DME LIMITED
and subsidiaries

Interim Condensed Consolidated
Financial Information
for the Six-month Period Ended
30 June 2019 (unaudited)

DME LIMITED AND SUBSIDIARIES

TABLE OF CONTENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019

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 June 2019 and the consolidated results of its operations, cash flows and changes in equity for the six-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 that 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 six-month period ended 30 June 2019 was approved by management on 11 October 2019.

On behalf of management:

______________________________	______________________________
Elena Batsunova	Elena Leonova
Chief Executive Officer	Chief Financial Officer

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To: Shareholders of DME Limited

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of DME Limited and its subsidiaries (the "Group") as of 30 June 2019, and the related interim consolidated statements of profit or loss and comprehensive income, changes in equity and cash flows for the six months then ended, and selected explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* adopted in Cyprus. A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing adopted in Cyprus and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, the consolidated financial position of the Group as of 30 June 2019, and its consolidated financial performance and its consolidated cash flows for the six months then ended in accordance with IAS 34 *Interim Financial Reporting*.

Alexander Dorofeyev
Engagement Partner

11 October 2019

DME LIMITED AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED)
(Amounts in millions of Russian Rubles)

	Notes	2019	2018
Revenue	5	18,115	19,777
Operating expenses, net	6	(14,278)	(15,268)
Operating profit		**3,837**	**4,509**
Interest expense	7	(573)	(531)
Interest income		143	231
Impairment of restricted cash balances		-	(423)
Foreign exchange gain/ (loss), net		4,140	(2,626)
Profit before income tax		**7,547**	**1,160**
Income tax	8	(1,979)	(276)
Profit and other comprehensive income for the period		**5,568**	**884**
Profit/ (loss) and total other comprehensive income/ (loss) attributable to:			
Owners of the Company		5,589	894
Non-controlling interests		(21)	(10)
		5,568	**884**

On behalf of management:

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Elena Batsunova — Chief Executive Officer

Elena Leonova — Chief Financial Officer

11 October 2019

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 30 JUNE 2019
(Amounts in millions of Russian Rubles)

	Notes	30 June 2019 (unaudited)	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	9	100,714	98,454
Investment property	9	579	589
Advances for acquisition of non-current assets	9	469	1,325
Right-of-use assets	2,11	15	-
Intangible assets		1,669	5,393
Deferred tax asset, net		2,527	2,389
Loans issued		313	241
Long-term finance lease receivable	12	276	311
Other non-current assets	10	1,766	1,935
Total non-current assets		**108,328**	**110,637**
Current assets			
Inventory	14	2,184	2,362
Trade and other receivables	13	3,289	3,251
Prepayments and other current assets	15	3,201	4,226
Prepaid current income tax		1,104	1,168
Short-term finance lease receivable	12	165	183
Short-term investments	16	3,178	-
Cash and cash equivalents	17	1,170	4,822
Total current assets		**14,291**	**16,012**
TOTAL ASSETS		**122,619**	**126,649**
EQUITY AND LIABILITIES			
Capital			
Share capital	18	11,877	11,877
Retained earnings	18	35,611	30,188
Equity attributable to the owners of the Company		47,488	42,065
Non-controlling interests		(110)	(89)
Total equity		**47,378**	**41,976**
Non-current liabilities			
Deferred tax liability, net		7,602	6,304
Lease/concession liability, long-term portion	2,11	14	3,133
Borrowings, long-term portion	19	52,614	58,073
Total non-current liabilities		**60,230**	**67,510**
Current liabilities			
Trade and other payables	20	6,873	6,574
Current income tax payable		1,483	1,233
Taxes other than income tax payable	21	1,543	1,345
Dividends payable	18	674	2,902
Lease/concession liability, short-term portion	2,11	1	247
Accrued expenses and other current liabilities	22	1,723	2,344
Borrowings, short-term portion	19	2,714	2,518
Total current liabilities		**15,011**	**17,163**
TOTAL EQUITY AND LIABILITIES		**122,619**	**126,649**

On behalf of management:

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Elena Batsunova
Chief Executive Officer

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Elena Leonova
Chief Financial Officer

11 October 2019

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

DME LIMITED AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019 (UNAUDITED)
(Amounts in millions of Russian Rubles)

	2019	2018
Cash flows from operating activities:		
Profit before income tax	**7,547**	**1,160**
Adjustments for:		
Depreciation and amortization	2,313	1,729
Change in provision for impairment of accounts receivable, advances to suppliers and advances for acquisition of non-current assets	4	46
Impairment of restricted cash balances	-	423
Interest income	(143)	(231)
Interest expense	573	531
Foreign exchange (gain)/loss, net	(4,140)	2,626
Other non-cash items, net	(718)	52
	5,436	**6,336**
Decrease/(increase) in inventory	179	(332)
Increase in trade and other receivables	(119)	(636)
Decrease/(increase) in prepayments and other current assets	1,025	(144)
Increase in trade and other payables	39	863
Increase in taxes other than income tax payable	198	107
Increase in accrued expenses and other current liabilities	146	552
Net cash from operating activities before income tax	**6,904**	**6,746**
Income tax paid	(522)	(621)
Cash provided by operating activities	**6,382**	**6,125**
Cash flows from investing activities:		
Purchases of property, plant and equipment	(1,806)	(8,752)
Purchases of intangible assets	(187)	(896)
Proceeds from disposal of property, plant and equipment	54	24
Purchase of investments	(3,338)	-
Proceeds from disposal of investments	-	22
Interest received	136	247
Net cash used in investing activities	**(5,141)**	**(9,355)**
Cash flows from financing activities:		
Repayments of borrowings	(2,056)	(417)
Proceeds from borrowings and debt securities	1,404	18,472
Dividends paid (Note 18)	(2,275)	(1,427)
Interest paid	(1,636)	(1,727)
Net cash (used in) / provided by financing activities	**(4,563)**	**14,901**
Net (decrease) / increase in cash and cash equivalents	**(3,322)**	**11,671**
Cash and cash equivalents at beginning of the period	**4,822**	**10,270**
Allowance for expected credit losses	(5)	(19)
Foreign exchange (gain)/loss on cash and cash equivalents	(325)	2,133
Cash and cash equivalents at end of the period (Note 17)	**1,170**	**24,055**

On behalf of management:

Elena Batsunova
Chief Executive Officer

Elena Leonova
Chief Financial Officer

11 October 2019

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2019
(Amounts in millions of Russian Rubles)

	Share capital	Retained earnings	Equity attributable to the owners of the Company	Non-controlling interests	Total
Balance as of 1 January 2018	**11,877**	**37,268**	**49,145**	**(54)**	**49,091**
Profit/(loss) and comprehensive income for the period	-	894	894	(10)	884
Dividends (Note 18)	-	(6,033)	(6,033)	-	(6,033)
Balance as of 30 June 2018 (unaudited)	**11,877**	**32,129**	**44,006**	**(64)**	**43,942**
Balance as of 31 December 2018	**11,877**	**30,188**	**42,065**	**(89)**	**41,976**
Adoption of new standards (Note 2)	-	73	73	-	73
Balance as of 1 January 2019	**11,877**	**30,261**	**42,138**	**(89)**	**42,049**
Profit/(loss) and comprehensive income for the period	-	5,589	5,589	(21)	5,568
Dividends (Note 18)	-	(239)	(239)	-	(239)
Balance as of 30 June 2019 (unaudited)	**11,877**	**35,611**	**47,488**	**(110)**	**47,378**

On behalf of management:

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Elena Batsunova
Chief Executive Officer

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Elena Leonova
Chief Financial Officer

11 October 2019

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

(Amounts in millions of Russian Rubles, unless otherwise stated below)

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 additionally sells fuel and pre-packaged meals as well as provides airport-related commercial services such as leasing of retail and advertising space, leasing of other commercial properties and car parking 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.

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 six-month period ended 30 June 2019 was authorized for issue by management on 11 October 2019.

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, and should be read in conjunction with The Group's audited annual consolidated financial statements for 2018 prepared in accordance with International Financial Reporting Standards ("IFRS").

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

	30 June 2019	31 December 2018
Closing exchange rates – RUB		
1 U.S. Dollar ("USD")	63.08	69.47
1 Euro	71.82	79.46

	30 June 2019	30 June 2018
Average exchange rates for the six months ended – RUB		
1 USD	65.34	59.27
1 Euro	73.84	71.78

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 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.

Going concern

These financial information have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future, which implies the realization of assets and settlement of liabilities in the normal course of business.

As of 30 June 2019, the current liabilities of the Group exceeded its current assets by RUB 720 million. The Group is expected to continue generating sufficient operating cash flows to cover its current and future obligations as they become due, and, accordingly, having reviewed the current financial position of the Group, management has concluded that the going concern assumption remains appropriate.

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 2018 and for the year then ended, except for the effect on the Group's financial position and performance arising from the adoption of new standards, described below.

Adoption of new and revised standards

General impact of application of IFRS 16 "Leases"

The date of initial application of IFRS 16 for the Group is 1 January 2019.

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for lessees introducing significant changes by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of adoption of IFRS 16 on the Group's condensed consolidated financial information is described below.

The Group has applied modified retrospective approach of IFRS 16 without restatement of comparative information.

New accounting policies and impact on accounting

The Group as lessee

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

Applying IFRS 16, the Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use assets and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. This expense is presented within operating expenses in the consolidated statement of profit and loss.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included as 'rent' in the statement of profit or loss (Note 6).

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented separately in the consolidated statement of financial position and split into short-term and long-term portions accordingly.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. The costs are included in the related right-of-use assets, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

The Group as lessor

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Impact of new definition of a lease

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group with the exception of its basic 75-year agreement for the use of key airport infrastructure (discussed further in Note 11) which falls within the scope of the new standard and which was previously accounted for as concession in accordance with IFRIC 12.

Financial impact on application of IFRS 16

The application of IFRS 16 has resulted in recognition of a lease liability (comprising long-term and short-term portions) for leases previously classified as amounts due to grantor under a concession agreement. The lessee lease liability represents the present value of the remaining lease payments (excluding the portion of lease payments that are variable in nature and not dependent on index or rate), discounted using the lessee’s incremental borrowing rate at the date of the initial application or each lease or subsequent significant modification of terms.

As of 1 January 2019 the annual weighted average incremental borrowing rate of the Group used for calculation of the present value of lease liability was 9.9%.

The Group recognized right-of-use assets as well as leasehold improvements presented as part of property, plant and equipment and representing capital expenditure related to the leased property. These amounts were reclassified from intangible assets where they were previously reported as part of the concession arrangement asset.

Any difference between the previous carrying amount of financial assets and liabilities under IFRS 16 “Leases” and the new carrying amount was recognized in the retained earnings as of 1 January 2019.

(Amounts in millions of Russian Rubles, unless otherwise stated below)

The tables below represents the amount of adjustment for each financial statement line item affected by the application of IFRS 16:

	31 December 2018	Adjustment due to change in measurement	1 January 2019
Non-current assets			
Intangible assets	5,393	(3,506)	1,887
Property, plant and equipment	98,454	217	98,671
Right-of-use assets	-	15	15
	110,637	**(3,274)**	**107,363**
Non-current liabilities			
Amounts due to grantor under a concession agreement, long-term portion	3,133	(3,133)	-
Lease liability, long-term portion	-	14	14
Total non-current liabilities	**67,510**	**(3,119)**	**64,391**
Current liabilities			
Amounts due to grantor under a concession agreement, short-term portion	247	(247)	-
Lease liability, short-term portion	-	1	1
Total non-current liabilities	**17,163**	**(246)**	**16,917**
Deferred tax liability	**6,304**	**18**	**6,322**
Retained earnings	**30,188**	**73**	**30,261**

The application of IFRS 16 did not have a significant impact on the amounts reported in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows of the Group.

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 2018 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.

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, car parking and hotel services.

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.

(Amounts in millions of Russian Rubles, unless otherwise stated below)

The key financial information for the Group's segments for the six-month periods ended 30 June 2019 and 2018 is presented below:

		Aviation services	Auxiliary aviation services	Commercial services	Inter-segment eliminations	Group
Third-party revenue	**6m 2019**	**4,976**	**10,018**	**3,121**	**-**	**18,115**
	6m 2018	**5,448**	**11,400**	**2,929**	**-**	**19,777**
Intersegment revenue	**6m 2019**	1,441	140	814	(2,395)	-
	6m 2018	1,542	91	750	(2,383)	-
Total revenue	**6m 2019**	6,417	10,158	3,935	(2,395)	18,115
	6m 2018	6,990	11,491	3,679	(2,383)	19,777
Operating profit	**6m 2019**	**53**	**2,244**	**1,540**	**-**	**3,837**
	6m 2018	**617**	**2,431**	**1,461**	**-**	**4,509**
Depreciation and amortization	**6m 2019**	(1,133)	(839)	(341)	-	(2,313)
	6m 2018	(827)	(671)	(231)	-	(1,729)
Change in provision for impairment of	**6m 2019**	5	(12)	3	-	(4)
receivables and advances to suppliers	**6m 2018**	(19)	(22)	(5)	-	(46)

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

	Six months ended 30 June			
	2019		2018	
	Amount	%	Amount	%
S7 Group	**3,722**	**21%**	**3,148**	**16%**
Auxiliary aviation services segment	2,387		2,060	
Aviation services segment	1,173		960	
Commercial services segment	162		128	

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

	2019	2018
Service revenue		
Ground handling	4,827	4,809
Airport and other related charges	3,820	4,152
Rental income	2,773	2,596
Jet fuelling and storage services	1,398	1,349
Aviation security	1,070	1,139
Parking fees	300	286
Construction revenue	-	62
Other revenue	258	320
Total service revenue	**14,446**	**14,713**
Product revenue		
Jet fuel sales	1,914	3,192
Catering	1,755	1,872
Total product revenue	**3,669**	**5,064**
Total revenue	**18,115**	**19,777**

Rental income includes income recognized in respect of variable lease payments from lessees of RUB 1,966 million and RUB 1,874 million for the six-month periods ended 30 June 2019 and 2018, respectively, and rental income from investment property amounting to RUB 210 million and RUB 195 million for the six-month periods ended 30 June 2019 and 2018, respectively.

(Amounts in millions of Russian Rubles, unless otherwise stated below)

6. OPERATING EXPENSES, NET

	2019	2018
Payroll and related charges:		
Wages and salaries	3,910	4,605
Social taxes	1,355	1,357
	5,265	**5,962**
Depreciation and amortization	2,313	1,729
Cost of jet fuel	2,015	3,038
Materials	1,106	1,061
Maintenance	1,050	1,107
Cleaning and waste management	537	477
Staff development and training	344	321
Public utilities	341	298
Rent	313	174
Consulting, audit and other services	263	232
Transport	236	327
Passenger servicing	85	175
Charity donations	60	117
Certification and licensing	60	45
Taxes other than income tax	36	75
Communication services expense	27	29
Advertising expenses	9	14
Change in provision for impairment of receivables, advances to suppliers and advances for acquisition of non-current assets	4	46
Other expenses, net	214	41
Total operating expenses, net	**14,278**	**15,268**

Maintenance expenses include direct expenses arising from investment property in the amount of RUB 23 million and RUB 20 million for the six-month periods ended 30 June 2019 and 2018, respectively.

Rent expenses include variable lease payments not included in the measurement of lease liabilities in the amount of RUB 293 million and RUB 151 million for the six-month periods ended 30 June 2019 and 2018, respectively.

During six-month period ended 30 June 2019 the long-term recognition program for key management was cancelled with the total effect of RUB 756 million income included in wages and salaries.

7. INTEREST EXPENSE

	2019	2018
Interest expense on five-year USD loan participation notes issued in 2013	-	406
Interest expense on five-year USD loan participation notes issued in 2016	685	632
Interest expense on five-year USD loan participation notes issued in 2018	530	370
Interest expense on five-year RUB debt securities issued in 2017	404	412
Interest expense on bank loans	100	95
Interest expense on lease/concession liability	1	179
	1,720	**2,094**
Less: capitalized borrowing cost (Note 9)	(1,147)	(1,563)
Total interest expense	**573**	**531**

(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 26.22% (2018: 23.86%).

	2019	2018
Current income tax expense	(837)	(676)
Deferred income tax (expense)/benefit	(1,142)	400
Income tax	**(1,979)**	**(276)**

The increase in the annual effective tax rate in 2019 during the six-month period ended 30 June 2019 is mostly attributable to one-off adjustment recognized in the reporting period.

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment

	Buildings	Plant and equipment	Other	CIP	Total
Cost					
1 January 2018	**56,555**	**11,300**	**1,450**	**32,312**	**101,617**
Additions	585	712	21	10,269	11,587
Transfers	14,034	375	19	(14,428)	-
Disposals	-	(34)	(23)	(9)	(66)
30 June 2018	**71,174**	**12,353**	**1,467**	**28,144**	**113,138**
Additions	1,619	775	123	5,930	8,447
Transfers	8,630	7	27	(8,664)	-
Disposals	(1)	(89)	(11)	(15)	(116)
31 December 2018	**81,422**	**13,046**	**1,606**	**25,395**	**121, 469**
Adoption of new standard (note 2)	217	-	-	-	217
1 January 2019	**81,639**	**13,046**	**1,606**	**25,395**	**121,686**
Additions	726	8	10	3,264	4,008
Transfers	1,406	133	18	(1,557)	-
Disposals	(1)	(81)	(117)	(31)	(230)
30 June 2019	**83,770**	**13,106**	**1,517**	**27,071**	**125,464**
Accumulated depreciation					
1 January 2018	**(11,339)**	**(7,610)**	**(1,117)**	**-**	**(20,066)**
Depreciation charge	(741)	(535)	(85)	-	(1,361)
Disposals	-	34	19	-	53
30 June 2018	**(12,080)**	**(8,111)**	**(1,183)**	**-**	**(21,374)**
Depreciation charge	(1,089)	(586)	(65)	-	(1,740)
Disposals	1	88	10	-	99
31 December 2018	**(13,168)**	**(8,609)**	**(1,238)**	**-**	**(23,015)**
Depreciation charge	(1,245)	(599)	(75)	-	(1,919)
Disposals	-	70	114	-	184
30 June 2019	**(14,413)**	**(9,138)**	**(1,199)**	**-**	**(24,750)**
Net book value					
30 June 2018	**59,094**	**4,242**	**284**	**28,144**	**91,764**
31 December 2018	**68,254**	**4,437**	**368**	**25,395**	**98,454**
30 June 2019	**69,357**	**3,968**	**318**	**27,071**	**100,714**

(Amounts in millions of Russian Rubles, unless otherwise stated below)

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

"Plant and equipment" mainly consists of baggage-processing systems, aircraft servicing equipment, tow tractors, passenger shuttles, parking equipment, machines for disposition of de-icing liquids, introscopes and other operating equipment.

"Construction in-progress" consists mainly of capital expenditures related to the extension of passenger terminal T-1, construction of passenger terminal T-2, reconstruction and extension of cargo terminal.
During the six-month periods ended 30 June 2019 and 2018 the Group capitalized borrowing costs in the amount of RUB 1,109 million and RUB 1,563 million, respectively.

The weighted average capitalization rate on borrowed funds was 6.3% and 6.4% per annum for the six-month periods ended 30 June 2019 and 2018, respectively.

As at 30 June 2019 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.

	30 June 2019	31 December 2018
Cost	818	818
Accumulated depreciation	(239)	(229)
Net book value	**579**	**589**

Fair value of the investment properties as at 30 June 2019 was RUB 8,764 million (RUB 7,999 million as at 31 December 2018) 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. 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 (Level 2 category of fair value measurement).

Advances for acquisition of non-current assets

As of 30 June 2019 and 31 December 2018 advances for acquisition of non-current assets in the amounts of RUB 469 million and RUB 1,325 million, respectively, consisted of amounts paid for construction of the passenger and cargo terminals and implementation of additional functionalities, modernization of planning and resource management system and irrevocable letters of credit issued by the banks on behalf of the Group for settlements with suppliers of equipment and construction subcontractors. The amount of impairment of advances for acquisition of non-current assets amounted to RUB 30 million as of 30 June 2019 (31 December 2018: RUB 29 million).

(Amounts in millions of Russian Rubles, unless otherwise stated below)

10. OTHER NON-CURRENT ASSETS

	30 June 2019	31 December 2018
Restricted cash in FBME bank, net of impairment	1,708	1,887
Other non-current receivable	58	48
Other non-current assets	**1,766**	**1,935**

Restricted cash in FBME represents cash balances denominated in EUR and USD 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, Cypriot and Tanzanian banking regulators and governmental authorities.

Prior to November 2018, the Group was expecting that it would be possible to recover its cash held by FBME through offset of its liabilities on debt securities which were held by the same bank. As this has not been achieved, the Group now expects to recover this balance though the bank's liquidation process which can normally take a minimum of one to two years to complete.

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.

Based on the information available to the Group, management believes that FBME has sufficient solvent funds to honor all or nearly all of 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 would recover a substantial portion its cash balances with FBME.

The Group reassesses an impairment allowance it holds against these balances at each reporting date based on changes in the management's estimate of the likely amounts to be recovered and timing of their receipt. The total amount of lifetime expected credit losses recognized as at 30 June 2019 was RUB 569 million (as of 31 December 2018 – RUB 629 million). No interest income is accrued on theses balances.

11. THE GROUP AS A LESSEE

General

In May 1998 the Group entered into lease 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 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 lessor 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 lessor. At the end of the agreement the assets under the agreement (including the improvements made by the Group and certified by the lessor) revert to the lessor.

The most recent revision of agreement terms took place in 2019 and is effective from 1 January 2019. The Group is now required to make monthly payments for the right to use the assets during the remaining term of the agreement calculated based on specific methodology issued by the Russian Government in December 2017. Under this methodology the total amount of annual payments depends on average passengers and cargo volumes for the last three years adjusted for multiplicator specified in this additional agreement and investments deflator confirmed of Ministry of Economic Development of the Russian Federation, subject to a minimum annual payment of RUB 1.5 million.

Lease payments for the use of the airfield and related equipment could be modified by the lessor no more than once a year and are treated as variable lease payments under IFRS 16, which are not dependent on an index or rate.

(Amounts in millions of Russian Rubles, unless otherwise stated below)

The Group also leases buildings, certain items 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.

Lease payments for land could be modified by the lessor from time to time and are also treated as variable lease payments not dependent on an index or rate under IFRS 16.

At currently set rates, the total amount of future payments for the leases for which no liability is recognized in these financial statements was RUB 2,988 million as at 30 June 2019 (as of 31 December 2018 – RUB 2,978 million). Total lease expense in respect of the leases for which the Group has not recognized a liability and the related right-of use asset is reported in Note 6 as ‘rent’.

Right-of-use assets

The Group leases runways, adjacent taxiways, apron and related navigation equipment for a term of 75 years. Changes in the carrying amount of assets in the form of right of use are as follows:

	30 June 2019	31 December 2018
Non-current assets		
Cost	15	-
Accumulated depreciation	-	-
Net book value	**15**	**-**

Lease liability

Financial liability for the 75-year lease described above represents the present value of the contractual future payments, discounted at an annual interest rate of 9.9% which represents a discount rate determined at the time of the most recent revision of contractual payment terms, applicable starting from 1 January 2019.

The contractual future payments are reconciled to their present value as at 30 June 2019 as follows:

	30 June 2019	
	Minimum lease payments receivable	Present value of minimum lease payments receivable
Due within one year	2	1
Due after one year but not more than five years	6	5
Due after more than five years	73	9
	81	**15**
Less future finance charges	(66)	-
Present value of future payments	**15**	**15**

(Amounts in millions of Russian Rubles, unless otherwise stated below)

12. FINANCE LEASE RECEIVABLE

The Group enters into finance leasing arrangement as a lessor for one of the Group's hangars with LLC "ATB Domodedovo" and LLC "S7 Engineering". The term of finance lease entered into is 15 years. These lease contracts do not include extension or early termination options.

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 June 2019		31 December 2018	
	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	208	165	230	183
Due after one year but not more than five years	832	249	921	275
Due after more than five years	347	27	499	36
Total gross / net investment in the lease	**1,387**	**441**	**1,650**	**494**
Less unearned finance income	(946)	-	(1,156)	-
Present value of minimum lease payments	**441**	**441**	**494**	**494**

13. TRADE AND OTHER RECEIVABLES

	30 June 2019	**31 December 2018**
Trade receivables, gross	4,363	4,367
Other receivables, gross	763	718
Provision for impairment	(1,837)	(1,834)
Total	**3,289**	**3,251**

14. INVENTORY

	30 June 2019	**31 December 2018**
Supplies	640	677
Spare parts	657	648
Jet fuel	451	511
Raw materials	148	236
Other inventory	288	290
Total inventory	**2,184**	**2,362**

15. PREPAYMENTS AND OTHER CURRENT ASSETS

	30 June 2019	**31 December 2018**
VAT receivable	2,190	3,447
Advances to suppliers, net of impairment	714	417
Taxes receivable other than income tax and VAT receivable	159	179
Other current assets	138	183
Total prepayments and other current assets	**3,201**	**4,226**

(Amounts in millions of Russian Rubles, unless otherwise stated below)

16. SHORT-TERM INVESTMENTS

As of 30 June 2019 the Group had USD-denominated bank deposits placed with Credit Suisse AG with interest rate of 2.23% per annum in total amount of RUB 3,170 million (at the Central Bank of Russia exchange rate as at the declaration date).

17. CASH AND CASH EQUIVALENTS

	30 June 2019	31 December 2018
USD-denominated balances with banks	120	212
EUR-denominated balances with banks	25	3
Russian Ruble-denominated cash on hand and balances with banks	1,028	425
USD-denominated short-term bank deposits	-	4,184
Allowance for expected credit losses	(3)	(2)
Total cash and cash equivalents	**1,170**	**4,822**

18. EQUITY

Share capital and dividends

Authorized and issued capital as at 30 June 2019 and 31 December 2018 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 and 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 six-month period ended 30 June 2019 dividends of EUR 3.6 million (RUB 239 million at the Central Bank of Russia exchange rate as at the declaration date) were declared. Additionally, USD 28 million (RUB 1,832 million at the Central Bank of Russia exchange rate as at the declaration date), EUR 6 million (RUB 435 million at the Central Bank of Russia exchange rate as at the payment date) and RUB 8 million of dividends declared prior to 1 January 2019 were paid to the shareholders of the Group.

During six-month period ended 30 June 2018 dividends of USD 97 million (RUB 6,033 million at the Central Bank of Russia exchange rate as at the declaration date) were declared, out of which EUR 9 million (RUB 691 million at the Central Bank of Russia exchange rate as at the payment date) were paid to the shareholders of the Group. Additionally, USD 6 million and EUR 5 million (total of RUB 736 million at the Central Bank of Russia exchange rate as at the payment date) of dividends declared prior to 1 January 2018 were paid to the shareholders of the Group.

As of 30 June 2019 the remaining balance of dividends payable is RUB 674 million (as of 31 December 2018: RUB 2,902 million).

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 June 2019 and 31 December 2018 such earnings amounted to RUB 25,181 million and RUB 18,180 million, respectively.

(Amounts in millions of Russian Rubles, unless otherwise stated below)

19. BORROWINGS

	Effective interest rate, %	30 June 2019	31 December 2018
Five-year USD loan participation notes issued in 2016 (the "2021 LPNs") (i)	6.31%	22,045	24,405
Five-year USD loan participation notes issued in 2018 (the "2023 LPNs") (ii)	5.46%	19,078	21,186
Five-year RUB debt securities issued in 2017 (the "Rusbonds 2017 LPNs") (iii)	8.32%	9,998	9,998
Loan from ING Bank (iv)	3.06%	2,717	3,360
Loan from Raiffeisen bank (v)	6.34%	1,073	1,642
Overdraft from Rosbank (vi)	9.34%	417	-
Total		**55,328**	**60,591**
Less: current portion due within twelve months and presented as short-term borrowings		(2,714)	(2,518)
Long-term borrowings		**52,614**	**58,073**

(i) In November 2016 the Group issued non-convertible five-year loan participation notes for the total amount of USD 350 million (RUB 22,362 million at the Central Bank of Russia exchange rate as at the inception date) on the Irish Stock Exchange. Net proceeds from the issuance, after the deduction of related offering costs, amounted to USD 348 million (RUB 22,210 million at the Central Bank of Russia exchange rate as at the inception date). The annual coupon rate of the 2021 LPNs is 5.875% with interest being paid semi-annually. The 2021 LPNs are guaranteed by certain entities of the Group. The 2021 LPNs mature in November 2021.

(ii) In February 2018 the Group issued non-convertible five-year loan participation notes for the total amount of USD 300 million (RUB 17,277 million at the Central Bank of Russia exchange rate as at the inception date) on the Irish Stock Exchange. Net proceeds from the issuance, after the deduction of related offering costs, amounted to USD 298 million (RUB 17,154 million at the Central Bank of Russia exchange rate as at the inception date). The annual coupon rate of the 2023 LPNs is 5.075% with interest being paid semi-annually. The 2023 LPNs are guaranteed by certain entities of the Group.

(iii) In December 2017 the Group issued non-convertible five-year loan securities for the total amount of RUB 10,000 million on the Moscow Stock Exchange. Net proceeds from the issuance, after the deduction of related offering costs, amounted to RUB 9,979 million. The annual coupon rate of the loan securities is 8.1% with interest being paid semi-annually. The loan securities mature in December 2022.

(iv) In May 2017 the Group entered into a EUR-denominated eight-year loan facility agreement for the total amount of EUR 59 million (RUB 4,102 million at the Central Bank of Russia exchange rate ruling at the inception date) provided by International Netherlands Group N.V. Bank ("ING Bank") at a variable rate of EURIBOR +1.2% to finance the installation of a baggage handling system in the new segment of Terminal 2. As of 30 June 2019 the undrawn amount of the loan facility was EUR 9.8 million.

(v) In September 2015 the Group entered into a EUR-denominated five-year loan facility agreement for a total amount of EUR 38 million (RUB 2,914 million at the Central Bank of Russia exchange rate as at the inception date) provided by Raiffeisen Bank International AG ("Raiffeisen Bank") to finance design and construction of a parking terminal PM-2.1. The loan is guaranteed by certain Group companies and is at fixed rate of 5% per annum. As of 30 June 2019 the loan facility was fully utilized.

(vi) In March 2019 the Group entered into overdraft agreement with public joint-stock company ROSBANK ("Rosbank") for borrowing of EUR,USD or RUB denominated funds up to the total overdraft limit of RUB 500 million. The interest is payable on a monthly basis and set by the bank for each trance subject to a ceiling of 14% per annum. As of 30 June 2019 the interest rate was 9.05% per annum. Each tranche is repayable within 90 days of receipt.

(Amounts in millions of Russian Rubles, unless otherwise stated below)

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

					Non-cash flow changes		
	31 December 2018	Adoption of new standard (Note 2)	1 January 2019	Financing cash flows (i)	Effect of exchange rate changes on the balance	Accrual of interest expense	30 June 2019
Loans	5,002	-	5,002	(439)	(455)	100	4,208
Debt securities	55,589	-	55,589	(1,849)	(4,239)	1,619	51,120
Lease liabilities (Note 11)	-	15	15	(1)	-	1	15
	60,591	**15**	**60,606**	**(2,289)**	**(4,694)**	**1,720**	**55,343**

(i) The cash flows from bank loans and debt securities represents the net amount of proceeds from borrowings and repayments of borrowings in the consolidated statement of cash flows.

Covenants

In accordance with the terms of the of the 2021 and 2023 LPNs, 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 and Obligor Cover ratios.

As of 30 June 2019 the Group was in compliance with these covenants.

20. TRADE AND OTHER PAYABLES

	30 June 2019	31 December 2018
Amounts payable for the acquisition of property, plant and equipment	2,188	2,981
Rent deposits received	1,506	1,418
Advances received	1,113	1,062
Letters of credit	997	-
Trade payables	1,069	1,113
Total trade and other payables	**6,873**	**6,574**

Letters of credit are issued by the bank on behalf of the Group for settlements with construction subcontractors.

21. TAXES OTHER THAN INCOME TAX PAYABLE

	30 June 2019	31 December 2018
Value added tax	1,005	895
Social insurance tax	502	417
Property tax	5	4
Other taxes	31	29
Total taxes other than income tax payable	**1,543**	**1,345**

(Amounts in millions of Russian Rubles, unless otherwise stated below)

22. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	30 June 2019	31 December 2018
Accrued employee expenses	1,222	1,978
Other liabilities	501	366
Total accrued expenses and other current liabilities	**1,723**	**2,344**

Accrued employee expenses as of 30 June 2019 and 31 December 2018 comprised accrued salaries and bonuses of RUB 1,343 million and RUB 1,394 million, respectively, and an accrual for unused vacation of RUB 624 million and RUB 584 million, respectively.

23. FAIR VALUES

The fair values of financial assets and financial liabilities are determined as described in the Group's annual consolidated financial statements for 2018.

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, lease liabilities and borrowings represented by the loan from Raiffeisen bank and ING Bank, which are classified within Level 2 category of the fair value hierarchy, approximates their fair value. Restricted cash is classified as Level 3 category. 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.

Fair value of financial liabilities

	30 June 2019	
	Fair value of financial liabilities	Carrying value of financial liabilities
2021 LPNs (Note 19)	22,420	22,045
2023 LPNs (Note 19)	18,792	19,078
Five-year RUB debt securities issued in 2017(Note 19)	9,381	9,998
Loan from ING Bank (Note 19)	3,473	2,717
Loan from Raiffeisen bank (Note 19)	1,066	1,073
Total	**55,132**	**54,911**

24. 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 six-month periods ended 30 June 2019 and 2018 or had significant balances outstanding as of 30 June 2019 and 31 December 2018, are considered to be entities under common control.

(Amounts in millions of Russian Rubles, unless otherwise stated below)

The following tables provide the total amount of transactions, which have been entered into with related parties during the six-month periods ended 30 June 2019 and 2018 as well as closing balances as at 30 June 2019 and 31 December 2018.

	30 June 2019		**31 December 2018**	
	Amounts owed by related parties	**Amounts owed to related parties**	**Amounts owed by related parties**	**Amounts owed to related parties**
Entities under common control	1,357	4	1,157	26

	30 June 2019			**30 June 2018**		
	Sales to related parties	**Purchases from related parties**	**Interest income**	**Sales to related parties**	**Purchases from related parties**	**Interest income**
Entities under common control	46	122	8	36	66	-

Compensation of key management personnel

Key management comprised 7 persons as of 30 June 2019 and as of 31 December 2018. Total gross compensation (including social insurance tax and before withholding of personal income tax) to those individuals included payroll and related charges in the consolidated profit or loss amounted to RUB 106 million (including social insurance tax of RUB 15 million) and RUB 266 million (including social insurance tax of RUB 37 million) for the six-month periods ended 30 June 2019 and 2018, respectively. The outstanding balances due to key management personnel amounted to RUB 53 million and RUB 903 million as of 30 June 2019 and 31 December 2018, respectively, and comprised accrued salaries, bonuses, accrual for unused vacation and other monetary benefits. Change in the outstanding balances due to key management personnel referred to cancellation of the long-term recognition program (Note 6).

25. 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 of 30 June 2019 and 31 December 2018 consisted of the following:

	30 June 2019	**31 December 2018**
Reconstruction and expansion of passenger terminal	11,913	13,749
Reconstruction of office buildings	581	589
Reconstruction of fuel storage facilities	258	260
Construction of multilevel parking	64	78
Reconstruction and expansion of cargo terminal	25	25
Construction of aircraft maintenance hangar	19	19
Construction of warehousing facilities	11	11
Construction of electric power plant	9	9
Other	475	459
Total capital commitments	**13,355**	**15,199**

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 lease arrangement (see Note 11), 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

Laws and regulations affecting business in the Russian Federation continue to change rapidly. 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 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. Fiscal periods generally remain open to tax audit by the authorities in respect of taxes for three calendar years proceeding the year of tax audit. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation was amended starting from January 1, 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.

Starting 2015, the Russian "de-offshorization law" came into force introducing several new rules and concepts and amending others, which may have an impact on the Group's tax obligations, including taxation of profit of controlled foreign companies, the concept of beneficial ownership and the broader rules for determining the tax residency of legal entities. According to these changes, the undistributed profits of the Group foreign subsidiaries, considered as controlled foreign companies, may result in an increase of the tax base of the controlling entities, and the benefits of enjoying reduced tax rates to the income paid to foreign entities under double tax treaties ("DTTs") may come under additional scrutiny.

Current withholding tax and DTTs administration practice in Russia require foreign tax residents to demonstrate and substantiate with documents their beneficial ownership rights to the Russian-soured income received in order to obtain a tax exemption or apply a reduced withholding tax rate under an applicable double tax treaty. The criteria to establish beneficial ownership rights are evolving with the development of court practice in Russia. Although the practice is still in its early stage of development, it is clear that in many cases foreign tax residents receiving income from Russian sources are disallowed DTTs benefits due to inability to confirm their beneficial ownership rights to the income received. The Group relies on the application of DTTs in its cross-border activities and treats its foreign tax resident companies as beneficial owners of the income received. As determination of the beneficial owner requires significant judgement and is frequently challenged by the tax authorities, the Group faces a risk of not being qualified to apply the DTTs. If crystalized, this risk would result in significantly increased withholding tax liabilities in Russia.

Management believes that it has provided adequately for tax liabilities based on its interpretations of tax legislation. Where uncertainty exists, the Group has accrued tax liabilities as management's best estimate of the probable outflow of resources which will be required to settle such liabilities. However, the relevant authorities may have differing interpretations, and the effects on the financial statements could be significant. Management's estimate of the possible exposure in relation the imposition of additional income tax and other taxes (e.g. VAT), including penalties and other charges, that is more than remote, but for which no liability is required to be recognized under IFRS is not disclosed as in the management's view such disclosure may prejudice the Group's position in any possible future dispute with the tax authorities.

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 six-month period ended 30 June 2019, 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.

26. SUBSEQUENT EVENTS

Dividends – On 19 of July 2019 dividends of USD 20 million (RUB 1,257 million at the Central Bank of Russia exchange rate as at the declaration date) were declared.

Issue of non-convertible loan securities – In July 2019 the Group issued a new tranche of non-convertible three-year loan securities for the total amount of RUB 5,000 million on the Moscow Stock Exchange. Net proceeds from the issuance, after the deduction of related offering costs, amounted to RUB 4,991 million. The annual coupon rate of the loan securities is 8.65% with interest being paid quarterly. The loan securities mature in June 2022.

New lease arrangement – In September 2019 the Group entered into the lease arrangement with RB LEASING for the use of digital equipment for a term of 48 months. The total amount of lease payments under the lease arrangement amounted to RUB 348 million.