

Translation from Russian original

JSC Sheremetyevo International Airport

Separate financial statements

for the year ended 31 December 2015

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JSC Sheremetyevo International Airport
Separate financial statements
for the year ended 31 December 2015

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Independent auditors' report

To the shareholders and the Board of Directors
of JSC Sheremetyevo International Airport

We have audited the accompanying separate financial statements of JSC Sheremetyevo International Airport, which comprise the statement of financial position as of 31 December 2015, statement of comprehensive income/(loss), statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management of JSC Sheremetyevo International Airport is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

The consolidated financial statements are presented separately

Without changing our opinion on the separate financial statements, we draw your attention to Note 22 to the separate financial statements, where we disclose that JSC Sheremetyevo International Airport is the parent company of Sheremetyevo International Airport Group, and the consolidated financial statements of Sheremetyevo International Airport Group prepared in accordance with International Financial Reporting Standards were issued separately. We have audited the consolidated financial statements of Sheremetyevo International Airport Group as of 31 December 2015 and for the year then ended, and issued an audit report with unqualified audit opinion on these consolidated financial statements dated 18 May 2016.

Ernst and Young LLC (original version signed)

18 May 2016

Moscow, Russia

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JSC Sheremetyevo International Airport

Separate statement of comprehensive income/(loss)

for the year ended 31 December 2015

(in millions of Russian rubles)

	Note	2015	2014
Revenue	6	22,573	18,970
Operating expenses	7	(15,885)	(15,690)
Gain/(loss) on disposal of property, plant and equipment		(23)	79
Revaluation/impairment of investments in subsidiaries for sale	15	(227)	(211)
Gain on the revaluation of assets contributed to the capital of other entities		–	1,186
Impairment of a loan receivable	16	(420)	(8)
Operating profit		6,018	4,326
Interest expense		(4,756)	(3,258)
Interest income		286	401
Foreign exchange (loss)/gain		(12,971)	(19,898)
Dividend income		211	300
Gain/(loss) on changes in fair value of a derivative financial instrument	26	(27)	107
Other income	8	1,177	63
Other expenses		(111)	(133)
Loss before tax		(10,173)	(18,092)
Income tax	9	1,799	3,210
Loss for the year		(8,374)	(14,882)
Total comprehensive loss for the year		(8,374)	(14,882)

T.E. Korsakova
Acting Director of Directorate –
Chief Accountant

18 May 2016

A.P. Oleynik
Deputy General Director
for Economics and Finance

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Separate statement of financial position
as of 31 December 2015
(in millions of Russian rubles)

	Note	31 December 2015	31 December 2014 (as restated)	1 January 2014 (as restated)
Assets				
Current assets				
Cash and cash equivalents	10	7,404	5,663	3,161
Other financial assets	16	7	5	16
Income tax receivable		–	3	3
Accounts receivable	11	1,330	1,620	1,010
Prepayments and input VAT	12	660	167	177
Inventories	13	305	257	370
Derivative financial instrument	26	88	115	8
		9,794	7,830	4,745
Non-current assets				
Investments in subsidiaries and associates	15	2,135	2,362	2,200
Other financial assets	16	4,077	4,393	2,636
Intangible assets		334	302	359
Advances for acquisition of non-current assets		–	9	9
Deferred tax assets	9	3,133	1,334	–
Property, plant and equipment	17	36,618	38,032	40,862
		46,297	46,432	46,066
Total assets		56,091	54,262	50,811
Liabilities and equity				
Current liabilities				
Accounts payable	18	3,506	3,533	2,952
Interest-bearing loans and borrowings	19	6,536	13,662	1,661
Current portion of finance lease liabilities		4	18	50
Liabilities under a put option		–	–	632
		10,046	17,213	5,295
Non-current liabilities				
Interest-bearing loans and borrowings	19	55,525	38,223	30,031
Deferred tax liabilities	9	–	–	1,876
Other non-current liabilities		667	599	500
		56,192	38,822	32,407
Equity and reserves				
Share capital	20	2,180	2,180	2,180
Reserve capital	21	96	96	96
Retained earnings		(12,423)	(4,049)	10,833
		(10,147)	(1,773)	13,109
Total liabilities and equity		56,091	54,262	50,811

* Certain amounts presented here do not correspond to the 2014 separate financial statements and reflect adjustments made as detailed in Note 2.

T.E. Korsakova
Acting Director of Directorate –
Chief Accountant

A.P. Oleynik
Deputy General Director
for Economics and Finance

18 May 2016

The accompanying notes are an integral part of these separate financial statements.

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JSC Sheremetyevo International Airport
Separate statement of cash flows
for the year ended 31 December 2015
(in millions of Russian rubles)

	Note	2015	2014
Cash flows from operating activities			
Loss before tax		(10,173)	(18,092)
<i>Adjustments to reconcile profit before tax to net cash from operating activities:</i>			
Depreciation of property, plant and equipment	17	3,242	3,300
Amortization of intangible assets		85	132
(Gain)/loss on disposal of property, plant and equipment		23	(79)
Gain on the revaluation of assets contributed to the capital of other entities		–	(1,186)
(Decrease)/increase in allowance for doubtful accounts receivable	11	112	149
(Decrease)/increase in provisions		11	231
Dividend income		(211)	(300)
Gain on changes in fair value of a derivative financial instrument	26	27	(107)
Interest expense		4,756	3,258
Interest income		(286)	(401)
Impairment of investments	15	227	211
Impairment of a loan receivable	16	420	8
Foreign exchange loss/(gain)		12,971	19,898
Operating profit before working capital changes		11,204	7,022
(Increase)/decrease in accounts receivable		(719)	(840)
(Increase)/decrease in inventories		(48)	111
Increase/(decrease) in accounts payable		(215)	242
Net cash from operating activities		10,222	6,535
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,735)	(1,029)
Purchase of intangible assets		(92)	(97)
Loans issued to a subsidiary		–	(60)
Purchase of shares in subsidiaries and associates		–	(440)
Proceeds from sale of property, plant and equipment		301	227
Interest received		299	131
Dividends received		222	282
Net cash used in investing activities		(1,005)	(986)
Cash flows from financing activities			
Repayment of interest-bearing loans and borrowings		(4,709)	(1,971)
Interest paid		(4,753)	(3,205)
Dividends paid		–	–
Payments under finance leases		(24)	(67)
Net cash used in financing activities		(9,486)	(5,243)
Net increase in cash and cash equivalents		(269)	306
Cash and cash equivalents at the beginning of the year		5,663	3,161
Effect of foreign exchange gain/(loss) on cash and cash equivalents		2,010	2,196
Cash and cash equivalents at the end of the year	10	7,404	5,663

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for Economics and Finance

18 May 2016

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JSC Sheremetyevo International Airport

Separate statement of changes in equity

for the year ended 31 December 2015

(in millions of Russian rubles)

	Number of shares (millions)	Share capital	Reserve capital	Retained earnings	Total equity
At 1 January 2014	2,301	2,180	96	10,833	13,109
Loss for the year	–	–	–	(14,882)	(14,882)
Total comprehensive loss for the period	–	–	–	(14,882)	(14,882)
Dividends	–	–	–	–	–
At 31 December 2014	2,301	2,180	96	(4,049)	(1,773)
Loss for the year	–	–	–	(8,374)	(8,374)
Total comprehensive loss for the period	–	–	–	(8,374)	(8,374)
Dividends	–	–	–	–	–
At 31 December 2015	2,301	2,180	96	(12,423)	(10,147)

T.E. Korsakova
Acting Director of Directorate –
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A.P. Oleynik
Deputy General Director
for Economics and Finance

18 May 2016

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JSC Sheremetyevo International Airport

Notes to the separate financial statements

for the year ended 31 December 2015

(in millions of Russian rubles, unless otherwise indicated)

1. Corporate information

These financial statements of JSC Sheremetyevo International Airport (the "Company") for the year ended 31 December 2015 were authorized for issue in accordance with a resolution of the General Director 18 May 2016.

Sheremetyevo International Airport was formed in 1959 pursuant to the Decree of the Government on the Transfer of the Sheremetyevsky Central Aerodrome of the Air Force to the Main Directorate of the Civil Air Fleet. In 1996, Sheremetyevo International Airport was reorganized into open joint-stock company Sheremetyevo International Airport (the "Company").

The principal activity of the Company is the management and operation of Sheremetyevo airport, including servicing international and domestic passenger and cargo flights. In addition, the Company leases part of its property to retail outlets and other businesses operating at the airport premises.

The Company is located at Sheremetyevo airport in Russia, 141400, Khimki, Moscow region.

As of 31 December 2015, the Government of the Russian Federation was the controlling shareholder of Company.

Change of legal form

In accordance with the requirements of Federal Law No. 99-FZ *On Amending Chapter 4 of Part 1 of the Civil Code of the Russian Federation, and on Recognizing Some Provisions of Russian Legislative Acts to be Void*, dated 5 May 2014 and effective from 1 September 2014, the Company introduced changes to its foundation documents to bring them in compliance with Chapter 4 of the Civil Code of the Russian Federation. The Company changed its legal form from open joint-stock company ("OJSC") to joint-stock company ("JSC").

These changes were introduced based on decision of the general shareholders' meeting No. 9 dated 4 March 2015, and registered in the Unified State Register of Legal Entities on 25 March 2015, under state registration number 1027739374750. No other changes were made to the foundation documents.

2. Basis of preparation

Basis of preparation

These separate financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These separate financial statements present the results and financial position of JSC Sheremetyevo International Airport and do not include information about the results and financial position of the Company's subsidiaries and associates.

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Notes to the separate financial statements (continued)

2. Basis of preparation (continued)

Basis of preparation (continued)

The preparation of separate financial statements is required by the terms of certain loan agreements.

These separate financial statements should be read in conjunction with the Company's consolidated financial statements as of 31 December 2015 and for the year then ended. The consolidated financial statements are available to the users at the Company's office.

These separate financial statements are presented in millions of Russian rubles ("RUB"), unless otherwise indicated.

The Company maintains its accounting records in Russian rubles. The accompanying separate financial statements are based on the accounting records, with adjustments and reclassifications made for the purpose of the fair presentation of separate financial information in compliance with IFRS.

Restatement of comparative information

In the Company's separate financial statements for the years ended 31 December 2014 and 2013, investments in CJSC Terminal Vladivostok and OJSC Vladivostok International Airport were recorded as assets held for sale.

Due to uncertainty whether these assets may be sold within 12 months after the reporting date, management of the Company decided to cease classification of these assets within assets held for sale. In accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the Company restated the financial data of 2014 financial statement.

Separate statement of financial position as of 31 December 2014

	As reported	Adjustments	As restated
Current assets			
Assets classified as held for sale	1,336	(1,336)	–
Non-current assets			
Investments in subsidiaries and associates	1,047	1,315	2,362
Property, plant and equipment	38,011	21	38,032
Total assets	54,262	–	54,262

Separate statement of financial position as of 1 January 2014

	As reported	Adjustments	As restated
Current assets			
Assets classified as held for sale	1,579	(1,579)	–
Non-current assets			
Investments in subsidiaries and associates	642	1,558	2,200
Property, plant and equipment	40,841	21	40,862
Total assets	50,811	–	50,811

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Notes to the separate financial statements (continued)

2. Basis of preparation (continued)

Restatement of comparative information (continued)

The separate financial statements have been prepared under the historical cost convention, except for property, plant and equipment acquired prior to 1 January 2004 (the date of transition of the Company to IFRS), which were stated at deemed cost being the fair value of those assets at that date according to the report of an independent appraiser.

Going concern

The Company will continue its business in the foreseeable future and it has neither an intention nor a need to liquidate or curtail materially the scale of its activities, and its liabilities will, therefore, be settled as and when due (going concern assumption).

In 2015, the Company incurred loss in the total amount of RUB 8,374. At 31 December 2015, liabilities of the Company exceeded its assets by RUB 10,147, with current liabilities exceeding current assets by RUB 252.

Negative net assets for 2015 resulted from revaluation of the Company's credit related liabilities denominated in foreign currency. At present, the Company does not have past due accounts payable on any of its liabilities. Management of the Company develops measures to balance the value of net assets with the amount of share capital. These measures will be presented for approval by the Company's Board of Directors and will be further disclosed in the Company's report for 2015, which is approved by the annual general shareholders' meeting.

As of 31 December 2015, the Company breached a number of requirements and covenants specified in the loan agreements with Vnesheconombank and Sberbank. Up to 1 January 2016, a notification received from the bank in December 2014 and stating that no penalties will be applied was in effect with regard to the Company's liabilities to meet financial covenants with Vnesheconombank. On 31 December 2015, the bank notified the Company that it will not apply penalties (nor will it demand full repayment) until 30 June 2016. On 14 April 2016, the Company also received an additional notification which extends the notification received on 31 December 2015 and is effective for the period beginning when JSC Sheremetyevo International Airport failed to meet its obligations under the loan agreement and up to 30 April 2017.

In March 2016, the Company received a notification from Sberbank. In accordance with changes in credit terms, the bank shall not demand early repayment of the full amount of the loan and payment of the interest due on the loan until 30 April 2017.

Based on the current economic environment and the Company's forecasts, management of the Company concluded that there is no material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Consequently, management believes that the Company has adequate resources to continue in operational existence for the foreseeable future.

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Notes to the separate financial statements (continued)

3. Changes in accounting policies

Adoption of new and revised standards and interpretations

The accounting policies used for the preparation of these separate financial statements are consistent with those used by the Company in the previous year. The Company has not applied new or amended (revised) IFRS that have been issued but are not yet effective. These standards and interpretations may have an impact on the Company's disclosures, financial position or performance when applied at a future date.

New/revised standards and interpretations adopted in 2015

- ▶ IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after 1 January 2018).
- ▶ IFRS 11 *Joint Arrangements* (as amended) – *Accounting for the Acquisition of an Interest in a Joint Operation* (effective for annual periods beginning on or after 1 January 2016); IFRS 15 *Revenue from Contracts with Customers* (effective for annual periods beginning on or after 1 January 2018); IFRS 16 *Leases* (effective for annual periods beginning on or after 1 January 2019); IAS 1 *Presentation of Financial Statements* (as amended) – *Disclosure Initiative* (effective for annual periods beginning on or after 1 January 2016); IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* (as amended) – *Clarification of Acceptable Methods of Depreciation and Amortization* (effective for annual periods beginning on or after 1 January 2016).
- ▶ Improvements to IFRS: improvements 2012-2014 cycle (effective for annual periods beginning on or after 1 January 2016).

The principal effects of these changes in accounting policies are discussed below:

IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018)

This standard will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements to classification and measurement of financial assets and liabilities, impairment, and hedge accounting. Currently, the Company evaluates possible effect of this standard on its financial position and performance.

IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests (as amended) (effective for annual periods beginning on or after 1 January 2016)

The amendment provides new guidance on accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business. The amendment establishes accounting procedure for such acquisitions. This amendment is not expected to have any impact on the Company's financial position and performance.

IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)

IFRS 15 supersedes all current IFRS requirements to revenue recognition and applies to revenue arising from contracts with customers and from sale of certain non-financial assets. The standard establishes principles to be used by an entity for measurement and recognition of revenue. Under IFRS 15 revenue is recognized in an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or rendering services to a customer. Currently, the Company evaluates possible effect of this standard on its financial position and performance.

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Notes to the separate financial statements (continued)

3. Changes in accounting policies (continued)

Adoption of new and revised standards and interpretations (continued)

IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019)

IFRS 16 supersedes existing IFRS requirements in respect of lease accounting and requires a lessee to recognize assets and liabilities for a major part of its leases. The new standard's requirements to lessees are significantly different from those provided in the existing IFRS. Except for certain cases, the lessees will have to apply a single accounting model for all leases. Currently, the Company evaluates possible effect of this standard on its financial position and performance.

IAS 1 Presentation of Financial Statements (as amended) – Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016)

The amendment clarifies the existing requirements of IAS 1 *Presentation of Financial Statements*. This amendment is not expected to have any impact on the Company's financial position and performance.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (as amended) – Clarification of Acceptable Methods of Depreciation and Amortization (effective for annual periods beginning on or after 1 January 2016)

The amendment clarifies that revenue reflects a pattern of economic benefits that are generated from operating a business rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. These amendments are not expected to have significant impact on the Company's financial position and performance.

Improvements to IFRS: improvements 2012-2014 cycle (effective for annual periods beginning on or after 1 January 2016)

In September 2014, the IASB issued annual Improvements to IFRS. The document contains improvements to IFRS primarily with a view to removing inconsistencies and clarifying wording. The amendments should provide clarifications to the standards without changing established practice. These amendments will not have significant impact on the Company's financial position and performance.

4. Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these separate financial statements are set out below.

Investments in subsidiaries and associates

Investments in subsidiaries, associates and joint ventures are stated at cost less any recognized impairment losses.

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Notes to the separate financial statements (continued)

4. Summary of significant accounting policies (continued)

Foreign currency translation

The Russian ruble is the functional currency of the Company and the currency in which these separate financial statements are presented. Transactions in currencies other than the functional currency are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies at the reporting date are translated into the functional currency at the exchange rate prevailing at the end of the reporting period. Exchange differences arising from such transactions are included in profit or loss in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities recorded at fair value in a foreign currency are translated into Russian rubles at exchange rates ruling at the dates when the fair value was determined.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured irrespective of the date of payment. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods or services delivered or provided in the normal course of business, net of value-added tax.

Airport and other traffic charges

Revenue from airport and other traffic charges is recognized when the respective services are actually rendered.

Property and operational facilities

- (i) Rental income is recognized in profit or loss in the statement of comprehensive income on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating an operating lease, such as lease incentives granted to a lessee, are added to the carrying amount of the leased asset and are recognized over the lease term on the same basis as rental income.
- (ii) Usage charges for operating systems (e.g., software for check-in desks) are recognized and invoiced on a monthly basis as the services are provided.

Dividend and interest income

- (i) Dividends from investments are recognized in profit or loss in the statement of comprehensive income when the shareholder's right to receive respective payments has been established.
- (ii) Interest income is accrued using the effective interest rate method, by reference to the principal outstanding and the value of an asset.

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Notes to the separate financial statements (continued)

4. Summary of significant accounting policies (continued)

Financial assets (derivative financial instruments) at fair value through profit or loss

Derivative financial instruments are used to manage foreign exchange risk, interest rate risk and other market risks.

The derivative financial instrument the Company holds represents an interest rate option measured upon initial recognition and subsequently at fair value through profit or loss. Its use is consistent with the Company's overall risk management strategy. Gains or losses on the derivative financial instrument are recognized in profit or loss in the statement of comprehensive income.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease, i.e. whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets, or the arrangement conveys a right to use the asset.

Company as a lessee

Finance leases which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease term at the lower of the fair value of the leased property or the present value of the minimum lease payments determined at the inception of the lease. Lease payments are apportioned between finance charges and reduction of the lease liabilities so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Interest expense

Interest expense comprising interest payable on borrowings and interest expense component of finance lease payments is recognized in profit or loss in the statement of comprehensive income using the effective interest rate method.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs are recognized as an expense when incurred.

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Notes to the separate financial statements (continued)

4. Summary of significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost or revalued amount, as described below.

Owned assets and infrastructure assets used by the Company

Items of property, plant and equipment are stated at cost determined on the basis of independent valuation as of 1 January 2004 (“deemed cost”) or the actual cost of the acquisition or construction of the assets acquired after that date, less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. The Company uses certain items of property, plant and equipment, including but not limited to runways, taxi strips, air navigation equipment, etc. (the “infrastructure assets”), which are owned by the federal authorities.

Assets under construction

Assets under construction comprise costs directly related to the construction of property, plant and equipment, the respective portion of variable costs incurred in construction as well as the cost of the purchase (less impairment) of other assets that require installation or preparation for the use of property, plant and equipment, if any. Depreciation of these assets, just like depreciation of other property assets, commences when they are ready for their intended use.

Subsequent costs

The Company recognizes the cost of replacing an item of property, plant and equipment in the carrying amount of such an item if it is probable that the future economic benefits embodied with the item will flow to the Company and if its cost can be measured reliably. All other costs are recognized in the statement of comprehensive income within expenses as incurred.

Depreciation of property, plant and equipment

Depreciation is charged to profit or loss in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each separately depreciated part of an item of property, plant and equipment.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Air terminal complex	2-80 years
Airfield	7-35 years
Other buildings	5-95 years
Technical equipment and machinery	2-35 years
Vehicles	5-13 years
Other equipment	1-57 years

A previously recognized item of property, plant and equipment or any significant component thereof is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the statement of comprehensive income in the period when the asset is derecognized.

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Notes to the separate financial statements (continued)

4. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

The assets' residual values, useful lives and methods of depreciation are reviewed at the end of each reporting year and adjusted prospectively, as appropriate.

Assets held under finance lease arrangements and leasehold improvements are depreciated over the shorter of lease terms or estimated useful lives. Land plots are not depreciated.

Intangible assets

Intangible assets that are acquired by the Company represent mainly software and licenses and are stated at cost less accumulated amortization and impairment losses.

Amortization is charged to profit or loss in the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortized from the date they are available for use. The estimated useful lives for existing assets range from 3 to 5 years.

Impairment of non-current assets

At each reporting date, the Company reviews the carrying amounts of its non-current assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value of an asset less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or a cash-generating unit is less than its carrying amount, the carrying amount of the asset (unit) is reduced to its recoverable amount. An impairment loss is recognized in the statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased by the revised estimate of the recoverable amount in such a way that the increased amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized for the asset (cash-generating unit) in prior years.

Non-current assets held for sale

The Company classifies non-current assets and investments as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Non-current assets and investments classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held-for-sale classification is regarded as met only when the sale is probable and the asset or investment is available for immediate sale in its present condition. Management must be committed to the sale expected within one year from the date of the classification.

Translation from Russian original

JSC Sheremetyevo International Airport

Notes to the separate financial statements (continued)

4. Summary of significant accounting policies (continued)

Non-current assets held for sale (continued)

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

A disposal group qualifies as discontinued operation if it is:

- ▶ a component of the Company, i.e. a cash-generating unit or a group of cash-generating units;
- ▶ classified as held for sale or already sold; or
- ▶ a major line of business or major geographical area.

Discontinued operations are excluded from the results of continuing operations and are presented in profit or loss in the statement of comprehensive income separately as profit or loss from discontinued operations after tax.

Additional disclosures are provided in Note 14.

All liabilities directly related to non-current assets held for sale and transferred upon completion of the transaction are subject to reclassification and are recorded as a separate line item in the statement of financial position (liabilities directly related to assets classified as held for sale).

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balances with banks and short-term interest-bearing deposits with original maturities of no more than three months.

Financial assets

Initial recognition and measurement

Financial assets are classified by the Company into the following categories: loans and accounts receivable; financial assets at fair value through profit or loss; investments held to maturity; financial assets available for sale; or derivatives designated as hedging instruments in an effective hedge. The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each reporting date.

Financial assets are initially recognized at fair value plus directly attributable transaction costs. However, upon recognition of a financial asset at fair value through profit or loss, transaction costs are expensed immediately.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and accounts receivable

Loans and accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, such assets are recorded at amortized cost using the effective interest rate method, less any allowance for impairment. Gains and losses on such assets are recognized in profit or loss in the statement of comprehensive income when such assets are derecognized or impaired, as well as through the amortization process.

Translation from Russian original

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Notes to the separate financial statements (continued)

4. Summary of significant accounting policies (continued)

Financial assets (continued)

Accounts receivable, which generally have a short term, are carried at invoice amount less an allowance for doubtful debts. An allowance for doubtful debts is established when there is objective evidence that the Company will not be able to collect amounts due according to the original terms of contracts. The Company periodically analyzes trade receivables and makes adjustments to the amount of the allowance. The amount of the allowance is the difference between the carrying amount and the recoverable amount. Expenses related to allowance for doubtful accounts receivable are recognized in profit or loss in the statement of comprehensive income.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Gains and losses on assets held for trading are recognized in profit or loss in the statement of comprehensive income.

Investments held to maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Company has the intention and ability to hold them to maturity. After initial recognition, investments held to maturity are recorded at amortized cost using the effective interest rate method, less any impairment.

Derivatives

Derivatives represent financial instruments whose value changes depending on changes in the underlying variable. Settlements on such instruments will be made at a future date. Insignificant initial net investments or no investments at all are required to purchase such instruments. Derivatives are mainly used to manage foreign exchange risk, interest rate risk and other market risks. Subsequently, derivatives are remeasured regularly at fair value at each reporting date. The recognition method for the resulting gains or losses depends on whether a derivative financial instrument is designated as a hedging instrument.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and those events had an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment includes observable data on the following loss events: significant financial difficulty of the borrower, default or delinquency in interest or principal payments, and the probability that the borrower will enter bankruptcy or other financial reorganization.

Translation from Russian original

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Notes to the separate financial statements (continued)

4. Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

The amount of any impairment loss is determined as the difference between the carrying amount of an asset and its recoverable amount. The carrying amount of financial assets (except for loans and accounts receivable) is reduced directly without the use of an allowance for impairment. The amount of loss is recognized in the statement of comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, accounts payable, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and accounts payable, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other accounts payable, loans and borrowings, including bank overdrafts, financial guarantee contracts and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss in the statement of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Accounts payable

Trade accounts payable are initially recognized at fair value, and are subsequently accounted for at amortized cost. As the expected term of accounts payable is short, the value is stated at the nominal amount without discounting, which corresponds to fair value.

Translation from Russian original

JSC Sheremetyevo International Airport

Notes to the separate financial statements (continued)

4. Summary of significant accounting policies (continued)

Short-term loans and borrowings

Short-term loans and borrowings comprise the short-term portion of long-term interest-bearing loans and borrowings, i.e. the portion of loans and borrowings that are to be repaid in the coming year, as well as other current interest-bearing liabilities with a maturity less than one year. These liabilities are measured at amortized cost and reported on the settlement date.

Long-term loans and borrowings

Long-term loans and borrowings, i.e. liabilities with a term longer than one year, consist of interest-bearing loans and borrowings. They are initially recognized at fair value and are subsequently measured at amortized cost, using the effective interest rate method, as of the settlement date.

Effective interest rate method

The effective interest rate method is a method of calculating the amortized cost of a financial asset or liability and allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments during the expected life of the financial asset or liability, or, where appropriate, a shorter period.

Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Dividends

Dividends are recognized at the date they are declared by the shareholders at a general meeting.

Retained earnings legally distributable by the Company are based on the amounts available for distribution in accordance with applicable legislation and reflected in the statutory financial statements. These amounts may differ significantly from retained earnings calculated on the basis of IFRS.

Employee benefits

Short-term employee benefits

Short-term employee benefits paid by the Company include wages and salaries, social security contributions, paid annual vacations and sick leaves, and bonuses and non-cash benefits (for example, health care services). These employee benefits are accrued in the period when the employees of the Company rendered the respective services.

Social and pension contributions

The Company makes social and pension contributions for the benefit of its employees at the statutory rates in force during the year. The contributions are expensed as incurred.

Translation from Russian original

JSC Sheremetyevo International Airport

Notes to the separate financial statements (continued)

4. Summary of significant accounting policies (continued)

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognized directly in equity is recorded in equity and not in profit or loss in the statement of comprehensive income. Management periodically evaluates tax positions presented in the tax returns to determine whether there are situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

The Company's applicable income tax rate is 20% (2014: 20%).

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- (a) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- (b) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the Company controls the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be realized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Translation from Russian original

JSC Sheremetyevo International Airport

Notes to the separate financial statements (continued)

5. Significant accounting judgments and estimates

The preparation of the Company's separate financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that may require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Accounting judgments

Accounting for real estate owned by the Company

The Company leased out some of the facilities in the passenger air terminal. Lessees include, besides other companies, related parties. As the property is used both for investment and non-investment purposes, but cannot be divided (sold or leased out under a financial leasing agreement), and if the Company uses only a part of the property, use of less than 30% of the property is considered insignificant. The whole facility is therefore accounted for at cost in accordance with IAS 16.

Assets classified as held for sale and discontinued operations

In 2014 and 2013, CJSC Terminal Vladivostok and OJSC Vladivostok International Airport, as well as receivables due from CJSC Terminal Vladivostok under loan agreements with the Company were classified as an asset held for sale. The assets qualification for recognition as an asset held for sale is a matter of management's judgment involving analysis of whether these assets may be sold in accordance with Company's approved sales plan and whether the Company has the ability to realize these assets within 12 months from the date when the decision to sell the assets was made or within 12 months after the reporting date. Management of the Company concluded that the sale of the above-mentioned assets is not probable at 31 December 2015 due to uncertainty regarding the conclusion of agreement to sell the assets with the willing parties.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of non-financial assets

Impairment exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted on arm's length basis, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset performance of the cash-generating unit being tested for impairment. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected cash inflows and the growth rate used by the Company for extrapolation purposes.

The amount of impairment in 2015 was RUB 227. Details are provided in Note 15.

Translation from Russian original

JSC Sheremetyevo International Airport

Notes to the separate financial statements (continued)

5. Summary of significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

Useful lives of items of property, plant and equipment

The Company assesses the remaining useful lives of property, plant and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. These estimates may have a material impact on the carrying amounts of property, plant and equipment and on depreciation expense for the period.

In 2015 and 2014, there were no changes in estimates for the useful lives of property, plant and equipment.

Allowances for impairment

The Company makes allowances for doubtful accounts receivable to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful accounts receivable, management uses its own estimates of the current overall economic conditions, the ageing of accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the allowance for doubtful accounts receivable recorded in the separate financial statements. As of 31 December 2015 and 2014, allowances for doubtful accounts receivable, including trade receivables, amounted to RUB 284 and RUB 398 respectively (Note 11).

The Company annually writes down part of obsolete and slow-moving raw materials and consumables, and other inventories (Note 13).

6. Revenue

	2015	2014
To airlines		
Passenger charges levied on departing passengers	7,450	6,593
Aircraft landing charges levied according to weight	2,436	2,210
Aircraft parking charges based on a combination of weight and time parked	209	253
Aviation security	1,019	833
Maintenance and commercial services to airlines	1,157	1,038
Other services to airlines	993	743
	13,264	11,670
Other revenue		
Lease income	8,675	6,605
Other services	634	695
	22,573	18,970

Translation from Russian original

JSC Sheremetyevo International Airport

Notes to the separate financial statements (continued)

7. Operating expenses

	2015	2014
Salaries and other employee benefits	4,883	4,704
Social insurance and other costs	1,335	1,269
Depreciation of property, plant and equipment (Note 17)	3,242	3,300
Amortization of intangible assets	85	132
Materials	825	936
Cost of auto fuel	108	289
Expenses related to the use of state-owned infrastructure assets	201	200
Taxes other than income tax	171	736
Utilities	408	495
Cleaning services in airport	382	410
Aircraft servicing	90	253
Advertising expenses	17	26
Maintenance	2,647	1,429
Consulting, audit and other services	803	560
Payment for land plots leased	30	39
Allowance for doubtful debts (Note 11)	112	149
Provision related to sublease of land plots from OJSC Aeroflot – Russian Airlines	–	184
Other provisions	11	47
Insurance expenses	105	77
Aviation security services	188	190
Passengers servicing	21	25
Bank fees	6	51
Other expenses	215	189
	15,885	15,690

8. Other income

	2015	2014
Refund of property tax benefit	916	–
Other income	261	63
	1,177	63

9. Income tax

	2015	2014
Current income tax expense	–	–
Deferred income tax benefit related to origination and reversal of temporary differences from continuing operations	(1,799)	(3,210)
	(1,799)	(3,210)

Translation from Russian original

JSC Sheremetyevo International Airport

Notes to the separate financial statements (continued)

9. Income tax (continued)

Income before taxation for financial reporting purposes is reconciled to income and expense for 2015 and 2014 as follows:

	2015	2014
Profit/(loss) before tax	(10,173)	(18,092)
Income tax at statutory income tax rate of 20%	(2,035)	(3,618)
Non-deductible expenses and other permanent differences	236	408
	(1,799)	(3,210)

The statutory tax rate effective in the Russian Federation in 2015 and 2014 was 20%.

Total accumulated temporary differences that arise between the tax base of assets and liabilities and their carrying amounts in the accompanying separate statements of financial position give rise to the following deferred tax effects:

	2015	2014
Net liability at the beginning of the year	1,334	(1,876)
Deferred tax benefit due to origination and reversal of temporary differences recognized within profit or loss in the statement of comprehensive income.	1,799	3,210
Net asset (net liability) at the end of the year	3,133	1,334

	31 December 2015	Recognized in the statement of comprehen- sive income/ (loss)	31 December 2014	Recognized in the statement of comprehen- sive income/ (loss)	31 December 2013
Deferred tax assets and liabilities					
Losses carried forward	6,017	1,591	4,426	3,327	1,099
Property, plant and equipment	(2,962)	250	(3,212)	300	(3,512)
Accounts payable	144	(75)	219	115	104
Unused vacation accrual	43	(6)	49	(68)	117
Accounts receivable	48	(28)	76	(84)	160
Bank loans	(5)	1	(6)	1	(7)
Finance lease	(1)	(4)	3	(8)	11
Intangible assets	4	1	3	(1)	4
Investments in subsidiaries and associates	144	60	84	(54)	138
Revaluation of assets contributed to the capital of other entities	(297)	–	(297)	(297)	–
Other	(2)	9	(11)	(21)	10
	3,133	1,799	1,334	3,210	(1,876)

Translation from Russian original

JSC Sheremetyevo International Airport

Notes to the separate financial statements (continued)

10. Cash and cash equivalents

	At 31 December 2015	At 31 December 2014
RUB – denominated cash at banks and on hand	368	314
USD – denominated cash at banks	1,859	682
EUR – denominated cash at banks	41	26
USD – denominated term deposits	5,136	4,641
	7,404	5,663

11. Accounts receivable

	At 31 December 2015	At 31 December 2014
Trade accounts receivable		
- Denominated in RUB	806	947
- Denominated in foreign currency (mainly in USD)	732	770
Other accounts receivable	76	272
Allowance for doubtful accounts receivable	(284)	(369)
	1,330	1,620

	At 31 December 2015	At 31 December 2014
Allowance for doubtful trade accounts receivable	(283)	(368)
Allowance for other doubtful accounts receivable	(1)	(1)
	(284)	(369)

As of 31 December the ageing analysis of trade receivables, net of allowance for doubtful accounts, is as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
		< 30 days	31-60 days	61-90 days	91-120 days	> 121 days	
2015	1,255	1,099	1	48	39	49	19
2014	1,349	1,065	7	218	25	18	16

Movement in the allowance for impairment of accounts receivable is as follows:

	2015	2014
Balance at the beginning of the year	(398)	(836)
Charged/reversed during the year (Note 7)	(112)	(149)
Used during the period	226	587
	(284)	(398)

Translation from Russian original

JSC Sheremetyevo International Airport

Notes to the separate financial statements (continued)

12. Prepayments and input VAT

	At 31 December 2015	At 31 December 2014
VAT and other taxes recoverable, other than income tax	575	120
Advances issued to suppliers	85	76
Allowance for doubtful debt on advances issued to suppliers	–	(29)
	660	167

13. Inventories

	At 31 December 2015	At 31 December 2014
Spare parts (at cost)	155	155
Raw materials and consumables (at net realizable value)	67	20
Auto fuel (at cost)	37	39
Other inventories (at net realizable value)	46	43
	305	257

The amount of inventories recognized within expense is RUB 933 (2014: RUB 1,225) which is included in operating expenses in the statement of comprehensive loss.

14. Assets held for sale

In October 2013, the Company decided to sell 52.16% of shares in OJSC Vladivostok International Airport and 100% of shares in CJSC Terminal Vladivostok as well as the receivables from CJSC Terminal Vladivostok under loan agreements provided by JSC Sheremetyevo International Airport.

In December 2014, the Company held the final stage of the tender for the sale of the above mentioned assets. In November 2015, the principal terms of transaction were agreed with the potential customer.

As of the date of issue of these financial statements, the Company and the customer did not arrive at final agreements on the sale of these assets. Due to this uncertainty, management of the Company concluded that as of 31 December 2015 there was small probability that the Company would sell the asset within 12 months after 31 December 2015. Consequently, the Company decided to reclassify investments in OJSC Vladivostok International Airport and CJSC Terminal Vladivostok from assets held for sale to investments in subsidiaries and associates as of 31 December 2015. Figures in the separate statement of financial position at 1 January 2014 and 31 December 2014 were restated due to such reclassification from assets held for sale to investments in subsidiaries and associates (Note 2).

As of 31 December 2015, the carrying amount of these assets was RUB 1,359.

Translation from Russian original

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Notes to the separate financial statements (continued)

15. Investments in subsidiaries and associates

	At 31 December 2015	At 31 December 2014	At 1 January 2014
Investments in subsidiaries and associates (at historical cost)	2,135	2,362	2,200
	2,135	2,362	2,200

The Company's principal subsidiaries are as follows:

Company	Place of registration and operation	Activity	Percentage held at 31 December 2015	Percentage held at 31 December 2014
OJSC Vladivostok International Airport	Vladivostok	Airport terminal services	52.16%	52.16%
CJSC Terminal Vladivostok	Vladivostok	Operation of terminals (airports and other)	100.0%	100.0%
LLC Sheratop	Moscow region	Luggage transportation	99.0%	99.0%
JSC VIP-International	Moscow	VIP passenger services	51.0%	51.0%

The Company's associates (the entities in which the Company holds more than 20% but less than controlling interest) are as follows:

Company	Place of registration and operation	Activity	Percentage held at 31 December 2015	Percentage held at 31 December 2013
JSC AeroMASH – AB	Moscow region	Aviation security	45.0%	45.0%
CJSC SVT – Avia	Moscow region	Customs brokerage services	40.0%	40.0%
LLC Avia Group	Moscow region	Business aviation	26.0%	26.0%
LLC Aero-Food Catering	Moscow region	Catering	26.0%	26.0%
LLC Moscow Cargo	Moscow region	Management of cargo complex	25.1%	25.1%

All the companies listed above are incorporated in the Russian Federation.

	2015	2014
Cost at the beginning of the year	2,362	674
Additions	–	373
Reclassification from assets held for sale	–	1,315
Reclassification to assets held for sale	–	–
Impairment of investments	(227)	–
Cost at the end of the year	2,135	2,362

Based on the results of the revaluation of fair value of investments in OJSC Vladivostok International Airport and CJSC Terminal Vladivostok, the Company recognized an impairment loss of RUB 227 (2014: RUB 211).

Translation from Russian original

JSC Sheremetyevo International Airport

Notes to the separate financial statements (continued)

16. Other financial assets

	At 31 December 2015	At 31 December 2014
Current financial assets		
Other	7	5
	7	5
Non-current financial assets		
Loans to CJSC TV	3,607	3,366
Impairment of loans receivable	(1,110)	(449)
Investments in share capital of LLC Terminal B Sheremetyevo	1,311	1,225
Investments in share capital of LLC Sheremetyevo Inter-Terminal Passage	269	251
Investments in share capital of CJSC TZK Sheremetyevo	0.25	0.25
	4,077	4,393

For the period of 2011-2015, the Company issued loans to its subsidiary CJSC TV in the total amount of RUB 3,607 at the refinancing rate of the CBR + 1% but not less than 8.75%. In 2015, the interest rate was 9.25%.

In 2015, the Company recognized additional loss on loan impairment in the amount of RUB 420 (2014: RUB 8). The Company did not recognize interest income as the probability of repayment of interests under this loan was extremely low.

As of 31 December 2015, the Company's share in CJSC TZK Sheremetyevo, LLC Terminal B Sheremetyevo and LLC Sheremetyevo Inter-Terminal Passage was 25.1%, 11.48% and 2.31% respectively (31 December 2014: 25.1%, 10.77% and 2.15%).

Such investments do not give the Company significant influence on financial and operating activities of these entities. Accordingly, the investments are classified as financial assets available for sale.

Translation from Russian original

JSC Sheremetyevo International Airport

Notes to the separate financial statements (continued)

17. Property, plant and equipment

	Air terminal complex	Airfield	Other buildings	Technical equipment and machinery	Vehicles	Other equipment	Capital expenditure	Total
Cost								
At 1 January 2014 (restated)	33,452	4,082	4,342	12,457	1,917	1,919	169	58,338
Additions	73	–	–	242	496	40	451	1,302
Put into operation	179	–	40	152	1	8	(380)	–
Disposals	(739)	(86)	(112)	(60)	(19)	(39)	(221)	(1,276)
At 31 December 2014 (restated)	32,965	3,996	4,270	12,791	2,395	1,928	19	58,364
Additions	–	–	–	77	1,236	108	472	1,893
Put into operation	103	–	103	174	–	10	(390)	–
Disposals	(90)	(39)	(10)	(152)	(38)	(62)	(26)	(417)
At 31 December 2015	32,978	3,957	4,363	12,890	3,593	1,984	75	59,840
Accumulated depreciation								
At 1 January 2014 (restated)	(5,085)	(2,922)	(1,506)	(5,687)	(1,182)	(1,094)	–	(17,476)
Charge for the year	(1,049)	(117)	(193)	(1,422)	(261)	(258)	–	(3,300)
Disposals	134	84	109	60	19	38	–	444
At 31 December 2014 (restated)	(6,000)	(2,955)	(1,590)	(7,049)	(1,424)	(1,314)	–	(20,332)
Charge for the year	(1,017)	(93)	(209)	(1,388)	(286)	(249)	–	(3,242)
Disposals	90	21	8	140	37	56	–	352
At 31 December 2015	(6,927)	(3,027)	(1,791)	(8,297)	(1,673)	(1,507)	–	(23,222)
Net book value								
At 1 January 2014	28,367	1,160	2,836	6,770	735	825	169	40,862
At 31 December 2014	26,965	1,041	2,680	5,742	971	614	19	38,032
At 31 December 2015	26,051	930	2,572	4,593	1,920	477	75	36,618

As of 31 December 2015 and 2014, gross carrying amount of fully depreciated property, plant and equipment that is still in use was RUB 7,317 and RUB 5,011, respectively.

18. Accounts payable

	At 31 December 2015	At 31 December 2014
Trade accounts payable		
Denominated in RUB	1,156	646
Denominated in foreign currencies (mainly in EUR)	290	83
Advances received	569	729
Unused vacation accrual	213	268
Taxes payable, other than income tax	572	722
Accounts payable to employees	253	450
Other accounts payable	258	252
Social insurance payable	13	112
Provisions	182	271
	3,506	3,533

Translation from Russian original

JSC Sheremetyevo International Airport

Notes to the separate financial statements (continued)

19. Interest-bearing loans and borrowings

	Currency	Interest rate	Maturity	At 31 December 2015	At 31 December 2014
Long-term interest-bearing loans and borrowings					
Sberbank	USD	9.2%	2020	12,267	10,512
Vnesheconombank	USD	8.3%	2019, 2022	40,401	32,552
VTB	USD	7.75%	2019	9,393	8,821
Total long-term interest-bearing loans and borrowings				62,061	51,885
Less current portion of long-term interest-bearing loans and borrowings				(6,536)	(13,662)
Total long-term interest-bearing loans and borrowings, net of current portion				55,525	38,223
Short-term interest-bearing loans and borrowings					
Current portion of long-term interest-bearing loans and borrowings				6,536	13,662
Total short-term interest-bearing loans and borrowings				6,536	13,662

As of 31 December 2015, under credit line facilities from VTB and Vnesheconombank, the Company pledged as collateral the mortgage rights for sublease of the land plots with the estimated value of RUB 299 and RUB 229, respectively, (31 December 2014: RUB 463 and RUB 355, respectively) and airport equipment with the carrying amount of RUB 18,192 (31 December 2014: RUB 19,404).

As of 31 December 2015, the Company had no undrawn credit line facilities (31 December 2014: none).

At the end of 2015, the Company initiated the approval of refinancing of current liabilities due to SC VEB. The approval of the ultimate provisions of the transaction is expected to be finalized by the end of 2016. According to the preliminary indicative terms of refinancing of JSC Sheremetyevo International Airport, outstanding liabilities under the loan agreements with SC VEB are expected to be refinanced in full.

In addition, according to the preliminary terms, mortgage rights for sublease are to be repledged as collateral under the loan received from VTB, and property / other assets of the Borrower are to be pledged / repledged as collateral with LTV (the loan amount / the collateral value) of no more than 100%. The terms of refinancing assume compliance with a number of financial covenants, in particular: Net Debt / EBITDA and EBITDA / Interest. These covenants will be tested on a quarterly basis based on the RAS financial statements. For the company established as a result of a merger of JSC Sheremetyevo Airport and JSC Sheremetyevo International Airport, similar covenants of the merged company will be tested annually starting from 2016 based on IFRS financial statement.

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JSC Sheremetyevo International Airport

Notes to the separate financial statements (continued)

20. Share capital

Authorized, issued and fully paid share capital is as follows:

	Authorized	Issued and fully paid	
	Number of shares (1,000 ruble each)	Number of shares (1,000 ruble each)	Amount
At 1 January 2014	4,031,502	2,300,701	2,180
At 31 December 2014	4,031,502	2,300,701	2,180
At 31 December 2015	4,031,502	2,300,701	2,180

21. Reserve capital

According to the charter, the Company has to maintain a reserve capital through the allocation of 5% of net profit determined under Russian accounting principles. The total amount of the reserve capital may not exceed 5% of the Company's share capital. The reserve capital may only be used to cover losses of the Company, as well as to redeem issued debt instruments or to purchase treasury shares. As of 31 December 2015 and 2014, reserve capital was at its maximum level.

22. Related party transactions

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

For the purpose of these financial statements, the following related parties were identified in accordance with IAS 27 *Separate Financial Statements*:

No.	Legal entity or related party (full name)	Registration address	Nature of relationship	Share of the related party in the Company, %	Share of the Company in the related party, %
Shareholders					
1	PJSC VTB	Presnenskaya nab, 12, Moscow	PJSC VTB owns 4% of the share capital of JSC Sheremetyevo International Airport	4%	—
2	SC VEB	Prospekt Akademika Sakharova, 9, Moscow	SC VEB owns 4% of the share capital of JSC Sheremetyevo International Airport	4%	—
3	PJSC Aeroflot	ul. Arbat, 10, Moscow	PJSC Aeroflot owns 9% of the share capital of JSC Sheremetyevo International Airport	9%	—

Translation from Russian original

JSC Sheremetyevo International Airport

Notes to the separate financial statements (continued)

22. Related party transactions (continued)

No.	Legal entity or related party (full name)	Registration address	Nature of relationship	Share of the related party in the Company, %	Share of the Company in the related party, %
Subsidiaries					
4	CJSC Mosleasing	Sheremetyevo Airport, Khimki	The Company owns more than 50% of the share capital of CJSC Mosleasing	–	99.88%
5	LLC Sheremetyevskaya Aviatoplivnaya Company	Sheremetyevo Airport, Hotel for 300 rooms, bld. 2, room 501 (P.O. Box 39), Khimki	The Company owns more than 50% of the share capital of LLC Sheremetyevskaya Aviatoplivnaya Company	–	99%
6	JSC VIP-International	ul. Pokrovka, 47A, Moscow	The Company owns more than 50% of the share capital of JSC VIP-International	–	51%
7	OJSC Vladivostok International Airport	ul. Portovaya, 41, Artem, Primorsky krai, Russia	The Company owns more than 50% of the share capital of OJSC Vladivostok International Airport	–	52.16%
8	CJSC Terminal Vladivostok	ul. Portovaya, 41, Artem, Primorsky krai, Russia	The Company owns more than 50% of the share capital of CJSC Terminal Vladivostok	–	100%
9	LLC Rusport	Sheremetyevo Airport, Khimki	The Company owns more than 50% of the share capital of LLC Rusport	–	51%
10	CJSC Soyuzvyeshtrans-Avia	Sheremetyevo Airport, Khimki	The Company owns more than 20% of the share capital of CJSC Soyuzvyeshtrans-Avia	–	40%
11	JSC AeroMASH-Aviation security	Mezhdunarodnoye shosse, 28B, bld. 1, Business park SkyPoint, bld. Alpha	The Company owns more than 20% of the share capital of JSC AeroMASH-Aviation security	–	45%
12	LLC Aero-Food Catering	Sheremetyevo Airport, Khimki	The Company owns more than 20% of the share capital of LLC Aero-Food Catering	–	26%
13	LLC Avia Group	Sheremetyevo Airport, Khimki	The Company owns more than 20% of the share capital of LLC Avia Group	–	26%
14	OJSC Sheremetyevo-4	ul. Krasnaya, 120, Solnechnogorsk	The Company owns more than 20% of the share capital of JSC Sheremetyevo-4	–	50%
15	LLC Moscow Cargo	Sheremetyevo Airport, Khimki	The Company owns more than 20% of the share capital of LLC Moscow Cargo	–	25.1%
16	LLC RN-Sheremetyevo	ul. Aviatsionnaya, bld. 8, Khimki	The Company owns more than 20% of the share capital of LLC RN-Sheremetyevo	–	49%
17	CJSC Sheremetyevo Fueling Complex	Sheremetyevo Airport, Khimki	The Company owns more than 20% of the share capital of CJSC Sheremetyevo Fueling Complex	–	25.1%

Translation from Russian original

JSC Sheremetyevo International Airport

Notes to the separate financial statements (continued)

22. Related party transactions (continued)

No.	Legal entity or related party (full name)	Registration address	Nature of relationship	Share of the related party in the Company, %	Share of the Company in the related party, %
Other related parties					
18	OJSC Sheremetyevo Cargo	Sheremetyevskoye shosse, 9, Sheremetyevo Airport, Khimki	The Company owns 8.9% of the share capital of OJSC Sheremetyevo Cargo	–	8.9%
19	LLC Terminal B Sheremetyevo	Sheremetyevo Airport, Khimki	The Company owns 11.48% of the share capital of LLC Terminal B Sheremetyevo	–	11.48%
20	LLC Sheremetyevo Inter-Terminal Passage	Sheremetyevo Airport, Khimki	The Company owns 2.31% of the share capital of LLC Sheremetyevo Inter-Terminal Passage	–	2.31%

The separate financial statements of the Company include the following balances with related parties:

	31 December 2015	31 December 2014
Current assets		
Cash and cash equivalents	5	19
Shareholders	5	19
Accounts receivable and prepayments, net	684	800
Subsidiaries	6	–
Associates	43	21
Entities under control of shareholders	2	7
Shareholders	633	772
	689	819
Non-current assets		
Long-term investments	4,628	5,275
Subsidiaries	3,846	4,493
Associates	782	782
	4,628	5,275
Total assets	5,317	6,094
Current liabilities		
Accounts payable	75	94
Subsidiaries	14	53
Associates	14	1
Entities under common control of shareholders	8	5
Shareholders	39	35
Interest-bearing loans and borrowings	3,808	3,150
Shareholders	3,808	3,150
	3,883	3,244
Non-current liabilities		
Interest-bearing loans and borrowings	45,986	38,223
Shareholders	45,986	38,223
	45,986	38,223
Total liabilities	49,869	41,467

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Notes to the separate financial statements (continued)

22. Related party transactions (continued)

The separate financial statements of the Company include the following transactions with related parties:

	2015	2014
Revenues	10,340	9,252
Subsidiaries	357	312
Associates	789	755
Entities under control of shareholders	367	572
Shareholders	8,827	7,613
Interest income	286	252
Subsidiaries	240	235
Shareholders	46	17
Other income	1,545	1,839
Subsidiaries	1,375	1,149
Associates	51	513
Entities under control of shareholders	8	7
Shareholders	111	170
Total revenue and other income	12,171	11,343
Expenses	(282)	(474)
Subsidiaries	(1)	(1)
Associates	(217)	(396)
Shareholders	(58)	(73)
Entities under control of shareholders	(6)	(4)
Interest and other expenses	(2,449)	(2,039)
Subsidiaries	(2,067)	(1,181)
Associates	(32)	(346)
Shareholders	(343)	(499)
Entities under control of shareholders	(7)	(13)
Total expenses	(2,731)	(2,513)

Transactions with related parties are disclosed in Notes 14, 15, 16 and 19.

Compensation to key management personnel

Compensation to key management personnel includes short-term benefits, including salary and bonuses, as well as short-term compensation for serving on the management bodies of the Company. According to Russian legislation, the Company makes social insurance contributions to the Pension Fund of the Russian Federation for all its employees, including key management personnel.

	2015	2014
Salaries	226	164
Bonuses and other performance related payments	349	290
Total short-term compensation	575	454

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JSC Sheremetyevo International Airport

Notes to the separate financial statements (continued)

23. Commitments under operating leases

Future minimum lease payments under non-cancellable operating leases were as follows as of 31 December:

	31 December 2015	31 December 2014
Less than 1 year	299	328
Between 1 and 5 years	1,179	1,237
More than 5 years	10,525	11,636
	12,003	13,201

The Company leases from the local authorities land on which the airport complex is located. The leases typically run for an initial period from 25 to 99 years with an option to renew the lease after its expiry. Lease payments are reviewed regularly to reflect market rates.

24. Capital commitments

The Company's capital commitments related to the construction of terminals and the modernization of existing assets as of 31 December are disclosed below:

	31 December 2015	31 December 2014
Development of Terminal F of Sheremetyevo airport	–	1
Development of Terminal D of Sheremetyevo airport	225	–
Development of the northern part of Sheremetyevo airport	–	–
Aviation security system improvement	6	–
Other	61	26
	292	27

25. Contingent liabilities and operational risks

Operating environment

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

In 2015, the Russian economy continued to be negatively affected by a significant drop in crude oil prices, significant devaluation of the Russian ruble and sanctions imposed on Russia by several countries in 2014. The ruble interest rates remained high after the Central Bank of Russia raised its key rate in December 2014, with subsequent gradual decrease in 2015. The combination of the above resulted in a reduced access to capital, a higher cost of capital, increased inflation and uncertainty regarding economic growth, which could negatively affect the Company's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Company's business in the given circumstances.

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Notes to the separate financial statements (continued)

25. Contingent liabilities and operational risks (continued)

Environmental matters

The enforcement of current environmental regulations in the Russian Federation is continually evolving. The Company periodically evaluates its environmental protection obligations under environmental regulations. Potential liabilities, which might arise as a result of changes in existing laws, regulation of civil litigation or changes in standards, cannot be reliably estimated but could be material. In the current enforcement climate under existing environmental legislation, management believes that the Company complies with the environmental requirements of the federal and regional authorities of the Russian Federation; therefore, there are currently no significant liabilities for environmental damage.

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant regional and federal authorities.

In 2015 tax legislation was amended to counter the use of low tax jurisdictions and aggressive tax planning structures. These amendments are effective from 2016.

From 1 January 2015, the procedure for recognition of expenses as interest on debt obligations was changed (Federal Law No. 420-FZ dated 28 December 2013 and Federal Law No. 32-FZ dated 8 March 2015). In particular, for all debt obligations except for those that result from controlled transactions, the amount of actually accrued interest is recognized as expenses. The following ranges are established for controlled transactions (pursuant to p. 2 of Art. 105.14 of the Russian Tax Code): from 1 January 2015 to 31 December 2015 – 0 to 180% of the CBR key interest rate. For other controlled transactions: from 1 January 2015 to 31 December 2015 – from 75% of the CBR refinancing rate to 180% of the CBR key interest rate.

In 2015, the procedure for recognition of expenses as depreciation of property, plant equipment transferred for free-of-charge use pursuant to Art. 256 (p. 4 was introduced by Federal Law No. 382-FZ dated 29 November 2014); depreciation charged on property, plant and equipment transferred for free-of-charge use to state authorities, local governments, state and municipal institutions, state and municipal unitary enterprises in cases when this obligation is stipulated by Russian legislation, is included in the calculation of the tax base pursuant to Art. 274 of the Russian Tax Code.

These changes and recent trends in the application and interpretation of certain provisions of the Russian tax legislation indicate that the tax authorities may take a more assertive position in the interpretation of legislation and the review of tax assessments. Consequently, the tax authorities may challenge transactions and accounting methods that they have not challenged in the past. As a result, significant additional taxes, penalties and interest may be assessed.

It is not possible to determine the amounts of constructive claims or evaluate probability of their negative outcome.

Fiscal periods remain open to review for a period of three calendar years immediately preceding the year of review. Under certain circumstances, reviews may cover earlier tax periods.

Management believes that as of 31 December 2015 its interpretation of the relevant legislation is appropriate and that the Company's tax, currency and customs positions are likely to be sustained.

Translation from Russian original

JSC Sheremetyevo International Airport

Notes to the separate financial statements (continued)

25. Contingent liabilities and operational risks (continued)

Insurance

The insurance program of the Company is designed to cover a majority of risks inherent in airport operations without any substantial gaps in coverage. The main operational risks of the Company are covered by property damage policies and airport civil liability policies, while other insurance contracts cover losses the frequency of which is insignificant as well as provide additional benefits for employees and ensure the compliance with current legislation requirements without any major damage to airport business.

26. Financial risk management objectives and policies

The Company's principal financial liabilities comprise loans and borrowings, and accounts payable. The main purpose of these financial instruments is to raise finance for the Company's operations and capital construction projects. The Company has a number of financial assets, such as accounts receivable, cash and cash equivalents, and other financial assets, that arise directly from its operations.

Management of risks is an essential element of the Company's operations. The Company is exposed to market risk, credit risk and liquidity risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risks, such as equity price risk and commodity risk. Financial instruments exposed to market risk include loans and borrowings, deposits, investments available for sale and derivative financial instruments.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company borrows at fixed and variable interest rates and has other interest-bearing liabilities, such as finance lease liabilities.

Currently, the Company does not use instruments to hedge interest rate risk. Nevertheless, the Company monitors interest rates and, if necessary, may decide to start using instruments for hedging such risks.

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities using the method under which changes in their fair value are recognized in profit or loss in the consolidated statement of comprehensive income. Therefore, a change in interest rates at the reporting date does not affect the Company's profit.

The Company does not account for any fixed rate financial assets as assets held for sale. Therefore, a change in interest rates at the reporting date does not affect the Company's equity.

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Notes to the separate financial statements (continued)

26. Financial risk management objectives and policies (continued)

Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

The variable interest rate on a long-term loan from Vnesheconombank will become effective only in 2018. Until 2018, the interest rate on the loan is fixed.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates.

The Company is exposed to foreign exchange risk when it makes sales and purchases, and receives loans in foreign currency. The Company does not have any formal plan for mitigating foreign exchange risk arising from its operations.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in USD/RUB and EUR/RUB exchange rates, with all other variables held constant, of the Company's profit before tax. In 2015 and 2014, the Company assessed reasonably possible changes based on the volatility of foreign exchange rates during the reporting periods. The Company's exposure to foreign currency risk due to changes in the exchange rates of any other currencies is not material.

	Change in USD/RUB rate	Effect on profit before tax	Change in EUR/RUB rate	Effect on profit before tax
2015	27.00% (27.00%)	(14,698) 14,698	27.66% (27.66%)	40 (40)
2014	27.97% (27.97%)	(12,826) 12,826	28.70% (28.70%)	2 (2)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a contract, leading to a financial loss to the Company.

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash and trade accounts receivable.

To manage credit risk related to cash, the Company places its available cash, mainly in US dollars and rubles, in major Russian banks. Management regularly reviews the creditworthiness of the banks in which it deposits cash.

The Company has policies in place to ensure that sales of products and services are made only to customers with an appropriate credit history. The carrying amount of accounts receivable, net of allowance for impairment, represents the maximum amount exposed to credit risk. Although collection of accounts receivable is influenced by economic factors, management of the Company believes that there is no significant risk of loss beyond the allowance for impairment of accounts receivable.

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JSC Sheremetyevo International Airport

Notes to the separate financial statements (continued)

26. Financial risk management objectives and policies (continued)

Credit risk (continued)

The maximum exposure to credit risk is equal to the carrying amount of financial assets disclosed below:

	31 December 2015	31 December 2014
Cash and cash equivalents	7,404	5,663
Accounts receivable	1,330	1,620
Other financial assets	4,172	4,513
	12,906	11,796

As of 31 December 2015, the five largest customers of the Company accounted for 63% of the total amount of accounts receivable (net of allowance) (31 December 2014: 71%).

The table below shows the outstanding balances of top five counterparties as of the respective reporting dates:

	2015
PJSC Aeroflot – Russian Airlines	633
Priority Pass Limited Company	62
“AS Air Baltic Corporation”	40
Air France	36
Bulgaria Air	31
	802
	2014
PJSC Aeroflot – Russian Airlines	802
CJSC TZK Sheremetyevo	240
JSC Air Astana	33
Air France	29
Priority Pass Limited Company	27
	1,131

Fair value of financial instruments

Fair value of a derivative financial instrument

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- ▶ Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- ▶ Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- ▶ Level 3: techniques, which use inputs that have a significant effect on the recorded fair value and that, are not based on observable market data.

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Notes to the separate financial statements (continued)

26. Financial risk management objectives and policies (continued)

Fair value of financial instruments (continued)

As of 31 December 2015, the Company held the following financial instruments measured at fair value:

	31 December 2015		31 December 2014	
	Total	Level 3	Total	Level 3
Derivative financial instrument				
Interest rate option (Sberbank loan)	88	88	115	115
	88	88	115	115

During the reporting period, there were no transfers to and from Level 3 of the fair value hierarchy.

Fair value of financial instruments not carried at fair value

The carrying amounts of financial instruments, such as cash, investments and other financial assets, short-term accounts receivable and payable, and short-term loans received, approximate their fair value.

The following table presents financial instruments whose carrying amounts differ from their fair values (Level 3 in the fair value hierarchy).

	2015		2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Interest-bearing loans and borrowings				
Sberbank loan facility	12,267	12,905	10,512	10,307
Vnesheconombank	40,401	37,070	32,552	27,653
VTB	9,393	9,523	8,821	8,369
	62,061	59,498	51,885	46,329

The fair value of bank loans was estimated by discounting future cash flows using interest rates currently available for loans and borrowings with similar terms, credit risk and maturities. Cash flows were discounted at the prevailing interest rate of 8.40% per annum for loans denominated in US dollar as of 31 December 2015 (for loans denominated in US dollar as of 31 December 2014: 11.5% per annum).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to settle all its liabilities as they fall due. The Company's liquidity position is carefully monitored and managed. The Company has in place a detailed budgeting and forecasting process to ensure that it has adequate cash available to meet its payment obligations.

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JSC Sheremetyevo International Airport

Notes to the separate financial statements (continued)

26. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments, including interest payments:

	Less than 1 month	1-3 months	3-12 months	1-2 years	3-5 years	More than 5 years	Total
2015							
Loans and borrowings with fixed rate (principal and interest)	–	2,304	9,618	12,088	18,235	–	42,245
Loans and borrowings with variable rate (principal and interest)	–	–	–	–	15,820	24,748	40,568
Accounts payable	1,256	760	733	92	173	404	3,418
Finance lease liabilities	–	1	3	–	–	–	4
	1,256	3,065	10,354	12,180	34,228	25,152	86,235
2014							
Loans and borrowings with fixed rate (principal and interest)	–	1,755	6,486	9,677	22,124	1,065	41,107
Loans and borrowings with variable rate (principal and interest)	–	–	–	–	4,415	25,109	29,524
Accounts payable	1,036	1,130	360	106	263	231	3,126
Finance lease liabilities	3	5	12	4	–	–	24
	1,039	2,890	6,858	9,787	26,802	26,405	73,781

Capital management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to its shareholders through the optimization of the debt-to-equity ratio.

The Company's management reviews the capital structure on a regular basis. As part of this review, management considers the cost of capital. The Board of Directors reviews the Company's performance and establishes key performance indicators. In addition, the Company is subject to certain externally imposed capital requirements, which are used for capital adequacy monitoring. There were no changes in the capital management objectives, policies and processes during 2015.

The Company monitors the amount of legal reserve as to its compliance with the statutory requirements and makes appropriations of profits to legal reserve. In addition, the Company monitors distributable profits on a regular basis and determines the amounts and timing of dividend payments.

For 2014 and 2015, negative net assets of the Company amounted to RUB (1,773) and RUB (10,147), respectively. Based on 2015 results, the Company incurred loss of RUB 8,374 (2014: RUB 14,882).

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JSC Sheremetyevo International Airport

Notes to the separate financial statements (continued)

26. Financial risk management objectives and policies (continued)

Capital management (continued)

Negative net assets of the Company do not necessarily form an ultimate ground for the forced liquidation of the Company. Pursuant to Resolution No. 14-P of the Constitutional Court of the Russian Federation, Article 99 p. 4 of the Civil Code of the Russian Federation and Article 35 p. 5 and p. 6 of the Federal Law *On Joint-Stock Companies*, a joint-stock company is subject to immediate liquidation once the net assets start decreasing, but shareholders are allowed to take necessary measures to improve financial position of a joint-stock company.

The Company's major shareholder (the Russian Federation) took necessary measures to balance the value of the Company's net assets with the amount of the share capital. Pursuant to Decree of the President of the Russian Federation No. 442 *On Joint-Stock Company "Sheremetyevo Airport"* dated 28 August 2015, Government Resolutions No. 1865-r dated 22 September 2015 and No. 201-r dated 11 February 2016 were adopted to introduce the plan for the Company's reorganization by merger of JSC Sheremetyevo Airport. As the result of reorganization, the Company's net assets will increase and will exceed the share capital.

27. Subsequent events

For the purpose of strategic development of Moscow Air Cluster on the principles of public and private partnership, President of the Russian Federation signed Decree No. 442 *On Joint-Stock Company "Sheremetyevo Airport"* dated 28 August 2015, which envisages the procedure for the Company's reorganization by merger of JSC Sheremetyevo Airport and procedure for the increase of the share capital of JSC Sheremetyevo International Airport through additional issue of shares. Adoption of the Decree ensures that the interest of the Russian Federation in the share capital of this joint-stock company will be no less than 30%.

On 11 February 2016, Government of the Russian Federation signed Resolution No. 201-r specifying stages and actions towards reorganization of JSC Sheremetyevo International Airport in accordance with Decree of the President of the Russian Federation No. 442 dated 28 August 2015. Pursuant to Resolution of the Government of the Russian Federation No. 201-r, the first stage of reorganization was initiated in February 2016. This process envisages incorporation of JSC Sheremetyevo Airport together with LLC Sheremetyevo Holding by contribution to its share capital of 83% of shares of JSC Sheremetyevo International Airport owned by the Russian Federation and by contribution of property of a private shareholder. Interest in the share capital of JSC Sheremetyevo Airport is distributed as follows: 32% – share of the Russian Federation, 68% – share of LLC Sheremetyevo Holding. Pursuant to the Resolution, these measures shall be taken within 3 months. A merger of JSC Sheremetyevo Airport with JSC Sheremetyevo International Airport shall be performed further within 10 months.

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JSC Sheremetyevo International Airport

Notes to the separate financial statements (continued)

27. Subsequent events (continued)

As a result of reorganization, JSC Sheremetyevo International Airport will receive all assets of the merged company (JSC Sheremetyevo Airport), including:

- ▶ shares of JSC AERO-Sheremetyevo – 50%;
- ▶ shares of JSC VIP-International – 49%;
- ▶ shares of JSC Imperial Duty Free – 51%;
- ▶ share in LLC Autopark M – 100%;
- ▶ share in LLC MASH Advertisement – 100%;
- ▶ share in LLC Moscow Cargo – 74.9%;
- ▶ share in LLC Sheremetyevo Inter-Terminal Passage and LLC Terminal B Sheremetyevo – 97.85% and 89.23%, respectively;
- ▶ funds of LLC Sheremetyevo Holding in the amount of RUB 200 thousand.