

# **DME LIMITED and subsidiaries**

Interim Condensed Consolidated  
Financial Information  
For the Nine-Month Period Ended  
30 September 2017 (unaudited)

# DME LIMITED AND SUBSIDIARIES

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## DME LIMITED AND SUBSIDIARIES

### STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017

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Management is responsible for the preparation of the interim condensed consolidated financial information that presents the financial position of DME Limited (the "Company") and its subsidiaries (the "Group") as of 30 September 2017 and the consolidated results of its operations, cash flows and changes in equity for the nine-month period then ended, in compliance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

In preparing the interim condensed consolidated financial information, management is responsible for:

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

Management is also responsible for:

- Designing, implementing and maintaining an effective system of internal controls throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the interim condensed consolidated financial information of the Group complies with IAS 34;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the companies of the Group operate;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

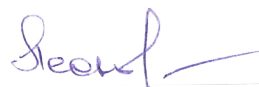
The interim condensed consolidated financial information for the nine-month period ended 30 September 2017 was approved by management on 24 January 2018.

On behalf of management:



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Elena Batsunova  
Chief Executive Officer



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Elena Leonova  
Chief Financial Officer

## DME LIMITED AND SUBSIDIARIES

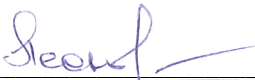
### INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

	Notes	2017	2016
Revenue	5	31,086	28,804
Operating expenses, net	6	(22,465)	(19,702)
<b>Operating profit</b>		<b>8,621</b>	<b>9,102</b>
Interest expense	7	(572)	(619)
Interest income		191	270
Foreign exchange gain/(loss), net		558	(179)
<b>Profit before income tax</b>		<b>8,798</b>	<b>8,574</b>
Income tax	8	(1,811)	(2,243)
<b>Profit and other comprehensive income for the period</b>		<b>6,987</b>	<b>6,331</b>
Profit and other comprehensive income attributable to:			
Owners of the Company		7,028	6,299
Non-controlling interests		(41)	32
		<b>6,987</b>	<b>6,331</b>

#### On behalf of management:

  
\_\_\_\_\_  
Elena Batsunova  
Chief Executive Officer

24 January 2018

  
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Elena Leonova  
Chief Financial Officer

The accompanying notes form an integral part of this interim condensed consolidated financial information.

## DME LIMITED AND SUBSIDIARIES

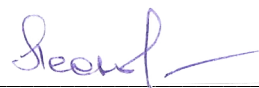
### INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2017 (UNAUDITED) (Amounts in millions of Russian Rubles)

	Notes	30 September 2017	31 December 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	76,557	65,300
Investment property	9	616	542
Advances for acquisition of non-current assets	9	2,159	2,375
Intangible assets	10	4,918	5,041
Deferred tax asset, net		1,574	1,245
Amounts due from grantor under a concession agreement	12	-	206
Long-term finance lease receivable	13	261	246
Other non-current assets	11	1,774	1,866
<b>Total non-current assets</b>		<b>87,859</b>	<b>76,821</b>
<b>Current assets</b>			
Inventory	16	1,798	1,641
Trade and other receivables	15	3,060	2,690
Prepayments and other current assets	17	5,212	4,038
Prepaid income tax		783	1,035
Amounts due from grantor under a concession agreement	12	34	-
Short-term finance lease receivable	13	156	146
Short-term investments	14	1,402	27
Cash and cash equivalents	18	4,253	14,306
<b>Total current assets</b>		<b>16,698</b>	<b>23,883</b>
<b>TOTAL ASSETS</b>		<b>104,557</b>	<b>100,704</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital</b>			
Share capital	19	11,877	11,877
Retained earnings	19	35,160	33,108
Equity attributable to owners of the Company		47,037	44,985
Non-controlling interests		(51)	(10)
<b>Total equity</b>		<b>46,986</b>	<b>44,975</b>
<b>Non-current liabilities</b>			
Five-year USD loan participation notes, long-term portion	20	32,831	34,335
Borrowings	21	1,700	2,017
Deferred tax liability, net		5,541	5,229
Amounts due to grantor under a concession agreement, long-term portion	12	3,134	3,135
<b>Total non-current liabilities</b>		<b>43,206</b>	<b>44,716</b>
<b>Current liabilities</b>			
Trade and other payables	22	5,863	4,919
Accrued expenses and other current liabilities	24	2,324	1,903
Five-year USD loan participation notes, short term portion	20	897	384
Borrowings	21	812	1,155
Taxes other than income tax payable	23	1,486	1,088
Amounts due to grantor under a concession agreement, short-term portion	12	305	250
Income tax payable		1,321	1,314
Dividends payable	19	1,357	-
<b>Total current liabilities</b>		<b>14,365</b>	<b>11,013</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>104,557</b>	<b>100,704</b>

On behalf of management:



Elena Batsunova  
Chief Executive Officer



Elena Leonova  
Chief Financial Officer

24 January 2018


The accompanying notes form an integral part of this interim condensed consolidated financial information.

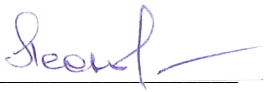
## DME LIMITED AND SUBSIDIARIES

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED) (Amounts in millions of Russian Rubles)

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities:</b>		
<b>Profit before income tax</b>	<b>8,798</b>	<b>8,574</b>
Adjustments for:		
Depreciation and amortization	2,564	2,300
Change in provision for impairment of accounts receivable, advances to suppliers and advances for acquisition of non-current assets	541	(25)
Interest income	(191)	(270)
Interest expense	572	619
Foreign exchange (gain)/loss, net	(558)	179
Other non-cash items, net	119	(34)
	<b>11,845</b>	<b>11,343</b>
Increase in inventory	(159)	(86)
Increase in trade and other receivables	(1,008)	(256)
(Increase)/decrease in prepayments and other current assets	(1,178)	172
(Decrease)/increase in trade and other payables	(120)	173
Increase in taxes other than income tax payable	399	208
Increase in accrued expenses and other current liabilities	338	6
	<b>10,117</b>	<b>11,560</b>
<b>Net cash from operating activities before income tax</b>	<b>10,117</b>	<b>11,560</b>
Interest paid	(1,316)	(1,282)
Income tax paid	(1,572)	(1,666)
	<b>7,229</b>	<b>8,612</b>
<b>Cash provided by operating activities</b>	<b>7,229</b>	<b>8,612</b>
<b>Cash flows from investing activities:</b>		
Purchases of property, plant and equipment	(10,771)	(7,804)
Purchases of intangible assets	(340)	(392)
Proceeds from disposal of property, plant and equipment	17	132
Purchases of investments	(1,448)	(2,670)
Proceeds from disposal of investments	59	12,492
Proceeds from grantor under a concession agreement	187	210
Interest received	163	301
	<b>(12,133)</b>	<b>2,269</b>
<b>Net cash (used in)/generated from investing activities</b>	<b>(12,133)</b>	<b>2,269</b>
<b>Cash flows from financing activities:</b>		
Repayments of borrowings	(1,005)	(4,150)
Proceeds from borrowings	143	1,778
Dividends paid (Note 19)	(3,716)	(2,355)
Other distribution to shareholders	-	(14)
	<b>(4,578)</b>	<b>(4,741)</b>
<b>Net cash used in financing activities</b>	<b>(4,578)</b>	<b>(4,741)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(9,482)</b>	<b>6,140</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>14,306</b>	<b>4,783</b>
Foreign exchange loss on cash and cash equivalents	(571)	(2,741)
	<b>4,253</b>	<b>8,182</b>
<b>Cash and cash equivalents at end of the period</b>	<b>4,253</b>	<b>8,182</b>

On behalf of management:

  
Elena Batsunova  
Chief Executive Officer

  
Elena Leonova  
Chief Financial Officer

24 January 2018

The accompanying notes form an integral part of this interim condensed consolidated financial information.

## DME LIMITED AND SUBSIDIARIES

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINEMONTH PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED) (Amounts in millions of Russian Rubles)

	Share capital	Loans issued to the owners of the Company	Retained earnings	Equity attributable to the owners of the Company	Non-controlling interests	Total
<b>Balance as of 1 January 2016</b>	<b>11,877</b>	-	<b>42,573</b>	<b>54,450</b>	<b>101</b>	<b>54,551</b>
Profit and other comprehensive income for the period	-	-	6,299	6,299	32	6,331
Loan issued to shareholder	-	(10,040)	-	(10,040)	-	(10,040)
Dividends	-	-	-	-	(150)	(150)
Other distribution to shareholders	-	-	(14)	(14)	-	(14)
<b>Balance as of 30 September 2016</b>	<b>11,877</b>	<b>(10,040)</b>	<b>48,858</b>	<b>50,695</b>	<b>(17)</b>	<b>50,678</b>
<b>Balance as of 1 January 2017</b>	<b>11,877</b>	-	<b>33,108</b>	<b>44,985</b>	<b>(10)</b>	<b>44,975</b>
Profit / (loss) and other comprehensive income / (expense) for the period	-	-	7,028	7,028	(41)	6,987
Dividends (Note 19)	-	-	(4,976)	(4,976)	-	(4,976)
<b>Balance as of 30 September 2017</b>	<b>11,877</b>	-	<b>35,160</b>	<b>47,037</b>	<b>(51)</b>	<b>46,986</b>

On behalf of management:



Elena Batsunova  
Chief Executive Officer



Elena Leonova  
Chief Financial Officer

24 January 2018

The accompanying notes form an integral part of this interim condensed consolidated financial information.

## DME LIMITED AND SUBSIDIARIES

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

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#### 1. NATURE OF THE BUSINESS

DME Limited (previously FML Limited, hereinafter the "Company"), is a limited liability company incorporated under the laws of the Isle of Man in February of 2001. Immediately following the formation of the Company an entity under common control transferred to the Company a number of entities operating as a group since 1996. The assets and liabilities of the entities were transferred to the Company at their previous carrying amounts. In 2012, the Company transferred its registered office and place of domicile to the Republic of Cyprus.

The principal activities of the Company, together with its subsidiaries (collectively the "Group") are the management, operation and development of Domodedovo airport, including servicing international and domestic passenger and cargo flights. The Group sells fuel and pre-packaged meals as well as provides airport-related commercial services comprising leasing of retail space, leasing of other commercial properties and fuelling services. The Group's principal place of business is Domodedovo airport in the Moscow region, Russia.

The Group operates in three business segments: aviation services, auxiliary aviation services and commercial services.

Starting from December 2016 DME Stichting Administratiekantoor ("DME Administrative Foundation"), a foundation organized and existing under the laws of the Netherlands, together with Atlant Foundation, a private foundation established and governed under the laws of Malta, collectively own 100% of the issued share capital of DME Limited.

The ultimate controlling party of the Group is Mr. Dmitry Kamenshchik.

The interim condensed consolidated financial information of the Group for the nine-month period ended 30 September 2017 was authorized for issue by management on 24 January 2018.

#### 2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

##### Statement of compliance

This financial information has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

This financial information does not include all the information and disclosures required in the annual financial statements. The Group omitted certain disclosures, which would substantially duplicate the information contained in its audited annual consolidated financial statements for 2016 prepared in accordance with International Financial Reporting Standards ("IFRS"), such as accounting policies and details of accounts which have not changed significantly in amount or composition.

Exchange rates for the currencies in which the Group transacts were as follows:

	<b>30 September 2017</b>	<b>31 December 2016</b>
<b>Closing exchange rates – RUR</b>		
1 U.S. Dollar ("USD")	58.02	60.66
1 Euro	68.45	63.81
	<b>30 September 2017</b>	<b>30 September 2016</b>
<b>Average exchange rates for the nine months ended – RUR</b>		
1 USD	58.33	68.37
1 Euro	64.93	76.28



## DME LIMITED AND SUBSIDIARIES

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

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#### Seasonality

The business of the Group is subject to significant seasonal fluctuations in its operations, such as a significant increase in passenger traffic in the summer months and September, typically peaking in August, and a decrease in passenger traffic in the first three months of the calendar year, typically reaching the lowest point in February. Fluctuations in the levels of passenger traffic have a strong correlation with the Group's revenue from current operations. In addition, these fluctuations have an effect on trade and other receivables and cash and cash equivalents, with receivables decreasing in August to September and cash and cash equivalents simultaneously increasing, while the pattern is reversed in January to February when receivables increase, while cash and cash equivalents decrease as airlines often experience shortage of cash to pay for services rendered during these months. In addition, because of fluctuations in the levels of passenger traffic, increases in tariffs have a larger impact on revenue when increases in tariffs occur prior to the peak months of the year in terms of passenger traffic (June through September). In accordance with IFRS, revenue and the related expenses are recognized in the period in which they are realized and incurred, respectively. The Group's results for the interim period do not necessarily reflect a continuing trend which will be reflected in the year-end results.

#### Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual financial statements as of 31 December 2016 and for the year then ended.

During the nine-month period ended 30 September 2017 there were no changes in the accounting policies that had significant effect on the Group's financial position and performance arising from the adoption of new standards.

### 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for 2016 prepared in accordance with IFRS.

### 4. SEGMENT INFORMATION

Information reported to the chief operating decision maker of the Group ("CODM") for the purposes of resource allocation and assessment of segment performance is focused on the nature of services provided.

The Group's reportable segments are as follows:

**Aviation services segment** – includes aviation services, such as use of terminal, take-off and landing, and aviation security. Federal Antimonopoly Service of the Russian Federation retains the control and oversight functions in the pricing area of such services.

**Auxiliary aviation services segment** – includes certain passenger-related services, ground handling, fuelling services, in-flight catering and cargo handling.

**Commercial services segment** – includes retail concessions and advertising, leasing of other commercial properties and car parking.

Segment information is prepared based on IFRS measures.

The performance of each reportable segment is assessed by the CODM by reference to segment operating profit. Segment operating profit is calculated after headquarters expenses have been allocated between the reportable segments.

## DME LIMITED AND SUBSIDIARIES

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

The key financial information for the Group's segments for the nine-month periods ended 30 September 2017 and 2016, respectively, is presented below:

		Aviation services	Auxiliary aviation services	Commercial services	Inter- segment eliminations	Group
Third-party revenue	<b>9m 2017</b>	9,289	17,161	4,636	-	31,086
	<b>9m 2016</b>	8,689	15,518	4,597	-	28,804
Intersegment revenue	<b>9m 2017</b>	1,790	156	968	(2,914)	-
	<b>9m 2016</b>	1,683	148	586	(2,417)	-
Total revenue	<b>9m 2017</b>	11,079	17,317	5,604	(2,914)	31,086
	<b>9m 2016</b>	10,372	15,666	5,183	(2,417)	28,804
<b>Operating profit</b>	<b>9m 2017</b>	<b>2,670</b>	<b>3,481</b>	<b>2,470</b>	<b>-</b>	<b>8,621</b>
	<b>9m 2016</b>	<b>2,394</b>	<b>4,207</b>	<b>2,501</b>	<b>-</b>	<b>9,102</b>
Depreciation and amortization	<b>9m 2017</b>	(1,235)	(987)	(342)	-	(2,564)
	<b>9m 2016</b>	(1,107)	(886)	(307)	-	(2,300)
Change in provision for impairment of receivables and advances to suppliers	<b>9m 2017</b>	(10)	(510)	(21)	-	(541)
	<b>9m 2016</b>	30	60	(65)	-	25

The following is the analysis of the Group's largest customer (10% or more of total revenue):

	Nine months ended 30 September			
	2017		2016	
	Amount	%	Amount	%
<b>S7 Group</b>	<b>4,521</b>	<b>15%</b>	<b>4,371</b>	<b>15%</b>
Auxiliary aviation services segment	2,834		2,822	
Aviation services segment	1,517		1,403	
Commercial services segment	170		146	

Substantially all assets, management and administrative facilities of the Group are located in the Russian Federation and are not separately reported to the CODM. Furthermore, all revenue is earned within the Russian Federation. Accordingly, geographical revenue and asset information is not presented as part of segmental information.

## 5. REVENUE

	2017	2016
<b>Service revenue</b>		
Ground handling	6,954	6,656
Airport and other related charges	6,919	6,508
Rental income	4,003	4,020
Jet fuelling and storage services	2,389	2,077
Aviation security	2,036	1,906
Parking fees	521	473
Construction revenue	99	112
Other revenue	461	453
<b>Total service revenue</b>	<b>23,382</b>	<b>22,205</b>
<b>Product revenue</b>		
Jet fuel sales	4,329	3,367
Catering	3,375	3,232
<b>Total product revenue</b>	<b>7,704</b>	<b>6,599</b>
<b>Total revenue</b>	<b>31,086</b>	<b>28,804</b>

## DME LIMITED AND SUBSIDIARIES

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

Rental income includes contingent rentals of RUR 3,045 million and RUR 2,999 million for the nine-month periods ended 30 September 2017 and 2016, respectively, and rental income from investment property in the amount of RUR 233 million and RUR 280 million for the nine-month periods ended 30 September 2017 and 2016, respectively.

#### 6. OPERATING EXPENSES, NET

	<u>2017</u>	<u>2016</u>
Payroll and related charges:		
Wages and salaries	7,064	6,519
Social taxes	1,949	1,870
Cost of jet fuel	4,079	3,018
Depreciation and amortization	2,564	2,300
Maintenance	1,661	1,465
Materials	1,428	1,355
Cleaning and waste management	621	712
Change in provision for impairment of receivables, advances to suppliers and advances for acquisition of non-current assets	541	(25)
Staff development and training	417	274
Public utilities	387	428
Transport	335	366
Rent	276	296
Passenger servicing	249	230
Consulting, audit and other services	209	268
Taxes other than income tax	162	142
Certification and licensing	69	35
Communication services expense	41	36
Advertising expenses	31	18
Charitable donations	-	64
Other expenses, net	382	331
<b>Total operating expenses, net</b>	<b><u>22,465</u></b>	<b><u>19,702</u></b>

Maintenance expenses include direct expenses arising from investment property in the amount of RUR 31 million and RUR 52 million for the nine-month periods ended 30 September 2017 and 2016, respectively.

#### 7. INTEREST EXPENSE

	<u>2017</u>	<u>2016</u>
Interest expense on five-year USD loan participation notes issued in 2013	598	943
Interest expense on five-year USD loan participation notes issued in 2016	922	-
Unwind of the discount relating to amounts due to grantor under a concession agreement	260	262
Interest expense on bank loans	116	151
	<b><u>1,896</u></b>	<b><u>1,356</u></b>
Less: capitalized borrowing cost (Note 9)	<u>(1,324)</u>	<u>(737)</u>
<b>Total interest expense</b>	<b><u>572</u></b>	<b><u>619</u></b>

## DME LIMITED AND SUBSIDIARIES

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

#### 8. INCOME TAX

Interim period income tax is accrued based on the estimated average annual effective income tax rate of 20.60% (2016: 26.16%).

	<u>2017</u>	<u>2016</u>
Current income tax expense	(1,827)	(2,825)
Deferred income tax benefit	16	582
<b>Total income tax</b>	<b><u>(1,811)</u></b>	<b><u>(2,243)</u></b>

The decrease in the annual effective tax rate in 2017 and in current tax expense during the nine-month period ended 30 September 2017 is mostly attributable to higher amount of non-taxable forex differences recognized in the reporting period comparing to the nine-month period ended 30 September 2016.

#### 9. PROPERTY, PLANT AND EQUIPMENT

	<u>Buildings</u>	<u>Plant and equipment</u>	<u>Other</u>	<u>CIP</u>	<u>Total</u>
<b>Cost</b>					
<b>1 January 2016</b>	<b>51,273</b>	<b>9,632</b>	<b>1,319</b>	<b>8,299</b>	<b>70,523</b>
Additions	1,358	416	17	7,247	9,038
Transfers	679	274	50	(1,003)	-
Disposals	(1)	(75)	(58)	(136)	(270)
<b>30 September 2016</b>	<b>53,309</b>	<b>10,247</b>	<b>1,328</b>	<b>14,407</b>	<b>79,291</b>
Additions	693	204	48	2,805	3,750
Transfers	15	87	3	(105)	-
Disposals	-	(65)	(3)	(35)	(103)
<b>31 December 2016</b>	<b>54,017</b>	<b>10,473</b>	<b>1,376</b>	<b>17,072</b>	<b>82,938</b>
Additions	1,437	468	79	11,449	13,433
Transfers	464	299	38	(801)	-
Disposals	-	(75)	(44)	(7)	(126)
Reclassified to investment property	(107)	-	-	-	(107)
<b>30 September 2017</b>	<b>55,811</b>	<b>11,165</b>	<b>1,449</b>	<b>27,713</b>	<b>96,138</b>
<b>Accumulated depreciation</b>					
<b>1 January 2016</b>	<b>(8,370)</b>	<b>(6,012)</b>	<b>(978)</b>	<b>-</b>	<b>(15,360)</b>
Depreciation charge	(1,034)	(707)	(105)	-	(1,846)
Disposals	13	74	56	-	143
<b>30 September 2016</b>	<b>(9,391)</b>	<b>(6,645)</b>	<b>(1,027)</b>	<b>-</b>	<b>(17,063)</b>
Depreciation charge	(355)	(235)	(38)	-	(628)
Disposals	(1)	52	2	-	53
<b>31 December 2016</b>	<b>(9,747)</b>	<b>(6,828)</b>	<b>(1,063)</b>	<b>-</b>	<b>(17,638)</b>
Depreciation charge	(1,224)	(735)	(110)	-	(2,069)
Disposals	-	70	40	-	110
Reclassified to investment property	16	-	-	-	16
<b>30 September 2017</b>	<b>(10,955)</b>	<b>(7,493)</b>	<b>(1,133)</b>	<b>-</b>	<b>(19,581)</b>
<b>Net book value</b>					
<b>30 September 2016</b>	<b>43,918</b>	<b>3,602</b>	<b>301</b>	<b>14,407</b>	<b>62,228</b>
<b>31 December 2016</b>	<b>44,270</b>	<b>3,645</b>	<b>313</b>	<b>17,072</b>	<b>65,300</b>
<b>30 September 2017</b>	<b>44,856</b>	<b>3,672</b>	<b>316</b>	<b>27,713</b>	<b>76,557</b>

## DME LIMITED AND SUBSIDIARIES

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

"Buildings" consists primarily of passenger and cargo terminals, catering facility, car park and auxiliary buildings.

During the nine-month period ended 30 September 2017 additions mainly relate to the extension of passenger terminal T-1.

Construction in-progress ("CIP") consists mainly of capital expenditures related to the construction work related to both passenger terminals T-1 and T-2.

During the nine-month periods ended 30 September 2017 and 2016 the Group capitalized borrowing costs in the amount of RUR 1,324 million and RUR 737 million, respectively.

The weighted average capitalization rate on borrowed funds was 6.3% and 6.2% per annum for the nine-month periods ended 30 September 2017 and 2016, respectively.

As at 30 September 2017 there was no Group's property, plant and equipment amounts that was pledged as collateral for the Group's borrowings.

#### Investment property

The Group's investment property consists of administrative buildings, which are leased to several airlines, and a hotel building.

	<u>30 September 2017</u>	<u>31 December 2016</u>
Cost	817	711
Accumulated depreciation	<u>(201)</u>	<u>(169)</u>
<b>Net book value</b>	<b><u>616</u></b>	<b><u>542</u></b>

Fair value of the investment properties as at 30 September 2017 and 31 December 2016 was RUR 7,354 million and RUR 8,215 million, respectively, and has been arrived at on the basis of a valuation carried out at these dates by a professional appraiser with appropriate qualifications and recent experience in the valuation of properties in the relevant locations. Fair value measurement was categorized within Level 3 of the fair value hierarchy.

The valuation was arrived at by reference to the future cash flows, based on the market evidence for similar properties, discounted at an estimated relevant rate.

#### Advances for acquisition of non-current assets

As at 30 September 2017 and 31 December 2016 advances for acquisition of non-current assets in the amounts of RUR 2,159 million and RUR 2,375 million, respectively, consisted of amounts paid for construction work at the passenger terminals and purchases of network servers and baggage-processing systems. The amount of impairment of advances for acquisition of non-current assets amounted to RUR 28 million as at 30 September 2017 and RUR 27 million as at 31 December 2016.

## 10. INTANGIBLE ASSETS

	<u>30 September 2017</u>	<u>31 December 2016</u>
Concession arrangement (Note 12)	3,590	3,645
Other intangible assets	<u>1,328</u>	<u>1,396</u>
<b>Total intangible assets</b>	<b><u>4,918</u></b>	<b><u>5,041</u></b>

## DME LIMITED AND SUBSIDIARIES

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

#### 11. OTHER NON-CURRENT ASSETS

	<b>30 September 2017</b>	<b>31 December 2016</b>
Restricted cash in FBME (net of impairment of 9m 2017: RUR 445 million; 2016: RUR 222 million)	1,726	1,805
Other non-current receivable	48	61
<b>Total other non-current assets</b>	<b>1,774</b>	<b>1,866</b>

Restricted cash in FBME represents cash balances held by the Group at a Cyprus branch of Federal Bank of the Middle East Ltd. (FBME), registered in Tanzania, which may not be transferred outside of FBME at the discretion of the Group due to restrictions of operations imposed on FBME Bank by the US, Tanzanian and Cypriot governmental authorities.

As at 30 September 2017 31 December 2016 the management of the Group assessed and recognized a provision for impairment of the restricted cash balances held with FBME in the amount of RUR 445 million (as at 31 December 2016: RUR 222 million). The provision was taken into account an estimated amount of potential losses and charges to be incurred by the Group in the process of recovery of the restricted cash balances from FBME accounts.

The relevant authorities in Cyprus and Tanzania initiated liquidation process for the bank, however there is a legal uncertainty as to the appropriate sequencing of the liquidation process that affects the timing of expected recovery of the Group's cash balances. The Tanzanian liquidator (Deposit Insurance Board) sent a proposal to the Central Bank of Cyprus to start the joint liquidation of the FBME, but no agreement has yet been reached. During 2017, the Central Bank of Cyprus appealed a decision of Nicosia District Court to disallow commencement of liquidation of FBME in Cyprus. Appellate court's hearing is expected in March 2018.

Based on the information available to the Group, it is believed that FBME has sufficient solvent funds to fully honor the bank's obligations. The Group expects that once the legal position is finalized and an appropriate liquidator is established the bank's funds would be released, and the Group recover most of its cash balances with FBME.

There were no other developments in relation to the situation with FBME in addition to the information disclosed in the Group's annual consolidated financial statements for 2016.

#### 12. CONCESSION ARRANGEMENT

##### General

In May 1998 the Group entered into a concession arrangement with FGUP "Administration of the Airport Domodedovo" (a state-owned enterprise) for the use of the airfield and related equipment for a term of 75 years. The airfield includes runways, adjacent taxiways, apron and related navigation equipment. The Group is under obligation to repair and maintain the assets. The Group also has the right, but not the obligation, to incur capital expenditures or make improvements to the infrastructure. The grantor is obligated to compensate the Group for the amount of expenses, incurred in the course of making such improvements provided that they are approved by the grantor. At the end of the agreement the assets under the agreement (including the improvements made by the Group and certified by the grantor) revert to the grantor. The profit earned on the construction services, related to the capital expenditures and improvements made to the assets, represents a market level margin.

The Group is required to make quarterly payments for the right to use the assets during the term of the agreement. Such payments are set to be revised on a regular basis. The most recent revision took place in December 2012, with the next revision due in 2018. The effects and terms of the most recent revision are discussed further in this note.

## DME LIMITED AND SUBSIDIARIES

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

#### Amounts due from grantor under a concession agreement

Financial asset related to amounts due from grantor under a concession agreement of RUR 34 million (31 December 2016: RUR 206 million) comprise the amount of receivables from grantor for the improvements made to the property used under the concession agreement. Such amounts are settled on demand, and as at 30 September 2017, the Group expects the settlement within 12 months from the reporting date. Accordingly, the amounts have been classified as current assets as at 30 September 2017.

#### Amounts due to grantor in relation to a concession agreement

Financial liability related to amounts due to grantor in relation to a concession agreement represents the present value of the contractual future payments, discounted at an annual interest rate of 10.6%. The most recent revision of contractual payment terms, which took place in December 2012, resulted in an increase of the future minimum payments and a revised discount rate. The cost of the intangible asset, corresponding to the net present value of the fees payable to the grantor under the arrangement, has been adjusted accordingly (see below).

The contractual future payments are reconciled to their present value as at 30 September 2017 and 31 December 2016 as follows:

	Future payments		Present value of future payments	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
Due within one year	319	264	305	250
Due after one year but not more than five years	1,391	1,391	1,044	1,044
Due after more than five years	17,654	17,915	2,090	2,091
	19,364	19,570	3,439	3,385
Less future finance charges	(15,925)	(16,185)	-	-
<b>Present value of future payments</b>	<b>3,439</b>	<b>3,385</b>	<b>3,439</b>	<b>3,385</b>

### 13. FINANCE LEASE RECEIVABLE

Presented below is the reconciliation between the gross investment in the lease and the present value of minimum lease payments receivable at the end of the reporting period.

	30 September 2017		31 December 2016	
	Minimum lease payments receivable	Present value of minimum lease payments receivable	Minimum lease payments receivable	Present value of minimum lease payments receivable
Due within one year	198	156	185	146
Due after one year but not more than five years	793	227	740	211
Due after more than five years	678	34	770	35
Total gross / net investment in the lease	1,669	417	1,695	392
Less unearned finance income	(1,252)	-	(1,303)	-
<b>Present value of minimum lease payments</b>	<b>417</b>	<b>417</b>	<b>392</b>	<b>392</b>

## DME LIMITED AND SUBSIDIARIES

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

#### 14. SHORT-TERM INVESTMENTS

	<u>30 September 2017</u>	<u>31 December 2016</u>
Loan to an entity under common control	1,378	-
Other loans	<u>24</u>	<u>27</u>
<b>Total short-term investments</b>	<b><u>1,402</u></b>	<b><u>27</u></b>

During the nine-month period ended 30 September 2017 the Group issued EUR 20 million (which was equivalent to RUR 1,375 million at the exchange rate ruling as at date of issuance) as a loan to the entity under common control bearing a fixed interest rate of 3.2% per annum and repayable by 31 October 2017.

#### 15. TRADE AND OTHER RECEIVABLES

	<u>30 September 2017</u>	<u>31 December 2016</u>
Trade receivables, gross	4,096	3,385
Other receivables, gross	963	787
Provision for impairment	<u>(1,999)</u>	<u>(1,482)</u>
<b>Total trade and other receivables</b>	<b><u>3,060</u></b>	<b><u>2,690</u></b>

Significant increase of provision for impairment of receivables as of 30 September 2017 related to the deterioration of financial position of a significant customer. During September 2017, VIM-AVIA airline, which was based at the airport Domodedovo, began to experience severe financial difficulties, which resulted in many flights being delayed or cancelled, intervention of a regulator and effective cessation of the company's operations as a business. Management of the Group doesn't expect receivables as of 30 September 2017 VIM-AVIA airline to be recoverable. As of the date of authorization of this interim condensed consolidated financial information, bankruptcy process has not yet been initiated.

#### 16. INVENTORY

	<u>30 September 2017</u>	<u>31 December 2016</u>
Spare parts	604	544
Supplies	389	259
Jet fuel	384	404
Raw materials	165	191
Other inventory	<u>256</u>	<u>243</u>
<b>Total inventory</b>	<b><u>1,798</u></b>	<b><u>1,641</u></b>

#### 17. PREPAYMENTS AND OTHER CURRENT ASSETS

	<u>30 September 2017</u>	<u>31 December 2016</u>
VAT receivable	3,439	3,227
Irrevocable letters of credit	1,176	288
Advances to suppliers	175	139
Other current assets	<u>422</u>	<u>384</u>
<b>Total prepayments and other current assets</b>	<b><u>5,212</u></b>	<b><u>4,038</u></b>



## DME LIMITED AND SUBSIDIARIES

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

#### 18. CASH AND CASH EQUIVALENTS

	<u>30 September 2017</u>	<u>31 December 2016</u>
USD-denominated balances with banks	2,068	9,088
Russian Rouble denominated cash on hand and balances with banks	1,252	690
EUR-denominated balances with banks	933	-
USD-denominated short-term bank deposits	-	2,426
EUR-denominated short-term bank deposits	-	2,102
<b>Total cash and cash equivalents</b>	<b><u>4,253</u></b>	<b><u>14,306</u></b>

#### 19. EQUITY

##### Share capital and dividends

Authorized and issued capital as at 30 September 2017 and 31 December 2016 comprises 304,831,519 ordinary shares with par value EUR 1, of which 274,348,367 represent Class A shares and 30,483,152 represent Class B shares. Class A and Class B shares have equal voting rights on liquidation of DME Limited, while Class A shares confer on their holder the exclusive right to receive distributions by way of dividend or return of capital. There have been no changes in the share capital of the Company during the period.

During the nine-month period ended 30 September 2017 dividends of USD 50 million and EUR 31.5 million (RUR 4,976 million at the Central Bank of Russia exchange rate as at declaration date) were declared, out of which USD 28.4 million and EUR 30 million (RUR 3,716 million at the Central Bank of Russia exchange rate as at payment date) were paid to the shareholders of the Group, USD 21.6 million and EUR 1.5 million (RUR 1,357 million as at the Central Bank of Russia exchange rate as at the reporting date) remain payable as at 30 September 2017.

During nine-month period ended 30 September 2016 dividends of RUR 2,355 million, accrued during prior periods, were paid to the shareholders of the Group.

Dividends of RUR 150 million distributed and paid during the nine-month period ended 30 September 2016 represented distribution to non-controlling shareholders of the Group subsidiaries (nil during the nine-month period ended 30 September 2017).

##### Retained earnings

In accordance with statutory legislation, dividends may only be declared to the shareholders of the Group from accumulated undistributed and unreserved earnings as shown in the Group's individual companies' statutory financial statements. As at 30 September 2017 and 31 December 2016 such earnings amounted to RUR 22,768 million and RUR 20,293 million, respectively.

#### 20. FIVE-YEAR USD LOAN PARTICIPATION NOTES

	<u>Interest rate, %</u>	<u>30 September 2017</u>	<u>31 December 2016</u>
Five-year USD loan participation notes issued in 2013 (the "2018 LPNs")	6%	13,091	13,464
Five-year USD loan participation notes issued in 2016 (the "2021 LPNs")	5.875%	<u>20,637</u>	<u>21,255</u>
<b>Total</b>		<b>33,728</b>	<b>34,719</b>
<b>Less:</b> interest payable presented as current liability		<u>(897)</u>	<u>(384)</u>
<b>Long-term portion of five-year USD loan participation notes</b>		<b><u>32,831</u></b>	<b><u>34,335</u></b>

## DME LIMITED AND SUBSIDIARIES

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

#### Covenants

In accordance with the terms of the 2018 and 2021 LPNs, the Group is subject to certain covenants, which are calculated on the basis of consolidated financial statements of the Group, prepared in accordance with IFRS. Such financial covenants mainly consist of limitations on the Consolidated Net Debt to Consolidated EBITDA ratio, Consolidated Equity to Consolidated Total Assets ratio and Obligor Cover ratios.

As of 30 September 2017 and 31 December 2016 the Group was in compliance with these covenants.

#### 21. BORROWINGS

	Interest rate, %	30 September 2017	31 December 2016
Loan from Raiffeisen bank	5%	2,375	2,375
Loan from ING bank	EURIBOR + 1.2%	137	-
Loan from Alamo Limited	-	-	797
<b>Total</b>		<b>2,512</b>	<b>3,172</b>
<b>Less:</b> current portion, including interest payable		(812)	(1,155)
<b>Long-term borrowings</b>		<b>1,700</b>	<b>2,017</b>

In May 2017 the Group entered into a EUR-denominated eight-year loan facility agreement for the total amount of EUR 59 million (RUR 4,102 million at the Central Bank of Russia exchange rate ruling at the inception date) provided by ING bank to finance the installation of a baggage handling system in the new segment of Terminal 2. Total net proceeds from the borrowings amounted to EUR 55 million (equivalent to RUR 3,825 million at the Central Bank of Russia exchange rate at the inception date). The interest rate is six-month EURIBOR + 1.2% per annum with interest being paid semi-annually. During July – September 2017, the Group drew down on the first two tranches amounting to EUR 6 million (equivalent to RUR 408 million at the Central Bank of Russia exchange rate ruling at the dates of drawdowns). Net proceeds from the borrowings received during the period ended 30 September 2017 amounted to EUR 2 million (equivalent to 143 RUR million, at the Central Bank of Russia exchange rate at the inception date) after the deduction of related commissions costs.

#### Covenants

In accordance with the terms loan facility agreements with Raiffeisen Bank International AG and ING bank, the Group is subject to certain covenants, which are calculated on the basis of consolidated financial statements of the Group, prepared in accordance with IFRS. Such financial covenants mainly consist of limitations on the Consolidated Total Debt to Consolidated EBITDA ratio, Consolidated Net Debt to Consolidated EBITDA ratio, Consolidated Equity to Consolidated Total Assets ratio, the Obligor Cover Ratios.

In the event of non-compliance with the specified requirements the Group may be required to repay the loans early. The total amount of liabilities to which financial covenants are attached as at 30 September 2017 is RUR 2,512 million (31 December 2016: RUR 2,375 million).

As at 30 September 2017 and 31 December 2016 the Group was in compliance with these covenants.

## DME LIMITED AND SUBSIDIARIES

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

#### 22. TRADE AND OTHER PAYABLES

	<u>30 September 2017</u>	<u>31 December 2016</u>
Amounts payable for the acquisition of property, plant and equipment	3,051	1,949
Advances received	1,061	1,235
Trade payables	978	968
Rent deposits received	773	767
<b>Total trade and other payables</b>	<b><u>5,863</u></b>	<b><u>4,919</u></b>

#### 23. TAXES OTHER THAN INCOME TAX PAYABLE

	<u>30 September 2017</u>	<u>31 December 2016</u>
Value added tax	1,006	733
Social insurance tax	450	299
Property tax	10	13
Other taxes	20	43
<b>Total taxes other than income tax payable</b>	<b><u>1,486</u></b>	<b><u>1,088</u></b>

#### 24. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<u>30 September 2017</u>	<u>31 December 2016</u>
Accrued employee expenses	1,807	1,638
Other liabilities	517	265
<b>Total accrued expenses and other current liabilities</b>	<b><u>2,324</u></b>	<b><u>1,903</u></b>

Accrued employee expenses as at 30 September 2017 and 31 December 2016 comprised accrued salaries and bonuses of RUR 1,332 million and RUR 1,223 million, respectively, and an accrual for unused vacation of RUR 475 million and RUR 415 million, respectively.

#### 25. FAIR VALUES

The fair values of financial assets and financial liabilities are determined as described in the Group's annual consolidated financial statements for 2016.

Except as detailed in the following table management of the Group believes that the carrying value of financial instruments such as cash and cash equivalents, short-term receivables and payables, finance lease receivable, short- and long-term investments, liabilities under concession and borrowings represented by the loan from Raiffeisen bank, which are classified within Level 2 category of the fair value hierarchy, approximates their fair value. The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. Management has used all available market information in estimating the fair value of financial instruments.

## DME LIMITED AND SUBSIDIARIES

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

#### Fair value of financial liabilities

	<u>30 September 2017</u>	<u>31 December 2016</u>
2018 LPNs (Note 20)	12,848	13,728
2021 LPNs (Note 20)	19,790	20,025
<b>Total</b>	<b><u>32,638</u></b>	<b><u>33,753</u></b>

## 26. TRANSACTIONS WITH RELATED PARTIES

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.

All related parties, except for the parent company, with which the Group entered into significant transactions during the nine-month periods ended 30 September 2017 and 2016 or had significant balances outstanding as of 30 September 2017 and 31 December 2016, are considered to be entities under common control.

The following tables provide the total amount of transactions, which have been entered into with related parties during the nine-month periods ended 30 September 2017 and 2016 as well as closing balances as at 30 September 2017 and 31 December 2016.

	<u>30 September 2017</u>		<u>31 December 2016</u>	
	<u>Amounts owed by related parties</u>	<u>Amounts owed to related parties</u>	<u>Amounts owed by related parties</u>	<u>Amounts owed to related parties</u>
Entities under common control	2,359	27	795	853

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized in the current or prior years for bad or doubtful debts in respect of the amounts owed by related parties.

During nine-month period ended 30 September 2017, the Group paid RUR 802 million in cash to fully settle the loan payable to one of the entities under common control.

	<u>30 September 2017</u>			<u>30 September 2016</u>		
	<u>Sales to related parties</u>	<u>Purchases from related parties</u>	<u>Interest income</u>	<u>Sales to related parties</u>	<u>Purchases from related parties</u>	<u>Interest income</u>
Entities under common control	45	72	9	43	74	137

#### Compensation of key management personnel

Key management comprised 9 persons as at 30 September 2017 and 31 December 2016. Total gross compensation (including mandatory pension and other payroll related contributions to state funds and before withholding of personal income tax) to those individuals included in payroll and related charges in the consolidated profit or loss amounted to RUR 357 million (including social insurance tax of RUR 50 million) and RUR 356 million (including social insurance tax of RUR 47 million) for the nine-month periods ended 30 September 2017 and 2016, respectively. The outstanding balances due to key management personnel amounted to RUR 782 million and RUR 792 million as at 30 September 2017 and 31 December 2016, respectively, and comprised accrued salaries, bonuses, accrual for unused vacation and other monetary benefits.

## DME LIMITED AND SUBSIDIARIES

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

#### 27. OPERATING LEASES ARRANGEMENTS

##### The Group as Lessee

The Group leases buildings, certain objects of movable property and land (including the land on which the airfield is located and which the Group leases from the Moscow Region government). The term of the lease of land is 49 years from the inception of lease agreement in May 1998. The amount of lease payments is fixed however it is adjusted by the lessor from time to time.

Future minimum lease payments under contracted operating leases are as follows:

	<b>30 September 2017</b>	<b>31 December 2016</b>
Within one year	124	185
In two to five years	391	391
After five years	2,573	2,646
<b>Total minimum lease payments</b>	<b>3,088</b>	<b>3,222</b>

Included in minimum lease payments within one year are amounts of RUR 5 million and RUR 71 million, which represent the value of lease payments under lease agreements automatically extended for an indefinite term in accordance with the provisions in these agreements as of 30 September 2017 and 31 December 2016, respectively. These agreements can be terminated by either lessor or lessee by notification of the other party one month before termination.

##### The Group as Lessor

Rental income earned by the Group is set out in Note 5.

The future minimum lease payments representing fixed part of the rentals under contracted operating leases for the year 2017 amount to RUR 1,232 million.

#### 28. COMMITMENTS, CONTINGENCIES AND OPERATING RISKS

##### Capital commitments

The Group's contracted capital commitments related to construction of passenger and cargo terminals and modernization of existing assets as at 30 September 2017 and 31 December 2016 consisted of the following:

	<b>30 September 2017</b>	<b>31 December 2016</b>
Reconstruction and expansion of passenger terminal	26,888	25,782
Design of multilevel parking	1,214	1,720
Reconstruction and expansion of cargo terminal	275	1,703
Reconstruction of office buildings	58	75
Reconstruction of fuel storage facilities	21	43
Construction of aircraft maintenance hangar	18	50
Construction of warehousing facilities	11	30
Construction of electric power plant	-	2
Other	511	582
<b>Total capital commitments</b>	<b>28,996</b>	<b>29,987</b>

## **DME LIMITED AND SUBSIDIARIES**

### **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)**

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#### **Operating environment of the Group**

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

Starting from 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. This led to reduced access of the Russian businesses to international capital markets.

The impact of further economic and political developments on future operations and financial position of the Group might be significant.

The government of the Russian Federation directly affects the Group's operations through regulation of airport charges and other operating activities of the airports in Russia. According to current Russian legislation, certain infrastructure items may not be privately owned and must remain federal property. With respect to the Group, which operates under a long-term concession arrangement (see Note 12), such infrastructure items include the airfield, runways, adjacent taxiways, apron and certain navigation equipment. The contractual agreement regulating the relationship between the government and operators of such infrastructure items in Russia may not be as detailed and comprehensive as the contractual agreements governing similar infrastructure assets in more developed countries. Terms of contractual agreements between the government and infrastructure operators are not standardized, and may vary substantially from one arrangement to another. As laws and regulations evolve, develop or otherwise change in the future, the lease agreement between the Group and the government may change significantly.

In addition, because of its importance to the public, the airport attracts a significant amount of political attention. The Group is subject to a high level of scrutiny from public officials and may from time to time be subject to government reviews, public commentary and investigations. Furthermore, the overall legal environment for private business in the Russian Federation is such that there exists a possibility that government bodies and regulatory agencies may take differing views on whether or not a given private business has complied with the relevant laws and regulations. Effects of such non-compliance may vary from administrative penalties and fines to criminal prosecution. The Group's management believes that it has properly complied with all relevant regulations and applicable laws.

#### **Taxation**

The government of the Russian Federation continues to reform the business and commercial infrastructure in its transition to a market economy. As a result, laws and regulations affecting business continue to change rapidly. These changes are characterized by unclear wording which leads to different interpretations and arbitrary application by the authorities. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. It is therefore possible that significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to tax audit by the authorities in respect of taxes for three calendar years preceding the year of tax audit. Under certain circumstances reviews may cover longer periods.

## DME LIMITED AND SUBSIDIARIES

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED) (CONTINUED) *(Amounts in millions of Russian Rubles, unless otherwise stated below)*

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Russian transfer pricing legislation was amended starting from 1 January 2012 to introduce additional reporting and documentation requirements. The new legislation allows the tax authorities to impose additional tax liabilities in respect of certain transactions, including but not limited to transactions with related parties, if they consider transaction to be priced not at arm's length. As the practice of implementation of the new transfer pricing rules has not yet developed and wording of some clauses may have more than one interpretation, the impact of challenge of the Group's transfer pricing positions by the tax authorities cannot be reliably estimated.

New provisions aimed at deoffshorisation of Russian economy have been added to the Russian tax legislation and are effective from 1 January 2015. Specifically, they introduce new rules for controlled foreign companies, a concept of beneficiary owner of income for the purposes of application of preferential provisions of taxation treaties of the Russian Federation, a concept of tax residency for foreign persons and taxation of indirect sale of Russian real estate assets.

The Group is currently assessing the effects of new tax rules on the Group's operations and takes necessary steps to comply with the new requirements of the Russian tax legislation including periodic reviews of its tax planning strategies. However, in view of the recent introduction of the above provisions and insufficient related administrative and court practice, at present the probability of claims from Russian tax authorities and probability of favorable outcome of tax disputes (if they arise) cannot be reliably estimated. Tax disputes, if any, may have a material impact on the Group's financial position and results.

Management believes that it has provided adequately for tax liabilities based on its interpretations of tax legislation. However, the relevant authorities may have differing interpretations, and the effects could be significant.

#### **Environmental matters**

The enforcement of environmental regulation in the Russian Federation is continually evolving. The Group periodically evaluates its obligations under environmental regulations. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that the Group has met the government's federal and regional requirements concerning environmental matters. Therefore, there are no significant liabilities for environmental damage or remediation.

#### **Legal proceedings**

During the nine-month period ended 30 September 2017, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which management believes could have a material effect on the result of operations or financial position of the Group.

## **29. SUBSEQUENT EVENTS**

**Settlement of loan issued to a related party** – In November 2017 the loan issued to the entity under common control (Note 14) was fully settled in cash.

**New tranches under loan facility agreement with ING bank** – In October and December 2017, the Group drew down on the third and fourth tranches amounting to EUR 14.7 million and EUR 6.4 million, accordingly.

**Issue of loan participation notes** – In December 2017 one of the Group companies Domodedovo Fuel Facility LLC issued non-convertible five-year loan securities for the total amount of RUR 10,000 million on Moscow Exchange. Net proceeds from the issuance, after the deduction of related offering costs, amounted to RUR 9,977 million. The annual coupon rate of the loan securities is 8.1% with interest being paid semi-annually.