PJSC Group of Companies PIK
Consolidated Interim Condensed Financial Statements
as at and for the six-month period ended 30 June 2018

Contents

Consolidated Interim Condensed Financial Statements

Consolidated Interim Condensed Statement of Financial Position

In million RUB	Note	30 June 2018	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	12	24,913	23,524
Intangible assets	13	866	779
Investment property	14	18,217	23,690
Equity accounted investees		490	496
Other investments		351	395
Accounts receivable		1,461	1,531
Deferred charges on financial instruments	17	943	-
Deferred tax assets		8,110	7,397
Total non-current assets		**55,351**	**57,812**
Current assets			
Inventories	15	196,444	243,783
Other investments		626	361
Income tax receivable		2,108	1,160
Accounts receivable, including contract assets		37,899	29,620
Cash and cash equivalents		60,223	45,452
Deferred charges on financial instruments	17	492	-
Total current assets		**297,792**	**320,376**
Total assets		**353,143**	**378,188**

The consolidated interim condensed statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 34.

Consolidated Interim Condensed Statement of Financial Position

In million RUB	Note	30 June 2018	31 December 2017
EQUITY AND LIABILITIES			
Equity			
Share capital		41,295	41,295
Additional paid-in capital		(8,470)	(8,470)
Retained earnings		28,080	22,788
Total equity attributable to owners of the Company		**60,905**	**55,613**
Non-controlling interests		626	535
Total equity		**61,531**	**56,148**
Non-current liabilities			
Loans and borrowings	19	64,037	44,702
Financial instruments measured at fair value through profit and loss	17	1,676	997
Accounts payable		9,190	10,160
Deferred tax liabilities		13,509	13,365
Total non-current liabilities		**88,412**	**69,224**
Current liabilities			
Loans and borrowings	19	11,563	15,784
Accounts payable, including contract liabilities		174,884	214,912
Provisions	21	15,647	20,544
Income tax payable		1,106	1,576
Total current liabilities		**203,200**	**252,816**
Total liabilities		**291,612**	**322,040**
Total equity and liabilities		**353,143**	**378,188**

These consolidated interim condensed financial statements were approved by Management on 29 August 2018 and were signed on its behalf by:

Sergey E. Gordeev	Alexander V. Titov
President	*Vice-President, Economics and Finance*

The consolidated interim condensed statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 34.

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

In million RUB	Note	Six-month period ended 30 June 2018	Six-month period ended 30 June 2017 (restated)**
Continuing operations*			
Revenue from sales of real estate objects accounted for at historical cost		49,496	20,627
Revenue from sales of real estate objects acquired through business combinations and recognized at fair value at initial recognition		37,565	14,672
Other revenue		3,286	2,399
Revenue	8	**90,347**	**37,698**
Cost of sales of real estate objects accounted for at historical cost		(33,345)	(13,950)
Cost of sales of real estate objects acquired through business combinations and recognized at fair value at initial recognition		(35,373)	(14,111)
Cost of other sales		(3,298)	(2,701)
Cost of sales		**(72,016)**	**(30,762)**
Gross profit from sales of real estate objects accounted for at historical cost		16,151	6,677
Gross profit from sales of real estate objects acquired through business combinations and recognized at fair value at initial recognition		2,192	561
Gross profit from other sales		(12)	(302)
Gross profit		**18,331**	**6,936**
Gain on disposal of subsidiaries, development rights and investment property, net		(290)	9
Distribution expenses		(2,621)	(2,317)
Administrative expenses		(4,315)	(3,846)
Change in fair value of investment property	14	16	(416)
Impairment losses, net	16	(507)	(516)
Other expenses, net	10	(1,273)	(1,548)
Results from operating activities		**9,341**	**(1,698)**

* For the six months ended 30 June 2017 the revenue from sales of real estate objects included in continuing operations was recognised according to IAS 18 «Revenue». For the six months ended 30 June 2018 the revenue from sales of real estate objects was recognised under IFRS 15 «Revenue from contracts with customers» (note 3).

** Comparative information has been restated due to a discontinued operation (note 7).

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

In million RUB	Note	Six-month period ended 30 June 2018	Six-month period ended 30 June 2017 (restated)**
Finance income	9	2,117	3,812
Finance expenses	9	(5,050)	(6,244)
Expense on significant financing component from contracts with customers		(5,987)	-
Loss from financial activities		**(8,920)**	**(2,432)**
Share of loss of equity accounted investees, net of income tax		(7)	(27)
Profit/(loss) before income tax		**414**	**(4,157)**
Income tax (expense)/benefit	11	(99)	737
Profit/(loss) and total comprehensive income for the period from continuing operations		**315**	**(3,420)**
Discontinued operation			
Profit from discontinued operation	7	-	901
Profit/(loss) and total comprehensive income for the period		**315**	**(2,519)**
Attributable to:			
Owners of the Company		76	(2,520)
Non-controlling interests		239	1
Profit/(loss) and total comprehensive income for the period		**315**	**(2,519)**
Basic and diluted profit/(loss) per share, RUB	18	**0.11**	**(3.97)**

** Comparative information has been restated due to a discontinued operation (note 7).

The consolidated interim condensed statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 34.

Consolidated Interim Condensed Statement of Changes in Equity

		Attributable to equity holders of the Company					
In million RUB	Note	Share capital	Additional paid-in-capital	Retained earnings	Total	Non-controlling interest	Total equity
Balance as at 1 January 2017		**41,295**	**(8,470)**	**20,994**	**53,819**	**76**	**53,895**
Loss for the period		-	-	(2,520)	**(2,520)**	1	**(2,519)**
Loss and total comprehensive income for the period		**-**	**-**	**(2,520)**	**(2,520)**	**1**	**(2,519)**
Transactions with owners of the Company							
Purchase of treasury shares	17	-	-	(15,100)	**(15,100)**	-	**(15,100)**
Sale of treasury shares	17	-	-	15,000	**15,000**	-	**15,000**
Recognition of cash-settled financial instrument	17	-	-	(1,506)	**(1,506)**	-	**(1,506)**
Deffered tax related to cash-settled financial instrument		-	-	283	**283**	-	**283**
Dividends declared by subsidiaries due to non-controlling interests		-	-	-	-	(10)	**(10)**
Total transactions with owners of the Company		-	-	**(1,323)**	**(1,323)**	**(10)**	(1,333)
Balance at 30 June 2017		**41,295**	**(8,470)**	**17,151**	**49,976**	**67**	**50,043**
Balance at 1 January 2018 according to Financial Statements for the previous period*		**41,295**	**(8,470)**	**22,788**	**55,613**	**535**	**56,148**
Adjustments on initial application of IFRS 15, net of tax	3(a)	-	-	5,645	**5,645**	**64**	**5,709**
Adjustments on initial application of IFRS 9, net of tax	3(b)	-	-	(429)	**(429)**	**-**	**(429)**
Balance as at 1 January 2018 (restated)		**41,295**	**(8,470)**	**28,004**	**60,829**	**599**	**61,428**
Profit for the period		-	-	76	**76**	**239**	**315**
Profit and total comprehensive income for the period		**-**	**-**	**76**	**76**	**239**	**315**
Transactions with owners of the Company							
Acquisition of non-controlling interest	6	-	-	-	-	(212)	**(212)**
Total transactions with owners of the Company		-	-	-	-	**(212)**	**(212)**
Balance at 30 June 2018		**41,295**	**(8,470)**	**28,080**	**60,905**	**626**	**61,531**

*Company has initially applied IFRS 15 and IFRS 9 from 1 January 2018. Under the transition methods chosen, comparative information is not restated (note 3).

The consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 34.

Consolidated Interim Condensed Statement of Cash Flows

In million RUB	Note	Six-month period ended 30 June 2018	Six-month period ended 30 June 2017 (restated)
Cash flows from operating activities			
Profit/(loss) for the period		**315**	**(2,519)**
Adjustments for:			
Depreciation of property, plant and equipment and amortisation of intangible assets	12, 13	952	708
Impairment loss of non-financial assets, including amounts recognised in cost of sales, net		507	714
Loss on disposal of property, plant and equipment and other assets		45	479
Change in fair value of investment property	14	(16)	416
Loss/(gain) from disposal of subsidiaries, development rights and investment property, net		287	(9)
Share of loss of equity accounted investees, net of income tax		7	27
Profit from discontinued operation, net of income tax	7	-	(901)
Finance income	9	(2,117)	(3,812)
Finance costs	9	5,050	6,244
Income tax expense/(benefit) from continuing operations	11	99	(737)
		5,129	**610**
Changes in:			
Inventories		(3,130)	(23,371)
Accounts receivable, including contract assets*		(7,567)	(2,633)
Accounts payable, including contract liabilities and changes in provision for taxes other than income tax		21,025	46,250
Provision for costs to complete		(5,914)	(688)
Cash flows from operations before income taxes and interest paid		**9,543**	**20,168**
Income taxes paid		(3,840)	(3,305)
Interest paid		(3,651)	(4,763)
Net cash from operating activities		**2,052**	**12,100**

* Changes in accounts receivable, including contract assets, include advances for investment rights acquisition in the amount of RUB 3,631 million for the six-month period ended 30 June 2018 (six-month period ended 30 June 2017: RUB 574 million).

The consolidated interim condensed statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 34.

Consolidated Interim Condensed Statement of Cash Flows

In million RUB	Note	Six-month period ended 30 June 2018	Six-month period ended 30 June 2017
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		66	307
Interest received		1,213	1,594
Acquisition of property, plant and equipment and other intangible assets		(1,959)	(1,095)
Acquisition of subsidiaries, net of cash acquired	6	(530)	(271)
Acquisition of equity accounted investees		-	(229)
Acquisition of other investments		(94)	-
Other proceeds, net		-	3
Proceeds from disposal of investment property		40	-
Loans issued		(316)	(1,560)
Repayment of loans issued		-	1,054
Net cash used in investing activities		**(1,580)**	**(197)**
Cash flows from financing activities			
Purchase of treasury shares		-	(14,541)
Payments for financial instruments		(949)	-
Proceeds from borrowings		4,500	14,965
Repayment of borrowings		(480)	(17,464)
Proceeds from issuance of long-term bonds		17,219	18,970
Repurchase of long-term bonds		(5,788)	(6,600)
Payments for financial leasing		(79)	-
Acquisition of non-controlling interests	6	(124)	-
Net cash from/(used in) financing activities		**14,299**	**(4,670)**
Net increase in cash and cash equivalents		14,771	7,233
Effect of exchange rate fluctuations on cash and cash equivalents		-	(100)
Cash and cash equivalents at the beginning of the period		45,452	24,812
Cash and cash equivalents at the end of the period		**60,223**	**31,945**

The consolidated interim condensed statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated interim condensed financial statements set out on pages 10 to 34.

Notes to the Consolidated Interim Condensed Financial Statements

1 Background

(a) Organisation and operations

PJSC Group of Companies PIK (the "Company") and its subsidiaries (together referred to as the "Group") comprise closed and open joint stock companies and limited liability companies incorporated under requirements of the Civil Law of the Russian Federation and entities registered in Cyprus. The Company was established as a privately owned enterprise in 1994. Since 1 June 2007 the Company's shares are traded on the London Stock Exchange in the form of global depositary receipts (hereafter referred to as "GDRs") and Moscow Exchange (hereafter referred to as "MOEX") in Russia. In June 2017 the Company delisted from London Stock Exchange and consolidated trading of its shares on MOEX.

The Company's registered office is 19 Barrikadnaya Str., Moscow, 123242, Russian Federation.

The primary activities of the Group are investing in development projects for construction of residential buildings and areas, sales of real estate properties; construction services; production of construction materials, including concrete panels, window frames and other construction elements, consumed mostly by the Group internally. During 2018 and 2017 the Group primarily operated in Moscow, Moscow region and other regions of Russia.

As at 30 June 2018 the Company is ultimately controlled by Mr. Sergey E. Gordeev, who controls 74.57% of the Group.

(b) Business environment

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation.

The conflict in Ukraine and related events have increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit facilities. In particular, some Russian entities may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The long term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine.

The consolidated interim condensed financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis for preparation of the Consolidated Interim Condensed Financial Statements

(a) Statement of compliance to International Financial Reporting Standards

These consolidated interim condensed financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting". Selected explanatory notes are included in the consolidated interim condensed financial statements to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2017. These consolidated interim condensed financial statements do not include all the information required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

This is the first set of the Group's financial statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described in Note 3.

(b) Use of estimates and judgments

The preparation of consolidated interim condensed financial statements in accordance with International Financial Reporting Standards requires management to make professional judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these consolidated interim condensed financial statements, the significant judgments made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2017 except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which are described in Note 3.

3 Significant accounting policies

The accounting policies applied by the Group in these consolidated interim condensed financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2017, except that the Group has adopted those new and amended standards and interpretations that are mandatory for financial annual periods beginning on 1 January 2018 and are described below.

(a) IFRS 15 "Revenue from contracts with customers"

The Group has applied IFRS 15 "Revenue from contracts with customers" starting from 1 January 2018.

Standard replaces existing IAS 18 "Revenue", IAS 11 "Construction Contracts" and related interpretations. IFRS 15 establishes how and when to recognize revenue from contracts with customers.

The Group sales real estate properties on a prepayment basis and provides installments, so the contract prices include a significant financing component. This impact of the time value of money takes into account the long operating cycle (more than 12 months). The time value of money is determined by calculating the discount rate that would be applied for a separate financing operation between the Group and the customer at the time of the conclusion of the contract.

Starting from 1 January 2017, sale of real estate in multi-apartment housing complexes is performed in accordance with the new requirements of the Federal Law No. 214-FZ, according to which the developer is entitled to the full amount of consideration under the contract in case the construction of the object is completed without violation of the terms of the co-investment agreement, and the customer has no right to waive the contract obligations unilaterally on the pre-trial basis. These revisions in the Federal Law No. 214-FZ permits the developer to recognize revenue "over time". The same method will be used for the recognition of revenue from the contracts of sale of real estate objects.

The Group considers co-investment agreements, registered before 1 January 2017, as revocable. Under these contracts revenue is recognized on "at a point in time" basis.

The application of IFRS 15 did not affect the timing of recognition of revenue from sales of other goods and services.

At the date of the initial application of the standard, 1 January 2018, the Group recognized the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings. Accordingly, the comparative information for 2017 was not restated and is disclosed, as before, in accordance with the requirements of IAS 18 "Revenue" and IAS 11 "Construction Contracts". The Group decided not to apply the practical expedient concerning significant financing component.

The effect of the transition to the provisions of IFRS 15 is presented in the table below. There was no material impact on the Group's consolidated interim condensed statement of cash flows for the six months ended 30 June 2018.

The effect of the application of IFRS 15 as of 1 January 2018, was mainly formed in 2017.

mln RUB	2017 (before application of IFRS 15)	Influence of application of IFRS 15 as at 1 January 2018	2017 (restated)
Revenue	175,134	71,468	246,602
Cost of sales	(146,741)	(57,342)	(204,083)
Significant financing component	-	(6,792)	(6,792)
Income tax expense	(423)	(1,625)	(2,048)
Retained earnings*	**22,359**	**5,645**	**28,005**
Non-controlling interests	**535**	**64**	**599**

	Six-month period ended 30 June 2018 (unaudited)		
mln RUB	**Amounts before the application of IFRS 15**	**Adjustment on application of IFRS 15**	**Restated**
Continuing operations			
Revenue	32,301	58,046	90,347
Cost of sales	(30,467)	(41,549)	(72,016)
Gross profit	**1,834**	**16,497**	**18,331**
(Loss)/profit from operating activities	**(7,156)**	**16,497**	**9,341**
Significant financing component	-	(5,987)	(5,987)
(Loss)/profit before income tax	**(10,096)**	**10,510**	**414**
Income tax**	2,423	(2,522)	(99)
(Loss)/profit and total comprehensive income for the year from continuing operations	**(7,673)**	**7,988**	**315**
Attributable to:			
Owners of the Company	(7,680)	7,756	**76**
Non-controlling interests	7	232	**239**

* The balance of the retained earnings as at 31 December 2017 in the amount of RUB 22,788 million is presented excluding the effect of the transition to IFRS 9 in the amount of RUB 429 million, net of tax.

** The Group recognizes the income tax expense by applying a tax rate estimated by management equal to the weighted average annual tax rate for 2018. The Group's consolidated effective interest rate for the six months ended 30 June 2018 was 24%.

	30 June 2018 (unaudited)		
mln RUB	**Amounts before the application of IFRS 15**	**Adjustment on application of IFRS 15**	**Restated**
ASSETS			
Accounts receivable, including contract assets	37,152	2,208	39,360
Inventories	295,683	(99,239)	196,444
Total assets	**332,835**	**(97,031)**	**235,804**
EQUITY			
Retained earnings	14,679	13,401	28,080
Non-controlling interests	330	296	626
Total equity	**15,009**	**13,697**	**28,706**
LIABILITIES			
Accounts payable, including contract liabilities	298,566	(114,492)	184,074
Provisions	16,030	(383)	15,647
Deferred tax liabilities*	9,362	4,147	13,509
Total liabilities	**323,958**	**(110,728)**	**213,230**

* The Group recognizes the income tax expense by applying a tax rate estimated by management equal to the weighted average annual tax rate for the year 2018. The Group's consolidated effective interest rate for the six months ended 30 June 2018, was 24%.

(b) IFRS 9 "Financial instruments"

IFRS 9 "Financial Instruments" replaces existing IAS 39 "Financial Instruments: Recognition and Measurement".

The new significant accounting policies, as well as a description of the nature and impact of changes in the previous accounting policies for the recognition and measurement of financial assets, financial liabilities and certain contracts for the purchase or sale of non-financial assets are described below.

(i) Classification and measurement of financial assets and financial liabilities

IFRS 9 introduces a new approach to the classification and measurement of financial assets, reflecting the business model used to manage these assets and the characteristics of associated cash flows. IFRS 9 substantially preserves the current requirements of IAS 39 for the classification and measurement of financial liabilities.

The transition to IFRS 9 did not have a significant impact on the Group's accounting policies for financial liabilities and derivative financial instruments.

IFRS 9 specifies three main categories of financial assets: measured at amortized cost, measured at fair value through other comprehensive income and measured at fair value through profit or loss to replace the categories of financial assets currently specified in IAS 39 which are held to maturity, loans and receivables and available-for-sale. The application of new requirements for the classification of financial assets did not have a significant impact on the accounting of trade receivables, loans and other investments.

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.

All financial assets of the Group at the time of transition to IFRS 9 were classified as subsequently measured at amortized cost.

(ii) Impairment of financial assets

The Group's financial assets measured at amortized cost include accounts receivable, loans issued, placed deposits, and cash and cash equivalents.

IFRS 9 introduces the "expected credit losses" model, which replaces the "incurred credit loss" model established by IAS 39 in relation to the impairment of financial assets measured at amortized cost.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group recognizes the estimated allowance for expected credit losses in the amount equal to the expected credit losses for the entire period for receivables and contract assets.

In determining the degree of credit risk increase from the time of initial recognition, the Group uses all reasonable and relevant sources of information, including qualitative and quantitative indicators based on previous experience and projections. The Group updates the counterparty's credit rating if the balance is overdue by more than 30 days.

Estimation of expected credit losses

Calculation of expected credit losses was made by the Group separately for legal entities and individuals. All financial assets were divided into groups to analyze the level and magnitude of the risk of loss. Accounts receivable from individuals mainly include installments of payments on the co-investment agreements. The risk of loss is estimated as low since the purchase is secured by real estate property. The accounts receivable of legal entities were divided into groups with similar exposure to credit risk, the counterparties' type and the nature of their activities. In each group, the weighted average percentage of losses was calculated depending on the delay based on historical losses for the last 3 years. Actual historical data on credit losses have been adjusted considering the fact of default of individual counterparties and different terms of coverage of financial assets by the relevant obligations of the Group.

When calculating the expected credit losses for individually significant loans and placed deposits the Group applied individual ratings of counterparties. The Group evaluated financial information available, the settlement's history, and other available data of rating agencies to estimate the probability of default (PD) and expected loss given default (LGD). As a result, Group calculated the amount of expected credit losses considering the discount factor. The expected credit losses for other individually insignificant loans are calculated depending on their quality category assigned by the responsible controller and the weighted average write-offs in this category (similar to accounts receivable).

The Group assigns a default on the relevant financial asset if its repayment is overdue by more than 90 days or if it assesses that the counterparty would probably fail to repay the outstanding debt.

Presentation of impairment

Impairment losses related to accounts receivable, including contract assets, and to other financial assets are presented under "finance costs", similar to the presentation under IAS 39, and not presented separately in the statement of profit or loss and other comprehensive income due to materiality considerations.

(iii) Transition to a new standard

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively with an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for the six months ended 30 June 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39. The assessment of the financial assets' business models have been made on the basis of the facts and circumstances that existed at the date of initial recognition.

The following table summarizes the impact, net of tax, of transition to IFRS 9 on the opening balances:

Financial assets classified as measured at amortised cost

mln RUB	Equivalent to external credit rating	Estimated weighted average loss rate	Gross carrying amount as at 1 January 2018 (before recalculation)	Impairment loss allowance as at 1 January 2018 according to IAS 39	Adjustment of impairment loss allowance as at 1 January 2018 according to IFRS 9	Gross carrying amount as at 1 January 2018 according to IFRS 9
Loans issued and other investments	A- to A++	0.00%	36	-	-	36
	B- to B++	1.50%	399	-	(6)	393
	C- to C++	10.00%	30	-	(3)	27
	D- to D++	32.73%	278	-	(91)	187
	Default	100.00%	195	(182)	(13)	-
			938	**(182)**	**(113)**	**643**
Accounts receivable*	A- to A++	0.00%	909	-	-	909
	B- to B++	0.75%	4,560	-	(34)	4,526
	C- to C++	12.02%	1,531	-	(184)	1,347
	D- to D++	19.05%	21	-	(4)	17
	E- to E++	80.00%	5	-	(4)	1
	Default	100.00%	1,031	(834)	(197)	-
			8,057	**(834)**	**(423)**	**6,800**
Cash and cash equivalents			**45,452**	**-**	**-**	**45,452**
Recognition of expected credit losses under IFRS 9					**(536)**	
Deferred tax assets from expected credit losses					**107**	
Application of IFRS 9 adoption as at 1 January 2018					**(429)**	

*Advances given, which do not related to financial assets, are not included.

The following table summarizes the cumulative effect of initial adoption of IFRS 15 and IFRS 9:

mln RUB	31 December 2017 (before recalculation)	Application of IFRS 15	Application of IFRS 9	1 January 2018 (restated)
Other investments, non-current	395	-	(94)	301
Accounts receivable, non-current	1,531	-	(184)	1,347
Deferred tax assets	7,397	-	107	7,504
Inventories	243,783	(56,525)	-	187,258
Other investments, current	361	-	(19)	342
Accounts receivable, including contract assets, current	29,620	3,078	(239)	32,459
Other assets	95,101	-	-	95,101
Total assets	**378,188**	**(53,447)**	**(429)**	**324,312**
Retained earnings	22,788	5,645	(429)	28,004
Non-controlling interests	-	64	-	64
Deferred tax liabilities	13,365	1,625	-	14,990
Accounts payable, including contract liabilities, current	214,912	(61,598)	-	153,314
Provisions	20,544	817	-	21,361
Other liabilities and equity	106,579	-	-	106,579
Total equity and liabilities	**378,188**	**(53,447)**	**(429)**	**324,312**

(c) New standards

A number of new Standards, amendments to Standards are not effective for the six-month reporting periods ended 30 June 2018 and have not been applied in preparing these consolidated interim condensed financial statements. The Group plans to adopt these pronouncements when they become effective. The following of these pronouncements potentially will have a significant impact on the Group's operations:

Standards	Effective for annual periods beginning on or after
IFRS 16 "Leases"	1 January 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	1 January 2019

The Group has started an initial assessment, but has not yet analysed the likely impact of new amendments on its financial position or performance.

4 Operating segments

(a) Profit and loss of segments

mln RUB	Real estate development		Construction segment		Industrial segment		Maintance segment*		Other		Total	
	Six-month period ended		Six-month period ended		Six-month period ended		Six-month period ended		Six-month period ended		Six-month period ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
External revenues	87,061	35,299	277	5	430	378	-	4,543	2,579	2,016	**90,347**	**42,241**
Inter-segment revenue	148	1,427	7,080	5,196	2,450	404	-	463	568	934	**10,246**	**8,424**
Total revenue for reportable segments	**87,209**	**36,726**	**7,357**	**5,201**	**2,880**	**782**	**-**	**5,006**	**3,147**	**2,950**	**100,593**	**50,665**
Reportable segment adjusted gross profit**	**18,343**	**7,238**	**(20)**	**(41)**	**(64)**	**9**	**-**	**1,511**	**72**	**(270)**	**18,331**	**8,447**
Adjusted gross profit margin	**21%**	**21%**	**(7)%**	**(820)%**	**(15)%**	**2%**	**0%**	**33%**	**3%**	**(13)%**	**20%**	**20%**

***** In December 2017 the Group sold subsidiaries included in the "Maintenance segment" due to the strategic decision to focus on development and construction as key competencies. The comparative information in the consolidated interim condensed statement of profit and loss and other comprehensive income was recalculated to represent continuing operations apart from discontinued operations.

****** The adjusted gross profit of discontinued reportable segment "Maintenance segment" includes payroll expenses of administrative and management personnel of the Group's companies carrying out this type of activity, which the Group's management considered an integral part of the performance measurement of the segment.

(b) Geographical information

Activities of reportable segments is conducted mainly in three geographical areas, which are named "Moscow", the "Moscow Region" and the "Other Regions" for the purposes of these consolidated interim condensed financial statements.

Segment revenues are presented based on geographical location of the respective segment's assets.

mln RUB	Six-month period ended 30 June 2018	Six-month period ended 30 June 2017 (restated)
Moscow	60,384	16,263
Moscow Region	27,141	18,741
Other regions of Russia	2,822	2,694
	90,347	**37,698**

(c) Reconciliations of reportable segment's revenues and profit or loss

mln RUB	Six-month period ended 30 June 2018	Six-month period ended 30 June 2017 (restated)
Reconciliation of Revenue		
Total revenue of reportable segments	100,593	49,903
Elimination of revenue of discontinued operation	-	(5,006)
Revenues of companies that sold services to discontinued operation	-	762
Elimination of reportable inter-segment's revenue	(10,246)	(7,961)
Consolidated revenue	**90,347**	**37,698**
Reconciliation of gross profit to profit before tax		
Adjusted reportable segment's profit	18,331	8,447
Adjusted profit from discontinued operation	-	(1,511)
Consolidated gross profit	**18,331**	**6,936**
Unallocated amounts		
(Loss)/gain from disposal of subsidiaries, development rights and investment property, net	(290)	9
Distribution expenses	(2,621)	(2,317)
Administrative expenses (with adjustments attributable to gross profit/(loss) of reportable segments)	(4,315)	(3,846)
Change in fair value of investment property	16	(416)
Impairment loss, net	(507)	(516)
Other expenses, net	(1,273)	(1,548)
Finance income	2,117	3,812
Finance expenses	(5,050)	(6,244)
Significant financing component from contracts with customers	(5,987)	-
Share of loss of equity accounted investees, net of income tax	(7)	(27)
Consolidated profit/(loss) before income tax	**414**	**(4,157)**

5 Seasonality of operations

The completion of real estate objects and their inspection by state commissions are usually performed in the second half of each year.

6 Acquisition of businesses and non-controlling interests

(a) Acquisition of subsidiaries

In May 2018, the group purchased 100% interest in the transmission system company which rendered heating, water supply, water discharge and electricity services to commercial and residential subscribers in Moscow region for RUB 1,235 million, of which RUB 617 million were paid in cash. The outstanding balance payable as at 30 June 2018 was RUB 618 million, which will be paid within six month by equal amounts of RUB 103 million. The assessment of fair value and its allocation between identifiable net assets is preliminary and will be completed later.

The following table summarizes impact from the acquisition:

mln RUB	**30 June 2018**
Property, plant and equipment	522
Deferred tax assets	1
Inventories	714
Accounts receivable	24
Cash and cash equivalents	4
Deferred tax liabilities	(16)
Accounts payable	(14)
Net identifiable assets, liabilities and contingent liabilities	**1,235**
Total amount of consideration	1,235
Consideration paid	617
Unpaid consideration included in accounts payable	618
Cash acquired	(4)
Acquisition of subsidiaries, net (included in cash flow from investing activities)	**530**
Change in inventory (included in cash flow from operating activities)	**83**

On the date of acquisition measurement of fair values and its allocation to identifiable net assets is based on the following assumptions and valuation techniques:

- It was assumed that the acquired company was operating enterprises and will continue its activities in the future;
- The discount rate of cash flows was set at 13.3%;
- The growth of tariff rates was set at 3.5% per year;
- The value of additional capacity for supplying heating, water and energy to real estate objects of the Group was allocated to the cost of real estate project similarly to the network connection expenses.

From the date of acquisition to 30 June 2018 there were no significant transactions in the business of acquired company.

(b) Acquisition of non-controlling interest

In February 2018 the Group purchased additional 26.69% in the largest manufacturer of elevator and electronic equipment for RUB 84 million and increased its share to 87.14%. The transaction was reflected directly in the equity.

In February 2018 the Group purchased additional 2.50% in the leading Russian develoder of "Smart house" systems for consideration of RUB 40 million and increased its share to 62.15%. The transaction was reflected directly in the equity.

The total effect from acquisition of non-controlling interest for the reporting period amounted for RUB 212 million and attributed directly to the equity.

7 Discontinued operation

In December 2017 the Group sold subsidiaries included in the "Maintenance segment" due to the strategic decision to focus on development and construction as key competencies. The comparative information in the consolidated interim condensed statement of profit and loss and other comprehensive income for the six-month period ended 30 June 2017 were restated to represent continuing operations apart from discontinued operations.

mln RUB	**Six-month period ended 30 June 2017**
Results of discontinued operation	
Revenue	4,543
Cost of sales	(3,032)
Administrative expenses	(113)
Other expenses, net	(85)
Finance income	16
Finance costs	(321)
Results from operating activities	**1,008**
Income tax	(107)
Profit from discontinued operation	**901**
Basic earning per share (RUB)	1.42

8 Revenue

(a) Disaggregation of revenue by timing of revenue recognition

	Real estate development		Construction segment		Industrial segment		Other		Total	
	Six-month period ended		Six-month period ended		Six-month period ended		Six-month period ended		Six-month period ended	
mln RUB	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Revenue from sales of residential property										
Revenue recognised at a point in time	15,127	32,489	-	-	-	-	-	-	**15,127**	**32,489**
Revenue recognised over time	64,316	-	-	-	-	-	-	-	**64,316**	**-**
Revenue from sales of non-residential property and parking space										
Revenue recognised at a point in time	1,842	2,810	-	-	-	-	-	-	**1,842**	**2,810**
Revenue recognised over time	5,776	-	-	-	-	-	-	-	**5,776**	**-**
Other revenue										
Revenue recognised at a point in time	-	-	-	-	430	378	2,579	2,016	**3,009**	**2,394**
Revenue recognised over time	-	-	277	5	-	-	-	-	**277**	**5**
Total revenue	**87,061**	**35,299**	**277**	**5**	**430**	**378**	**2,579**	**2,016**	**90,347**	**37,698**

During the six-month period ended 30 June 2018 the revenue from sales of real estate to set-off accounts payable equaled to RUB 499 million.

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

mln RUB	30 June 2018	31 December 2017 (restated)
Contract assets	1,184	1,021
Trade receivables	1,024	2,057
Contract liabilities	(138,743)	(112,387)
– liabilities from contracts with revenue recognised at a point in time	(25,077)	(32,265)
– liabilities from contracts with revenue recognised over time	(113,666)	(80,122)

Contract assets are the Group rights to consideration to be received from the contracts with customers of real estate, which contain terms of payment in installment and pace of construction exceeds the payment schedule. Contract liabilities are advanced payments received from customers according to co-investment agreements and accrued amounts of significant financing components recorded in accounts payable.

Cumulative amount of transactions referred to performance obligations which were not satisfied at the end of reporting period and are expected to be recognized in revenue during the next three years equals RUB 141,866 million from which RUB 102,595 million will be recognized in the revenue during the next 12 months.

In the first half of the year the Group recognized RUB 22,277 million in the revenue due to the increase of percentage completion of contract liabilities from contracts with customers concluded before 1 January 2018.

9 Finance income and expenses

mln RUB	Six-month period ended 30 June 2018	Six-month period ended 30 June 2017 (restated)**
Interest income	1,446	1,804
Gain from change in terms of a long-term financial liability*	-	1,057
Foreign exchange gains, net	180	472
Write-off of accounts payable	118	-
Reversal of impairment of financial assets	88	-
Change in non-controlling interest in limited liability companies	125	-
Other financial income	160	479
Finance income	**2,117**	**3,812**
Interest expense	(4,433)	(5,706)
Loss on impairment of financial assets	(393)	(197)
Change in non-controlling interest in limited liability companies	-	(45)
Recovery of write-off of accounts payable	-	(11)
Other financial expenses	(224)	(285)
Finance expenses	**(5,050)**	**(6,244)**
Net finance expenses recognised in profit or loss for the period	**(2,933)**	**(2,432)**

* In April 2017 the Group re-negotiated terms under agreement to purchase development rights and extended its payment period, which resulted in derecognition of prior financial liability and recognition of a new financial liability.

** Comparative information has been restated due to a discontinued operation (note 7).

10 Other income and expenses

mln RUB	Six-month period ended 30 June 2018	Six-month period ended 30 June 2017 (restated)*
Penalties and fines, including provision for litigation and claims	(748)	(1,169)
Charity	(256)	(303)
Loss from disposal of property, plant and equipment	(45)	(477)
Tax expenses	(344)	(259)
Income from reversal of provision for costs to complete	-	582
Disposal of other assets	(79)	49
Other income, net	199	29
	(1,273)	**(1,548)**

11 Income tax

Income tax benefit or expense is recognized based on management's estimate of the weighted average annual income tax rate, equalled to 24% and applied to pre-tax income/(loss) of the interim period.

mln RUB	Six-month period ended 30 June 2018	Six-month period ended 30 June 2017 (restated)*
Current tax expense		
Current income tax for the period	(2,360)	(1,951)
Tax provision reversed/(recognised)	63	(650)
	(2,297)	**(2,601)**
Deferred income tax		
Origination and reversal of temporary differences	2,198	3,338
	2,198	**3,338**
Total income tax (expense)/benefit from continuing operations	**(99)**	**737**

* Comparative information has been restated due to a discontinued operation (note 7).

12 Property, plant and equipment

mln RUB	30 June 2018	30 June 2017
As at 1 January	23,524	23,176
Additions	2,065	1,115
Acquisitions through business combination (note 6)	522	
Depreciation charge	(791)	(644)
Disposals	(407)	(1,225)
Impairment losses	-	(48)
As at 30 June	**24,913**	**22,374**

13 Intangible assets

mln RUB	30 June 2018	30 June 2017
As at 1 January	779	3,113
Additions	251	414
Depreciation charge	(161)	(64)
Disposals	(3)	(2)
Impairment losses	-	(9)
As at 30 June	**866**	**3,452**

Intangible assets on 30 June 2017 included the clients' lists which was sold at the end of 2017 year within the disposal of the "Maintenance segment".

14 Investment property

mln RUB	30 June 2018	30 June 2017
As at 1 January	23,690	26,581
Reclass to inventories	(5,407)	-
Change in fair value	16	(416)
Disposal	(82)	-
As at 30 June	**18,217**	**26,165**

Investment property consists of land plots with undetermined use. According to the independent appraisals' reports positive change in fair value of some individual land plots during the first half of 2018 year amounted to RUB 16 million (first half of 2017: negative change amounted to RUB 416 million).

The fair value of investment property was based on valuations, performed by external independent appraisers, who hold recognised, recent and relevant professional qualifications. The fair value of investment property was determined by using income or market equivalent approaches selected individually for each specific investment property being valued. Selected approach has not been changed since the year-end reporting period (2017 year). Assumptions used for the calculation of figures as at 31 December 2017 also have not been changed significantly.

Fair value of investment property is assigned to Level 3 of the fair value hierarchy according to the initial data used for the valuation techniques.

15 Inventories

mln RUB	30 June 2018	31 December 2017
Construction work in progress, intended for sale, acquired through business combinations	83,122	117,188
Construction work in progress, intended for sale, accounted at historical cost	97,667	107,112
Finished goods and goods for resale	11,637	16,667
Raw materials and consumables	3,988	2,789
Work in progress	30	27
	196,444	**243,783**
Write down	(2,301)	(3,239)

Construction work in progress intended for sale and finished goods mostly consist of apartments, non-residential properties and car parking slots. Standard operational cycle of construction projects exceeds 12 months. Inventories are classified as current assets even if they are not intended to be sold within the next 12 months after the reporting date. As at 30 June 2018 inventories amounting to RUB 22,355 million from the co-investment agreements, concluded before 1 January 2017, are expected to be sold within the next 12 months.

During the reporting period the Group bought some land plots for development projects in Moscow region for total amount of RUB 9,945 million through the acquisition of control in companies which own that land plots. Acquired companies have no other significant assets, liabilities and financial results as at 30 June 2018. Respectively, the consideration paid by the Group for the acquisition of subsidiaries was accounted in construction work in progress, intended for sale.

Partially the payment was made by cash and the outstanding balance of RUB 618 million will be paid within six month after the reporting date.

16 Impairment losses on non-financial assets, net

mln RUB	30 June 2018	30 June 2017 (restated)
Impairment losses and write downs		
Property, plant and equipment	-	(48)
Inventory	-	(778)
Advances paid	(564)	(80)
	(564)	**(906)**
Reversal of impairment losses		
Advances paid	57	390
	57	**390**
	(507)	**(516)**

17 Liabilities on cash-settled financial instruments

As of the reporting date, Group's liabilities include two cash-settled financial instruments with a total fair value of RUB 1,676 million.

On 30 June 2017 the Group entered into transaction to sell 49 990 198 of its own global depositary receipts (GDRs) to one of the largest banks of the Russian Federation for consideration of RUB 15,000 million. GDRs were previously re-purchased on an open market in March.

Simultaneously, the Group entered into a 3-year cash-settled financial instrument contract under which the Group will be paid by the bank or pay to the bank the difference between the market price of GDRs as at the date the contract terminates in three years and the initial delivery price of the GDRs. Under the agreed terms, the Group will make quarterly payments to the bank, calculated at the annual rate of 11.35% from the delivery price of the GDRs. At initial recognition, the Group designated the cash-settled financial instrument in the amount of RUB 1,418 million as a financial instrument measured at fair value through profit and loss. As of 30 June 2018, the fair value of a non-deliverable financial instrument amounted to RUB 200 million.

The estimated fair value of this non-deliverable financial instrument as of 30 June 2018, was based on the following key assumptions:

- the risk-free rate for a period corresponding to the remaining contractual period, starting from the reporting date, is equal to 7.39%;
- the annual discount rate was 9.1%.

In May 2018, the Group entered into a second contract for a non-deliverable financial instrument with the same bank. The number of shares in the contract amounted to 60 137 070 and the rate of mandatory quarterly prepayments was set at the key rate of the Central Bank of the Russian Federation + 2.1%. The bank entered forward transactions with the final sellers (hedging counterparties) for the required number of shares and the Group has not repurchased its shares from open market.

When making the valuation of the non-deliverable financial instrument the Group used some unobservable inputs, for example, the Group's cost of capital range and thus classified non-deliverable financial instrument as "synthetic". Considering the valuation methods and transaction conditions the fair value of a non-deliverable financial instrument on initial recognition was included in the consolidated interim condensed statement of financial position as deferred charges on financial instruments.

At initial recognition, the Group classified this non-deliverable financial instrument in the amount of RUB 1,476 million as a long-term financial instrument carried at fair value through profit or loss. The amortization of the deferred charges for the reporting period amounted to RUB 41 million. Since there were no significant changes in the fair value of a non-deliverable financial instrument from its recognition date, its carrying value as of 30 June 2018, amounted to RUB 1,476 million.

The fair value estimate of the second non-deliverable financial instrument as of 30 June 2018, was based on the following key assumptions:

- the risk-free rate for the period corresponding to the remaining contractual period, starting from the reporting date, is equal to 7.51%;
- the annual discount rate was 9.3%.

The Group has classified non-deliverable financial instruments to Level 3 of the fair value hierarchy of financial instruments.

18 Weighted average number of shares and earnings per share

Weighted average number of shares, thousand shares

	Six-month period ended 30 June 2018	Six-month period ended 30 June 2017
Issued shares at the beginning of the reporting period	660,497	660,497
Effect of purchasing and selling own shares in 2017	-	(26,238)
Weighted average number of shares for the period	660,497	634,259

Earnings per share

	Six-month period ended 30 June 2018	Six-month period ended 30 June 2017
Profit/(loss) and total comprehensive income for the period attributable to the owners of the Company, mln RUB	76	(2,520)
Weighted average number of shares for the period, thousand shares	660,497	634,259
Basic and diluted profit/(loss) per share, RUB	**0.11**	**(3.97)**

19 Loans and borrowings

mln RUB	**30 June 2018**	**31 December 2017**
Non-current		
Bonds, net of those purchased by the Group	59,533	44,250
Unsecured bank loans	4,473	-
Secured bank loans	-	365
Finance lease liabilities	31	87
	64,037	**44,702**
Current		
Bonds, net of those purchased by the Group	9,542	13,434
Secured bank loans	-	115
Interest payable	1,897	2,105
Finance lease liabilities	124	130
	11,563	**15,784**
	75,600	**60,486**

As at 30 June 2018 there were no secured bank loans. As at 31 December 2017 the bank loans were secured with rights to lease the land plots with total area of 52,5 thousand square meters.

During the first half of 2018 the Group received the bank loan in amount of RUB 4,500 million with an interest rate equals the key interest rate of the Central Bank of the Russian Federation + 1.45%. The financing received was used for the repayment of loans and bonds redemption.

During the first half of 2018 the Group repaid bank loan in total amount of RUB 480 million.

In April 2018 the Group issued 10-year bonds in total amount of RUB 7,000 million with a right of early redemption or partly redemption during the circulation period at the discretion of the issuer. The coupon rate is 7.75% for the first coupon period and equals the key interest rate of the Central Bank of the Russian Federation + 0.5% for the second up to and including twenties coupon period. The coupon is paid semiannually.

In June 2018 the Group had two 3-years bonds issues for total amounts of RUB 6,000 and 4,000 million. The coupon rate for the first one is 8.70% for the first coupon period and equals the key interest rate of the

Central Bank of the Russian Federation + 1.45% for the second up to and including sixth coupon period. The coupon rate for the second bond issue is 8.70% and paid semiannually.

During the first half of 2018 following the strategy decision to reduce the cost of debt financing the Group redeemed its bonds for total amount of RUB 5,788 million from which RUB 3,877 million were bought by pre-scheduled offer in April 2018 (during the first half 2017 the Group redeemed its bonds for total amount of RUB 6,600 million).

Reconciliation of changes of liabilities and cash flows arising from financing activities

mln RUB	Balance as at 31 December 2017	Received	Repaid	Interest expense	Effect of transaction costs	Balance as at 30 June 2018
Non-current	**44,702**	**21,719**	**(2,317)**	**-**	**(67)**	**64,037**
Bonds, net of those purchased by the Group	44,250	17,219	(1,896)	-	(40)	59,533
Unsecured bank loans	-	4,500	-	-	(27)	4,473
Secured bank loans	365	-	(365)	-	-	-
Finance lease liabilities	87	-	(56)	-	-	31
Current	**15,784**	**-**	**(7,872)**	**3,651**	**-**	**11,563**
Bonds, net of those purchased by the Group	13,434	-	(3,892)	-	-	9,542
Secured bank loans	115	-	(115)	-	-	-
Interest payable	2,105	-	(3,842)	3,634	-	1,897
Finance lease liabilities	130	-	(23)	17	-	124
Total liabilities attributable to financing activities	**60,486**	**21,719**	**(10,189)**	**3,651**	**(67)**	**75,600**

Payments on cash-settled financial instruments recognized in cash flows from financing activities amounted to RUB 949 million for the reporting period (note 17).

20 Financial instruments

(a) Fair value and carrying amount

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

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

As at 30 June 2018 and 31 December 2017 the carrying values of financial assets and liabilities of the Group did not change significantly from their fair values, except for bonds.

As at 30 June 2018 the fair value of bonds, net of purchased by the Group, exceeded their carrying amount by RUB 1,738 million (as at 31 December 2017: RUB 1,333 million)

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty fails to meet its contractual obligations on financial instruments. Generally, credit risk related to financial assets of the Group represented in the table below. During the reporting period the structure of the Group's financial assets and their credit rating did not changed significantly, the approach of the Group to their measurement also stayed the same.

The change in the impairment loss allowance (expected credit losses) on financial assets of the Group measured at amortized cost presented in the table below:

	Note	Other investments	Accounts receivable	Total
Amounts before application of IFRS 9	3(b)	**182**	**834**	**1,016**
Adjustment on initial application of IFRS 9	3(b)	113	423	536
Impairment loss allowance as at 1 January 2018	3(b)	**295**	**1,257**	**1,552**
Increase of expected credit losses for the period, net		67	238	305
Other changes in allowance		-	20	20
Impairment loss allowance as at 30 June 2018		**362**	**1,515**	**1,877**

21 Provisions

mln RUB	Provision for cost to complete	Profision for unprofitable contracts	Provision for purchase of land plots	Provision for taxes	Total
As at 1 January 2018	**18,144**	**-**	**-**	**2,400**	**20,544**
Additional provisions	160	350	1,078	200	1,788
Provisions used	(5,294)	(159)	(705)	-	(6,158)
Impact of first application of IFRS 15	(2,953)	538	1,889	-	(526)
As at 30 June 2018	**10,057**	**729**	**2,262**	**2,600**	**15,647**

In the calculation of provisions the Group used assumptions which involved uncertainty and judgments. Estimated costs to complete represent the Group's estimate of future costs which are expected to be incurred by the Group in relation to construction of infrastructure facilities and other local amenities, such as schools, parking places, commercial real estate etc., which the Group is obliged to build as part of its agreements with the municipal authorities. The estimation depends on changes in the rules and standards of urban development which can cause the changes in terms of investment agreements concluded by the Group and also changes in prices for construction materials and labor force. In the current reporting period due to the initial application of IFRS 15 the provision for cost to complete is created only for cancelable agreements with customers of real estate objects. The provision for purchase of land plots included the amount which the Group should spend to finish transactions on purchase of land plots in current development projects in which the selling of real estate objects has begun.

22 Contingencies

Except as described below, the contingencies of the Group related to insurance and warranties did not change significantly from the contingencies and guarantees reported in the consolidated financial statements as at and for the year ended 31 December 2017.

Litigation contingencies

The Group is involved as a defendant in legal proceedings related to supply and services contracts. As at 30 June 2018 the Group made a provision for litigations, which have a high probability of resource outflows amounted RUB 1,086 million. Management believes, based on legal advice, that the cases can be successfully defended and therefore no losses will be incurred, above the amounts provided for in accounts payable. The legal claims are expected to be settled in the course of the next reporting period.

Taxation contingencies

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities.

Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

In addition, a number of new laws introducing changes to the Russian tax legislation have been recently adopted. In particular, starting from 1 January 2015 changes aimed at regulating tax consequences of transactions with foreign companies and their activities were introduced, such as concept of beneficial ownership of income, taxation of controlled foreign companies, tax residency rules, etc. These changes may potentially impact the Group's tax position and create additional tax risks going forward. This legislation and practice of its application is still evolving and the impact of legislative changes should be considered based on the actual circumstances.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Group's management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, these interpretations by the tax authorities and courts could be different, especially considering the recent reform of the higher courts, responsible for arbitration of tax disputes, and the effect on these consolidated financial statements, if the tax authorities will be successful in enforcing their interpretations, could be significant.

In addition, the Group acquires works, services, raw materials and materials from various suppliers that are fully responsible for tax and financial reporting compliance. Meanwhile, the current practice of the tax authorities indicates that claims of the tax authorities to the suppliers related to non-compliance with tax legislation can lead to additional tax risks for the Group. If tax authorities substantiate the legitimacy of such claims the Group can be filed with additional tax claims despite the fact that the management of such suppliers are fully responsible for completeness and timelessness of tax payments. Management has not made any provisions for such liabilities in these consolidated financial statements on the grounds that the risk estimate of cash outflow related to settlement of these liabilities is possible but not probable. According to the Group's management it is impossible to determine the financial consequences of potential tax liabilities which can arise as the result of transactions held with such suppliers due to diversity of approaches to assess the degree of violation of the tax legislation.

23 Related party transactions

(a) Control relationships

As at 30 June 2018, the Group is ultimately controlled by Mr. Sergey E. Gordeev, who controls 74.57% of the Group.

(b) Management remuneration

Key management remuneration accrued during six months of 2018 is represented in the following table:

mln RUB	Six-month period ended 30 June 2018	Six-month period ended 30 June 2017
Salaries and bonuses	898	392
Insurance contributions	101	73
	999	**465**

(c) Transactions with related parties

Related parties' balances

mln RUB	30 June 2018	31 December 2017
Loans issued	367	155
Advances issued	254	26
Accountsr receivable	285	3
Advances received	(68)	(61)
Accounts payable	(428)	(339)
Total	**410**	**(216)**

During the first half of 2018 associates have received two new loans for the total amount of RUB 200 million.

In the first half of 2018 accrued interest of loans issued to associates amounted to RUB 13 million (six month 2017: RUB 44 million).

(d) Transactions with other related parties

During the six-month period ended 30 June 2018 executive directors purchased from the Group residential apartments in uncompleted buildings for the total amount of RUB 4 million (six months ended 30 June 2017: RUB 55 million).

24 Subsequent events

In August 2018 the Group made full early redemption of three issues of its bonds for the total amount RUB 9,340 million.

In August 2018 the Group's shareholders meeting approved payment of dividends in the total amount RUB 15,000 million.

25 Information on non-IFRS measures

Net debt

mln RUB	**Note**	**30 June 2018**	**31 December 2017**
Loans and borrowings, current	19	11,563	15,784
Plus: Loans and borrowings, non-current	19	64,037	44,702
Less: Cash and cash equivalents		(60,223)	(45,452)
Net debt		**15,377**	**15,034**

Development capital expenditures except for cash paid for the acquisition of development rights

mln RUB	**Note**	**Six-month period ended 30 June 2018**	**Six-month period ended 30 June 2017**
Change in:			
Construction work in progress, intended for sale	15	13,014	20,975
Finished goods and goods for resale	15	(5,030)	1,474
Prepayments related to development contracts		5,599	2,542
Accounts payable related to development contracts		3,821	1,685
Accounts payable for acquisition of development rights		19	163
Provisions for cost to complete		5,097	743
		22,520	**27,582**
Cost of sales of real estate objects		68,718	28,061
Acquisition of investment rights and land plots		(16,476)	(2,227)
Development capital expenditure except for cash paid for the acquisition of development rights		**74,762**	**53,416**

Proceeds from sales of real estate

mln RUB	**Six-month period ended 30 June 2018**	**Six-month period ended 30 June 2017**
Change in advances from customers	23,180	54,382
Revenue from sales of real estate objects	87,061	35,299
Change in accounts receivable including contract assets from contracts with customers	870	-
Cash collections from sales of real estate objects	**111,111**	**89,681**

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

mln RUB	Note	Six-month period ended 30 June 2018	Six-month period ended 30 June 2017
Profit/(loss) and total comprehensive income for the period		315	(2,519)
Plus: Depreciation of property, plant and equipment and amortisation of intangible assets	12, 13	952	708
Plus: Interest expense	9	4,433	5,706
Plus: Significant financial component on contracts with customers		5,987	-
Less: Interest income	9	(1,446)	(1,804)
Plus: Income tax expense/(benefit) inclusive of income tax from discontinued operations	11	99	(737)
EBITDA		**10,340**	**1,354**

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Supplementary information not required by IFRS

Corrected earnings before interest, taxes, depreciation and amortisation:

mln RUB	Note	Six-month period ended 30 June 2018	Six-month period ended 30 June 2017
EBITDA		**10,340**	**1,354**
Less: Significant financial component included in revenue		(1,540)	-
Impairment loss on non-financial assets, net	16	507	516
Change in fair value of investment property	14	(16)	416
Impairment loss on financial assets, net	9	393	197
Reversal of write-off of accounts payable	9	-	11
Foreign exchange gain, net	9	(180)	(472)
Loss on disposal of property, plant and equipment	10	45	479
Loss/(gain) from disposal of development rights and subsidiaries		290	(9)
Penalties and fines, including reversals, net	10	748	1,169
Write-off of other materials		19	48
Other financial income	9	(160)	(27)
Gain from change in terms of a long-term financial liability	9	-	(1,057)
Adjusted EBITDA		**10,446**	**2,625**

Adjusted EBITDA excluding cost of land

mln RUB	Six-month period ended 30 June 2018	Six-month period ended 30 June 2017
Adjusted EBITDA	10,446	2,625
Cost of land plots included in the cost of sales	3,600	775
Cost of acquisition of projects recorded at fair value included in the cost of sales	5,028	2,165
Adjusted EBITDA excluding cost of land	**19,074**	**5,565**

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

mln RUB	Six-month period ended 30 June 2018	Six-month period ended 30 June 2017
Net cash from operating activities before changes in inventories, trade and other receivables and paybles and provision for cost to complete	**5,129**	**610**
Changes in:		
Inventories before acqusitions and sale of development rights and land plots	9,804	(21,144)
Trade and other receivables, including contract assets from contracts with customers and excluding prepayments for development rights and land plots	(3,936)	(2,059)
Trade and other payables, including contract liabilities from contracts with customers	21,025	46,250
Provision for cost to complete	(5,914)	(688)
Cash flows from operations before income taxes and interest paid and before acqusitions and sale of development rights and land plots and prepayments for development rights	**26,108**	**22,969**
Income taxes paid	(3,840)	(3,305)
Interest paid	(3,651)	(4,763)
Net cash flows from operations before acquisitions and sale of development rights and land plots and prepayments for development rights	**18,617**	**14,901**
Acquisition of development rights and land plots	(12,845)	(2,227)
Sale of development rights and land plots	(89)	-
Prepayments for development rights	(3,631)	(574)
Net cash from operating activities	**2,052**	**12,100**