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Skoltech

Skolkovo Institute of Science and Technology

**Annual
Financial
Report**

Contents

| | |
|--|----|
| MANAGEMENT ANALYSIS | 02 |
| INDEPENDENT AUDITOR'S REPORT | 10 |
| CONSOLIDATED FINANCIAL STATEMENTS | 12 |
| GENERAL INFORMATION | 16 |
| BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS | 17 |
| SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES | 19 |
| NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS | 23 |

Management analysis

INTRODUCTION

This unaudited section of the Skoltech (hereinafter- “the Institute”, “the Group”) Annual Financial Report presents our analysis of the financial position and performance of the Institute and its Endowment Fund during the reporting year ended 31 December 2019 with comparative information as at 31 December 2018. This analysis has been prepared by management based on the accompanying financial statements under

IFRS and non-financial information such as enrollment levels, expansion of research activities, the condition of the facilities and other. All financial information presented in Management analysis in RUB has been rounded to the nearest million, except when otherwise indicated. Financial information in Consolidated Financial Statements and Notes presented in RUB has been rounded to the nearest thousand.

STATEMENT OF FINANCIAL POSITION

Institute 2019 financial position and financial results were strong, providing sufficient funding for the growing needs of education, research and innovation activities, as well as to support our Campus construction and infrastructure development tasks. We have grown our income. These

resources allow for enhancement for research projects and programs, expanded housing opportunities for students, competitive salary programs for faculty and staff and investments in our construction of new laboratories.

Net assets

Skoltech net assets in excess of RUB 5 billion have remained relatively constant from 2018 to 2019 (Figure 1).

Capital Investments

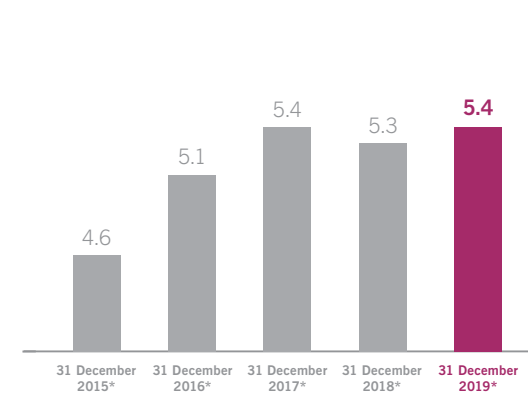
As at 31 December 2019 the largest category within the Group’s RUB 12,190.2 million total asset balance is Property, plant and equipment (PPE) which represents 31% of the total (31 December 2018: 40%). In accordance with one of the Institute’s strategic goals it incurred significant capital expenditure, including the construction of the university Campus and developing laboratory infrastructure, to assure the Institute’s future sustainability. This year investments in capital expenditure amounted to RUB 421.1 million which 44% low than in the previous year. Together with the increase

in accumulated depreciation in 2019 as compared to 2018, this led to a decrease in depreciable capital assets (Figure 2).

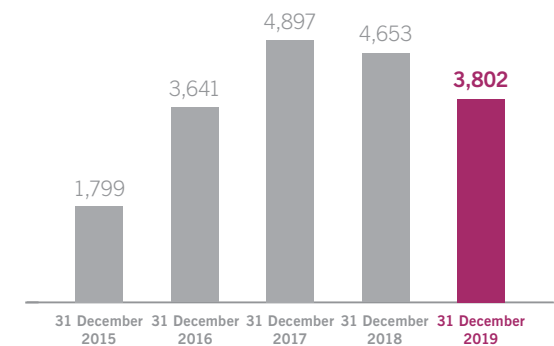
Analysis of the 2019 structure of PPE by groups (Figure 3) shows that it doesn’t change significantly in comparison with a previous year. More than half of all PPE consists of Laboratory equipment.

Another large component of PPE is the Construction in progress group. It consists of advance payments and assets under installation. The amount of RUB 1,022.4 million is for the construction of training and laboratory facilities in the Campus. In 2019-

Net assets, billion RUB (Figure 1)

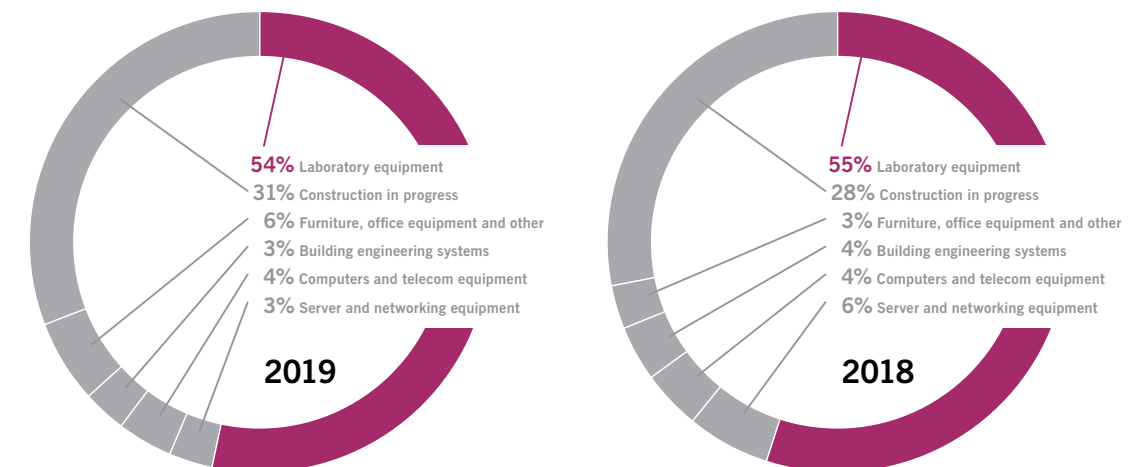


Carrying amount of Property, plant and equipment (Figure 2)



* Consolidated Financial Statement for the years 2017,2018,2019 are audited, for 2015-2016- unaudited

Institute’s PPE by groups (Figure 3)



2017, Skoltech invested significantly into developing its laboratory infrastructure. The lab/research facilities design and construction program continues to move according to schedule and will be completed by the end of 2021.

The carrying amount of Intangible assets increased as at 31 December 2019 by 8% in comparison with as at 31 December 2018. The Group’s intangible assets primarily include computer software, database, patents.

As at 1 January 2019, the Group adopted IFRS 16. IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions between operating leases (off balance sheet) and finance leases (on balance sheet) is removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets. The Group has

lease contracts for campus, premises for laboratories, offices, various items of science equipment, vehicles and other equipment used in its operations. Right-of-use assets totaled RUB 1,031 million as at 31 December 2019.

Current assets

As at 31 December 2019 the largest categories within the Institute's current asset balance are financial investments, cash and cash equivalents and prepayments to suppliers. Prepayments to suppliers totaled RUB 946.4 million as at 31 December 2019 (31 December 2018: RUB 1,142.2 million). The prepayments primarily consist

Analysis of the 2019 structure of right-of-use assets by groups (Figure 4) shows that the group of premises for laboratories constitutes the largest part.

of advance payments to the international Institute-partners under Master Research Agreements and Agreement to further extend cooperation. Skoltech is developing networks with top international and Russian universities and research teams in the areas identified as its research priorities.

Liabilities

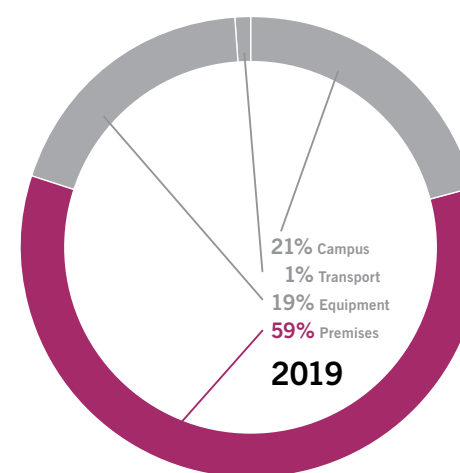
As at 31 December 2019 the largest category within the Institute's RUB 6,754 million (31 December 2018: RUB 6,474.9 million) liability balance is deferred grants, which represent 76% of the total (2018 – 92%).

The Group's operations are financed by means of grants received from Skolkovo Foundation and other government institutions, such as the Russian Science Foundation and the Ministry of Education and Science. The majority of the grants are received from Skolkovo Foundation as part of the State Program on Innovation Development of the Russian Federation. The grants are provided to finance the development, ongoing operations and activities of the Group. According to the grant agreements, Skolkovo Foundation and other

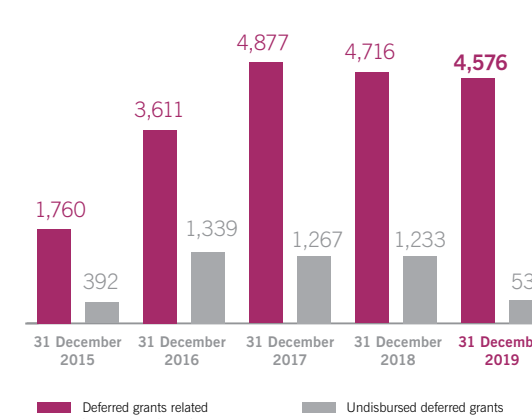
donors have the right to control the use of the funds given to the Institute and may demand repayment of the grant if it is not applied towards the specified objectives. Under normal circumstances, deferred grants are transferred to income when the terms of the grants are met.

Deferred grants are classified as non-current and current deferred grants. Non-current deferred grants represent the carrying amount of non-current assets purchased from grant funds. Current deferred grants represent the undisbursed amount of grants intended for use in operational and research activities (Figure 5).

Institute's right-of-use assets by groups (Figure 4)



Institute's deferred grants (Figure 5)



The movements in these current and non-current deferred grants in 2019 and 2018 were as follows:

| | Undisbursed deferred grants | Deferred grants related to non-current assets | Total |
|---|-----------------------------|---|----------------|
| Balance at 1 January 2018 | 1,266.5 | 4,876.7 | 6,143.2 |
| Grants received | 5,563.9 | - | 5,563.9 |
| Repayment of unused grants | (1.8) | - | (1.8) |
| Grants recognised in income to match related expenses | (4,717.2) | (1,038.7) | (5,755.9) |
| Reclassification to deferred grants related to non-current assets | (878.1) | 878.1 | - |
| Balance at 31 December 2018 | 1,233.3 | 4,716.1 | 5,949.4 |
| Grants received | 6,243.4 | - | 6,243.4 |
| Repayment of unused grants | (68.1) | - | (68.1) |
| Grants recognised in income to match related expenses | (5,763.4) | (1,273.3) | (7,036.7) |
| Grants related to Intangible assets recognised as at 31 December 2019 | | 20.1 | 20.1 |
| Reclassification to deferred grants related to non-current assets | (1,112.7) | 1,112.7 | - |
| Balance at 31 December 2019 | 532.5 | 4,575.6 | 5,108.1 |

Endowment

The Group's Endowment Fund as at 31 December 2019 amounts to RUB 3,772 million (31 December 2018: RUB 3,772 million) and was initially funded by one-off donations from industry.

The Endowment Fund has a long-term endowment strategy designed to enhance the Institute's financial independence and support the implementation of its strategy. The primary goal of the Endowment Fund investment policy is to ensure the reliability, liquidity, yield

and diversification of investments. According to the Investment Declaration approved by the Management Board of the Endowment Fund, investments can be made in the state bonds of the Russian Federation, Russian corporate bonds (from a specified list) and Russian Rouble deposits with state-owned banks.

The fair value of the bond portfolio as at 31 December 2019 is RUB 4,694.9 million (31 December 2018: RUB 4,554.9 million). All bonds are measured at fair value.

The movements in listed bonds in 2019-2018 were as follows:

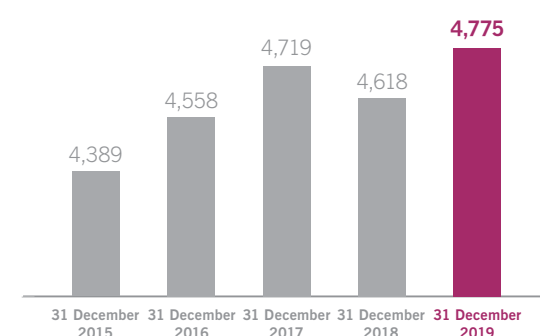
| | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|--------------------------------|--------------------------------|
| Carrying amount at 1 January | 4,554.9 | 3,890.5 |
| Net change of fair value | 91.5 | (59.3) |
| Interest income | 376.2 | 312.3 |
| Interest received | (400.8) | (381.7) |
| Additions | 2,002.2 | 2,153.7 |
| Disposals | (790.1) | (859.9) |
| Repayment on maturity and/or portion repayments | (1,139) | (500.7) |
| Carrying amount at 31 December | 4,694.9 | 4,554.9 |

Analysis of the structure of the Endowment Fund portfolio (including bonds, cash in bank) as at 31 December 2019 shows that Corporate bonds represent 89% (31 December 2018: 72%) of the total portfolio. Corporate bonds increased from RUB 3,323.4 million to RUB 4,238.9 million. The Russian government bonds decreased from 1,231.5 million to RUB 456 million.

Endowment funds are managed by Management Company Alfa Capital and Management Company VTB Capital Asset Management, both of which are professional asset management companies. Financial results from the management companies' investment activity in 2019 are higher than those of 2018. The reasons are the following: financial markets do not expect further toughening economic sanctions; unprecedented drop in inflation rate in Russia; consistent Central Bank policy in key rate reduction.

As a whole the Endowment Fund portfolio increased during the year from 4,618.4 to RUB 4,774.6 million, an increase of RUB 156.2 million or 3.4% from December 31, 2018 (Figure 6).

Endowment Fund portfolio (Figure 6)



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Income

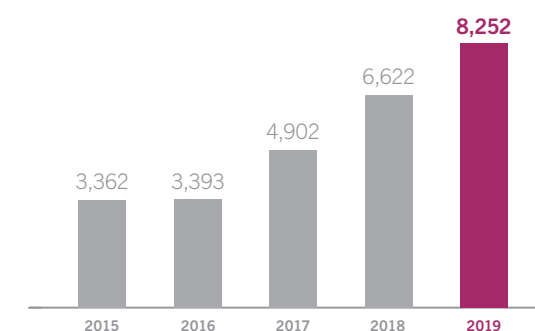
There was substantial increase in total income (income from grants, income from investments of Endowment Fund, revenue from contracts with customers and other income, other comprehensive income/ (loss)) in 2019, 25 %. (Figure 7). The Endowment Fund's performance have been quite successful this year. This led to total comprehensive income for the year from the Group's operations in the amount of RUB 131.7 million.

Analysis of the 2019 structure of Income by sources shows that it doesn't change significantly in comparison with a previous year. (Figure 8).

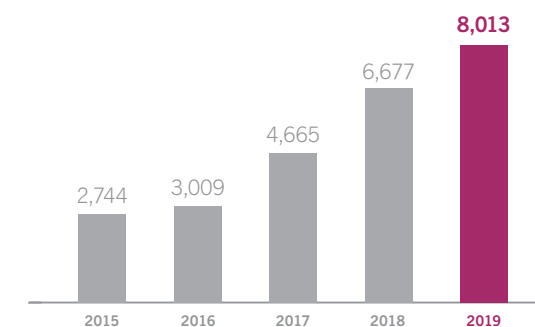
The increase in total income is mainly driven by an increase in the recognition of grants provided by the Skolkovo Foundation and other government institutions to finance the Institute's development, research and ongoing operations. Income from grants increased from RUB 5,756 million in 2018 to RUB 7,036.6 million in 2019. Income from grants is recognized in the amount of the corresponding incurred expenses.

Revenue from contracts with customers increased significantly from RUB 575.8 million in 2018 to RUB 706.9 million in 2019. Revenue from contracts includes revenue from research contracts, from educational, consulting and other services. A key reason for the increase in revenue from contracts with customers was the expansion of industry-funded research and consulting services. The largest customers of the Institute are Gazpromneft NTC, Lukoil-Engineering, Lebedev Physical Institute, National Research Nuclear University, VNIIneft JSC, Huawei Technologies Co. Ltd., AM Munich Research Institute GmbH.

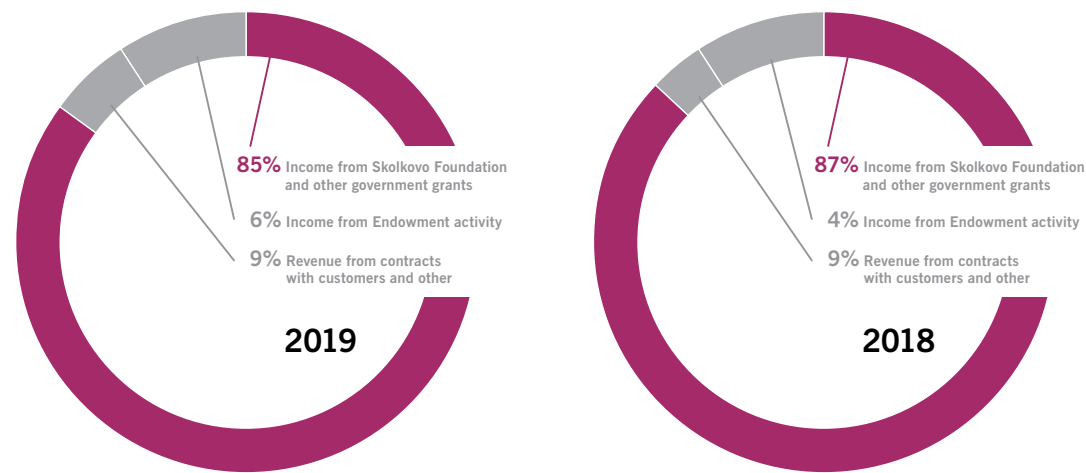
Group's income (Figure 7)



Group's operating expenses (Figure 9)



Group's income by sources (Figure 8)



Income from Endowment activity regarding the bonds portfolio (including other comprehensive (loss)/income) in 2019 increased significantly by 80% from RUB 268.9 million in 2018 to RUB 483.1 million

in 2019. There were unfavorable market conditions that caused significant drop in bonds price in 2018, this year the situation was stabilized.

Operating expenses

In 2019, Skoltech operating expenses increased by RUB 1,336 million, or 20%, to RUB 8,013 million (Figure 9).

The Institute's expenditures for 2019 and 2018 analyzed by the nature of the expenses (Figure 10).

The Group's expenditure includes staff costs, depreciation and amortization, scholarship and student costs, campus utilities and maintenance, research initiative costs and other. In 2019, staff costs remain our primary resources and represent 46% of the total expenses. They mainly consist of costs on salaries, compulsory social security contributions, bonuses, medical insurance, reimbursement of accommodation and benefits in kind provided to employees.

Staff costs grew from RUB 2,853.4 million in 2018 to RUB 3,656.3 million in 2019, an increase of 28%. This is due to higher staff numbers recruited in order to improve overall research capability and to support the increased contract activities. In addition, salaries increased in 2019.

Depreciation and amortization represent 20% of total expenditure and grew significantly by 51% to RUB 1,642.5 million in 2019. First of all, this is due to the fact that Institute began to accrue depreciation of right-of-use assets in 2019. It amounted to RUB 303 million. Another reason of growing depreciation is a consequence of the increasing level of capital costs this and previous years.

Scholarships and student costs grew to RUB 742.9 million, or 33% in comparison to 2018. Growth was connected with the increase in student cohort, share of PhD students.

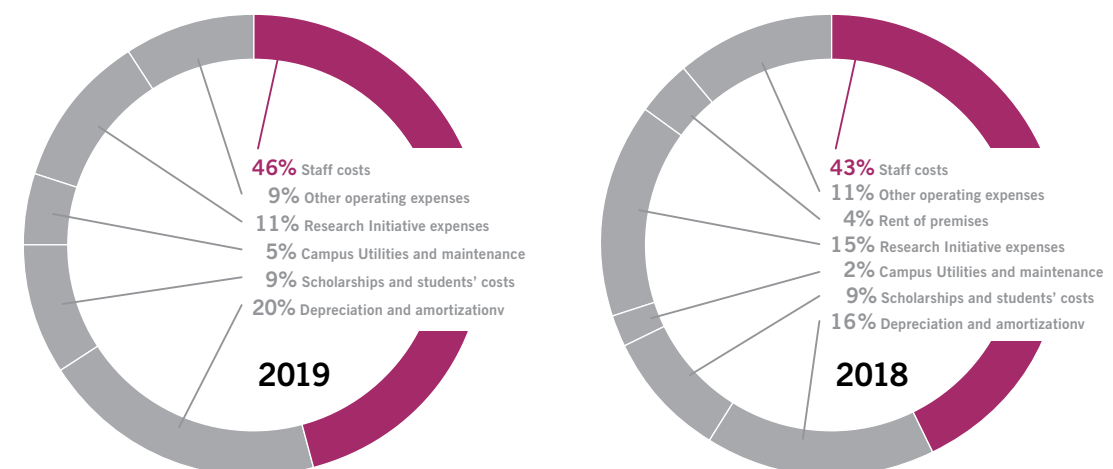
Utilities and maintenance expenses this year represent 5% of total expenditure and includes costs for repair and maintenance of engineering systems in campus, utilities, cleaning of premises and territories, security services. 2019 was the first full year operation in a new Campus for administrative staff and first laboratories. Due to this fact the utilities and maintenance expenses grew by 163% to RUB 406.7 million in 2019.

Rent of premises amounted to RUB 274.8 million in 2018. This year IFRS 16 "Leases" changed how the Group accounts for leases previously classified as operating leases under IAS 17 "Leases". As a result, in 2019 depreciation of right-of-use assets, interest on lease liabilities and expenses for short-term leases were recognized. They amounted RUB 424.3 million.

In 2019, the Institute signed long-term agreement to further extend cooperation with Massachusetts Institute of Technology. The purpose of the parties' cooperation is to continue the development of Skoltech as a graduate university focused on discovery and innovation in science and technology for social betterment and as a leading center of academic excellence in cutting-edge basic and applied research.

Other operating expenses decreased in 2019. They include costs for consulting and professional services, events and conferences, IT services, business trips and other.

Operating expenses by cost categories (Figure 10)



Independent auditor's report

Deloitte.

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Independent auditor's report on the consolidated financial statements in accordance with International Financial Reporting Standards of the Skoltech with an unqualified audit opinion has been issued by the audit firm AO "Deloitte & Touche CIS" on 31 August 2020. This report provides an extract from the audited consolidated financial statements.

Extract from the auditor's report:

Opinion

We have audited the consolidated financial statements of the Autonomous non-profit educational organization of higher education "Skolkovo Institute of Science and Technology" and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in surplus 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 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, 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.

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 ("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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements ...

Consolidated Financial Statements

SKOLTECH GROUP CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

(in thousands of Russian Rubles)

| | Notes | 31 December 2019 | 31 December 2018 |
|---|-------|-------------------|-------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 3 | 3,801,936 | 4,653,299 |
| Intangible assets | 4 | 172,350 | 160,049 |
| Right-of-use assets | 5 | 1,031,026 | - |
| Deferred tax assets | | 5,934 | 12,823 |
| Other non-current assets | | 42,390 | 27,890 |
| Total non-current assets | | 5,053,636 | 4,854,061 |
| Current assets | | | |
| Inventory | | 9,671 | - |
| Accounts receivable | | 198,122 | 313,802 |
| Income tax prepayment | | 8,747 | - |
| Prepayments and other current assets | | 1,041,650 | 1,226,337 |
| Financial investments | 1 | 4,694,910 | 4,554,905 |
| Cash and cash equivalents | | 1,183,457 | 830,165 |
| Total current assets | | 7,136,557 | 6,925,209 |
| Total assets | | 12,190,193 | 11,779,270 |
| ACCUMULATED SURPLUS AND LIABILITIES | | | |
| Accumulated surplus and other comprehensive income | | | |
| Endowment funds | | 3,772,043 | 3,772,043 |
| Accumulated surplus | | 1,616,437 | 1,552,392 |
| Accumulated other comprehensive income/(loss) | | 47,676 | (20,025) |
| Total accumulated surplus and other comprehensive income | | 5,436,156 | 5,304,410 |
| Non-current liabilities | | | |
| Deferred grants | | 4,575,655 | 4,716,122 |
| Lease liabilities | | 771,885 | - |
| Total non-current liabilities | | 5,347,540 | 4,716,122 |
| Current liabilities | | | |
| Accounts payable | | 510,563 | 501,693 |
| Income tax payable | | - | 9,479 |
| Advances received | | 71,357 | 14,278 |
| Deferred grants | | 532,492 | 1,233,288 |
| Lease liabilities | | 292,085 | - |
| Total current liabilities | | 1,406,497 | 1,758,738 |
| Total liabilities | | 6,754,037 | 6,474,860 |
| Total accumulated surplus and liabilities | | 12,190,193 | 11,779,270 |

SKOLTECH GROUP CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

(in thousands of Russian Rubles)

| | Notes | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|-------|-----------------------------|-----------------------------|
| Income | | | |
| Grants | | 7,036,634 | 5,755,954 |
| Income from investments of Endowment Fund | | 415,443 | 322,287 |
| Revenue from contracts with customers and other income | 2 | 731,764 | 596,721 |
| Total income | | 8,183,841 | 6,674,962 |
| Expenditure | | | |
| Staff costs | | (3,656,301) | (2,853,453) |
| Depreciation and amortization | | (1,642,499) | (1,086,208) |
| Scholarships and students costs | | (742,876) | (556,486) |
| Utilities and maintenance | | (406,652) | (154,544) |
| Co-researchers' costs | | (362,748) | (453,238) |
| Other expenses | | (1,202,355) | (1,573,319) |
| Total expenditure | | (8,013,431) | (6,677,248) |
| Net income/(loss) from operations | | 170,410 | (2,286) |
| Finance costs, net | | (68,556) | (8,040) |
| Net income/(loss) before income tax | | 101,854 | (10,326) |
| Income tax expense | | (37,809) | (19,298) |
| Income/(loss) for the year | | 64,045 | (29,624) |
| Other comprehensive income/(loss) | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Net change in fair value of financial investment in the current year | | 91,482 | (59,279) |
| Net (gains)/losses on financial investment reclassified to profit or loss upon disposal or impairment | | (23,781) | 5,855 |
| Other comprehensive income/(loss) for the year | | 67,701 | (53,424) |
| Total comprehensive income/(loss) for the year | | 131,746 | (83,048) |

SKOLTECH GROUP CONSOLIDATED STATEMENT OF CHANGES IN SURPLUS FOR THE YEAR ENDED 31 DECEMBER 2019

(in thousands of Russian Rubles)

| | Endowment fund | Accumulated surplus | Accumulated other comprehensive income/(loss) | Total |
|--|------------------|---------------------|---|------------------|
| Balance at 1 January 2018 | 3,772,043 | 1,582,016 | 33,399 | 5,387,458 |
| Loss for the year | - | (29,624) | - | (29,624) |
| Other comprehensive loss | - | - | (53,424) | (53,424) |
| Total comprehensive loss for the year | - | (29,624) | (53,424) | (83,048) |
| Balance at 31 December 2018 | 3,772,043 | 1,552,392 | (20,025) | 5,304,410 |
| Income for the year | - | 64,045 | - | 64,045 |
| Other comprehensive income | - | - | 67,701 | 67,701 |
| Total comprehensive income for the year | - | 64,045 | 67,701 | 131,746 |
| Balance at 31 December 2019 | 3,772,043 | 1,616,437 | 47,676 | 5,436,156 |

SKOLTECH GROUP CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

(in thousands of Russian Rubles)

| | Note | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|-------|-----------------------------|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Loss before income tax | | 101,854 | (10,327) |
| <i>Adjustments for:</i> | | | |
| Depreciation and amortization | 3,4,5 | 1,642,499 | 1,086,208 |
| Grants | | (7,036,634) | (5,755,954) |
| Income from investments of Endowment Fund | | (415,443) | (322,287) |
| Interest income on cash and cash equivalents | | (21,254) | (17,184) |
| Discount (income)/ expenses | | (3,976) | 9,810 |
| Interest expense | | 83,040 | - |
| Loss on PPE disposal | | 9,684 | - |
| Allowance for trade receivables and prepayments | | (4,933) | 77,693 |
| Other | | (1,046) | (446) |
| Cash flows from operating activities before changes in working capital | | (5,646,209) | (4,932,487) |
| Decrease/(increase) in accounts receivable and advances paid | | 294,776 | (222,023) |
| (Increase)/decrease in inventory | | (9,671) | 145 |
| Increase/(decrease) in accounts payable and advances received | | 86,177 | (5,189) |
| Changes in working capital | | 371,282 | (227,067) |
| Grants received | | 6,219,538 | 5,563,932 |
| Grants repaid | | (68,134) | (1,843) |
| Interest income received on bonds | | 400,766 | 381,791 |
| Interest income received on deposits | | 1,545 | 26,394 |
| Interest income received from REPO | | 67 | - |
| Interest income received on cash and cash equivalents | | 21,254 | 17,184 |
| Interest paid | | (83,040) | - |
| Income tax paid | | (49,147) | (1,376) |
| Net cash flows from operating activities | | 1,167,922 | 826,528 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (417,471) | (632,221) |
| Purchase of intangible assets | | (68,911) | (96,088) |
| Proceeds from purchases of bonds | | (59,240) | (793,139) |
| Purchase of equity instruments at fair value through OCI | | (4) | - |
| Cash received on expiration of term deposits, net | | - | 687,606 |
| Proceeds from promissory notes | | - | 32,320 |
| Net cash flows used in investing activities | | (545,626) | (801,522) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Lease payments | | (269,004) | - |
| Net cash flows used in financing activities | | (269,004) | - |
| Cash and cash equivalents at the beginning of the year | | 830,165 | 805,159 |
| Net increase in cash and cash equivalents | | 353,292 | 25,006 |
| Cash and cash equivalents at the end of the year | | 1,183,457 | 830,165 |

General information

The Group and its operation

Autonomous Non-profit Organization for Higher Education “Skolkovo Institute of Science and Technology” (hereinafter – the “Institute”, “Organization”, “Skoltech”) was set up in the Russian Federation in 2011.

The Institute has one subsidiary – The Skolkovo Institute of Science and Technology Endowment Fund (hereinafter – the “Endowment Fund”), hereinafter together

referred to as “Skoltech Group”, the “Group”. Endowment Fund is a non-profit organization incorporated in the Russian Federation in 2012, and its main activities are to manage and distribute income from the usage of the endowment funds received as donations from individuals or companies. Income from the management of the Endowment Fund is used for financing of the Institute. The Group has 100% interest in Endowment Fund.

Principal activity

As an academic institution, Skoltech’s primary mission is academic excellence in six target domains. The following Target Domains were established based on technology priorities and experience:

- › Data Science & Artificial Intelligence;

- › Life Sciences & Biomedicine;
- › Cutting-edge Engineering & Advanced Materials;
- › Energy Efficiency;
- › Quantum Technologies;
- › Advanced Studies.

Basis of preparation of consolidated financial statements

Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards

(“IFRS”). The Group applied the International Financial Reporting Standards since 1 January 2013.

Basis of measurement

The consolidated financial statements are prepared on the historical cost basis, except for financial investments that have been measured at fair value.

Functional and presentation currency

The national currency of the Russian Federation is the Russian rouble (“RUB”), which is the Group’s functional currency and the currency in which these consolidated

financial statements are presented. All financial information presented in RUB has been rounded to the nearest thousand, unless otherwise stated.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent organization and its subsidiary. All intra-group assets and liabilities,

income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Going concern

Management prepares consolidated financial statements on a going concern basis. In making this judgment management considers the Group's financial position, current intentions, access to the financing, current plans of the Foundation of the New Technologies Development and Commercialization Centre (hereinafter

“Skolkovo Foundation”) (major funding body) to continue provision of grants in accordance with the State Program on Innovation Development of the Russian Federation approved by Russian Government, and analyzes the impact of the situation in the financial markets on the operations of the Group.

New and revised International financial reporting standards

IFRSs and IFRIC interpretations adopted in the current year

The Group has adopted all IFRSs and Interpretations that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2019.

IFRS 16 Leases

As at 1 January 2019, the Group adopted IFRS 16. IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 replaced IAS 17 Leases and all related interpretations.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions between operating leases (off balance sheet) and finance leases (on balance sheet) is removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

Summary of significant accounting policies

Property, plant and equipment

Property, plant and equipment (hereinafter – “PPE”) are stated at cost less accumulated depreciation. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Depreciation of PPE is calculated using the straight-line method over their estimated useful lives as follows:

| | |
|---------------------------------------|-------------|
| Laboratory equipment | 1–20 years; |
| Server and networking equipment | 2–10 years; |
| Computers and telecom equipment | 1–10 years; |
| Building engineering systems | 2–15 years; |
| Furniture, office equipment and other | 2–20 years. |

Intangible assets

Intangible assets stated at cost less accumulated amortization. The Group's intangible assets have definite useful lives and primarily include computer software. Acquired computer software licenses are capitalized on the basis of the costs incurred

to acquire and bring them to use. Intangible assets are amortized using the straight-line method over their useful lives:

| | |
|----------|-------------|
| Software | 1–10 years. |
|----------|-------------|

Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Starting from the 1 January 2018, financial assets are classified in the following categories:

- › Financial assets subsequently measured at amortized cost;
- › Financial assets subsequently measured at fair value through other comprehensive income (FVTOCI);
- › Financial assets subsequently measured at fair value through profit or loss (FVTPL). Measurement of financial assets
- › Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- › Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that

have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);

- › All other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Listed bonds held by the Group that are traded in an active market are classified as FVTOCI and are stated at fair value at the end of each reporting period. Changes in the carrying amount of FVTOCI assets relating to changes in interest income calculated using the effective interest method are recognized in profit or loss. Other changes in the carrying amount of FVTOCI assets are recognized in other comprehensive income. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Investments in other companies

The Group makes investments in other companies (start-up organizations) by entering into the following agreements:

- › Investment agreement and acceleration agreement or,
- › Agreement with founders to establish a legal entity or,
- › Agreement of sale and purchase of a share in the charter capital of legal entity or,
- › Other agreements.

These investments are accounted for as:

- › Equity instruments designated as at FVTOCI (measured at fair value through other comprehensive income) or,
- › Investments in associates and joint ventures, if the Group has significant influence or has joint control over investments or,
- › Subsidiaries, if the Group has control over investments.

Endowment Funds

Endowments received represent one-off donations to the subsidiary towards establishment of the endowment fund. The establishment and operations of such fund are governed by the Russian legislation. Income received from the management of endowment funds comprises interest income on bonds and deposits, net gains or losses on available-for-sale investments reclassified

to profit or loss upon disposal or impairment and net gains or losses on disposal of other investments and is used in the financing of the operating activities of the Institute.

Income from the management of endowment funds may be distributed to the Institute and used for the financing of its activities without any restrictions.

Grants

Grants are receipts of cash to perform principal activities in the area of professional education programs and scientific research. Grants comprise:

- › Skolkovo Foundation grants;
- › Other government grants.

The Group applies IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance” to account for all government grants and other forms of government assistance.

Grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Grants relating to the purchase of non-current assets are included in non-current liabilities as deferred grants and are credited to profit or loss on a straight – line basis over the expected lives of the related assets.

Charitable contributions (donations and sponsorships) are recognized as an income as they are received.

Income

The Group derives its income from two types of activities:

- › Non-commercial operations – The Institute is a non-profit organization and the majority of the Group activities fall into this category;

- › Commercial operations – consist of fixed fee research contracts, services and other activities.

Revenue from research contracts

For contracts where rendering of services are performed over time and the outcome of a transaction are estimated reliably the revenue is recognized in proportion to the stage of completion.

Expenses

The Group uses the classification of expenses by their nature in a statement of profit or loss and other comprehensive

income. The Group recognizes expenses in the period in which they were actually incurred, and not at the time of payment.

Foreign currency

Monetary assets and liabilities denominated at the reporting date in foreign currencies have been translated into RUB at the exchange rate at the reporting date. Foreign currency transactions are accounted for at the exchange rate at the transaction date. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

As at 31 December 2019, the official rate of exchange as determined by the Central Bank of the Russian Federation, between the RUB and the US Dollar was RUB 61.9057:US Dollar 1.00 (31 December 2018: RUB 69.4706:US Dollar 1.00); between the RUB and Euro: RUB 69.3406: Euro 1.00 (31 December 2018: RUB 79.4605: Euro 1.00).

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

(in thousands of Russian Rubles)

Income tax

Income tax expense comprises current and deferred tax. Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date.

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 liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Classification of accumulated surplus

The net income generated from operations is all used to finance the operating activities of the Institute and is not distributed to the founders. The founders do not have any rights relating neither to the net income of the Group nor to residual assets in case of

the Group's liquidation. Total accumulated comprehensive income is presented as a separate category "Total accumulated surplus and other comprehensive income" in the Group consolidated statement of financial position.

Measurement of fair value

When measuring the fair value of an asset or liability, the Group uses observable market data as much as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- › Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- › Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- › Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

1. FINANCIAL INVESTMENTS

The Endowment Fund made investments in the state bonds of the Russian Federation and Russian corporate bonds.

| | 31 December 2019 | 31 December 2018 |
|------------------------------------|------------------|------------------|
| Financial investments | | |
| Russian government bonds | 455,984 | 1,231,519 |
| Corporate bonds | 4,238,926 | 3,323,386 |
| Total financial investments | 4,694,910 | 4,554,905 |

Analysis by credit quality of financial investments outstanding at 31 December 2019 is as follows (Fitch rating, for the bonds not rated by Fitch, S&P rating was used):

| | Russian government bonds | Corporate bonds | Total |
|------------------------------------|--------------------------|------------------|------------------|
| BBB | 229,721 | 348,847 | 578,568 |
| BBB- | 226,263 | 2,105,994 | 2,332,257 |
| BB+ | - | 1,784,085 | 1,784,085 |
| Total financial investments | 455,984 | 4,238,926 | 4,694,910 |

Analysis by credit quality of financial investments outstanding at 31 December 2018 is as follows (Fitch rating, for the bonds not rated by Fitch, S&P rating was used):

| | Russian government bonds | Corporate bonds | Total |
|------------------------------------|--------------------------|------------------|------------------|
| BBB- | 1,231,519 | 2,533,431 | 3,764,950 |
| BB+ | - | 747,116 | 747,116 |
| Baa3 | - | 42,839 | 42,839 |
| Total financial investments | 1,231,519 | 3,323,386 | 4,554,905 |

The movements in financial investments are as follows:

| | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---------------------------------------|-----------------------------|-----------------------------|
| Carrying amount at 1 January | 4,554,905 | 3,890,525 |
| Net change of fair value | 91,482 | (59,279) |
| Interest income | 376,189 | 312,310 |
| Interest received | (400,704) | (381,791) |
| Additions | 2,002,170 | 2,153,700 |
| Disposals | (790,137) | (859,908) |
| Repayments | (1,138,995) | (500,652) |
| Carrying amount at 31 December | 4,694,910 | 4,554,905 |

In accordance with IFRS 9 as at 31 December 2019 and 31 December 2018 loss allowance has been recognized. Probability of default rates and loss given default are based on information from Bloomberg.

The movements in expected credit losses that have been recognized for the financial investments are as follows:

| | Year ended 31 December 2019 |
|---|--------------------------------|
| Balance as at 1 January 2018 | 13,952 |
| Decrease in loss allowance from financial investments | (854) |
| Balance as at 31 December 2018 | 13,098 |
| Decrease in loss allowance from financial investments | (605) |
| Balance as at 31 December 2019 | 12,493 |

All are categorised as Level 1 in the fair value hierarchy. Fair value gains/ (losses) arising during the year were comprised of:

| | Year ended 31 December 2019 | Year ended 31 December 2018 |
|--|--------------------------------|--------------------------------|
| Russian government bonds | 9,194 | (17,658) |
| Corporate bonds | 82,288 | (41,621) |
| Total gains/(losses) for the year | 91,482 | (59,279) |

2. REVENUE FROM CONTRACTS WITH CUSTOMERS AND OTHER INCOME

| | Year ended 31 December 2019 | Year ended 31 December 2018 |
|---|--------------------------------|--------------------------------|
| Revenue from research contracts | 659,661 | 548,595 |
| Revenue from consulting services | 27,703 | 4,985 |
| Revenue from educational services | 3,375 | 8,223 |
| Revenue from licenses | 1,014 | 372 |
| Revenue from other services | 15,117 | 13,627 |
| Total revenue from contracts with customers | 706,870 | 575,802 |
| Rental income | 7,894 | 2,421 |
| Other income | 17,000 | 18,498 |
| Total revenue from contracts with customers and other income | 731,764 | 596,721 |

3. PROPERTY, PLANT AND EQUIPMENT

Movements in the carrying amount of property, plant and equipment were as follows:

| | Laboratory equipment | Server and networking equipment | Computers and telecom equipment | Building engineering systems | Furniture, office equipment and other | Construction in progress | Total |
|------------------------------------|----------------------|---------------------------------|---------------------------------|------------------------------|---------------------------------------|--------------------------|--------------------|
| COST | | | | | | | |
| Balance at 1 January 2018 | 2,980,846 | 392,335 | 202,621 | 345,828 | 71,158 | 1,944,501 | 5,937,289 |
| Additions | 349,966 | 143,439 | 75,611 | 5,284 | 93,315 | 87,350 | 754,965 |
| Transfers | 433,669 | 155,655 | 76,615 | 19,830 | 38,100 | (723,869) | - |
| Disposals | (799) | - | (463) | - | (3) | - | (1,265) |
| Balance at 31 December 2018 | 3,763,682 | 691,429 | 354,384 | 370,942 | 202,570 | 1,307,982 | 6,690,989 |
| Additions | 210,479 | 618 | 54,936 | 20,081 | 120,421 | 14,553 | 421,088 |
| Transfers | 96,650 | 17,779 | 8,760 | 9,538 | 3,684 | (136,411) | - |
| Disposals | (8,928) | (223) | (1) | - | (629) | - | (9,781) |
| Balance at 31 December 2019 | 4,061,883 | 709,603 | 418,079 | 400,561 | 326,046 | 1,186,124 | 7,102,296 |
| DEPRECIATION | | | | | | | |
| Balance at 1 January 2018 | (619,789) | (223,123) | (100,624) | (66,337) | (30,228) | - | (1,040,101) |
| Depreciation for the period | (595,648) | (170,311) | (67,277) | (136,487) | (28,752) | - | (998,475) |
| Disposals | 540 | - | 346 | - | - | - | 886 |
| Balance at 31 December 2018 | (1,214,897) | (393,434) | (167,555) | (202,824) | (58,980) | - | (2,037,690) |
| Depreciation for the period | (802,519) | (208,007) | (107,329) | (101,109) | (43,803) | - | (1,262,767) |
| Disposals | 36 | 1 | - | - | 60 | - | 97 |
| Balance at 31 December 2019 | (2,017,380) | (601,440) | (274,884) | (303,933) | (102,723) | - | (3,300,360) |
| NET BOOK VALUE | | | | | | | |
| At 1 January 2018 | 2,361,057 | 169,212 | 101,997 | 279,491 | 40,930 | 1,944,501 | 4,897,188 |
| At 31 December 2018 | 2,548,785 | 297,995 | 186,829 | 168,118 | 143,590 | 1,307,982 | 4,653,299 |
| At 31 December 2019 | 2,044,503 | 108,163 | 143,195 | 96,628 | 223,323 | 1,186,124 | 3,801,936 |

Construction in progress as of 31 December 2019 includes:

- Prepayments for campus construction in the amount of RUB 869,281 thousand and assets under installation for campus construction – RUB 153,168 thousand (31 December 2018: RUB 1,016,873 thousand and RUB 51,319 thousand accordingly);

- Prepayments for other PPE in the amount of RUB 160,600 thousand and assets under installation for other PPE – RUB 3,075 thousand (31 December 2018: RUB 154,698 thousand and RUB 85,092 thousand accordingly).

4. INTANGIBLE ASSETS

Movements in the carrying amount of intangible assets were as follows:

| | Software | Development and other costs | Other intangible assets | Total |
|------------------------------------|------------------|-----------------------------|-------------------------|------------------|
| COST | | | | |
| Balance at 1 January 2018 | 269,128 | 31,374 | 1,583 | 302,085 |
| Additions | 94,451 | 1,136 | 500 | 96,087 |
| Transfers | 21,123 | (21,235) | 112 | - |
| Balance at 31 December 2018 | 384,702 | 11,275 | 2,195 | 398,172 |
| Additions | 58,326 | 10,526 | 20,185 | 89,037 |
| Disposals | (161,068) | - | - | (161,068) |
| Balance at 31 December 2019 | 281,960 | 21,801 | 22,380 | 326,141 |
| AMORTIZATION | | | | |
| Balance at 1 January 2018 | (149,975) | - | (415) | (150,390) |
| Amortization for the period | (87,543) | - | (190) | (87,733) |
| Balance at 31 December 2018 | (237,518) | - | (605) | (238,123) |
| Amortization for the period | (76,468) | - | (268) | (76,736) |
| Disposals | 161,068 | - | - | 161,068 |
| Balance at 31 December 2019 | (152,918) | - | (873) | (153,791) |
| NET BOOK VALUE | | | | |
| At 1 January 2018 | 119,153 | 31,374 | 1,168 | 151,695 |
| At 31 December 2018 | 147,184 | 11,275 | 1,590 | 160,049 |
| At 31 December 2019 | 129,042 | 21,801 | 21,507 | 172,350 |

5. RIGHT-OF-USE-ASSETS

Group as a lessee

The Group has lease contract for the new campus, which provides series of highly functional laboratory buildings from August 2018, the lease term is 100 years. The lab/research facilities design and construction program continues to move according to schedule and will be completed by the end of 2021, the rented area of the campus will increase.

The Group has lease contracts for premises including laboratories, offices, various items of science equipment, vehicles and other equipment used in its operations. Leases of science equipment have lease terms between 3 and 10 years, while motor vehicles and other equipment generally have lease terms between 1 and 3 years. The Group also has certain leases of premises with lease terms of 12 months or less and applies the 'short-term lease' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

| | Campus | Premises | Equipment | Transport | Total |
|------------------------------------|----------------|------------------|-----------------|----------------|------------------|
| COST | | | | | |
| Balance at 1 January 2019 | 69,676 | 756,606 | 177,881 | 7,289 | 1,011,452 |
| Additions | 149,067 | 116,363 | 54,548 | 2,592 | 322,570 |
| Balance at 31 December 2019 | 218,743 | 872,969 | 232,429 | 9,881 | 1,334,022 |
| DEPRECIATION | | | | | |
| Balance at 1 January 2019 | - | - | - | - | - |
| Depreciation for the period | (1,363) | (262,165) | (36,300) | (3,168) | (302,996) |
| Balance at 31 December 2019 | (1,363) | (262,165) | (36,300) | (3,168) | (302,996) |
| NET BOOK VALUE | | | | | |
| At 1 January 2019 | 69,676 | 756,606 | 177,881 | 7,289 | 1,011,452 |
| At 31 December 2019 | 217,380 | 610,804 | 196,129 | 6,713 | 1,031,026 |

The following are the amounts recognised in profit or loss:

| | Year ended 31 December 2019 |
|--|-----------------------------------|
| Depreciation expense of right-of-use assets | 302,996 |
| Interest expense on lease liabilities | 83,040 |
| Expense relating to short-term leases | 38,217 |
| Total amount recognised in profit or loss | 424,253 |

Group as a lessor

The Group as a lessor has entered into operating subleases of campus premises. These leases have terms of between 11 months and 15 years. Rental income

recognized by the Group during the year in the amount of RUB 7,894 thousand (2018: RUB 2,421 thousand).

6. FINANCIAL RISK MANAGEMENT

The risk management function within the Group is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

The operational and legal risk management functions are intended to ensure proper

functioning of internal policies and procedures, in order to minimise operational and legal risks.

Credit risk. The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group's providing services on credit terms and other transactions with counterparties giving rise to financial assets.

The Group's maximum exposure to credit risk by class of assets is as follows.

| | 31 December 2019 | 31 December 2018 |
|--|------------------|------------------|
| Other non-current assets | 42,386 | 27,887 |
| Lease deposit | 42,386 | 27,887 |
| Accounts receivable | 198,122 | 313,802 |
| Trade receivables | 181,925 | 277,212 |
| Lease deposit | 16,197 | 36,590 |
| Financial investments | 4,694,910 | 4,554,905 |
| Russian government bonds | 455,984 | 1,231,519 |
| Corporate bonds | 4,238,926 | 3,323,386 |
| Cash and cash equivalents | 1,183,457 | 830,165 |
| Total maximum exposure to credit risk | 6,118,875 | 5,726,759 |

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to counterparties or groups of counterparties. Limits on the level of credit risk are approved regularly by management. Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review.

Credit risks concentration. The Group is exposed to concentrations of credit risk. As at 31 December 2019 the Group had 23 counterparties (31 December 2018: 21 counterparties) with aggregated receivables balances above RUB 1 million accounting for approximately 96% (2018: 95%) of all the receivables outstanding.

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in interest bearing assets. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Sensitivities to market risks are based on a change in a factor while holding all other factors constant. In practice, this is unlikely to occur and changes in some of the factors

may be correlated – for example, changes in interest rate. If the market value of financial investments would increase or decrease by 5% respectively, with all other variables held constant, the Group's total comprehensive income for the year would have been RUB 234,745 thousand (2018: RUB 227,745 thousand) higher or lower, respectively. Managing the impact of market risks is carried by third party asset managers on behalf of the Group through management of the Group's investment portfolio.

Currency exchange risk. In 2019, the Group received financing in Russian Rubles and Euro. Financial investments are denominated in Russian Rubles. The Group purchases certain PPE, materials and services from abroad. Thus, the Group is exposed to foreign exchange risk, primary relating to US Dollar and Euro to Russian Ruble exchange rates.

Foreign currencies denominated assets represent cash balances on bank accounts, trade receivables and liabilities give rise to foreign currency exchange exposure.

The table below summarizes the Group's exposure to foreign currency exchange rate at the reporting date:

| | 31 December 2019 | | | 31 December 2018 | | |
|--------------|---------------------------|--------------------------------|----------------------------|---------------------------|--------------------------------|----------------------------|
| | Monetary financial assets | Monetary financial liabilities | Net balance sheet position | Monetary financial assets | Monetary financial liabilities | Net balance sheet position |
| US Dollars | 48,595 | (50,109) | (1,514) | 31,860 | (1,541) | 30,319 |
| Euro | 15,647 | (142,887) | (127,240) | 32,759 | (3,961) | 28,798 |
| GBR | - | (9,732) | (9,732) | - | (442) | (442) |
| CHF | - | (9,191) | (9,191) | - | - | - |
| JPY | - | (3,969) | (3,969) | - | - | - |
| Total | 64,242 | (215,888) | (151,646) | 64,619 | (5,944) | 58,675 |

As at 31 December 2019, if Russian Ruble would weaken or strengthen by 5% against the USD, Euro, GBR, CHF and JPY with all other variables held constant, the Group's total comprehensive income for the year would have been by RUB 7,582 thousand (2018: RUB 2,947 thousand) higher or lower, respectively. This would result mainly from foreign exchange gains or losses on translation of USD, Euro, GBR, CHF and JPY denominated trade receivables and accounts payable.

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

Management does not consider the interest rate risk as significant to the Group's business as interest rates are fixed for the financial investments.

Liquidity risk. Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources. Liquidity risk is managed by finance department. Management monitors monthly rolling forecasts of the Group's cash flows.

The Group invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. The Group's liquidity portfolio comprises cash and cash equivalents (Note 13) and bonds (Note 5).

Management estimates that the liquidity portfolio cash and cash equivalents can be realized in cash within a day in order to meet unforeseen liquidity requirements.

The table below shows trade and other payables at reporting dates by their remaining contractual maturity.

| | 31 December 2019 | | 31 December 2018 | |
|------------------------------|------------------|----------------|------------------|----------------|
| | Trade payables | Other payables | Trade payables | Other payables |
| Demand and less than 1 month | 29,538 | - | 6,973 | 82 |
| From 1 to 3 months | 12,153 | - | 64,570 | 10,394 |
| From 3 to 12 months | 77,898 | 6,454 | 134,175 | 1,728 |
| Total | 119,589 | 6,454 | 205,718 | 12,204 |

The table below shows undiscounted lease liabilities at reporting dates by their remaining contractual maturity.

| | 31 December 2019 | 31 December 2018 |
|--|------------------|------------------|
| Not later than 1 year | 404,154 | - |
| Later than 1 year and not later than 5 years | 718,964 | - |
| Later than 5 years | 2,022,307 | - |
| Total undiscounted lease liabilities | 3,145,425 | - |

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