomic trends	The deterioration of the financial situation of potential buyers, a decrease in real disposable incomes, a decrease in consumer confidence and a resulting drop in demand for housing; an increase in the cost of land, materials and labour on the back of inflation.	<ul style="list-style-type: none"> The Group's highly diversified portfolio of projects in various locations in Moscow and Russian regional markets at various stages of completion. Developed sales channels, including a network of the Company's own sales offices and extensive experience of collaborating with agents in key regions of operations. An established excellent reputation among homebuyers, the perception of the Group as a reliable developer with a quality product and a high degree of financial stability. State programmes to support the construction industry, including state mortgage subsidy programmes: in 2022, the preferential mortgage programme was expanded and extended until 1 July 2024. A wide range of available payment terms (including discounts when paying in full up front, various types of instalment plans, joint mortgage programmes with banks). 	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.	<ul style="list-style-type: none"> The Company conducts market research with due regard for current trends, assesses the growth potential and outlook of regional markets in terms of demand and the potential of investment and development activities. Maintaining regional diversification in terms of the project portfolio, reducing dependence on individual regions: in 2022, the Group launched new projects in five high-potential regional markets and became one of the top three nationwide developers with a presence in at least six regions of Russia. 	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.	<ul style="list-style-type: none"> An analysis of development trends in the real estate market and its individual segments, a shift in the structure of the project portfolio towards segments with the most stable level of effective demand: since the beginning of 2022, the Company has more than doubled its share of mass-market projects, from 29% to 74%. The Company is developing innovative construction technologies in order to implement its portfolio in the mass-market segment as efficiently as possible. Monitoring the real estate market on a regular basis, and developing and periodically reviewing the pricing strategy for the Company's projects. Developing additional services and new business streams that provide stable revenue and cash collections during periods of fluctuating demand for real estate. 	Medium likelihood / medium level of impact Risks realised
Regulatory risks			
New changes in regulations	<p>The Company operates in a business that is highly regulated; any failure to comply with regulations might negatively impact the Company's operating and financial performance.</p> <p>Failure to receive timely approval of a project might lead to delays in the development process.</p>	<ul style="list-style-type: none"> The Company monitors any regulatory changes that could 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



Risks

RISK	HOW IT AFFECTS THE COMPANY	MITIGATION/MINIMISATION OF THE CONSEQUENCES	LIKELIHOOD / LEVEL OF POTENTIAL IMPACT
Operational risks			
Reduced availability of land	A risk of increased competition among developers for land and a risk of rising costs for the acquisition of land as well as decreased margins in the Company's main business stream. A reduction in the size of the Group's land bank as a result of an increase in time spent and financial costs to replenish the land bank could limit the Group's ability to support the launch of new projects and the volume of ongoing construction and sales, which would have a negative impact on the Company's operating and financial performance.	<ul style="list-style-type: none"> Confirmed experience and competence in the field of redevelopment, implementation of integrated development projects and large-scale investment projects in the area of residential and other construction, which creates greater possibilities for the Group to select land plots for inclusion in its portfolio. Expansion of the land bank through inorganic growth thanks to the departure of foreign players and market consolidation on the part of large companies (in 2022, the Company completed the acquisition of YIT Russia, which included a land bank in five regions, a library of design solutions and Dispatcher 24, the largest private IT platform in Russia for servicing apartment buildings and service companies). Improving the efficiency of land bank management by improving process management and increasing the number of regions of operations. In 2022, the Company's geographic footprint increased to eight regions; gross margin (pre-PPA) reached 38% at the consolidated level and 43% in the residential real estate development segment in regional markets – above the target level of 35% envisaged by the business development strategy to 2024. 	Medium likelihood / medium level of impact
Risks associated with fluctuations in prices for the main types of raw materials, goods, works and services used by the Company in its activities	<p>Increased prices for resources (equipment and materials) and/or services as well as for construction and installation works used by Etalon Group companies in the construction process could drive up the production cost of properties under construction and, as a result, diminish the consolidated financial performance of the Company's activities.</p> <p>Any violation of delivery schedules and volumes could lead to delays in the construction of projects, which, in turn, could damage the Company's reputation in the eyes of customers and lead to a loss of homebuyers.</p>	<ul style="list-style-type: none"> Cost controls for the services of contractors and purchases of materials and raw materials on the part of subsidiaries. Reducing production and management costs through the introduction of new design technologies, the digitalisation of procurement, and construction oversight and management. Introducing product standards and developing new construction technologies in order to optimise production costs while maintaining the target consumer features of properties under construction. Creating strategic partnerships with major suppliers of materials, equipment and services. Using domestic analogues of construction materials and equipment. Developing relations with suppliers and manufacturers of construction materials and equipment that continue to ship to the Russian Federation. Selecting the most efficient contractors and equipment suppliers through tender procedures. When developing a strategy and conducting efficiency calculations, using conservative forecasts for stress tests and other measures aimed at improving the Company's financial stability. 	High likelihood / medium level of impact Risk realised
Subcontractors	<p>An inability to find qualified subcontractors and enter into subcontracting arrangements on acceptable terms could lead to an increase in costs.</p> <p>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.</p>	<ul style="list-style-type: none"> 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 the timely delivery of projects. 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



Risks

RISK	HOW IT AFFECTS THE COMPANY	MITIGATION/MINIMISATION OF THE CONSEQUENCES	LIKELIHOOD / LEVEL OF POTENTIAL IMPACT
Accidents at construction sites	Etalon Group operates in the construction industry, where workplace accidents relating to the Company's operations could be costly in terms of potential liability and reputational damage.	<ul style="list-style-type: none"> 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, having developed its own safety index, a tool for monitoring and assessing safety at construction sites. The safety index score at the Group's construction sites was 89% in 2022. No workplace fatalities; LTIFR decreased steadily from 2020, from 0.56 to 0.36; and TRIR, from 0.11 to 0.07. 	Low likelihood / low level of impact
Inability to recruit and retain key personnel	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.	<ul style="list-style-type: none"> 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. Headhunter and Forbes included the Company in their rankings of top employers. 	Low likelihood / low level of impact
Financial risks			
Limited access to financing	Real estate development is a capital-intensive industry, and the Company should always have access to capital to finance its projects.	<ul style="list-style-type: none"> Long-term reputation as a reliable borrower. The fact that Etalon Group's controlling entity is considered a strategically important company, which enables it to receive state support (including subsidies to reimburse the Group for certain categories of costs, tax deferrals, state guarantees) during periods of economic crises. In the context of economic instability and increased state regulation of the economy, maintaining the status of a strategically important company lowers the risk of diminished financial stability and enhances the Company's reputation among homebuyers, suppliers and creditors. A stable financial position, monitoring indicators of financial stability and providing liquidity buffers when planning operations and taking investment decisions. Developing relations with the largest lenders in terms of project financing, and developing comprehensive cooperation programmes with banks. Using a wide range of debt instruments for financing activities (public debt, corporate general-purpose loans, bridge loans, project debt) along with an optimal financing structure while taking into account the economic parameters and limitations of individual projects and business streams. Considerable balances in escrow accounts, which are the main means of repaying project financing, planning project implementation with due regard for balancing funds in escrow accounts against project 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.	<ul style="list-style-type: none"> 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 2022 net corporate debt / pre-PPA EBITDA ratio amounted to 0.8x. 	Medium likelihood / high level of impact Increased risks



Risks

RISK	HOW IT AFFECTS THE COMPANY	MITIGATION/MINIMISATION OF THE CONSEQUENCES	LIKELIHOOD / LEVEL OF POTENTIAL IMPACT
Customers' credit risk	The Company could suffer financial losses if customers fail to meet their contractual obligation on financial instruments used for the purchase of real estate.	<ul style="list-style-type: none"> Receivables from customers are secured against sold apartments. 	<p>Medium likelihood / low level of impact</p> <p>Increased risks</p>
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 for imported construction materials.	<ul style="list-style-type: none"> 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. 	<p>High likelihood / low level of impact</p> <p>Risk realised</p>
Interest rates	<p>An increase in mortgage rates might limit customers' ability to finance the purchase of new apartments, thus decreasing new sales volume.</p> <p>On the other hand, an increase in the rates on the Company's outstanding debt obligations will cause unexpected growth in expenditures.</p>	<ul style="list-style-type: none"> 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 available until 1 July 2024, will support mortgage sales amid double-digit standard mortgage rates. 	<p>High likelihood / medium level of impact</p> <p>Risk realised</p>

GRI Standards

GRI STANDARD	REPORT SECTION/COMMENTARY	DISCLOSURE
GENERAL DISCLOSURE		
Organisation's profile		
2-1	Organisational details	
	Name of the organisation	ETALON GROUP PLC Fully disclosed
	Location of headquarters	Parent company ETALON GROUP PLC (Cyprus), main operating company JSC Etalon Group (St Petersburg) Fully disclosed
	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 2023, Etalon Group was operating in the following regions of Russia: Moscow, Moscow region, St Petersburg, Omsk, Ekaterinburg, Tyumen, Kazan and Novosibirsk Fully disclosed
	Ownership and legal form	Section: Shareholder Interactions, p. 156 Fully disclosed
2-6	Activities, value chain and other business relationships	
	Activities, brands, products and services	Section: About Etalon Group, p. 5 Section: Project Portfolio, p. 33 Fully disclosed
	Markets served, including geographical locations where products and services are offered, sectors served, types of consumers and beneficiaries	Section: About Etalon Group, p. 5 Section: Project Portfolio, p. 33 Section: Customers, p. 101 Fully disclosed
	Scale of organisation	Section: About Etalon Group, p. 5 Section: Employees, p. 94 Section: Operating Results, p. 64 Section: Financial Results, p. 73 Fully disclosed
	Supply chain	Section: Responsible Supply Chain, p. 127 Fully disclosed
2-7	Employees	Section: Employees, p. 94 Fully disclosed
Strategy		
2-22	Statement on sustainable development strategy	Section: Chairman's Statement, p. 17 Fully disclosed
Ethics and integrity		
2-23	Policy commitments	Section: Business Conduct, p. 122 Fully disclosed
2-26	Mechanisms for seeking advice and raising concerns	Section: Business Conduct, p. 123 Fully disclosed

GRI STANDARD	REPORT SECTION/COMMENTARY	DISCLOSURE
Governance		
2-9	Governance structure and composition	
	Governance structure; committees responsible for economic, environmental and social topics	Section: Corporate Governance, p. 153 Fully disclosed
	Composition of the highest governance body and its committees	Section: Corporate Governance, p. 147 Fully disclosed
2-13	Delegation of responsibility for managing impacts	Section: Sustainability – Introduction, p. 76 Fully disclosed
2-11	Chair of the highest governance body	Section: Corporate Governance, p. 148 Fully disclosed
2-12	Role of the highest governance body in overseeing the management of impacts	Section: Corporate Governance, p. 145 Fully disclosed
2-19	Remuneration policies	Section: Corporate Governance, p. 151 Partially disclosed
Stakeholder engagement		
2-29	Approach to stakeholder engagement	
	List of stakeholder groups engaged by the organisation	Section: Stakeholder Engagement, p. 80 Fully disclosed
	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. 80 Fully disclosed
Reporting practice		
2-2	Entities included in the organisation's sustainability reporting	Financial Statements, p. 160 Fully disclosed
3-1	Process to determine material topics	Section: Sustainability – Introduction, p. 77 Fully disclosed
3-2	List of material topics	Section: Sustainability – Introduction, p. 77 Fully disclosed
2-3	Reporting period, frequency and contact point	
	Reporting period	Section: About This Report, p. 4 Section: Sustainability – Introduction, p. 76 Fully disclosed
	Reporting cycle (annual or biennial, etc.)	Annual Fully disclosed
	Contact point for questions regarding the report	Section: Sustainability – Introduction, p. 76 Fully disclosed
2-5	External assurance	Section: About This Report, p. 4 Fully disclosed

GRI STANDARD	REPORT SECTION/COMMENTARY	DISCLOSURE
Management approach		
3-3	Management of material topics	
	Explanation of the material topic and its boundary	Section: Sustainability, p. 76
	The management approach and its components	Section: Stakeholder Engagement, p. 80 Section: Environment, p. 90 Section: Employees, p. 94 Section: Social Responsibility, p. 104 Section: Business Conduct, p. 122 Section: Responsible Supply Chain, p. 127
PROCUREMENT PRACTICES		
204-1	Percentage of local suppliers	Section: Responsible Supply Chain, p. 130
ANTI-CORRUPTION		
205-1	Operations assessed for risks related to corruption	Section: Business Conduct – Anti-corruption Policy, p. 125
205-2	Communication and training about anti-corruption policies and procedures	Section: Business Conduct – Anti-corruption Policy, p. 126
205-3	Confirmed incidents of corruption and actions taken	Section: Business Conduct – Anti-corruption Policy, p. 126
ENVIRONMENTAL TOPICS		
301-1	Materials used by weight or volume	Section: Environment, p. 92
302-1	Energy consumption within the organisation	Section: Environment, p. 92
303-1	Interactions with water as a shared resource	Section: Environment, p. 91
303-3	Water withdrawal	Section: Environment, p. 91
303-4	Water discharge	Section: Environment, p. 91
305-7	Emissions	Section: Environment, p. 93
306-2	Management of significant waste-related impacts	Section: Environment, p. 92
306-3	Waste generated	Section: Environment, p. 92
306-4	Waste diverted from disposal	Section: Environment, p. 92
SOCIAL TOPICS		
Employment		
401-1	New employee hires and employee turnover	Section: Employees, p. 97
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Section: Employees, p. 96, 98, 99
401-3	Parental leave	Section: Employees, p. 100
Labour-management relations		
402-1	Minimum notice periods regarding operational changes	Section: Employees, p. 99

GRI STANDARD	REPORT SECTION/COMMENTARY	DISCLOSURE
Occupational health and safety		
403-1	Occupational health and safety management system	Section: Occupational Health and Safety, p. 85
403-2	Hazard identification, risk assessment and incident investigation	Section: Occupational Health and Safety, p. 87
403-4	Worker participation, consultation and communication on occupational health and safety	Section: Occupational Health and Safety, p. 88
403-5	Worker training on occupational health and safety	Section: Occupational Health and Safety, p. 89
403-8	Workers covered by an occupational health and safety management system	Section: Occupational Health and Safety, p. 86
403-9	Work-related injuries	Section: Occupational Health and Safety, p. 87
Training and education		
404-1	Average hours of training per year per employee	Section: Employees, p. 96
404-2	Programmes for upgrading employees' skills and transition assistance programmes	Section: Employees, p. 96
Diversity and equal opportunities		
405-1	Diversity of governance bodies and employees	Section: Employees, p. 100
Non-discrimination		
406-1	Incidents of discrimination and corrective actions taken	Section: Business Conduct – Anti-discrimination Policy, p. 125
Child labour		
408-1	Operations and suppliers at significant risk of incidents of child labour	Section: Business Conduct – Respect for Human Rights, p. 122
Forced or compulsory labour		
409-1	Operations and suppliers at significant risk of incidents of forced or compulsory labour	Section: Business Conduct – Respect for Human Rights, p. 122
Human rights		
412-1	Operations that have been subject to human rights reviews or impact assessments	Section: Business Conduct – Respect for Human Rights, p. 122
Local communities		
413-1	Operations with local community engagement, impact assessments and development programmes	Section: Social Responsibility, p. 104

SASB Standards

SASB STANDARD		REPORT SECTION/COMMENTARY
HOME BUILDERS		
Land Use and Ecological Impacts		
IF-HB-160a.1	Redevelopment sites	Section: Project Portfolio, p. 38
IF-HB-160a.4	Integration of environmental considerations into site selection, site design, and site development and construction	Section: Environment, p. 90
Workforce Health and Safety		
IF-HB-320a.1	Total recordable incident rate (TRIR)	Section: Occupational Health and Safety, p. 87
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. 93
Community Impacts of New Developments		
IF-HB-410b.2	Development on infill sites	Section: Portfolio, p. 33
IF-HB-410b.3	Compact developments (cluster development, mixed-use development and/or traditional neighbourhood development)	Section: Portfolio, p. 33

SASB STANDARD		REPORT SECTION/COMMENTARY
REAL ESTATE		
Energy Management		
IF-RE-130a.2	Total energy consumed	Section: Environment, p. 92
IF-RE-130a.4	Portfolio energy rating	Section: Environment, p. 92
Water Management		
IF-RE-140a.2	Total water withdrawn	Section: Environment, p. 91
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IF-RE-410a.2	Metered grid electricity consumption and water withdrawals	Section: Environment, p. 91



8

ANNUAL
REPORT
2022

CORPORATE GOVERNANCE

Corporate governance ¹⁴⁵

Board committees ¹⁵²



Corporate governance

Etalon Group considers business ethics to be of the utmost importance, in particular internationally recognised principles concerning sustainability and corporate social responsibility. The Company actively encourages its employees to comply with the Code of Ethics, which formulates and enshrines the core principles for the type of collective and individual behaviour that is required in the workplace. The Company prides itself on strictly adhering to these high standards in its relations with shareholders, investors, government agencies, business partners and employees, as well as when applying these standards during the implementation of projects in every area in which Etalon operates.

Management of the Company's operations at various levels is carried out by the General Meeting of Shareholders as well as the Board of Directors and its committees. The committees, for their part, act in strict accordance with the Company's statutory documents, decisions adopted by the General Meeting of Shareholders as well as applicable legislation.

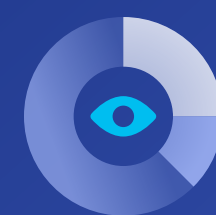
Etalon Group implements a system of corporate governance that successfully combines elements of management and cooperation. This approach provides a solid foundation for effective decision-making. The Company continues to adhere to high standards of corporate governance that are based on the following principles:



Equal treatment of all shareholders and strict protection of their legitimate interests and rights.



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



Qualified and reliable maintenance of the shareholder register.



Open dialogue with all stakeholders and recognition of their rights and legitimate interests.



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 Annual General Meeting of Shareholders (AGM) was held on 21 December 2022, with the owners of 35.37% 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 2021, 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 appoint NSP Sagehill Partners Ltd as the Company's auditor to perform its duties from the conclusion of this meeting until the next Annual General Meeting of Shareholders, where the Company's financial statements will be presented.

3.

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

Board of Directors

The Board of Directors' primary objective is to ensure the Company's long-term sustainability and success, leading to stable, lucrative returns for shareholders. Setting and overseeing the fulfilment of strategic goals as well as ensuring effective management of the Company's financial and human resources are important elements of the Board's remit. The Board also analyses the effectiveness of existing management practices and determines the Company's appetite for possible risks that could arise in the future. Thus, the Board of Directors leads by example in establishing a high-performance management culture.

The Board of Directors' advisory functions are an important part of its activities: the Board complements and supports 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 oversight 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 necessary to the Company's success.

The Board of Directors 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 assessing the performance of the risk management and internal control systems. The Company highly values 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 the management team in achieving stated 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 qualifications, experience, knowledge and independent judgement to undertake their roles effectively.

In order to judge the performance of the Board of Directors and its committees as well as the compliance of their work with the Group's development needs and to identify areas where the work of the Board of Directors and its committees could be improved, the Board of Directors conducts an annual self-assessment concerning its performance and that of its committees.

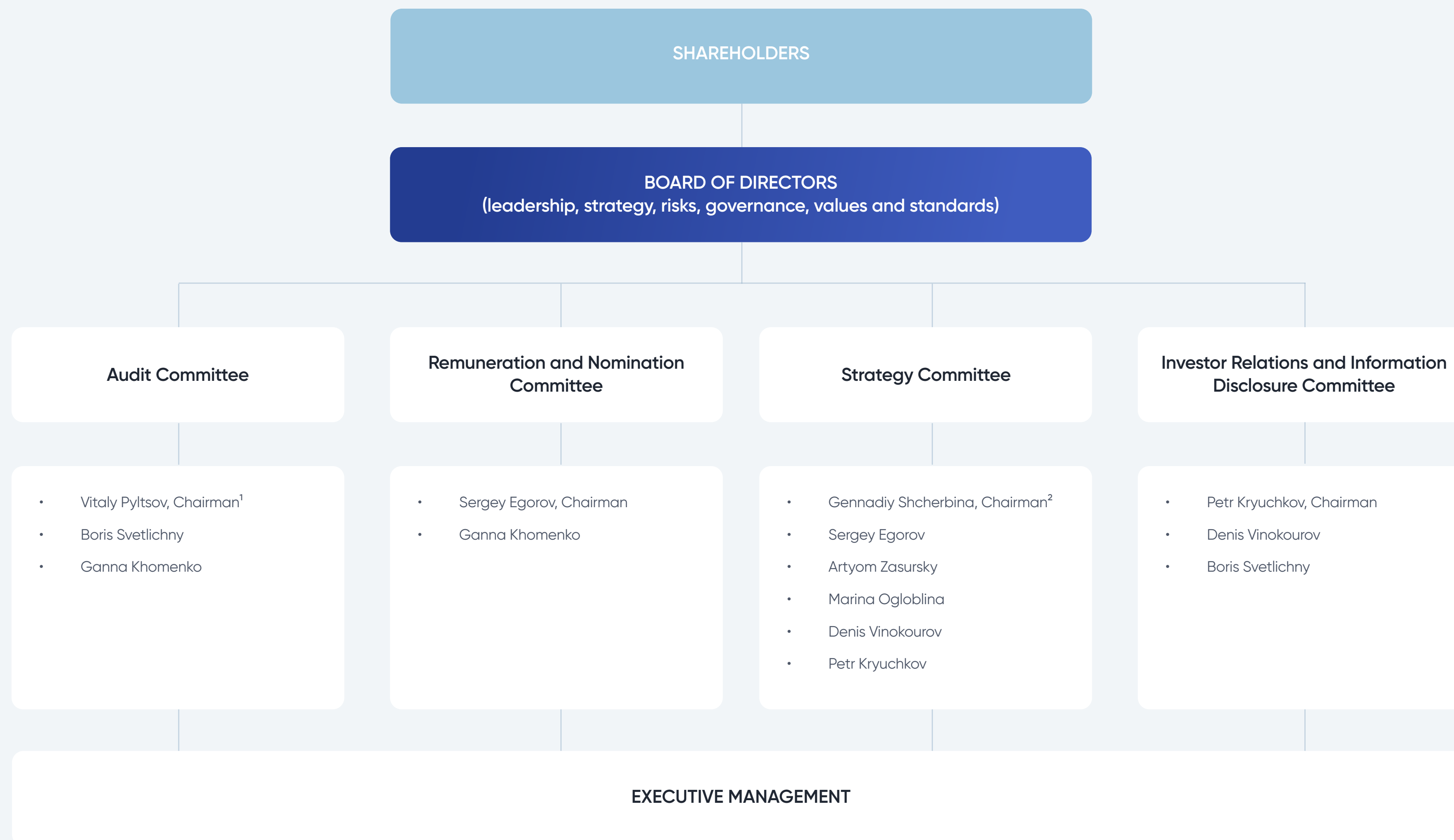
In March 2022, following the recommendations of the British Institute of Directors, Martin Cocker resigned from the Board of Directors. On 4 April 2022, Vitaly Pyltsov joined the Board of Directors as an independent non-executive director. Later, in February 2023 and April 2023, the Board of Directors accepted the resignations of Maxim Berlovich, Oleg Mubarakshin and Charalampos Avgousti.

8 DIRECTORS ON THE BOARD

The Board of Directors consists of eight members, including one executive director and seven non-executive directors, five of whom are independent.

Corporate governance structure

As of 24 April 2023, the Board of Directors and its committees were structured as follows.



Following the reporting date, on 16 February 2023 and later on 21 April 2023, the Board of Directors accepted the resignations of executive director Maxim Berlovich, non-executive director Oleg Mubarakshin and independent non-executive director Chalampos Avgousti, who decided to step down from the Board of Directors and its committees.

¹ Since 4 April 2022. Martin Cocker held this position until 4 March 2022. On 11 March 2022, after the end of the reporting period, Martin Cocker resigned from the Board of Directors and its committees.

² Since 16 February 2023.

Board of Directors¹ 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 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 other companies, including Sberbank Capital, United Capital Partners and Ernst & Young.

**GENNADIY SHCHERBINA**

Chief Executive Officer

Gennadiy Shcherbina was born in 1955. Having started his career in 2003, he has around 20 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.

**DENIS VINOKOUROV**

Non-executive Director

Denis 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 and East Capital. He started his career as a corporate lawyer at 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.

**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 30 years of international financial and senior management experience. He has held senior finance positions at Orange Business Services in Russia, VimpelCom and Golden Telecom. From March 2014 to August 2016, he served as Etalon Group's CFO.

¹ As of 24 April 2023.

Board of Directors¹ 2/2**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. Until 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 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, in the United Kingdom. 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 management positions, including dealing with legal issues.

**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 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, a company created by the RDIF and the China Investment Corporation. In 2021–2022, he served as an independent director and head of the Audit Committee at 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 studies at Humboldt University in Berlin.

¹ As of 24 April 2023.



The following table provides the name, age, year of appointment and position on the Board of Directors of each director:

NAME	AGE (AS OF THE DATE OF PUBLICATION)	POSITION	FIRST YEAR APPOINTED
1 Sergey Egorov	40	Chairman of the Board of Directors, Non-executive Director	2019
2 Gennadiy Shcherbina	68	Chief Executive Officer	2021
3 Marina Ogloblina	65	Independent Non-executive Director	2019
4 Ganna Khomenko	45	Independent Non-executive Director	2019
5 Boris Svetlichny	61	Independent Non-executive Director	2013
6 Denis Vinokourov	53	Non-executive Director	2018
7 Alexander Voloshin	67	Independent Non-executive Director	2021
8 Vitaly Pyltsov	55	Independent Non-executive Director	2022

Board attendance during the year

NAME	ATTENDANCE AT IN-PERSON BOARD MEETINGS (A TOTAL OF 6 MEETINGS IN 2022)	ATTENDANCE AT BOARD MEETINGS IN ABSENTIA (WRITTEN RESOLUTIONS) (A TOTAL OF 13 MEETINGS IN 2022)
1 Sergey Egorov	6	12
2 Gennadiy Shcherbina	6	13
3 Marina Ogloblina	6	12
4 Ganna Khomenko	6	13
5 Boris Svetlichny	6	11
6 Denis Vinokourov	6	11
7 Alexander Voloshin	6	13
8 Vitaly Pyltsov (from 4 April 2022)	5	9

In 2022, the Board of Directors held 6 in-person meetings and an additional 13 meetings in absentia.

6 IN-PERSON
MEETINGS IN 2022

13 MEETINGS
IN ABSENTIA IN 2022

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 financial statements, including the corporate governance statement, the dividend policy and any declaration of interim dividends and the recommendation of final dividends
- approval, following a recommendation from the Remuneration and Nomination Committee, of any appointments to the Board and 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

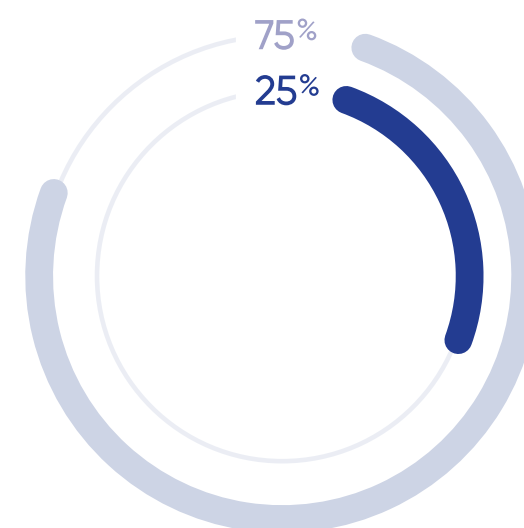
Board focus during the year

In 2022, 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 disclosures
- review of Board committee reports
- shareholder feedback and reports from brokers and analysts
- risk management and risk oversight

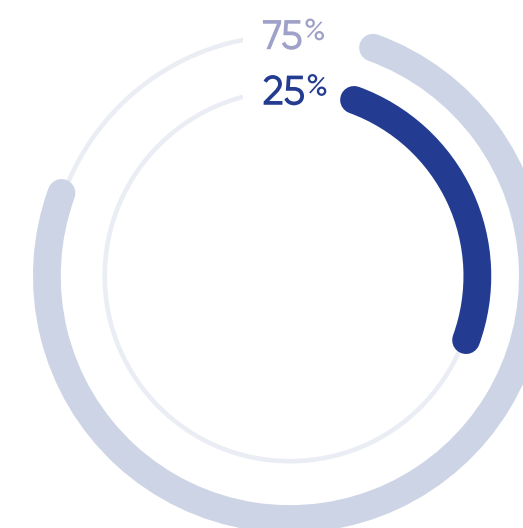
Board composition

Board gender diversity¹



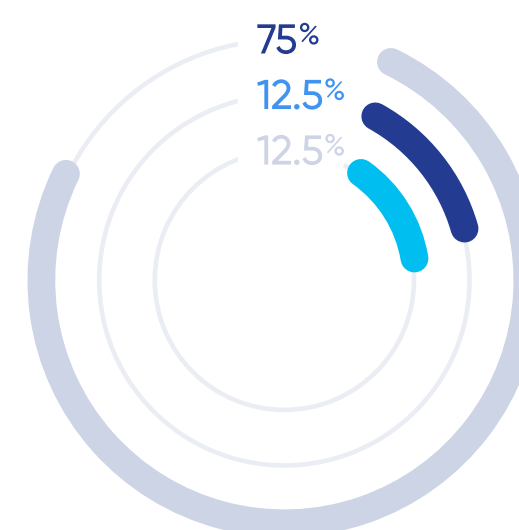
● Men ● Women

Board members by age¹



● over 50 ● 30-50

Nationality of Board members¹



● Russia ● Cyprus ● USA

¹ As of 24 April 2023.

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 corresponding 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 issues within their remit.

Audit Committee

As of 24 April 2023, the members of the Audit Committee were as follows:

Vitaly Pyltsov

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 a 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 an external audit firm

The Audit Committee held a number of meetings in 2022, where the key matters for consideration were the following:

- the year-end financial results, together with the corresponding report of the external auditor
- the half-year interim results, together with the corresponding report of the external auditor
- matters raised by the external auditor as part of the audit process and requiring the attention of management as well as the actions taken by management to address those matters

- reviewing the results of the tender for auditing consolidated and individual financial statements
- reviewing the performance and independence of the external auditor
- recommendations to the Board of Directors on the appointment of an 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 policy adopted by the Group and approving any changes to this policy on the recommendation of management or the external auditor

External audit

The Audit Committee is satisfied with Deloitte's performance. The Audit Committee also reviewed and approved the non-audit services that Deloitte provided for the Group and confirmed that the provision of such services did not affect the auditor's independence. The Audit Committee regularly meets with the external auditor without management present.

Due to the current geopolitical situation, however, Deloitte informed the Company that it could no longer act as the Company's auditor, so the Annual General Meeting of Shareholders appointed NSP Sagehill Partners Ltd as the Company's new auditor.

Internal audit

The Group's Internal Audit function provides independent, objective assurance and advisory oversight of the Company'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 continue to ensure that effective risk management systems are adopted to make certain 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 properly managed, materially affect the Group's ability to achieve its objectives or that could 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 is being made in this area, the Audit Committee continues to monitor the Group's risk management processes and to ensure that they are supported and adjusted.

Although only members of the Audit Committee are entitled to attend meetings, the lead partner of the external auditor, the 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 24 April 2023, the members of the Remuneration and Nomination Committee were as follows:

Sergey Egorov

Committee Chairman, Chairman of the Board of Directors, Non-executive Director

Ganna Khomenko

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 a given stage of Etalon Group's 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 2022 where it considered changes in the membership of the Board of Directors and its committees.

Strategy Committee

As of 24 April 2023, the members of the Strategy Committee were as follows:

Gennadiy Shcherbina¹

Committee Chairman, Chief Executive Officer

Sergey Egorov

Non-executive Director

Denis Vinokourov

Non-executive Director

Marina Ogloblina

Independent Non-executive Director

Petr Kryuchkov¹

Deputy CEO for Corporate Investments and Strategy at Etalon Group

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 recommendations and expertise so that strategic options may be explored fully before being tabled at Board meetings for deliberation and approval.

¹ Since 16 February 2023.

Investor Relations and Information Disclosure Committee

As of 24 April 2023, the members of the Investor Relations and Disclosure Committee were as follows:

Petr Kryuchkov

Deputy CEO for Corporate Investments and Strategy at Etalon Group

Denis 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 Etalon Group's Information Disclosure Policy on a regular basis and makes recommendations to the Board regarding any changes.

Chief Executive Officer

Etalon Group's Chief Executive Officer is Gennadiy Shcherbina, whose key responsibilities are as follows:

implementation of strategic and business decisions as approved by the Board of Directors

management of day-to-day operations

representation of Etalon Group's interests in negotiations pertaining to any transactions made by Etalon Group companies

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SHAREHOLDER INTERACTIONS

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Shareholder interactions

Etalon Group has been a successful player in capital markets since its listing on the London Stock Exchange more than 10 years ago. The focus of the Company's current IR strategy is to expand dialogue with retail investors and eliminate restrictions on the enjoyment of rights by all shareholder groups while also taking further active measures to support its share price and increase the liquidity of the Company's securities.

Although Etalon Group's global depository receipts (GDRs) have been listed on the London Stock Exchange since April 2011, trading in the Company's GDRs has been temporarily suspended since March 2022.

In 2020, the Company successfully completed the process for listing its GDRs on Moscow Exchange. Etalon Group's securities are included in Moscow Exchange's Level 1 quotation list, and its GDRs are included in the calculation base for the Broad Market Index as well as the SMID Index and the Construction Index (Moscow Exchange and RTS).

LSE

AS OF 30 DECEMBER 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

78 ^{MLN} _{USD}
market capitalisation

5.42 ^{MLN} _{USD}
trading volume in 2022

GDR
PRICE

0.20 ^{USD}
closing price

1.31 ^{USD}
52-week maximum price

0.20 ^{USD}
52-week minimum price

MOEX

AS OF 30 DECEMBER 2022

Code	ETLN: ME
Full name	Global depository receipts for ETALON GROUP PLC ordinary shares
Short name	ETLN-gdr
Type of security	Depository receipts for shares of a foreign issuer
Listing level	Level 1
ISIN NUMBER	US29760G1031

18 ^{BLN} _{RUB}
market capitalisation

6.44 ^{BLN} _{RUB}
trading volume in 2022

GDR
PRICE

46.36 ^{RUB}
closing price

96.66 ^{RUB}
52-week maximum price

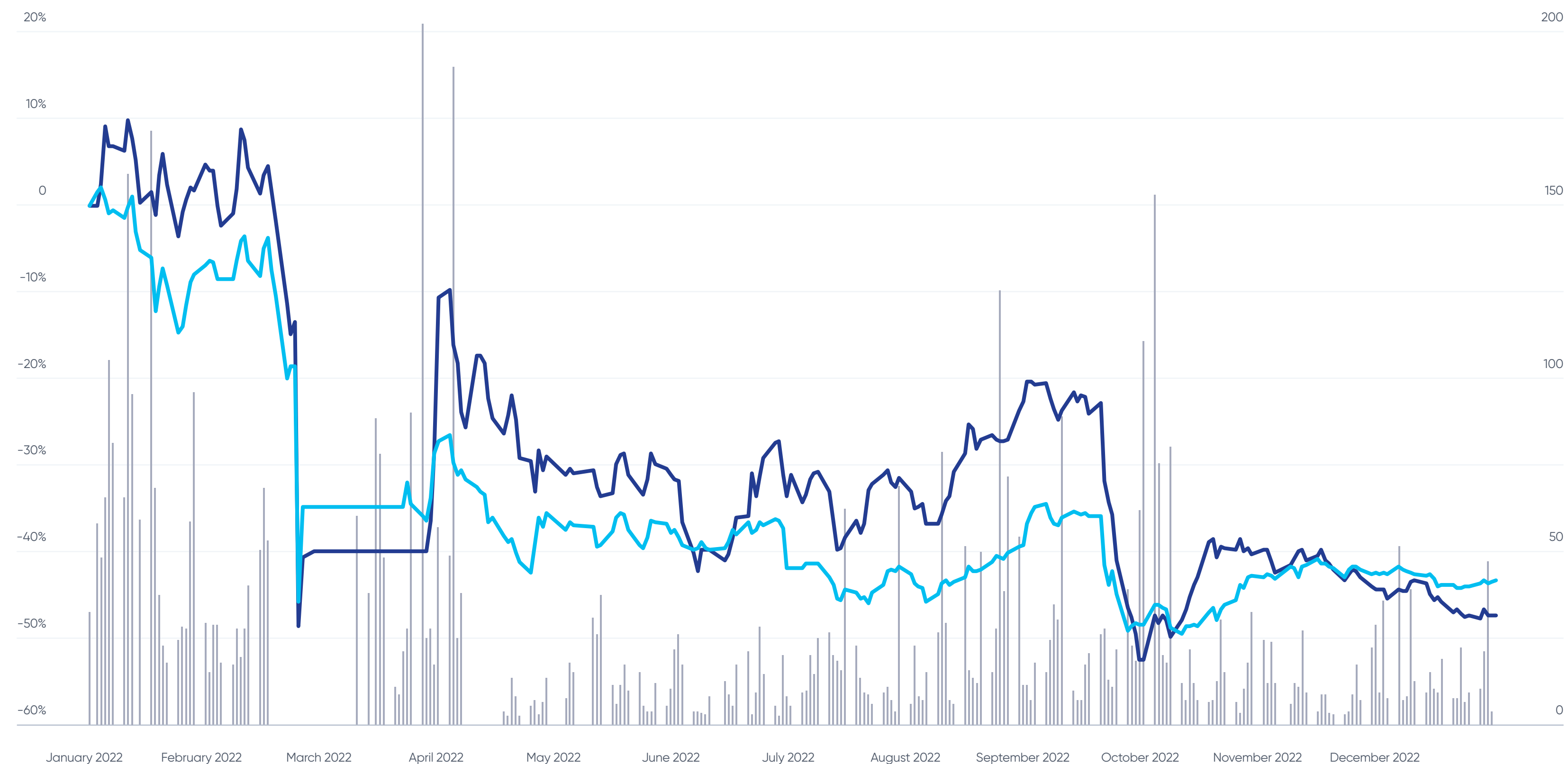
41.78 ^{RUB}
52-week minimum price

Share value

Etalon Group GDR performance in 2022

Market volatility and ongoing sanctions had a negative impact on the Company's share price and liquidity in 2022.

● ETLN traded value, RUB mln (RHS) ● ETLN GDR share performance, MOEX (LHS) ● IMOEX (LHS)



Ownership structure

As of the end of 2021, following an additional issue, the Company had 383,445,362 ordinary shares outstanding in addition to 20,000 redeemable preferred shares with neither voting rights nor the right to receive dividends. The Company did not issue additional GDRs or conduct any GDR buyback programmes in 2022.

Over 50% of Etalon Group's share capital include the GDRs held by major institutional investors, such as Mubadala, Kopernik and Prosperity Capital, and also the free float.

Dividend policy

Etalon Group's dividend policy is based on balancing the Company's interests with those of its shareholders. Beginning in 2013, Etalon Group systematically raised the target level for its 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. In 2021, however, the Board of Directors decided 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 are fixed.

In 2022, the complex geopolitical situation, sanctions and mutual restrictions, including concerning the payment of funds through international payment and clearing systems, had a significant impact on the Company's ability to pay out dividends in line with the current dividend policy to all groups of Company shareholders. Based on the principles of the equality of interests of all groups of shareholders, the Board of Directors decided to postpone consideration of the issue of dividend payments for 2021 until the restrictions currently in place are lifted.

Investor relations

In order to ensure that securities market participants are fully aware of our activities, we maintain a continuous dialogue with a wide range of investors and are developing 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
- all of the Company's results for the reporting year in our Annual Report

In accordance with best practices in terms of relations with investors and other stakeholders, we also published additional relevant information about our business:

- 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

Despite changes in the way some issuers disclose information due to sanctions risks and market volatility, Etalon Group continues to make full disclosures.

Work with institutional investors

In the context of trade restrictions caused by geopolitical instability, institutional investors have reduced their positions in Russian companies. Throughout 2022, however, Etalon Group's IR team and management used every available opportunity to maintain contact with the investment community: they answered questions that arose by means of correspondence and private calls, published detailed information about the Company's operations and results, and held calls and meetings with investment funds.

Work with retail investors

The structure of the stock market has changed considerably since early 2022: according to Moscow Exchange, retail investors account for 80% of traded value.

In the context of these structural changes, Etalon Group's IR team and management are adapting their strategy and information disclosure by paying a great deal of attention to working with private investors.

Russian-language website

In order to provide equal, convenient and fast access to key information about the Company's activities for all groups of investors, the Company maintains two versions – English and Russian – of its IR website: www.etalongroup.com. All the latest presentations are also available in Russian.

Participation in events for retail investors

In 2022, the Company participated in a number of conferences, events and webinars for private investors (Aton, Smart-lab, BCS).

Communication with retail investors through social networks

Since 2018, the Company has maintained its own [Twitter account](#).

In 2022, the Company launched accounts on [Tinkoff Pulse](#) and [BCS Profit](#) – social media platforms for investors.

Dealing with requests

We regularly 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 ir@etalongroup.com.

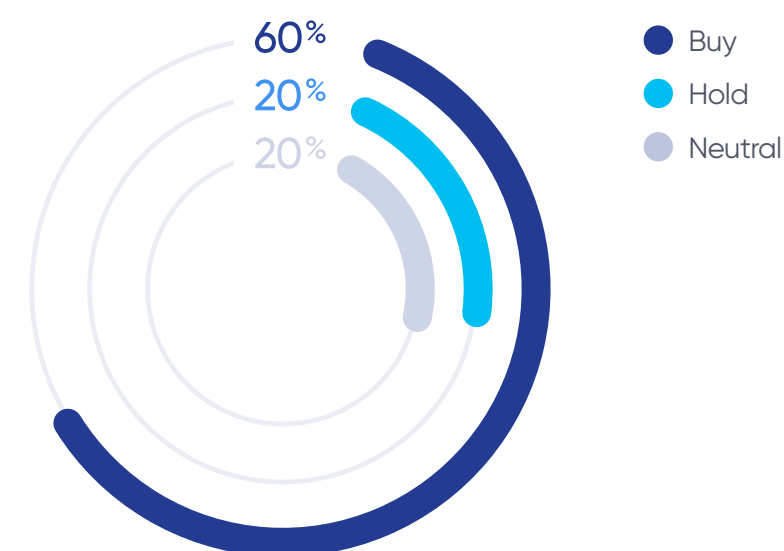
In the future, the Company plans to adapt its information materials and website to meet the needs of retail investors.

Analyst coverage

Analysts from five Russian brokerage firms regularly cover Etalon Group's activities and publish analytical reviews of Russian companies in the residential real estate development sector. Regular meetings and calls are held with analysts to help them gain a comprehensive understanding of the Company's strategy, performance, assets and management.

In the current environment, the following brokerages prepare reports and analytical notes on Etalon Group's activities: BCS, Sberbank CIB, Gazprombank, Aton and Sinara.

Analyst recommendations



Analytical coverage and recommendations¹

BANK	ANALYST	REPORT DATE	RECOMMENDATION
BCS	Elena Tsareva	28 March 2023	Buy
Sberbank CIB	Georgy Ivanin	30 March 2023	Buy
Gazprombank	Marat Ibragimov	17 October 2022	Buy
Aton	Mikhail Ganelin	22 March 2022	Neutral
Sinara	Irina Fomkina	24 January 2023	Hold

93–107 RUB

average target price

54–77 %

growth potential²

¹ As of 7 April 2023.

² The growth potential of the Company's GDRs is calculated relative to the price at the close of trading on 6 April 2023: RUB 60.48 per GDR.

Investor calendar

The calendar indicates the preliminary dates for publication of the Company's results.



Bonds and credit ratings

The Group's loan portfolio covers bank loans, including project financing, public debt and other borrowings. As of 31 December 2022, two issues of rouble-denominated exchange-traded bonds from Etalon-Finance JSC for a total of RUB 15 billion were in circulation. All bond issues are included in Moscow Exchange's Level 2 quotation list.

INSTRUMENT	ISIN	AMOUNT ISSUED	DATE OF ISSUE	MATURITY DATE	COUPON RATE	PAYMENT FREQUENCY
No. 4B02-02-55338-H-001P of 6 December 2017	RU000A0ZYU39	RUB 5 billion	21 February 2018	15 February 2023	11.70% for coupon payments 1–6 7.95% for coupon payments 7–10	Twice a year
No. 4B02-03-55338-H-001P of 13 September 2021	RU000A103QH9	RUB 10 billion	21 September 2021	15 September 2026	9.10%	Four times a year

INSTRUMENT	ISIN	AMOUNT ISSUED	DATE OF ISSUE	MATURITY DATE	PUT OPTION	COUPON RATE	PAYMENT FREQUENCY
4B02-01-55338-H-002P of 17 February 2023	RU000A105VU7	RUB 8 billion	22 February 2023	3 February 2038	in 3 years	13.70%	Four times a year

Credit ratings

Instrument No. 4B02-02-17644-J-001P (RU000A0ZYA66), issued by Etalon LenSpetsSMU JSC on 6 September 2017, matured on 9 September 2022.

In February 2023, after the reporting period, Etalon-Finance JSC (part of Etalon Group) issued exchange-traded bonds with a total par value of RUB 8 billion. The placement attracted strong interest from investors: the total demand exceeded the initial par value by 50%, thus increasing the value of the bond issue from the initially announced RUB 5 billion up to RUB 8 billion.

On 15 February 2023, after the reporting period, instrument No. 4B02-02-55338-H-001P (RU000A0ZYU39), issued by Etalon-Finance JSC on 6 December 2017, matured.

The Expert RA rating agency affirmed the credit rating for issue No. 4B02-03-55338-H-001P of 13 September 2021 and assigned a credit rating of ruA- to issue No. 4B02-01-55338-H-002P of 17 February 2023.

Contact information

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IR CONTACTS

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GDR Depository Bank

The Bank of New York Mellon
 101 Barclay Street
 New York 10286
 Attention: ADR Division
 Fax: +1 212 571 3050

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Consolidated Financial Statements

for the year ended 31 December 2022

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Board of Directors and Other Officers

Board of Directors

NAME	DATE
Gennadii Shcherbina	appointed on 30 April 2021
Alexander Voloshin	appointed on 30 April 2021
Sergey Egorov	appointed on 19 February 2019
Marina Ogloblina	appointed on 19 February 2019
Ganna Khomenko	appointed on 19 February 2019
Denis Vinokurov	appointed on 9 November 2018
Vitaly Pyltsov	appointed on 4 April 2022
Boris Svetlichny	appointed on 15 April 2013
Charalampos Avgousti	appointed on 10 November 2016
Martin Robert Cocker	appointed on 12 November 2010 and resigned on 4 March 2022
Oleg Mubarakshin	appointed on 19 February 2019 and resigned on 16 February 2023
Maksim Berlovich	appointed on 27 April 2018 and resigned on 16 February 2023

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

AO BST, Saint Petersburg Branch
Lit. K, bld. 1, 38 Sredniy Prospect
199004, Saint Petersburg
Russia

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 2022. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Review of the development and performance of the Group's business and its position

The results of the Group for the year ended 31 December 2022 are set out on page 18 of the consolidated financial statements.

(a) Revenue

The Group's total revenue for the year ended 31 December 2022 amounted to RUB 80,556 million compared to RUB 87,138 million for the year ended 31 December 2021, a decrease of RUB 6,582 million or 8%.

Revenue of the reportable segment "Residential development" decreased by RUB 6,161 million or 8%, due to a decrease in the revenues recognised from the sales of flats by RUB 5,548 million or 8%, decrease in the revenues recognised from the sales of parking places by RUB 541 million or 13%, and a decrease in the revenues recognised from the sale of built-in commercial premises by RUB 72 million or 2%.

External revenues of the reportable segment "Construction services" decreased by RUB 263 million or 11% 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" decreased by RUB 158 million or 2% due to a decrease in other revenue transferred at a point in time by RUB 2,184 million, a decrease in the sales of construction materials by RUB 545 million or 16%, a decrease in the sales of stand-alone commercial premises transferred at a point in time by RUB 252 million or 70%, partially offset by an increase in other revenue related to servicing of premises by RUB 2,609 million or 118%, an increase in the sales of

stand-alone commercial premises transferred over time by RUB 206 million or 29% and an increase in rental revenue by RUB 8 million or 1%.

(b) Gross profit

Gross profit for the year ended 31 December 2022 amounted to RUB 28,203 million compared to RUB 27,782 million for the year ended 31 December 2021, an increase of RUB 421 million or 2%, which was mainly driven by the increase in gross profit of the reportable segment "Other" by RUB 497 million or 23%.

(c) Results from operating activities

Profit from operating activities during the year ended 31 December 2022 amounted to RUB 25,055 million compared to RUB 13,246 million for the year ended 31 December 2021, an increase of RUB 11,809 million or 89%, which was mainly driven by the gain from bargain purchase of Russian business of YIT Corporation ("YIT Russia") of RUB 12,038 million.

During the year ended 31 December 2022, general and administrative expenses increased by RUB 1,475 million or 26%, selling expenses increased by RUB 362 million or 8%, other income decreased by RUB 380 million or 53%, while other expenses decreased by RUB 2,310 million or 50%, as compared to the year ended 31 December 2021.

(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 1,205 million or 34%. YIT Russia contributed RUB 470 million to general and administrative expenses.

(e) Other income and other expenses

During the year ended 31 December 2022, other income decreased by RUB 380 million or 53% due to a decrease in the gain on disposal of property, plant and equipment and investment property by RUB 390 million.

Other expenses decreased by RUB 2,310 million or 50% mainly due to a decrease in the impairment loss on inventories by RUB 1,060 million or 52% and a decrease in the cost of social infrastructure for completed projects by RUB 346 million or 62%.

(f) Net finance costs

Net finance costs for the year ended 31 December 2022 increased by RUB 1,750 million or 24% as compared to the year ended 31 December 2021.

Finance income increased by RUB 1,461 million or 58% mainly due to an increase in interest income on cash and cash equivalents and bank deposits by RUB 1,458 million or 81%.

Finance costs increased by RUB 3,211 million or 32% due to an increase in borrowing costs by RUB 2,919 million or 48% 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 234 million or 47%, an increase in the effect of the unwinding of the discount on other payables by RUB 709 million or 29%, which was mainly caused by unwinding of the discount on long-term accounts payable for the acquisition of land plot (88% share in LLC "Specialized Developer "ZIL-YUG") and unwinding of the discount on payables for construction of objects of social infrastructure, partially offset by a decrease in financing component under IFRS 15 by RUB 297 million or 80% and a decrease in net foreign exchange loss by RUB 247 million or 83%.

(g) Income tax expense

Income tax expense for the year ended 31 December 2022 amounted to RUB 2,886 million compared to an income tax expense of RUB 2,842 million for the year ended 31 December 2021, an increase of RUB 44 million or 2%, despite the growth of profit before income tax in 2022 by RUB 10,038 million or 172%, which was mainly caused by non-taxable gain from bargain purchase YIT Russia.

(h) Profit for the year

The profit for the year ended 31 December 2022 amounted to RUB 13,001 million, compared to a profit of RUB 3,007 million for the year ended 31 December 2021.

(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 Etalon Finance (JSC Leader-Invest prior to 2022) require the Group to maintain adjusted net debt/adjusted EBITDA ratio below 4. The Group's adjusted net debt is negative (specified assets exceed borrowings), which results in adjusted net debt/adjusted EBITDA ratio being minus 2.21 – well below the required minimal 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 2022, the ratio amounted to 0.78 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

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 2022.

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 2022. 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

The challenging geopolitical circumstances, certain sanctional provisions and mutual restrictions, including on distribution of funds through international payment and clearing systems, have a significant impact on the Company's ability to pay out dividends to all groups of its shareholders. Based on the principle of equitable treatment of all shareholders, the Board of Directors of the Company resolved to postpone consideration of the matter of dividend payments until constraints currently in force are removed. The Annual General Meeting of shareholders that took place on 22 December 2022 neither considered nor approved any dividend payments for the financial year ended 31 December 2021.

Changes in the Company's share capital

There were no changes in the Company's share capital during 2022.

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 2022 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.

Nonrecurring or unusual activities and other significant events

The Ukrainian crisis

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, reduction in consumer demand and other negative economic consequences.

Acquisition of YIT Russia

On 30 May 2022, the Company acquired from YIT Corporation a certain number of Finnish and Russian legal entities representing the Russian business of YIT Corporation ("YIT Russia") for the consideration of RUB 1,923 million.

YIT Russia focused on mid-market residential real estate with a portfolio of 19 projects in five Russian regions, including the Moscow metropolitan area, Saint Petersburg, the Ekaterinburg region, Kazan and Tyumen with a total unsold net sellable area (NSA) of 0.6 million sqm. It also operated several housing servicing companies.

Independent Auditors

The Company appointed AO BST, Saint Petersburg Branch as the auditor of the Group's consolidated financial statements for the year ended 31 December 2022.

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.

Company's internal control and risk management in relation to the preparation of the financial statements

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 FCA'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 2022, the Company was aware of the following interests in its share capital:

SHAREHOLDERS	%
Free float	35.2%
PJSC AFK Sistema	48.8%
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, 28 March 2023

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 2022:
- (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	
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	

28 March 2023

Independent Auditors' Report on Consolidated Financial Statements



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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Etalon Group PLC

Opinion

We have audited the consolidated financial statements of Etalon Group PLC and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of 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 present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU) ("IFRSs").

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 are independent of the Group in accordance with the Auditor's Independence Rules and the Auditor's Professional Ethics Code, that are relevant to our audit of the consolidated financial statements in the Russian Federation together with the ethical requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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 accounting policies on revenue under share participation agreements are disclosed in Note 3(i). For other disclosures on revenue refer to Note 6.

Our audit procedures included amongst others:

We analyzed the Group's contracts with customers to identify the rights and obligations of the parties, challenged the appropriateness of revenue recognition method used by the Group, taking into account current legal practices in respect of such contracts.

We obtained an understanding, assessed design and implementation 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.

We challenged the per-unit budgets and their structure and dynamics by benchmarking them across the Group's portfolio and versus market trends, and by assessing their effect on gross margins of individual projects.

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 by performing the following:

- on a sample basis, we traced input data in the calculations to the respective share participation agreements;
- 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.

Independent Auditors' Report on Consolidated Financial Statements

Accounting for business combination

As disclosed in Note 28 during the year-ended 31 December 2022 the Group acquired 100% of the Russian business of YIT Corporation.

We consider accounting for this transaction to be a key audit matter because it requires a significant degree of judgment and involves estimations which are uncertain in nature in relation to:

- adjustments made to align accounting policies;
- future expected cash flows for construction projects and the discount rate used to arrive to their present value.

The key sources of estimation uncertainty and accounting policies are disclosed in Note 3(a) and Note 28.

Our audit procedures included amongst others:

We challenged assumptions and management's judgements applied in respect of the acquisitions of interests in YIT Corporation entities and performed the following:

- inquiries of the Group's management and analysis of the supporting documentation to obtain understanding of the key details of transactions;
- obtaining an understanding of the Group's processes, procedures and controls for developing assumptions used;
- assessing experience, professional qualifications and objectivity of the independent valuation specialists;
- assessing the appropriateness of the discount rate used;
- evaluating and critically assessing the reasonableness of the assumptions used in calculation of fair values of the net identifiable assets:
 - 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;
- analyzing adjustments made to align the accounting policies of the acquired business with the accounting policies adopted by the Group. We also assessed whether the disclosure in the consolidated financial statements in respect of this acquisition is in compliance with IFRS requirement.

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;
- 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.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information that is included in the Consolidated Management Report and the Responsibility Statement of the Directors and management of the Group and will be included in the supplementary information to be Group's Annual Report for 2022 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.

Other matter – Supplementary Financial Information

Management is responsible for the preparation of information accompanying the consolidated financial statements, which is presented as supplementary financial information on pages 89-91. This information is provided for the purposes of additional analysis and is not a required part of the consolidated financial statements for year ended 31 December 2022 prepared in accordance with IFRS.

Such information has not been subjected to the audit procedures applied in our audit of the consolidated financial statements for the year ended 31 December 2022 and, accordingly, we do not express opinion on it.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU) ("IFRSs"), and for such internal control as management 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, management 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Independent Auditors' Report on Consolidated Financial Statements

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:

- 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 management.
- Conclude on the appropriateness of management's 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 fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.


 Turushev Sergey
 (ORNZ № 21906101428),
 Engagement partner



Acting based on the power of attorney issued by the General Director on 24.08.2022 authorizing to sign off the audit report on behalf of AO "Business Solutions and Technologies" (ORNZ № 12006020384)

28 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended
31 December 2022

MLN RUB	NOTE	2022	2021
Revenue	6	80,556	87,138
Cost of sales	7	(52,353)	(59,356)
Gross profit		28,203	27,782
General and administrative expenses	8	(7,259)	(5,784)
Selling expenses		(5,001)	(4,639)
Impairment loss on trade and other receivables	27 (b)(ii)	(912)	(169)
Gain from bargain purchase	28	12,038	-
Other income	9	331	711
Other expenses, net	9	(2,345)	(4,655)
Results from operating activities		25,055	13,246
Finance income – interest revenue	11	3,914	2,392
Finance income – other	11	75	136
Finance costs	11	(13,120)	(9,909)
Net finance costs		(9,131)	(7,381)
Share of loss of equity accounted investees		(37)	(16)
Profit before income tax		15,887	5,849
Income tax expense	12	(2,886)	(2,842)
Profit for the year		13,001	3,007
Total comprehensive income for the year		13,001	3,007

MLN RUB	NOTE	2022	2021
Profit attributable to:			
• Owners of the Company		12,948	3,007
• Non-controlling interest		53	-
Profit for the year		13,001	3,007
Total comprehensive income attributable to:			
• Owners of the Company		12,948	3,007
• Non-controlling interest		53	-
Total comprehensive income for the year		13,001	3,007
Earnings per share			
Basic and diluted earnings per share (RUB)	23	33.77	8.59

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 173 to 207.

Consolidated Statement of Financial Position

as at 31 December 2022

MLN RUB	NOTE	2022	2021
ASSETS			
Non-current assets			
• Property, plant and equipment	13	4,531	4,050
• Intangible assets	14	2,652	–
• Investment property	15	396	416
• Other long-term investments	16	583	1,489
• Trade and other receivables	19	1,569	3,345
• Deferred tax assets	17	11,373	7,347
Total non-current assets		21,104	16,647
Current assets			
• Inventories under construction and development	18	119,600	95,431
• Inventories – finished goods	18	16,872	13,023
• Other inventories	18	6,047	1,699
• Advances paid to suppliers	19	12,469	10,857
• Costs to obtain contracts		1,197	892
• Contract assets	19	28,733	25,332
• Trade receivables	19	6,638	6,308
• Other receivables	19	9,945	6,243
• Income tax receivable		1,607	953
• Short-term investments	20	22	126
• Cash and cash equivalents	21	23,811	44,587
Total current assets		226,941	205,451
Total assets		248,045	222,098

MLN RUB	NOTE	2022	2021
EQUITY AND LIABILITIES			
Equity			
• Share capital	22	2	2
• Share premium	22	26,367	26,367
• Reserve for own shares	22	(1)	(1)
• Retained earnings		47,821	34,992
Total equity attributable to equity holders of the Company		74,189	61,360
Total equity		74,189	61,360
Non-current liabilities			
• Loans and borrowings	24	73,970	67,132
• Trade and other payables	26	22,978	31,230
• Provisions	25	406	117
• Deferred tax liabilities	17	7,513	7,428
Total non-current liabilities		104,867	105,907
Current liabilities			
• Loans and borrowings	24	19,118	16,306
• Trade and other payables	26	36,946	23,692
• Contract liabilities	26	12,045	14,157
• Income tax payable		241	158
• Provisions	25	639	518
Total current liabilities		68,989	54,831
Total equity and liabilities		248,045	222,098

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 173 to 207.

These Consolidated Financial Statements were approved by the Board of Directors on 28 March 2023 and were signed on its behalf by:

Charalampos Avgousti
Director



Sergey Egorov
Director



Consolidated Statement of Changes in Equity

for the year ended
31 December 2022

MLN RUB	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					NON-CONTROLLING INTEREST	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

MLN RUB	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					NON-CONTROLLING INTEREST	TOTAL EQUITY
	SHARE CAPITAL	SHARE PREMIUM	RESERVE FOR OWN SHARES	RETAINED EARNINGS	TOTAL		
Balance as at 1 January 2022	2	26,367	(1)	34,992	61,360	-	61,360
Total comprehensive income for the year							
Profit for the year	-	-	-	12,948	12,948	53	13,001
Total comprehensive income for the year	-	-	-	12,948	12,948	53	13,001
Transactions with owners, recorded directly in equity							
Acquisition of subsidiaries with NCI, note 28	-	-	-	-	-	195	195
Result of acquisition and disposal of NCI in subsidiaries with NCI, note 22(e)	-	-	-	(119)	(119)	(248)	(367)
Total transactions with owners	-	-	-	(119)	(119)	(53)	(172)
Balance as at 31 December 2022	2	26,367	(1)	47,821	74,189	-	74,189

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 173 to 207.

Consolidated Statement of Cash Flows

for the year ended
31 December 2022

MLN RUB	NOTE	2022	2021
OPERATING ACTIVITIES:			
Profit for the year		13,001	3,007
Adjustments for:			
• Depreciation, including right-of-use assets	13, 14	541	521
• Loss/(gain) on disposal of property, plant and equipment	9	90	(162)
• Loss/(gain) on disposal of investment property	9	3	(279)
• (Gain)/loss on disposal of inventories under construction and development	9	(51)	205
• Impairment loss on inventories	18	994	2,054
• Impairment loss on trade and other receivables, advances paid to suppliers and investments	27 (b)(ii)	898	327
• Share of loss of equity accounted investees		37	16
• Loss on disposal of subsidiary	9	2	7
• Gain on disposal of associate	9	(135)	-
• Gain from bargain purchase	28	(12,038)	-
• Significant financing component from contracts with customers recognised in revenue		(324)	(3,003)
• Savings on escrow-backed loans recognised in revenue		(2,715)	(1,197)
• Finance costs, net	11	9,131	7,381
• Income tax expense	12	2,886	2,842
Cash from operating activities before changes in working capital and provisions		12,135	11,719
Change in inventories		(24,897)	3,211
Change in accounts receivable		(2,212)	(2,386)
Change in accounts payable		2,609	5,937
Change in provisions	25	(28)	108
Change in contract assets	19	(24,029)	(18,194)
Change in contract liabilities	26	(3,577)	(14,194)
Cash used in operating activities		(39,999)	(13,799)
Income tax paid	18	(5,553)	(3,543)
Interest paid	18	(5,263)	(4,461)
Net cash used in operating activities¹		(50,815)	(21,803)

¹ Repayments of borrowings during the year ended 31 December 2022 do not include repayment of project financing of RUB 27 162 million that was made by means of offset against funds released from escrow accounts. Similarly, the offset is also reflected within operating activities as part of changes in contract assets.

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 173 to 207.

MLN RUB	NOTE	2022	2021
INVESTING ACTIVITIES:			
Proceeds from disposal of property, plant and equipment		10	266
Proceeds from disposal of investment property		12	474
Interest received		1,211	1,763
Acquisition of property, plant and equipment and intangible assets		(1,201)	(560)
Loans given		(13)	(823)
Loans repaid		64	7
Proceeds from disposal of subsidiaries, net of cash disposed of		-	32
Acquisition of investment in associates and joint ventures		(247)	(389)
Acquisition of subsidiary, net of cash acquired	28	536	-
Acquisition of other investments	16, 20	(1)	(4)
Disposal of other investments	16, 20	45	149
Net cash from investing activities		416	915
FINANCING ACTIVITIES:			
Proceeds from borrowings	24	43,009	49,071
Repayments of borrowings ¹	24	(11,166)	(14,635)
Payments for lease liabilities, excluding interest	24	(2,144)	(1,775)
Proceeds from issue of share capital, net		-	10,881
Dividends paid		-	(3,613)
Net cash from financing activities		29,699	39,929
Net (decrease)/increase in cash and cash equivalents		(20,700)	19,041
Cash and cash equivalents at the beginning of the year		44,587	25,830
Effect of exchange rate fluctuations		(76)	(284)
Cash and cash equivalents at the end of the year	21	23,811	44,587

Notes to the Consolidated Financial Statements

for the year ended
31 December 2022

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. Since 2022, the Group started residential development in other regions of the Russian Federation.

In April 2011, the Company completed an initial public offering and placed its ordinary shares in the form of global depository receipts («GDR») on the Main Market of the London Stock Exchange. The Company's GDRs are traded on the Moscow Stock Exchange starting from 3 February 2020. Since the beginning of March 2022, as a result of sanctions imposed in connection with the Ukrainian crisis, LSE suspended trading in Group's GDRs.

Starting from 4 May 2022, as a result of acquisition of an additional 19% stake in the Company, PJSC AFK Sistema became the controlling shareholder of the Group with ownership share of 48.8% as of 31 December 2022. Prior to 4 May 2022, PJSC AFK Sistema had significant influence over the Group with ownership share of 29.8%.

As of 31 December 2022, Vladimir Petrovich Yevtushenkov owns a 49.2% stake in PJSC AFK Sistema (as of 31 December 2021 – 59.2%). In 2022, Vladimir Petrovich Yevtushenkov transferred his 10% stake, thereby ceasing to be the holder of the majority of shares. 50.8% of the shares belong to a significant number of shareholders (as of 31 December 2021 – 40.8%). The shares of PJSC AFK Sistema are traded on the London Stock Exchange in the form of global depository receipts («GDRs») and on the Moscow and Saint Petersburg Exchanges.

b) Business environment

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 the Russian Federation signed executive orders on the recognition of the Donetsk People's Republic and the Lugansk People's Republic. On 30 September 2022,

Donetsk People's Republic, Lugansk People's Republic, as well as Zaporozhye and Kherson regions were recognised as the regions of the Russian Federation in the Constitution of the Russian Federation. 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 have resulted in reduced access of Russian businesses to international capital and export markets, reduction in consumer demand, increase in inflation rates, 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. For the assessment of the Group's ability to continue as a going concern please refer to note 2(b).

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").

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.

During the reporting period 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 and subsequently reduced to 7.5% during May – December 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 cash flow projection for the year 2023 considering 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 20 June 2022, the Government of the Russian Federation introduced special mortgage rates of 7% (8% starting from 1 January 2023) for newly constructed real estate and increased the price limit up to RUB 12 million per apartment in Moscow and Saint 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.

Availability and cost of finance

As reported in the note 27(d)(ii), loans with a carrying amount of RUB 31,196 million or 34% of the total outstanding loans as at 31 December 2022 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 any potential increase in the Central Bank's key rate on the cost of borrowings.

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 receipt from customers of any 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 equipment and expects to be able to replace any shortages or breakages in its supply chain caused by foreign sanctions with supplies from other jurisdictions. 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 the Group expects that it will be able to pass increased constructions costs on to its 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 are the critical accounting judgements (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.

Classification of assets and liabilities as current or non-current:

- Inventories under construction and development and finished goods, contract assets and contract liabilities arisen from the sale of real estate, being part of the working capital used in the Group's normal operating cycle are classified as current, even if they are due to be settled more than twelve months after the reporting period;
- Financial assets and financial liabilities are classified as current or non-current based on their contractual maturities.

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 14 – intangible assets: expected pattern of consumption of the expected future economic benefits embodied in the future savings on connection to networks;
- 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 28 – acquisition of subsidiary: fair value of the assets acquired and liabilities assumed.

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 following amendments to the standards and interpretations are effective for annual periods beginning on or after 1 January 2023.

- IFRS 17 Insurance Contracts, including Amendments, insurance contracts;
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, sale or contribution of assets between an investor and its associate or joint venture;
- Amendments to IAS 1 Presentation of Financial Statements, classification of liabilities as current or non-current; non-current liabilities with covenants;
- Amendments to IAS 12 Income Taxes, deferred tax related to assets and liabilities arising from a single transaction;
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2, disclosure of accounting policies;
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, definition of accounting estimates.
- Amendments to IFRS 16 Leases, lease liability in a sale and leaseback.

The Group does not expect any significant impact on the Group's financial position or performance from the application of these amendments to the standards and interpretations.

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 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 acquiree (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 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 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 33.

(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.

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.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to the fair value of the financial assets and deducted from financial liabilities on initial recognition

(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 – fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

Financial assets – Business model assessment

The Group 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.

3. Significant accounting policies

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 has 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 of IFRS 9. This means that the effective interest rate is adjusted prospectively.

The Group performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors

and combined effect of qualitative and quantitative factors. The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change in the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(IV) DERECOGNITION

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

3. Significant accounting policies

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 expected credit losses (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, in the excess of the amounts borrowed from the banks, will be transferred to the 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.

3. Significant accounting policies

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 during the year ended 31 December 2022.

g) Investment property

Investment property is measured at cost less accumulated depreciation and any accumulated impairment losses.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

h) Inventories

Inventories comprise real estate properties under construction and development (including residential premises, stand-alone and built-in commercial premises) when the Group acts in the capacity of a developer, finished goods, and construction and other materials.

The Group accounts for stand-alone and built-in commercial properties within inventories because it does not intend to engage in renting-out those assets and keeping those as investment properties to generate rental income and benefit from appreciation. Properties classified as inventory may be rented out on a temporary basis while the Group is searching for a buyer, while rental earnings are not significant compared to the sales price of the property. Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of real estate properties under construction and development is determined on the basis of specific identification of their individual costs. The costs of individual residential units and built-in commercial premises are arrived at by allocating the costs of a particular development project to individual apartments and built-in premises on a pro rata basis relative to their size.

Since 1 January 2017, for items on which revenue is recognized over time, real estate property under construction and development is treated as an asset ready for sale in its current condition and is not a qualifying asset for the capitalization of borrowing costs.

The costs of real estate property comprise costs of construction and other expenditure directly attributable to a particular development project.

The cost of inventories, other than construction work in progress intended for sale, is based on the weighted average cost formula and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Cost of manufactured inventories and work in progress includes an appropriate share of overheads based on normal operating capacity. Transfer from real estate properties under construction and development to the stock of finished goods occurs when the respective building is approved by the State commission established by the local regulating authorities for acceptance of finished buildings and the building is ready for housing.

The Group's inventory is not limited to 12 months and may be of longer term since the development cycle exceeds 12 months. Inventories are classified as current assets even when they are not expected to be realised within twelve months after the reporting date.

i) Revenue

(I) REVENUE FROM SALE OF REAL ESTATE PROPERTIES (INCLUDING FLATS, COMMERCIAL PREMISES AND PARKING PLACES)

Revenue is measured based on the consideration specified in a contract with a customer adjusted for the effect of the time value of money (significant financing component) if the timing of payments agreed to by the parties provides the customer or the Group with a significant benefit of financing. The timing of satisfaction of the Group's performance obligations does not necessarily correspond to the typical payment terms, as the Group either accepts full down payments at the inception of construction, or provides instalment plans for the whole period of construction or beyond it.

The Group recognises revenue when (or as) it transfers control over an asset to a customer. 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 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 starts recognising revenue after state registration of respective share participation agreements.

The Group applies the input method because it believes that there is a direct relationship between the Group's inputs and the transfer of control of goods or services to a customer. The measurement of the value to the customer of the goods or services transferred to date, applied under the output method, is not available for the Group without undue cost. The Group excludes from the input method the effects of any inputs that do not contribute to the Group's progress in satisfying the performance obligation.

Under the input method, revenue is recognised on the basis of costs incurred relative to the total expected costs to the satisfaction of that performance obligation that is the proportion of costs incurred to date to construct a multicompartment building to the total costs to construct the building in accordance with a business plan.

The progress is considered to be the same for all apartments within a building, irrespective of their floors, and revenue is recognised with respect to apartments that are contracted under share participation agreements. Costs used to measure progress towards complete satisfaction of performance obligation include costs of design and construction of a multicompartment building and exclude the cost of acquisition of land plots. The cost of acquisition of land plot is recognised in cost of sales consistently with the transfer to the customers of the apartments to which the land plot relates.

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.

3. Significant accounting policies

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), while specific formula is used to calculate interest rates when balances on escrow accounts are lower than balances of project loan. The range of interest rates for the Group's project financing portfolio is disclosed in note 24 as nominal interest rates for each loan, where the lower rate is preferential rate and the higher is base rate.

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 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 3i)(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 fixed 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:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- 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.

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.



3. Significant accounting policies

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 the certain types of the Group's activities whose tax profits or losses cannot be offset against profits or losses related to other activities.

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 and other financial assets measured at amortised cost 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 commercial 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, sale of land plots 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 2022 and 2021.

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.

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 JSC "Etalon-Finance" (JSC "Leader-Invest" before 4 April 2022).

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	
	2022	2021	2022	2021	2022	2021	2022	2021
External revenues	69,108	75,269	2,138	2,401	9,310	9,468	80,556	87,138
Including:								
• St. Petersburg metropolitan area	30,552	31,946						
• Moscow metropolitan area	35,088	43,323						
• Other regions	3,468	–						
• Inter-segment revenue	–	–	26,493	18,573	614	595	27,107	19,168
Total segment revenue	69,108	75,269	28,631	20,974	9,924	10,063	107,663	106,306
Gross profit adjusted for purchase price allocation from acquisition of Etalon Finance (Leader-Invest prior to 2022)	27,612	28,948	(43)	(60)	2,945	2,153	30,514	31,041
Gross profit adjusted for purchase price allocation, %	40%	38%						
Gross profit	25,596	25,689	(43)	(60)	2,650	2,153	28,203	27,782
Including:								
• St. Petersburg metropolitan area	12,761	12,883						
• Moscow metropolitan area	11,361	12,806						
• Other regions	1,474	–						
Gross profit, %	37%	34%						
Including:								
• St. Petersburg metropolitan area	42%	40%						
• Moscow metropolitan area	32%	30%						
• Other regions	43%	–						

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	
	2022	2021	2022	2021
St. Petersburg metropolitan area	36,852	40,076	3,343	3,094
Moscow metropolitan area	37,744	47,062	1,293	1,372
Other regions	5,960	–	2,943	–
	80,556	87,138	7,579	4,466

5. Operating segments

c) Reconciliations of reportable segment revenues and gross profit

MLN RUB	2022	2021
Reconciliation of revenue		
Total revenue for reportable segments	107,663	106,306
Elimination of inter-segment revenue	(27,107)	(19,168)
Consolidated revenue	80,556	87,138

Reconciliation of gross profit adjusted for purchase price allocation from acquisition of Etalon Finance (Leader-Invest prior to 2022) to profit before tax

MLN RUB	2022	2021
Total gross profit for reportable segments adjusted for purchase price allocation from acquisition of Etalon Finance	30,514	31,041
Purchase price allocation from acquisition of Etalon Finance included in cost of sales	(2,311)	(3,259)
Consolidated gross profit	28,203	27,782
Unallocated amounts		
General and administrative expenses	(7,259)	(5,784)
Selling expenses	(5,001)	(4,639)
Impairment loss on trade and other receivables	(912)	(169)
Other income	331	711
Other expenses	(2,345)	(4,655)
Gain from bargain purchase	12,038	-
Finance income and interest revenue	3,989	2,528
Finance costs	(13,120)	(9,909)
Share of loss of equity accounted investees	(37)	(16)
Consolidated profit before income tax	15,887	5,849

6. Revenue

MLN RUB	2022	2021
Sale of flats – transferred at a point in time	12,131	13,351
Sale of flats – transferred over time	49,448	53,776
Sale of built-in commercial premises – transferred at a point in time	1,580	1,487
Sale of built-in commercial premises – transferred over time	2,265	2,430
Sale of parking places – transferred at a point in time	2,231	2,006
Sale of parking places – transferred over time	1,453	2,219
Total revenue – segment Residential development (note 5 (a))	69,108	75,269
Long term construction contracts – transferred over time	1,194	1,459
Short term construction services – transferred at a point in time	944	942
Total revenue – segment Construction services (note 5 (a))	2,138	2,401
Sale of construction materials – transferred at a point in time	2,867	3,412
Sale of stand-alone commercial premises – transferred over time	914	708
Sale of stand-alone commercial premises – transferred at a point in time	107	359
Other revenue – transferred over time	4,812	2,203
Other revenue – transferred at a point in time	-	2,184
Total other revenue (note 5 (a))	8,700	8,866
Total revenues from contracts with customers	79,946	86,536
Rental revenue (note 5 (a))	610	602
Total revenues	80,556	87,138

Other revenue is mainly represented by the revenue of housing servicing companies.

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers

MLN RUB	2022	2021
Trade receivables	8,174	9,429
Contract assets	28,733	25,332
Contract liabilities	(12,045)	(14,157)

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	2022		2021	
	CONTRACT ASSETS	CONTRACT LIABILITIES	CONTRACT ASSETS	CONTRACT LIABILITIES
Balance at 1 January	25,332	(14,157)	7,138	(28,351)
Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period	-	10,451	-	24,150
Other revenue – transferred at a point in time	-	-	-	2,184
Increases due to cash received, excluding amounts recognized as revenue during the period	-	(6,799)	-	(11,768)
Acquisition through business combination	6,534	(1,465)	-	-
Transfers from contract assets recognised at the beginning of the period to receivables	(22,422)	-	(1,568)	-
Increase as a result of changes in the measure of progress	18,937	-	19,474	-
Financing component under IFRS 15	352	(75)	288	(372)
Balance at 31 December	28,733	(12,045)	25,332	(14,157)
Change during the period	3,401	2,112	18,194	14,194

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 2022, MLN RUB	2023	2024	2025	2026	TOTAL
Residential development	43,701	15,337	1,043	163	60,244
Construction services	1	-	-	-	1
Total	43,702	15,337	1,043	163	60,245

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

As at 31 December 2022, capitalised costs to obtain contracts with customers of RUB 604 million will be recognised within selling expenses after more than 12 months from the reporting date (31 December 2021: RUB 259 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.

During the year ended 31 December 2022, the Group revised construction budgets for development projects due to the significant increase in prices of construction materials. The effect of revision of budgets on contract asset as of 31 December 2022 is RUB 2,815 million.

7. Cost of sales

MLN RUB	2022	2021
Cost of design and construction works and engineering infrastructure	32,329	33,204
Cost of land plots	6,825	11,425
Cost of construction of social infrastructure	2,470	2,511
Other costs	1,888	2,440
Total cost of sales – segment Residential development	43,512	49,580
Cost of sales for segment Construction services	2,181	2,461
Cost of sales for segment Other	6,660	7,315
Total cost of sales	52,353	59,356

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	2022	2021
Payroll and related taxes	4,779	3,574
Services	686	716
Depreciation	384	292
Audit and consulting services	276	242
Bank fees and commissions	102	117
Materials	119	130
Repair and maintenance	102	81
Other taxes	73	61
Other	738	571
Total	7,259	5,784

Remuneration of the statutory audit firm for the year ended 31 December 2022 amounted to RUB 3.8 million for audit services (2021: RUB 7.5 million) and RUB 0.2 million for other assurance services (2021: RUB 7.2 million). Remuneration of another audit firm for the year ended 31 December 2022 amounted to RUB 13.2 million for audit services (2021: RUB 5 million) and RUB 1.5 million for other assurance services (2021: RUB 17.6 million).

9. Other income and other expenses

MLN RUB	2022	2021
OTHER INCOME		
Fees and penalties received	145	142
Gain on disposal of associate	135	-
Gain on disposal of inventories under construction and development	51	-
Other income	-	128
Gain on disposal of property, plant and equipment	-	162
Gain on disposal of investment property	-	279
Other income	331	711
OTHER EXPENSES		
Impairment loss on inventories (note 18)	(994)	(2,054)
Fees and penalties incurred	(245)	(323)
Other taxes	(277)	(382)
Cost of social infrastructure for completed projects	(209)	(555)
Charity	(152)	(60)
Loss on disposal of property, plant and equipment	(93)	-
Loss on disposal of subsidiary	(2)	(7)
Other expenses	(373)	(1,069)
Loss on disposal of inventories under construction and development	-	(205)
Other expenses	(2,345)	(4,655)
Other expenses, net	(2,014)	(3,944)

10. Personnel costs

MLN RUB	2022	2021
Wages and salaries	9,427	7,371
Social security contributions	2,175	1,765
	11,602	9,136

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 2022, personnel costs and related taxes included in cost of production amounted to RUB 6,009 million (year ended 31 December 2021: RUB 4,631 million). The remaining part of personnel expenses was subsumed within general and administrative expenses and selling expenses in the total amount of RUB 5,593 million (year ended 31 December 2021: RUB 4,505 million).

The average number of staff employed by the Group during the year ended 31 December 2022 was 5,486 employees (year ended 31 December 2021: 4,479 employees).

11. Finance income and finance costs

MLN RUB	2022	2021
RECOGNISED IN PROFIT OR LOSS		
Finance income		
Interest income under the effective interest method on:		
• Bank deposits – at amortised cost	2,426	1,271
• Cash and cash equivalents (except bank deposits)	827	524
• Interest income – financing component under IFRS 15	352	288
• Unwinding of discount on trade receivables	309	309
Total interest income arising from financial assets measured at amortised cost	3,914	2,392
Reversal of impairment on investments and advances paid to suppliers	14	–
Gain on write-off of accounts payable	61	136
Finance income – other	75	136
FINANCE COSTS		
Financial liabilities measured at amortised cost:		
• Interest expenses – borrowing costs, including:	(8,997)	(6,078)
• Cost of corporate debt	(4,474)	(3,513)
• Cost of project debt – at preferential rate	(803)	(1,175)
• Cost of project debt – adjustment to arrive at base rate	(3,720)	(1,390)
• Unwinding of discount on other payables	(3,133)	(2,424)
• Interest expense on leases	(732)	(498)
• Interest expenses- financing component under IFRS 15	(75)	(372)
Net foreign exchange loss	(50)	(297)
Impairment loss on advances paid to suppliers and financial investments	–	(158)
Other finance costs	(133)	(82)
Finance costs	(13,120)	(9,909)
Net finance costs recognised in profit or loss	(9,131)	(7,381)

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	2022	2021
Borrowing costs and significant financing component capitalised during the year	16	239
Weighted average capitalisation rate	10.63%	12.69%

12. Income tax expense

The Company's applicable tax rate under the Cyprus Income Tax Law is 12.5%. The Cypriot subsidiaries' applicable tax rate is 12.5%. For the Russian companies of the Group the applicable income tax rate is 20% (year ended 31 December 2021: 20%).

MLN RUB	2022	2021
CURRENT TAX EXPENSE		
Current year	5,294	4,013
(Over-provided)/under-provided in prior year	17	(14)
	5,311	3,999
DEFERRED TAX EXPENSE		
Origination and reversal of temporary differences	(2,425)	(1,157)
Income tax expense	2,886	2,842

Reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate 20%:

MLN RUB	2022	2021
Profit before income tax	15,887	5,849
Theoretical income tax at statutory rate of 20%	3,177	1,170
Adjustments due to:		
(Over-provided)/under-provided in prior year	17	(14)
Tax losses for which no deferred tax asset was recognised	32	74
Expenses not deductible and income not taxable for tax purposes, net, including:	(340)	1,612
• Gain from bargain purchase arising from acquisition of YIT Russia	(2,407)	-
• Interest on loans used to finance the acquisition of JSC "Etalon-Finance"	566	549
• Unwinding of discount on payables for acquisition of 88% of share capital of LLC "Specialized Developer "ZIL-YUG"	309	398
• Other not deductible expenses	1,192	665
Income tax expense	2,886	2,842

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.

13. Property, plant and equipment

During the year ended 31 December 2022, depreciation expense of RUB 341 million (year ended 31 December 2021: RUB 249 million) was charged to cost of sales, RUB 85 million (year ended 31 December 2021: RUB 14 million) to cost of real estate properties under construction and development, RUB 10 million to other expenses, net (year ended 31 December 2021: RUB 11 million) and RUB 180 million (year ended 31 December 2021: RUB 242 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 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
Balance at 1 January 2022	3,321	2,263	108	364	113	463	6,632
Additions	531	147	34	97	52	93	954
Reclassification to inventories	-	(11)	(2)	-	-	-	(13)
Acquisition through business combination	292	54	-	2	23	-	371
Disposals	(178)	(150)	(36)	(106)	(22)	-	(492)
Transfers	28	5	-	16	-	(49)	-
Balance at 31 December 2022	3,994	2,308	104	373	166	507	7,452
ACCUMULATED DEPRECIATION							
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)
Balance at 1 January 2022	(581)	(1,724)	(82)	(194)	(1)	-	(2,582)
Depreciation for the year	(325)	(184)	(14)	(92)	(1)	-	(616)
Disposals	93	94	24	66	-	-	277
Balance at 31 December 2022	(813)	(1,814)	(72)	(220)	(2)	-	(2,921)
CARRYING AMOUNTS							
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
Balance at 1 January 2022	2,740	539	26	170	112	463	4,050
Balance at 31 December 2022	3,181	494	32	153	164	507	4,531

14. Intangible assets

The explanation of significant changes in contract asset and contract liability balances during the reporting period is presented in the table below.

	FUTURE SAVINGS ON CONNECTION TO NETWORKS	COMPUTER SOFTWARE	CUSTOMER RELATIONSHIPS	TOTAL
COST				
Balance at 1 January 2022	-	-	-	-
Additions	2,600	21	-	2,621
Acquisition through business combination	-	49	143	192
Disposals	-	-	(100)	(100)
Reclassification to inventories	(53)	-	-	(53)
Balance at 1 January 2022	2,547	70	43	2,660
ACCUMULATED AMORTISATION				
Balance at 1 January 2022	-	-	-	-
Amortisation for the year	-	(5)	(3)	(8)
Balance at 1 January 2022	-	(5)	(3)	(8)
CARRYING AMOUNTS				
Balance at 1 January 2022	-	-	-	-
Balance at 1 January 2022	2,547	65	40	2,652

Future savings on connection to networks

On 22 July 2022, the Group acquired 100% of the share capital of five limited liabilities companies owning infrastructure facilities that will enable to connect new "Lyceum Quarter" residential complex that the Group develops in the Solnechny

neighborhood of Yekaterinburg to centralised heating, electricity, water supply and sewerage networks.

The Group performed an assessment of acquired set of activities and assets and concluded that substantially all of the fair value of the gross assets

acquired concentrated in a single identifiable intangible asset – future savings on connection to networks, which will be consumed over the whole course of construction of residential complex, note 2(d). Basing on the results of the assessment, the Group determined that acquired assets did not constitute a business and the whole transaction was accounted for as an intangible asset acquisition.

The primary reason for the acquisition was to secure timing and lowering the costs of connection to the resource supply networks of residential complex undergoing construction.

Amortisation of future savings on connection to networks is recognised within cost of sales on the same basis as the cost of acquisition of land plots, see note 3i)(i). Future savings are reclassified to inventories in proportion to the progress towards satisfaction of performance obligation for construction of residential complex and the share of uncontracted net sellable are in that residential complex.

Customer relationships

Customer relationships represent present value of net cashflows of housing servicing companies over the 25 years since the date of acquisition of YIT. Respectively, customer relationships are amortised over the period of 25 years on a straight-line basis.

Computer software

Computer software represents Dispatcher 24 software. The estimated useful life of computer software is 6 years.

15. Investment property

MLN RUB	2022	2021
COST		
Balance at 1 January	688	1,017
Additions	5	6
Reclassification to inventories	-	(67)
Disposals	(16)	(268)
Balance at 31 December	677	688
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES		
Balance at 1 January	(272)	(326)
Depreciation for the year	(10)	(19)
Disposals	1	73
Balance at 31 December	(281)	(272)
Carrying amount at 1 January	416	691
Carrying amount at 31 December	396	416

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 2022, the fair value of investment property amounted to RUB 637 million (31 December 2021: RUB 659 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 2022 and 2021, and did not recognise any impairment losses for investment property during the years ended 31 December 2022 and 2021.

16. Other long-term investments

MLN RUB	2022	2021
Loans – at amortised cost	277	1,106
Investments in associates	118	500
Investments in joint ventures	210	–
Bank promissory notes – at amortised cost	–	3
	605	1,609
Loss allowance for loans given	(22)	(120)
	583	1,489

As at 31 December 2021, bank promissory note of 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 represented a 40.7% stake in QB Technology Ltd. The investment was sold during 2022 to an unrelated party for the consideration equivalent to RUB 480 million and recognised gain on disposal of RUB 135 million, note 9.

Investment in joint venture represents a 50% stake in LLC Strana-Etalon acquired in 2022. LLC Strana-Etalon is involved in real estate development projects in Tyumen.

Investments in associates and joint ventures are accounted for using the equity method.

As at 31 December 2021, loan at amortised cost of RUB 850 million represented a loan issued to an entity owning a land plot in the Saint Petersburg metropolitan area. The entity has been acquired by the Group during the year ended 31 December 2022 and the loan was offset against consideration payable for acquisition. The acquisition was accounted for as an acquisition of asset (land plot).

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	
	2022	2021	2022	2021	2022	2021
Property, plant and equipment	543	223	(310)	(388)	233	(165)
Investments	99	68	(72)	(20)	27	48
Inventories	11,268	12,056	(2,199)	(2,307)	9,069	9,749
Contract assets and trade and other receivables	3,808	1,635	(6,508)	(7,722)	(2,700)	(6,087)
Deferred expenses	13	18	–	(7)	13	11
Loans and borrowings	681	492	(569)	(135)	112	357
Provisions	187	137	(388)	(168)	(201)	(31)
Contract liabilities and trade and other payables	6,363	6,019	(12,477)	(11,393)	(6,114)	(5,374)
Tax loss carry-forwards	3,709	1,626	–	–	3,709	1,626
Other	196	125	(484)	(340)	(288)	(215)
Tax assets/(liabilities)	26,867	22,399	(23,007)	(22,480)	3,860	(81)
Set off of tax	(15,494)	(15,052)	15,494	15,052	–	–
Net tax assets/(liabilities)	11,373	7,347	(7,513)	(7,428)	3,860	(81)

b) Unrecognised deferred tax liability

At 31 December 2022, a deferred tax liability arising on temporary differences of RUB 92,208 million (31 December 2021: RUB 81,287 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 954 million (31 December 2021: RUB 923 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 period

	1 JANUARY 2022	RECOGNISED IN PROFIT OR LOSS	ACQUISITION THROUGH BUSINESS COMBINATION	31 DECEMBER 2022
Property, plant and equipment	(165)	162	236	233
Investments	48	(499)	478	27
Inventories	9,749	(3,168)	2,488	9,069
Contract assets and trade and other receivables	(6,087)	2,295	1,092	(2,700)
Deferred expenses	11	2	-	13
Loans and borrowings	357	484	(729)	112
Provisions	(31)	(96)	(74)	(201)
Contract liabilities and trade and other payables	(5,374)	1,869	(2,577)	(6,082)
Tax loss carry-forwards	1,626	1,678	373	3,677
Other	(215)	(302)	229	(288)
	(81)	2,425	1,516	3,860

	1 JANUARY 2022	RECOGNISED IN PROFIT OR LOSS	31 DECEMBER 2022
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)

18. Inventories

MLN RUB	2022	2021
INVENTORIES UNDER CONSTRUCTION AND DEVELOPMENT		
Own flats under construction and development	100,230	80,000
Built-in commercial premises under construction and development	13,304	11,023
Parking places under construction and development	9,988	8,243
	123,522	99,266
Less: Allowance for inventories under construction and development	(3,922)	(3,835)
Total inventories under construction and development	119,600	95,431
INVENTORIES – FINISHED GOODS		
Own flats	6,470	4,423
Built-in commercial premises	5,619	5,641
Parking places	8,437	6,480
	20,526	16,544
Less: Allowance for inventories – finished goods	(3,654)	(3,521)
Total inventories – finished goods	16,872	13,023
OTHER INVENTORIES		
Construction materials	2,079	1,423
Stand-alone commercial premises under construction and development	3,226	-
Land in industrial park	706	-
Other	39	278
	6,050	1,701
Less: Allowance for other inventories	(3)	(2)
Total other inventories	6,047	1,699
Total	142,519	110,153

As at 31 December 2022, inventories under construction and development of RUB 80,862 million relate to construction projects that will be completed after more than 12 months from the reporting date (31 December 2021: RUB 92,204 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 2022, the cost of such social infrastructure amounts to RUB 1,566 million and is included into the balance of finished goods and inventories under construction and development (31 December 2021: RUB 1,086 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, 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 2, 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 3, 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.

At 31 December 2022, the cost of land plots (Project 1) 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 2022 in the amount of RUB 4,126 million (year ended 31 December 2021: RUB 8,660 million), while the remaining balance of RUB 396 million is included in finished goods (31 December 2021: RUB 274 million in finished goods and RUB 90 million in inventories under construction and development).

At 31 December 2022, 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 2022 in the amount of RUB 4,282 million (year ended 31 December 2021: RUB 4,014 million), while the remaining balance of RUB 41 million is included in finished goods (31 December 2021: RUB 435 million)

and RUB 72 million in inventories under construction and development (31 December 2021: RUB 73 million in inventories under construction and development).

At 31 December 2022, the cost of land plots (Project 3) 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 2022 in the amount of RUB 1,112 million (year ended 31 December 2021: 4,258 million), while the remaining balance of RUB 81 million is included in finished goods (31 December 2021: RUB 65 million in finished goods and RUB 72 million 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	2022	2021
Balance at 1 January	7,357	4,532
Write down to net realisable value of inventories	3,495	4,896
Reversal of write down of inventories	(3,273)	(2,071)
Balance at 31 December	7,579	7,357

As at 31 December 2022, the net realizable value testing resulted in an amount which was less than the carrying amount by RUB 7,579 million (31 December 2021: RUB 7,357 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 2022, the allowance of RUB 5,967 million related to parking places (31 December 2021: RUB 4,686 million).

As at 31 December 2022, the balance of parking places is equal to RUB 18,425 million (31 December 2021: RUB 14,723 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 – 9,35% per annum (weighted average mortgage rate on the secondary real estate market);
- Inflation rates – 4,00 – 5,00% 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 following table demonstrates changes in key inputs and sensitivity of measurement of allowance for impairment:

31 DECEMBER 2022	CHANGE OF PARAMETER	IMPACT ON ALLOWANCE FOR IMPAIRMENT	IN MONETARY TERMS (MLN RUB)
Growth of discount rate	2%	7%	263
Growth of inflation rates	2%	-10%	(403)
Reduction of turnover of finished goods, years	1	4%	143
Reduction of revenue from uncontracted parking places	2%	3%	139
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

18. Inventories

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 2022, the total carrying value of these items of property was RUB 2 million (31 December 2021: RUB 378 million).

d) Pledges

As at 31 December 2022, inventories with a carrying amount of RUB 113,259 million (31 December 2021: RUB 55,147 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	2022	2021
Cost of acquisition of rights for land plots during the year	19,585	9,961
Including fees for changing of the type of permitted use of land plots	2,335	2,022
Capitalised lease payments for land plots	849	790
Total	20,434	10,751

19. Contract assets, trade and other receivables

MLN RUB	2022	2021
LONG-TERM TRADE AND OTHER RECEIVABLES		
Trade receivables	1,544	3,131
Less: loss allowance for expected credit losses on trade accounts receivable	(8)	(10)
Long-term trade receivables less allowance	1,536	3,121
Other receivables	36	255
Less: loss allowance for expected credit losses on other accounts receivable	(3)	(31)
Long-term other receivables less allowance	33	224
Advances paid to suppliers	-	-
Total long-term trade and other receivables	1,569	3,345
SHORT-TERM TRADE AND OTHER RECEIVABLES		
Contract assets	28,733	25,332
Trade receivables	7,447	6,837
Less: loss allowance for expected credit losses on trade accounts receivable	(809)	(529)
Contract assets and short-term trade receivables less allowance	35,371	31,640
Advances paid to suppliers	12,613	11,015
Less: loss allowance for expected credit losses on advances paid to suppliers	(144)	(158)
Short-term advances paid to suppliers less allowance	12,469	10,857
VAT recoverable	7,343	4,915
Financial asset arising from preferential rate on escrow-backed loans	336	496
Other taxes receivable	152	35
Other receivables due from related parties	142	91
Other receivables	3,243	1,509
	11,216	7,046
Less: loss allowance for expected credit losses on other accounts receivable	(1,271)	(803)
Short-term other receivables less allowance	9,945	6,243
Total short-term trade and other receivables	57,785	48,740
Total	59,354	52,085

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.

As at 31 December 2022, contract assets of RUB 8,594 million relate to construction projects that will be completed after more than 12 months from the reporting date (31 December 2021: RUB 10,560 million).

As at 31 December 2022, non-financial assets recognised within advances paid to suppliers, VAT and other taxes receivable amounted to RUB 19,938 million (31 December 2021: RUB 15,812 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	2022	2021
Loans – at amortised cost	139	172
Bank deposits (over 3 months)	-	42
	139	214
Loss allowance for loans given	(117)	(88)
Total	22	126

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	2022	2021
Cash in banks, in RUB	1,162	7,740
Cash in banks, in EUR	270	5
Cash in banks, in USD	17	85
Petty cash	1	1
Cash in banks, in CHF	1	1
Cash in banks, in GBP	-	2
Short-term deposits (less than 3 months)	22,360	36,753
Total	23,811	44,587

The Group keeps significant bank balances in major Russian banks with credit ratings assigned by Russian rating agencies of ruAAA, ruAA+, ruAA, ruAA-, ruA+, ruA, ruA-.

At 31 December 2022, the most significant amount of cash and cash equivalents held with one bank totalled RUB 9,456 million (31 December 2021: RUB 19,018 million). At 31 December 2022, the Group had outstanding loans and borrowings with the same bank that held the most significant amount of cash and cash equivalents of RUB 66,304 million (31 December 2021: RUB 59,733 million).

At 31 December 2022, short-term deposits bore interest rates ranging from 4.9% to 8.1% per annum (31 December 2021: 6.1% to 9.43% 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	2022	2021
Cash is held in a Russian bank	9,456	19,018

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	2022	2021
Balance at 1 January	59,752	23,572
Receipts of funds on escrow accounts	28,400	36,180
Acquired through business combination	12,130	-
Release of funds from escrow accounts	(39,920)	-
Balance at 31 December	60,362	59,752

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	2022		2021	
	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	383,445,362	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	383,445,362	20,000

At 1 January 2021, 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.

Preference shares bear neither voting rights nor rights to receive dividends.

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 10. As at 31 December 2022 and 31 December 2021, 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.

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.

The current challenging geopolitical circumstances, certain sanctional provisions and mutual restrictions, including on distribution of funds through international payment and clearing systems, have a significant impact on the Company's ability to pay out dividends to all groups of its shareholders. Based on the principle of equitable treatment of all shareholders, the Board of Directors of the Company resolved to postpone consideration of the matter of dividend payments until constraints currently in force are removed. The Annual General Meeting of shareholders that took place on 22 December 2022 neither considered nor approved any dividend payments for the financial year ended 31 December 2021.

During the year ended 31 December 2021, the Company paid dividends in the amount of RUB 3,613 million.

22. Capital and reserves

e) Non-controlling interest

In the course of acquisition of YIT Russia, the Group acquired nine subsidiaries (housing servicing companies) with a non-controlling interest. In October 2022, the Group disposed its share in five of these subsidiaries in exchange for the non-controlling interest in the three other subsidiaries. The transaction was recorded directly in equity as a deduction from retained earnings and non-controlling interest.

As of the date of disposal, the total assets of the disposed subsidiaries amounted to RUB 572 million and the total liabilities amounted to RUB 205 million. From the date of acquisition to the date of disposal these subsidiaries contributed revenues of RUB 330 million and a profit of RUB 74 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	2022	2021
Issued shares at 1 January	383,441,416	294,954,025
Effect of shares issued in May 2021	–	55,031,884
Weighted average number of shares for the year ended 31 December	383,441,416	349,985,909
Profit attributable to the owners of the Company, mln RUB	12,948	3,007
Basic and diluted earnings per share (RUB)	33.77	8.59

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.

NUMBER OF SHARES UNLESS OTHERWISE STATED	2022	2021
NON-CURRENT LIABILITIES		
Secured bank loans	12,423	20,676
Secured project financing	51,273	28,923
Unsecured bank and other loans	306	2,602
Unsecured bond issues	9,968	14,931
	73,970	67,132
CURRENT LIABILITIES		
Current portion of secured bank loans	7,751	5,345
Current portion of secured project financing	3,489	7,305
Current portion of unsecured bank and other loans	2,705	1,777
Current portion of unsecured bond issues	5,173	1,879
Weighted average number of shares for the year ended 31 December	19,118	16,306

The Group has credit line facilities used 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.

The reconciliation of movements of liabilities to cash flows arising from financing activities during the reporting period is presented in the table below.

24. Loans and borrowings

MLN RUB	LOANS AND BORROWINGS	LEASE LIABILITIES	TOTAL
Balance at 1 January 2022	83,438	9,370	92,808
Proceeds from loans and borrowing	43,008	-	43,008
Repayment of loans and borrowing	(11,166)	-	(11,166)
Payment of lease liabilities	-	(2,144)	(2,144)
Total changes from financing cash flows	31,842	(2,144)	29,698
OTHER CHANGES			
Interest expense on loans and borrowings	8,997	-	8,997
Interest expense on lease liabilities	-	732	732
Additions/terminations to lease liabilities	-	289	289
Assumed through business combination	3,951	296	4,247
Interest paid on loans and borrowings	(4,531)	-	(4,531)
Interest paid on lease liabilities	-	(732)	(732)
Offset of funds released from escrow accounts against loans payable	(27,162)	-	(27,162)
Discounting of loans	(3,447)	-	(3,447)
Total liability-related other changes	(22,192)	585	(21,607)
Balance at 31 December 2022	93,088	7,811	100,899

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
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

24. Loans and borrowings

Terms and debt repayment schedule

The table below shows the terms and conditions of outstanding loans.

As at 31 December 2022, the weighted average interest rate on current credit portfolio amounted to 6.52% p.a. (31 December 2021: 5.22% p.a.).

Bank loans are secured by:

- inventories with a carrying amount of RUB 113,259 million (31 December 2021: RUB 55,174 million), see note 18;
- pledge of 68% of shares in subsidiary company JSC "Zatonskoe" which represents RUB 2,873 million in its net assets* (31 December 2021: 68% of shares represents RUB 3,921 million in net assets);
- pledge of 100% shares of JSC "Etalon-Finance" and 100% of other subsidiary companies of JSC "Etalon-Finance" which collectively represent RUB 36,620 million in net assets* (31 December 2021: RUB 42,151 million in net assets);
- pledge of 100% shares of JSC "Etalon LenSpetsSMU", LLC "Specialized "Developer Etalon Pushkin", LLC "Zolotaya Zvezda", JSC "Specialized Developer "Komplekt", LLC "EtalonStroy" and LCC "Specialized Developer "Etalon" which collectively represent RUB 39,035 million in net assets¹ (31 December 2021: RUB 46,344 million in net assets);
- pledge of 99.99% shares of LLC "Specialized Developer "Serebryaniy Fontan" which represents RUB 10,086 million in its net assets (31 December 2021: RUB 3,667 million in net assets).

¹ Net assets are based on individual IFRS accounts of the relevant companies.

MLN RUB	CURRENCY	NOMINAL INTEREST RATE AS OF 31 DECEMBER	YEAR OF MATURITY	2022		2021	
				FACE VALUE	CARRYING AMOUNT	FACE VALUE	CARRYING AMOUNT
SECURED BANK LOANS							
Secured project financing	RUB	0.01% – 8.00%	2024	14,463	13,793	7,329	6,614
Secured bank loan	RUB	CBR's key rate + 3%	2027	12,449	12,354	13,918	13,872
Secured project financing	RUB	0.01% – 15%	2025	12,308	12,131	4,402	3,965
Secured project financing	RUB	0.01% – 7.6%	2024	7,922	7,922	3,169	2,935
Secured bank loan	RUB	CBR's key rate + 2.35%	2024	7,835	7,820	12,188	12,149
Secured project financing	RUB	0.01% – CBR's key rate + 3.05%	2027	5,478	4,970	2,831	2,516
Secured project financing	RUB	0.01% – 8.85%	2025	3,876	3,667	1,526	1,317
Secured project financing	RUB	0.01% – CBR's key rate + 3%	2026	3,814	3,315	-	-
Secured project financing	RUB	0.01% – 15%	2025	2,171	2,066	2,799	2,482
Secured project financing	RUB	0.01% – 10.0%	2023	1,242	1,242	-	-
Secured project financing	RUB	0.01% – CBR's key rate + 2.70%	2027	1,298	1,189	-	-
Secured project financing	RUB	0.01% – 10.75%	2023	1,019	1,029	-	-
Secured project financing	RUB	0.01% – CBR's key rate + 2.65%	2026	1,016	1,000	-	-
Secured project financing	RUB	0.01% – 8.75%	2023	680	680	-	-
Secured project financing	RUB	0.01% – 8.5%	2023	442	431	-	-
Secured project financing	RUB	0.01% – 13.75%	2025	349	318	6,145	5,622
Secured project financing	RUB	0.01% – CBR's key rate + 3%	2026	329	253	-	-
Secured project financing	RUB	0.01% – 10.05%	2024	235	235	-	-
Secured project financing	RUB	0.01% – CBR's key rate + 4%	2027	197	168	-	-
Secured project financing	RUB	0.01% – 11.58%	2025	135	135	-	-
Secured project financing	RUB	0.01% – CBR's key rate + 4%	2026	162	111	-	-
Secured project financing	RUB	0.01% – 11.01%	2023	107	107	-	-
Secured project financing	RUB	0.01% – 7.1%	2024	-	-	4,098	3,979
Secured project financing	RUB	0.01% – 8.5%	2023	-	-	769	770
Secured project financing	RUB	0.01% – 7.15%	2024	-	-	5,154	5,133
Secured project financing	RUB	0.01% – 9%	2022	-	-	916	895
Total secured bank loans				77,527	74,936	65,244	62,249

24. Loans and borrowings

As at 31 December 2022, the amount of undrawn borrowing facilities that may be available for future operating activities and to settle capital commitments amount to RUB 154,964 million (31 December 2021: RUB 64,696 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 reporting date, considering waivers obtained from the banks before the reporting date, the Group was in compliance with loans' operating covenants.

MLN RUB	CURRENCY	NOMINAL INTEREST RATE AS OF 31 DECEMBER	YEAR OF MATURITY	2022		2021	
				FACE VALUE	CARRYING AMOUNT	FACE VALUE	CARRYING AMOUNT
UNSECURED BANK AND OTHER LOANS							
Unsecured bank and other loans	RUB	7.15%	2023	2,911	2,911	3,004	3,004
Unsecured bank and other loans	RUB	0.001%	2023	100	100	-	-
Unsecured bank and other loans	RUB	9.31%	2021	-	-	355	355
Unsecured bank and other loans	RUB	9.25%	2022	-	-	819	819
Unsecured bank and other loans	RUB	8.700%	2022	-	-	160	160
Unsecured bank and other loans	RUB	0.002%	2022	-	-	40	40
Total unsecured bank and other loans				3,011	3,011	4,378	4,378
Secured project financing	-	-	12	-	12	-	12
Total secured bank loans	83,438	9,370	34,992	26,367	34,992	26,367	154,167
UNSECURED BOND ISSUES							
Unsecured bonds	RUB	9.10%	2026	10,027	9,995	10,025	9,976
Unsecured bonds	RUB	7.95%	2023	5,148	5,146	5,147	5,128
Unsecured bonds	RUB	8.95%	2022	-	-	1,709	1,707
Total unsecured bond issues				15,175	15,141	16,881	16,811
Total outstanding loans				95,713	93,088	86,503	83,438

25. Provisions

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.

MLN RUB	WARRANTY PROVISION	PROVISION FOR DEFERRED WORKS	PROVISION FOR ONEROUS CONTRACTS	PROVISION FOR LITIGATIONS AND CLAIMS	TOTAL
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
Balance at 1 January 2022	117	331	68	124	640
Provisions made during the year	151	2,779	–	169	3,099
Assumed through business combination	285	137	–	16	438
Provisions used during the year	(65)	(2,835)	–	(64)	(2,964)
Provision reversed during the year	(82)	26	(67)	(45)	(168)
Balance at 31 December 2022	406	438	1	200	1,045
Non-current	406	–	–	–	406
Current	–	438	1	200	639
	406	438	1	200	1,045

26. Contract liabilities, trade and other payables

MLN RUB	2022	2021
LONG-TERM		
Trade payables	16,933	24,257
Lease liabilities	4,596	6,859
Other payables	1,449	114
	22,978	31,230
SHORT-TERM		
Contract liabilities	12,045	14,157
Trade payables	11,977	5,000
VAT payable	5,531	4,234
Payroll liabilities	1,450	1,164
Other taxes payable	360	362
Lease liabilities	3,215	2,511
Other payables	14,413	10,421
	36,946	23,692
Total	71,969	69,079

Long-term trade payables mainly consist of an obligation equal to RUB 16,340 million (31 December 2021: RUB 23,168 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 2024. In addition, the current part of the obligation of RUB 6,828 million (31 December 2021: RUB 2,108 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 8,419 million (31 December 2021: RUB 8,042 million) and a liability of RUB 627 million (31 December 2021: RUB 622 million) to the City authorities for change of intended use of land plot recognised as part of inventories.

Contract liabilities include advance consideration received from customers.

As at 31 December 2022, non-financial liabilities recognised within contract liabilities, VAT, other taxes payable and short-term other payables amounted to RUB 26,355 million (31 December 2021: RUB 19,312 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		
	AT AMORTISED COST	TOTAL	LEVEL 1	LEVEL 2	TOTAL
31 DECEMBER 2022					
FINANCIAL ASSETS NOT MEASURED AT FAIR VALUE					
Trade receivables	8,174	8,174	–	8,014	8,014
Other receivables (excluding taxes receivable and advances paid to suppliers)	2,147	2,147	–	2,138	2,138
Loans given	277	277	–	139	139
Cash and cash equivalents	23,811	23,811	23,811	–	23,811
	34,409	34,409	23,811	10,291	34,102
FINANCIAL LIABILITIES NOT MEASURED AT FAIR VALUE					
Secured bank loans	(20,174)	(20,174)	–	(19,859)	(19,859)
Secured project financing	(54,762)	(54,762)	–	(44,529)	(44,529)
Unsecured bank loans	(3,011)	(3,011)	–	(2,946)	(2,946)
Unsecured bond issues	(15,141)	(15,141)	(14,129)	–	(14,129)
Trade and other payables	(45,615)	(45,615)	–	(42,392)	(42,392)
	(138,703)	(138,703)	(14,129)	(109,726)	(123,855)

MLN RUB	CARRYING AMOUNT		FAIR VALUE		
	AT AMORTISED COST	TOTAL	LEVEL 1	LEVEL 2	TOTAL
31 DECEMBER 2021					
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)

27. Financial instruments and risk management

The fair value of financial asset arising from preferential rate on escrow-backed loans approximates its carrying amount.

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 rates:

	DISCOUNTING FACTOR	2022	2021
Receivables (excluding taxes receivable and advances paid to suppliers)	Weighted average rate on mortgages issued during the year	9.35%	7.81%
Loans given, Unsecured loans and bond issued, and trade and other payables	Weighted average interest rates on bonds of Etalon-Finance	12.63%	8.57%

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 2022, receivables from one customer equalled to RUB 481 million or 4% of the Group's consolidated trade and other receivables (31 December 2021: RUB 158 million or 1%).

(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	2022	2021
Loans given	277	1,070
Receivables (excluding taxes receivable and advances paid to suppliers) ¹ , including contract assets	33,698	28,995
Bank promissory notes	–	3
Bank deposits (over 3 months)	–	42
Cash and cash equivalents	23,811	44,587
	57,786	74,697

¹ 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)(vii)).

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 Saint 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	2022		2021	
	GROSS	IMPAIRMENT	GROSS	IMPAIRMENT
Not past due	34,922	(20)	32,819	(4)
Past due 0-30 days	157	-	302	-
Past due 31-90 days	188	(2)	254	(1)
Past due 91-120 days	85	-	58	(1)
Past due more than 120 days	2,372	(795)	1,867	(533)
	37,724	(817)	35,300	(539)

The Group's current credit risk grading framework for loans given at the reporting date comprises the following categories:

MLN RUB	2022		2021	
	GROSS	IMPAIRMENT	GROSS	IMPAIRMENT
12 – month ECL	281	(22)	1,146	(120)
Lifetime ECL – credit-impaired	135	(117)	132	(88)
	416	(139)	1,278	(208)

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	2022	2021
Balance at 1 January	539	662
Amounts written off	(46)	(84)
Net remeasurement of loss allowance	324	(39)
Balance at 31 December	817	539

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 publicly available historical information 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 those used in publicly available historical information. 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

Expected credit loss allowance for other receivables is measured as an allowance equal to 12-month ECL for stage 1 assets. The movement in the allowance for impairment in respect of other receivables during the reporting period was as follows:

MLN RUB	2022	2021
Balance at 1 January	834	964
Reversal of loss allowance	(126)	(359)
Increase in loss allowance	566	229
Balance at 31 December	1,274	834

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	2022	2021
Balance at 1 January	208	112
Net remeasurement of loss allowance	(69)	96
Balance at 31 December	139	208

As at 31 December 2022 and 31 December 2021, 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	2022	2021
Balance at 1 January	158	247
Amounts written off	(69)	(151)
Increase during the year	55	62
Balance at 31 December	144	158

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.

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.

Contractual maturities of financial liabilities were as follows:

MLN RUB, 31 DECEMBER 2022	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	93,089	101,182	22,049	40,631	23,335	9,123	6,044	-
Trade and other payables (excluding taxes payable and contract liabilities)	37,804	39,100	20,238	18,419	64	-	377	2
Lease liabilities	7,811	9,301	2,869	2,881	1,743	946	174	688
	138,704	149,583	45,156	61,931	25,142	10,069	6,595	690

MLN RUB, 31 DECEMBER 2021	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

27. Financial instruments and risk management

(I) CURRENCY RISK

The Group's exposure to foreign currency risk is limited. As at 31 December 2022 and 31 December 2021 the Group's net positions in foreign currency were as follows:

MLN RUB	2022			2021		
	USD	GBP	EUR	USD	GBP	EUR
Cash and cash equivalents (see note 21)	17	-	270	85	2	5
Net exposure	17	-	270	85	2	5

The following significant exchange rates applied during the reporting period:

MLN RUB	AVERAGE RATE		REPORTING DATE SPOT RATE	
	2022	2021	31 DECEMBER 2022	31 DECEMBER 2021
USD 1	68.35	73.67	70.34	74.29
EUR 1	72.15	87.09	75.66	84.07

(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	
	2022	2021
FIXED RATE INSTRUMENTS		
Financial assets	24,203	41,119
Financial liabilities	(69,719)	(64,271)
	(45,516)	(23,152)
VARIABLE RATE INSTRUMENTS		
Financial liabilities	(31,180)	(28,537)
	(31,180)	(28,537)

Cash flow sensitivity analysis for variable rate instruments

MLN RUB	PROFIT OR LOSS		EQUITY	
	200 BP INCREASE	100 BP DECREASE	200 BP INCREASE	100 BP DECREASE
31 DECEMBER 2022				
Variable rate instruments	(624)	312	(624)	312
Cash flow sensitivity (net)	(624)	312	(624)	312
31 DECEMBER 2021				
Variable rate instruments	(571)	285	(571)	285
Cash flow sensitivity (net)	(571)	285	(571)	285

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.

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.

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:

	2022	2021
Loans and borrowings, note 24	93,088	83,438
Less: cash and cash equivalents, note 21	(23,811)	(44,587)
Less: bank deposits over 3 months, note 20	-	(42)
Net debt	69,277	38,809
Total equity	74,189	61,360
Debt to capital ratio at end of year	0.93	0.63

At 31 December 2022, lease liabilities of RUB 7,811 million (31 December 2021: RUB 9,370 million) are included in trade and other payables (see notes 26 and 29) and are not included in the total amount of borrowings.

28. Acquisition of subsidiary

On 30 May 2022, the Company acquired from YIT Corporation 100% of voting equity interests in a certain number of Finnish and Russian legal entities representing the Russian business of YIT Corporation ("YIT Russia") for the cash consideration of RUB 1,923 million.

YIT Russia focuses on mid-market residential real estate with a portfolio of 19 projects in five Russian regions, including the Moscow metropolitan area, Saint 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 servicing companies.

The primary reasons for the acquisition are to increase supply in the Group's primary markets of Moscow and Saint Petersburg and to speed up the 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.

Consideration transferred

The acquisition-date fair value of the total consideration transferred amounted to RUB 1,923 million. The consideration was settled in cash.

MLN RUB	
Cash consideration transferred	(1,920)
Cash acquired	2,456
Net cash inflow from acquisition of subsidiary	536

Acquisition-related costs

The Group incurred acquisition-related costs of RUB 0.4 million related to registration fees, which have been included in administrative expenses in the Group's consolidated statement of profit or loss and other comprehensive income.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

Non-controlling interest in the acquiree recognised at the acquisition date of RUB 195 million was measured at the non-controlling interest's proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Trade and other receivables (excluding contract assets) comprised gross contractual amounts due of RUB 1,997 million, of which none was expected to be uncollectable at the date of acquisition.

Recognised amounts of intangible assets include computer software of RUB 49 million (Dispatcher 24 software) and customer base of housing servicing companies of RUB 143 million.

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Inventories

The acquiree's inventories are mainly represented by real estate development projects at different stages of development and by housing servicing companies.

The fair values of real estate development projects were determined by an independent appraiser based on discounted cash flows from the construction and sale of such real estate.

MLN RUB	NOTE	RECOGNISED FAIR VALUES ON ACQUISITION
NON-CURRENT ASSETS		
Property, plant and equipment	13	371
Intangible assets		192
Deferred tax assets	17	1,619
CURRENT ASSETS		
Inventories		8,314
Trade and other receivables		1,666
Income tax receivable		332
Contract assets		6,534
Advances issued		1,367
Short-term investment		28
Cash and cash equivalents		2,456
Other current assets		553
NON-CURRENT LIABILITIES		
Loans and borrowings		(2,034)
Long-term trade and other payables		(190)
Deferred tax liabilities	17	(103)
Provisions	25	(285)
CURRENT LIABILITIES		
Loans and borrowings		(1,917)
Trade and other payables		(4,594)
Provisions	25	(153)
Total identifiable net assets		14,156
Non-controlling interest		
Non-controlling interest		(195)
Consideration transferred		(1,923)
Gain from bargain purchase		12,038

The following key assumptions were used by the appraiser:

- Cash flows were projected based on the business plans for construction and sale of real estate as well as estimated cash flows of housing servicing companies;
- Inflation rates – in the range 4%-11.1% per annum;
- Discount rates – 18.8% – 22.8% per annum, depending on the class of the project, stage of development of a particular project and the availability of construction permits. For housing servicing companies – 23.4% per annum.

Bargain purchase

The Group recognised the excess of the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed over consideration transferred in the amount of RUB 12,038 million as a gain from bargain purchase in its consolidated statement of profit or loss and other comprehensive income. The main reason for recognising a bargain purchase gain was the fast track sale of the business by the seller that resulted in a lower transaction price.

From the date of acquisition to 31 December 2022 YIT Russia contributed revenues of RUB 7,137 million and a profit of RUB 1,106 million.

If the acquisition of the business had occurred on 1 January 2022, management estimates that consolidated revenue would have been RUB 87,066 million (unaudited), and consolidated profit for the year would have been RUB 14,233 million (unaudited). In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2022.

29. 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.

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 694 million (31 December 2021: RUB 1,294 million).

Lease payments associated with short-term leases and leases of low-value assets and recognised as an expense in the statement of profit or loss amounted to RUB 994 million for the year ended 31 December 2022 (year ended 31 December 2021: RUB 901 million).

MLN RUB	INVENTORIES UNDER CONSTRUCTION	PROPERTY, PLANT AND EQUIPMENT	TOTAL
RIGHT-OF-USE ASSETS			
Balance at 1 January 2022	10,708	870	11,578
Additions to right-of-use assets	55	320	375
Acquired through business combination	77	242	319
Termination of lease contracts	(134)	(81)	(215)
Depreciation charge	(668)	(184)	(852)
Balance at 31 December 2022	10,038	1,167	11,205
LEASE LIABILITIES			
Balance at 1 January 2022	8,456	914	9,370
Settlement of lease liabilities, including interest	(2,568)	(308)	(2,876)
Interest expense on lease liabilities	619	113	732
Additions to lease liabilities	55	320	375
Assumed through business combination	37	259	296
Termination of lease contracts	(52)	(34)	(86)
Balance at 31 December 2022	6,547	1,264	7,811
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

30. Capital commitments

As at 31 December 2022, the Group had no capital commitments (31 December 2021: nil).

31. 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 2022 and 2021, 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.

32. Related party transactions

a) Transactions with management

(I) MANAGEMENT REMUNERATION

Key management received the following remuneration during the year ended 31 December 2022, which is included in personnel costs (see note 10):

MLN RUB	2022	2021
Short-term employee benefits – salaries and bonuses	704	652
	704	652

During the year ended 31 December 2022 and 2021, the Group did not grant any loans and pensions to its key management personnel.

During the year ended 31 December 2022, the remuneration of the members of the Board of Directors of the Company amounted to RUB 31 million (2021: RUB 33 million).

b) Transactions with related parties under control of PJSC AFK Sistema

The Group's transactions with other related parties are disclosed below.

(I) REVENUE

MLN RUB	TRANSACTION VALUE		OUTSTANDING BALANCE	
	2022	2021	2022	2021
Other related parties	715	882	280	408
	715	882	280	408

All outstanding balances with related parties are to be settled in cash. None of the balances are secured.

(II) EXPENSES (RENT OF PREMISES AND RELATED EXPENSES)

MLN RUB	TRANSACTION VALUE		OUTSTANDING BALANCE	
	2022	2021	2022	2021
Other related parties	(706)	(680)	1,255	2,376
	(706)	(680)	1,255	2,376

All outstanding balances with related parties are to be settled in cash. None of the balances are secured.

(III) LOANS

MLN RUB	AMOUNT LOANED / RECEIVED / REPAID		OUTSTANDING BALANCE	
	2022	2021	2022	2021
Loans given	70	-	73	2
Loans received	(2,438)	(4,362)	(2,911)	(5,349)
	(2,368)	(4,362)	(2,838)	(5,347)

All outstanding balances with related parties are to be settled in cash. None of the balances are secured.

(IV) OTHER TRANSACTIONS

MLN RUB	TRANSACTION VALUE		OUTSTANDING BALANCE	
	2022	2021	2022	2021
Cash and cash equivalents in banks-related parties	35,978	102,256	261	9,312
Proceeds from investments in associates and other	-	40	(19)	(25)
Acquisition of land plot	(360)	-	(205)	-
Interest on deposits	619	201	-	-
Interest payable	(249)	(395)	(34)	(21)
	35,988	102,102	3	9,266



33. Group entities

Significant subsidiaries

SUBSIDIARY	COUNTRY OF INCORPORATION	31 DECEMBER 2022	31 DECEMBER 2021
"Etalon Group company" AO	Russian Federation	100.00%	100.00%
JSC "Etalon-Finance" (JSC "Leader-Invest" before 4 April 2022)	Russian Federation	100.00%	100.00%
JSC "Etalon LenSpetsSMU"	Russian Federation	100.00%	100.00%
LLC "EtalonAktiv"	Russian Federation	100.00%	100.00%
JSC "Novator"	Russian Federation	100.00%	100.00%
JSC "LenSpetsSMU-Rekonstruktsiya"	Russian Federation	100.00%	100.00%
LLC "SPM-Zhilstroy"	Russian Federation	100.00%	100.00%
LLC "Etalon-Invest"	Russian Federation	100.00%	100.00%
JSC "Zatonskoe"	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%
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%
JSC "YIT Saint Petersburg"	Russian Federation	100.00%	-
LLC "Specialized Developer "YIT Novoorlovskiy"	Russian Federation	100.00%	-
LLC "Specialized Developer "YIT Finskiy"	Russian Federation	100.00%	-

As at 31 December 2022, the Group controlled 132 legal entities (31 December 2021: 105). Their assets, liabilities, revenues and expenses have been included in these consolidated financial statements. The above is a list of the most significant subsidiaries. Their principle activities are construction and development of residential and commercial properties.

The acquisition of YIT Russia disclosed in note 28 was the only change in the composition of the Group during the reporting period.

34. Events subsequent to the reporting date

Financing events

Subsequent to the reporting date, the Group has repaid loans and borrowings outstanding as at 31 December 2022 for the total amount of RUB 8,328 million and unsecured bonds for the total amount of RUB 5,000 million.

Subsequent to the reporting date, the Group has obtained additional tranches of loans for the total amount of RUB 10,829 million with nominal interest rates of 0.01%-11.5% and repayable by 2025.

Subsequent to the reporting date, the Group placed unsecured bonds for the total amount of RUB 8,000 million with nominal interest rate of 13.7% per annum and repayable by 2026.

Supplementary Information: non-IFRS Measures (Unaudited)

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. This information should be considered and read in addition to, but not as a substitute for, the information contained in the consolidated financial statements.

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 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 period before income tax expense, net finance costs, 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.

Adjusted net debt/Adjusted EBITDA ratio

MLN RUB	2022	2021
Loans and borrowings	93,088	83,438
Less: cash and cash equivalents	(23,811)	(44,587)
Less: bank deposits over 3 months, note 20	-	(42)
Add: contract liabilities, reportable segment Residential development	8,944	10,528
Less: Inventories under construction, note 18	(119,600)	(95,431)
Adjusted net debt	(41,379)	(46,094)
Gross profit	28,203	27,782
Less: General and administrative expenses	(7,259)	(5,784)
Less: Selling expenses	(5,001)	(4,639)
Adjusted operating profit	15,943	17,359
Add: Depreciation and amortisation	541	521
EBITDA	16,484	17,880
Add: Purchase price allocation from acquisition of Etalon Finance (Leader-Invest prior to 2022) included in cost of sales	2,311	3,259
Adjusted EBITDA	18,795	21,139
Adjusted net debt/Adjusted EBITDA	(2.20)	(2.18)

Supplementary Information: non-IFRS Measures (Unaudited)

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	2022	2021
Loans and borrowings	93,088	83,438
Less: secured project financing	(54,762)	(36,228)
Total corporate borrowings	38,326	47,210
Less: cash and cash equivalents	(23,811)	(44,587)
Less: bank deposits over 3 months, notes 16 and 20	-	(42)
Net corporate debt	14,515	2,581
Net corporate debt/ Adjusted EBITDA	0.77	0.12

The movement of the purchase price allocation (PPA) from the acquisition of JSC "Etalon-Finance" (JSC "Leader-Invest" before 4 April 2022), 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	2022	2021
Balance at 1 January	16,485	20,896
Included in Cost of sales	(2,520)	(3,259)
Reversal of impairment loss on inventory recognised in revenue upon termination of contract	209	-
Included in Other expenses, net	24	(1,152)
Balance at 31 December	14,198	16,485

Profit for the period adjusted for the effect of purchase price allocation (PPA) from the acquisition of JSC "Etalon-Finance" (JSC "Leader-Invest" before 4 April 2022) and gain from bargain purchase of YIT Russia

MLN RUB	2022	2021
Profit for the year	13,001	3,007
Add: PPA included in Cost of sales	2,520	3,259
Add: Reversal of impairment loss on inventory recognised in revenue upon termination of contract	(209)	-
Add: PPA included in Other expenses, net	(24)	1,152
Less: tax effect of PPA	(457)	(882)
Less: Gain from bargain purchase	(12,038)	-
Profit for the year before PPA	2,793	6,536

Parent Company Financial Statements

for the year ended 31 December 2022

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Board of Directors and Other Officers

Board of Directors

NAME	DATE
Sergey Egorov	appointed on 19 February 2019
Marina Ogloblina	appointed on 19 February 2019
Boris Svetlichny	appointed on 15 April 2013
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
Andreas Kryftis	appointed on 26 April 2023
Martin Robert Cocker	appointed on 12 November 2010 and resigned on 4 March 2022
Oleg Mubarakshin	appointed on 19 February 2019 and resigned on 16 February 2023
Maksim Berlovich	appointed on 27 April 2018 and resigned on 16 February 2023
Ganna Khomenko	appointed on 19 February 2019 2019 and resigned on 25 April 2023
Charalampos Avgousti	appointed on 10 November 2016 and resigned on 21 April 2023

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

NSP Sagehill Partners Ltd
50 Agias Zonis Street,
Arianthi Court, 2nd Floor,
3090 Limassol
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 2022.

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 May 2022, the Company acquired from YIT Corporation a certain number of Finnish and Russian legal entities representing the Russian business of YIT Corporation ("YIT Russia") for the cash consideration of RUB 1,923 million.

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.

Review of developments, position and performance of the Company's business

The loss of the Company for the year ended 31 December 2022 was RUB'000 16,228,699 (2021: profit of RUB'000 31,413,344). The main source of loss for the year is the change in fair value of investments in subsidiaries in the amount of RUB'000 15,212,568 (2021: the change in fair value of investments of RUB'000 29,974,688).

On 31 December 2022, the total assets of the Company were RUB'000 98,308,924 (31 December 2021: RUB'000 111,771,758) and the net assets were RUB'000 95,523,519 (31 December 2021: RUB'000 111,752,218). Investment in subsidiaries was RUB'000 87,787,059 (31 December 2021: RUB'000 98,441,246).

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 216 and 217 (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 price 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 than as further described below.

Share capital

During the year ended 31 December 2022, there were no changes to the share capital of the Company.

Acquisition of own shares

During 2022, the Company did not acquire own shares. As of 31 December 2022, 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 2022 and at the date of this report are shown on page 210. The details of all appointment and resignations of Directors are shown on page 210.

The Ukrainian crisis

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, reduction in consumer demand and other negative economic consequences.

Independent Auditors

On 22 December 2022, the Annual General Meeting of shareholders of the Company appointed NSP Sagehill Partners Ltd as auditor of the Company's statutory financial statements to hold office until the conclusion of the next annual general meeting and authorised the Board of Directors to fix the auditor's remuneration.

Branches

The Company did not operate through any branches during the year ended 31 December 2022.

Dividends

The challenging geopolitical circumstances, certain sanctional provisions and mutual restrictions, including on distribution of funds through international payment and clearing systems, have a significant impact on the Company's ability to pay out dividends to all groups of its shareholders. Based on the principle of equitable treatment of all shareholders, the Board of Directors of the Company resolved to postpone consideration of the matter of dividend payments until constraints currently in force are removed. The Annual General Meeting of shareholders that took place on 22 December 2022 neither considered nor approved any dividend payments for the financial 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 FCA'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 2022, the Company is aware of the following interests in its share capital:

SHAREHOLDERS	%
Free float	35.2%
PJSC AFK Sistema	48.8%
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 thsd 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:

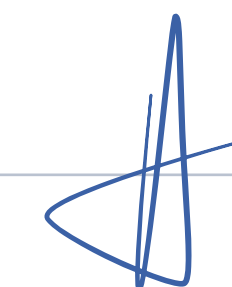
- (a) he becomes of unsound mind or an order is made by a court having jurisdiction (whether in Cyprus or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator or other person to exercise powers with respect to his property or affairs; or

- (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,



Andreas Kryftis
Director

Nicosia, 27 April 2023

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 2022:
- (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 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	
ANDREAS KRYFTIS	Member of the Board of Directors	
MARINA OGLOBLINA	Member of the Board of Directors	
BORIS SVETLICHNY	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	

Independent Auditors' Report to the Members



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 210 to 235 and comprise the statement of financial position as at 31 December 2022 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 2022, 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.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information that is included in the Management Report and Corporate Governance report, but does not include the parent company financial statements and our auditor's report thereon.

Our opinion on the parent company 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 parent company 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.

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.



Independent Auditor's Report (continued)

To the Members of Etalon Group PLC

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud (continued)

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 2022, the carrying value of the Company's investments in subsidiaries is RUB 87,787,059 thousands which represented 89% 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 2022;
- 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 2022;
- 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 judgements and estimates are in compliance with IFRS requirements;

All the above procedures were completed in a satisfactory manner.



Independent Auditor's Report (continued)

To the Members of Etalon Group PLC

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud (continued)

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 2022, the Company had loans receivable from related parties amounting to RUB 9,915,246 thousands which represented 10% 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 judgements and estimates are in compliance with IFRS requirements.

All the above procedures were completed in a satisfactory manner.

Independent Auditors' Report to the Members



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 (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.

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.

We also have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2022.



Independent Auditor's Report (continued)

To the Members of Etalon Group PLC

Comparative figures

The financial statements of the Company for the year ended 31 December 2021 were audited by another auditor who expressed an unqualified opinion those financial statements on 28 April 2022.

The engagement partner on the audit resulting in this independent auditor's report is Stelios Spiliotis.

Stelios Spiliotis
Certified Public Accountant and Registered Auditor
for and on behalf of

NSP Sagehill Partners Limited Certified Public Accountants and Registered Auditors

Arianthi Court, 2nd Floor
50 Agias Zonis Street
3090 Limassol
Cyprus

Limassol, 27 April 2023

Statement of Financial Position

as at 31 December 2022

RUB'000	NOTE	31 DECEMBER 2022	31 DECEMBER 2021
ASSETS			
Non-current assets			
• Investments in subsidiaries	8	87,787,059	98,441,246
• Loans receivable	9	6,062,472	12,849,279
Total non-current assets		93,849,531	111,290,525
Current assets			
• Loans receivable	9	3,852,774	-
• Other receivables and prepayments	10	158,672	160,077
• Cash and cash equivalents	11	447,947	321,156
Total current assets		4,459,393	481,233
Total assets		98,308,924	111,771,758

RUB'000	NOTE	31 DECEMBER 2022	31 DECEMBER 2021
EQUITY			
• Share capital	12	2,723	2,723
• Share premium	12	26,367,865	26,367,865
• Reserve for own shares	12	(694)	(694)
• Capital contribution	12	16,584,198	16,584,198
• Retained earnings		52,569,427	68,798,126
Total equity		95,523,519	111,752,218
Current liabilities			
• Other payables and accruals	13	21,871	19,540
• Borrowings	14	2,763,534	-
Total current liabilities		2,785,405	19,540
Total equity and liabilities		98,308,924	111,771,758

The notes on pages 220 to 235 are an integral part of these financial statements.

On 27 April 2023, the Board of Directors of Etalon Group PLC authorized these financial statements for issue.

Andreas Kryftis
 Director



Sergey Egorov
 Director



Statement of Profit or Loss and other Comprehensive Income

for the year ended
31 December 2022

RUB'000	NOTE	2022	2021
Change in fair value of investments in subsidiaries	8	(15,212,568)	29,974,688
Interest income		498,217	562,654
Interest expenses	15(v)	(128,173)	(14,333)
(Impairment)/reversal of impairment on trade, other receivables and loans	3	(866,161)	1,355,089
Administrative expenses	5	(181,276)	(239,717)
Other expenses		(77,525)	(22,337)
Other income		988	11,000
Operating (loss)/profit before net finance expenses		(15,966,498)	31,627,045
Finance income		6,383	86,008
Finance expenses		(256,034)	(299,708)
Net finance expenses	6	(249,651)	(213,700)

RUB'000	NOTE	2022	2021
(Loss)/profit before tax		(16,216,149)	31,413,344
Income tax expense	7	(12,550)	-
(Loss)/profit for the year		(16,228,699)	31,413,344
Other comprehensive income for the year		-	-
Total comprehensive (expenses)/income for the year		(16,228,699)	31,413,344

Statement of Changes in Equity

for the year ended
31 December 2022

RUB'000	SHARE CAPITAL	SHARE PREMIUM	CAPITAL CONTRIBUTION	RESERVE FOR OWN SHARES	RETAINED EARNINGS	TOTAL
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 (Note 12(iii))	-	-	-	-	(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

RUB'000	SHARE CAPITAL	SHARE PREMIUM	CAPITAL CONTRIBUTION	RESERVE FOR OWN SHARES	RETAINED EARNINGS	TOTAL
Balance at 1 January 2022	2,723	26,367,865	16,584,198	(694)	68,798,126	111,752,218
Loss for the year						
Loss for the year	-	-	-	-	(16,228,699)	(16,228,699)
Total comprehensive expenses for the year	-	-	-	-	(16,228,699)	(16,228,699)
Balance at 31 December 2022	2,723	26,367,865	16,584,198	(694)	52,569,427	95,523,519

Statement of Cash Flows

for the year ended
31 December 2022

RUB'000	NOTE	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit for the year before tax		(16,216,149)	31,413,344
Adjustments for:			
• Change in fair value of investments in subsidiaries	8	15,212,568	(29,974,688)
• Impairment/(reversal of impairment) on trade, other receivables and loans	3	866,161	(1,355,089)
• Interest income on bank deposits		(19,718)	(120,119)
• Interest income on loans issued	15(iii)	(478,499)	(442,535)
• Interest expenses	15(v)	128,173	14,333
• Foreign exchange losses, net		240,162	212,826
• Finance expenses	15(iii)	9,060	-
• Tax withheld out of interest on loans	7	12,550	-
Cash flows used in operations before changes in working capital		(245,692)	(251,928)
Change in other receivables and prepayments		57,276	(108,198)
Change in other payables and accruals		8,411	(8,874)
Net cash used in operating activities		(180,005)	(369,001)

RUB'000	NOTE	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES			
Repayment of loans by subsidiaries	15(iii)	2,416,336	-
Repayment of interest on loans by subsidiaries	15(iii)	72,270	2,908
Proceeds from issue of share capital		-	10,882,213
Loans issued during the year to subsidiaries	15(iii)	(114,320)	(6,937,050)
Interest on bank deposits received		19,718	120,119
Purchases of subsidiary company	8	(1,995,954)	-
Net cash from investing activities		398,050	4,068,190
CASH FLOWS USED IN FINANCING ACTIVITIES			
Dividends paid		-	(3,600,552)
Net cash used in financing activities		-	(3,600,552)
Net increase in cash and cash equivalents		218,045	98,637
Cash and cash equivalents at beginning of year		321,156	492,618
Effects of exchange rate changes on cash and cash equivalents		(91,254)	(270,099)
Cash and cash equivalents at end of the year	11	447,947	321,156

Notes to the Financial Statements

for the year ended 31 December 2022

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.

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.

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. The Company's GDRs are traded on the Moscow Stock Exchange starting from 3 February 2020. Since the beginning of March 2022, as a result of sanctions imposed in connection with the Ukrainian crisis, LSE suspended trading in Group's GDRs.

Starting from 4 May 2022, as a result of acquisition of an additional 19% stake in the Company, PJSC AFK Sistema became the controlling shareholder of the Company and its subsidiaries (the "Group")

with ownership share of 48.8% as of 31 December 2022. Prior to 4 May 2022, PJSC AFK Sistema had significant influence over the Group with ownership share of 29.8%.

As of 31 December 2022, Vladimir Petrovich Yevtushenkov owns a 49.2% stake in PJSC AFK Sistema (as of 31 December 2021 – 59.2%). In 2022, Vladimir Petrovich Yevtushenkov transferred his 10% stake, thereby ceasing to be the holder of the majority of shares. 50.8% of the shares belong to a significant number of shareholders (as of 31 December 2021 – 40.8%). The shares of PJSC AFK Sistema are traded on the London Stock Exchange in the form of global depository receipts "GDRs") and on the Moscow and Saint Petersburg Exchanges.

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 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 2022 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

Management prepared these financial statements on a going concern basis.

When assessing the Company's ability to continue as a going concern over the next 12 months, the management considered all available information about the future, noting that there are no material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

During the reporting period 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. All the above led to significant market volatility, disruption in the supply chains and significantly increased the level of economic uncertainty.

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 Company and its subsidiaries (together referred to as 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.

Considering the above and given the Group's history of profitable operations and ready access to financial resources, the Company reached a conclusion that the going concern basis of accounting is appropriate for the preparation of these 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.

2. Summary of significant accounting policies

(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.

Application of new standards, interpretations and amendments of existing standards

- (a) Standards and amendments to existing standards early adopted

The Company has not early adopted any standards for the year ended 31 December 2022.

- (b) Amendments to existing standards effective on or after 1 January 2022 adopted by the Company

The Company adopted all the new and revised International Financial Reporting Standards (IFRS) when they became effective in the EU for reporting period beginning on 1 January 2022:

- Annual Improvements to IFRSs: 2018-2020 Cycle
- Amendments to: IFRS 3 Business Combinations - Reference to the Conceptual Framework
- IAS 16 Property, Plant and Equipment - Proceeds before Intended Use
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Onerous contracts - Cost of Fulfilling a Contract

The adoption of these amendments had no effect on the financial statements of the Company.

- (c) Standards and amendments in issue not yet adopted

On the date of approval of these financial statements, the following standards and amendments have been issued by the International Accounting Standards Board but were not yet effective:

- Standards and amendments that are not effective for the year ended 31 December 2022 and have been endorsed by the European Union.

Amendments to IFRS 17 Insurance contracts:	Initial Application of IFRS 17 and IFRS 9 – Comparative Information	Effective for annual periods beginning on or after 1 January 2023
IAS 12 (amendments)	Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Effective for annual periods beginning on or after 1 January 2023
IAS 1 (amendments) and IFRS Practice Statement 2	Disclosure of Accounting policies	Effective for annual periods beginning on or after 1 January 2023
IAS 8 (amendments) Accounting policies, Changes in Accounting Estimates and Errors:	Definition of Accounting Estimates	Effective for annual periods beginning on or after 1 January 2023
IFRS 17 including amendments	Insurance Contracts	Effective for annual periods beginning on or after 1 January 2023

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Company in future periods.

(d) Standards and amendments that have not been endorsed by the European Union

IAS 1 (amendments and deferral of effective date) Presentation of Financial Statements:	Classification of Liabilities as Current or Non-current	Effective for annual periods beginning on or after 1 January 2024
IFRS 16 (amendments)	Lease liability in a Sale and Leaseback	Effective for annual periods beginning on or after 1 January 2024
IFRS 14	Regulatory Deferral Accounts	The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard)

Financial instruments

(I) FINANCIAL ASSETS

The Company's financial assets, classified at amortised cost category as defined by IFRS 9, comprise of loans receivable, other receivables and cash and cash equivalents.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Classification and measurement of financial assets

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value through other comprehensive income (FVOCI) or at fair value through profit or loss (FVTPL) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL: it is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see "Impairment of financial assets" below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Impairment of financial assets

The impairment model under IFRS 9 – an "expected credit loss" (ECL) model – applies to financial assets measured at amortised cost and debt investments at FVOCI, but not to investments in equity instruments.

The Company assesses on a forward-looking basis the ECL for debt instruments measured at amortised cost.

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

2. Summary of significant accounting policies

(I) FINANCIAL ASSETS (CONTINUED)

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.

(II) FINANCIAL LIABILITIES

The Company has the following non-derivative financial liabilities: loans and borrowings, trade and other payables.

At initial recognition, the Company measures a financial liability at its fair value plus transaction costs that are directly attributable to the issuance of the financial liability. Financial liabilities are subsequently measured at amortised cost using the effective interest method.

The Company derecognises a financial liability when its obligations specified in the contracts are discharged or cancelled or expire. The Company recognises financial assets or financial liabilities in its statement of financial position when it becomes party to the contractual provisions of the instrument and, as a consequence, has a legal right to receive or a legal obligation to pay cash.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Other payables and accruals

Other payables and accruals represent amounts outstanding at the reporting date and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Tax

Tax is recognised in the statement of profit or loss and other comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the country in which the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. If applicable tax regulation is subject to interpretation, it establishes a provision where appropriate on the basis of amounts expected to be paid to the tax authorities.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are appropriately authorised and are no longer at the discretion of the Company. More specifically, interim dividends are recognised as a liability in the period in which these are authorised by the Board of Directors and in the case of final dividends, these are recognised in the period in which these are approved by the Company's shareholders.

2. Summary of significant accounting policies

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 12).

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

The carrying amount of financial assets represents the maximum credit exposure.

3. Financial risk management and tax risk

Financial risk factors (continued)

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:

31.12.2022	NOTE	12-MONTH/ LIFETIME ECL	GROSS CARRYING AMOUNT	LOSS ALLOWANCE	NET CARRYING AMOUNT
Loans receivable	9	Lifetime ECL	14,812,761	(4,897,515)	9,915,246
Other receivables	10	Lifetime ECL	159,287	(3,214)	156,073
Cash and cash equivalents	11	12-month	447,947	-	447,947

31.12.2021	NOTE	12-MONTH/ LIFETIME ECL	GROSS CARRYING AMOUNT	LOSS ALLOWANCE	NET CARRYING AMOUNT
Loans receivable	9	Lifetime ECL	17,246,344	(4,397,065)	12,849,279
Other receivables	10	Lifetime ECL	160,457	(380)	160,077
Cash and cash equivalents	11	12-month	321,156	-	321,156

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:

RUB'000	2022	2021
Balance at 1 January	(4,397,065)	(6,006,247)
Change of impairment for the period (Note 15(iii))	(863,172)	1,634,495
FOREX	362,722	(25,313)
Balance at 31 December	(4,897,515)	(4,397,065)

(Impairment)/reversal of impairment on trade, other receivables and loans

RUB'000	2022	2021
Change for loans given (Note 15(iii))	(863,172)	1,634,495
Change for other receivables (Note 15(iv))	(2,834)	1,007
Write-off of other receivables and loans given	(155)	(280,413)
	(866,161)	1,355,089

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:

RUB'000	2022	2021
Balance at 1 January	(380)	(1,387)
Change of impairment for the period (Note 15(iv))	(2,834)	1,007
Balance at 31 December	(3,214)	(380)

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:

31.12.2022	CARRYING AMOUNTS, RUB'000	CONTRACTUAL CASH FLOWS, RUB'000	BETWEEN 0-12 MONTHS, RUB'000	BETWEEN 2-3 YEARS, RUB'000
Borrowings	2,763,534	3,265,734	-	3,265,734
Other payables and accruals	21,871	21,871	21,871	-
	2,785,405	3,287,605	21,871	3,265,734

31.12.2021	CARRYING AMOUNTS, RUB'000	CONTRACTUAL CASH FLOWS, RUB'000	BETWEEN 0-12 MONTHS, RUB'000	BETWEEN 2-3 YEARS, RUB'000
Borrowings	-	-	-	-
Other payables and accruals	19,540	19,540	19,540	-
	19,540	19,540	19,540	-

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

Financial risk factors (continued)

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency.

The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to US Dollars (US\$) and Euro (EUR). The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

RUB'000	31 DECEMBER 2022	31 DECEMBER 2021
ASSETS		
US Dollar		
Cash and cash equivalents	213	75,644
Loans receivable	5,347,168	5,989,259
Other receivables and prepayments	11,729	17,563
Total	5,359,110	6,082,466
Euro		
Cash and cash equivalents	264,294	4,055
Other receivables and prepayments	143,927	147,747
Total	408,221	151,802
LIABILITIES		
Euro		
Other payables and accruals	(2,008)	(14,732)
Total	(2,008)	(14,732)
NET POSITION		
US Dollar	5,359,110	6,082,466
Euro	406,213	137,070

The following significant exchange rates applied during the year:

IN RUB	AVERAGE RATE		REPORTING DATE SPOT RATE	
	2022	2021	31 DECEMBER 2022	31 DECEMBER 2021
USD 1	68.55	73.65	70.34	74.29
EUR 1	72.53	87.19	75.66	84.07

Sensitivity analysis

A 10% strengthening of the US\$ against the RUB at 31 December 2022 and 31 December 2021 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.

RUB'000	EQUITY 2022	PROFIT OR LOSS 2022
US Dollar	535,911	535,911
RUB'000	EQUITY 2021	PROFIT OR LOSS 2021
US Dollar	608,247	608,247

A 10% strengthening of the Euro against the RUB at 31 December 2022 and 31 December 2021 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.

RUB'000	EQUITY 2022	PROFIT OR LOSS 2022
Euro	40,621	40,621
RUB'000	EQUITY 2021	PROFIT OR LOSS 2021
Euro	13,707	13,707

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 Company 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 Company 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.

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 8.

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.

Income taxes

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax assets and liabilities in the period in which such determination is made.

5. Administrative expenses

RUB'000	2022	2021
Management services	71,229	–
Legal, consulting and other professional services	33,755	41,694
Directors' remuneration (Note 15(ii))	24,180	33,893
Auditors' remuneration	23,881	18,501
Payroll tax	7,004	8,998
Accounting and administration expenses	6,105	8,810
Social insurance contribution	2,110	1,830
Secretarial fees	1,904	4,729
Insurance expenses	–	103,799
Other expenses	11,108	17,463
Total	181,276	239,717

Remuneration of the statutory audit firm for the year ended 31 December 2022 amounted to RUB 3.8 million for audit services (2021: RUB 7.5 million) and RUB 0.2 million for other assurance services (2021: RUB 7.2 million).

Starting from April 2022, the insurance contracts are concluded with a subsidiary company JSC GK Etalon, all payments are made by JSC GK Etalon.

Management services provided by the subsidiary of the Company, JSC GK Etalon. The amounts of accrued expenses and payments are disclosed in Note 15(vii).

6. Net finance expenses

RUB'000	2022	2021
Foreign exchange gains	6,383	86,008
Finance income	6,383	86,008
Foreign exchange losses	(246,545)	(299,245)
Loan assignment to third party (Note 15(iii))	(9,060)	-
Bank charges	(429)	(463)
Finance expenses	(256,034)	(299,708)
Net finance expenses	(249,651)	(213,700)

7. Income tax expense

Corporation tax

The corporation tax rate is 12.5%.

Special contribution to defense

Under certain conditions interest income may be subject to defense contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defense contribution at the rate of 17%.

Tax losses

Under current legislation, tax losses may be carried forward and be set off against taxable income of the five succeeding years.

Tax for the period

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

RUB'000	2022	2021
Profit before tax	(16,216,149)	31,413,344
Tax calculated at the applicable tax rate of 12,5% (2021: tax rate of 12,5%)	(2,027,019)	3,926,668
Tax effect of expenses not deductible and income not taxable for income tax purposes, net	2,067,062	(3,865,366)
Tax withheld in Russian Federation out of interest on loans	12,550	-
Tax effect of losses carried forward	4,947	-
Notional Interest Deduction (NID)	(44,990)	(54,218)
Application of group relief	-	(7,084)
Tax for the year	12,550	-

Russia and Cyprus have agreed to raise the tax rate on capital withdrawal. The basic tax rate on dividends and interest increases to 15%, the changes take effect from January 1, 2021.

8. Investments in subsidiaries

RUB'000	2022	2021
At the beginning of the year	98,441,246	64,769,755
Contributions to share capital of subsidiaries	–	3,696,803
Acquisition of subsidiary at cost	4,558,381	–
Change in fair value of investments in subsidiaries	(15,212,568)	29,974,688
At end of the year	87,787,059	98,441,246

The Company's main subsidiaries, which are unlisted, are as follows:

NAME	PRINCIPAL ACTIVITY	COUNTRY OF INCORPORATION	31 DECEMBER 2022	31 DECEMBER 2021
AO Zatonskoe	Holding of investments	Russia	32% ¹	32%
Tinctoria Holdings Limited	Provision of financing services	Cyprus	100%	100%
Vandelo Limited	Holding of investments	Cyprus	100%	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%	99.9%
YIT Salym Development	Holding of investments	Russia	100%	–
Living Services Russia Oy	Holding of investments	Russia	100%	–
YIT Invest Export Oy	Holding of investments	Russia	100%	–
YIT Russia Oy	Holding of investments	Russia	100%	–

¹ The remaining 68% of shares are owned indirectly by the Group (through other subsidiary of the Company).

Dividends

The current challenging geopolitical circumstances, certain sanctional provisions and mutual restrictions, including on distribution of funds through international payment and clearing systems, have a significant impact on the ability of the Company's subsidiaries to pay out dividends to the Company.

Pledges and guarantees

As at 31 December 2022, 68% of shares in subsidiary company JSC Zatonskoe which represents RUB 2,873 million in its net assets (31 December 2021: 68% of shares represents RUB 3,921 million in net assets) was pledged as security for a secured bank loan received by the subsidiary of the Company (net assets are based on individual IFRS accounts of the relevant companies).

Key transactions

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%.

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.

On 31 March 2022, the Boards of Directors of the Company and of YIT Corporation agreed on the sale of YIT Russia for a consideration of RUB 4,558 million. The completion of the acquisition of YIT Russia took place in May 2022. Payments under the transaction were made partly in cash amounted to RUB 1,923 million (total payment with transfer tax is amounted to RUB 1,996), and an agreement on assignment of the loan obligation was also signed (Note 15(v)).

Fair value

The investments are measured at fair value.

The fair value of investments in subsidiaries at 31 December 2022 and 31 December 2021 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 9 has therefore resulted in a corresponding increase in the fair value of investments in subsidiaries.

The key assumptions used in the estimation of the fair value of subsidiaries are set out below.

	31 DECEMBER 2022	31 DECEMBER 2021
Discount rates, depending on the stage of development and status of construction project	20,36 – 25,46%	15,19 – 20,41%

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 recognised a decrease in the fair value of investments in subsidiaries in the amount of RUB'000 15,212,568 for the year ended 31 December 2022 (31 December 2021: increase of RUB'000 29,974,688).

8. Investments in subsidiaries

Sensitivity analysis

The following tables demonstrate changes in key inputs and sensitivity of fair value measurement:

31 DECEMBER 2022	CHANGE OF PARAMETER	IMPACT ON FAIR VALUE	IN MONETARY TERMS, RUB'000
Growth of discount rate	1%	(2.29%)	(2,010,198)
Growth of cost of construction projects	5%	(15.61%)	(13,702,769)
Reducing of revenue from construction projects	(5%)	(19.57%)	(17,183,551)
Growth of expenses on non-developer types of activities	5%	(3.63%)	(3,188,042)

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)

9. Loans receivable

RUB'000	31 DECEMBER 2022	31 DECEMBER 2021
LIABILITIES		
Loans to related parties	6,062,472	12,849,279
Total non-current loans receivable	6,062,472	12,849,279
CURRENT		
Loans to related parties	3,852,774	-
Total current loans receivable	3,852,774	-
Total loans receivable (Note 15(iii))	9,915,246	12,849,279

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 4,818,001 was recognised as at 31 December 2022 (31 December 2021: RUB'000 4,312,708).

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. The amount of expected credit losses on loans receivable of RUB'000 79,514 was recognised as at 31 December 2022 (31 December 2021: RUB'000 84,357).

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 2022, the loss allowance on loans and receivables would have been RUB'000 28,065 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 fair values of loans receivable approximate their carrying amounts. The fair value hierarchy of loans receivable belongs to Level 3.



10. Other receivables and prepayments

RUB'000	31 DECEMBER 2022	31 DECEMBER 2021
Receivable from related parties (Note 15(iv))	156,073	160,077
Prepayments	2,599	-
	158,672	160,077

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.

11. Cash and cash equivalents

RUB'000	31 DECEMBER 2022	31 DECEMBER 2021
Cash in banks	271,777	120,845
Short-term deposit (less than 3 months)	176,170	200,311
	447,947	321,156

The Company keeps significant bank balances in banks in the UK, Cyprus and Russia with credit ratings assigned by international and Russian rating agencies of A+, BB- and ruA.

At 31 December 2022, the most significant amount of cash and cash equivalents held with one bank totalled RUB'000 259,333 (31 December 2021: RUB'000 120,751). At 31 December 2022, the Company had no outstanding loans and borrowings with the same bank that held the most significant amount of cash and cash equivalents (31 December 2021: no outstanding loans and borrowings).

At 31 December 2022, short-term deposit bore interest rate 6.25% per annum (31 December 2021: 7.60% per annum).

12. Share capital and share premium

	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 1 January 2021	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 / At 31 December 2022	383,441,416	20,000	2,723	(694)	26,367,865	26,369,894

At 1 January 2021, 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

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.

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 2022 and 31 December 2021, the total number of own shares acquired by the Company 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.

(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 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.

The current challenging geopolitical circumstances, certain sanctional provisions and mutual restrictions, including on distribution of funds through international payment and clearing systems, have a significant impact on the Company's ability to pay out dividends to all groups of its shareholders. Based on the principle of equitable treatment

of all shareholders, the Board of Directors of the Company resolved to postpone consideration of the matter of dividend payments until constraints currently in force are removed. The Annual General Meeting of shareholders that took place on 22 December 2022 neither considered nor approved any dividend payments for the financial year ended 31 December 2021.

As at 31 December 2022, the retained earnings were RUB'000 52,569,427 (31 December 2021: RUB'000 68,798,126). During the year ended 31 December 2022, the Company did not declare or pay any dividends (31 December 2021: the AGM of shareholders approved Board of Directors' recommendation for dividends in the amount RUB'000 3,600,552).

(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.

13. Other payables and accruals

RUB'000	31 DECEMBER 2022	31 DECEMBER 2021
Accrued audit fees	7,932	16,025
Remuneration payable to Board of Directors with payroll and social tax (Note 15(i))	7,794	1,758
Payables for management services (Note 15(vii))	5,370	-
Accrued accounting and administration expenses	675	1,034
Payables to related party	100	-
Other payables and accruals	-	723
	21,871	19,540

The fair value of other payables and accruals which are due within one year approximates their carrying amount at the reporting date.

14. Borrowings

RUB'000	31 DECEMBER 2022	31 DECEMBER 2021
CURRENT		
Borrowings from subsidiary (Note 15(v))	2,763,534	-
Total current borrowings	2,763,534	-

In May 2022, the Company assumed a loan as part of the purchase of YIT Russia under to agreement of assignment of a loan liability in amount RUB 2,635 million (Note 15(v)). The loan is denominated in Russian rubles, with an interest rate of 6.65 % per annum and a maturity date of 31 December 2025.

15. Related party transactions

The following transactions were carried out with related parties:

(i) DIRECTORS' REMUNERATION

RUB'000	2022	2021
Directors' remuneration (Note 5)	24,180	33,893
Payroll and social tax (Note 5)	9,114	10,828
	33,294	44,721

As at 31 December 2022, outstanding balances of remuneration payable to the Board of Directors was RUB'000 7,794 (Note 13) (31 December 2021: outstanding balances of payroll and social tax was RUB'000 1,758).



15. Related party transactions

(II) YEAR-END BALANCES

RUB'000	31 DECEMBER 2022	31 DECEMBER 2021
Receivables from subsidiary companies (Note 10)	156,073	160,077
Borrowings from subsidiary company (Note 14)	(2,763,534)	-
Loans due from subsidiary companies (Note 9)	9,915,246	12,849,279
Cash and cash equivalents in banks – other related parties	183,441	200,311
Management services provided by the subsidiary company (Note 13)	5,370	-

(III) LOANS DUE FROM SUBSIDIARY COMPANIES

RUB'000	31 DECEMBER 2022	31 DECEMBER 2021
On 1 January	12,849,279	8,134,746
Loans repaid during the year	(2,416,336)	-
Repayment of interest on loans, net of tax	(72,270)	(2,908)
Tax withheld from Russian Federation out interest on loans (Note 7)	(12,550)	-
Interest charged	478,499	442,535
Offset of loans under the merger plan ((Note 15(v))	-	(679,326)
Contribution of loans to share capital of subsidiaries (Note 8)	-	(3,696,803)
Loan assignment to third party	(9,060)	-
Loans issued during the year to subsidiaries	114,320	6,937,050
(Impairment)/reversal of impairment for loans receivable	(863,172)	1,634,495
Write-off of loans receivable	(155)	-
Foreign exchange (losses)/gains	(153,309)	79,490
On 31 December (Note 9)	9,915,246	12,849,279

As at 31 December 2022, the loans amounted to RUB'000 9,915,246 (31 December 2021: RUB'000 12,849,279). The loans were denominated in US Dollars and Russian rubles, bear interest 3.14–4.13 % per annum and have the repayment dates from 31 December 2023 to 30 June 2026.

In current challenging geopolitical circumstances, in accordance with the legislation of the Russian Federation, there are some restrictions on settlements of loans receivable with non-residents of the Russian Federation from certain countries. Such transactions are possible upon receipt of individual permission from the Government Commission for control over foreign investments in the Russian Federation, and the Group plans to obtain such approval to make necessary payments.

Modification of loans maturity dates had no material impact on the fair value of the loans.

15. Related party transactions

(IV) RECEIVABLES FROM SUBSIDIARY COMPANIES

RUB'000	2022	2021
On 1 January	160,077	349,435
Transfers of funds under reimbursement agreements	13,276	108,197
Write-off of receivables	-	(280,413)
(Impairment)/reversal of impairment for receivables	(2,834)	1,007
Gain from the sale of investments	110	-
Foreign exchange losses	(14,556)	(18,149)
On 31 December (Note 10)	156,073	160,077

(V) BORROWINGS FROM SUBSIDIARY COMPANY

RUB'000	31 DECEMBER 2022	31 DECEMBER 2021
On 1 January	-	671,915
Borrowings received upon purchase of subsidiary	2,635,361	-
Interest accrued	128,173	14,333
Offset of loans under the merger plan (Note 15 (iii))	-	(679,326)
Foreign exchange gains	-	(6,922)
On 31 December (Note 14)	2,763,534	-

(VI) CASH AND CASH EQUIVALENTS IN BANKS – OTHER RELATED PARTIES

RUB'000	2022	2021
On 1 January	200,311	-
Receipt to the deposit account	-	4,850,000
Transfer to the cash account from the deposit	41,000	-
Interest income on deposits	19,535	120,119
Withdrawal of funds from the deposit	(41,000)	(4,747,496)
Payments from the cash account	(33,729)	-
Other expenses	(2,676)	(22,312)
On 31 December	183,441	200,311

(VII) MANAGEMENT SERVICES PROVIDED BY THE SUBSIDIARY COMPANY

Management services provided by the subsidiary of the Company, JSC GK Etalon:

RUB'000	2022	2021
On 1 January	-	-
Management services - accrued expenses (Note 5)	71,229	-
Management services - payments to related parties	(65,859)	-
On 31 December (Note 13)	5,370	-



16. Capital commitments

As at 31 December 2022, the Company had no capital commitments (31 December 2021: nil).

17. Contingents

Litigation

During the year ended 31 December 2022 and 2021, the Company was not involved in court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business.

Guarantees

As at 31 December 2022, the Company provided no financial guarantees to the related parties (as at 31 December 2021: no financial guarantees). As at 31 December 2022 no provision for guaranties was recognized (as at 31 December 2021: no provision was recognized).

18. Events subsequent to the reporting date

Financing events

Subsequent to the reporting date, the Group placed unsecured bonds for the total amount of RUB 8 000 million with nominal interest rate of 13,7% per annum and repayable by 2026.

There were no other material events after the reporting period, which have a bearing on the understanding of the financial statements for the year ended 31 December 2022.

Alternative performance measures used in the 2022 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 EBITDA¹:** 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.

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.

• **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.

• **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 is the Company's disclosure is defined as adjusted EBITDA in the supplementary information to the IFRS statements.



Alternative performance measures used in the 2022 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).

• **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.

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.

