Joint Stock Company International Airport Sheremetyevo

International Financial Reporting Standards
Consolidated Financial Statements and
Independent Auditor's Report

31 December 2018

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Independent Auditor's Report

To the Shareholders and Board of Directors of Joint Stock Company
International airport Sheremetyevo:

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Joint Stock Company International airport Sheremetyevo (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Other matter

The comparative information as at, and for the year ended 31 December 2017 has not been audited.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

AO PricewaterhouseCoopers Audit

22 April 2019

Moscow, Russian Federation

A.N. Korablev, certified auditor (licence no. 01-000389), AO PricewaterhouseCoopers Audit

Audited entity: Joint Stock Company International airport Sheremetyevo

Record made in the Unified State Register of Legal Entities on 14 October 2002 under State Registration Number 1027739374750

141400, Russian Federation, Moscow region, Khimki, premises of Sheremetyevo airport

Independent auditor: AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890
Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations –11603050547

(in thousands of US dollars unless otherwise stated)

	Note	At 31 December 2018	At 31 December 2017
ASSETS			
Current assets			
Cash and cash equivalents	8	411,196	498,523
Accounts receivable	9	91,665	100,781
Other current financial assets	10	273	22,743
Prepayments and input VAT	9	20,570	24,340
Income tax receivable		517	1,876
Inventories	11	50,741	40,382
Total current assets		**574,962**	**688,645**
Non-current assets			
Property, plant and equipment	12	1,266,709	1,161,020
Goodwill	13	289,648	349,339
Concession rights	14	2,217	-
Other intangible assets	13	141,254	177,447
Deferred tax assets	26	5,225	4,601
Investments in associates and joint ventures	30	78,364	84,114
Other non-current non-financial assets	15	849	12,569
Total non-current assets		**1,784,266**	**1,789,090**
Total assets		**2,359,228**	**2,477,735**
LIABILITIES			
Current liabilities			
Accounts payable	16	99,164	87,152
Income tax payable		2,188	2,257
Short-term borrowings and current portion of long-term borrowings	19	68,533	98,611
Short-term finance lease liabilities	18	14	-
Provisions	17	25,291	20,312
Other current financial liabilities	16	11,415	6,198
Other current non-financial liabilities	16	6,765	8,733
Total current liabilities		**213,370**	**223,263**
Non-current liabilities			
Long-term borrowings	19	624,840	613,783
Deferred income tax liabilities	26	61,033	60,330
Finance lease liabilities	18	55,563	-
Other non-current financial liabilities	20	6,060	26,962
Other non-current non-financial liabilities	20	2,764	3,732
Total non-current liabilities		**750,260**	**704,807**
Total liabilities		**963,630**	**928,070**
EQUITY			
Share capital	21	334,150	334,491
Treasury shares		-	(2,260)
Retained earnings and other reserves		975,424	1,109,563
Equity and reserves attributable to the Company's shareholders		**1,309,574**	**1,441,794**
Non-controlling interest	29	86,024	107,871
Total equity		**1,395,598**	**1,549,665**
Total liabilities and equity		**2,359,228**	**2,477,735**

These consolidated financial statements were approved for issue and signed on 22 April 2019.

O. V. Zvereva
Director of Directorate – Chief Accountant

A.P. Oleynik
Chief Financial Officer

The accompanying notes on pages 5-41 are an integral part of these consolidated financial statements.

(in thousands of US dollars unless otherwise stated)

		For the years ended	
	Note	**31 December 2018**	**31 December 2017**
Continuing operations:			
Revenue	22	924,606	774,906
Operating expenses	23	(613,433)	(477,097)
Operating profit		**311,173**	**297,809**
Finance income	25	11,820	14,281
Finance costs	25	(47,251)	(61,419)
Foreign exchange differences, net		(60,200)	13,007
Other income/(expenses), net	24	(8,323)	(3,582)
Share in net profit of associates and joint ventures	30	10,190	1,422
Profit before income tax		**217,409**	**261,518**
Income tax expense	26	(41,654)	(57,649)
Profit for the year from continuing operations		**175,755**	**203,869**
Discontinued operations:			
Gain on disposal of discontinued operations		-	26,001
Profit from discontinued operations for the year		**-**	**26,001**
Total profit for the year		**175,755**	**229,870**
Items that will not be reclassified subsequently to profit or loss:			
Gain on changes in fair values of equity investments, net of tax		750	-
Translation to presentation currency		(277,240)	65,868
Total other comprehensive (loss)/income		**(276,490)**	**65,868**
Total comprehensive (loss)/income for the year		**(100,735)**	**295,738**
Profit attributable to:			
Shareholders of the Company		160,039	218,114
Non-controlling interest		15,716	11,756
		175,755	**229,870**
Total comprehensive (loss)/income for the year attributable to:			
Shareholders of the Company		(98,146)	278,769
Non-controlling interest		(2,589)	16,969
		(100,735)	**295,738**

(in thousands of US dollars unless otherwise stated)

	Note	Year ended 31 December 2018	Year ended 31 December 2017
Cash flows from operating activities			
Profit before tax		217,409	287,519
Adjustments for:			
Depreciation of property plat and equipment and amortisation of intangible assets	12, 13	106,956	72,044
Change in expected credit loss allowance	23	1,132	1,029
Concession rights		(2,456)	-
Change in provisions and other allowances		41,574	32,955
Loss on disposal of property, plant and equipment	24	5,518	2,382
Net interest expenses	25	34,318	47,538
Dividend income	25	(99)	(109)
Net foreign exchange differences		60,200	(13,007)
Share in net profit of associates and joint ventures	30	(10,190)	(1,422)
Profit from discontinued operations		-	(26,001)
Other non-cash changes		2,519	(223)
Operating cash flows before working capital changes		**456,881**	**402,705**
Change in trade and other receivables and advances issued		(26,313)	8,483
Change in inventories		(18,849)	(9,185)
Change in trade and other payables, advances received and liabilities accrued		(14,209)	(15,646)
Cash flows from operating activities		**397,510**	**386,357**
Income taxes paid		(29,496)	(32,659)
Net cash generated from operating activities		**368,014**	**353,698**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(366,159)	(339,657)
Proceeds from sale of property, plant and equipment and intangible assets		80	960
Proceeds from disposal of assets held for sale		23,664	44,469
Repayment of promissory notes		22,358	53,843
Interest income received		7,655	4,713
Dividends received		212	109
Net cash used in investing activities		**(312,190)**	**(235,563)**
Cash flows from financing activities			
Proceeds from loans and borrowings		89,864	1,267
Repayment of loans and borrowings		(101,264)	(73,982)
Interest paid		(59,207)	(60,297)
Purchase of treasury shares		-	(2,260)
Acquisition of shares		(3,879)	-
Dividends paid		(57,904)	(15,047)
Net cash used in financing activities		**(132,390)**	**(150,319)**
Effect of exchange rate changes		76,689	(19,536)
Net decrease in cash and cash equivalents		**123**	**(51,720)**
Cash and cash equivalents at the beginning of the year		498,523	522,282
Translation to presentation currency		(87,450)	27,961
Cash and cash equivalents at the end of the year	**8**	**411,196**	**498,523**
Non-cash investing activities:			
Property, plant and equipment acquired under finance leases		53,548	-

(in thousands of US dollars unless otherwise stated)

	Attributable to the shareholders						
	Share capital	**Treasury shares**	**Reserve for changes in fair value**	**Currency translation reserve**	**Retained earnings**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2017	**222,666**	**-**	**-**	**56,390**	**898,904**	**98,599**	**1,276,559**
Continuing operations							
Profit for the year	-	-	-	-	192,113	11,756	**203,869**
Discontinued operations							
Profit for the year	-	-	-	-	26,001	-	**26,001**
Other comprehensive income							
Translation to presentation currency				60,655		5,213	**65,868**
Total comprehensive income for the year ended 31 December 2017	**-**	**-**	**-**	**60,655**	**218,114**	**16,969**	**295,738**
Disposals of subsidiaries	-	-	-		4,686	(4,686)	**-**
Increase in share capital (Note 21)	111,825	-	-		(111,825)	-	**-**
Purchase of treasury shares	-	(2,260)	-		-	-	**(2,260)**
Dividends accrued (Note 21)	-	-	-		(17,361)	(3,011)	**(20,372)**
Balance at 31 December 2017	**334,491**	**(2,260)**	**-**	**117,045**	**992,518**	**107,871**	**1,549,665**
Effect of IFRS 9 adoption at 1 January 2018	-	-	-		(361)	-	**(361)**
Balance at 1 January 2018	**334,491**	**(2,260)**	**-**	**117,045**	**992,157**	**107,871**	**1,549,304**
Profit for the year	-	-	-	-	160,039	15,716	**175,755**
Other comprehensive income/(loss)							
Gain on changes in fair values of equity investments, net of tax	-	-	750	-	-	-	**750**
Translation to presentation currency				(258,935)		(18,305)	**(277,240)**
Total comprehensive income/(loss) for the year ended 31 December 2018	**-**	**-**	**750**	**(258,935)**	**160,039**	**(2,589)**	**(100,735)**
Cancellation of treasury shares (Note 21)	(341)	2,260	-		(1,919)	-	**-**
Dividends accrued (Note 21, 29)	-	-	-		(33,713)	(19,258)	**(52,971)**
Balance at 31 December 2018	**334,150**	**-**	**750**	**(141,890)**	**1,116,564**	**86,024**	**1,395,598**

1 General Information

These consolidated financial statements have been prepared for Joint Stock Company International Airport Sheremetyevo (the "Company") and its subsidiaries (together referred to as the "Group").

These consolidated financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the General Director of the Company 22 April 2019.

Sheremetyevo International Airport was formed in 1959 pursuant to the Decree of the Government "*On the Transfer of the Sheremetyevsky Central Aerodrome of the Air Force to the Main Directorate of the Civil Air Fleet*". In 1996, Sheremetyevo International Airport was reorganised into open joint stock company International Airport Sheremetyevo.

Principal activity

The principal activity of the Group is the management and operation of Sheremetyevo airport, including servicing international and domestic passenger and cargo flights. In addition, the Group leases part of its property to retail outlets and other businesses operating at the airport premises, engages in duty-free trade and provision of customs brokerage and aviation security services and provides other airport-related services. Associates and joint ventures of the Group are mainly engaged in aircraft ground servicing.

As of 31 December 2018 and 31 December 2017, the Company's immediate parent entity is Sheremetyevo Holding Limited Liability Company owning 66.0632% at 31 December 2018 and 65.9958% at 31 December 2017 of the Company's shares. TPS AVIA Holding Ltd is its sole participant of Sheremetyevo Holding LLC TPS Group Holding Inc. is an ultimate controlling entity of the Group and is controlled by the trust acting in the interests of Mr. Ponomarenko A.A.'s and Mr. Skorobogatko A.I.'s families.

As of 31 December 2018 and 31 December 2017, the Government of the Russian Federation represented by the Federal Agency for Management of State Property owned 30.46% and 30.43% of the Company, respectively.

Location

The Company is located at: Russian Federation, Moscow Region, Khimki, premises of Sheremetyevo airport.

Operating environment of the Group

In the course of its operations, the Group is mainly exposed to risks inherent to the economy and finance markets of the Russian Federation.

Operating Environment in the Russian Federation

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations (Note 27). The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. Stable oil prices, low unemployment rates and increasing salaries have contributed to moderate economic growth in 2018. The operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, future implications of the current economic situation are difficult to predict, and current expectations and estimates of the management may differ from the actual results.

2 Basis of Preparation

Statement of compliance with IFRS

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

These consolidated financial statements represent the Group's results and financial position.

Measurement principle

These consolidated financial statements have been prepared on a historical cost basis, except for the following specified in the summary of significant accounting policies.

2 Basis of Preparation (Continued)

Functional currency

The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. All the entities of the Group are located in the Russian Federation, and their functional currency is the national currency, the Russian rouble ("RUB").

Presentation currency

These consolidated financial statements are presented in US dollars ("USD") in order to facilitate the comparability of the Group's financial position and performance with those of similar companies that present their financial statements in USD. Unless otherwise indicated, all amounts have been rounded to the nearest thousand.

As at 31 December 2018 the principal exchange rate used for translation of foreign currency balances was USD 1 = RUB 69.4706 (31 December 2017: USD 1 = RUB 57.6002). Income and expenses for the year ended 31 December 2018 were translated at an average rate of USD 1 = RUB 62.7078 (2017: USD 1 = RUB 58.3529).

3 Group Reorganisation

On 26 January 2017, the Company's extraordinary general shareholders' meeting decided to perform reorganisation of JSC International Airport Sheremetyevo by taking over Joint-Stock Company Airport Sheremetyevo. On 26 January 2017, the Agreement on Takeover of Joint-stock Company Airport Sheremetyevo by JSC International Airport Sheremetyevo and the Transfer Act thereto were signed. The above measures were taken pursuant to Decree of the President of the Russian Federation No. 442 of 28 August 2015 "On Joint-Stock Company Airport Sheremetyevo" and resolutions of the Russian Government No. 1865-r dated 22 September 2015 and No. 201-r dated 11 February 2016.

As a result of reorganisation, on 31 May 2017 the Company obtained interest and shares in the following subsidiaries and joint ventures:

- Shares of JSC AERO-Sheremetyevo – 50% (joint venture);
- Shares of JSC VIP-International (on 23 July 2018, the company was reorganised into LLC Sheremeyevo VIP) – 49% (non-controlling interest in the subsidiary);
- Shares of JSC Imperial Duty Free – 58.35% (controlling interest in the subsidiary);
- Interest in share capital of LLC Sheremetyevo Parking – 100% (controlling interest in the subsidiary);
- Interest in share capital of LLC MASH Advertisement (on 19 February 2019, the company was renamed into LLC Sheremetyevo Advertisement) – 100% (controlling interest in the subsidiary);
- Interest in share capital of LLC Moscow Cargo – 74.9% (controlling interest in the subsidiary);
- Interest in share capital of LLC Interterminal Tunnel Sheremetyevo – 97.85% (controlling interest in the subsidiary);
- Interest in share capital of LLC Terminal B Sheremetyevo – 89.23% (controlling interest in the subsidiary).

This reorganisation under common control was accounted for under the pooling of interest method. Assets and liabilities of merged businesses (including goodwill arising on acquisition of subsidiaries by the previous ultimate shareholder) were recorded on the basis of carrying amounts determined by the previous ultimate shareholder. The difference between the carrying amount of received net assets and the amount of the Company's increased share capital upon reorganisation was recorded in retained earnings. These consolidated financial statements are presented as if all the subsidiaries were consolidated from the date when common control was established, i.e. 15 February 2016.

4 Summary of Significant Accounting Policies

Subsidiaries

Subsidiaries represent investees, including structured entities, which the Group controls, as the Group:

- has power to direct the relevant activities of the investees that significantly affect their returns;
- has exposure, or rights, to variable returns from its involvement with the investees, and
- has the ability to use its power over the investees to affect the amount of the investor's returns.

The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made.

4 Summary of Significant Accounting Policies (Continued)

The Group may have power over an investee even when it holds less than the majority of the voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

Business combinations and acquisitions

Business combinations are accounted for using the acquisition method, other than business combinations under common control. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Any costs directly related to the business combination (accounting fees, legal fees, valuation fees and other professional services necessary for the business combination) are recognized when incurred and are not included in acquisition cost.

Acquisition of non-controlling interest

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests, which are not owned, directly or indirectly, by the Group. Non-controlling interest at the end of the reporting period represents the non-controlling interest shareholders' portion of the fair value of the identifiable assets and liabilities of the subsidiary at the acquisition date and the non-controlling interest shareholders' portion of movements in the equity of the subsidiary since the date of the combination. Non-controlling interest is presented separately within equity.

Acquisitions of non-controlling interests are accounted for as transactions with owners acting in the capacity of owners, thus no goodwill is recognised as a result of such transactions. Acquisitions of a non-controlling interest in a subsidiary of the Group result in a difference between the value of investment and current value of net assets of the subsidiary as of the acquisition date. This difference is recorded as retained earnings within equity.

Loss of control

When losing control over its subsidiary, the Group derecognises its assets and liabilities and non-controlling interest and other components of equity attributed to it. Except for the transactions under common control, any positive or negative difference arising as a result of loss of control is recognised within profit or loss for the period. Positive and negative differences arising from loss of control as a result of transactions under common control are recorded as equity. If the Group keeps a part of investments in its former subsidiary, such interest is measured at fair value at the date of loss of control. Subsequently this interest is recorded as investment in associate (using the equity method), joint venture or as financial asset, depending on the extent of the Group's continued influence on such entity.

Investments in associates

Investments in associates over which the Group has significant influence (directly or indirectly), but not control (generally voting shares account for 20%-50% of the entities' shares), are recognised using the equity method, unless such investments are classified as assets held for sale. Investments in associates are initially recognised at the acquisition price. Goodwill arising from acquisition of associates is included in the carrying amount of investment (net of accumulated impairment losses). Dividends received from associates reduce the carrying value of the investment in associates.

Other post-acquisition changes in the Group's share of net assets of an associate are recognised as follows: (a) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as share of result of associates, (b) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

If an associate incurs losses, the Group recognises its share of losses in the associate until the carrying amount of the investment reaches zero. Further losses are not recognised.

4 Summary of Significant Accounting Policies (Continued)

Joint arrangements

Investments in joint arrangements are classified as joint operations or joint ventures, depending on contractual rights and obligations of each investor rather than on the legal structure of the joint arrangements.

The Group accounts for investments in joint ventures under the equity method. Under the equity method, investment in joint venture is initially recorded at acquisition cost. Any difference between the acquisition cost and share in fair value of net assets of a joint venture is a goodwill arising at the acquisition of the joint venture.

The carrying amount of investments in joint ventures includes goodwill identified on acquisition less accumulated impairment losses, if any.

Other post-acquisition changes in the Group’s share of net assets of a joint venture are recognised as follows: (a) the Group’s share of profits or losses is recorded in the consolidated profit or loss for the year as a share of the joint venture’s financial result; (b) the Group’s share of other comprehensive income is recognised in other comprehensive income and presented separately; (c) all other changes in the Group’s share of the carrying amount of net assets of joint ventures are recognised in retained earnings within statement of changes in equity.

When the Group’s share of losses in a joint venture equals or exceeds its investments in the entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Dividends received from joint ventures reduce the carrying value of the investment in joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group’s interest in the joint ventures; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

Transactions eliminated upon consolidation

In the consolidated financial statements, transactions and balances on settlements with Group members, as well as any amounts of unrealised gains or losses arising from transactions between them are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated under the same procedure as unrealised gains, but only to the extent that there is no evidence of impairment.

Foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of the Group entities at the exchange rates as of the dates of such transaction. Monetary assets and liabilities denominated in foreign currencies as of the reporting date are translated to the entity’s functional currency at the exchange rate as of the reporting date. Foreign currency gains or losses on monetary items represent the difference between the amortised cost of the respective item in the functional currency at the beginning of the period, adjusted for at the effective accrual of interest and payments in the reporting period, and the amortised cost of such item in foreign currency translated at the exchange rate ruling as of the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate as of the date of the fair value measurement. Foreign exchange gains and losses are recognised in profit or loss for the period as finance income or cost.

Non-monetary items that are measured at historical cost in foreign currency are translated using exchange rates as of the date of the respective transaction.

Financial instruments – key measurement terms

Fair value is a price obtained as a result of sale of an asset or payable for transferring a liability as a result of a transaction between knowledgeable, willing and unrelated parties as of the date of measurement.

The Group measures fair values of financial instruments using the following fair value hierarchy that reflects significance of the inputs used in making the measurements.

Level 1:

Quoted (unadjusted) prices in active markets for identical financial instruments.

4 Summary of Significant Accounting Policies (Continued)

Level 2:

Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are not considered active; or other valuation techniques where all inputs are directly or indirectly observable from available market data.

Level 3:

Valuation techniques based on unobservable market data. This category includes all instruments where the valuation technique includes inputs not based on available data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on observable data for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is the one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was initially recognised less any principal repayments, including accrued interest, and for financial assets less any estimated provision for expected credit losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of floating interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Financial instruments – initial recognition

Financial instruments at fair value through profit or loss ("FVTPL") are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price, which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique, whose inputs include only data from observable markets. After the initial recognition, an expected credit loss ("ECL") allowance is recognised for financial assets measured at amortised cost ("AC") and investments in debt instruments measured at fair value through other comprehensive income ("FVOCI"), resulting in an immediate accounting loss.

Financial assets – classification and subsequent measurement – measurement categories

The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and fair value at AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model

The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment.

4 Summary of Significant Accounting Policies (Continued)

Financial assets – classification and subsequent measurement – cash flow characteristics

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Financial assets – reclassification

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows the change in the business model. The Group did not change its business model during the current period and did not make any reclassifications.

Financial assets impairment – ECL allowance

The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC and contract assets are presented in the consolidated statement of financial position net of the ECL allowance. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the consolidated statement of financial position.

The Group applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL.

Financial assets – derecognition

The Group derecognises financial assets when:

- the assets are redeemed or the rights to cash flows from the assets expired, or
- the Group has transferred the rights to the cash flows from financial assets or entered into a transfer agreement, while:

  a) also transferring all substantial risks and rewards of ownership of the assets, or

  b) neither transferring nor retaining all substantial risks and rewards of ownership but loosing control over such assets.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when, and only when, the Group has an enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4 Summary of Significant Accounting Policies (Continued)

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method.

Equity instruments

Equity instruments are initially recorded at cost and classified as FVOCI. Any profit or loss arising from a change in fair values of such instruments is recognized as other comprehensive income and will no longer be reclassified into profit or loss when they are impaired or disposed of.

Financial liabilities – measurement categories

Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Trade and other payables

Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at AC using the effective interest method.

Loans and borrowings

Loans and borrowings are measured initially at fair value, net of transaction costs incurred and are subsequently carried at AC using the effective interest method.

Short-term loans and borrowings comprise:

- interest bearing loans and borrowings with a term shorter than one year;
- current portion of long-term loans and borrowings.

Long-term loans and borrowings include liabilities with the maturity exceeding one year.

Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss.

4 Summary of Significant Accounting Policies (Continued)

Property, plant and equipment

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

Property, plant and equipment are recorded at cost determined on the basis of independent valuation as of 1 January 2004, the date of first time adoption of IFRS ("deemed cost"). The property, plant and equipment of subsidiaries acquired as a result of the Group's reorganisation (Note 3) are recorded at cost based on the carrying amount determined by the previous controlling shareholder; at fair value as of the business combination date, or based on actual cost of acquisition or construction of assets acquired after 1 January 2004, less accumulated depreciation and impairment losses.

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

Construction in progress

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

Subsequent expenditures

The Group recognises the cost of replacing an item of property, plant and equipment in the carrying amount of such an item if it is highly probable that the future economic benefits embodied with the item will flow to the Group and its cost can be measured reliably. All other costs are recognised in the consolidated statement of profit or loss and other comprehensive income within operating expenses as incurred.

Depreciation of property, plant and equipment

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

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

Land and buildings	5-100 years
Technical equipment and machinery	2-43 years
Vehicles	5-12 years
Other property and equipment	2-34 years

Previously recognised property, plant and equipment or their significant component are derecognised on their disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the consolidated statement of profit or loss and other comprehensive income in the period when the asset is derecognised.

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

Land is not depreciated.

Concession arrangement

On 25 December 2018, a 49-year concession agreement regarding Sheremetyevo airfield was signed.

The subject matter of the Agreement is construction and reconstruction by the Company (the "Operator") of the Sheremetyevo airfield facilities (the "infrastructure facilities"), the title of which belongs or will belong to the Russian Federation, on behalf of which the Federal Air Transport Agency (the "Grantor") acts, and activities of an airfield operator using the infrastructure facilities, subject to providing the Group the right to hold and use such infrastructure facilities for the above activities.

The source of financing the construction and reconstruction of the infrastructure facilities is an investment component within the tariff for take-off / landing, as defined by the order of the Government of the Russian Federation. Under the terms of the Concession Agreement, all funds raised from the investment component can be only allocated for financing the expenses connected with the construction and reconstruction of the infrastructure facilities (runways, aprons, taxiway strips, treatment facilities).

4 Summary of Significant Accounting Policies (Continued)

The infrastructure facilities are not recognised within the Group's property, plant and equipment, as the concession agreement does not provide the Group with the right to control the use of the infrastructure facilities.

The Group recognises an intangible asset in the form of the "concession right" when it is probable that the Group will receive future economic benefits associated with the asset, and the cost of the asset can be reliably measured. The cost of an intangible asset includes:

- the present value of a concession charge at the commencement date of the concession agreement;
- the present value of lease payments under land plot lease agreements that form an integral part of the concession activity, at the commencement date of those leases;
- the service fee for the construction and reconstruction of infrastructure facilities is included in the cost of the intangible asset as the services are being provided. Along with the recognition of the intangible asset, the Group recognises revenue from the Group's services related to construction and reconstruction of infrastructure facilities. An intangible asset received by the Group is treated as non-monetary compensation received for the services related to the construction and reconstruction of infrastructure facilities that are rendered by the Group to the Grantor.

Following the initial recognition, the concession rights are carried at cost less any accumulated amortisation and impairment losses.

Amortisation begins when the Group is able to use its right to charge users for the services, that is, from the date of the concession agreement. Amortisation is charged on the intangible asset with a certain useful life on a regular basis, over the entire term of its useful life. The useful life of the intangible asset recognised by the Group under the concession agreement is the term of such concession agreement (49 years). The Group amortises an intangible asset on a straight-line basis over such term.

In determining the method for recognising costs on maintenance, current and capital repair of the infrastructure facilities, the Group identifies:

- improvement of the infrastructure facilities with related costs capitalised in the cost of the intangible asset;
- regular large-scale repairs whose related costs are subject to provisioning in accordance with IAS 37 "Contingent Liabilities and Contingent Assets"; and
- current repair and maintenance whose related costs are recorded within expenses of the period in which they were incurred.

Services related to improvement of infrastructure facilities by the Group are recognised similar to accounting for construction and reconstruction of infrastructure facilities, i.e. the Group recognises an intangible asset at cost of its improvement in correspondence with revenues from the improvement services provided.

The Group recognises a provision at the best estimate of expenses on regular large-scale repairs of infrastructure facilities with subsequent recognition of actual repair costs against previously recognised provision. The provision is recognised as expenses in the process of wear-and-tear of the infrastructure facilities.

Finance leases

Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance lease balance outstanding. Corresponding lease liabilities net of future finance cost are recorded as a separate line item (finance lease liabilities) within current and non-current liabilities in the Group's consolidated statement of financial position. The interest cost is charged to profit or loss over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term, if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

Capitalisation of borrowing costs

Borrowing costs, including accrued interest, foreign exchange differences and other expenses that are directly attributable to the acquisition, construction or production of assets that are not carried at fair value and that necessarily take a substantial time to get ready for intended use or sale, are capitalised as part of the costs of those assets. Borrowing costs are only capitalised during the construction and before commissioning of an item of property, plant and equipment.

4 Summary of Significant Accounting Policies (Continued)

Intangible assets

Goodwill

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree's equity held immediately before the acquisition date.

If such excess is negative (negative goodwill), its entire amount is immediately recorded as profit or loss for the period.

Goodwill is carried at cost less accumulated impairment losses, if any.

Goodwill is allocated among cash generating units (CGUs) or groups of CGUs which are expected to benefit from synergy. Such CGUs or groups of CGUs represent the lowest level within the Group at which the goodwill recovery is monitored, and are not larger than an operating segment.

The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount of CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses are charged to profit or loss for the period. Losses from impairment of CGU are initially allocated to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. An impairment loss in respect of goodwill is not reversed.

Other intangible assets

Intangible assets other than goodwill that are acquired by the Group represent mainly customer lists and customer relationships obtained as part of business combinations, as well as software and licenses. They are carried at cost less accumulated amortisation and impairment loss.

Amortisation is charged to profit or loss in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of intangible assets. Amortisation of intangible assets commences when the assets are ready for use.

Patents and trademarks	8-9 years
Software	1-10 years
Licenses and certificates	1-10 years
Customer lists and customer relationships	8-20 years
Other intangible assets	1-10 years

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 of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the 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 at a discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset.

If the carrying amount of an asset or a CGU is more than its recoverable amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised in the statement of profit or loss and other comprehensive income.

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

Inventories

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

The cost of inventory is determined on the first-in, first-out basis.

4 Summary of Significant Accounting Policies (Continued)

Prepayments

Prepayments are carried at actual cost less allowance for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to the prepayments will not be received, the carrying amount of prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the period.

Discontinued operations

A discontinued operation is a component of the Group that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Earnings and cash flows of discontinued operations, if any, are disclosed separately from continuing operations with comparatives being re-presented.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the issue.

Treasury shares

Where the Group entities purchase treasury shares of the Company, the consideration paid, including any attributable direct incremental costs, net of taxes, is deducted from equity attributable to the Company’s shareholders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received net of additional direct transactional costs and respective taxes is included in equity attributable to the Company's shareholders.

Dividends

Dividends are recognised as a liability and deducted from equity at the end of the reporting period only if they are declared on or before the end of the reporting period. Dividends are disclosed when they are proposed for payment before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where there are a number of similar obligations, the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations is low.

Revenue recognition

Revenue is recognised at the transaction price when control over goods or services is transferred to the customer. Transaction price represents the amount of consideration that the Group expects to receive in exchange for transferring goods or services to the customers. Revenue represents any amounts payable for goods or services sold in the course of normal business less discounts and taxes accrued on the revenue.

Revenue comprises revenue from aviation operations and revenue from non-aviation operations, and from services provided in respect of construction and reconstruction of infrastructure facilities under the concession arrangement.

Revenue from aviation operations includes fees for using terminals, take-off and landing of aircraft, and aviation security fee. Revenue from aviation operations is recognised on the date when respective services are actually rendered.

Revenue from ground servicing includes certain services related to passenger servicing, aircraft servicing, aircraft fuelling and cargo handling. Revenue from ground servicing is recognised on the date when respective services are actually rendered.

4 Summary of Significant Accounting Policies (Continued)

Revenue from retail sales and services is recognised when control of the good has transferred, being when the goods are transferred to the customer in a shop, the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the goods.

Rental income is recognised in profit or loss in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating an operating lease, such as lease incentives granted to a lessee, are added to the carrying amount of the leased asset and are recognised over the lease term on the same basis as rental income.

Revenue from other services is recognised on the date they are provided to the customer at the transaction price.

Employee benefits

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

Contributions to social insurance and pension funds

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

Lease payments

Payments under operating lease agreements are recognised in profit or loss for the period on a straight-line basis over the period of the lease. The amount of incentives received reduces the total amount of lease costs over the period of the lease.

Finance income and costs

Finance income includes interest income from investments made, dividend income from investments made, gains from disposal of financial assets, as well as foreign exchange gains. Interest income is recognised in profit or loss for the period at the time of its origination and its amount is calculated using the effective interest method. Dividends from investments are recognised in profit or loss in the consolidated statement of profit or loss and other comprehensive income, starting from the moment when the shareholder's right to receive respective payments is recognised. Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, foreign exchange losses, as well as losses from impairment of financial assets other than accounts receivable. Borrowing costs not directly related to purchase, construction or manufacturing of a qualifying asset are recognised in profit or loss for the period using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

Income taxes

Income tax expenses include income tax for the current period and deferred tax. Current and deferred taxes are recorded in profit or loss for the period, except for their part related to any transaction of business combination or transactions recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred income tax is provided using the balance sheet liability method for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is not recognised in respect of the following temporary differences: temporary differences on the initial recognition of assets or liabilities in a transaction which is not a business combination and affects neither accounting nor taxable profit or tax loss, and in respect of the differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not realised in the foreseeable future.

In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on laws enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset the amounts of assets and liabilities on the current income tax and they are related to income tax levied by the same tax authorities or from the same taxpayer; or from different taxpayers, but such taxpayers intend to settle the current tax liabilities and assets on a net basis, or to realise the asset and settle the liability simultaneously.

4 Summary of Significant Accounting Policies (Continued)

In accordance with the tax legislation of the Russian Federation, tax losses and current tax assets of a Group entity may not be set off against taxable profits and current tax liabilities of other Group entities. Moreover, the tax base is defined separately for each principal activity of the Group, therefore tax losses and taxable income related to different activities may not be offset.

Differed tax asset is recognised in respect of unused tax losses, tax credits and deductible temporary differences only to the extent that it is highly probable that there is sufficient future taxable profit available against which they can be utilised. The amount of deferred tax assets is analysed at each reporting date and is reduced to the extent that it is not probable that the related tax benefit will be realised.

Accounting policies applicable to periods ending before 1 January 2018

Non-derivative financial instruments

Non-derivative financial instruments include investments in equity (equity securities) and debt securities, trade and other receivables, cash and cash equivalents, borrowings and trade and other payables.

Loans, receivables and deposits are initially recognised on the date of their issue/origination. Other financial liabilities (including assets designated as instruments at FVTPL) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the financial instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire or, it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and benefits of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when, and only when, the Group has a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Loans and receivables

Loans and accounts receivable represent financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. After initial recognition, loans and receivables are carried at amortised cost using the effective interest method less impairment losses. Loans and receivables include trade and other receivables.

Financial assets available for sale

Financial assets available for sale are non-derivative financial assets assigned to this category or those not classified in any other categories. Investments of the Group in equity securities and certain debt securities are classified as financial assets available for sale. Upon initial recognition, such assets are recognised at fair value plus directly attributable transaction costs. Following their initial recognition, they are measured at fair value, the changes in which, other than impairment losses and exchange differences on debt instruments available for sale are recognised in other comprehensive income and presented within equity as reserve of changes in fair value. Upon derecognition or impairment of an investment, its total profit or loss accumulated within other comprehensive income is reclassified as profit or loss for the period.

Impairment of non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed as of each reporting date to determine whether there is any objective evidence that it is impaired.

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence of impairment of financial assets (including debt securities) may include: debtors fail to make payments or otherwise perform their obligations; Group's receivables are restructured at terms which the Group would otherwise not have accepted; signs of debtor's or issuer's potential bankruptcy; negative changes in payment status of the borrowers or issuers; economic conditions correlate with defaults; or active market for a security is no longer available. In the case of equity investments, objective evidence of impairment would include a significant or prolonged decline in the fair value of such investment below its actual cost.

4 Summary of Significant Accounting Policies (Continued)

The Group considers any signs of impairment of loans and receivables both at the level of individual assets and at the level of a group of assets. If significant, certain items of loans and receivables are tested for impairment on an individual basis. If no signs of impairment for certain significant loans and receivables are identified, they are grouped for impairment tests. Loans and receivables that are not individually significant are tested for impairment by grouping together the assets with similar risk characteristics. When the Group assesses evidence of impairment, it analyses the statistics relating to the probability of default, recovery time and amount of losses incurred, adjusted for the management's judgement of the current economic and credit conditions that can increase or decrease the losses expected based on statistical trends.

An impairment loss in respect of finance assets measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows generated by this asset discounted at the asset's original effective interest. Losses are recognised in profit or loss for the period and reflected as allowance deducted from loans and receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses of financial assets designated as available for sale are recognised by reclassifying accumulated fair value changes from equity to profit or loss for the period. This accumulated impairment loss reclassified from equity to profit or loss for the period is the difference between the asset acquisition cost (net of any principal repayment and accrued amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss for the period.

Non-derivative financial liabilities

Debt securities in issue are initially recognised at the date of their origination. Other financial liabilities (including those liabilities designated as financial instruments at FVTPL) are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises the financial liability when its obligations under related agreement are discharged or cancelled or otherwise expire.

The Group recognises non-derivative financial liabilities as other financial liabilities. Such financial liabilities are recognised initially at fair value less directly attributable transaction costs. After initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method. The Group has the following non-derivative financial liabilities: loans and borrowings and trade and other payables.

5 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Any revision of estimates and assumptions is recognised in the period when such revision was made.

Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment of non-current assets

The Group tests goodwill for impairment at least annually. Non-financial assets other than inventories and deferred taxes are analysed at each reporting date for identifying their potential impairment indications. The recoverable amounts of related cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates as further detailed in Note 13.

Useful lives of property, plant and equipment and intangible assets

The Group assesses the remaining useful lives of property, plant and equipment at least at each financial year-end. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group.

Useful lives of intangible assets acquired as part of business combinations (customer lists and customer relationships) were determined by management using judgement on the basis of statistics of customer churn for the previous periods and terms of agreements signed. Management annually assesses the remaining useful lives of intangible assets taking into account the Group's plans and projections related to duration of its cooperation with the key customers and likelihood that they will switch to another airport or other services provider.

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 material effects both on carrying amounts of property, plant and equipment and intangible assets and on depreciation charges for the period.

(in thousands of US dollars unless otherwise stated)

5 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

Deferred income tax asset recognition

A deferred tax asset is the amount of income tax that may be offset against future taxable income and is recorded in the consolidated statement of financial position. A deferred tax asset is recognised only to the extent to which its realisation is highly probable. This includes temporary difference expected to reverse in the future and the availability of sufficient future taxable profit against which the deductions can be utilised. The future taxable profits and the amount of tax benefits that are probable in the future are based on the medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

Concession arrangement

The present value of the concession charge and the present value of lease payments under land plot leases attributable to the concession activity are assessed as immaterial by the Group. Based on the materiality principle, the Group does not include these amounts in the cost of an intangible asset. The Group regularly monitors the procedure for determining the present value of the concession charge and lease payments under land plot leases attributable to the concession activity, and their materiality.

ECL measurement

Measurement of ECLs for all types of financial assets carried at AC represents a significant estimate that involves determination methodology, models and data inputs. The following components have a major impact on ECL allowance: probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"). The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual loss experience on financial assets. Given the short-term nature of the assets, the forecast macroeconomic indicators do not have a material impact on the expected amount of losses.

6 New Accounting Pronouncements

The following standards and interpretations with significant effect on the consolidated financial statements:

IFRS 9 "Financial Instruments"

The Group elected not to restate comparative figures and recognised all adjustments to the carrying amounts of financial assets and liabilities in the opening retained earnings as of the date of initial application of the standards, 1 January 2018. Consequently, the revised requirements of the IFRS 7 "Financial Instruments: Disclosures", have only been applied to the current period. The comparative period disclosures repeat those disclosures made in the prior year.

The significant accounting policies applied in the current period are described in Note 4.

The following table reconciles each class of financial assets as previously measured in accordance with IAS 39 and the new amounts determined upon adoption of IFRS 9 on 1 January 2018:

	IAS 39	IFRS 9	Carrying value under IAS 39 (at 31 December 2017)	Recognition of ECL resulting from IFRS 9 adoption	Carrying value under IFRS 9 (at 1 January 2018)
Cash and cash equivalents	Loans and receivables	AC	498,523	-	498,523
Accounts receivable	Loans and receivables	AC	100,781	(449)	100,332
Other current financial assets	Loans and receivables	AC	22,743	-	22,743

The above table summarises the effect of IFRS 9 adoption without a tax effect, which totalled USD 88 thousand of an increase in deferred tax assets.

As regards financial liabilities, no changes were made to the classification and measurement.

(in thousands of US dollars unless otherwise stated)

6 New Accounting Pronouncements (Continued)

The following table reconciles the prior period's closing provision for impairment measured in accordance with incurred loss model under IAS 39 to the new credit loss allowance measured in accordance with expected loss model under IFRS 9 at 1 January 2018:

	Provision under IAS 39 at 31 December 2017	Remeasurement from incurred to expected loss	Credit loss allowance under IFRS 9 at 1 January 2018
Accounts receivable	(8,437)	(449)	(8,886)
Total	**(8,437)**	**(449)**	**(8,886)**

The following new and amended standards and interpretations became effective for the Group from 1 January 2018, but did not have a material effect on the Group:

- IFRS 15 "Revenue from Contracts with Customers";
- Amendments to IFRS 2 "Share-Based Payment";
- Amendments to IFRS 4 "Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*".
- Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 1 an IAS 28;
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration".
- Amendment to IAS 40 "Investment Property".

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2019 or later, and which the Group has not early adopted.

IFRS 16 "Leases" (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019)

Determines how an entity reporting under IFRS should recognise, measure, reflect and disclose lease transactions. The Standard introduces a single lessee accounting model, requiring them to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Lessors continue to classify leases as operating and finance, while the approach under IFRS 16 does not significantly differ from the previous standard on lease, IAS 17. The Group decided to apply the standard from its mandatory adoption date of 1 January 2019 using the modified retrospective method, without restatement of comparatives. Right-of-use assets are measured at the amount of the lease liability at the standard adoption date (adjusted for any prepaid or accrued lease payments).

The Group intends to recognise right-of-use assets for a total of USD 13,675 thousand as of 1 January 2019, and lease liabilities of USD 13,675 thousand (after adjustments for prepayment and accrued lease payments recognised as of 31 December 2018).

The Group expects that profit/(loss) for the year-ending 31 December 2019 year will decrease/increase by approximately USD 367 thousands as a result of adopting the new rules.

Operating cash flows will increase and financing cash flows decrease by approximately USD 3,189 thousand, as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The following new pronouncements are not expected to have any material impact on the consolidated financial statements of the Group when adopted:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- IFRS 17 "Insurance Contracts" (issued in May 2017 and effective for annual periods beginning on or after 1 January 2021).
- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued in June 2017 and effective for annual periods beginning on or after 1 January 2019).
- Prepayment Features with Negative Compensation amendments to IFRS 9 "Financial Instruments" (issued in October 2017 and effective for annual periods beginning on or after 1 January 2019).
- Long-term Interests in Associates and Joint Ventures - amendments to IAS 28 "Investments in Associates and Joint Ventures" (issued in October 2017 and effective for annual periods beginning on or after 1 January 2013).
- Annual Improvements to IFRSs 2015-2017 cycle – Amendments to IFRS 3, IFRS 11, IAS 12 an IAS 23 (issued in December 2017 and effective for annual periods beginning on or after 1 January 2019).
- Plan Amendment, Curtailment or Settlement amendments to IAS 19 "Employee Benefits" (issued in February 2018 and effective for annual periods beginning on or after 1 January 2019).

(in thousands of US dollars unless otherwise stated)

6 New Accounting Pronouncements (Continued)

- Amendments to the Conceptual Framework for Financial Reporting (issued in March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Amendments to IFRS 3 “Business Combinations” (issued in October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).
- Amendments to IAS 1 “Presentation of Financial Statements” and IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” (issued in October 2018 and effective for annual periods beginning on or after 1 January 2020)

7 Balances and Transactions with Related Parties

Related parties are defined in IAS 24 “Related Party Disclosure”. Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the nature of the relationship, not merely the legal form. Other related parties include entities under common control with the Group and non-controlling interest of the Group’s subsidiary.

The outstanding balances with related parties were as follows:

	31 December 2018	31 December 2017
Current assets		
Accounts receivable and prepayments	**461**	**1,719**
Gross amount:		
Associates and joint ventures	302	208
Other related parties	159	1,511
Total assets	**461**	**1,719**
Current liabilities		
Accounts payable	**14,567**	**14,496**
Associates and joint ventures	561	226
Other related parties	14,006	14,270
Total liabilities	**14,567**	**14,496**

The related party transactions are disclosed below:

	2018	2017
Revenue from sales of goods and provision of services	**3,716**	**3,684**
Associates and joint ventures	3,684	3,359
Other related parties	32	325
Dividend income	**621**	**-**
Associates and joint ventures	621	-
Purchase of goods, work and services, construction of property, plant and equipment	**(89,367)**	**(251,333)**
Associates and joint ventures	(4,082)	(857)
Other related parties	(85,285)	(250,476)
Other expenses	**(16)**	**-**
Other related parties	(16)	-

As of 31 December 2018, 30.46% (31 December 2017: 30.43%) of the shares in the Company were held by the Government of the Russian Federation represented by the Federal Agency for State Property Management.

The Group operates in an economic environment where the entities are directly or indirectly controlled by the Government of Russian Federation through its government authorities, agencies, affiliations and other organizations, collectively referred to as government-related entities.

The Group decided to apply the exemption from disclosure of individually insignificant transactions and balances with the government and parties that are related to the entity because the Russian state has control, joint control or significant influence over such party.

As of 31 December 2018, the amount of loans and borrowings and finance lease liabilities of the Group to government-related entities was 100% (2017: 99%). 47% of the Group’s current assets and 2% of other liabilities are attributable to balances on settlements with government-related entities (2017: 61% and 1%, respectively). The percentage of interest expenses on finance lease amounted to about 5% (2017: 0%). The percentage of interest expenses for loans and borrowings was 92% (2017: 95%). For the year ended 31 December 2018, the percentage of transactions with government-related entities accounted for 3% of operating expenses and 37% of revenues (2017: less than 1% and about 36%, respectively).

(in thousands of US dollars unless otherwise stated)

7 Balances and Transactions with Related Parties (Continued)

Transactions with the state also comprise settlements and turnovers with taxes, levies and customs duties disclosed in Notes 26.

Compensation to key management personnel

In 2018, the total remuneration of key management personnel (members of the Board of Directors and Management Board and other officers that are vested with authority and responsibility for planning, management and control over the Group's operations), included in operating expenses in the consolidated statement of profit or loss and other comprehensive income amounted to USD 26,823 thousand, plus USD 1,005 thousand related to long-term compensation (2017: USD 21,353 thousand, long-term compensation of USD 960 thousand). Compensation to key management personnel primarily comprises short-term benefits, including salary and bonuses and mandatory insurance contributions to non-budgetary funds, as well as compensation for serving on the management bodies of the Group.

8 Cash and Cash Equivalents

The amount of cash and cash equivalents includes:

	31 December 2018	31 December 2017
RUB-denominated cash on hand and in banks	23,176	14,288
EUR-denominated cash on hand and in banks	1,411	16,649
USD-denominated cash on hand and in banks	129,738	48,437
RUB-denominated term deposits	15,604	13,490
USD-denominated term deposits	241,224	405,346
Other	43	313
Total cash and cash equivalents reported in consolidated statement of financial position	**411,196**	**498,523**

As at 31 December 2018, cash was placed on accounts with the banks with credit rating Ba1and Baa3 assigned by Moody's (31 December 2017: Ba1-Ba2).

All balances at banks and term bank deposits are neither past due nor impaired.

9 Accounts Receivable, Prepayments and Input VAT

	31 December 2018	31 December 2017
Trade receivables	69,224	53,021
Receivables for the sale of discontinued operations	26,299	51,423
Other receivables	2,001	4,792
Less ECL allowance	(5,859)	(8,455)
Total receivables	**91,665**	**100,781**
VAT and other taxes receivable, other than income tax	18,626	22,118
Advances issued to suppliers	1,958	2,257
Less impairment provision	(14)	(35)
Total prepayments and input VAT	**20,570**	**24,340**

Trade receivables at 31 December 2018 are denominated in roubles, except for receivables of USD 24,701 thousand denominated in USD and USD 1,339 thousand denominated in EUR (31 December 2017: USD 12,135 thousand denominated in USD and USD 1,458 thousand denominated in EUR).

Trade receivables were not used as collateral under loan agreements.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss allowance for all trade and other receivables.

To measure the expected credit losses, trade and other receivables were grouped based on shared credit risk characteristics and the days past due.

The expected credit loss rates are based on the payment schedules of the services provided over the previous year and the corresponding historical credit losses incurred within this period. Previous periods loss levels are not adjusted in line with the current and forecast information on macroeconomic factors, as accounts receivable are short-term by nature and the impact of the adjustments is not material.

(in thousands of US dollars unless otherwise stated)

9 Accounts Receivable, Prepayments and Input VAT (Continued)

The credit loss allowance for trade and other receivables is determined according to provision matrix and presented in the table below.

Trade receivables	Gross carrying value	Lifetime ECL
- current and less than 30 days overdue	55,102	(547)
- 30 to 90 days overdue	6,564	(576)
- 91 to 180 days overdue	2,793	(720)
- 181 to 360 days overdue	907	(605)
- over 360 days overdue	3,858	(3,008)
Total trade receivables (gross carrying amount)	**69,224**	**(5,456)**
ECL allowance	(5,456)	
Total trade receivables from contracts with customers (carrying amount)	**63,768**	

Other receivables	Gross carrying value	Lifetime ECL
- current and less than 30 days overdue	28,300	(403)
Total other receivables (gross carrying amount)	**28,300**	**(403)**
ECL allowance	**(403)**	
Total other receivables from contracts with customers (carrying amount)	**27,897**	

The following table explains the changes in the estimated credit loss allowance for trade and other receivables under simplified ECL model between the beginning and the end of the annual period:

	Trade receivables	Other receivables
Balance at 1 January 2018	**(8,521)**	**(365)**
New originated or purchased	(2,104)	(128)
Financial assets derecognised during the period	1,084	16
Total charges to ECL allowance	**(1,020)**	**(112)**
Write-offs	2,807	-
Translation to presentation currency	1,278	74
Balance at 31 December 2018	**(5,456)**	**(403)**

Movements in the provision for impairment of receivables and advances issued to suppliers are as follows:

	Trade receivables	Other receivables	Advances to suppliers	Total
At 1 January 2017	**(9,298)**	**(17)**	**-**	**(9,315)**
Provision accrued	(12,184)	(18)	(35)	**(12,237)**
Provision used	2,331	-	-	**2,331**
Release of provision	11,191	17	-	**11,208**
Translation to presentation currency	(477)			**(477)**
At 31 December 2017	**(8,437)**	**(18)**	**(35)**	**(8,490)**

As of 31 December 2017, trade receivables of USD 7,048 thousand were past due, but not impaired. These amounts relate to a number of customers which have no history of default. Ageing analysis of trade receivables is provided below:

			Past due and not impaired		
	Total	Neither past due nor impaired	Less than 30 days overdue	31-90 days	More than 90 days overdue
At 31 December 2017	**44,583**	37,535	590	1,701	4,757

(in thousands of US dollars unless otherwise stated)

10 Other Current Financial Assets

	31 December 2018	31 December 2017
Restricted cash	273	-
Promissory notes	-	21,510
Derivative financial instrument	-	1,233
Total other current assets	**273**	**22,743**

As at 31 December 2017, promissory notes included notes issued by the bank with credit rating Ba1-Ba2 assigned by Moody's.

11 Inventories

	31 December 2018	31 December 2017
Spare parts	6,895	4,358
Auto fuel	202	521
Raw materials and consumables	3,325	2,812
Goods for resale	40,060	32,309
Other inventories	964	1,076
Inventory impairment provision	(705)	(694)
Total inventories	**50,741**	**40,382**

As at 31 December 2018 and 31 December 2017, the Group had no inventories pledged as collateral under loan agreements.

Impairment provision for inventories mainly relates to slow-moving inventories, which will not be used in production or sold at a price exceeding their carrying amount.

Movements in the inventory impairment provision are as follows:

	Impairment provision for inventories
Balance at 1 January 2017	**(907)**
Accrual of provision	(685)
Release of provision	943
Translation to presentation currency	(45)
Balance at 31 December 2017	**(694)**
Accrual of provision	(813)
Release of provision	622
Utilisation of provision	48
Translation to presentation currency	132
Balance at 31 December 2018	**(705)**

12 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

	Land and buildings	Technical equipment and machinery	Vehicles	Other assets	Construction in progress	Total
Balance at 1 January 2018						
Cost	788,623	237,789	84,364	43,820	493,941	**1,648,537**
Accumulated depreciation	(251,831)	(169,109)	(47,464)	(19,113)	-	**(487,517)**
Net book value as of 1 January 2018	**536,792**	**68,680**	**36,900**	**24,707**	**493,941**	**1,161,020**
Additions	269	103,714	42,422	16,593	274,153	**437,151**
Transfers	304,520	199,881	1,556	15,476	(521,433)	**-**
Disposals	(5,029)	(1,089)	(80)	(570)	(1,640)	**(8,408)**
Depreciation charge	(33,710)	(41,271)	(9,015)	(7,881)	-	**(91,877)**
Transfers between categories	98	(560)	(21)	483	-	**-**
Translation to presentation currency	(117,620)	(37,167)	(9,702)	(6,520)	(60,168)	**(231,177)**
Net book value as of 31 December 2018	**685,320**	**292,188**	**62,060**	**42,288**	**184,853**	**1,266,709**
Balance at 31 December 2018						
Cost	883,725	465,804	111,763	64,507	184,853	**1,710,652**
Accumulated depreciation	(198,405)	(173,616)	(49,703)	(22,219)	-	**(443,943)**
Net book value as of 31 December 2018	**685,320**	**292,188**	**62,060**	**42,288**	**184,853**	**1,266,709**

(in thousands of US dollars unless otherwise stated)

12 Property, Plant and Equipment (Continued)

Comparative information for 2017:

	Land and buildings	Technical equipment and machinery	Vehicles	Other assets	Construc-tion in progress	Total
Balance at 1 January 2017						
Cost	707,036	226,601	77,385	27,157	235,958	**1,274,137**
Accumulated depreciation	(222,085)	(157,474)	(42,711)	(15,391)	-	**(437,661)**
Net book value as of 1 January 2017	**484,951**	**69,127**	**34,674**	**11,766**	**235,958**	**836 476**
Additions	240	11,816	6,919	4,962	316,315	**340,252**
Transfers	50,687	6,796	3,369	12,218	(73,070)	**-**
Disposals	(1,285)	(657)	(1,191)	(855)	(950)	**(4,938)**
Depreciation charge	(23,872)	(21,009)	(9,456)	(4,443)	-	**(58,780)**
Transfers between categories	-	(1,026)	747	279	-	**-**
Translation to presentation currency	26,071	3,633	1,838	780	15,688	**48,010**
Net book value as of 31 December 2017	**536,792**	**68,680**	**36,900**	**24,707**	**493,941**	**1,161,020**
Balance at 31 December 2017						
Cost	788,623	237,789	84,364	43,820	493 941	**1,648,537**
Accumulated depreciation	(251,831)	(169,109)	(47,464)	(19,113)	-	**(487,517)**
Net book value as of 31 December 2017	**536,792**	**68,680**	**36,900**	**24,707**	**493 941**	**1,161,020**

In 2018 the Group capitalised borrowing costs of USD 13,236 thousand (2017: nil) within property, plant and equipment at an average interest rate of 10.71% per annum.

Carrying amount of property, plant and equipment obtained under finance lease is presented below:

	Technical equipment and machinery	Vehicles	Total
At 31 December 2017	-	-	-
At 31 December 2018	**34,117**	**19,431**	**53,548**

The construction in progress category at 31 December 2018 and 2017 included advances issued for the acquisition of property, plant and equipment for a total of USD 76,968 thousand and USD 103,784 thousands, respectively.

As of 31 December 2018, bank loans were collateralised by pledge of property, plant and equipment with the carrying amount USD 314,032 thousand (31 December 2017: USD 372,117 thousand) (Note 19).

13 Goodwill and Intangible Assets

Goodwill

Goodwill is allocated to the following CGUs:

Cash generating unit (CGU)	31 December 2018	31 December 2017
JSC Imperial Duty Free	140,722	169,722
LLC Moscow Cargo	96,789	116,736
LLC Sheremetyevo-Parking	34,821	41,996
LLC MASH Advertisement	9,529	11,493
JSC Sheremetyevo Security	7,787	9,392
Total goodwill	**289,648**	**349,339**

Goodwill was tested for impairment at 30 September 2018 and 31 December 2017. The Group determined recoverable amount of CGUs based on the value in use calculations. The calculation used the estimated cash flows denominated in USD based on financial budgets approved by management for 2019 and estimated cash flows until 2032. The use of such a long-term period is reasonable due to long-lived nature of the Group’s assets and the growth of passenger traffic with the rates exceeding the average in the industry. USD-denominated long-term growth rate of income and expenses of 2.0% was used for periods after 2032.

(in thousands of US dollars unless otherwise stated)

13 Goodwill and Intangible Assets (Continued)

Key assumptions applied for calculation of CGUs value in use at 30 September 2018 include:

- internal passenger traffic and cargo turnover projections. In 2019 and 2020, the passenger traffic is projected to increase by 13.5% and 18.7% accordingly, with subsequent practically double growth by the end of the forecast period, compared to the level of 2018;
- indexation of tariffs for services provided and the average bill for JSC Imperial Duty Free at the level of consumer price index;
- indexation of key cost items (lease, maintenance, staff costs) at the level of consumer price index.

The projected cash flows were discounted using the post-tax rate at 10.15%. As at 30 September 2018, the effective pre-tax rates amounted to: 12.7% for LLC Moscow Cargo, 13.2% for JSC Imperial Duty Free, 13.0% for LLC MASH Advertisement, 12.8% for LLC Sheremetyevo Parking and 14.6% for JSC Sheremetyevo Security.

The Group's management believes that the effect of reasonably possible changes in key assumptions, which serve as a basis for calculation of recoverable amounts will not result in goodwill impairment for any CGU.

Other intangible assets

The carrying value of intangible assets at 31 December 2018 included the following:

	Licenses and certificates	**Patents, trade marks**	**Software**	**Customer lists and customer relationships**	**Other intangible assets**	**Total**
Balance at 1 January 2018						
Cost	1,088	33	15,491	191,304	766	**208,682**
Accumulated amortisation	(433)	(33)	(8,533)	(21,632)	(604)	**(31,235)**
Net book value at 1 January 2018	655	-	6,958	169,672	162	**177,447**
Additions	108	2	7,235	-	1,271	**8,616**
Amortisation charge	(198)	-	(2,926)	(11,503)	(463)	**(15,090)**
Disposals	-	-	(24)	-	-	**(24)**
Translation to presentation currency	(99)	-	(1,610)	(27,880)	(106)	**(29,695)**
Net book value at 31 December 2018	**466**	**2**	**9,633**	**130,289**	**864**	**141,254**
Balance at 31 December 2018						
Cost	996	19	19,227	158,619	1,402	**180,263**
Accumulated amortisation	(530)	(17)	(9,594)	(28,330)	(538)	**(39,009)**
Net book value at 31 December 2018	**466**	**2**	**9,633**	**130,289**	**864**	**141,254**

Comparative information for 2017:

	Licenses and certificates	**Patents, trade marks**	**Software**	**Customer lists and customer relationships**	**Other intangible assets**	**Total**
Balance at 1 January 2017						
Cost	937	31	11,524	181,667	742	**194,901**
Accumulated amortisation	(790)	(30)	(5,493)	(10,900)	(284)	**(17,497)**
Net book value at 1 January 2017	147	1	6,031	170,767	458	**177,404**
Additions	638	-	3,342	-	39	**4,019**
Amortisation charge	(137)	-	(2,776)	(10,025)	(326)	**(13,264)**
Transfers between categories	-	-	35	-	(35)	**-**
Translation to presentation currency	7	(1)	326	8,930	26	**9,288**
Net book value at 31 December 2017	**655**	**-**	**6,958**	**169,672**	**162**	**177,447**
Balance at 31 December 2017						
Cost	1,088	33	15,491	191,304	766	**208,682**
Accumulated amortisation	(433)	(33)	(8,533)	(21,632)	(604)	**(31,235)**
Net book value at 31 December 2017	**655**	**-**	**6,958**	**169,672**	**162**	**177,447**

(in thousands of US dollars unless otherwise stated)

14 Concession Rights

	Concession rights
Cost	-
Accumulated amortisation	-
Net book value as of 31 December 2017	-
Additions	2,456
Amortisation charge	-
Translation to presentation currency	(239)
Net book value as of 31 December 2018	**2,217**
Cost	2,217
Accumulated amortisation	-
Net book value as of 31 December 2018	**2,217**

15 Other Non-Current Assets

	31 December 2018	31 December 2017
Restricted cash	-	12,569
Equity investments	849	-
Total other non-current non-financial assets	**849**	**12,569**

Restricted cash in the amount of USD 12,569 thousand as of 31 December 2017 represented cash balance of irrevocable letter of credit opened for the purpose of acquisition of equipment.

16 Accounts Payable

	31 December 2018	31 December 2017
Trade payables	61,335	47,448
Bonuses payable to airlines	5,815	6,007
Dividends payable	-	5,382
Other payables	3,686	8,784
Total financial liabilities	**70,836**	**67,621**
	19,404	12,014
Taxes payable other than income tax		
Accounts payable to employees	5,484	5,260
Social insurance contributions payable	3,440	2,257
Total trade and other accounts payable	**99,164**	**87,152**
Current portion of guarantee payments under operating lease agreements	4,549	4,375
Guarantee withholdings from contractors for construction of fixed assets	6,636	1,823
Other	230	-
Total other current financial liabilities	**11,415**	**6,198**
Advances received	5,671	6,701
VAT reversal liabilities	173	1,719
Other	921	313
Total other current non-financial liabilities	**6,765**	**8,733**

As of 31 December 2018, trade payables were mainly denominated in roubles except for balances of USD 8,507 thousand denominated in USD, USD 18,958 thousand denominated in EUR (31 December 2017: USD 13,350 thousand denominated in USD, USD 7,326 thousand denominated in EUR, USD 278 thousands denominated in CHF, and USD 365 thousand denominated in GBP).

17 Provisions

	31 December 2018	31 December 2017
Provision for litigations	7,312	3,212
Provision for bonuses and other employee benefits, including accrued compensation for unused vacation	17,979	17,083
Other provisions	-	17
	25,291	**20,312**

(in thousands of US dollars unless otherwise stated)

17 Provisions (Continued)

Movements in provisions for 2018 are presented below:

	1 January 2018	Accrued	Reversed	Used	Translation to presentation currency	31 December 2018
Provision for litigations	(3,212)	(8,101)	2,950	-	1,051	(7,312)
Provision for bonuses and other employee benefits, including accrued compensation for unused vacation	(17,083)	(36,918)	686	32,006	3,330	(17,979)
Other provisions	(17)	-	-	16	1	-
Total provisions	**(20,312)**	**(45,019)**	**3,636**	**32,022**	**4,382**	**(25,291)**

Movements in provisions for 2017 are presented below:

	1 January 2017	Accrued	Reversed	Used	Translation to presentation currency	31 December 2017
Provision for litigations	(824)	(3,170)	857	-	(75)	(3,212)
Provisions for taxes, fines, penalties	(445)	-	-	463	(18)	-
Provision for bonuses and other employee benefits, including accrued compensation for unused vacation	(15,118)	(31,996)	1,113	29,733	(815)	(17,083)
Other provisions	(231)	(17)	-	240	(9)	(17)
Total provisions	**(16,618)**	**(35,183)**	**1,970**	**30,436**	**(917)**	**(20,312)**

18 Finance Lease Liabilities

Minimum lease payments under finance leases and their present values are as follows:

	31 December 2018	31 December 2017
Less than 1 year	3,224	-
From 1 to 2 years	10,379	-
From 2 to 5 years	30,948	-
More than 5 years	48,279	-
Future finance charges on finance lease	(37,253)	-
Present value of finance lease liabilities	**55,577**	**-**

The present value of finance lease liabilities matures as follows:

	31 December 2018	31 December 2017
Less than 1 year	14	-
From 1 to 2 years	1,641	-
From 2 to 5 years	15,949	-
More than 5 years	37,973	-
Present value of finance lease liabilities	**55,577**	**-**

The table below shows an analysis of changes in finance lease obligations:

	31 December 2018	31 December 2017
Opening balance at 1 January	-	-
Recognition of finance lease obligations	59,323	-
Finance lease payments	-	-
Interest expense accrued	2,249	-
Repayment of interest	-	-
Translation to presentation currency	(5,995)	-
Closing balance at 31 December	**55,577**	**-**

(in thousands of US dollars unless otherwise stated)

19 Loans and Borrowings

Long-term and short-term loans and borrowings

	Currency	Contracted interest rate	Maturity year	31 December 2018	31 December 2017
Loans and borrowings					
Sberbank of Russia	RUB	13%	2018	-	18,264
VTB Bank (PJSC)	USD	7.75%	2019	23,118	60,972
Sberbank of Russia	USD	9.2%	2020	56,168	93,524
JSC SMP Bank	EUR	5.75%	2020	-	1,285
Sberbank of Russia	USD	6.35%	2028	74,406	-
Sberbank of Russia	USD	7.20%	2026	531,836	-
Sberbank of Russia	EUR	3.35%	2020	7,845	-
Vnesheconombank	USD	7.4%	2026	-	538,349
Total loans and borrowings				**693,373**	**712,394**
Less: current portion of long-term interest-bearing loans and borrowings				(68,533)	(98,611)
Total long-term interest-bearing loans and borrowings, net of current portion				**624,840**	**613,783**

In 2018, Sberbank of Russia provided the following credit facilities to the Group:

- Agreement No.8091 on opening a non-revolving credit facility dated 1 March 2018 in the amount of USD 60,638 thousand. In 2018, the Group received USD 37,647 thousand under this credit facility.
- Agreement No.8092 on opening a non-revolving credit facility dated 1 March 2018 in the amount of USD 93,656 thousand. In 2018, the Group received USD 37,463 thousand under this credit facility.
- Agreement No.6793 on opening a non-revolving credit facility dated 30 October 2018 in the amount of EUR 8,000 thousand. In 2018, the Group received EUR 6,858 thousand under this credit facility.

As at 31 December 2018, the Group had short-term and long-term loans totalling USD 685,527 thousand (31 December 2017: USD 711,109 thousand), collateralised by property, plant and equipment. Carrying amount of pledged property, plant and equipment is disclosed in Note 11.

At 31 December 2018, the Group's undrawn credit facility were: USD 79,184 thousand EUR 1,142 thousand and USD 5,758 thousand (31 December 2017: EUR 13,927 thousand and USD 6,944 thousand, respectively).

Cash flows related to financial liabilities

Cost	At 1 January 2018	Cash flows	Changes in foreign exchange rates	Accrued interest	Translation to presentation currency	At 31 December 2018
Loans and borrowings	712,394	(70,607)	131,898	51,894	(132,206)	693,373
Total	**712,394**	**(70,607)**	**131,898**	**51,894**	**(132,206)**	**693,373**

Cost	At 1 January 2017	Cash flows	Changes in foreign exchange rates	Accrued interest	Translation to presentation currency	At 31 December 2017
Loans and borrowings	784,791	(133,012)	(39,381)	60,391	39,605	712,394
Total	**784,791**	**(133,012)**	**(39,381)**	**60,391**	**39,605**	**712,394**

20 Other Non-Current Liabilities

	31 December 2018	31 December 2017
Long-term portion of guarantee payments under operating lease agreements	4,577	4,306
Obligation for purchase of shares/equity interests	-	4,097
Guarantee withholdings from contractors for construction of property, plant and equipment	1,368	18,524
Other non-current financial liabilities	115	35
Total other non-current financial liabilities	**6,060**	**26,962**
Non-current portion of liabilities on VAT reversal	-	1,319
Other non-current liabilities	2,764	2,413
Total other non-current non-financial liabilities	**2,764**	**3,732**

21 Share Capital

	Number of shares in issue (in thousands)	Share capital	Treasury shares
At 31 December 2017	8,499,662	334,491	(2,260)
At 31 December 2018	8,490,983	334,150	-

The Company's share capital as of 31 December 2018 amounted to USD 334,150 thousand and comprised nominal amount of the Company's shares acquired by its shareholders.

The Company's share capital is divided into 8,490,982,707 ordinary registered uncertified shares with a nominal amount of one (1) Russian rouble each (issued shares). All issued shares of the Company were paid in full.

In 2017, the Company's share capital increased due to the reorganisation of the Company by taking over JSC Airport Sheremetyevo through additional issue of ordinary registered uncertified shares of the Company in the amount required for conversion of the shares of JSC Airport Sheremetyevo approved by the general meeting of the Company's shareholders.

At 31 October 2018, the Company's share capital decreased based on the resolution of the Board of Directors to cancel the 8,678,821 ordinary shares acquired by the Company in 2017.

Dividends

In 2018, the Company accrued dividends in the amount of USD 33,713 thousand based on the results of 2017; the amount of dividends per share constituted USD 0,004.

In 2017, the Company accrued interim dividends in the amount of USD 17,361 thousand based on the results of nine months of 2017; the amount of dividends per share constituted USD 0,002.

Distribution of the earnings is based on the financial statements prepared in accordance with Russian Accounting Standards (RAS). Russian legislation identifies the basis of distribution as retained earnings. Retained earnings as of 31 December 2018 recorded in the 2018 published financial statements of the Company prepared under RAS amounted to USD 1,129,413 thousand (retained earnings at 31 December 2017: USD 1,244,510 thousand).

22 Revenue

	Year ended 31 December 2018	Year ended 31 December 2017
Aviation operations	310,934	282,557
Ground handling	256,651	194,798
Retail	233,783	185,321
Real estate	81,346	80,287
Other services	39,436	31,943
Revenue from concession arrangement	2,456	-
Total revenue	**924,606**	**774,906**

23 Operating Expenses

	Year ended 31 December 2018	Year ended 31 December 2017
Material expenses	118,422	89,781
Personnel costs	260,111	214,522
Maintenance, repair and cleaning	44,891	35,765
Other external services	41,638	35,114
Depreciation and amortisation	106,956	72,044
Change in provisions for litigations and other allowances	5,342	2,074
Change in provision for impairment of trade receivables and advances	1,132	994
Leases	24,271	18,251
Taxes and levies	3,891	2,982
Bank fees	2,855	2,056
Other	3,924	3,514
Total operating expenses	**613,433**	**477,097**

(in thousands of US dollars unless otherwise stated)

24 Other Income/(Expenses)

	Year ended 31 December 2018	Year ended 31 December 2017
Loss on disposal of property, plant and equipment	(5,518)	(2,382)
Other income	1,452	2,074
Other expenses	(4,257)	(3,274)
Total other expenses	**(8,323)**	**(3,582)**

25 Finance Income and Costs

Finance income	Year ended 31 December 2018	Year ended 31 December 2017
Interest income	11,705	13,864
Dividend income	99	109
Other finance income	16	308
Finance income recognised within profit or loss for the period	**11,820**	**14,281**

Finance costs	Year ended 31 December 2018	Year ended 31 December 2017
Interest expense	(46,023)	(61,402)
Other finance costs	(1,228)	(17)
Finance costs recognised within profit or loss for the period	**(47,251)**	**(61,419)**

26 Income Tax

	Year ended 31 December 2018	Year ended 31 December 2017
Income tax expense – current part	31,129	37,719
Deferred tax expenses – origination and reversal of temporary differences	10,525	19,930
Income tax expense	**41,654**	**57,649**

Income before tax recognised in the consolidated financial statements is reconciled to income tax as follows:

	Year ended 31 December 2018	Year ended 31 December 2017
Income before tax from continuing operations for the year	**217,409**	**261,518**
Theoretical income tax expense at the statutory rate of 20%	**43,482**	**52,304**
Impact of differences in tax rates	(1,579)	171
Deferred tax liabilities written off	(1,340)	-
Tax effect of items which are not deductible or assessable for taxation purposes	1,084	5,175
Translation to presentation currency	7	(1)
Income tax expense	**41,654**	**57,649**

Income tax rate for the Group’s entities registered in the Russian Federation was 20% in 2018 and 2017.

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

		Recognised within			
	1 January 2018	Other comprehensive income	Profit or loss	Translation to presentation currency	31 December 2018
Tax effects of deductible temporary differences					
Property, plant and equipment	3,906	-	686	(735)	3,857
Accounts payable	-	-	3,875	(377)	3,498
Accounts receivable	4,932	-	(3,237)	(529)	1,166
Tax loss carry forward	17,587	-	5,502	(3,541)	19,548
Investments in subsidiaries, associates and joint ventures	208	-	(128)	(22)	58
Other	1,233	-	(718)	(141)	374
Tax assets	**27,866**	-	**5,980**	**(5,345)**	**28,501**
Tax net-off	(23,265)	-			(23,276)
Net tax assets	**4,601**	-			**5,225**

(in thousands of US dollars unless otherwise stated)

26 Income Tax (Continued)

	1 January 2018	Recognised within: Other comprehensive income	Recognised within: Profit or loss	Translation to presentation currency	31 December 2018
Tax effects of taxable temporary differences					
Property, plant and equipment	(47,621)	-	(18,626)	9,951	(56,296)
Intangible assets	(32,413)	-	2,009	5,343	(25,061)
Accounts payable	-	-	(829)	80	(749)
Investments in subsidiaries, associates, joint ventures and equity investments	(3,437)	(191)	1,132	495	(2,001)
Other	(36)	-	(191)	25	(202)
Tax liabilities	**(83,507)**	**(191)**	**(16,505)**	**15,894**	**(84,309)**
Tax net-off	23,265	-			23,276
Net tax liabilities	**(60,242)**				**(61,033)**

Comparative information for 2017:

	1 January 2017	Recognised in profit or loss	Translation to presentation currency	31 December 2017
Tax effects of deductible temporary differences				
Property, plant and equipment	2,803	942	161	3,906
Accounts receivable	5,968	(1,422)	298	4,844
Tax loss carry forward	38,330	(22,484)	1,741	17,587
Investments in subsidiaries, associates and joint ventures	561	(376)	23	208
Other	1,434	(274)	73	1,233
Tax assets	**49,096**	**(23,614)**	**2,296**	**27,778**
Tax net-off	(44,678)	-	-	(23,177)
Net tax assets	**4,418**			**4,601**
Tax effects of taxable temporary differences				
Property, plant and equipment	(46,672)	1,508	(2,457)	(47,621)
Intangible assets	(33,005)	2,314	(1,722)	(32,413)
Accounts payable	(66)	69	(3)	-
Investments in subsidiaries, associates and joint ventures	(3,083)	(189)	(165)	(3,437)
Other	(17)	(18)	(1)	(36)
Tax liabilities	**(82,843)**	**3,684**	**(4,348)**	**(83,507)**
Tax net off	44,678	-	-	23,177
Net tax liabilities	**(38,165)**	**-**	**-**	**(60,330)**

The Group did not recognise deferred tax liabilities on temporary differences related to retained earnings of subsidiaries and joint ventures. The Group controls reversal of these temporary differences and expects their reversal through dividends. At 31 December 2018, retained earnings of subsidiaries and joint ventures taxable at zero tax rate on intercompany dividends is USD 341,396 thousand (31 December 2017: USD 351,440 thousand).

(in thousands of US dollars unless otherwise stated)

27 Contingencies, Commitments and Operating Risks

Capital expenditure commitments

As at 31 December 2018, the Group has contractual commitments related to the construction of terminals and modernisation of existing assets totalling USD 259,448 thousand (31 December 2017: USD 181,267 thousand).

	31 December 2018	**31 December 2017**
Development of Terminal B of Sheremetyevo airport	-	60,590
Development of Terminal C of Sheremetyevo airport	248,134	10,052
Development of Terminal D of Sheremetyevo airport	590	694
Development of Terminal E of Sheremetyevo airport	274	278
Development of Terminal F of Sheremetyevo airport	-	174
Development of cargo terminal area	158	2,917
Development of airport interterminal tunnel	-	69,375
Construction of the car-parking	3,527	22,552
Construction of hangar complex	446	-
Development of business lounges	3,325	10,660
Development of duty free trade areas	230	1,458
Other	2,764	2,517
Total capital commitments	**259,448**	**181,267**

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations and changes, which can occur frequently. Group management's interpretation of such legislation applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Management believes that the Group paid and accrued all taxes that are applicable.

Changes and recent trends in the application and interpretation of certain provisions of Russian tax legislation indicate that tax authorities may take a more assertive position in their interpretation and application of this legislation and reviewing tax returns. Consequently, tax authorities may challenge transactions and accounting methods that they had never challenged before. As a result, significant additional taxes, penalties and late payment interest may be assessed. It is impossible to define the amount of claims under possible but not yet filed legal actions and to evaluate the probability of their unfavourable outcome. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of the review. Under certain circumstances reviews may cover longer periods.

The management believes that at 31 December 2018 its interpretation of the relevant legislation is appropriate and the probability of sustaining the Group's tax, currency and customs positions is high.

Management believes that its position with regard to contingent liabilities and interpretations of the Russian legislation applied by the Group are reasonable; however, there is a possible risk that the Group may incur additional expenses if the management's position with regard to contingent liabilities is challenged in accordance with the legally established procedure. As of 31 December 2018, the Group does not expect that significant contingent liabilities will arise.

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), subject to certain specifics. Transfer pricing legislation provides for possibility to impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not on an arm's length. Management has implemented internal controls to be in compliance with the new transfer pricing legislation.

Tax liabilities arising from controlled transactions are determined using the actual prices of such transactions. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the operations.

Operating leases

The Group leases from local authorities the land on which the airport facilities are located. The leases typically run for an initial period from 49 to 99 years with an option to renew the lease after its expiry. Lease payments are reviewed regularly to reflect market rates.

(in thousands of US dollars unless otherwise stated)

27 Contingencies, Commitments and Operating Risks (Continued)

Future minimal lease payments under lease agreements for land as at 31 December are presented below:

	31 December 2018	31 December 2017
Less than 1 year	417	4,028
From 1 to 5 years	1,699	16,094
More than 5 years	29,523	170,346
Total operating lease payments	**31,639**	**190,468**

All other long-term lease agreements are cancellable.

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 could have a material effect on the result of operations or financial position of the Group and which have not been accrued or disclosed in these consolidated financial statements.

28 Consolidated Subsidiaries

The consolidated subsidiaries of the Group included in its consolidated financial statements, as well as the Group's interest therein are as follows:

			Percentage held	
Company	**Place of registration and operation**	**Principal activity**	**31 December 2018**	**31 December 2017**
LLC Sheremetyevo VIP (formerly, JSC VIP-International*)	Moscow	VIP-passenger services	100.0%	100.0%
LLC Sheremetyevo Parking	Moscow Region	Lease and management of own or leased immovable property	100.0%	100.0%
LLC Sheremetyevo Advertisement (formerly, LLC MASH Advertisement)	Moscow	Advertising	100.0%	100.0%
LLC Moscow Cargo	Moscow Region	Cargo handling	100.0%	100.0%
LLC Interterminal Tunnel Sheremetyevo	Moscow Region	Lease and management of non-residential property (own or leased)	100.0%	100.0%
LLC Terminal B Sheremetyevo	Moscow Region	Lease and management of non-residential property (own or leased)	100.0%	100.0%
LLC Sheremetyevo Handling	Moscow Region	Airport activities	100.0%	100.0%
JSC Imperial Duty Free	Moscow Region	Retail trade in specialised stores	58.35%	58.35%
JSC Sheremetyevo Security	Moscow Region	Aviation security	55.00%	55.00%

* Reorganisation in the form of change of a legal form

29 Non-Controlling Interest

Significant subsidiaries with non-controlling interest:

The information on these subsidiaries at 31 December 2018 is provided below.

Name	Principal location	NCI at 31 December 2018, %	Profit allocated to NCI for 2018	Dividends accrued to NCI for 2018	Accumulated NCI at 31 December 2018
JSC Sheremetyevo Security	Russia	45.00%	4,046	183	11,027
JSC Imperial Duty Free	Russia	41.65%	11,670	19,075	74,997
Total			**15,716**	**19,258**	**86,024**

(in thousands of US dollars unless otherwise stated)

29 Non-Controlling Interest (Continued)

The summarised financial information on these subsidiaries is provided below. This information is based on amounts before elimination of intercompany transactions.

	JSC Sheremetyevo Security	JSC Imperial Duty Free
Current assets		
Cash and cash equivalents	13,632	3,800
Accounts receivable and advances issued	5,330	892
Inventories	216	39,499
Total current assets	**19,178**	**44,191**
Non-current assets		
Goodwill	7,787	140,721
Intangible assets	245	22,988
Property, plant and equipment	3,599	8,594
Total non-current assets	**11,631**	**172,303**
Total assets	**30,809**	**216,494**
Current liabilities		
Accounts payable	5,657	26,756
Total current liabilities	**5,657**	**26,756**
Non-current liabilities		
Deferred tax liabilities	648	4,894
Other non-current liabilities	-	4,779
Total non-current liabilities	**648**	**9,673**
Total liabilities	**6,305**	**36,429**
Equity	**24,504**	**180,065**
Attributable to:		
Equity holders of the parent	13,477	105,068
Non-controlling interest	11,027	74,997

Summarised statement of profit or loss and other comprehensive income for 2018:

	JSC Sheremetyevo Security	JSC Imperial Duty Free
Revenue	71,746	214,487
Operating expenses	(61,063)	(177,219)
Interest expense	-	(287)
Interest income	335	80
Loss on disposal of property, plant and equipment	(32)	-
Foreign exchange gain/(loss)	510	(1,292)
Other gains and losses	(32)	(622)
Profit before income tax	**11,464**	**35,147**
Income tax	(2,472)	(7,128)
Profit for the year	**8,992**	**28,019**
Translation to presentation currency	(4,292)	(39,314)
Total comprehensive income	**4,700**	**(11,295)**
Attributable to:		
Equity holders of the parent	2,585	(6,591)
Non-controlling interest	2,115	(4,704)

Summarised statement of cash flows for the year ended 31 December 2018:

	JSC Sheremetyevo Security	JSC Imperial Duty Free
Operating activities	12,303	31,354
Investing activities	(92)	(4,207)
Financing activities	(408)	(39,985)
Foreign exchange differences, net	(1,591)	(98)
Net increase/(decrease) in cash and cash equivalents	**10,212**	**(12,936)**

(in thousands of US dollars unless otherwise stated)

29 Non-Controlling Interest (Continued)

Comparative information for 2017:

Name	Principal location	NCI at 31 December 2017, %	Profit allocated to NCI for 2017	Dividends accrued to NCI for 2017	Accumulated NCI at 31 December 2017
JSC Sheremetyevo Security	Russia	45.00%	2,788	-	9,094
JSC Imperial Duty Free	Russia	41.65%	8,968	3,011	98,777
Total			**11,756**	**3,011**	**107,871**

Summarised financial information before elimination of intercompany transactions is provided below:

	JSC Sheremetyevo Security	JSC Imperial Duty Free
Current assets		
Cash and cash equivalents	3,420	16,736
Accounts receivable and advances issued	8,576	911
Inventories	521	32,048
Total current assets	**12,517**	**49,695**
Non-current assets		
Goodwill	9,393	169,722
Intangible assets	347	32,187
Property, plant and equipment	3,993	4,427
Total non-current assets	**13,733**	**206,336**
Total assets	**26,250**	**256,031**
Current liabilities		
Accounts payable	5,608	11,545
Total current liabilities	**5,608**	**11,545**
Non-current liabilities		
Deferred tax liabilities	434	6,302
Other non-current liabilities	-	1,024
Total non-current liabilities	**434**	**7,326**
Total liabilities	**6,042**	**18,871**
Equity	**20,208**	**237,160**
Attributable to:		
Equity holders of the parent	11,114	138,383
Non-controlling interest	9,094	98,777

Summarised statement of profit or loss and other comprehensive income for 2017:

	JSC Sheremetyevo Security	JSC Imperial Duty Free
Revenue	57,478	165,356
Operating expenses	(49,346)	(136,728)
Interest expense	-	(17)
Interest income	137	17
Loss on disposal of property, plant and equipment	(69)	(617)
Foreign exchange loss	(154)	(1,217)
Other gains and losses	(103)	189
Profit before income tax	**7,943**	**26,983**
Income tax	(1,748)	(5,450)
Profit for the year	**6,195**	**21,533**
Translation to presentation currency	783	11,670
Total comprehensive income	**6,978**	**33,203**
Attributable to:		
Equity holders of the parent	3,838	19,374
Non-controlling interest	3,140	13,829

(in thousands of US dollars unless otherwise stated)

29 Non-Controlling Interest (Continued)

Summarised statement of cash flows for the year ended 31 December 2017

	JSC Sheremetyevo Security	JSC Imperial Duty Free
Operating activities	2,331	15,475
Investing activities	(446)	(994)
Financing activities	-	(5,741)
Foreign exchange differences, net	(11)	602
Net increase in cash and cash equivalents	**1,874**	**9,342**

30 Investments in Associates and Joint Ventures

Information on the Group's associates and joint ventures as at 31 December is provided below:

			31 December 2018		31 December 2017	
		Place of registration and operation	**Actual interest**	**Carrying amount**	**Actual interest**	**Carrying amount**
JSC AERO-Sheremetyevo	Joint venture	Moscow Region	50%	63,346	50%	68,784
CJSC Soyuzvneshtrans-Avia	Associate	Moscow Region	40 %	-	40%	-
CJSC TZK-Sheremetyevo	Associate	Moscow Region	25.1%	14,226	25.1%	15,156
LLC Aero-Food Catering	Associate	Moscow Region	26%	792	26%	174
Total investments in associates and joint ventures				**78,364**		**84,114**

	2018	2017
Opening balance	84,114	78,507
Share in net profit of associates and joint ventures	10,190	1,422
Dividends received from associates and joint ventures	(621)	-
Translation to presentation currency	(15,319)	4,185
Closing balance	**78,364**	**84,114**

Summarised financial information in respect of a significant joint venture, JSC AERO-Sheremetyevo, is provided below:

	31 December 2018	31 December 2017
Non-current assets	90,940	74,479
Current assets, including:	66,562	70,856
Cash and cash equivalents	27,235	36,215
Total assets	**157,502**	**145,335**
Current liabilities	(26,538)	(7,767)
Non-current liabilities	(4,272)	-
Total liabilities	**(30,810)**	**(7,767)**
Equity/net assets	**126,692**	**137,568**
Revenue	201,773	34,085
Operating expenses, including:	(191,794)	(34,000)
Depreciation charge	(4,991)	(223)
Other income, including:	7,352	805
Interest income	-	548
Other expenses	(32)	(69)
Profit before income tax	**17,299**	**821**
Income tax	(2,791)	(120)
Total profit for the year	**14,508**	**701**
Total comprehensive income for the year	**14,508**	**701**

In 2018, the Group's share in profit of JSC AERO-Sheremetyevo amounted to USD 7,254 thousand (2017: share in profit USD 351 thousand). During 2018, the Group received dividends from JSC AERO-Sheremetyevo of USD 272 thousand (2017: nil).

(in thousands of US dollars unless otherwise stated)

30 Investments in Associates and Joint Ventures (Continued)

Summarised financial information in respect of a significant associate, CJSC TZK Sheremetyevo, is set out below:

	31 December 2018	31 December 2017
Non-current assets	71,095	85,972
Current assets	12,099	11,528
Total assets	**83,194**	**97,500**
Non-current liabilities	(21,017)	(2,969)
Current liabilities	(5,708)	(34,149)
Total liabilities	**(26,725)**	**(37,118)**
Equity/net assets	**56,469**	**60,382**
Revenue	85,731	86,148
Operating expenses	(73,930)	(77,340)
Other gains and losses, net	(1,021)	(3,496)
Profit before income tax	**10,780**	**5,312**
Income tax	(1,977)	(1,302)
Total profit for the year	**8,803**	**4,010**
Total comprehensive income for the year	**8,803**	**4,010**

In 2018, the Group's share in profit of CJSC TZK Sheremetyevo amounted to USD 2,210 thousand (2017: USD 1,007 thousand). During 2018, the Group received dividends from CJSC TZK Sheremetyevo of USD 349 thousand (2017: nil).

Summarised financial information in respect of a significant associate, LLC Aero-Food Catering, is set out below:

	31 December 2018	31 December 2017
Non-current assets	144	382
Current assets	3,815	1,545
Total assets	**3,959**	**1,927**
Non-current liabilities	-	-
Current liabilities	(547)	(851)
Total liabilities	**(547)**	**(851)**
Equity/net assets	**3,412**	**1,076**
Revenue	8,452	3,770
Operating expenses	(4,752)	(3,153)
Other gains and losses, net	(16)	(189)
Profit before tax	**3,684**	**428**
Income tax	(893)	(120)
Total profit for the year	**2,791**	**308**
Total comprehensive income for the year	**2,791**	**308**

In 2018, the Group's share in profit of LLC Aero-Food Catering amounted to USD 726 thousand (2017: USD 80 thousand).

31 Financial Risk and Capital Management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk, cash flow interest rate risk, and price risk), credit risk and liquidity risk. The Group's overall risk management program aims to minimise their potential adverse effects on its financial performance.

Management has overall responsibility for the establishment and oversight of the financial risk management process.

(a) Market risk

(i) Currency risk

The Group operates internationally and is thereby exposed to currency risk arising from various currency transactions, primarily with respect to the US dollars and euro. Foreign currency risk arises on future commercial transactions, recognised assets and liabilities.

(in thousands of US dollars unless otherwise stated)

31 Financial Risk and Capital Management (Continued)

The Group's financial assets and liabilities denominated in currencies other than the functional currency are as follows:

	31 December 2018		31 December 2017	
	in USD	**in EUR**	**in USD**	**in EUR**
Cash and cash equivalents	370,962	1,411	453,783	16,806
Financial accounts receivable	24,701	1,339	13,924	1,458
Other current financial assets	-	-	21,151	-
Financial accounts payable	(11,127)	(18,986)	(13,350)	(7,326)
Loans and borrowings	(685,528)	(7,845)	(692,845)	(1,285)
	(300,992)	**(24,081)**	**(217,337)**	**9,653**

Sensitivity to foreign currency fluctuations

Sensitivity analysis demonstrates the sensitivity to a reasonably possible change in USD/RUB and EUR/RUB exchange rates, with all other variables held constant, of the Group's profit before tax. The Group's exposure to foreign currency risk due to changes in the exchange rates of any other currencies is not material. Sensitivity analysis presented below demonstrates the effect of a reasonably possible change in exchange rates on the Group's financial assets and liabilities at the reporting date.

	31 December 2018			
	Depreciation of Euro by 20 %	**Appreciation of Euro by 20 %**	**Depreciation of USD by 20 %**	**Appreciation of USD by 20 %**
Profit before tax for the period	4,816	(4,816)	60,198	(60,198)

Comparative information for 2017:

	31 December 2017			
	Depreciation of Euro by 12.5%	**Appreciation of Euro by 12.5%**	**Depreciation of USD by 11%**	**Appreciation of USD by 11%**
Profit before tax for the period	(1,207)	1,207	23,907	(23,907)

(ii) Interest rate risk

Interest rate risk arises on changes in interest rates that could affect the Group's financial results or cost of its capital. The interest rate volatility can lead to changes in interest income and expenses.

The Group borrows and lends funds at fixed interest rates. The debt burden with fixed interest rate amounted to USD 693,373 thousand (31 December 2017: USD 712,394 thousand).

Currently the Group does not use any hedging instruments to manage its interest rate risk. Nevertheless, the Group analyses the level of interest rates and, if required, may decide to start using hedging instruments to manage such risks.

The Group does not account for any financial instruments with fixed interest rates at FVTPL or FVOCI. Therefore, any change in interest rates at the reporting date would not affect the amount of the Group's profit or loss for the period or its equity as a result of fair value measurement of these instruments.

(b) Credit risk

Credit risk is the risk that a customer or counterparty to a transaction will not meet its obligations under a contract, leading to a financial loss to the Group. This risk arises primarily on accounts receivable from the Group's customers. The Group's policy to manage this type of risk is to deal with customers on a partial prepayment basis. Customer contracts stipulate a mechanism of considerable advance payments. Bank guarantees and letters of credit are used to ensure settlement of accounts receivable from customers. To accelerate payments, standard contractual terms provide for late payment interest.

To manage credit risk related to cash, the Group places its available cash, mainly in US dollars and Russian roubles, only in those banks that, in the Group's opinion, are least likely to go bankrupt throughout the period of depositing funds. Management regularly reviews the creditworthiness of the banks in which it places funds.

The Group has developed procedures to ensure that sales of products and services are made to customers with an appropriate credit history. The carrying amount of accounts receivable, net of ECL allowance, represents the maximum amount exposed to credit risk. Although collection of receivables is influenced by economic factors, management of the Group believes that there is no significant risk of loss beyond the allowance for expected credit losses.

(in thousands of US dollars unless otherwise stated)

31 Financial Risk and Capital Management (Continued)

The maximum exposure to credit risk at the reporting date is equal to the carrying amount of each financial asset shown in the consolidated statement of financial position:

	31 December 2018	31 December 2017
Cash and cash equivalents	411,196	498,523
Accounts receivable	91,665	100,781
Other current financial assets	273	22,743
Total	**503,134**	**622,047**

Financial instruments, which potentially subject the Group to credit risks concentration consist primarily of cash and trade receivables.

As of 31 December 2018, the five largest customers of the Group accounted for 66% of the total amount of trade receivables (net of allowance) (31 December 2017: 68%).

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

	31 December 2018
PJSC Aeroflot – Russian Airlines	30,488
Priority Pass Limited Company	6,290
LLC AirBridgeCargo Airlines	2,159
JSC Rossiya Airlines	1,900
LLC Nordwind Airlines	1,080
Total	**41,917**

	31 December 2017
PJSC Aeroflot – Russian Airlines	17,882
LLC AirBridgeCargo Airlines	6,372
Priority Pass Limited Company	2,517
LLC Nordwind Airlines	2,604
AIR FRANCE Airlines	937
Total	**30,312**

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all its financial liabilities as they fall due. The Group's approach to liquidity management is to ensure that it will always have sufficient funding to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or taking a risk of damage to the Group's reputation. The Group has in place a detailed budgeting and forecasting process to ensure that it has adequate cash available to meet its payment obligations.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2018 based on contractual undiscounted payments, including interest payments:

	Less than 1 year	1-2 years	3-5 years	More than 5 years	Total
Loans and borrowings	64,819	99,351	250,681	281,976	**696,827**
Interest payments	48,466	36,462	78,206	29,955	**193,089**
Finance lease payments	3,224	10,379	30,948	48,279	**92,830**
Accounts payable	70,836	-	-	-	**70,836**
Other financial liabilities	11,415	5,412	648	-	**17,475**
	198,760	**151,604**	**360,483**	**360,210**	**1,071,057**

The maturity analysis of financial liabilities at 31 December 2017 is as follows:

	Less than 1 year	1-2 years	3-5 years	More than 5 years	Total
Loans and borrowings	93,732	61,354	171,249	381,283	**707,618**
Interest payments	51,163	44,427	68,437	72,014	**236,041**
Accounts payable	67,621	-	-	-	**67,621**
Other financial liabilities	6,198	26,389	573	-	**33,160**
	218,714	**132,170**	**240,259**	**453,297**	**1,044,440**

31 Financial Risk and Capital Management (Continued)

(d) Capital management

The Group manages its capital through the optimisation of the debt-to-equity ratio. By doing so, it will be able to continue as a going concern so as to preserve shareholder and creditor confidence and sustain future development of its business.

The Group's management reviews the capital structure on a regular basis. As part of this review, management considers the cost of capital. The Board of Directors reviews the Group's performance and establishes key performance indicators. In addition, the Group is subject to certain externally imposed capital requirements, which are used for capital adequacy monitoring. There were no changes in the Group's capital management objectives, policies and processes during 2018.

32 Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument can be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. The best evidence of the fair value is an active quoted market price for a financial instrument.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation techniques. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Russian Federation continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Assets and liabilities not measured at fair value but for which fair value is disclosed

The carrying amounts of financial instruments, such as cash, investments and other financial assets, short-term receivables and payables, finance lease liabilities and other financial liabilities approximate their fair value.

The fair value of cash and cash equivalents, receivables and payables approximates their carrying amount due to the short-term nature of these financial instruments. The fair value of the Group's borrowings, finance lease liabilities, other long-term financial liabilities are determined using the discounted cash flow method based on discount rates that reflect the interest rate on the issuer's loans with similar terms, credit risk and maturity at the end of the reporting period (Level 3 fair value measurement hierarchy – significant unobservable inputs).

As at 31 December 2018, the fair value of loans and finance lease liabilities approximated their carrying amount. As at 31 December 2017, the fair value of loans exceeded their carrying amount by USD 56,389 thousand.