

Skoltech Group

Consolidated Financial Statements
for the year ended 31 December 2017 and
Independent Auditor's Report

SKOLTECH GROUP

CONTENTS

	Page
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES	1
INDEPENDENT AUDITOR'S REPORT	2
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	5
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	6
CONSOLIDATED STATEMENT OF CHANGES IN SURPLUS	7
CONSOLIDATED STATEMENT OF CASH FLOWS	8
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	
1 General information	9
2 Basis of preparation of consolidated financial statements	10
3 Summary of significant accounting policies	14
4 Measurement of fair value	17
5 Financial investments	17
6 Deposits	19
7 Income and expenditure analysis	19
8 Property, plant and equipment	21
9 Intangible assets	22
10 Accounts receivable	22
11 Prepayments and other current assets	23
12 Cash and Cash Equivalents	23
13 Deferred grants	23
14 Endowment Funds	24
15 Accounts payable	25
16 Income tax expense	25
17 Related party transactions	26
18 Financial risk management	27
19 Contingencies and Commitments	30
20 Events after the reporting date	30

SKOLTECH GROUP

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Skoltech Group (the "Group") as of 31 December 2017, and the results of its operations, cash flows and changes in surplus for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with Russian legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

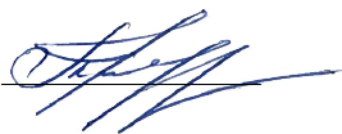
The consolidated financial statements of the Group for the year ended 31 December 2017 were approved by management on 27 August 2018:

On behalf of the Management:

Vice President for Finance and Operations

Chief Accountant

Tatyana Zakharova



Zhanna Saenko



INDEPENDENT AUDITOR'S REPORT

To the members of the Board of Trustees of the Autonomous non-profit educational organisation of higher education "Skolkovo Institute of Science and Technology"

Opinion

We have audited the consolidated financial statements of the Autonomous non-profit educational organisation 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 2017, 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 2017, 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditor's report thereon. The Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual report, if, based on the work we perform, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2016 are unaudited.

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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


Vladimir Perfiliev
Team leader



27 August 2018



The Entity: Autonomous educational organisation of higher education "Skolkovo Institute of Science and Technology"

Certificate of state registration of non-profit organisation was issued by Moscow Region department of the Ministry of Justice of Russian Federation at 03.04.2013.

Primary State Registration Number: 1115000005922.

Certificate of registration in the Unified State Register: № 50 013059389 of 25.10.2011, issued by Federal Tax Service for Moscow region.

Address: Russia, 143025, Moscow region, Odintsovsky district, Skolkovo village, Novaya st., bld. 100.

Audit Firm: AO "Deloitte & Touche CIS"

Certificate of state registration № 018.482, issued by the Moscow Registration Chamber on 30.10.1992.

Primary State Registration Number: 1027700425444

Certificate of registration in the Unified State Register № 77 004840299 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Member of Self-regulated organization of auditors "Russian Union of auditors" (Association), ORNZ 11603080484.

SKOLTECH GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 (in thousands of Russian Roubles)

	Notes	31 December 2017	31 December 2016 (unaudited)
ASSETS			
Non-current assets			
Property, plant and equipment	8	4,897,188	3,640,961
Intangible assets	9	151,695	114,620
Deferred tax assets	16	8,321	6,719
Total non-current assets		5,057,204	3,762,300
Current assets			
Inventory		145	14,470
Accounts receivable	10	84,493	74,515
Income tax prepayment		20,806	17,542
Prepayments and other current assets	11	1,366,116	1,243,710
Financial investments	5	3,922,022	3,847,723
Deposits	6	687,606	663,215
Cash and cash equivalents	12	805,159	629,397
Total current assets		6,886,347	6,490,572
Total assets		11,943,551	10,252,872
ACCUMULATED SURPLUS AND LIABILITIES			
Accumulated surplus and other comprehensive income			
Endowment Fund	14	3,772,043	3,772,043
Accumulated surplus		1,595,968	1,429,329
Accumulated other comprehensive income/(loss)		19,447	(74,270)
Total accumulated surplus and other comprehensive income		5,387,458	5,127,102
Non-current liabilities			
Deferred grants	13	4,876,731	3,610,595
Total non-current liabilities		4,876,731	3,610,595
Current liabilities			
Accounts payable	15	382,520	162,632
Advances received		30,298	13,396
Deferred grants	13	1,266,544	1,339,147
Total current liabilities		1,679,362	1,515,175
Total liabilities		6,556,093	5,125,770
Total accumulated surplus and liabilities		11,943,551	10,252,872

These consolidated financial statements were approved for issue and signed on 27 August 2018:

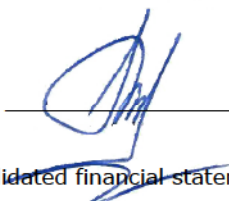
Vice President for Finance and Operations

Chief Accountant

Tatyana Zakharova



Zhanna Saenko



The accompanying notes on pages 9-30 are an integral part of these consolidated financial statements.

SKOLTECH GROUP

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017 (in thousands of Russian Roubles)

	Notes	Year ended 31 December 2017	Year ended 31 December 2016 (unaudited)
Income			
Grants	13	4,255,640	2,727,234
Income from Endowment Fund		357,450	355,810
Revenue from research contracts and other income		195,016	202,401
Total income		4,808,106	3,285,445
Expenditure			
Staff costs		(2,156,008)	(1,622,099)
Depreciation and amortization		(629,047)	(359,979)
Rent of premises and utilities		(434,258)	(265,838)
Other expenses	7	(1,445,676)	(761,287)
Total expenditure		(4,664,989)	(3,009,203)
Net income from operation		143,117	276,242
Finance income	7	31,226	118,992
Net income before income tax		174,343	395,234
Income tax expense	16	(7,704)	(24,393)
Surplus for the year		166,639	370,841
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net change in fair value of available-for-sale financial assets in the current year	5	61,180	42,053
Net loss on available-for-sale financial assets reclassified to profit or loss upon disposal		32,537	65,205
Other comprehensive income for the year		93,717	107,258
Total comprehensive income for the year		260,356	478,099

The accompanying notes on pages 9-30 are an integral part of these consolidated financial statements.

SKOLTECH GROUP

CONSOLIDATED STATEMENT OF CHANGES IN SURPLUS FOR THE YEAR ENDED 31 DECEMBER 2017 (in thousands of Russian Roubles)

	Endowment Fund	Accumulated surplus	Accumulated other comprehensive income/ (loss)	Total
Balance at 1 January 2016 (unaudited)	3,772,043	1,058,448	(181,528)	4,649,003
Surplus for the year	-	370,841	-	370,841
Other comprehensive income	-	-	107,258	107,258
Total comprehensive income for the year	-	370,841	107,258	478,099
Balance at 31 December 2016 (unaudited)	3,772,043	1,429,329	(74,270)	5,127,102
Surplus for the year	-	166,639	-	166,639
Other comprehensive income	-	-	93,717	93,717
Total comprehensive income for the year	-	166,639	93,717	260,356
Balance at 31 December 2017	3,772,043	1,595,968	19,447	5,387,458

The accompanying notes on pages 9-30 are an integral part of these consolidated financial statements.

SKOLTECH GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017 (in thousands of Russian Roubles)

		Year ended 31 December 2017	Year ended 31 December 2016 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES	Note		
Income before income tax		174,343	395,234
<i>Adjustments for:</i>			
Depreciation and amortization	8,9	629,047	359,979
Grants	13	(4,255,640)	(2,727,234)
Income from Endowment Fund		(357,450)	(355,810)
Interest income on cash and cash equivalents		(40,357)	(109,542)
Interest income accrued		(509)	-
Allowance for trade receivables and prepayments	10,11	9,268	-
Other		116	315
Cash flows from operating activities before changes in working capital		(3,841,182)	(2,437,058)
(Increase) / decrease in accounts receivable and advances paid		(173,307)	(772,711)
(Increase) / decrease in inventory		14,326	10,992
Increase / (decrease) in accounts payable and advances received		207,776	(189,579)
Changes in working capital		48,795	(951,298)
Grants received	13	5,502,966	5,547,542
Grants repaid	13	(53,793)	(22,014)
Interest income received on bonds		331,976	251,353
Interest income received on deposits		79,203	239,551
Interest income received on cash and cash equivalents		40,357	109,542
Income tax paid		(12,570)	(46,103)
Net cash flows from operating activities		2,095,752	2,691,515
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,803,868)	(2,135,006)
Purchase of intangible assets		(89,581)	(62,523)
Proceeds from sale / (purchases) of bonds		28,838	(1,664,051)
(Placement of cash on) / receipts of cash from deposits, net		(24,391)	1,467,565
Purchase of promissory notes		(30,988)	-
Net cash flows used in investing activities		(1,919,990)	(2,394,015)
Cash and cash equivalents at the beginning of the year		629,397	331,897
Net increase in cash and cash equivalents		175,762	297,500
Cash and cash equivalents at the end of the year		805,159	629,397

The accompanying notes on pages 9-30 are an integral part of these consolidated financial statements.