DME LIMITED
and subsidiaries

Consolidated Financial Statements and
Independent Auditor’s Report
For the Year Ended 31 December 2016

DME LIMITED AND SUBSIDIARIES

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DME LIMITED AND SUBSIDIARIES

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Management is responsible for the preparation of consolidated financial statements that present fairly the financial position of DME Limited (the "Company") and its subsidiaries (the "Group") as at 31 December 2016, and the consolidated results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

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

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS is 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; and
- 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 consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2016 were approved by management on 28 April 2017.

On behalf of management:

Elena Batsunova	Natalya Adler
Chief Executive Officer	Chief Financial Officer

28 April 2017

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of DME Limited:

Opinion

We have audited the financial statements of DME Limited and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of profit and loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA") adopted in Cyprus. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Russia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Revenue recognition The most significant revenue streams of the Group relate to aviation services and auxiliary aviation services rendered to aircompanies. The Group uses billing system for revenue calculation. Due to the complexity of revenue accounting caused by variety of tariffs applied as well as the complexity of calculation of bonuses and incentives granted we consider this issue to be a key audit matter. Refer to the Note 8 to the financial statements.	Our principal audit procedures included: • Understanding of the Group's IT environment and billing systems; • Assessing adequacy of the Group's revenue recognition policy and the judgments involved; • Reconciliation of billing system to the general ledger; • Testing of revenue at significant components, including reconciliations with customers and analytical procedures; • Assessing accuracy and completeness of bonuses recorded. The results of our testing were satisfactory.
Assessment of the carrying value of concession intangible assets and respective financial liability The Group has concession arrangements for the right to use the airfield in airport Domodedovo, refer to Note 15 for the information about concession arrangement. We consider the matter to be a key audit matter because the present value of the financial liability is sensitive to changes to the terms of the concession arrangement.	Our principal audit procedures included: • Checking whether there were additional concession arrangements or changes to the rent rates during the year; • Performing test of details of rent payments under concession arrangement and reconciliation of balances with the counterparty as of 31 December 2016. • Assessing the accounting policy, the judgments involved and the adequacy of disclosures in the financial statements. The results of our testing were satisfactory.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Deloitte & Touche

28 April 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts in millions of Russian Rubles)

	Notes	2016	2015
Revenue	8	38,153	39,446
Operating expenses, net	9	(26,885)	(27,717)
Operating profit		**11,268**	**11,729**
Interest expense	10	(1,340)	(1,437)
Interest income		299	541
Impairment of restricted cash balances		-	(47)
Foreign exchange gain /(loss), net		1,135	(1,545)
Profit before income tax		**11,362**	**9,241**
Income tax	11	(3,277)	(1,090)
Profit and other comprehensive income for the year		**8,085**	**8,151**
Profit and other comprehensive income for the year attributable to:			
Owners of the Company		8,046	8,149
Non-controlling interests		39	2
		8,085	**8,151**

On behalf of management:

Elena Batsurova
Chief Executive Officer

Natalya Adler
Chief Financial Officer

28 April 2017

The accompanying notes form an integral part of these consolidated financial statements.

DME LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2016
(Amounts in millions of Russian Rubles)

	Notes	31 December 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	12	65,300	55,163
Investment property	12	542	561
Advances for acquisition of non-current assets	12	2,375	1,967
Intangible assets	13	5,041	5,019
Deferred tax asset, net	11	1,245	1,246
Amounts due from grantor under a concession agreement	15	206	576
Long-term finance lease receivable	16	246	294
Long-term investments	17	18	8,557
Other non-current assets	14	1,848	2,258
Total non-current assets		**76,821**	**75,641**
Current assets			
Inventory	18	1,641	1,223
Trade and other receivables	19	2,690	2,744
Prepayments and other current assets	20	4,038	3,654
Prepaid income tax		1,035	1,446
Short-term finance lease receivable	16	146	180
Short-term investments	17	27	11,916
Cash and cash equivalents	21	14,306	4,783
Total current assets		**23,883**	**25,946**
TOTAL ASSETS		**100,704**	**101,587**
EQUITY AND LIABILITIES			
Capital			
Share capital	22	11,877	11,877
Retained earnings	22	33,108	42,573
Equity attributable to the owners of the Company		44,985	54,450
Non-controlling interests		(10)	101
Total equity		**44,975**	**54,551**
Non-current liabilities			
Five-year USD loan participation notes	23	34,335	21,644
Deferred tax liability, net	11	5,229	5,452
Amounts due to grantor under a concession agreement, long-term portion	15	3,135	3,147
Borrowings	24	2,017	1,544
Total non-current liabilities		**44,716**	**31,787**
Current liabilities			
Trade and other payables	25	4,919	4,215
Income tax payable		1,314	1,069
Taxes other than income tax payable	26	1,088	1,133
Dividends payable	22	-	2,193
Amounts due to grantor under a concession agreement, short-term portion	15	250	255
Accrued expenses and other current liabilities	27	1,903	2,135
Five-year USD loan participation notes, short-term portion	23	384	213
Borrowings, short-term portion	24	1,155	3,711
Provisions	28	-	325
Total current liabilities		**11,013**	**15,249**
TOTAL EQUITY AND LIABILITIES		**100,704**	**101,587**

On behalf of management:

Elena Batsunova
Chief Executive Officer

Natalya Adler
Chief Financial Officer

28 April 2017

The accompanying notes form an integral part of these consolidated financial statements.

DME LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016
(Amounts in millions of Russian Rubles)

	2016	2015
Cash flows from operating activities:		
Profit before income tax	**11,362**	**9,241**
Adjustments for:		
Depreciation and amortization	3,105	3,099
(Gain) / loss on disposal of property, plant and equipment	(34)	39
Loss on disposal of intagible assets	50	99
Change in provision for impairment of accounts receivable and advances to suppliers	(43)	965
Change in legal provision	(7)	(129)
Interest income	(299)	(541)
Interest expense	1,340	1,437
Impairment of restricted cash balances	-	47
Foreign exchange (gain) / loss, net	(1,135)	1,545
Other non-cash items, net	(33)	33
	14,306	**15,835**
Increase in inventory	(423)	(32)
Decrease / (Increase) in trade and other receivables	49	(891)
Increase in prepayments and other current assets	(398)	(1,371)
(Decrease) / Increase in trade and other payables	(150)	65
Decrease in taxes other than income tax payable	(45)	(36)
Decrease in accrued expenses and other current liabilities	(1,032)	(87)
Net cash from operating activities before income tax	**12,307**	**13,483**
Interest paid	(2,197)	(1,534)
Income tax paid	(2,843)	(1,098)
Net cash provided by operating activities	**7,267**	**10,851**
Cash flows from investing activities:		
Purchases of property, plant and equipment	(11,926)	(6,128)
Purchases of intangible assets and other non-current assets	(701)	(902)
Proceeds from disposal of property, plant and equipment	207	87
Purchases of investments	(3,021)	(19,645)
Proceeds from disposal of investments	14,481	20,502
Proceeds from grantor under a concession agreement	294	291
Interest received	487	245
Net cash used in investing activities	**(179)**	**(5,550)**
Cash flows from financing activities:		
Proceeds from borrowings	2,970	968
Proceeds from five-year USD loan participation notes (serie 2)	22,210	-
Repayments of borrowings	(9,271)	(2,911)
Repayments of five-year USD loan participation notes (serie 1)	(5,121)	-
Dividends paid (Note 22)	(5,633)	(3,624)
Net cash provided by (used in) financing activities	**5,155**	**(5,567)**
Net increase / (decrease) in cash and cash equivalents	**12,243**	**(266)**
Cash and cash equivalents at the beginning of the year	**4,783**	**4,112**
Foreign exchange (loss)/ gain on cash and cash equivalents	(2,720)	937
Cash and cash equivalents at the end of the year	**14,306**	**4,783**

On behalf of management:

Elena Batsunova
Chief Executive Officer

Natalya Adler
Chief Financial Officer

28 April 2017

The accompanying notes form an integral part of these consolidated financial statements.

DME LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016
(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 2015	**11,877**	**38,081**	**49,958**	**99**	**50,057**
Profit and comprehensive income for the year	-	8,149	8,149	2	8,151
Dividends (Note 22)	-	(3,657)	(3,657)	-	(3,657)
Balance as of 31 December 2015	**11,877**	**42,573**	**54,450**	**101**	**54,551**
Profit and comprehensive income for the year	-	8,046	8,046	39	8,085
Dividends (Note 22)	-	(17,511)	(17,511)	(150)	(17,661)
Balance as of 31 December 2016	**11,877**	**33,108**	**44,985**	**(10)**	**44,975**

On behalf of management:

Elena Batsunova
Chief Executive Officer

Natalya Adler
Chief Financial Officer

28 April 2017

The accompanying notes form an integral part of these consolidated financial statements.

(Amounts in millions of Russian Rubles)

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.

The Company's ownership interest in the significant controlled subsidiaries is as follows:

			Percentage held as of	
Company name	**Place of incorporation**	**Principal activity**	**31 December 2016**	**31 December 2015**
Domodedovo Passenger Terminal	Russia	Passenger terminal complex	100%	100%
Domodedovo Cargo	Russia	Cargo terminal complex	100%	100%
Domodedovo Catering Service	Russia	In-flight catering facility	100%	100%
Domodedovo Asset Management	Russia	Rent and parking operator	100%	100%
Domodedovo Fuel Services	Russia	Fuel storage and supply facility	100%	100%
Domodedovo Security	Russia	Aviation security	100%	100%
Domodedovo Commercial Services	Russia	General agent for Group companies	100%	100%
Domodedovo International Airport	Russia	Take-off and landing services	100%	100%
Domodedovo Slot Allocation	Russia	Aeronautical services	100%	100%
Domodedovo Construction Management	Russia	Capital development	100%	100%
Domodedovo Airport Handling	Russia	Ground handling	100%	100%
Domodedovo Information Technologies Services	Russia	IT services	100%	100%
Domodedovo Fuel Facilities	Russia	Jet fuelling and storage	100%	100%
Hacienda Investments Limited	Cyprus	Group property management	100%	100%
Verulia Investments Limited	Cyprus	Investing and financing activities	100%	100%
Airport Management Company Limited	Isle of Man	Group management company	100%	100%
Ocean Fest Development SA	British Virgin Islands	Investing and financing activities	100%	100%
Domodedovo Training	Russia	Staff professional trainings and development	100%	100%
Domodedovo Integration	Russia	Software development	100%	100%
Domodedovo Parking	Russia	Management of car park facilities	100%	100%
Domodedovo Non-aviation Sales	Russia	Rent and advertizing services	100%	100%
DME Airport Limited	Ireland	Investing and financing activities	-	-

The Russian Federation is the place of operation for all the companies listed above, except for Verulia Investments Limited for which the place of operation is Cyprus and DME Airport Limited for which the place of operation is Ireland. Verulia Investments Limited acts as a major holder of the intangible assets owned by the Group and is involved in treasury activities of the Group, facilitating financing and investing transactions between the Group's individual companies, as well as between the Group and third parties.

DME Airport Limited is a company that acts as a corporate vehicle for USD loan participation notes (two series) issued on the Irish Stock Exchange.

During the year ended 31 December 2015 the Group established a new subsidiary, Domodedovo Parking, that was registered in the Russian Federation and manages the car parking facilities at Domodedovo airport.

The immediate parent entity of DME Limited is Atlant Foundation, registered in the Republic of Malta.

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

The consolidated financial statements of the Group for the year ended 31 December 2016 were authorized for issue by management on 28 April 2017.

2. PRESENTATION OF FINANCIAL STATEMENTS

Statement of compliance – These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of preparation – These consolidated financial statements are prepared on the basis of standalone financial statements of the Company and its subsidiaries. The entities of the Group maintain their accounting records in accordance with laws, accounting and reporting regulations of the jurisdictions in which they are incorporated and registered. The accompanying consolidated financial statements differ from the financial statements issued for statutory purposes in that they reflect certain adjustments, not recorded in the statutory books, which are appropriate to present the financial position, results of operations and cash flows of the Group in accordance with IFRS.

These consolidated financial statements are presented in millions of Russian Rubles (hereinafter "RUR million"), unless otherwise indicated.

The consolidated financial statements have been prepared using the historical cost convention, except for certain items of property, plant and equipment which were stated at deemed cost as of 1 January 2008 as part of the Group's adoption of IFRS. The deemed cost was equal to fair value as determined by an independent appraiser.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of assets".

Going concern – These consolidated financial statements 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.

Offsetting – Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the consolidated statement of profit or loss and other comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies have been applied consistently by all consolidated operating entities.

Consolidation – The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) prepared through 31 December of each year.

Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company’s voting rights in an investee are sufficient to give it power, including:

- The size of the Company’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceased. Intragroup balances and any unrealized gains and losses or income and expenses arising from intragroup transactions, are eliminated in full in preparing the consolidated financial statements.

Non-controlling interest in consolidated subsidiaries represents the equity in a subsidiary not attributable, directly or indirectly, to a parent and is identified separately from the Group’s equity therein. Total comprehensive income / (loss) is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets, and liabilities of the subsidiary and any non-controlling interests.

Functional and presentation currency – The primary economic environment of the Group is the Russian Federation. Therefore, the Russian Ruble ("RUR") is the functional currency of the Company and all subsidiaries of the Group, except for DME Airport Limited (the functional currency is US dollar "USD"), as well as the Group's presentation currency.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency are initially recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the reporting date exchange rate.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Russian Ruble at foreign exchange rates ruling at the dates the fair value was determined. Exchange differences arising from such retranslation are included in the consolidated statement of profit or loss and other comprehensive income.

Revenue recognition – The Group's revenue is generated by the provision of services (airport services, parking fees, rental income, fuel storage services, and aircraft maintenance), and sale of products (jet fuel and in-flight meals). Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of sales related taxes, estimated rebates and discounts. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Airport and other related charges

Revenue from airport and other related charges mainly includes fees collected for aircraft take-off and landing, runway lighting, aircraft parking, and passenger-related charges for the use of terminal. Certain airport charges were regulated till February 2016. Revenue from airport and other related charges is recognized in the accounting period in which the services are rendered.

Rental income

Rental income is generated principally from leasing trading space and office facilities located inside the airport terminal and adjacent buildings. Rental revenue is recognized on a straight-line basis during the term of rent agreements.

In accordance with the rent agreements, rental revenue can be calculated based on either the fixed monthly rental rates or the passenger traffic volume for the period.

Ground handling

Ground handling includes a wide range of services related to aircraft maintenance before take-off and after landing, including pre-flight aircraft preparation, towing, cleaning, required technical maintenance before and after flights, luggage handling, passenger check-in, boarding and transportation to and from aircraft. Revenue from ground handling services is recognized in the accounting period in which the services are rendered.

Jet fuelling and storage services

Jet fuelling and storage services include revenue from into-plane fuelling services and revenue from the storage of third-parties' jet fuel. Revenue from these services is recognized in the accounting period in which the services are rendered. Storage charge rates are regulated for foreign airline customers and periodically reviewed by the Federal Antimonopoly Service of the Russian Federation.

Aviation security

Aviation security services include services such as the inspection/screening of passengers, crews, baggage, cargo and in-flight supplies, aircraft security (including guarding the aircraft at the airport), pre-flight inspection and access control and security of areas with restricted access. Revenue from aviation security services is recognized in the accounting period in which the services are rendered.

Parking fees and other revenue

Parking fees consist of fees collected at the passenger terminal's car park. Other revenue consists of auxiliary services provided at the cargo and passenger terminals. Revenue from such services is recognized in the period in which the services are rendered.

Jet fuel sales

Jet fuel sales comprise the sales of jet petroleum, lubricants and other specialized liquids. Revenue from the sale is recognized when significant risks and rewards incidental to ownership are transferred to the customers.

Catering

Catering includes sales of pre-packaged in-flight meals. Revenue from catering is recognized when the meal packages are delivered to the aircraft, at which point the risks and rewards of ownership are transferred to the customers.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate.

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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Group as lessee

Assets under finance leases are recognized as assets at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Payments under operating leases are recognized in the consolidated profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as a liability and a reduction to expense on a straight-line basis. Contingent rentals under operating leases are recognized as an expense in the period in which they are incurred.

Borrowing costs – Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale, and amortized over the useful life of the asset. All other borrowing costs are recognized as an expense in the period in which they are incurred.

Income tax – Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred income tax are recognized in the consolidated profit or loss except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantially enacted by the reporting date. Provisions in respect of uncertain tax positions which relate to income tax are included in current income tax at an amount expected to be payable including penalties, if any.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts of tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Deferred tax assets and liabilities are not discounted.

Employee benefits – Remuneration to employees in respect of services rendered during the reporting period is recognized as an expense in that reporting period.

The Group contributes to the Pension Fund of the Russian Federation, a defined contribution plan. The Group's only obligation is to pay contributions to the Fund as they fall due. As such, the Group has no legal obligation to pay and does not guarantee any future benefits to its Russian employees. The Group's contributions to the Russian Federation State Pension Fund are recorded as an expense over the reporting period based on the related employee service rendered. In 2016 and 2015 contributions for each employee vary from 10% to 22%, depending on the annual gross remuneration of each employee.

Property, plant and equipment – At the date of transition to IFRS (1 January 2008) the Group's property, plant and equipment were recognized in the consolidated financial statements at deemed cost.

Property, plant and equipment acquired by the Group subsequent to the date of transition to IFRS are recorded at purchase or construction cost, less accumulated depreciation and accumulated impairment, if any. The costs of day to day servicing of property, plant and equipment, including repairs and maintenance expenditure, are expensed as incurred.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Assets under construction

Assets under construction ("Construction In-Progress" or "CIP") are carried at cost, less any recognized impairment loss. Cost includes capital expenditures directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads including capitalized borrowing costs on qualifying assets. Depreciation of these assets, on the same basis as for other property assets, commences when the assets are ready for their intended use. Construction in-progress items are reviewed regularly to determine whether their carrying value is fairly stated.

Advance payments for assets under construction are shown separately in the consolidated statement of financial position and presented as non-current assets.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost. Subsequent measurement is at cost less accumulated depreciation and impairment losses (if any) under IAS 36 "Impairment of assets".

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated profit or loss in the period in which the property is derecognized.

Subsequent costs

The Group recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. The assets being replaced are written off immediately. All other costs are recognized in the consolidated profit or loss as an expense as incurred.

Depreciation

Depreciation is recognized in consolidated profit or loss so as to write off the cost of assets (other than land and CIP) less their estimated residual values over their economic useful lives, using the straight-line method. Owned land plots are not depreciated.

The estimated useful economic lives for property, plant and equipment are as follows:

	Number of years
Buildings	10-50
Plant and equipment	5-20
Other	2-20

The assets' useful lives and methods are reviewed and adjusted as appropriate at each financial year-end.

Gain or loss on disposal

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Concession arrangements – Where the Group constructs airfield assets under its contract with FGUP "Administration of the Airport Domodedovo", a Russian state-owned enterprise (the "grantor"), and the grantor controls a significant residual interest in the airfield infrastructure assets at the end of the contract, the Group applies IFRIC 12 "Service concession arrangements". In the construction phase, the Group recognizes income by applying an attributable profit margin on the construction costs representing the fair value of construction services and records a receivable in accordance with IAS 39 "Financial instruments: recognition and measurement" or an intangible asset, depending on the nature by which the Group receives consideration from the grantor.

The Group recognizes an intangible asset related to the right to charge users of the public service instead of an unconditional right to receive cash when the amounts are contingent on the extent to which the public uses the service. The net present value of fees paid to the grantor under the arrangement is also recognized as part of the cost of the intangible asset at its inception, and any subsequent adjustment to the level of fees or the timing of contractual cash flows associated with such payments is reflected as an adjustment to the intangible asset. The intangible asset is amortized on a straight-line basis over the shorter of the contract term or the period for which the Group expects to receive a benefit.

Intangible assets – Intangible assets other than concession intangible assets represent mainly purchased software and licenses and are stated at cost less accumulated amortization and impairment losses.

Amortization is charged to the consolidated profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortized from the date they are available for use.

Useful lives and amortization methods for intangible assets are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for as changes in accounting estimates.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated profit or loss.

Financial assets – Financial assets are classified into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. As at the reporting date the Group had only financial assets classified as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Interest income is recognized by applying the effective interest rate except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets – Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account (provision for impairment of receivables).

If, in a subsequent period, the amount of the impairment loss for assets carried at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Effective interest method – The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount of initial recognition.

Inventory – Inventory is stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventory is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Cash and cash equivalents – Cash and cash equivalents comprise cash on hand, balances with banks, short-term interest-bearing deposits and short-term bank overdrafts with original maturities of not more than three months.

Value added tax – Output value added tax ("VAT") related to revenue is payable to tax authorities upon delivery of the goods or services to customers, as well as upon collection of prepayments from customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. Input VAT on capital expenditures can be reclaimed on receipt of VAT invoices for the particular stage of work performed or, if the construction project cannot be broken down into stages, on receipt of VAT invoices upon completion of the contracted work. The tax authorities permit the settlement of VAT on a net basis (except for input VAT related to export services provided which is reclaimable upon confirmation of export). VAT related to sales and purchases is recognized in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT. The related VAT deferred liability is maintained until the debtor is written off for tax purposes.

Accounts payable and other financial liabilities – Accounts payable and other financial liabilities are initially recognized at cost, which is the fair value of the consideration received, taking into account transaction costs. After initial recognition, financial liabilities are carried at amortized cost, using the effective interest method, with interest expense recognized on an effective yield basis. As normally the expected term of accounts payable is short, the value is stated at the nominal amount without discounting, which corresponds with fair value.

Provisions – Provisions are recognized when, and only when, the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is significant, the amount of a provision is the present value of the cash flows required to settle the obligation.

Share capital – Ordinary shares are classified as equity and are recorded at the par value of proceeds received, net of direct issue costs. Where shares are issued above par value, the proceeds in excess of par value are recorded in the share premium account.

Dividends – Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date by the shareholders at a general meeting. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorized for issue.

Contractual commitments – Contractual commitments comprise legally binding trading or purchase agreements with stated amount, price and date or dates in the future. The Group discloses significant contractual commitments in the notes to the consolidated financial statements.

Contingencies – Contingent liabilities are not recognized in the consolidated financial statements unless they arise as a result of a business combination. Contingences attributed to specific events are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

(Amounts in millions of Russian Rubles)

4. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS and IFRIC interpretations adopted in the current year

In the current year, the Group has adopted all new and revised standards and interpretations issued by the IASB and the IFRIC of the IASB that are mandatory for adoption in the annual periods beginning on or after 1 January 2016. The effect from their adoption has not resulted in any significant changes to the financial statements of the Group.

New and revised IFRS in issue but not yet effective

At the date of authorization of these consolidated financial statements, the following standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2016 or later periods and which the entity has not early adopted:

Standards and Interpretations	**Effective for annual periods beginning on or after**
IAS 7 – "Statement of Cash Flows" (amended)	1 January 2017
IAS 12 – "Income taxes" (amended)	1 January 2017
IAS 40 – "Investment Property" (amended)	1 January 2018
IFRS 2 – "Share-based Payment"(amended)	1 January 2018
IFRS 4 – "Insurance Contracts" (amended)	1 January 2018
IFRS 9 – "Financial Instruments" (amended)	1 January 2018
IFRS 15 – "Revenue from Contracts with Customers"	1 January 2018
IFRS 16 – "Leases"	1 January 2019
IFRIC 22 – "Foreign Currency Transactions and Advance Consideration"	1 January 2018

Also a number of standards and interpretations were amended by Annual Improvements to IFRSs 2014-2016 Cycle, which become effective for annual periods beginning on or after 1 January 2018. These amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in different standards.

The impact of adoption of these standards and interpretations in the preparation of the consolidated financial statements in future periods is currently being assessed by management. The new and revised standards which are likely to have an effect on the financial statements of the Group are described in more detail below:

- IAS 40 "Investment Property" - The amendments are intended to clarify that an entity can only reclassify a property to/ from investment property when, and only when, there is evidence that a change in the use of the property has occurred. The amendments emphasise that a change in management's intentions alone would not be enough to support a transfer of property. The standard has a list of circumstances that evidence a change in use, which is perceived by some as being exhaustive, the amendments make it clear that they are only examples. The amendments apply to annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities may elect to apply them either retrospectively (if it is possible without the use of hindsight) or prospectively.
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" - The Interpretation clarifies that when an entity pays or receives consideration in advance in a foreign currency, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date of the advance consideration, i.e. when the prepayment or liability in respect of the income received in advance was recognised. If there is more than one advance payment or receipt the date of the transaction for each payment of receipt of advance consideration should be determined. The amendments apply to annual periods beginning on or after 1 January 2018 with earlier application permitted. Entities may elect to apply amendments either retrospectively or prospectively.

- IFRS 9 "Financial instruments" – Amendments issued in November 2009 introduced new requirements for the classification and measurement of financial assets and liabilities. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. In July 2014 IASB issued a finalised version of IFRS 9 mainly introducing impairment requirements for financial assets and limited amendments to the classification and measurement requirements for financial assets. IFRS 9 is aiming at replacing IAS 39 Financial Instruments: Recognition and Measurement.
- IFRS 15 "Revenue from Contracts with Customers" – In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

  The core principle of IFRS 15 is that an entity recognizes revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Specifically, the standard provides a single, principles based five-step model to be applied to all contracts with customers.

  Far more prescriptive guidance has been added on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.
- IFRS 16 "Leases" – brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Provision for impairment of receivables and advances to suppliers – Management maintains a provision for impairment of receivables and advances to suppliers in the form of an allowance account equal to estimated losses resulting from the inability of customers and other debtors to make required payments. When evaluating the adequacy of this allowance account, management bases its estimates on the ageing of accounts receivable balances and historical write-off experience, customer creditworthiness and changes in customer payment patterns. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected. As of 31 December 2016 and 2015 the provision for impairment of receivables and advances to suppliers was recognized in the amount of RUR 1,525 million and RUR 1,619 million, respectively (see Notes 12, 19, 20). The significant amount of impairment provision for trade receivables as of 31 December 2016 and as of 31 December 2015 relates to receivables from Transaero (Note 32). On 26 October 2015 the Russian Ministry of Transport revoked the certificate of Transaero for air transportation and the airline company stopped its operations. In December 2015 the Arbitration court of St. Petersburg and Leningrad region sustained a claim from Sberbank on declaring bankruptcy of Transaero and initiate a supevision procedure over the aircompany.

Depreciable lives of property, plant and equipment – The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors". These estimates may have a material impact on the amount of the carrying values of property, plant and equipment and on depreciation expense for the period.

(Amounts in millions of Russian Rubles)

Impairment of non-current assets – The Group reviews at each reporting date the carrying amounts of non-current assets to determine whether there is any indication that assets are impaired. This process involves judgment in evaluating the cause for any possible reduction in value, including a number of factors such as changes in current competitive conditions, expectations of growth in the industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate impairment exists.

Whenever such indications exist management makes an estimate of the asset's recoverable amount to ensure that it is not less than its carrying value. If the asset's fair value is not readily determinable or is less than asset's carrying value plus costs to sell, management necessarily applies its judgment in determining the appropriate cash generating unit to be evaluated, estimating the appropriate discount rate and the timing and value of the relevant cash flows for the value in-use calculation.

Impairment of restricted cash balances – Management assessed a provision for impairment of other non-current assets, represented by restricted cash held with FBME Bank LTD., Cyprus branch (hereinafter "FBME bank Ltd."), in the form of an allowance account equal to estimated losses resulting from the assessing of the current fair value of the restricted cash balance to be recovered by the Group. When evaluating the adequacy of this allowance account, management bases its estimates on the expected timing of the restricted cash balance recovery and estimated charges and losses which could be incurred by the Group when recovering the restricted cash. If the current situation with FBME bank develops negatively and the expected timing of the recovery is prolonged or estimated charges and losses associated with the recovery are revised upwards, actual write-offs might be significantly higher than currently estimated.

Recoverability of deferred tax assets – Management of the Group believe that deferred tax assets recognized by the Group as of the reporting date as will be fully realised. As at 31 December 2016 the carrying value of deferred tax assets was RUR 1,245 million (2015: RUR 1,246 million).

6. RECLASSIFICATION

Certain information for the year ended 31 December 2015 has been reclassified for consistency with the method of presentation of operating expenses (Note 9) and of Balance sheet items adopted in the Group's condensed consolidated financial information for the year ended 31 December 2016. The changes in classification are shown below:

Reclassification of operating expenses

	Before reclassification	After reclassification	Difference
Maintenance	1,751	1,908	157
Materials	1,703	1,802	99
Taxes other than income tax	1,029	358	(671)
Cleaning and waste management	736	859	123
Public utilities	497	524	27
Transport	404	419	15
Rent	320	423	103
Consulting, audit and other services	269	278	9
Staff development and training	266	276	10
Passenger servicing	177	220	43
Communication services expense	47	51	4
Certification and licensing	16	38	22
Other expenses, net	769	828	59
			-

(Amounts in millions of Russian Rubles)

Reclassification of Balance sheet items

	Before reclassification	After reclassification	Difference
Advances for acquisition of non-current assets	2,327	1,967	(360)
Deferred tax asset, net	1,444	1,246	(198)
Prepayments and other current assets	3,294	3,654	360
TOTAL ASSETS			**(198)**
Deferred tax liability, net	6,658	5,452	(1,206)
Income tax payable	61	1,069	1,008
TOTAL EQUITY AND LIABILITIES			**(198)**

7. 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, car parking.

Accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3.

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.

The key financial information for the Group's segments for the years ended 31 December 2016 and 2015 is presented below:

		Aviation services	Auxiliary aviation services	Commercial services	Inter-segment eliminations	Group
Third-party revenue	**2016**	**11,037**	**21,178**	**5,938**	**-**	**38,153**
	2015	**11,068**	**21,650**	**6,728**	**-**	**39,446**
Intersegment revenue	2016	2,260	204	789	(3,253)	-
	2015	1,975	194	616	(2,785)	-
Total revenue	2016	13,297	21,382	6,727	(3,253)	38,153
	2015	13,043	21,844	7,344	(2,785)	39,446
Operating profit	**2016**	**2,427**	**5,729**	**3,112**	**-**	**11,268**
	2015	**3,017**	**5,191**	**3,521**	**-**	**11,729**
Depreciation and amortization	2016	(1,473)	(1,194)	(438)	-	(3,105)
	2015	(1,458)	(1,199)	(442)	-	(3,099)
Change in provision for impairment of	2016	19	69	(45)	-	43
receivables and advances to suppliers (Note 5, 12, 19, 20)	2015	(233)	(558)	(174)	-	(965)
Change in legal provision	2016	3	3	1	-	7
	2015	37	79	13	-	129

(Amounts in millions of Russian Rubles)

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

	2016		2015	
	Amount	**%**	**Amount**	**%**
S7 Group	**5,879**	**15%**	**4,855**	**12%**
Aviation services segment	1,781		1,540	
Auxiliary aviation services segment	3,770		3,177	
Commercial services segment	328		138	

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

8. REVENUE

	2016	**2015**
Service revenue		
Ground handling	9,361	9,146
Airport and other related charges	8,396	8,406
Rental income	5,139	5,921
Jet fuelling and storage services	2,719	2,511
Aviation security	2,488	2,393
Parking fees	616	670
Construction revenue	133	122
Other revenue	621	575
Total service revenue	**29,473**	**29,744**
Product revenue		
Jet fuel sales	4,512	5,098
Catering	4,168	4,604
Total product revenue	**8,680**	**9,702**
Total revenue	**38,153**	**39,446**

Rental income includes rentals contingent on passenger traffic volume (see Note 30) of RUR 3,933 million and RUR 4,478 million for the years ended 31 December 2016 and 2015, respectively, and rental income from investment property in the amount of RUR 346 million and RUR 743 million for the years ended 31 December 2016 and 2015, respectively.

(Amounts in millions of Russian Rubles)

9. OPERATING EXPENSES, NET

	2016	2015
Payroll and related charges:		
Wages and salaries	8,849	9,011
Social taxes	2,427	2,433
Cost of jet fuel	4,255	4,748
Depreciation and amortization	3,105	3,099
Materials	1,992	1,802
Maintenance	1,977	1,908
Taxes other than income tax	369	358
Cleaning and waste management	941	859
Public utilities	507	524
Transport	458	419
Rent	411	423
Consulting, audit and other services	337	278
Passenger servicing	290	220
Staff development and training	272	276
Charitable donations	64	91
Communication services expense	48	51
Advertising expenses	53	27
Certification and licensing	46	38
Change in legal provision	(7)	(129)
Tax refund relating to claimed tax benefit	-	(512)
Change in provision for impairment of receivables and advances to suppliers (Notes 5,12,19,20)	(43)	965
Other expenses, net	534	828
Total operating expenses, net	**26,885**	**27,717**

Tax refund relates to the property tax benefit claimed by one of the subsidiaries of the Group in 2015 in relation to certain airport assets held by this subsidiary.

Operating expenses include direct expenses arising from investment property in the amount of RUR 69 million and RUR 155 million for the years ended 31 December 2016 and 2015, respectively.

10. INTEREST EXPENSE

	2016	2015
Interest expense on five-year USD loan participation notes (serie 1)	1,250	1,145
Interest expense on five-year USD loan participation notes (serie 2)	176	-
Unwinding of discount related to amounts due to grantor under a concession agreement	349	351
Interest expense on bank loans	67	257
Premium for early redemption of five-year USD loan participation notes (serie 1)	253	-
Other interest	-	56
	2,095	**1,809**
Less: capitalized interest (Note 12)	(755)	(372)
Total interest expense	**1,340**	**1,437**

11. INCOME TAX

	2016	2015
Current income tax expense	(3,397)	(1,502)
Adjustments recognized in the current year in relation to the current tax of prior years	(102)	77
Deferred income tax benefit	222	335
Income tax	**(3,277)**	**(1,090)**

(Amounts in millions of Russian Rubles)

Profit before income tax for financial reporting purposes is reconciled to income tax charge as follows:

	2016	2015
Profit before income tax	**11,362**	**9,241**
Theoretical tax charge at Russian statutory rate of 20%	(2,272)	(1,848)
Tax effect of items which are not deductible or assessable for taxation purposes:		
Non-taxable foreign exchange gain/ (loss) differences	(1,549)	1,554
Derecognition of deferred tax asset	(247)	(425)
Adjustments recognized in the current year in relation to the current tax of prior years	(102)	77
Tax rate differences relating to other jurisdictions	1,465	(208)
Use of tax loss carry forward	301	-
Provision for tax risks	(460)	-
Non-deductible interest expenses	(158)	(182)
Effect of witholding tax on dividends of subsidiaries	(40)	(10)
Other non-deductible items	(215)	(48)
Income tax	**(3,277)**	**(1,090)**

The amount of unrecognized tax loss carry forward cumulatively amounted to RUR 672 million and RUR 425 million as of 31 December 2016 and 2015, respectively.

Majority of the Group's operating activities are conducted in the Russian Federation. Therefore the reconciliation of the Group's profit before income tax to income tax charge is presented using the statutory income tax rate effective in Russia.

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

	31 December 2016	Charged to profit or loss	31 December 2015
Tax losses carry forward	434	-	434
Property, plant and equipment	(51)	(17)	(34)
Trade and other receivables	137	(63)	200
Prepayments and other current assets	216	120	96
Trade and other payables	319	2	317
Accrued expenses and other current liabilities	182	(28)	210
Intangible assets	2	(1)	3
Other	6	(14)	20
Deferred tax asset, net	**1,245**		**1,246**
Property, plant and equipment	(5,188)	147	(5,335)
Trade and other receivables	6	(3)	9
Prepayments and other current assets	21	43	(22)
Amounts due to grantor under a concession agreement	677	(4)	681
Trade and other payables	2	(40)	42
Accrued expenses and other current liabilities	8	8	-
Intangible assets	(729)	30	(759)
Other	(26)	42	(68)
Deferred tax liability, net	**(5,229)**		**(5,452)**
		222	

(Amounts in millions of Russian Rubles)

	31 December 2015	Charged to profit or loss	31 December 2014
Tax losses carry forward	434	(158)	592
Property, plant and equipment	(34)	(88)	54
Trade and other receivables	200	(10)	210
Prepayments and other current assets	96	(20)	116
Trade and other payables	317	(10)	327
Accrued expenses and other current liabilities	210	(92)	302
Intangible assets	3	(1)	4
Other	20	4	16
Deferred tax asset, net	**1,246**		**1,621**
Property, plant and equipment	(5,335)	189	(5,524)
Trade and other receivables	9	45	(36)
Prepayments and other current assets	(22)	(17)	(5)
Amounts due to grantor under a concession agreement	681	(26)	707
Trade and other payables	42	528	(486)
Intangible assets	(759)	17	(776)
Other	(68)	(26)	(42)
Deferred tax liability, net	**(5,452)**		**(6,162)**
		335	

During 2016 Group's Russian subsidiaries distributed dividends to the parent (DME Limited) for the amount of RUR 767 million. A related withholding tax liability in the amount of RUR 40 million was recognized as at 31 December 2016. The Group did not recognize a deferred tax liability related to the remaining undistributed earnings of its subsidiaries as it has not made any decisions regarding future distributions of retained earnings within the Group. Undistributed earnings, in relation to which deferred tax liability was not accrued, amounted to RUR 6,734 million and RUR 2,222 million as of 31 December 2016 and 2015, respectively.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and equipment	Other	CIP	Total
Cost					
1 January 2015	**47,755**	**9,117**	**1,291**	**5,883**	**64,046**
Additions	1,681	213	87	3,411	5,392
Transfers	449	380	54	(883)	-
Disposals	(6)	(78)	(113)	(112)	(309)
Reclassified from investment property	1,394	-	-	-	1,394
31 December 2015	**51,273**	**9,632**	**1,319**	**8,299**	**70,523**
Additions	2,051	620	65	10,052	12,788
Transfers	694	361	53	(1,108)	-
Disposals	(1)	(140)	(61)	(171)	(373)
31 December 2016	**54,017**	**10,473**	**1,376**	**17,072**	**82,938**
Accumulated depreciation					
1 January 2015	**(6,850)**	**(5,095)**	**(909)**	**-**	**(12,854)**
Depreciation charge	(1,286)	(991)	(176)	-	(2,453)
Disposals	1	74	107	-	182
Reclassified from investment property	(235)	-	-	-	(235)
31 December 2015	**(8,370)**	**(6,012)**	**(978)**	**-**	**(15,360)**
Depreciation charge	(1,389)	(942)	(143)	-	(2,474)
Disposals	12	126	58	-	196
31 December 2016	**(9,747)**	**(6,828)**	**(1,063)**	**-**	**(17,638)**
Net book value					
31 December 2015	**42,903**	**3,620**	**341**	**8,299**	**55,163**
31 December 2016	**44,270**	**3,645**	**313**	**17,072**	**65,300**

(Amounts in millions of Russian Rubles)

"Buildings" consist primarily of passenger and cargo terminals, catering facility, hotel building, 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.

"Other" consists mainly of administrative equipment and vehicles.

"Construction in-progress" consists mainly of capital expenditures related to the extention of passenger terminal T-1, construction of passenger terminal T-2, multilevel parking and reconstruction and extention of cargo terminal.

During the years ended 31 December 2016 and 2015 the Group capitalized borrowing costs in the amount of RUR 755 million and RUR 372 million, respectively.

The weighted average capitalization rate on borrowed funds was 6.4% and 6.6% per annum for the years ended 31 December 2016 and 2015, respectively.

As at 31 December 2016 and 2015 no property, plant and equipment 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.

	2016	**2015**
Cost at the beginning of the year	**711**	**2,105**
Reclassified to property, plant and equipment (i)	-	(1,394)
Cost at the end of the year	**711**	**711**
Accumulated depreciation at the beginning of the year	**(150)**	**(319)**
Depreciation charge for the year	(19)	(66)
Reclassified to property, plant and equipment (i)	-	235
Accumulated depreciation at the end of the year	**(169)**	**(150)**
Net book value at the end of the year	**542**	**561**

(i) In 2015 one of the buldings was trasferred to own use by the Group.

Fair value of the investment property as at 31 December 2016 was RUR 3,757 million (RUR 3,262 million as at 31 December 2015) and has been arrived at on the basis of a valuation carried out on this date by an internal 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 for determing fair value).

Advances for acquisition of non-current assets

As of 31 December 2016 and 2015 advances for acquisition of non-current assets in the amounts of RUR 2,375 million and RUR 1,967 million, respectively, consisted of amounts paid for construction of the passenger and cargo terminals, multilevel parking and implementation of additional functionalities, modernization of planning and resource management system.
The amount of impairment of advances for acquisition of non-current assets amounted to RUR 27 million as of 31 December 2016 (31 December 2015: 41 million.).

(Amounts in millions of Russian Rubles)

13. INTANGIBLE ASSETS

	31 December 2016	31 December 2015
Concession arrangement (Note 15)	3,645	3,730
Other intangible assets	1,396	1,289
Intangible assets	**5,041**	**5,019**

Other intangible assets as of 31 December 2016 and 2015 are presented below:

	Software	Licences and other	Assets not ready for use	Total
Cost				
1 January 2015	**1,303**	**527**	**446**	**2,276**
Additions	246	147	256	649
Transfers	105	162	(267)	-
Disposals	(40)	(231)	(15)	(286)
31 December 2015	**1,614**	**605**	**420**	**2,639**
Additions	312	186	55	553
Transfers	279	2	(281)	-
Disposals	(133)	(14)	-	(147)
31 December 2016	**2,072**	**779**	**194**	**3,045**
Accumulated amortization				
1 January 2015	**(795)**	**(370)**	**-**	**(1,165)**
Amortization charge	(296)	(75)	-	(371)
Disposals	23	163	-	186
31 December 2015	**(1,068)**	**(282)**	**-**	**(1,350)**
Amortization charge	(314)	(80)	-	(394)
Disposals	86	9	-	95
31 December 2016	**(1,296)**	**(353)**	**-**	**(1,649)**
Net book value				
31 December 2015	**546**	**323**	**420**	**1,289**
31 December 2016	**776**	**426**	**194**	**1,396**

14. OTHER NON-CURRENT ASSETS

	31 December 2016	31 December 2015
Restricted cash in FBME bank, net of impairment of RUR 222 million (31 December 2015: RUR 355 million)	1,805	2,168
Other non-current receivable	43	-
Other loans, net of allowance of RUR 152 million recognized as of 31 December 2015 (2016: nil)	-	90
Other non-current assets	**1,848**	**2,258**

Restricted cash represent cash balances held by the Group at FBME Bank Ltd., which may not be transferred outside of FBME Bank Ltd. at the discretion of the Group due to restrictions of operations imposed on FBME Bank Ltd. by the US and Cypriot governmental authorities.

As at 31 December 2016 the management of the Group assessed and recognized a provision for impairment of the restricted cash balances held with FBME Bank in the amount of RUR 222 million (as at 31 December 2015: RUR 355 million). The provision was to take 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 Bank accounts.

There was no major developments in relation to the situation since the year ended 31 December 2015. As of the date when these consolidated financial statements were authorized for issuance the bank was in the process of its liquidation by the Central Bank of Cyprus.

15. 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 2017. The effects and terms of the most recent revision are discussed further in this note.

Amounts due from grantor under a concession agreement

Financial asset related to amounts due from grantor under a concession agreement of RUR 206 million (2015: RUR 576 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, however, the Group does not expect that any significant settlement will be effected within 12 months from the reporting date. Accordingly, the amounts have been classified as non-current assets.

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 next revision of contractual term is due in 2017.

(Amounts in millions of Russian Rubles)

The contractual future payments are reconciled to their present value as at 31 December 2016 and 2015 as follows:

	Future payments		Present value of future payments	
	31 December 2016	**31 December 2015**	**31 December 2016**	**31 December 2015**
Due within one year	264	269	250	255
Due after one year but not more than five years	1,391	1,404	1,044	1,055
Due after more than five years	17,915	18,263	2,091	2,092
	19,570	19,936	3,385	3,402
Less future finance charges	(16,185)	(16,534)	-	-
Present value of future payments	**3,385**	**3,402**	**3,385**	**3,402**

Intangible assets

The movement in the book value and accumulated amortization for the intangible assets related to the concession agreement is as follows:

	2016	**2015**
Cost at the beginning of the year	4,296	4,173
Other additions	133	123
Cost at the end of the year	**4,429**	**4,296**
Accumulated amortization at the beginning of the year	(566)	(357)
Amortization charge	(218)	(209)
Accumulated amortization at the end of the year	**(784)**	**(566)**
Net book value	**3,645**	**3,730**

16. FINANCE LEASE RECEIVABLE

During the period ended 31 December 2011 a 15-year finance lease agreement for the lease of one of the Group's hangars was concluded between a company of the Group, and LLC "ATB Domodedovo" and LLC "S7 Engineering" (previously LLC "Domodedovo Technique").

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.

	31 December 2016		31 December 2015	
	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	185	146	231	180
Due after one year but not more than five years	740	211	923	253
Due after more than five years	770	35	1,193	41
Total gross / net investment in the lease	1,695	392	2,347	474
Less unearned finance income	(1,303)	-	(1,873)	-
Present value of minimum lease payments	**392**	**392**	**474**	**474**

(Amounts in millions of Russian Rubles)

17. INVESTMENTS

Long-term investments

	31 December 2016	31 December 2015
Loans granted to Alamo Limited	-	8,539
Other loans	18	18
Total long-term investments	**18**	**8,557**

Following the June 2016 retrospective reduction of the interest rate and the maturity period for the main loan issued to Alamo Limited , the Parent entity of the Group in 2015, the Group reassessed the nature and substance of these loans issued and as of 30 June 2016 changed the classification of these loans from long-term investments to as in-substance equity distribution.

Short-term Investments

	31 December 2016	31 December 2015
Short-term USD-denominated bank deposits	-	11,031
Short-term EUR-denominated bank deposits	-	877
Other loans	27	8
Total short-term investments	**27**	**11,916**

As of 31 December 2016 the Group has no USD and EUR-denominated bank deposits.

As of 31 December 2015 the Group had USD and EUR-denominated bank deposits placed with UBS AG and Nordea Bank AB Latvia branch with interest rates ranging from 0.14% to 0.26% per annum.

18. INVENTORY

	31 December 2016	31 December 2015
Spare parts	544	456
Jet fuel	404	163
Supplies	259	228
Raw materials	191	158
Other inventory	243	218
Total inventory	**1,641**	**1,223**

19. TRADE AND OTHER RECEIVABLES

	Outstanding balance, gross	Provision for impairment	Outstanding balance, net
31 December 2016			
Trade receivables	3,385	(1,418)	1,967
Other receivables	787	(64)	723
Total	**4,172**	**(1,482)**	**2,690**
31 December 2015			
Trade receivables	3,536	(1,499)	2,037
Other receivables	770	(63)	707
Total	**4,306**	**(1,562)**	**2,744**

(Amounts in millions of Russian Rubles)

The average credit period for the Group's receivables (other than sales carried out on a prepayment basis) is 29 days.

Included in the Group's total trade and other receivables are debtors with carrying amounts of RUR 568 million and RUR 775 million as of 31 December 2016 and 2015, respectively, which are past due at the respective reporting date and which the Group considers to be recoverable (i.e. not impaired). The Group does not hold any collateral over these outstanding balances.

The ageing of past due but not impaired trade and other receivables is as follows:

	31 December 2016	**31 December 2015**
30-90 days	54	91
90-180 days	118	96
more than 180 days	396	588
Total past due but not impaired	**568**	**775**

The movement in the provision for impairment of trade and other receivables is as follows:

	31 December 2016	**31 December 2015**
Balance at the beginning of the year	**(1,562)**	**(720)**
Additional provision recognized in the current year (Note 5)	(105)	(1,012)
Release of provision	135	36
Use of provision	50	134
Balance at the end of the year	**(1,482)**	**(1,562)**

The significant amount of impairment provision for trade receivables as of 31 December 2015 and as of 31 December 2016 relates to receivables from Transaero (see Note 32). On 26 October 2015 the Russian Ministry of Transport revoked the certificate of Transaero for air transportation and the airline company stopped its operations. In December 2015 the Arbitration court of of St. Petersburg and Leningrad region sustained a claim from Sberbank on declaring bankruptcy of Transaero and initiate a supevision procedure over the aircompany.

In determining the recoverability of trade and other receivables the Group considers any change in the credit quality of trade and other receivables from the date credit was initially granted up to the reporting date. Details about concentration of credit risk and related risk management activities are provided in Note 32.

20. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2016	**31 December 2015**
VAT receivable	3,227	2,206
Irrevocable letters of credit	288	939
Advances to suppliers, net of impairment	139	312
Other current assets	384	197
Total prepayments and other current assets	**4,038**	**3,654**

Irrevocable letters of credit are issued by the banks on behalf of the Group for settlements with suppliers of equipment and construction subcontractors.

(Amounts in millions of Russian Rubles)

The movement in the provision for impairment of advances to suppliers is as follows:

	31 December 2016	31 December 2015
Balance at the beginning of the year	**(16)**	**(39)**
Additional provision recognized in the current year	(7)	(3)
Release of provision	6	23
Use of provision	1	3
Balance at the end of the year	**(16)**	**(16)**

In determining the recoverability of advances to suppliers the Group considers any change in the credit quality of advances to suppliers from the date credit was initially granted up to the reporting date. Details about concentration of credit risk and related risk management activities are provided in Note 32.

21. CASH AND CASH EQUIVALENTS

	31 December 2016	31 December 2015
USD-denominated short-term bank deposits	2,426	-
EUR-denominated short-term bank deposits	2,102	2,710
USD-denominated balances with banks	9,088	757
Russian Ruble-denominated cash on hand and balances with banks	690	523
Other foreign currency denominated balances with banks	-	793
Total cash and cash equivalents	**14,306**	**4,783**

As of 31 December 2016 the Group had a USD-denominated short-term bank deposits with one and two months term placed with UBS AG with an annual interest rate of 0.5-0.6%.

As of 31 December 2015 the Group had a EUR-denominated short-term bank deposit with three month term placed with Nordea Bank AB Latvia branch with an annual interest rate of 0.06%.

22. EQUITY

Share capital and dividends – Authorized and issued capital as at 31 December 2016 and 2015 comprises 304,831,519 ordinary shares with par value EUR 1.

Dividends – During the year ended 31 December 2016, the dividends were as follows:

- DME Limited declared dividends of RUR 17,511 million of which RUR 8,186 million were offset against the loans issued in 2015 by the Group entities to Alamo Limited (Note 17). These loans were recognized in equity. During the year ended 31 December 2016 an amount of RUR 5,483 million was paid to shareholders. The remaining balance of dividends payable was converted to a loan of RUR 6,035 million to Alamo Limited and assigned to one of the Group entities. The Group paid RUR 5,238 million in cash to partially settle the loan; RUR 797 million remains outstanding at 31 December 2016 and included in short-term borrowings.
- Distribution to non-controlling shareholders of the Group subsidiaries in amount of RUR 150 million was declared and paid during the year ended 31 December 2016.

During the year ended 31 December 2015 an amount of RUR 3,624 million was paid to shareholders.

As of 31 December 2016 there is no outstanding dividends payable (as of 31 December 2015: RUR 2,193 million).

(Amounts in millions of Russian Rubles)

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 31 December 2016 and 2015 such earnings amounted to RUR 20,293 million and RUR 30,817 million, respectively.

23. FIVE-YEAR USD LOAN PARTICIPATION NOTES

	Interest rate, %	31 December 2016	31 December 2015
Five-year USD loan participation notes (serie 1)[(i)]	6%	13,464	21,857
Five-year USD loan participation notes (serie 2)[(ii)]	6%	21,255	-
Total		**34,719**	**21,857**
Less: current portion due within twelve months and presented as short-term portion		(384)	(213)
Long-term portion of five-year USD loan participation notes		**34,335**	**21,644**

(i) In November 2013 the Group issued non-convertible five-year loan participation notes ("LPN 1") for the total amount of USD 300 million (RUR 9,872 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 297 million (RUR 9,720 million at the Central Bank of Russia exchange rate as at the inception date). The annual coupon rate of the LPN 1 is 6% with interest being paid semi-annually. The Group used net proceeds from the issuance for implementation of the Group's current capital expenditure program and for general corporate purposes. The LPN 1 are guaranteed by certain entities of the Group.

The effective interest rate (including the effect of amortizing the transaction costs) is 6.33% per annum. The LPN 1 mature in November 2018.

In November 2016 the Group redeemed LPN 1 issued in November 2013 in the total amount of USD 79 million (RUR 5,121 million at the Central Bank of Russia exchange rate as at the repayment date). Tender offer premium was up to RUR 253 million.

(ii) In November 2016 the Group issued non-convertible five-year loan participation notes ("LPN 2") for the total amount of USD 350 million (RUR 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 (RUR 22,210 million at the Central Bank of Russia exchange rate as at the inception date). The annual coupon rate of the LPN 2 is 6% with interest being paid semi-annually. The Group used net proceeds from the issuance for implementation of the Group's current capital expenditure program and for general corporate purposes. The LPN 2 are guaranteed by certain entities of the Group.

The effective interest rate (including the effect of amortizing the transaction costs) is 6.04% per annum. The LPN 2 mature in November 2021.

Covenants

In accordance with the terms of the LPN 1 and LPN 2, 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 Equity to Consolidated Total Assets ratio and Obligor Cover ratios.

As of 31 December 2016 and 2015 the Group was in compliance with these covenants.

(Amounts in millions of Russian Rubles)

24. BORROWINGS

	Interest rate, %	31 December 2016	31 December 2015
Syndicated bank loan	3.98%	-	4,407
Loan from Raiffeisen bank	5%	2,375	848
Loan from Alamo Limited (Note 22)	2.1%	797	-
Total		**3,172**	**5,255**
Less: current portion due within twelve months and presented as short-term borrowings		(1,155)	(3,711)
Long-term borrowings		**2,017**	**1,544**

As of 31 December 2016 the Group fully repaid the outstanding balance of syndicated loan.

In September 2015 the Group entered into a EUR-denominated five-year loan facility agreement for a total amount of EUR 38 million (RUR 2,914 million at the Central Bank of Russia exchange rate as at the inception date) provided by Raiffeisen Bank International AG. The purpose of the loan is financing designing and construction of a parking terminal PM–2.1 in the district of Domodedovo Airport and refinancing the capital expenditure related to this project. The loan is guaranteed by certain Group companies. According to the agreement, in September - December 2015 the loan was drawn down in amount of EUR 11 million (RUR 862 million at the Central Bank of Russia exchange rate as at the inception date) at a nominal fixed rate of 5% per annum. In September - December 2016 the Group borrowed additional funds in amount of EUR 27 million (RUR 1,962 million at the Central Bank of Russia exchange rate as at the inception date) under loan facility agreement Raiffeisen Bank International AG. Net proceeds from the borrowings, after the deduction of related commission costs, amounted to EUR 37 million (RUR 2,787 million at the Central Bank of Russia exchange rate as at the inception date). The effective interest rate (including the effect of amortizing the transaction costs) is 6.34% per annum.

Covenants

In accordance with the terms of the syndicated loan and loan received from Raiffeisen 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 Equity to Consolidated Total Assets ratio and 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 the financial covenants are attached as at 31 December 2016 is RUR 2,375 million (31 December 2015: RUR 5,255 million).

As of 31 December 2016 and 2015 the Group was in compliance with these covenants.

25. TRADE AND OTHER PAYABLES

	31 December 2016	31 December 2015
Amounts payable for the acquisition of property, plant and equipment	1,949	1,102
Advances received	1,235	1,474
Trade payables	968	871
Rent deposits received	767	768
Total trade and other payables	**4,919**	**4,215**

(Amounts in millions of Russian Rubles)

26. TAXES OTHER THAN INCOME TAX PAYABLE

	31 December 2016	31 December 2015
Value added tax	733	836
Social insurance tax	299	266
Property tax	13	18
Other taxes	43	13
Total taxes other than income tax payable	**1,088**	**1,133**

27. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	31 December 2016	31 December 2015
Accrued employee expenses	1,638	1,867
Other liabilities	265	268
Total accrued expenses and other current liabilities	**1,903**	**2,135**

Accrued employee expenses as of 31 December 2016 and 2015 comprised accrued salaries and bonuses of RUR 1,223 million and RUR 1,462 million, respectively, and an accrual for unused vacation of RUR 415 million and RUR 405 million, respectively.

28. PROVISIONS

During the year ended 31 December 2016 the Group was involved in litigations with a number contractors.

Movement in legal provisions is as follows:

	2016	2015
Balance at the beginning of the year	**325**	**205**
Additional provision recognized in the current year	-	63
Reclassification of provision related to CIP [(i)]	-	261
Release of provision	(7)	(192)
Use of provision [(i)]	(318)	(12)
Balance at the end of the year	**-**	**325**

(i) Included into this amount RUR 56 million recognized in interest income in the year ended 31 December 2016 and in interest expense in the year ended 31 December 2015, as it represents late interest charges claimed by plaintiff.

29. 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, with whom the Group entered into significant transactions during the years ended 31 December 2016 and 2015 or had significant balances outstanding as of 31 December 2016 and 2015, are considered to be entities under common control.

(Amounts in millions of Russian Rubles)

The following tables provide the total amount of transactions, which have been entered into with related parties during the years ended 31 December 2016 and 2015 as well as year-end balances:

	31 December 2016		31 December 2015	
	Amounts owed by related parties	Amounts owed to related parties	Amounts owed by related parties	Amounts owed to related parties
Alamo Limited (Parent entity in 2015)	-	797	8,540	-
Entities under common control	795	56	832	110
Total	**795**	**853**	**9,372**	**110**

	2016			2015		
	Sales to related parties	Purchases from related parties	Interest income	Sales to related parties	Purchases from related parties	Interest income
Entities under common control	71	1	1	58	79	234

Compensation of key management personnel

Key management comprised 9 persons as at 31 December 2016 and 2015, respectively. 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 584 million (including social insurance tax of RUR 63 million) and RUR 443 million (including social insurance tax of RUR 60 million) for the years ended 31 December 2016 and 2015, respectively. The outstanding balances due to key management personnel amounted to RUR 741 million and RUR 833 million as at 31 December 2016 and 2015, respectively, and comprised accrued salaries, bonuses and accrual for unused vacation.

30. 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 they are adjusted by the lessor from time to time.

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

	2016	2015
Within one year	185	215
In two to five years	391	486
After five years	2,646	3,392
Total minimum lease payments	**3,222**	**4,093**

Included in minimum lease payments within one year are amounts of RUR 71 million and RUR 84 million as of 31 December 2016 and 2015, respectively, which represent the value of lease payments under lease agreements automatically extended for an indefinite term in accordance with the provisions in these agreements. These agreements can be terminated by either lessor or lessee by notification of the other party one month before termination.

(Amounts in millions of Russian Rubles)

The Group as Lessor

Operating lease agreements consist mainly of short-term contracts for the lease of the Group's trading space and catering areas. The lease payments consist of a fixed amount, and a variable part that is contingent on sales levels and certain other performance indicators, achieved by the lessees. Lessees are selected based on the results of tenders. Contracts with the selected lessees are signed for a term of less than one year, and contain an automatic extension clause. The contracts are automatically extended for the subsequent period, unless one of the parties exercises, in due time, its option not to extend the rental period. The lessees do not have an option to purchase the property at the end of the lease period.

Rental income earned by the Group is set out in Note 8.

The future minimum lease payments representing fixed part of the rentals under contracted operating leases for the year 2017 amount to RUR 1,466 million.

31. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

The Group's contracted capital commitments, related to construction of passenger and cargo terminals and modernization of existing assets as of 31 December 2016 and 2015, consisted of the following:

	31 December 2016	**31 December 2015**
Reconstruction and expansion of passenger terminal	25,782	34,884
Construction of multilevel parking	1,720	2,137
Reconstruction and expansion of cargo terminal	1,703	1,909
Reconstruction of office buildings	75	648
Construction of aircraft maintenance hangar	50	4
Construction of warehousing facilities	30	155
Reconstruction of fuel storage facilities	43	68
Construction of electric power plant	2	21
Other	582	621
Total capital commitments	**29,987**	**40,447**

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.

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.

The above mentioned events have led to reduced access of the Russian businesses to international capital markets, increased inflation, economic recession and other negative economic consequences. The impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

The government of the Russian Federation directly affects the Group's operations through regulation of certain 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 15), 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 proceeding the year of tax audit. Under certain circumstances reviews may cover longer periods. Management believes that it has accrued for all taxes that are applicable. 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.

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.

In 2014, amendments were introduced into the Russian tax legislation in respect of taxation of profit of controlled foreign companies. According to these changes, the 2015 undistributed profits of the Group foreign subsidiaries, recognized as controlled foreign companies, may result in an increase of the tax base of the controlling entities in 2016. The Group is formulating its tax planning strategy with regard to the foreign subsidiaries.

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 year, 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, other than those for which provision has been made in these consolidated financial statements (Note 28).

Insurance – The Group's insurance program is designed to cover a majority of risks inherent in airport operation without any substantial gaps in coverage. The main operational risks of the Group are covered by property damage policy and airport civil liability policy while other insurance contracts are designed to cover minor losses or to provide additional benefits for employees and to meet current legislation requirements without any major influence to airport business.

Property and civil liability of the Group are insured by well known Russian insurance companies. The full coverage insurance value of property is RUR 8,483 million. Third party liability of DME Limited and its subsidiaries is insured for the amount of RUR 30,328 million.

(Amounts in millions of Russian Rubles)

32. RISK MANAGEMENT ACTIVITIES

The Group's senior management oversees the risk management process and ensures that appropriate policies and procedures are designed and implemented, and that financial risks are timely identified, measured and managed in accordance with approved policies. Such policies are summarized below.

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to he equity holder through the optimization of the debt and equity balance. The capital structure of the Group consists of long-term borrowings, including bank loans, amounts due to grantor under a concession agreement and equity, consisting of share capital and retained earnings.

Management of the Group regularly reviews its gearing ratio, calculated as proportion of net debt to equity, to ensure that it is in line with the Group's adopted policy on debt management. During 2016 the Group complied with all external capital requirements.

Major categories of financial instruments

The Group's financial assets include short- and long-term investments, amounts due from grantor under a concession agreement, lease receivable, trade and other receivables and cash and cash equivalents. All financial assets fall into loans and receivables and available-for-sale categories under IAS 39 "Financial instruments: recognition and measurement".

	31 December 2016	31 December 2015
Financial assets		
Cash and cash equivalents	14,306	4,783
Trade and other receivables	2,690	2,744
Lease receivable	392	474
Amounts due from grantor under a concession agreement	206	576
Short-term investments	27	11,916
Long-term investments	18	8,557
Other non-current assets	1,848	2,258
Total financial assets	**19,487**	**31,308**

The Group's principal financial liabilities are trade and other payables, borrowings, the USD loan participation notes, accruals and amounts due to grantor under a concession agreement.
All financial liabilities are carried at amortized cost.

	31 December 2016	31 December 2015
Financial liabilities		
Five-year USD loan participation notes	34,719	21,857
Trade and other payables	3,684	2,741
Long-term borrowings	2,017	1,544
Accrued expenses and other current liabilities	1,903	2,135
Short-term borrowings	1,155	3,711
Total financial liabilities	**46,863**	**35,390**

(Amounts in millions of Russian Rubles)

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they fall due. The Group's liquidity position is carefully monitored and managed by the treasury function. Management controls current liquidity based on expected cash flows and revenue receipts through establishing and maintaining a cash fund sufficient to cover its contractual obligations for the period of three to six upcoming months. Such funds are normally kept as highly liquid short-term bank deposits, and are available on demand. In addition, the Group's policy is to continually maintain a diversified portfolio of open credit lines with reputable banks, which serve to secure for the Group a stable *ad hoc* borrowing capability.

The Group has both interest bearing and non-interest bearing financial liabilities. The interest bearing liabilities consist of amounts due to grantor under a concession agreement, borrowings and the USD loan participation notes. The non-interest bearing liabilities include trade and other payables, accrued expenses and other current liabilities.

The following tables detail the Group's remaining contractual maturity for financial liabilities. The tables have been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Effective interest rate, %	Less than 1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	Total
31 December 2016							
Non-interest bearing liabilities		3,424	1,145	130	734	155	5,588
Loans and borrowings	6.04%-6.3%	-	22	4,008	42,702	-	46,732
Amounts due to grantor under a concession agreement	10.6%	-	-	264	1,391	17,915	19,570
Total		**3,424**	**1,167**	**4,402**	**44,827**	**18,070**	**71,890**
31 December 2015							
Non-interest bearing liabilities		3,170	1,032	42	433	199	4,876
Loans and borrowings	4.6%-6.3%	1,140	6	4,384	26,204	-	31,734
Amounts due to grantor under a concession agreement	10.6%	92	-	177	1,404	18,263	19,936
Total		**4,402**	**1,038**	**4,603**	**28,041**	**18,462**	**56,546**

The following tables detail the Group's expected maturity for its financial assets, except for cash and cash equivalents. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets, including interest that will be earned on those.

	Effective interest rate, %	Less than 1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	Total
31 December 2016							
Accounts receivable		1,762	1,100	32	2	-	2,896
Investments	7-8%	22	-	5	18	-	45
Lease receivable	75%	15	31	139	740	770	1,695
Total		**1,799**	**1,131**	**176**	**760**	**770**	**4,636**
31 December 2015							
Accounts receivable		2,649	588	83	-	-	3,320
Investments	7-9.75%	4	11,035	877	10,209	-	22,125
Lease receivable	75%	19	38	173	924	1,193	2,347
Total		**2,672**	**11,661**	**1,133**	**11,133**	**1,193**	**27,792**

(Amounts in millions of Russian Rubles)

Currency Risk

Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group has export revenue and purchases third-party services, which are denominated in foreign currencies. Certain receivable and payable balances, related primarily to settlements with customers and suppliers and most of loans and borrowings of the Group are denominated in currencies other than the Russian Ruble, the functional currency of the Company and all subsidiaries of the Group.

Currency risk is regularly assessed and managed by Financial Assets Management department. The Group's foreign currency position for net current assets is evaluated daily. The consolidated foreign currency position of all of the Group's assets and liabilities is assessed quarterly. The Group mitigates potential negative impact of exchange rate movements primarily through aiming to maintain a balanced structure of foreign currency assets and liabilities. Available cash and cash equivalents are the key instrument used by management to correct an imbalanced foreign currency position. Management also continually monitors market trends in order to appropriately adjust the Group's contractual payment terms to take advantage of favorable changes in exchange rates.

For the year ended 31 december 2016 the Russian Ruble depreciated against the US Dollar, EURO by 9%, 9%, respectively (depreciated against the US Dollar, EURO by 30%, 17% for the year ended 31 December 2015). The Group does not have or use any formal arrangements (i.e. derivatives) to manage foreign currency risk exposure.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at the reporting date are as follows:

	Denominated in USD		**Denominated in EUR**	
	31 December 2016	**31 December 2015**	**31 December 2016**	**31 December 2015**
Assets				
Cash and cash equivalents	11,514	757	2,102	3,503
Amounts due from grantor under a concession agreement	-	-	206	576
Trade and other receivables	893	350	54	512
Investments	-	11,064	-	9,387
Lease receivable	-	-	391	474
Other non-current assets	-	-	1,805	2,168
Total assets	**12,407**	**12,171**	**4,558**	**16,620**
Liabilities				
Loans and borrowings	34,719	21,856	3,171	5,256
Trade and other payables	946	149	94	695
Total liabilities	**35,665**	**22,005**	**3,265**	**5,951**

The table below details the Group's sensitivity to strengthening of the Russian Ruble against the respective foreign currencies by 10%, all other variables being held constant. The analysis was applied to monetary items at the reporting dates denominated in respective currencies.

	USD – impact		**EUR – impact**	
	2016	**2015**	**2016**	**2015**
(Gain) / loss	**(2,326)**	**(984)**	**129**	**1,067**

The weakening of the Russian Ruble in relation to the same currencies by the same percentage will produce an equal and opposite effect on the consolidated financial statements of the Group to that shown above.

Interest rate risk

Interest rate risk is the risk that movement in interest rates for borrowed funds will have an adverse effect on the Group's financial performance. In general the Group takes a conservative approach to the use of debt leverage, and tends to finance its operations and expansion through internally generated funds.

Management carefully monitors changes in interest rates and takes steps to mitigate interest rate risk through careful evaluation of contractual terms for new borrowings, as well as continued improvement of its existing debt portfolio. In assessing the quality of its debt portfolio the Group aims to maintain an appropriate mix of floating and fixed interest rate instruments, and to ensure that contractual terms for the borrowings provide for minimal or no early repayment fees, an option to negotiate a decrease in interest rates and an inability of a credit institution to unilaterally increase interest rates without prior notification and granting an early repayment option at no additional charge.

As at 31 December 2016 and 2015 the Group's borrowed funds consisted of the USD loan participation notes, long- and short-term borrowings and amounts due to grantor under a concession agreement.

The Group has no significant exposure to interest rate risk as it has no borrowings at floating interest rates.

The Group's liabilities under concession agreement bear an inherent interest rate, which is fixed for a period of three years (see Note 15). At the end of each three-year period payments under the agreement are revised, and any changes in the amount of the future payments under the concession agreement may significantly influence the effective interest rate for the related liability, as well as the total amount of the interest expense.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group does not hedge its credit risk.

The Group's exposure to credit risk arises primarily with respect to amounts held with the banks, loans issued and receivables in connection with aviation, ground handling and real estate activities. Credit exposure is managed by establishing credit terms for the most significant customers that are reviewed and approved by management. Credit sales are offered only to foreign customers and most significant customers located within the Commonwealth of Independent States ("CIS") and the Russian Federation with proven credit history. Sales to other customers are made on a prepayment basis. The credit quality of the bank balances and loans issued can be assessed by reference to external credit rating if available or to the working history of the counterparty with the Group. These policies enable the Group to reduce its credit risk significantly.

The carrying amount of loans receivable, net of provision for impairment, represents the maximum amount exposed to credit risk (Note 19). Management believes that there is no significant risk of loss to the Group beyond the provision already recorded.

As of 31 December 2016, 59% of the total net amount of trade and other receivables and amounts due from grantor under a concession agreement related to the five largest counterparties of the Group (31 December 2015: 63%).

(Amounts in millions of Russian Rubles)

The largest receivables outstanding as of the reporting date are as follows:

	31 December 2016		
	Outstanding balance, gross	**Provision for impairment**	**Outstanding balance, net**
Transaero	880	(880)	-
S7	547	(2)	545
Emirates	275	-	275
Forum-Invest	245	-	245
FGUP "Administration of the Airport Domodedovo"	206	-	206
Quantico Limited	182	-	182
Vim-avia	112	-	112
Lufthansa	79	-	79
Mera-Invest	67	(5)	62
Total	**2,593**	**(887)**	**1,706**

	31 December 2015		
	Outstanding balance, gross	**Provision for impairment**	**Outstanding balance, net**
Transaero	1,010	(1,010)	-
FGUP "Administration of the Airport Domodedovo"	576	-	576
S7	546	(1)	545
Forum-Invest	325	-	325
Quantico Limited	188	-	188
Mera-Invest	149	-	149
Lufthansa	132	-	132
Emirates	123	-	123
Vim-avia	64	-	64
Total	**3,113**	**(1,011)**	**2,102**

As of 31 December 2016 , 87 % of the total amount of amounts held with the banks related to three banks (31 December 2015: 97 %).Bank deposits and cash balances placed with the largest banks as of 31 December 2016 and 2015 are as follows:

	Credit rating	**31 December 2016**	**31 December 2015**
UBS AG	A	7,158	11,619
Raiffeisen Bank International AG. Austria	WD	2,766	1,042
OVERSEA CHINESE BANKING CORPORATION LIMITED	AA-	2,750	-
PJSC Rosbank	A	1,444	477
Nordea Bank AB Latvia branch	AA-	221	3,720
Total		**14,339**	**16,858**

Fair value of financial instruments

According to the accounting policy the Group uses the following hierarchy to determine and disclose fair value of financial instruments:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

(Amounts in millions of Russian Rubles)

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, lease receivable, short- and long-term investments, borrowings and liabilities under concession, which classified within Level 2 category of the above 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. Certain financial instruments, such as available-for-sale bonds were excluded from fair value analysis either due to their insignificance or due to the fact that the assets were acquired or liabilities incurred close to the reporting dates and management believes that their carrying value either approximates their fair value, or may not significantly differ from each other.

Fair value of financial liabilities

	31 December 2016
Five-year USD loan participation notes issue 2013 (Note 23)	12,312
Five-year USD loan participation notes issue 2016 (Note 23)	17,064
Total	**29,376**

33. SUBSEQUENT EVENTS

Dividends – On 19 of April 2017 dividends of RUR 1,679 million (USD 30 million) were approved by the shareholders.