DME LIMITED
and subsidiaries

Consolidated Financial Statements and
Independent Auditor's Report
For the Year Ended 31 December 2015

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 2015

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 2015, 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 2015 were approved by management on 17 May 2016.

On behalf of management:

Victor Ponomarenko Chief Executive Officer	Olga Korochkina Chief Financial Officer

17 May 2016

ZAO Deloitte & Touche CIS
5 Lesnaya Street
Moscow, 125047
Russia

Tel: +7 (495) 787 06 00
Fax: +7 (495) 787 06 01
www.deloitte.ru

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of DME Limited:

We have audited the accompanying consolidated financial statements of DME Limited and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of 31 December 2015, and the consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity for the year ended 31 December 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Deloitte & Touche

17 May 2016

DME LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015
(Amounts in millions of Russian Rubles)

	Notes	2015	2014
Revenue	7	39,446	41,224
Operating expenses, net	8	(27,717)	(27,419)
Operating profit		**11,729**	**13,805**
Interest expense	9	(1,437)	(1,146)
Interest income		541	258
Loss on disposal of subsidiary	11	-	(2)
Impairment of restricted cash balances	14	(47)	(308)
Foreign exchange (loss) / gain, net		(1,545)	896
Profit before income tax		**9,241**	**13,503**
Income tax	10	(1,090)	(2,102)
Profit and comprehensive income for the year		**8,151**	**11,401**
Profit / (loss) attributable to:			
Owners of the Company		8,149	11,316
Non-controlling interests		2	85
		8,151	**11,401**

On behalf of management:

Victor Ponomarenko
Chief Executive Officer

Olga Korochkina
Chief Financial Officer

17 May 2016

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 2015
(Amounts in millions of Russian Rubles)

	Notes	31 December 2015	31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	12	55,163	51,192
Investment property	12	561	1,786
Advances for acquisition of non-current assets	12	2,327	362
Intangible assets	13	5,019	4,927
Deferred tax asset	10	1,444	1,621
Amounts due from grantor under a concession agreement	15	576	785
Long-term finance lease receivable	16	294	217
Long-term investments	17	8,557	22
Other non-current assets	14	2,258	1,860
Total non-current assets		**76,199**	**62,772**
Current assets			
Inventory	18	1,223	1,214
Trade and other receivables	19	2,744	2,835
Prepayments and other current assets	20	3,294	2,274
Payments made in connection with uncertain tax positions	5	-	21
Prepaid income tax		1,446	1,505
Short-term finance lease receivable	16	180	164
Short-term investments	17	11,916	17,918
Cash and cash equivalents	21	4,783	4,112
Total current assets		**25,586**	**30,043**
TOTAL ASSETS		**101,785**	**92,815**
EQUITY AND LIABILITIES			
Capital			
Share capital	22	11,877	11,877
Retained earnings	22	42,573	38,081
Equity attributable to the owners of the Company		54,450	49,958
Non-controlling interests		101	99
Total equity		**54,551**	**50,057**
Non-current liabilities			
Five-year USD loan participation notes	23	21,644	16,707
Deferred tax liability	10	6,658	6,925
Amounts due to grantor under a concession agreement, long-term portion	15	3,147	3,169
Long-term borrowings	24	1,544	3,596
Total non-current liabilities		**32,993**	**30,397**
Current liabilities			
Trade and other payables	25	4,215	3,775
Income tax payable		61	37
Taxes other than income tax payable	26	1,133	1,169
Dividends payable	22	2,193	1,309
Amounts due to grantor under a concession agreement, short-term portion	15	255	364
Accrued expenses and other current liabilities	27	2,135	2,198
Five-year USD loan participation notes, short-term portion	23	213	133
Long-term borrowings, current portion	24	3,711	3,171
Provisions	28	325	205
Total current liabilities		**14,241**	**12,361**
TOTAL EQUITY AND LIABILITIES		**101,785**	**92,815**

On behalf of management:

Victor Ponomarenko
Chief Executive Officer

Olga Korochkina
Chief Financial Officer

17 May 2016

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 2015
(Amounts in millions of Russian Rubles)

	2015	2014
Cash flows from operating activities:		
Profit before income tax	**9,241**	**13,503**
Adjustments for:		
Depreciation and amortization	3,099	3,024
Loss / (gain) on disposal of property, plant and equipment	39	(7)
Loss on disposal of intagible assets	99	39
Change in provision for impairment of accounts receivable and advances to suppliers	965	20
Change in legal provision	(129)	127
Loss from disposal of subsidiary	-	2
Interest income	(541)	(258)
Interest expense	1,437	1,146
Impairment of restricted cash balances	47	308
Foreign exchange loss / (gain), net	1,545	(896)
Other non-cash items, net	33	41
	15,835	**17,049**
Increase in inventory	(32)	(361)
(Increase) / Decrease in trade and other receivables	(891)	135
(Increase) / Decrease in prepayments and other current assets	(1,011)	815
Increase in trade and other payables	65	82
(Decrease) / Increase in taxes other than income tax payable	(36)	27
(Decrease) / Increase in accrued expenses and other current liabilities	(87)	1,150
Net cash from operating activities before income tax	**13,843**	**18,897**
Interest paid	(1,534)	(1,284)
Income tax paid	(1,098)	(2,590)
Net cash provided by operating activities	**11,211**	**15,023**
Cash flows from investing activities:		
Purchases of property, plant and equipment	(6,488)	(4,038)
Purchases of intangible assets and other non-current assets	(902)	(592)
Proceeds from disposal of property, plant and equipment	87	118
Purchases of investments	(19,645)	(15,244)
Proceeds from disposal of investments	20,502	5,228
Net cash outflow on disposal of subsidiaries (Note 11)	-	(1,019)
Restricted cash	-	(2,168)
Proceeds from grantor under a concession agreement	291	141
Interest received	245	183
Net cash used in investing activities	**(5,910)**	**(17,391)**
Cash flows from financing activities:		
Proceeds from borrowings	968	-
Repayments of borrowings	(2,911)	(2,134)
Dividends paid (Note 22)	(3,624)	(7,807)
Net cash used in financing activities	**(5,567)**	**(9,941)**
Net desrease in cash and cash equivalents	**(266)**	**(12,309)**
Cash and cash equivalents at the beginning of the year	**4,112**	**12,210**
Foreign exchange gain on cash and cash equivalents	937	4,211
Cash and cash equivalents at the end of the year	**4,783**	**4,112**

On behalf of management:

Victor Ponomarenko
Chief Executive Officer

Olga Korochkina
Chief Financial Officer

17 May 2016

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 2015
(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 2014	**11,877**	**36,576**	**48,453**	**14**	**48,467**
Profit and comprehensive income for the year	-	11,316	11,316	85	11,401
Dividends (Note 22)	-	(9,811)	(9,811)	-	(9,811)
Balance as of 31 December 2014	**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**

On behalf of management:

Victor Ponomarenko
Chief Executive Officer

Olga Korochkina
Chief Financial Officer

17 May 2016

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 controled subsidiaries is as follow:

Company name	Place of incorporation	Principal activity	Percentage held as of 31 December 2015	Percentage held as of 31 December 2014
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 Corporation	Russia	Staff professional trainings and development	100%	100%
Domodedovo Integration	Russia	Software development	100%	100%
Domodedovo Parking	Russia	Management of car park facilities	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. These entities are 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 issued on the Irish Stock Exchange.

During the year ended 31 December 2014 the Group disposed of it's ownership interests in Sortenia Ventures Limited and Domodedovo Parking Services Limited (see Note 11 for more information on disposal).

During the reporting period 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 Alamo Limited, a company registered in the Republic of Mauritius. In December 2015 Alamo Limited changed it's place of domicile to 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 2015 were authorized for issue by management on 29 April 2016.

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, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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, 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 landing, runway lighting, aircraft parking, and passenger-related charges for the use of terminal. Certain airport charges are regulated. This means, among other things, that the process of fixing the airport charge rates is periodically reviewed by the Federal Antimonopoly Service of the Russian Federation ("FAS"). 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.

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 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 2015 and 2014 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 2015. 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 1 – Disclosure Initiative (amended)	1 January 2016
IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (amended)	1 January 2016
IAS 16 and IAS 41 - Agriculture: Bearer Plants (amended)	1 January 2016
IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amended)	Date to be determined by the IASB
IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception (amended)	1 January 2016
IFRS 11 - Accounting for Acquisition of Interests in Joint Operations (amended)	1 January 2016
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 16 Leases	1 January 2019

Also a number of standards and interpretations were amended by Annual Improvements to IFRSs 2012-2014 Cycle, which become effective for annual periods beginning on or after 1 January 2016. 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:

- 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.

Under IFRS 15, 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. 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 2015 and 2014 the provision for impairment of receivables and advances to suppliers was recognized in the amount of RUR 1,619 million and RUR 788 million, respectively (see Notes 12, 19, 20). The significant increase of provision for impairment of receivables as of 31 December 2015 related to the fact that in October 2015 several creditors of Transaero filed the lawsuits on bankruptcy of Transaero. 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 the Arbitration court of of St. Petersburg and Leningrad region sustained a claim from Sberbank on declearing bankruptcy of Transaero and initiatea 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.

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.

Payments made in connection with uncertain tax positions – Compliance with tax legislation, particularly in the Russian Federation, is subject to significant degree of interpretation and can be routinely challenged by the tax authorities. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

During 2012 several of the Group's subsidiaries were subject to tax audits, during which the Federal Tax Service identified a number of tax positions which could result in potential fines and penalties for the entities concerned. In order to comply with the provisions of tax legislation the Group made due payments to the tax authority with respect to such tax positions.

Payments made by the Group with respect to such claims for a total amount of RUR 614 million were recognized as an asset in accordance with IAS 37 "Provisions, contingent liabilities and contingent assets" as at 31 December 2013. Most of claims raised based on the results of the tax audits were resolved in favor of the Group during the reporting period. During the years ended 31 December 2015 and 31 December 2014 the amount of RUR 21 million and RUR 593 million, respectively, were returned to the Group by tax authorities.

Recoverability of deferred tax assets – Management of the Group believe that deferred tax assets recognised by the Group as of the reporting date as will be fully realised. As at 31 December 2015 the carrying value of deferred tax assets was RUR 1,444 million (2014: RUR 1,621).

6. 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. Such services are predominantly regulated by FAS.

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 and hotel services.

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.

(Amounts in millions of Russian Rubles)

The key financial information for the Group's segments for the years ended 31 December 2015 and 2014 is presented below:

		Aviation services	Auxiliary aviation services	Commercial services	Inter-segment eliminations	Group
Third-party revenue	**2015**	**11,068**	**21,650**	**6,728**	**-**	**39,446**
	2014	**10,292**	**23,111**	**7,821**	**-**	**41,224**
Intersegment revenue	2015	1,470	194	616	(2,280)	-
	2014	1,522	1,369	536	(3,427)	-
Total revenue	2015	12,538	21,844	7,344	(2,280)	39,446
	2014	11,814	24,480	8,357	(3,427)	41,224
Operating profit	**2015**	**3,875**	**4,560**	**3,294**	**-**	**11,729**
	2014	**3,147**	**6,912**	**3,746**	**-**	**13,805**
Depreciation and amortization	2015	(1,458)	(1,199)	(442)	-	(3,099)
	2014	(1,415)	(1,145)	(464)	-	(3,024)
Change in provision for impairment of receivables and advances to	2015	(233)	(558)	(174)	-	(965)
suppliers (Note 5, 12, 19,20)	2014	(3)	(18)	1	-	(20)
Change in legal provision	2015	37	79	13	-	129
	2014	(35)	(80)	(12)	-	(127)

The following is the analysis of the Group's largest customers (comprising 7% or more of total revenue):

	2015		2014	
	Amount	%	Amount	%
S7 Group	**4,855**	**12%**	**4,939**	**12%**
Aviation services segment	1,540		1,777	
Auxiliary aviation services segment	3,177		2,896	
Commercial services segment	138		266	
Transaero	**2,747**	**7%**	**3,565**	**9%**
Aviation services segment	676		1,285	
Auxiliary aviation services segment	1,705		1,927	
Commercial services segment	366		353	

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.

(Amounts in millions of Russian Rubles)

7. REVENUE

	2015	2014
Service revenue		
Ground handling	9,146	8,274
Airport and other related charges	8,406	7,770
Rental income	5,921	6,857
Jet fuelling and storage services	2,511	3,162
Aviation security	2,393	2,142
Parking fees	670	750
Construction revenue	122	218
Other revenue	575	609
Total service revenue	**29,744**	**29,782**
Product revenue		
Jet fuel sales	5,098	6,019
Catering	4,604	5,423
Total product revenue	**9,702**	**11,442**
Total revenue	**39,446**	**41,224**

Rental income includes rentals contingent on passenger traffic volume (see Note 30) of RUR 5,921 million and RUR 5,469 million for the years ended 31 December 2015 and 2014, respectively, and rental income from investment property in the amount of RUR 743 million and RUR 1,093 million for the years ended 31 December 2015 and 2014, respectively.

8. OPERATING EXPENSES, NET

	2015	2014
Payroll and related charges:		
Wages and salaries	9,011	9,484
Social taxes	2,433	2,290
Cost of jet fuel	4,748	4,906
Depreciation and amortization	3,099	3,024
Maintenance	1,751	1,488
Materials	1,703	1,760
Taxes other than income tax	1,029	1,147
Change in provision for impairment of receivables and advances to suppliers (Notes 5,19,20)	965	20
Cleaning and waste management	736	717
Public utilities	497	443
Transport	404	336
Rent	320	290
Consulting, audit and other services	269	242
Staff development and training	266	285
Passenger servicing	177	152
Charitable donations	91	-
Communication services expense	47	61
Advertising expenses	27	52
Certification and licensing	16	57
Aircraft servicing	8	11
Change in legal provision	(129)	127
Tax refund relating to claimed tax benefit	(512)	-
Other expenses, net	761	527
Total operating expenses, net	**27,717**	**27,419**

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 155 million and RUR 188 million for the years ended 31 December 2015 and 2014, respectively.

(Amounts in millions of Russian Rubles)

9. INTEREST EXPENSE

	2015	2014
Interest expense on five-year USD loan participation notes	1,145	723
Unwinding of discount related to amounts due to grantor under a concession agreement	351	353
Interest expense on bank loans	257	280
Other interest	56	-
	1,809	**1,356**
Less: capitalized interest (Note 12)	(372)	(210)
Total interest expense	**1,437**	**1,146**

10. INCOME TAX

	2015	2014
Current income tax expense	(1,416)	(1,589)
Adjustments recognized in the current year in relation to the current tax of prior years	236	204
Deferred income tax benefit / (expense)	90	(717)
Income tax	**(1,090)**	**(2,102)**

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

	2015	2014
Profit before income tax	**9,241**	**13,503**
Theoretical tax charge at Russian statutory rate of 20%	(1,848)	(2,701)
Tax effect of items which are not deductible or assessable for taxation purposes:		
Non-taxable foreign exchange differences	1,554	2,599
Unrecognized deferred tax asset	(568)	-
Adjustments recognized in the current year in relation to the current tax of prior years	236	204
Tax rate differences relating to other jurisdictions	(208)	(295)
Non-deductible interest expenses	(182)	(278)
Effect of witholding tax on dividends of subsidiaries	(10)	(1,169)
Other non-deductible items	(64)	(462)
Income tax	**(1,090)**	**(2,102)**

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.

(Amounts in millions of Russian Rubles)

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 2015	Charged to profit or loss	31 December 2014
Tax losses carry forward	473	(119)	592
Property, plant and equipment	96	42	54
Trade and other receivables	210	-	210
Prepayments and other current assets	97	(19)	116
Trade and other payables	330	3	327
Accrued expenses and other current liabilities	222	(80)	302
Intangible assets	3	(1)	4
Other	13	(3)	16
Deferred tax asset, net	**1,444**		**1,621**
Property, plant and equipment	(5,466)	58	(5,524)
Trade and other receivables	(1)	35	(36)
Prepayments and other current assets	(23)	(18)	(5)
Amounts due to grantor under a concession agreement	681	(26)	707
Trade and other payables	(984)	267	(1,251)
Intangible assets	(759)	17	(776)
Other	(106)	(66)	(40)
Deferred tax liability, net	**(6,658)**		**(6,925)**
		90	

	31 December 2014	Charged to profit or loss	31 December 2013
Tax losses carry forward	592	339	253
Property, plant and equipment	54	(13)	67
Trade and other receivables	210	36	174
Prepayments and other current assets	116	13	103
Trade and other payables	327	228	99
Accrued expenses and other current liabilities	302	195	107
Intangible assets	4	(2)	6
Other	16	-	16
Deferred tax asset, net	**1,621**		**825**
Property, plant and equipment	(5,524)	(170)	(5,354)
Trade and other receivables	(36)	(23)	(13)
Prepayments and other current assets	(5)	2	(7)
Amounts due to grantor under a concession agreement	707	105	602
Trade and other payables	(1,251)	(1,237)	(14)
Intangible assets	(776)	(150)	(626)
Other	(40)	(40)	-
Deferred tax liability, net	**(6,925)**		**(5,412)**
		(717)	

(Amounts in millions of Russian Rubles)

The Group's recognized tax losses carry forward expire as follows:

	2019	2020	2021	2022	2023	2024	2025	Total
Tax losses carry forward	3	32	15	17	182	99	125	**473**

During 2015 Group's Russian subsidiary distributed dividends to the parent (DME Limited) for the amount of RUR 196 million. A related withholding tax liability in the amount of RUR 10 million was recognized as at 31 December 2015. 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 690 million and RUR 11,443 million as of 31 December 2015 and 2014, respectively.

11. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2014 the Group disposed of two subsidiaries.

On 11 December 2014 the Group disposed of Domodedovo Parking Services Ltd. (BVI), which was managing the airport car park facilities operated by the Group. Domodedovo Parking Services Ltd. was sold to a third party for a consideration of 1 US dollar.

On 30 December 2014, the Group disposed of Sortenia Ventures Limited (Cyprus), which carried out certain portion of financing activities of the Group. Sortenia Ventures Limited was sold to a third party for a consideration of 1 euro. As of the date of the disposal the Group had a balance of RUR 70 million receivable from Sortenia which the Group does not intend to call in. The result of the disposal of this company was adjusted to take account of planned forgiveness of this balance.

Domodedovo Parking Services Ltd. was included in the Commercial Services business segment, while Sortenia Ventures Limited was included into the headquarters expenses allocated between the reportable segments of the Group.

Analysis of assets and liabilities disposed over which control was lost by the Group as of the respective dates of disposal is presented below:

Analysis of assets and liabilities disposed of

	Sortenia Ventures Limited	Domodedovo Parking Services Ltd.	Total
Current assets			
Cash and cash equivalents	1,016	2	1,018
Trade and other receivables	1	-	1
	1,017	**2**	**1,019**
Current liabilities			
Trade and other payables	(1,087)	-	(1,087)
	(1,087)	**-**	**(1,087)**
Net (liabilities)/assets disposed of	**(70)**	**2**	**(68)**

(Amounts in millions of Russian Rubles)

The financial result on disposal of the subsidiaries can be calculated as follows:

	Sortenia Ventures Limited	Domodedovo Parking Services Ltd.	Total
Consideration received	-	-	-
Planned forgiveness of receivable from the disposed subsidiary	(70)	-	(70)
Net liabilities/(assets) disposed of	70	(2)	68
Loss on disposal	**-**	**(2)**	**(2)**

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and equipment	Other	CIP	Total
Cost					
1 January 2014	**45,472**	**8,197**	**1,241**	**5,169**	**60,079**
Additions	1,922	950	88	1,394	4,354
Transfers	386	191	50	(627)	-
Disposals	(25)	(221)	(88)	(53)	(387)
31 December 2014	**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**
Accumulated depreciation					
1 January 2014	**(5,626)**	**(4,234)**	**(822)**	**-**	**(10,682)**
Depreciation charge	(1,231)	(1,047)	(172)	-	(2,450)
Disposals	7	186	85	-	278
31 December 2014	**(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)**
Net book value					
31 December 2014	**40,905**	**4,022**	**382**	**5,883**	**51,192**
31 December 2015	**42,903**	**3,620**	**341**	**8,299**	**55,163**

“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.

(Amounts in millions of Russian Rubles)

“Other” consists mainly of administrative equipment and vehicles.

Construction in-progress consists mainly of capital expenditures related to the extention of terminal T-1, construction of T-2 and multi-level parking.

During the years ended 31 December 2015 and 2014 the Group capitalized borrowing costs in the amount of RUR 372 million and RUR 210 million, respectively.

The weighted average capitalization rate on borrowed funds was 6.6% and 7% per annum for the years ended 31 December 2015 and 2014, respectively.

As at 31 December 2015 and 2014 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.

	2015	2014
Cost at the beginning of the year	**2,105**	**2,105**
Reclassified to property, plant and equipment (i)	(1,394)	-
Cost at the end of the year	**711**	**2,105**
Accumulated depreciation at the beginning of the year	**(319)**	**(253)**
Depreciation charge for the year	(66)	(66)
Reclassified to property, plant and equipment (i)	235	
Accumulated depreciation at the end of the year	**(150)**	**(319)**
Net book value at the end of the year	**561**	**1,786**

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

Fair value of the investment properties as at 31 December 2015 was RUR 2,353 million (RUR 3,745 million as at 31 December 2014) 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. Fair value of the investment properties was determined on the basis on Level 2 category for determining fair value (Note 2). The valuation was arrived at by reference to the future cash flows, based on the market evidence for similar properties, discounted at an estimated relevant rate.

Advances for acquisition of non-current assets

As of 31 December 2015 and 2014 advances for acquisition of non-current assets in the amounts of RUR 2,327 million and RUR 362 million, respectively, consisted of amounts paid for construction of the passenger and cargo terminals, multi-level 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 41 mln. as of 31 December 2015 (31 December 2014: 31 mln.).

13. INTANGIBLE ASSETS

	31 December 2015	31 December 2014
Concession arrangement (Note 15)	3,730	3,816
Other intangible assets	1,289	1,111
Intangible assets	**5,019**	**4,927**

(Amounts in millions of Russian Rubles)

Other intangible assets as of 31 December 2015 and 2014 are presented below:

	Software	Licences and other	Assets not ready for use	Total
Cost				
1 January 2014	**1,168**	**562**	**442**	**2,172**
Additions	6	-	397	403
Transfers	227	7	(234)	-
Disposals	(98)	(42)	(159)	(299)
31 December 2014	**1,303**	**527**	**446**	**2,276**
Additions	-	-	649	649
Transfers	351	309	(660)	-
Disposals	(40)	(231)	(15)	(286)
31 December 2015	**1,614**	**605**	**420**	**2,639**
Accumulated amortization				
1 January 2014	**(616)**	**(306)**	**-**	**(922)**
Amortization charge	(249)	(86)	-	(335)
Disposals	70	22	-	92
31 December 2014	**(795)**	**(370)**	**-**	**(1,165)**
Amortization charge	(296)	(75)	-	(371)
Disposals	23	163	-	186
31 December 2015	**(1,068)**	**(282)**	**-**	**(1,350)**
Net book value				
31 December 2014	**508**	**157**	**446**	**1,111**
31 December 2015	**546**	**323**	**420**	**1,289**

14. OTHER NON-CURRENT ASSETS

	31 December 2015	31 December 2014
Restricted cash, net of impairement of RUR 355 million	2,168	1,860
Other loans, net of allowance of RUR 152 million	90	-
Other non-current assets	**2,258**	**1,860**

Restricted cash represent cash balances held at FBME Bank Ltd. by Airport Management Company Ltd., a subsidiary of the Group, 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.

On 15 July 2014 the U.S. Treasury Department's Financial Crimes Enforcement Network (FinCEN) published a Notice of Finding indicating that FBME Bank Ltd., a bank in which the Group has placed significant amounts of cash, is a Financial Institution of Primary Money Laundering Concern. The published Notice of Finding was effective immediately for all the U.S. financial institutions, which were to take this information into account as part of their overall risk management programs.

On 17 July 2014 FinCEN also published an official release naming FBME Bank Ltd., formerly known as the Federal Bank of the Middle East, as a foreign financial institution of primary money laundering concern pursuant to Section 311 of the USA PATRIOT Act (Section 311).

On 22 July 2014 FinCEN officially published a Notice of Proposed Rulemaking (NPRM) that, if adopted as a final rule, would prohibit covered U.S. financial institutions from opening or maintaining correspondent or payable-through accounts for FBME Bank Ltd. itself, and for other foreign banks being used to process transactions involving FBME Bank Ltd. The NPRM also proposed to require covered financial institutions to apply special due diligence to their correspondent accounts maintained on behalf of foreign banks to guard against processing any transactions involving FBME Bank Ltd..

As a result of the action by FinCEN, the principle correspondent banks of FMBE Bank Ltd. had frozen and/or closed the USD accounts of the Cyprus Branch of FBME Bank Ltd. and suspended execution of customer money transfers in that currency, causing also serious difficulties in executing customer money transfers in euro and other currencies.

On 22 September 2014, FBME Bank Ltd. submitted a public comment to FinCEN in which it responded to the concerns outlined by FinCEN in its NPRM dated 15 July 2014 and published in the Federal Register on 22 July 2014.

After the review of the provided comments on 23 July 2015 FinCEN issued a final rule, pursuant to Section 311 of the USA PATRIOT Act, which imposed “special measure five” against FBME Bank Ltd. Special measure five prohibits U.S. financial institutions from opening or maintaining correspondent accounts or payments through accounts for or on behalf of FBME Bank Ltd.

FMBE Bank Ltd. continued to provide additional comments to FinCEN and take legal actions against it to abolish the final rule. However, because of the serious concerns that FinCEN had about FBME Bank Ltd., FinCEN found that FBME Bank Ltd. continued to be financial institution of primary money laundering concern and left its final rule in relation to FBME Bank Ltd. in force (as published in Federal Register /Vol. 81, No. 62 /Thursday, March 31, 2016 /Rules and Regulations).

In response to these official publications the Central Bank of Cyprus (CBC) officially announced on 18 July 2014 that it had assumed management control of the operations of the Branch of FBME Bank Ltd. in Cyprus. CBC appointed a Special Administrator of the Branch and imposed temporary restrictions of the Branch’s scope of business, including suspension of cash transfers to any bank accounts outside of FBME Bank Ltd. As of the date when these financial statements were authorized for issue, the restrictions imposed by CBC had not been lifted.

On 21 July 2014 CBC issued a decree which considered the sale of the business of the Cyprus Branch of FBME Bank Ltd. to another credit institution as the appropriate resolution measure, pursuant to applicable Cyprus legislation, in order to, protect depositors and prevent the spreading of risks which would have affected the stability of the banking system in Cyprus. As of the date when these financial statements were authorized for issue, CBC had not officially announced any final decision in respect to the sale of the business of the Cyprus Branch of FBME Bank Ltd.

On 9 December 2015 CBC decided to impose sanctions in the form of a fine on Cyprus Branch of FBME Bank Ltd. amounting to €1.200.000 for failure to comply with the Cyprus laws and regulations in relation to prevention of money laundering and terrorist financing.

On 22 December 2015 CBC published a press release announcing that the licence granted to FBME Bank Ltd., Tanzania, on 8 September 2003 to operate a branch in Cyprus, had been revoked as of 21 December 2015.

On 28 October 2014, the shareholders of FBME Ltd., the holding company of FBME Bank Ltd., filed a request for arbitration at the International Court of Arbitration of the International Chamber of Commerce in Paris (France) against the Republic of Cyprus. The arbitration is pursuant to the Agreement on the Reciprocal Protection of Investments between the Republic of Lebanon and the Republic of Cyprus of 9 April 2001, which entered into force on 19 March 2003. At the arbitration claim they requested the International Court of Arbitration to declare that the Republic of Cyprus had breached its obligations under the above Agreement and to order the Republic of Cyprus to withdraw immediately its Decree for the sale of FBME Bank Ltd. Cyprus Branch and to compensate in full the claimants for the damages, relating to the breaches under the Agreement, which were estimated as US$ 500 million. As of the date when these financial statements were authorized for issue, the arbitration proceedings were still in process and it was not possible to assess their potential outcome.

On 22 September 2014 Airport Management Company Ltd., a subsidiary of the Group, filed a legal claim with Nicosia District Court (Cyprus) against FBME Bank and Mr. Dinos Christofides, the external administrator appointed by the Central Bank of Cyprus, requesting the court to authorize immediate withdrawal of the cash owned by the claimant or its transfer to another bank in the whole amount, including accrued interest, and to oblige the defendants to compensate for damages incurred by the claimant. As of the date when these financial statements were authorized for issue, the court proceedings were still in process and it was not possible to assess its potential outcome.

As at 31 December 2015 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 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.

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 576 million (2014: RUR 785 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 have any agreement on a schedule of future payments and does not expect that any significant settlement will be effected during 2016. 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.

In May 2014 the Russian Government issued a governmental decree formally transferring to the Group some property facilities relating to the concession agreement which were actually in use by the Group from earlier periods (most of the facilities – from November 2011). Based on this governmental decree and on the provisions of the concession arrangement the Group was obligated to pay for the right for use of these facilities for the period from the start of their actual use. Accordingly in 2014 the Group revised the present value of the contractual future payments.

The contractual future payments are reconciled to their present value as at 31 December 2015 and 2014 as follows:

(Amounts in millions of Russian Rubles)

	Future payments		Present value of future payments	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Due within one year	269	379	255	364
Due after one year but not more than five years	1,404	1,428	1,055	1,075
Due after more than five years	18,263	18,611	2,092	2,094
	19,936	20,418	3,402	3,533
Less future finance charges	(16,534)	(16,885)	-	-
Present value of future payments	**3,402**	**3,533**	**3,402**	**3,533**

Intangible assets

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

	2015	2014
Cost at the beginning of the year	4,173	3,955
Other additions	123	218
Cost at the end of the year	**4,296**	**4,173**
Accumulated amortization at the beginning of the year	(357)	(184)
Amortization charge	(209)	(173)
Accumulated amortization at the end of the year	**(566)**	**(357)**
Net book value	**3,730**	**3,816**

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 2015		31 December 2014	
	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	231	180	220	164
Due after one year but not more than five years	923	253	880	195
Due after more than five years	1,193	41	1,356	22
Total gross / net investment in the lease	2,347	474	2,456	381
Less unearned finance income	(1,873)	-	(2,075)	-
Present value of minimum lease payments	**474**	**474**	**381**	**381**

(Amounts in millions of Russian Rubles)

	31 December 2015	31 December 2014
Long-term finance lease receivable	294	217
Short-term finance lease receivable	180	164
Total	**474**	**381**

17. INVESTMENTS

Long-term investments

	31 December 2015	31 December 2014
Loans granted to Parent entity	8,539	-
Other loans	18	22
Total short-term investments	**8,557**	**22**

As of 31 December 2015 the Group had EUR-denominated long-term loan granted to Parent entity with interest rate of 4.9% per annum.

Short-term Investments

	31 December 2015	31 December 2014
Short-term USD-denominated bank deposits	11,031	8,473
Short-term EUR-denominated bank deposits	877	8,248
Other loans	8	1,197
Total short-term investments	**11,916**	**17,918**

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.

As of 31 December 2014 the Group had USD and EUR-denominated bank deposits placed with Raiffeisen Bank International AG Austria with interest rates ranging from 0.41 to 0.62% per annum.

18. INVENTORY

	31 December 2015	31 December 2014
Spare parts	456	375
Supplies	228	157
Jet fuel	163	369
Raw materials	158	148
Other inventory	218	165
Total inventory	**1,223**	**1,214**

(Amounts in millions of Russian Rubles)

19. TRADE AND OTHER RECEIVABLES

	Outstanding balance, gross	Provision for impairment	Outstanding balance, net
31 December 2015			
Trade receivables	3,536	(1,499)	2,037
Other receivables	770	(63)	707
Total	**4,306**	**(1,562)**	**2,744**
31 December 2014			
Trade receivables	2,831	(671)	2,160
Other receivables	724	(49)	675
Total	**3,555**	**(720)**	**2,835**

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 750 million and RUR 624 million as of 31 December 2015 and 2014, 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 2015	31 December 2014
30-90 days	91	33
90-180 days	96	149
more than 180 days	588	442
Total past due but not impaired	**775**	**624**

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

	31 December 2015	31 December 2014
Balance at the beginning of the year	**(720)**	**(765)**
Additional provision recognized in the current year (Note 5)	(1,012)	(17)
Release of provision	36	23
Use of provision	134	39
Balance at the end of the year	**(1,562)**	**(720)**

As of 31 December 2014, impairment provision for trade receivables of RUR 148 million relates to receivables from customers, which were declared bankrupt in September 2008. During 2015 these receivables in the amount of RUR 134 million was written off against the related provision, due to the expiration of the applicable statute of limitations.

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.

(Amounts in millions of Russian Rubles)

20. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2015	31 December 2014
VAT receivable	1,846	1,380
Irrevocable letters of credit	939	532
Advances to suppliers, net of impairment	312	199
Other current assets	197	163
Total prepayments and other current assets	**3,294**	**2,274**

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

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

	31 December 2015	31 December 2014
Balance at the beginning of the year	(39)	(44)
Additional provision recognized in the current year	(3)	(8)
Release of provision	23	13
Use of provision	3	-
Balance at the end of the year	**(16)**	**(39)**

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 2015	31 December 2014
EUR-denominated short-term bank deposits	2,710	1,982
Other foreign currency denominated balances with banks	1,550	1,657
Russian Ruble-denominated cash on hand and balances with banks	523	473
Total cash and cash equivalents	**4,783**	**4,112**

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%.

As of 31 December 2014 the Group had EUR-denominated short-term bank deposits with three months term and an annual interest rate of 0.27% to 0.28%.

(Amounts in millions of Russian Rubles)

22. EQUITY

Share capital and dividends – Authorized and issued capital as at 31 December 2015 and 2014 comprises 304,831,519 ordinary shares with par value EUR 1.

An amount of RUR 7,807 million was paid to shareholders during the year ended 31 December 2014 and an amount of RUR 1,309 million was oustanding as at 31 December 2014.

An amount of RUR 3,624 million was paid to shareholders during the year ended 31 December 2015 and an amount of RUR 2,193 million was oustanding as at 31 December 2015.

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 2015 and 2014 such earnings amounted to RUR 14,693 million and RUR 2,860 million, respectively.

23. FIVE-YEAR USD LOAN PARTICIPATION NOTES

	Interest rate, %	31 December 2015	31 December 2014
Five-year USD loan participation notes	6%	21,857	16,840
Total		**21,857**	**16,840**
Less: current portion due within twelve months and presented as short-term portion		(213)	(133)
Long-term portion of five-year USD loan participation notes		**21,644**	**16,707**

In November 2013 the Group issued non-convertible five-year loan participation notes ("LPN") 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 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 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 mature in November 2018.

24. OTHER BORROWINGS

	Interest rate, %	31 December 2015	31 December 2014
Syndicated bank loan	3.98%	4,407	6,767
Loan from Raiffeisen bank	5%	848	-
Total		**5,255**	**6,767**
Less: current portion due within twelve months and presented as short-term borrowings		(3,711)	(3,171)
Long-term borrowings		**1,544**	**3,596**

(Amounts in millions of Russian Rubles)

In January 2013 the Group entered into a EUR-denominated five-year syndicated loan facility agreement for a total amount of EUR 165 million (RUR 6,513 million at the Central Bank of Russia exchange rate as at the inception date) provided by ING Bank, Rosbank and Raiffeisen Bank with equal contributions of EUR 55 million each. The loan is guaranteed by certain Group companies. In February 2013 the loan was drawn down in full amount at a floating interest rate of EURIBOR + 2.8% per annum. Net proceeds from the borrowings, after the deduction of related commission costs, amounted to EUR 163 million (RUR 6,434 million at the Central Bank of Russia exchange rate as at the inception date). The floating rate was effective until 10 May 2013, after which it was changed to a fixed annual rate of 3.98%. The effective interest rate (including the effect of amortizing the transaction costs) is 4.54% per annum.

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 11 mln EUR at a nominal fixed rate of 5% per annum. Net proceeds from the borrowings, after the deduction of related commission costs, amounted to EUR 10,8 million (RUR 825 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 2015 is RUR 5,255 million (31 December 2014: RUR 6,767 million).

As of 31 December 2015 and 2014 the Group was in compliance with these covenants.

25. TRADE AND OTHER PAYABLES

	31 December 2015	31 December 2014
Advances received	1,474	1,392
Amounts payable for the acquisition of property, plant and equipment	1,102	880
Trade payables	871	801
Rent deposits received	768	702
Total trade and other payables	**4,215**	**3,775**

26. TAXES OTHER THAN INCOME TAX PAYABLE

	31 December 2015	31 December 2014
Value added tax	836	851
Social insurance tax	266	256
Property tax	18	54
Other taxes	13	8
Total taxes other than income tax payable	**1,133**	**1,169**

(Amounts in millions of Russian Rubles)

27. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	31 December 2015	31 December 2014
Accrued employee expenses	1,867	1,658
Other liabilities	268	540
Total accrued expenses and other current liabilities	**2,135**	**2,198**

Accrued employee expenses as of 31 December 2015 and 2014 comprised accrued salaries and bonuses of RUR 1,462 million and RUR 1,280 million, respectively, and an accrual for unused vacation of RUR 405 million and RUR 378 million, respectively.

28. PROVISIONS

During the year ended 31 December 2015 the Group was involved in litigations with a number contractors.

Movement in legal provisions is as follows:

	2015	2014
Balance at the beginning of the year	**205**	**24**
Additional provision recognized in the current year	63	151
Reclassification of provision related to CIP[(i)]	261	54
Release of provision	(192)	(24)
Use of provision	(12)	-
Balance at the end of the year	**325**	**205**

(i) Included into this amount RUR 56 million recognized in finance cost, 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 2015 and 2014 or had significant balances outstanding as of 31 December 2015 and 2014, are considered to be either entities under common control or key management personnel.

(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 2015 and 2014 as well as year-end balances.

	31 December 2015		31 December 2014	
	Amounts owed by related parties	Amounts owed to related parties	Amounts owed by related parties	Amounts owed to related parties
Parent entity	8,540	-	-	1,309
Entities under common control	645	109	777	180
Total	**9,185**	**109**	**777**	**1,489**

	2015			2014		
	Sales to related parties	Purchases from related parties	Interest income	Sales to related parties	Purchases from related parties	Interest income
Entities under common control	46	79	234	107	194	3

During the year ended 31 December 2015 the Parent company purchased LPN issued by the Group (Note 23) in nominal amount of USD 8 million (RUR 536 million at the date of purchasing). These LPN were held by the Parent company as of 31 December 2015.

Compensation of key management personnel

Key management comprised 9 persons as at 31 December 2015 and 2014, 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 1,270 million (including social insurance tax of RUR 60 million) and RUR 1,069 million (including social insurance tax of RUR 40 million) for the years ended 31 December 2015 and 2014, respectively. The outstanding balances due to key management personnel amounted to RUR 888 million and RUR 709 million as at 31 December 2015 and 2014, 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:

	2015	2014
Within one year	215	228
In two to five years	486	486
After five years	3,392	3,517
Total minimum lease payments	**4,093**	**4,231**

(Amounts in millions of Russian Rubles)

Included in minimum lease payments within one year are amounts of RUR 84 million and RUR 104 million as of 31 December 2015 and 2014, 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.

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 7.

The future minimum lease payments representing fixed part of the rentals under contracted operating leases for the year 2016 amount to RUR 1,390 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 2015 and 2014, consisted of the following:

	31 December 2015	31 December 2014
Reconstruction and expansion of passenger terminal	34,884	7,792
Construction of multilevel parking	2,137	39
Reconstruction and expansion of cargo terminal	1,909	532
Reconstruction of office buildings	648	20
Construction of warehousing facilities	155	140
Reconstruction of fuel storage facilities	68	85
Construction of electric power plant	21	-
Construction of aircraft maintenance hangar	4	4
Other	621	510
Total capital commitments	**40,447**	**9,122**

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

Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During 2014-2015 and then in the first quarter of 2016, the oil price decreased significantly, which led to substantial decrease of the Russian Ruble exchange rate.

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.

In the first quarter of 2015 two international credit agencies downgraded Russia's long-term foreign currency sovereign rating to the speculative level with the negative outlook.

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 airport charges and other operating activities of the airports in Russia. According to current Russian legislation, certain infrastructure items may not be privately owned and must remain federal property. With respect to the Group, which operates under a long-term concession arrangement (see Note 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 3,929 million. Third party liability of DME Limited and its subsidiaries is insured for the amount of RUR 40,444 million.

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. The current policy assumes a conservative approach to debt leverage in favor of equity financing, and limits the highest acceptable gearing ratio to 40%. During 2015 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".

(Amounts in millions of Russian Rubles)

	31 December 2015	31 December 2014
Financial assets		
Short-term investments	11,916	17,918
Long-term investments	8,557	22
Cash and cash equivalents	4,783	4,112
Trade and other receivables	2,744	2,835
Amounts due from grantor under a concession agreement	576	785
Lease receivable	474	381
Other non-current assets	2,258	1,860
Total financial assets	**31,308**	**27,913**

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 2015	31 December 2014
Financial liabilities		
Five-year USD loan participation notes	21,857	16,840
Short-term borrowings	3,711	3,171
Amounts due to grantor under a concession agreement	3,402	3,533
Trade and other payables	2,741	2,383
Accrued expenses and other current liabilities	2,135	2,198
Long-term borrowings	1,544	3,596
Total financial liabilities	**35,390**	**31,721**

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.

(Amounts in millions of Russian Rubles)

	Effective interest rate, %	Less than 1 month	1-3 months	3 months-1 year	1-5 years	Over 5 years	Total
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**
31 December 2014							
Non-interest bearing liabilities		2,847	1,268	78	149	239	4,581
Loans and borrowings	4.6%-6.3%	993	-	3,611	23,479	-	28,083
Amounts due to grantor under a concession agreement	10.6%	93	-	286	1,428	18,611	20,418
Total		**3,933**	**1,268**	**3,975**	**25,056**	**18,850**	**53,082**

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 2015							
Accounts receivable		2,649	588	83	-	-	3,320
Investments	0.14-4.9%	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**
31 December 2014							
Accounts receivable		2,770	735	108	7	-	3,620
Investments	7-9.75%	8,484	3,801	4,661	2,878	-	19,824
Lease receivable	75%	18	37	165	880	1,355	2,455
Total		**11,272**	**4,573**	**4,934**	**3,765**	**1,355**	**25,899**

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 2015 the Russian Ruble depreciated against the US Dollar, EURO, Australian Dollar by 30%, 17%, 16% , respectively (depreciated against the US Dollar, EURO, Australian Dollar by 72%,52%, 59% for the year ended 31 December 2014). The Group does not have or use any formal arrangements (i.e. derivatives) to manage foreign currency risk exposure.

(Amounts in millions of Russian Rubles)

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

	Denominated in AUD		Denominated in USD		Denominated in EUR	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Assets						
Cash and cash equivalents	-	-	757	310	3,503	3,351
Amounts due from grantor under a concession agreement	-	-	-	-	576	785
Trade and other receivables	-	-	350	127	512	708
Investments	-	-	11,064	9,552	9,387	8,166
Lease receivable	-	-	-	-	474	381
Other non-current assets	-	-	-	-	2,168	1,827
Total assets	**-**	**-**	**12,171**	**9,989**	**16,620**	**15,218**
Liabilities						
Loans and borrowings	-	-	21,856	16,840	5,256	6,768
Trade and other payables	2	-	149	115	695	713
Total liabilities	**2**	**-**	**22,005**	**16,955**	**5,951**	**7,481**

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	
	2015	2014	2015	2014
Loss / (gain)	**(984)**	**(697)**	**1,067**	**774**

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 2015 and 2014 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.

(Amounts in millions of Russian Rubles)

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 18). Management believes that there is no significant risk of loss to the Group beyond the provision already recorded.

As of 31 December 2015, 97% of the total net amount of loans issued related to the loan issued by the Group to the Parent entity (31 December 2014: 0%).

As of 31 December 2015, 44% 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 2014: 51%).

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

	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
Total	**3,049**	**(1,011)**	**2,038**

	31 December 2014		
	Outstanding balance, gross	**Provision for impairment**	**Outstanding balance, net**
FGUP "Administration of the Airport Domodedovo"	785	-	785
S7	555	(1)	554
Transaero	244	-	244
Mera-Invest	138	-	138
SINGAPORE AIRLINES LIMITED	123		123
Lufthansa	86	-	86
Emirates	65	-	65
Etihad Airways	56	-	56
Total	**2,052**	**(1)**	**2,051**

As of 31 December 2015, 97% of the total amount of amounts held with the banks related to three banks (31 December 2014: 93%).

(Amounts in millions of Russian Rubles)

Bank deposits and cash balances placed with the largest banks as of 31 December 2015 and 2014 are as follows:

	Credit rating	31 December 2015	31 December 2014
UBS AG	A	11,619	-
Nordea Bank AB Latvia branch	AA-	3,720	-
Raiffeisen Bank International AG Austria	WD	1,042	18,675
Deutsche Bank AG London	A-	-	1,370
FBME BANK LTD(i)	not rated	-	493
Total		**16,381**	**20,538**

(i) Cash balance with FBME bank as of 31 December 2015 in amount of RUR 2,523 million represented restricted cash and was classified as other non-current assets (Note 14) with with the respective impairment allowance in the amount of RUR 355 million recognized (31 December 2014: RUR 2,168 million with the respective impairment allowance in the amount of RUR 308 million). Cash balance with FBME bank as of 31 December 2014 in amount of RUR 493 million was used by the Group in 2015 to repay to the parent company the dividend liabilities outstanding as of 31 December 2014 and was not included in Restricted cash.

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.

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 2015
Five-year USD loan participation notes (Note 23)	18,769
Syndicated bank loan (Note 24)	4,192
Total	**22,961**

33. SUBSEQUENT EVENTS

Purchase of LPN – In March 2016 Parent entity purchased additional nominal amount of USD 2 million (RUR 137 million at the date of purchasing) of LPN issued by the Group (Note 23).

Abolishment of price regulation and introduction of price monitoring - On 21 February 2016 the order of the Russian Federal Antimonopoly Service ("FAS"), "On the changing regulation of natural monopolies in the airports of Moscow and the Moscow region", entered into force, which abolished price regulation for services to provide the take-off, landing and aircraft parking, the provision of the airport complex, aviation security, passenger service, providing refueling aircraft with aviation fuel and storage of aviation fuel at airports in the Moscow region. Nevertheless, FAS kept the authority to monitor the pricing for the services. Although the Group entities are permitted from 21 February 2016 to independently set the tariffs for the aforementioned services, they are required to notify FAS on the proposed prices changes and to send quarterly information to this regulatory body for their monitoring and oversight.

Early repayment of syndicated bank loan – In April 2016 the Group made a notice to ING Bank (the Facility Agent) stating its intention to early repay the syndicated bank loan (disclosed in Note 24) in full during 2016.

Criminal case over the ultimate controlling party of the Group – On 8 February 2016 in connection with the terrorist attack that took place in 2011 one current and two former employees of the Group were accused under Article 238, p. 3 of the Criminal Code of Russian Federation «Providing services that do not meet the requirements of safety of life or health of consumers, which negligently caused death of two or more persons». On 18 February 2016 the ultimate controlling party of the Group Mr. Dmitry Kamenshchik was accused under the same Article of the Russian Criminal Code.
The criminal investigation currently has no influence on operating activities of the airport.

The Group indicated that there is no basis for criminal prosecution of the persons mentioned above and draws attention to the absence of a ground for the claimed charges. According to the previous court decisions, that already entered into force, it was found that there was no causal link between the actions of the airport employees and the death of people who died in the terrorist attack. Moreover, according to above mentioned court decisions, the airport security system was in full compliance with the legal requirements acting at the time of the terrorist attack. The Group continues to stand by the position of strict compliance with current legislation. Management of the Group expects that the results of criminal investigation will be fair and objective, however currently it is not possible to forecast in detail a further development and results of the criminal investigation as well as to assess all the related possible risks for the Group.