

# ANNUAL REPORT 2018



**SHEREMETYEVO**  
INTERNATIONAL AIRPORT

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## Technical Information on the Report

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This Annual Report contains information concerning the activities of Joint Stock Company Sheremetyevo International Airport (hereinafter, JSC SIA, Sheremetyevo International Airport, Sheremetyevo Airport, Sheremetyevo, the Company, or the Entity) during the period from January 1 to December 31, 2018, including its subsidiaries and affiliates (the so-called SIA Consolidated Group).

This is the first time an annual report of JSC SIA has been published in a format expanded beyond financial statements alone. Sheremetyevo International Airport is not a public company. The Company is publishing this Report on a voluntary basis.

The Report contains disclosures of the financial and nonfinancial results of the Company's activities, information on the implementation of the long- and mid-term strategies of the Company, and a description of the corporate governance system. In the Report, substantial attention is focused on the Company's social responsibility activities.

The Report is based on the Management Statements of Sheremetyevo International Airport, taking into account the Consolidated Financial Statements of JSC SIA for 2018 prepared in accordance with International Financial Reporting Standards (IFRS). The Consolidated Financial Statements of JSC SIA for 2018 have been audited in accordance with IFRS by AO PricewaterhouseCoopers Audit. For the Consolidated Annual Financial Statements of the Company for 2018 and prior years, see the official website of the Company: <https://www.svo.aero/ru/about/investors/annual-accounts>. Social responsibility information was prepared using the GRI Sustainability Reporting Standards («GRI SRS»).

Unless otherwise specified in this Report, quantitative performance indicators are presented with regard to JSC SIA and its subsidiaries. Insignificant discrepancies in a quantitative indicator arising out of the context (text, table, figure, etc.) of its use in the Report result from rounding off.

The Report is based on the information available to the Company as of the moment of its preparation, including information obtained from third parties. The Company believes this information to be complete and accurate as of the publication of this Report. However, the Company does not claim or guarantee that such information will not be subsequently adjusted, revised, or otherwise altered.

The Report contains estimates and forecasts concerning operational, financial, economic, social, and other performance indicators describing the development of JSC SIA. The Company does not claim or guarantee that the performance indicators presented in the forecasts will be achieved. The Company bears no liability for losses physical persons or legal entities acting on the basis of such forecasts may incur. The Report is published separately in Russian and English, in print and electronic forms.

## Address of the Chairman of the Board of JSC SIA

**Alexander  
Ponomarenko**

Chairman of the Board  
of Directors, JSC SIA

We hereby present to all stakeholders a detailed Report on the activities of Joint Stock Company Sheremetyevo International Airport, as well as the companies that are members of the SIA Group, for 2018. We are doing this regardless of the fact that we are not a public company and we have no formal obligations to publish a Report of this scope and in such detail. However, we understand that the activities of Russia's largest airport and one of Europe's and the world's leading air hubs are constantly in the limelight, and, guided by the principles of openness and transparency, we would like to provide as much consolidated information on our performance as possible.



For us, it is very important that we are starting to do this in the year of the sixtieth anniversary of Sheremetyevo International Airport. Such significant dates have always been a reason to sum up results and shape plans for further development.

2018 was a landmark year in the recent history of Sheremetyevo. It marked the completion of the first phase of the Long-Term Development Program up to 2026. In 2010–2018, investments in the development facilities of SIA Group exceeded RUB 100 billion. The investments raised made it possible to conduct a large-scale reconstruction of the Northern Terminal Complex. The following facilities have been built and commissioned: Terminal B with an aircraft parking apron and multi-level parking lot, a unique inter-terminal passage connecting the Southern and Northern terminal areas, the first phase of the Moscow Cargo freight terminal, and the 3rd fueling complex.

Next on our agenda is to finish the construction of the first stage of Terminal C in 2019. We have already commenced design works for the second construction stage of this terminal. Finally, we should mention the most important element of the airport infrastructure: In 2019, a third independent runway will be commissioned; this runway is being built within the framework of the federal target-oriented program Development of the Russian Federation Transportation System up to 2020 with the use of public investments.

In late 2018, the Federal Agency for Air Transport (Rosaviatsiya) and JSC SIA signed a 49-year concessionary agreement for new construction facilities and the reconstruction of the aviation infrastructure of Sheremetyevo Airport. The key aspects of this agreement are the construction and reconstruction of facilities within the airport that will make it possible to serve the steadily growing passenger and cargo traffic, as well as provision for the future modernization and overhaul of Sheremetyevo Airport with the use of extrabudgetary investments. The amount of investments made available by this agreement is around RUB 61 billion.

The modernization investment program will allow us to achieve the target infrastructure traffic capacity of 100 million passengers a year, thus becoming one of the world's ten largest passenger and cargo hubs.

The development of Sheremetyevo International Airport is of material significance both for the progress of the transportation industry and for the economy as a whole. The airport's prospects correspond with the strategic plans of our primary partner, PJSC Aeroflot, as well as Russian and foreign airlines, and are based on thorough forecasting of market development, the requests of our partner airlines and lessees, and studies on the needs of passengers.

The development of Sheremetyevo Airport increases the attractiveness of Russia's capital as an international financial, tourist, cultural, and sports center. As one of the largest taxpayers and employers and as a logistics and commercial center, Sheremetyevo Airport is steadily increasing its importance as a major growth area of the northern part of the Moscow Region.

I am sure that the consistent implementation of the Long-Term Development Program of the airport will enable us to achieve our strategic goals, reinforce the leadership of Sheremetyevo International Airport in Europe, and support the development of our partners' business in every possible way, and will be a significant contribution to the development of the Russian transportation system and economy.



## Address of the General Director of JSC SIA

**Mikhail  
Vasilenko**

General Director,  
JSC SIA

Joint Stock Company Sheremetyevo International Airport presents the Annual Report for 2018. The Document contains a comprehensive analysis of the positions of JSC SIA in the industry, the results of the work performed over the course of the year, and information concerning the development prospects of the airport. The purpose of this Report is to form a comprehensive picture of the activities of our joint stock company—its structure and governance and its operational and financial performance within the framework of the implementation of the Long-Term Development Program up to 2026.



Nowadays, Sheremetyevo International Airport is one of the ten largest air hubs of Europe in terms of passenger traffic and Europe's best airport in terms of service quality based on the results of the ACI Airport Service Quality program, and it made the top list of the world's best airports according to the ACI Director General's Roll of Excellence. Sheremetyevo serves over 220 destinations.

2018 was a milestone year for the development of the airport: Sheremetyevo has become one of the world's largest airports, with passenger traffic of over 40 million passengers a year. We have been recognized by respected independent international organizations, such as ACI (Airports Council International), Skytrax, OAG (Official Aviation Guide), Flightstats, and others. Moreover, a number of large-scale infrastructural projects unique for Russia have been executed within the framework of the Long-Term Development Program up to 2026 we have adopted.

The most significant occasion of the past year was greeting the participants and guests of a nationwide event—the FIFA World Cup. For thousands of football fans from all over the world, the airport served as the main air gateway and the calling card of Russia; it ensured their uninterrupted transportation to Cup cities. Overall, during the World Cup, the airport served 4.7 million passengers and executed 33,800 takeoff and landing operations.

The development of the airport's infrastructure and the development of its service quality ensured a steady increase in the main operational and financial indicators. In 2018, the growth of Sheremetyevo's passenger traffic was promoted by the growth of transportation volume and the active expansion of the destination network of Aeroflot, as well as the arrival of several new airlines at the airport. All of the above allowed us to strengthen our leadership in the Moscow Air Cluster with the largest share, serving 47.1% of all passenger traffic and performing 46.4% of the total number of takeoff and landing operations in the Moscow Air Cluster.

Our main goal is to ensure a high level of service quality for passengers and airlines. Respected international ratings testify to the leading positions of the airport in Europe in terms of various key parameters. Based on 2018 results, Sheremetyevo scored first in terms of service quality in the category of major European airports with passenger traffic of over 40 million passengers a year according to the ASQ ACI program, and made the ACI Director General's Roll of Excellence's top

list of the world's best airports. Sheremetyevo has also been recognized as a world leader in terms of punctuality in the Major Airports category, based on the data of OAG research company (UK).

In 2018, we completed a number of the most important and largest-scale construction projects planned as part of the airport's Long-Term Development Program. Just before the FIFA World Cup, Terminal B and the interterminal passage (ITP) connecting the Southern and Northern Terminal Complexes through tunnels were commissioned. In early 2019, the new terminal was awarded the highest score of 5 stars by Skytrax, a respected international rating. For its project for the comprehensive modernization of the Northern Terminal Complex, Sheremetyevo International Airport won the VEB.RF Development Award, a professional award for achievements in the execution of large nationally-significant projects in Russia.

The safety and health of our passengers and employees and the protection of the environment and natural resources of the region in which we operate remain priorities of our activities. Our understanding of the social responsibility of businesses includes a wide range of goals: from the development of a barrier-free environment and ensuring comfort for all passenger categories to the execution of educational and charity projects in nearby cities and towns.

Sheremetyevo International Airport is a team of thousands of like-minded professionals of the highest level. Now and in the future, we make and will make every effort to meet the highest demands of passengers, who are our main customers, to ensure the successful operation of partner airlines, to contribute to the development of civil aviation, and to meet nationwide objectives.



## Awards and Recognition



**Five Stars**  
in the Skytrax rating



**Europe's Best Airport  
for Service Quality**  
ASQ ACI



**Best Airport in Russia  
and the CIS**  
Business Traveller  
Russia and CIS Awards



**Best Business Lounge  
of Russia and the CIS**  
Business Traveller Russia  
and CIS Awards



**Global Punctuality Leader**  
in the OAG rating



**Russia's Best Airport for Service  
and Comfort Level**  
Sky Travel Awards



**Best Innovation Project  
of the Year**  
Air Gateway of Russia



**Best Infrastructural  
Project**  
Formula of Movement



**Airport of the Year**  
Wings of Russia

Based on the results of the Airport Service Quality (ASQ) program, according to the ACI's independent quality assessment, as of 2018, Sheremetyevo was ranked first among Europe's largest airports with passenger traffic of over 40 million people and was included in the ACI top list of the world's best airports, the ACI Director General's Roll of Excellence. This prestigious list features airports that have been ranked the best in the ACI's ASQ customer service quality ratings at least five times within the last 10 years. Sheremetyevo Airport was ranked 10th in Europe in terms of passenger traffic and is the most rapidly developing air hub among Europe's largest hubs as of 2018.

For the airport's performance in 2018, OAG (UK) named Sheremetyevo the Global Punctuality Leader of 2018 among airports with 20 to 30 million departing passengers per year. 87% of all flights from Sheremetyevo were on time, which is the highest level for all airports within this category. In 2018, Sheremetyevo won the 4th Air Gateway of Russia award in the Best Innovation Project of the Year category for the construction and commissioning of a unique interterminal passage. The airport also won the 5th national Formula of Movement transportation and transportation infrastructure award in the Best Infrastructural Project category for the development of the Northern Terminal Complex. At the 21st Wings of Russia national aviation award ceremony, Sheremetyevo was named Airport of the Year.

Thanks to the improvement of its passenger services, in 2018, Sheremetyevo Airport received the Business Traveller Russia and CIS Awards in the categories Best Airport of Russia and the CIS and Best Business Lounge of Russia and the CIS. It also received an award from Sky Travel Awards in the category Russia's Best Airport by Service and Comfort Level.

Based on the results of a complex international audit, Terminal B built in 2018 received a certificate with the highest rating of 5 Stars from Skytrax, a prestigious international award for airports and airlines in the field of passenger service quality assessment.

# Sheremetyevo Airport: Six Decades

In 2019, Sheremetyevo Airport turns 60. We believe that, in honor of this anniversary, it will be useful to provide a brief summary of the airport's history.



## 1950s: From a Military Airdrome to a Civil Airport

Sheremetyevo was constructed as the main Air Force airdrome of the Soviet Armed Forces. The new airport got its name from two nearby sites—the residential settlement of Sheremetyevsky and the Savyolovskaya station on the railroad of the same name. The construction of the military airdrome at this location commenced in October 1953. The first runway and the central control building were commissioned in 1957. The airdrome was a base for military transportation aircraft of the 2nd Red Banner Special Operation Aviation Division, which before that had been stationed at M. V. Frunze Central Airdrome for 15 years.

In July 1959, the country's leadership adopted a resolution on the transformation of the airdrome into a civil airport. On August 11, 1959, a Tu-104 airliner departing from Leningrad landed at Sheremetyevo Airport, where the airport services performed a complex of commercial and technical maintenance for the first time. This date is considered the birthday of the airport.



## 1960s: the USSR's Main Air Gateway

In March 1960, the leadership of the Chief Directorate of Civil Aviation of the USSR approved the master plan for the airport's long-term development. In early June 1960, a passenger pavilion—a two-story brick building of 1,820 m<sup>2</sup>—was commissioned and the first international flight from Sheremetyevo to Sch<sup>2</sup> nefeld was carried out using an Il-18 airplane of the Vnukovo Air Group. From this day on, Sheremetyevo became the calling card of Moscow for foreigners coming from abroad. In August 1960, the 63rd Aircraft Division, consisting of seven Il-18s and four Il-14s, as well as the 207th Aircraft Division, consisting of 11 Tu-104 passenger jet airliners, were re-stationed to the airport; in September that year, they were joined by two aircraft divisions of the Polar Aviation Directorate, consisting of Li-2, Il-2, Il-14, An-2, and Tu-4 airplanes and Mi-2 and Mi-4 helicopters. In 1960, over 270,000 passengers and 15,000 tons of mail and cargo were transported from Sheremetyevo, including 170,000 passengers and 11,000 tons of mail and cargo on international flights. In January 1963, Tu-114 airplanes commenced scheduled flights on the route Moscow–Havana–Moscow, with a round-trip length of 31,000 km. It was Aeroflot's longest-distance and most difficult air route; back then, no other airline in the world performed nonstop flights of such length. In September 1964, a new airport complex, Sheremetyevo-1, welcomed its first passengers. By late 1964, airplanes of 18 foreign airlines arrived at Sheremetyevo on a regular basis. Domestic and foreign air traffic reached 822,000 passengers and 23,000 tons of mail and cargo. In 1964, international flights alone accounted for 245,000 passengers and 12,000 tons of mail and cargo. In November 1966, the crew of a Tu-114 airplane performed the first scheduled flight to Tokyo, and in October–November 1967, Il-62 airplanes performed the first flights to Paris, Delhi, and New York. In 1969, the airport transported 1.5 million passengers, including 715,000 passengers on international flights.



## 1970s: Rebirth

Upon the selection of Moscow as the host city of the upcoming XX Olympic Games, a large-scale airport expansion program was launched. It was planned that, by the end of the decade, the airport would be able to at least quadruple its international air carriage. In October 1974, a second runway was constructed: its size and surface allowed for the unlimited operation of any aircraft types. The further development of the airport area included the construction of new taxi strips and other technical facilities. The entire infrastructure of Runway 2, including lighting and radio equipment, was commissioned in summer 1977 based on the positive results of flight checks and flight performance certification under ICAO categories I and II. On November 17, 1977, on the opposite site of the airfield, the foundation was laid for a new airport complex building, Sheremetyevo-2 (now Terminal F). 23 companies from eight countries participated in the tender for its design and construction. Eventually, a contract was concluded with R<sup>2</sup> terbau, from the Federal Republic of Germany. On January 1, 1980, Sheremetyevo-2 was commissioned. The famous terminal included a passenger terminal with boarding bridges, a landside area, a hotel, a maintenance apron, and other operating buildings. The complex was designed to serve 6 million passengers a year at a traffic capacity of 2,100 passengers per hour. Its construction marked the rebirth of the airport.



## 1980s: an Olympic Restart

On May 6, 1980, the ceremonial opening of the Sheremetyevo-2 terminal took place. Over the course of the month of the Olympic Games, the airport served over 460,000 foreign passengers. The Organizing Committee of the 1980 Olympics highly commended the organization of passenger transportation and the quality of service for foreign flight passengers. Throughout the 1980s, Sheremetyevo Airport successfully utilized the facilities constructed for the XX Olympics in Moscow.



## Sheremetyevo Airport: Six Decades

### 1990s: Adapting to a Market Economy

In the 1990s, Sheremetyevo International Airport managed to avoid privatization and remained state-owned. In November 1991, it was assigned the legal status of a state-owned entity and was issued a registration certificate by the Moscow Registration Chamber. However, like the new Russia's entire economy, it transitioned to market operating principles. In 1996, Sheremetyevo International Airport became an independent legal entity: pursuant to the Russian Federation Government Decree dated April 12, 1996 (No. 417) «On Measures and Peculiarities of the Reorganization of Sheremetyevo International Airport State-Owned Enterprise,» the airport became a joint stock company with 100% state participation. In particular, during this period, the Business Aviation Center, which serves special flights (corporate, medical, charter, private) performed by airplanes owned by Russian and foreign companies, was opened at Sheremetyevo; moreover, Runway 1 was reconstructed. The new runway was constructed over the old concrete surface. The runway was 3,550 meters long and 60 meters wide.



### 2000s: Focus on Service Quality

For the airport, the early 21st century was marked by the first experience of actual competition; this showed that the improvement of service quality should be the airport's priority. In March 2007, the new Terminal C, located near the Sheremetyevo-1 complex, was commissioned. Terminal C was constructed on the basis of «barrier-free building» technology, with all zones located as conveniently as possible. Currently, the even newer Terminal C1, similar to Terminal B, is being constructed at the same location. In 2008, the modern Aeroexpress railway terminal was commissioned: now one can take the Aeroexpress from the center of Moscow to the airport in as little as 35 minutes. In the same year, after two years of reconstruction for the needs of the new Airbus A380 and Boeing B787 Dreamliner wide-body airplanes, the second runway was recommissioned. In early 2010, Terminal D was put into full-scale commercial operation, with an area of 172,000 m<sup>2</sup> and a traffic capacity of 12 million passengers a year. The terminal is owned by Aeroflot and a number of banks that funded its construction. In 2009, the Sheremetyevo Airport development master plan up to 2030, prepared in cooperation with the consulting company Scott Wilson Group, was approved. The master plan provided for an increase in the airport's traffic capacity to 64 million passengers a year and the development of a second flight zone and a third runway. Under the said plan, the terminal names were organized according to the international designation system. In the «old» northern part of the airport, formerly known as Sheremetyevo-1, are Terminals A, B, and C, and on the southern part, formerly known as Sheremetyevo-2, are Terminals D, E, and F, respectively. The historic terminal opened for the Moscow Olympics is now known as Terminal F.



### 2010s: Raising Private Investments

The implementation of the Airport Development Master Plan adopted in late 2009 has begun. In April 2010, Terminal E, with a traffic capacity of 7 million passengers a year and an area of 76,000 m<sup>2</sup>, was commissioned. The terminal is a link connecting Terminals D and F. In November of the same year, the integration of Terminals D, E and F and the Aeroexpress railway station into a single complex by means of pedestrian passageways was completed. The total floor space of the complex is 400,000 m<sup>2</sup>, and the traffic capacity is 35 million passengers a year. In January 2012, Terminal A was commissioned to serve business flights and passengers; later, a helicopter pad was added. In summer 2012, Sheremetyevo Airport was approved for landing and takeoff operations with Airbus A380-800, A380-800F, and Boeing 787 Dreamliner «double-decker» airplanes. In August 2012, Rosaviatsiya issued a permit for the construction of a new third runway at Sheremetyevo. In February 2013, the new Command and Control Station of Sheremetyevo Air Traffic Control Center was opened at the airport. In September 2013, selection of an investor for the development of the Northern Terminal Complex, a strategic project for the airport provided for in the Development Master Plan up to 2030, was completed. The proposal of TPS Avia Holding



won the tender. This was the first large private investment in the development of the airport's infrastructure. In 2014–2018, the raising of those funds resulted, in particular, in the construction of the new Terminal B, the inter-terminal passage between the Southern and Northern Terminal Complexes, and the Moscow Cargo Terminal; the reconstruction of junctions around the airport; and the commencement of the reconstruction of Terminal C. Other projects are planned as well. In 2017, in order to facilitate the utilization of private investments, JSC Sheremetyevo Airport was merged into the state-run Joint Stock Company Sheremetyevo International Airport, which resulted in changes in the composition of the Board of Directors of JSC SIA and the consolidation of core assets on its balance sheet.







# CORE ACTIVITIES

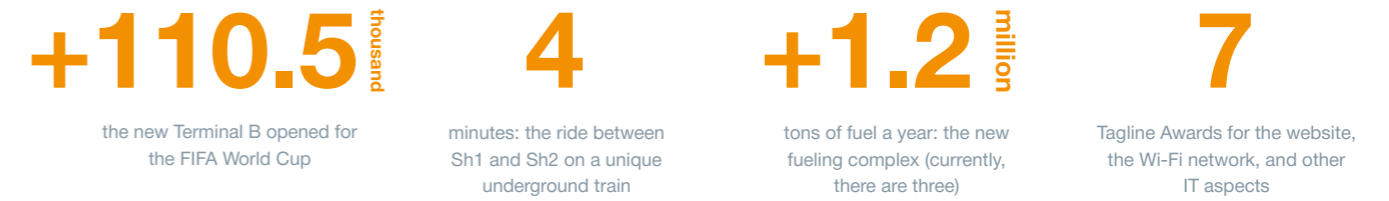
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## Sheremetyevo Airport in 2018

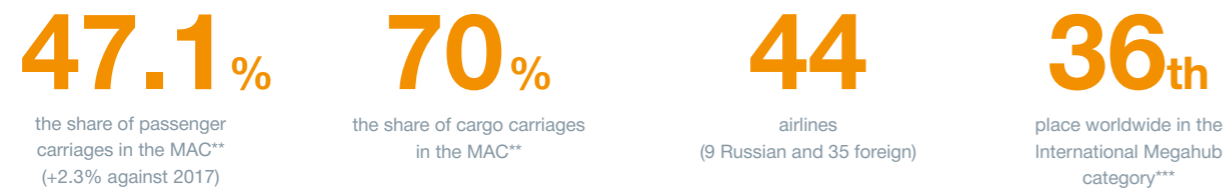
### GROWTH



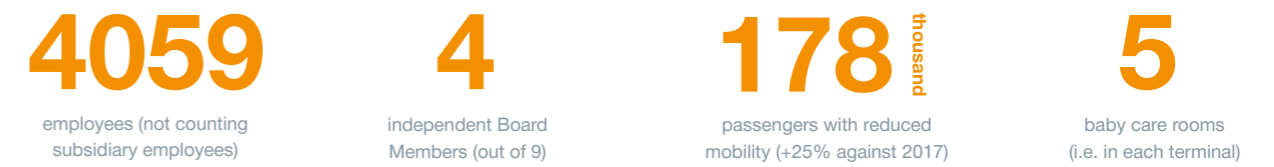
### INFRASTRUCTURE



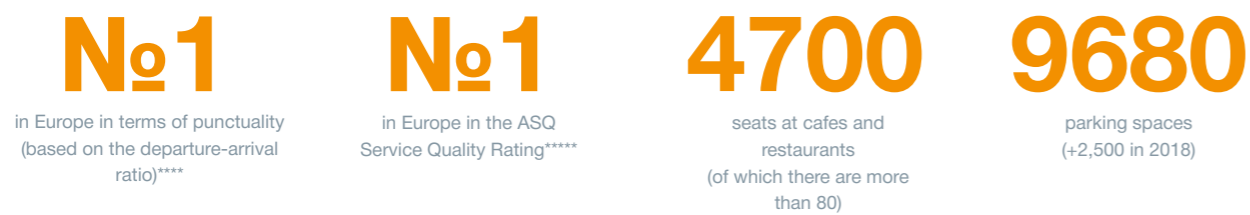
### LEADERSHIP



### RESPONSIBILITY



### QUALITY



### FINANCES



\* Passenger traffic including infants aged 0–2

\*\* The Moscow Air Cluster: SVO, DME and VKO; data from Rosaviatsiya

\*\*\* Megahubs International Index; data from OAG

\*\*\*\* In the category of airports with annual passenger traffic of over 20 million people; data from OAG

\*\*\*\*\* In the category of airports with annual passenger traffic of 25–40 million people; data from Airports Council International

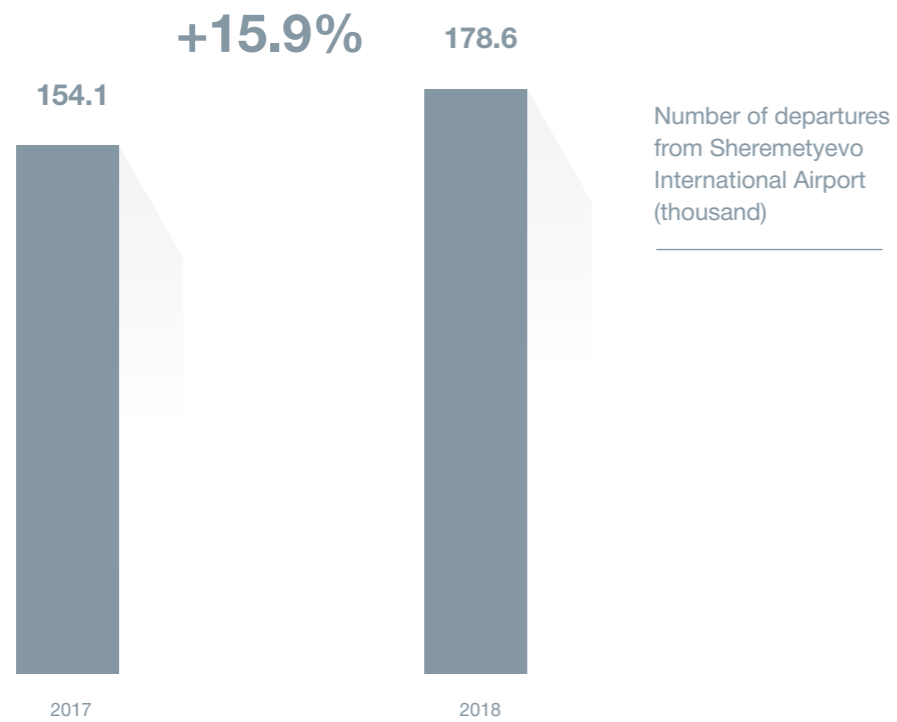
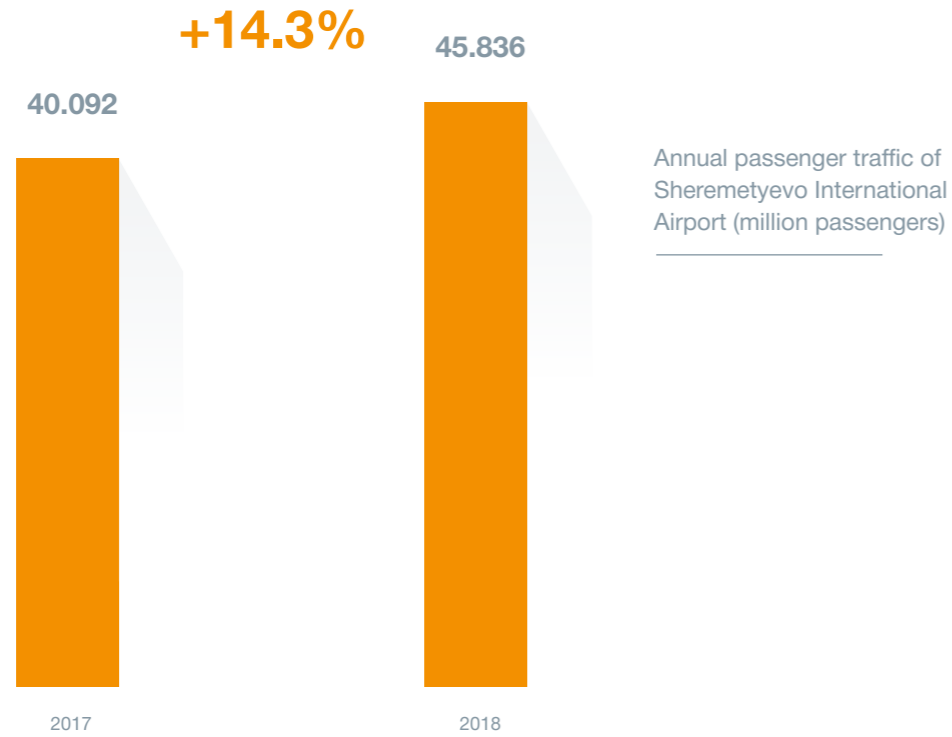
## Sheremetyevo Airport in 2018

On December 4, 2018, the results of the Great Names of Russia contest were officially published: based on the popular vote results, Sheremetyevo International Airport was named after the great Russian poet Alexander Pushkin. Sheremetyevo has launched a large-scale cultural and educational program to help the Russian and international public to learn about the inexhaustible artistic legacy of the poet: a literary parlor at the Sheremetyevo History Museum (Terminal F, 5th floor), a series of thematic photo exhibitions, lectures, and performances. However, the corporate name, trademarks, service marks, and trade name of Joint Stock Company Sheremetyevo International Airport remain unchanged.



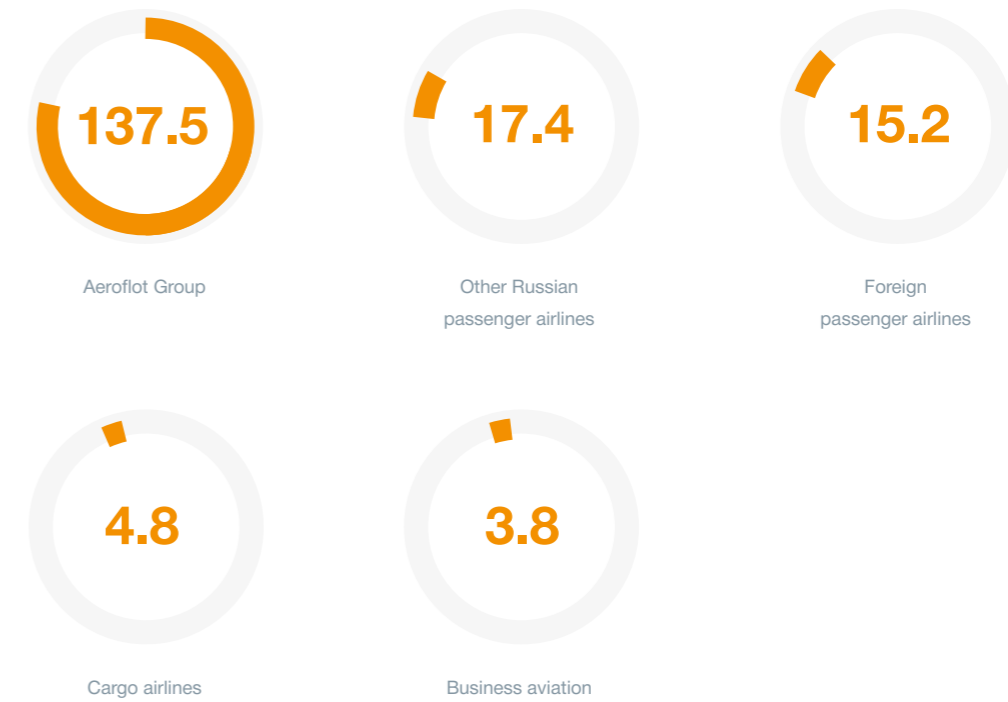
## Key Operational Results of 2018

Sheremetyevo International Airport is Russia's largest airport in terms of passenger and cargo traffic, the number of landing and takeoff operations, the floorspace of the airport complex, and the capacity of the cargo complex. The Airport serves over 200 destinations. In 2018, passenger traffic grew by 14.3% and exceeded 45 million passengers.



In 2018, the number of departures increased by almost 16% to 178,614. The growth of passenger airline traffic amounted to 18%. The number of cargo airline departures decreased by 15%, which is primarily explained by a proportional increase in the lifting capacity of aircraft used by these airlines. Compared to 2017, the airport's business aviation operational performance remained practically unchanged.

Departure structure of Sheremetyevo International Airport, 2018, by air carriage types (thousand)

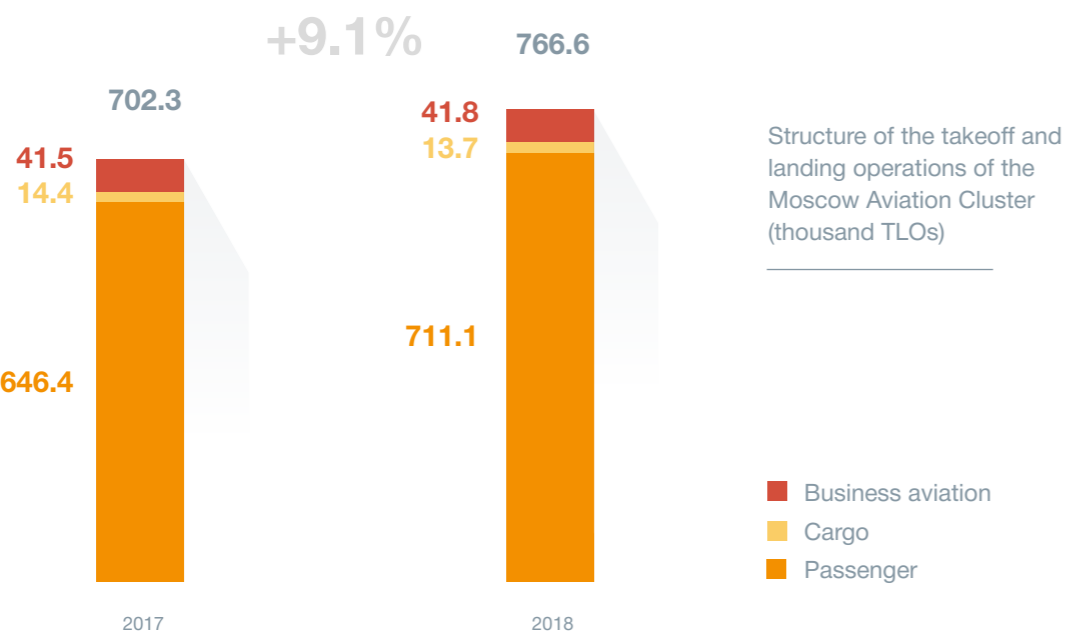
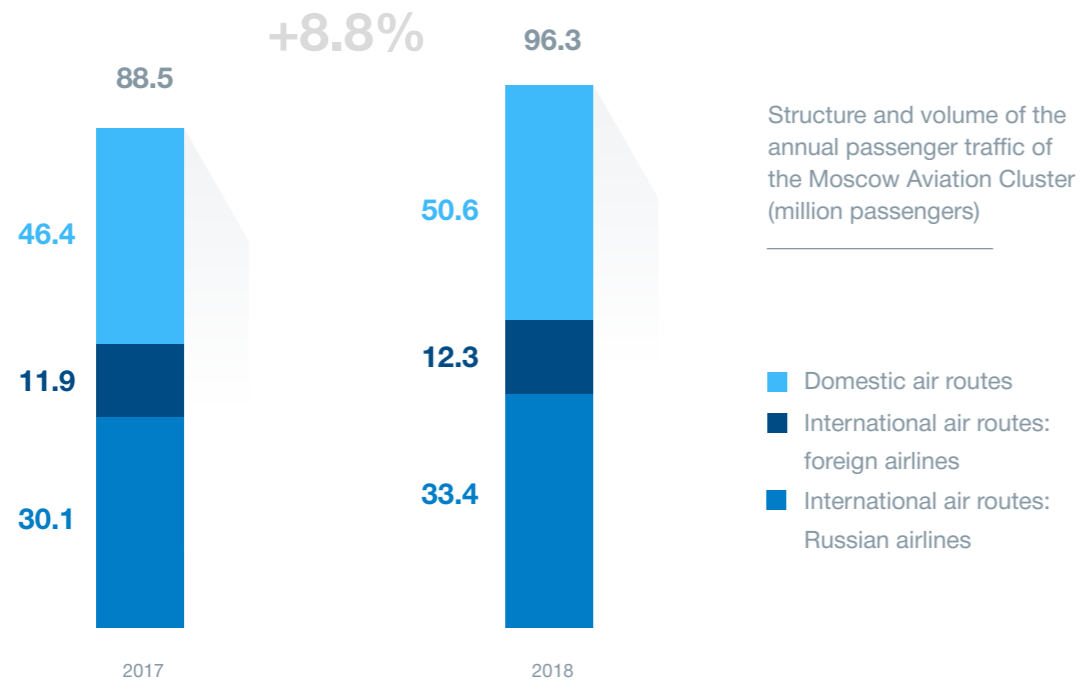


Growth in the number of departures from Sheremetyevo International Airport, 2018, by air carriage types (% against 2017)

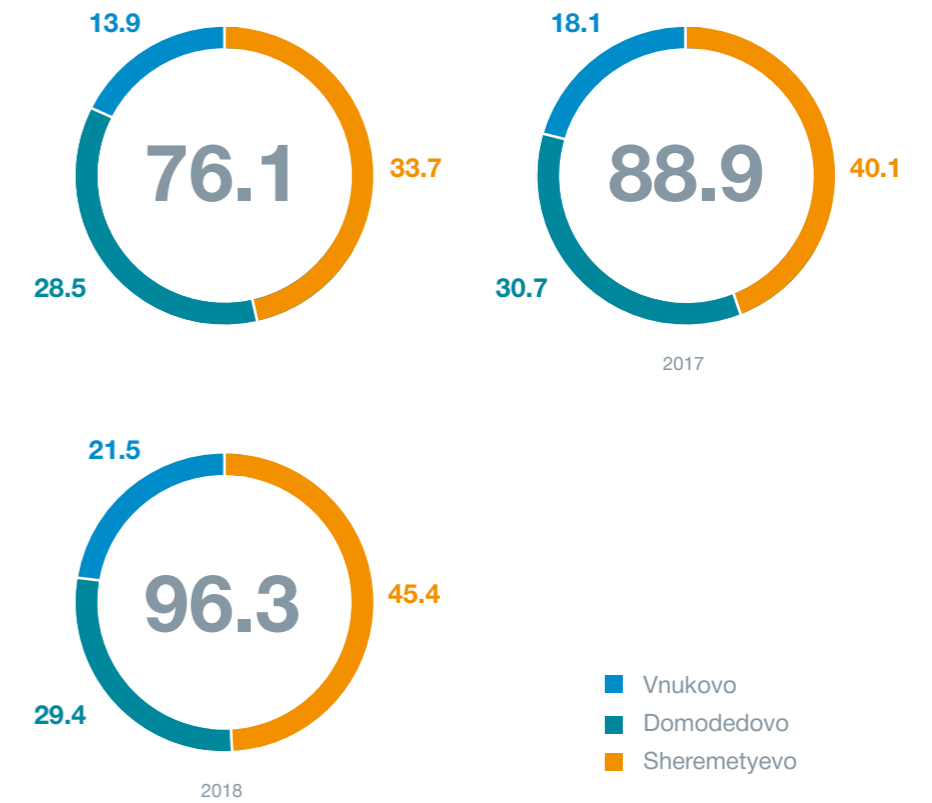


## Sheremetyevo as the Leading Airport of the Moscow Aviation Cluster

According to Rosaviatsiya, in 2018, Moscow Aviation Cluster (MAC) airports, including Sheremetyevo, Domodedovo, and Vnukovo, performed 766,000 takeoff and landing operations (TLO) against 702,000 in the previous year. The passenger traffic of the MAC grew by 8.8% from 88.5 to 96.3 million passengers.



Structure and trends of passenger carriage in the MAC (million passengers)



Sheremetyevo Airport remains the market leader: its share in terms of overall passenger traffic (on both domestic and international routes) amounts to 47.1% (in 2018, Domodedovo and Vnukovo airports transported 30.5% and 22.3% of the total number of passengers, respectively). Sheremetyevo accounts for 46.4% of all takeoff and landing operations (TLOs) performed in the MAC (Domodedovo and Vnukovo airports account for 28.7% and 24.9%, respectively).

## Airlines

Sheremetyevo Airport is making active efforts to attract new partners, open new destinations and develop its destination network in cooperation with its current partners, which has a positive influence on all segments. As of 2018, the growth rate of the overall passenger traffic amounted to 14.3% (+5.7 million passengers), and growth is observed in all airline and destination segments:

Growth of passenger traffic (thousands of passengers) at Sheremetyevo

			2017	2018
Passenger traffic	2017	2018	Abs.	%
<b>TOTAL FOR SIA</b>	<b>40 093</b>	<b>45 836</b>	<b>5 743</b>	<b>14.3</b>
SIA international routes	22 124	24 696	2 572	14.3
SIA domestic routes	17 969	21 141	3 172	17.7
<b>TOTAL for Aeroflot</b>	<b>33 124</b>	<b>36 028</b>	<b>2 905</b>	<b>8.8</b>
Aeroflot international routes	17 180	18 350	1 171	6.8
Aeroflot domestic routes	15 944	17 678	1 734	10.9
<b>TOTAL for other airlines (Russian and foreign)</b>	<b>6 969</b>	<b>9 808</b>	<b>2 839</b>	<b>40.7</b>
International routes	4 944	6 346	1 401	28.3
Domestic routes	2 025	3 462	1 438	71.0
<b>TOTAL for other Russian airlines</b>	<b>3 616</b>	<b>5 917</b>	<b>2 301</b>	<b>63.6</b>
International routes, other Russian airlines	1 591	2 455	863	54.3
Domestic routes, other Russian airlines	2 025	3 462	1 438	71.0
<b>International routes, foreign airlines</b>	<b>3 353</b>	<b>3 891</b>	<b>538</b>	<b>16.0</b>

Key prerequisites ensuring growth in 2018 are as follows:

### 1. Aeroflot:

- The opening of a number of foreign destinations (Bukhara, G<sup>2</sup> teborg, Dublin, Colombo, Ljubljana, Kyzylorda, Osh) and the prolongation of the summer program of flights to Naples, Verona, and Burgas in the fourth quarter of the year;
- The opening of new domestic destinations (Vladikavkaz, Grozny, Makhachkala, Izhevsk, Magas, Nalchik, Saransk, Ulyanovsk) and an increase in the number of flights to low-competition destinations (Magnitogorsk, Novy Urengoy, Saratov).

### 2. Other Russian airlines:

- An increase in the volume of TLOs by Nordwind and Ikar airlines due to the start of new international flights to Germany and Uzbekistan and an increase in the frequency of flights to Yerevan, as well as the opening of new domestic destinations (Anapa, Vladikavkaz, Makhachkala, Nalchik, Grozny, Saratov, Orsk, Novosibirsk, Nizhnevartovsk, Barnaul, Omsk, Krasnoyarsk, Kemerovo, Chita, Yakutsk) due to the expansion of the aircraft fleet and the development of the configuration of aircrafts operated;
- The commencement on October 28, 2018 of flights from SVO by Rossiya Airlines, which performed Russian domestic and international flights to Denpasar, Bangkok, and Colombo;
- The commencement on March 25, 2018 of flights from SVO by Ural Airlines;
- The expansion of flights to Turkey with a prolongation to November and December, the opening of new destinations (Guiyang) by Royal Flight airlines;
- The resumption of flights by AZUR air from Sheremetyevo to Turkey.

### 3. Foreign airlines

- Ellinair (Greece) doubled its passenger traffic thanks to the consolidation of Moscow flights at Sheremetyevo;
- Atlasglobal (Turkey) commenced flights to Antalya in the summer season;
- Air China International increased its passenger traffic thanks to the launch of a daily Beijing–Moscow flight.
- Finnair increased its passenger traffic thanks to the launch of 3 daily flights to Helsinki in February;
- New airlines—British Airways, Cham Wings, and Air Arabia—were engaged.

In 2018, Sheremetyevo performed the scheduled flights of 9 Russian passenger airlines. Russian airlines account for 89.8% of all flights performed and 91.5% of the total number of passengers transported.

In terms of passenger traffic and TLOs in Sheremetyevo, Aeroflot is the airport's leader. In 2018, Aeroflot showed the highest level of absolute growth among Russian airlines (8.8% growth, i.e. by 2.9 million passengers). Today, the destinations of the airline from Sheremetyevo include 156 scheduled destinations.

In 2018, 35 foreign airlines performed scheduled flights from Sheremetyevo. The leaders in terms passenger traffic are Air France, Air Astana, Air Baltic, Ellinair, and China Southern airlines.

# Destinations

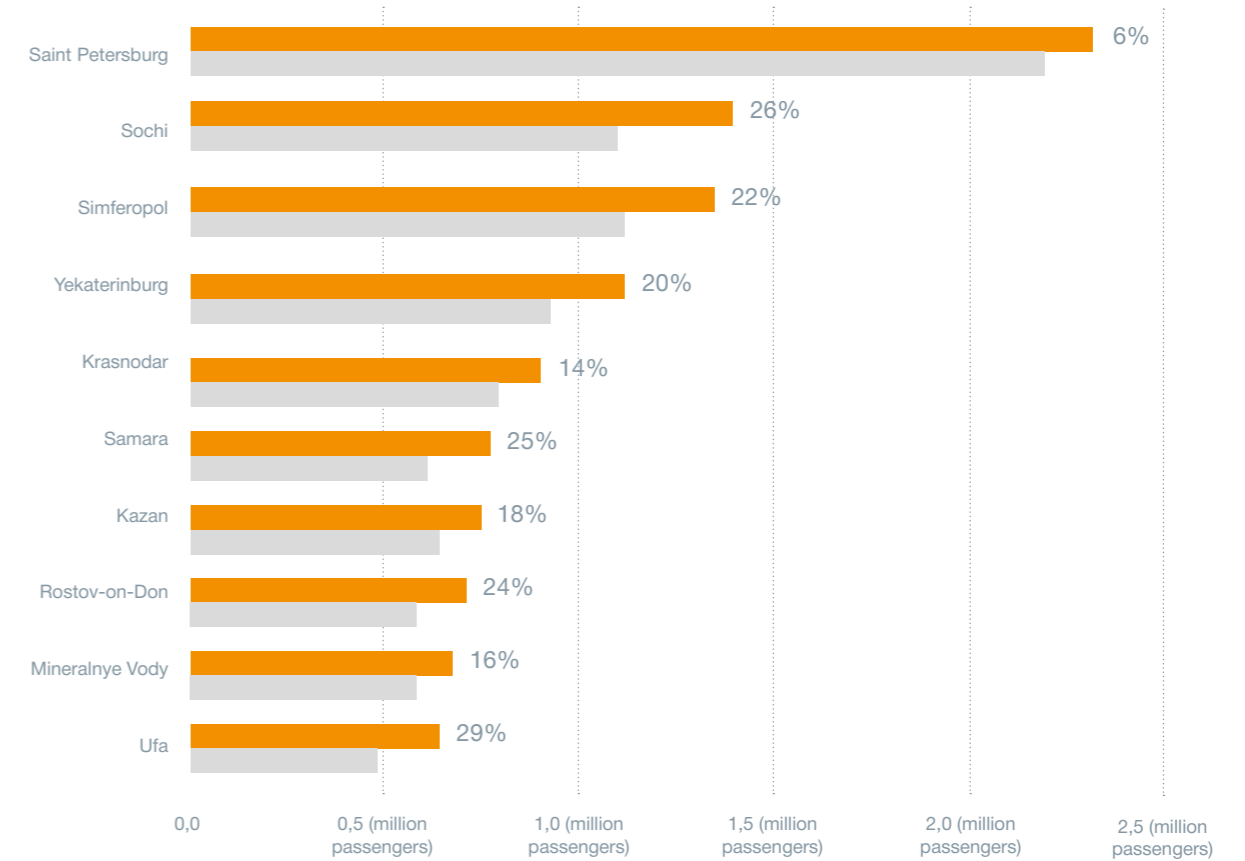
According to the annual report of Airports Council International (ACI), Sheremetyevo International Airport ranks second in Europe among airports with annual passenger traffic of more than 25 million people with regard to the pace of development of the destination network. In 2018, 37 new destinations were opened, and their total number reached 220.

### New SIA destinations opened in 2018

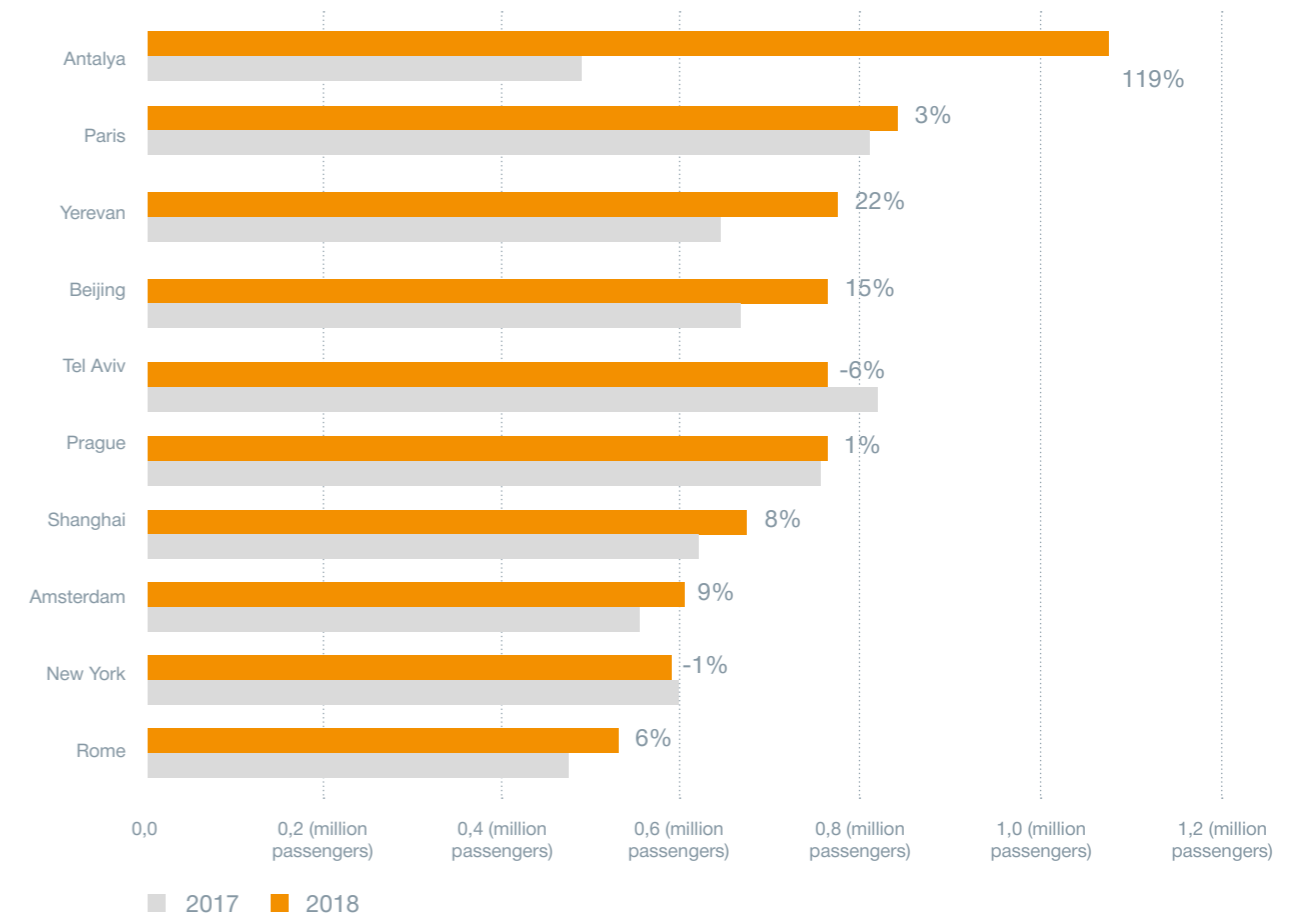
International		Domestic
Bukhara	Kurgan-Tyube	Bratsk
Verona	Kyzylorda	Vladikavkaz
Göteborg	Montego Bay	Grozny
Guiyang	Namangan	Izhevsk
Damask	Naples	Magas
Denpasar	Olgin	Makhachkala
Dublin	Osh	Nalchik
Duong Dong	Santa Clara	Orsk
Kavala	Urgench	Saransk
Cairo	Fergana	Ulyanovsk
Karshi	Hangzhou	Chita
Eilat	Chania	
Sharjah	Hohhot	

In 2018, Sheremetyevo reached 10th place in a rating of European airports with regard to the complex Direct Connectivity parameter (according to the Megahubs International Index 2018 study by OAG), which includes the number of direct destinations and the number of flights serving the directions. In the past 10 years, partner airlines have steadily increased the frequency of their flights. For example, the daily number of flights to Tel Aviv grew from 1 to 5; to Sochi, from 5 to 12; to Yerevan, from 3 to 7; to Riga, from 4 to 8; and to Saint Petersburg, from 15 to 23. In terms of the Hub Connectivity parameter, which includes the number of flights with connections within the airport, in 2018, Sheremetyevo managed to reach 17th place in the global rating.

Volume and growth of passenger traffic for the main destinations of domestic routes



Volume and growth of passenger traffic for the major destinations of international routes



## Destinations

The airport's transfer passenger traffic is also gradually increasing: in 2018, it amounted to 15.9 million people, which corresponds to 35% of total passenger traffic. The most popular transfer destinations on international routes are Tel Aviv, Shanghai, New York, Beijing, and Yerevan. For domestic lines, they are Saint Petersburg, Yekaterinburg, Krasnodar, Sochi, and Kazan.

The most popular city pairs for transfers at Sheremetyevo are:

City of arrival	Arrival area	City of departure	Departure area
Tel Aviv	International	New York	International
New York	International	Tel Aviv	International
Saint Petersburg	Domestic	Hong Kong	International
Yerevan	International	Los Angeles	International
Los Angeles	International	Yerevan	International
Irkutsk	Domestic	Saint Petersburg	Domestic
Saint Petersburg	Domestic	Irkutsk	Domestic
Saint Petersburg	Domestic	Guangzhou	International
Bangkok	International	Tel Aviv	International
Vladivostok	Domestic	Saint Petersburg	Domestic

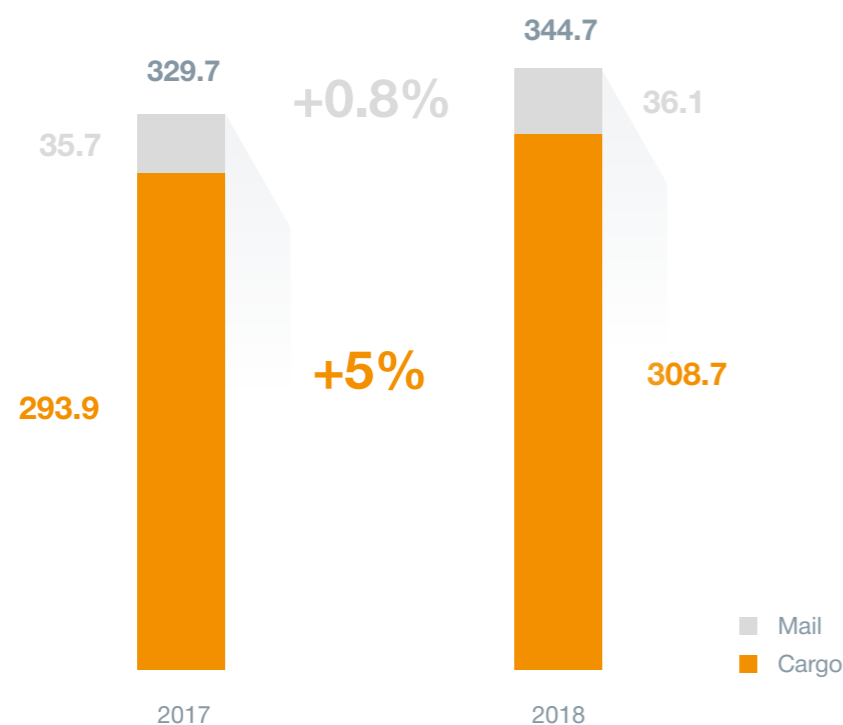




## Cargo

Thanks to targeted work on the development of the airport's cargo infrastructure and the involvement of new airlines, the cargo traffic of the airport has grown more rapidly than expected for two consecutive years. According to IATA statistical data, in 2017, the global growth of cargo air transportation in tons amounted to 9.7%, and in 2018, to 3.4%. Sheremetyevo Airport, on the other hand, increased its cargo traffic in 2017 by 27.1%, and in 2018, by 5%. In 2018, the total weight of cargos handled at Sheremetyevo amounted to over 300,000 tons, while the weight of mail amounted to around 36,000 tons. Aeroflot, Rossiya, and AirBridgeCargo account for 88.7% of the total cargo traffic of the airport.

Structure and trends of Sheremetyevo's cargo transportation (thousand tons)



The growth of the total volume of cargos handled at Sheremetyevo results primarily from cargo traffic on international routes (IRs), which grew by over 7% against 2017 to over 220,000 tons. In 2018, in Sheremetyevo's IR cargo transportation structure, export cargos accounted for the highest growth—over 25%—compared to 2017. This largely results from the macroeconomic situation and changes in the ruble exchange rate. In 2018, the growth of the IR export volume of Aeroflot and AirBridgeCargo amounted to 33.9% compared to 2017, the growth of IR imports exceeded 12%, and the airport managed to keep its cargo transfer volume at the record-high level of 2017 (in particular, in 2017, the volume of Aeroflot's transfer cargos handled at Sheremetyevo grew by 69% against the figures for 2016).

The main foreign destinations, accounting for over 50% of the total cargo traffic, are China, Germany, the USA, the Netherlands, and South Korea. In 2018, the following destinations showed the highest growth of the volumes of cargo exports and transit: Liege (LGG), Leipzig (LEJ), Chengdu (CTU), and Taiwan (TPE). In terms of imports and transit, in 2018, the highest growth was shown by Tokyo (NRT), Chongqing (CKG), Zhengzhou (CGO), and Seoul (ICN).

In the cargo processing sector, Sheremetyevo has established itself as a leader among the Moscow Air Cluster airports, with a 62.8% market share (according to the Federal Air Transport Agency). In 2018, this share grew by 1 percent. The mail handling market share in 2018 increased to 50.8% compared with 50% in 2017.

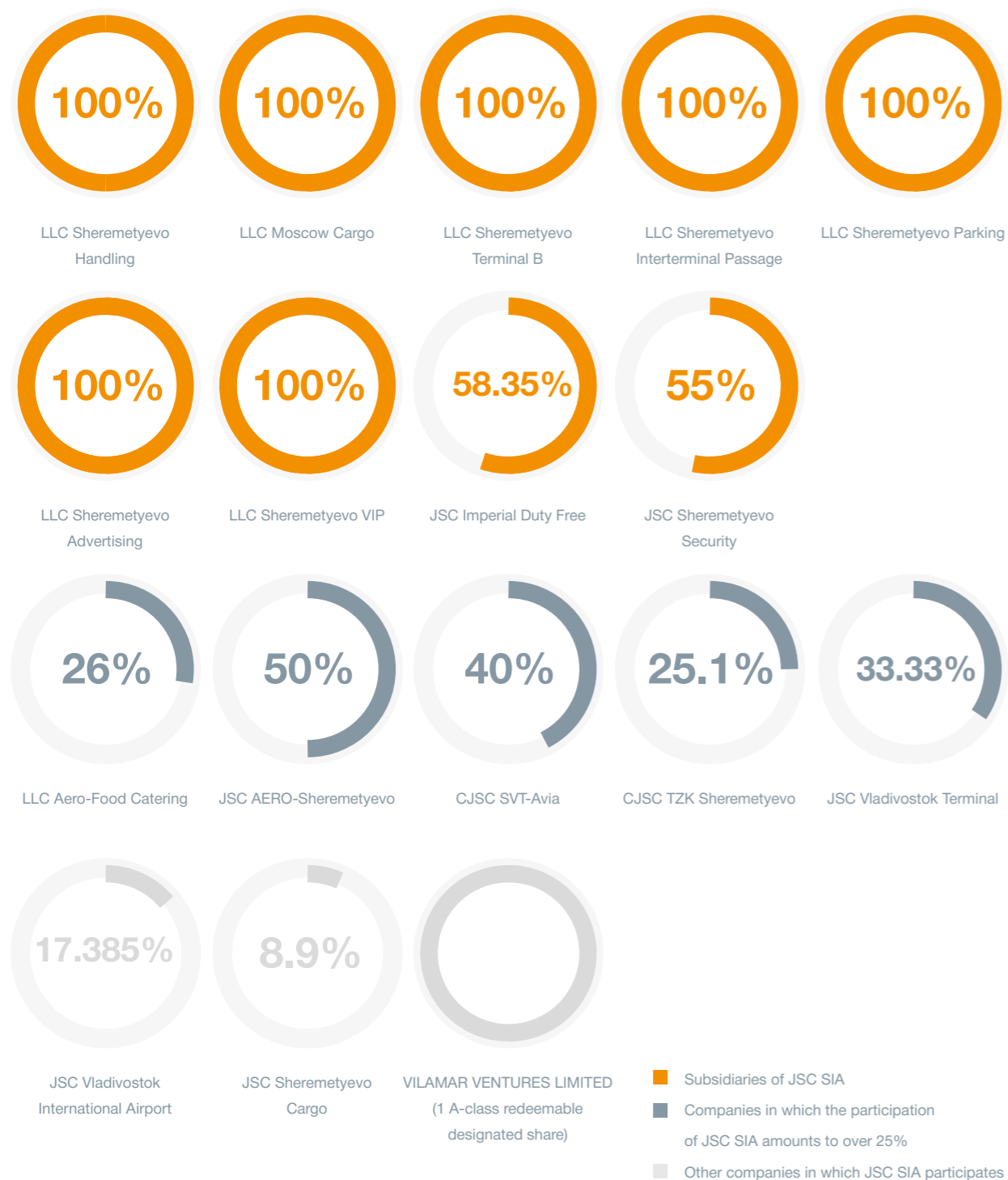
Two operators handled cargos at Sheremetyevo International Airport in 2018: LLC Moscow Cargo and JSC Sheremetyevo-Cargo.

Moscow Cargo is one of Russia's largest companies dealing with the ground service of cargo and mail transportation operations. The company is located within the area of Sheremetyevo Airport and serves the cargo and mail transportation operations of all type of aircrafts manufactured both in Russia and abroad. Among the company's customers are Aeroflot, AirBridgeCargo, Air Astana, and other companies. In 2018, Moscow Cargo commenced cooperation with Rossiya Airlines. Moscow Cargo has the country's largest cargo complex with an area of 42,400 m, commissioned in 2017 and equipped with up-to-date automated cargo handling and storage systems capable of handling up to 380,000 tons of cargo a year.



# SIA Consolidated Group

JSC SIA should be considered a large aviation service holding company that, as of December 31, 2018, participates in 9 subsidiaries with a stake of more than 50%, 5 companies with a stake of less than 50% but more than 20%, and 3 companies with a stake of less than 20%. According to accounting data as of December 31, 2018, the total amount of the contribution to the authorized funds of those companies amounted to RUB 95,082.6 million. Subsidiaries in whose authorized capitals JSC SIA participates are companies operating within the airport and rendering transportation and passenger services. Most of the companies in which JSC SIA participates use the airport's property owned or leased by Sheremetyevo.



## Key information on subsidiaries

Name	Principal area of operations	RAS revenue, RUB thousand		
		2017	2018	Growth
SHEREMETYEVO VIP	Organization of air passenger service, including by means of construction and operation of office delegation halls and first and business class lounges and by servicing air passenger halls and lounges	3 951 246	4 874 653	23,37%
SHEREMETYEVO HANDLING	Aircraft and passenger services, including ancillary aircraft activities	250 141	5 624 918	2 148.7%
SHEREMETYEVO MOSCOW CARGO	Cargo handling services	3 649 648	3 838 364	5.17%
SHEREMETYEVO PARKING	Lease and management of owned or leased real estate	778 812	993 720	27.59%
SHEREMETYEVO ADVERTISING	Advertising (primarily operation of advertising space within the airport)	949 085	2 010 359	111.82%
SHEREMETYEVO DUTY FREE HEINEMANN	Management of Duty-Free and Duty-Paid shops within Sheremetyevo Airport	9 757 849	13 518 808	38.54%
SHEREMETYEVO SECURITY	Organizing and ensuring the transportation and aviation security of transportation infrastructure facilities and vehicles	3 354 406	4 499 247	34.13%
LLC Sheremetyevo Terminal B	Lease and management of owned or leased non-residential real estate	-	456 693	100%
LLC Sheremetyevo Interterminal Passage	Lease and management of owned or leased non-residential real estate	-	322 097	100%

## Participation in Non-Profit Associations

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### **Airports Council International, Europe (ACI Europe), Brussels**

The purpose of JSC SIA's participation in ACI Europe is benchmarking in international ratings (the ACI's Airport Service Quality program (ACI ASQ)) and access to relevant information, best practices and standards of the airport business. Participation is voluntary, with annual membership fees. JSC SIA is a member of the organization, cooperates with its members and participates in joint research on matters touching upon the aviation industry. Airports Council International, in turn, has the objectives of promoting a safe, environment-friendly, and efficient air transportation system aimed at meeting the interests of society and consignors and at ensuring economic development both at the national and international levels.



### **International Air Transport Association, IATA, Canada**

LLC Sheremetyevo Handling holds an ISAGO IATA Safety Audit for Ground Operations compliance certificate. The purpose of participation is compliance with global ground handling safety standards.



### **International Airport Association (IAA), Russia**

The purpose of JSC SIA's participation in the IAA is to support the development of a consensus concerning matters of common interest and defend them at the international level and to support civil airport development for the benefit of air transportation. Form of participation: JSC SIA is a full member of the Association.



## Most Significant Events of 2018

### January

- Flydubai commenced scheduled flights from Sheremetyevo



### February

- Air Arabia launched scheduled flights from Sheremetyevo
- Sheremetyevo Interterminal Passage was declared Russia's best air transportation innovation project and awarded the Air Gateway of Russia award at the NAIS 2018 civil aviation infrastructure exhibition



### March

- International Transport News named Sheremetyevo Airport of the Year in Europe
- The ACI announced the winners of the Airport Service Quality (ASQ) Awards for the previous year: Sheremetyevo was declared Europe's best airport in service quality in the 25–40 Million Passengers a Year category
- According to the rating of OAG, in 2017, Sheremetyevo scored first among Europe's airports with regard to the difference between the timeliness of flight arrivals and departures
- Ural Airlines launches flights from Sheremetyevo



### April

- A certificate of gratitude from the Russian Paralympic Committee for organizing the transportation of Russia's delegation to the XII Paralympic Games and the welcome ceremony for the Russian national team
- The completion of moving cargo flights to the new Moscow Cargo complex and its presentation to airlines and agents
- Construction in the new Terminal B and the interterminal passage is completed
- Sheremetyevo is rated the world's flight punctuality leader by the FlightStats rating
- A special service for speeding up border checkpoint formalities for international flight passengers is launched
- AZUR air launches flights from Sheremetyevo
- Sheremetyevo International Airport wins the 21st Wings of Russia national aviation award in the Airport of the Year category
- Readers of GQ magazine named Sheremetyevo Russia's best airport



### May

- Terminal B constructed for the 2018 World Cup served a test flight
- JSC Sberbank Leasing and LLC Sheremetyevo Handling sign an agreement for the leasing of equipment worth RUB 6.5 billion for Terminal B
- Sheremetyevo wins the 2018 Sky Travel Awards in the main category Russia's Best Airport by Service and Comfort Level



## Most Significant Events of 2018

### June

- Terminal B and the underground passage between the Northern and Southern Terminal Complexes (Sheremetyevo-1 and Sheremetyevo-2) are commissioned
- The welcoming ceremony of the FIFA 2018 World Cup is held
- The size of the 2018 World Cup volunteer team of the airport reaches 800 people
- A new exit from highway M-11 to the Northern Terminal Complex of Sheremetyevo is opened
- A new 2,500-car parking lot is opened
- Air China launches a second daily flight from Beijing to Sheremetyevo
- Sheremetyevo accommodates its first Boeing 787 Dreamliner, on which Air France is bringing football fans from Paris
- JSC SIA holds an Annual General Meeting of Shareholders



### July

- The report of Airports Council International: Sheremetyevo is Europe's number-two airport with regard to the rate of development of its destination network
- A third fueling complex with a capacity of up to 1.2 million tons of aviation fuel a year is commissioned



- Sheremetyevo's integrated management system successfully passed certification under new versions of the MS ISO 9001:2015 and 14001:2015 standards, as well as under the OHSAS 18001:2007 standard
- Sheremetyevo is included in the Roll of Excellence of Airports Council International among seven world airports that, within the past 10 years, have been ranked best in the Airport Service Quality rating at least five times
- Beijing Capital Airlines launches flights from Hangzhou to Sheremetyevo
- Sheremetyevo says farewell to the 2018 World Cup: the championship provided 11% growth of passenger traffic and 16% growth of the number of TLOs against the corresponding period of 2017
- Sheremetyevo enters the Guinness Book of Records: the buffet of the Rublev business lounge is officially recognized as the world's longest

### August

- Sheremetyevo leads the world punctuality rating of Flightstats in the Major Airports category
- Sheremetyevo International Airport is ranked second in Air Transport World's rating of the world's fastest-developing airports
- Sheremetyevo launches a new website with an ergonomic and «airy» design



### September

- During the World Summit of Airports Council International (ACI) held in Halifax (Canada), Sheremetyevo Airport is awarded an ACI ASQ award for being Europe's number-one airport in terms of service quality in the 25–40 million passengers a year category



- Sheremetyevo Airport is a «world megahub» according to the British agency OAG: it scores 36th among the world's airports and 10th among the airports of Europe, the Middle East and Africa
- Sberbank restructures the debt of Sheremetyevo under loans from VEB

### October

- Rossiya Airlines performs its first flight from Sheremetyevo
- The new air hub of British Airways is opened in Moscow



- Royal Flight launches flights from Sheremetyevo

## Most Significant Events of 2018

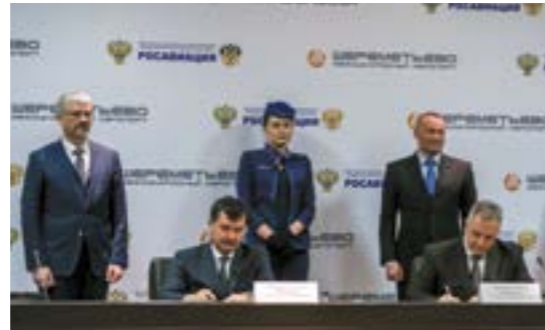
### November

- Aeroflot finishes relocating domestic flights to Terminal B
- The Main Department of State Expertize (Glavosexpertiza) approved the project for the reconstruction of the apron of Terminal C
- Cham Wings Airlines launches flights from Sheremetyevo
- The Airport receives two business tourism awards from Business Traveller Russia and CIS Awards: Sheremetyevo is named the best airport, and Rublev is named the best business lounge in Russia and the CIS
- The Formula of Movement national transportation award: Terminal B and interterminal passage are named the industry's best infrastructural project



### December

- Based on the results of nationwide voting, Sheremetyevo Airport is named after the great Russian poet Alexander Pushkin
- Sheremetyevo and Rosaviatsiya sign a concession agreement with respect to state-owned airport infrastructure facilities for a term of 49 years



- In cooperation with its partners, Sheremetyevo constructs the first full-size food court and the largest food service area among Russian airports





# DEVELOPMENT STRATEGY

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17 | Infrastructure Development and Investments

20 | Development of Aviation Activities

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22 | Development of Infocommunication Technologies

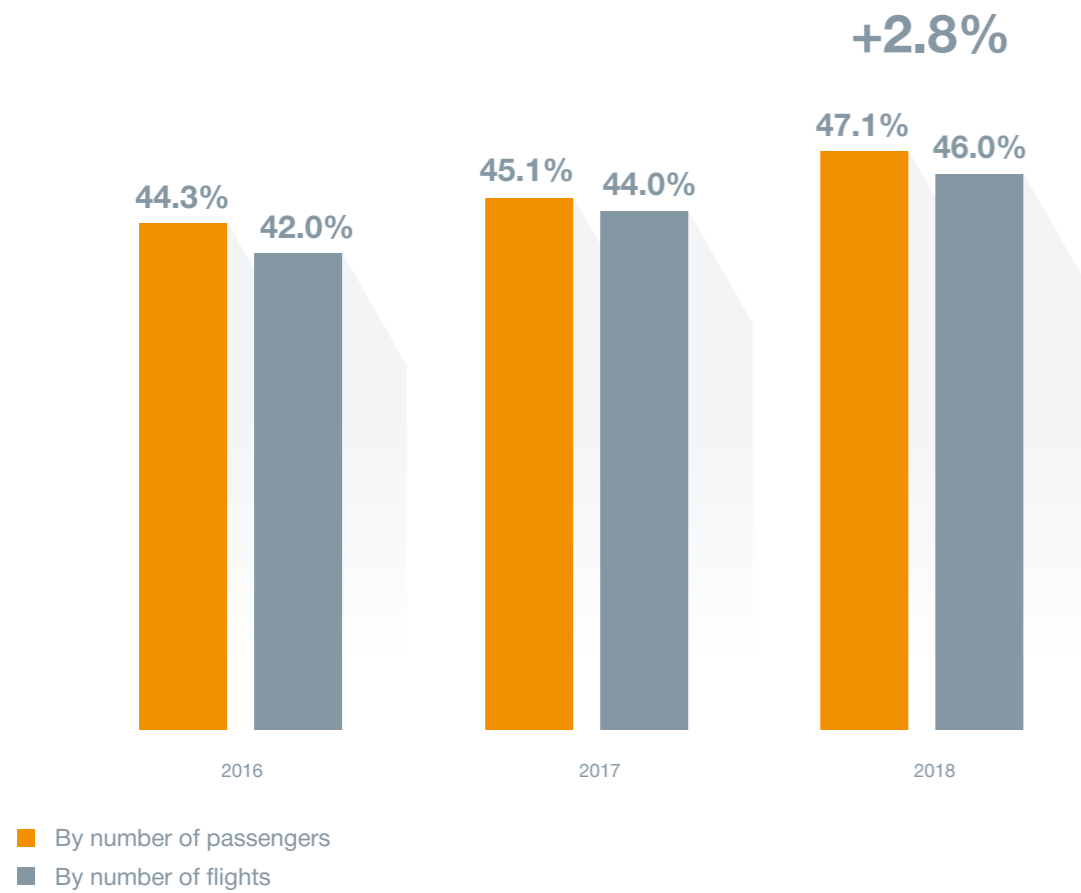
25 | Risks

## Competitive Environment

### Competition within the Moscow Aviation Cluster

Sheremetyevo International Airport is the largest airport in Russia and the Moscow Aviation Cluster. Based on the results of 2018, the share of Sheremetyevo's passenger traffic in the overall structure of the MAC airports grew by 2 percentage points against 2017 to 47.1%.

Changes in Sheremetyevo's share among MAC airports



The international passenger traffic of Sheremetyevo grew by 2.6 million passengers (+12%), and the share of SIA in the MAC with regard to international passenger transportation increased from 52 to 54%. Such active growth was mostly ensured by Aeroflot, Nordwind, Ikar, Royal Flight, Ellinair, Atlasglobal, and Air China. These airlines showed the highest level of absolute passenger traffic growth compared to 2017 (a total of 2.2 million passengers). As of the end of 2018, the absolute growth Sheremetyevo International Airport's domestic passenger traffic amounted to 3.2 million people (+18%), and the share of this indicator in the MAC increased from 38 to 41% due to the increased flight frequency of Aeroflot, as well as the active development of Nordwind and Ikar. Ural Airlines, AZUR air, Rossiya, British Airways, Flydubai, Cham Wings, and Air Arabia, which started flights from Sheremetyevo in 2018, also contributed to the growth of internal and domestic passenger traffic.





## Competitive Environment

Domodedovo is a large airport that, as of the end of 2018, accounted for 31% of the overall passenger traffic of the MAC. In 2018, the airport served 29.4 million passengers, i.e. 4% fewer than in the previous year. The international passenger traffic of Domodedovo decreased by 0.4 million people to 13.3 million (-3 pp, a market share of 29% against 32% in 2017). The bulk of the decrease resulted from the cancellation of the flights of VIM-Avia and Air Manas, the reduction of the programs of Belavia, El Al and Tajik air, and the relocation of FlyOne, AZUR air, SCAT, and Uzbekistan Airways to Vnukovo. The decrease in passenger traffic was partially compensated for by the start of flights of Royal Air Maroc, Oman Air, Ethiopian Airlines, LOT Polish Airlines, and Egyptair. The domestic flights of Domodedovo also show a passenger traffic decrease of 0.9 million passengers (the resulting value is 16.1 million) (-5 pp, a market share of 32% against 37% as of 2017) due to the cessation of activities by VIM-Avia and the relocation of Rusline to Vnukovo.

In 2018, the share of Vnukovo Airport amounted to 22% (+1 pp). Vnukovo's passenger traffic amounts to 21.5 million passengers (+18.4% against the previous year). The airport's major airlines are Rossiya, Utair, Pobeda, and Turkish Airlines. The international passenger traffic of Vnukovo grew by 1.4 million passengers to 7.9 million passengers (+21.5%, a market share of 17% against 15% in 2017). This high growth rate can be explained by the popularity of low-cost Pobeda flights among consumers and Vnukovo's acquisition of new partners: FlyOne, SCAT, Uzbekistan Airways, and AZUR air. The domestic passenger traffic of Vnukovo amounted to 13.6 million (an increase of 1.9 million passengers, i.e. +17%, and a market share of 27% against 25% in 2017). Such growth results from the development of Utair, Pobeda, and Azimuth. Rusline provided additional passenger traffic by relocating from Domodedovo to Vnukovo in the first half of 2018. The relocation of Rossiya flights to Sheremetyevo in October 2018 had a significant influence on passenger traffic.

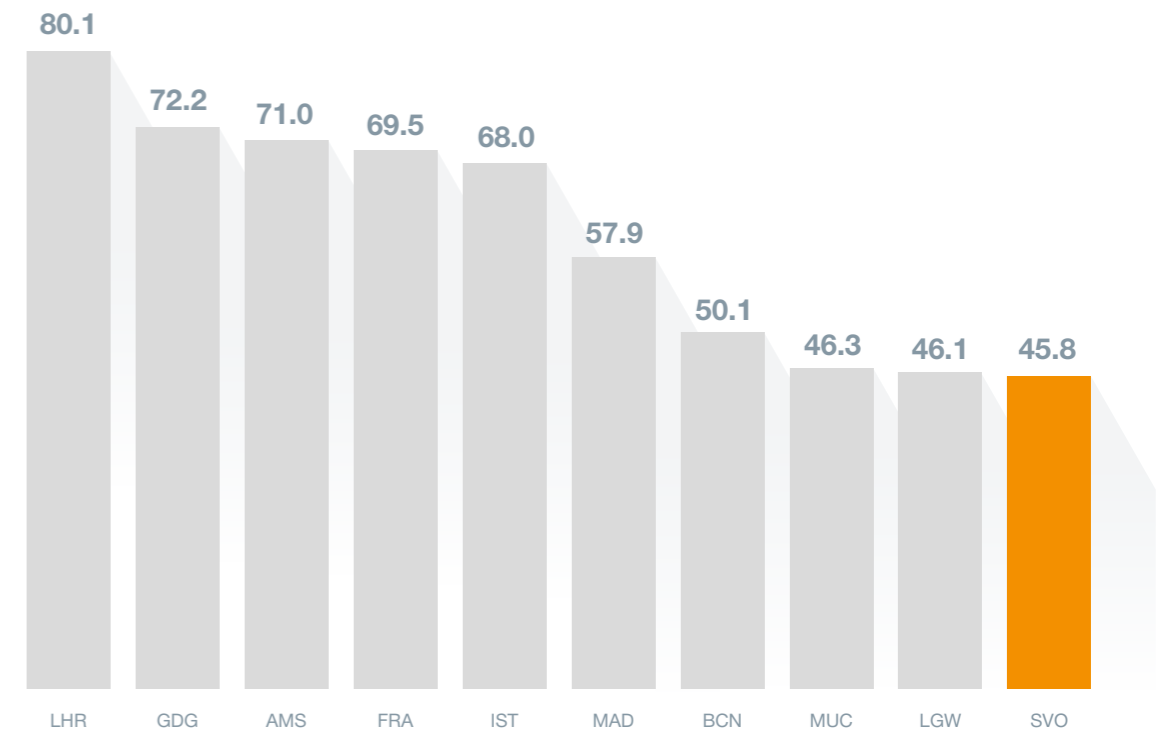
As of 2018, Zhukovsky Airport served 1.161 million passengers (173% more than in 2017), and it continues actively attracting charter and scheduled carriers. International flights from Zhukovsky are not considered flights from the Moscow Aviation

Cluster and, consequently, are not affected by restrictions under intergovernmental agreements on air services. The airport's status is most actively enjoyed by Ural Airlines, which has opened flights to Georgia, Tajikistan, Israel, and Italy which are not available for the MAC. In 2018, Somon Air (Tajikistan) and Iraero (Russia) were added.

### International competition

Having confidently reached the milestone of 45 million passengers, Sheremetyevo has strengthened its position as a top-category international airport. Based on ACI criteria, this category includes airports whose passenger traffic exceeds 40 million passengers a year.

Europe's largest airports in terms of passenger traffic in 2018 (million passengers) (\* data provided by the airports)



## Competitive Environment

The key advantages of Sheremetyevo over its key competitors, thanks to which the airport manages to attract new airlines and expand its current partnership relationships, include:

### 1. High-quality passenger services.

Based on the ACI's global Airport Service Quality (ASQ) survey program, since 2012, Sheremetyevo International Airport has been in leading positions and has been recognized as Europe's best airport in terms of passenger service quality.

In 2018, Sheremetyevo made it to the list of the world's best airports according to the Airport Council International, the ACI Director General's Roll of Excellence.

As of the end of 2018, Sheremetyevo led the rating of Europe's airports with passenger traffic of over 40 million passengers a year in terms of service quality—it shared the victory with Rome's Fiumicino Airport.

Sheremetyevo Airport received the highest rating scores under the ACI ASQ program in 2018 for the overall atmosphere in the airport, the politeness and efficiency of registration employees, the convenience of services and navigation, and comfort in business lounges and departure and arrival halls.

### 2. Infrastructure promoting airline growth

Today Sheremetyevo is in the Top 50 of the world's airports in terms of passenger traffic (41st in the Preliminary World Airport Traffic Rankings, 2018) and leads the Top 50 for passenger traffic growth rate (+14.2%). For the past 10 years, the average annual passenger traffic growth rate has amounted to 11.7%; the growth rate is expected to be 7% for the next 10 years. In connection with this, Sheremetyevo Airport has launched a large-scale reconstruction program: in 2018, a domestic terminal, an interterminal tunnel, and a fueling complex were commissioned. In the coming years, in order to maintain the high quality of services, the airport will construct a new runway with taxi strips, aprons, international terminals, and ancillary infrastructural facilities. The overall passenger traffic capacity of the airport will grow from 52 to 80 million passengers a year.

### 3. Specifics of geographical location and growth of demand for flights to Asia and Europe

The geographical location and the economy of Moscow contribute to the creation of a hub for transfer traffic between the East (Japan, China, Southeast Asia), Europe, and Russian cities. In 2018, the volume of transfer traffic amounted to 15.9 million people (34.7% of Sheremetyevo's overall passenger traffic); the volume of international transfer traffic amounted to 5.2 million people (32.5% of the overall transfer traffic). In 2018, Chinese destinations and passenger traffic developed actively: based on the results of the year, 10 airlines, including 8 Chinese companies, performed flights to 19 Chinese destinations, which is more than in any other airport in Europe. Passenger traffic to China amounted to 2.3 million people (+14% against 2017). In order to increase its competitiveness in the global market, Sheremetyevo has passed a special certification of the Chinese Government and has been assigned China Friendly status: the airport offers navigation and notices in Chinese, accepts plastic cards of Chinese payment systems, and provides other options making Sheremetyevo friendly and convenient.

### 4. Flight punctuality as an indicator of the quality of ground services and air traffic coordination

According to the rating of OAG, Sheremetyevo scores 1st in the world's rating of punctuality in 2018 in the Major Airports category and is Europe's leader in terms of difference between the punctuality of arriving and departing flights. Among Europe's 10 largest airports, Sheremetyevo is the only one whose departure punctuality (86.5%) exceeds arrival punctuality (75.9%) by 10.6 pp. This indicator demonstrates the high efficiency of the organization of Sheremetyevo's ground aircraft service. A well-developed schedule system helps airlines eliminate the consequences of arrival delays, reduce gaps in their schedules through prompt airport services, and depart on time. The airport's punctuality is also independently confirmed by the Flightstats rating: Sheremetyevo is Europe's leader in the Major Airports category.

### 5. Convenience of location in the Moscow Region

According to a survey by Boston Consulting Group, the proximity of Sheremetyevo to Moscow's center and the airport's transport accessibility create a competitive advantage that influences the airline choice of 46% of Moscow and Moscow Region citizens, office center employees and tourists.

## Business Strategy of JSC SIA

The mission of Sheremetyevo is to work every day around the clock to ensure the comfort and safety of passengers, render services to our clients and enable our employees to develop harmoniously in order to unite individuals into one whole through our flight services.

### Business strategy factors of JSC SIA

The key areas of Sheremetyevo Airport's long-term development were approved by the Board of Directors of OJSC Sheremetyevo International Airport in August 2005. The proposals of executive bodies submitted for approval by the Board of Directors touched upon the establishment of the key strategic goals and priorities of the Company's activities, as well as the development concept of Sheremetyevo. In 2008, a master plan for the development of Sheremetyevo Airport up to 2030 was prepared with the involvement of Scott Wilson Ltd consulting company (UK). The master plan was considered at the meeting of the Board and approved by the Corporate Committee for Strategic Cooperation between the airport and Aeroflot.

The master plan confirms the expediency of creating a second flight area at Sheremetyevo, with the construction of a new runway (Runway 3) suitable for all types of aircrafts. On August 28, 2012, Rosaviatsiya issued a permit for the construction of Runway 3 at Sheremetyevo International Airport. Currently, the Runway 3 project is being funded from the federal budget as part of the Development of the Transportation Infrastructure of Russia (2010–2015) federal targeted program. Large-scale construction and reconstruction of airport facilities is also planned at Sheremetyevo Airport; such projects will be funded under a concession agreement through the inclusion of the investment component in the tariff; the projects include:

- the reconstruction of the central and eastern part of the new high-speed taxiway (HST);
- the reconstruction of Paved Runway 1 (PR-1);
- the construction of interconnecting taxiways (including high-speed ones);
- the reconstruction of 2nd and 3rd phases of the Central Apron of Sheremetyevo-1;
- the construction and reconstruction of air traffic control facilities.

In December 2012, the consulting developers of the master plan prepared an expert opinion on the development options and phases of the Northern and Southern Terminal Areas of the airport with regard to the existing limitations and the new development strategy of Aeroflot, including updating the base forecast of passenger traffic according to the master plan up to 2025. The consultants' report confirmed the expediency of the development of the airport's Northern Terminal Complex from the point of view of the strategic development of the airport.

In September 2013, the airport selected a strategic partner with which it plans to develop the Northern Terminal Area; this includes, in particular:

- the construction of a new terminal with an estimated passenger traffic capacity of 20 million passengers a year to replace the old Terminal B (commissioned in May 2018);
- the construction of an interterminal connection facility between the Northern and Southern Terminal Complexes (an underground tunnel under the runway system, commissioned in May 2018);
- the construction of a new cargo terminal with ancillary infrastructure, with an estimated traffic capacity of 380,000 tons a year (the first phase was commissioned in September 2017);
- the construction of a new alternative fueling complex within Sheremetyevo Airport (commissioned in July 2018).

In 2014, Sheremetyevo International Airport developed a Long-Term Development Program for 2015–2024, with the engagement of BCG consulting company. This program was developed in accordance with the aims and objectives established in the Russian Federation state program Development of the Transportation System for 2013–2020, approved by a resolution of the Government Transportation Commission (Minutes No. 6 dated December 4, 2014) and confirmed by a resolution of the Board of Directors of the Company on December 18, 2014.

The Long-Term Development Program up to 2024 is a kind of a roadmap for the achievement of strategic goals: to become one of the world's Top 10 airports in terms of service quality that transports 52 million passengers and 1 million tons of cargos a year, that has an optimal level of debt burden of no more than 2.5 EBITDA, and that shows an EBITDA margin of at least 40%. The program provides for the development of modern infrastructure, the construction of terminals in the Northern Terminal Complex, efficient operations, labor safety guarantees, employee health and safety guarantees, environmental impact mitigation, and the sustainable utilization of natural and energy resources.

## Business Strategy of JSC SIA

### Long-Term Development Program

The Company uses the Long-Term Development Program of JSC SIA up to 2024 as its main strategic document determining the development of the core activities of Joint Stock Company Sheremetyevo International Airport. It provides for the following key objectives of the airport:

- Becoming one of the Top 10 airports in terms of service quality
- Becoming an airport that transports at least 52 million passengers and 1 million tons of cargos a year
- Becoming an airport with an optimal debt burden level of no more than 2.5 EBITDA (this value is calculated without taking into account the possible receipt of funds from the Sovereign Wealth Fund of the Russian Federation)
- Becoming an airport showing an EBITDA margin of at least 40%
- Becoming an airport with up-to-date infrastructure, completing the terminal construction project in the Northern Terminal Complex
- Becoming an airport that conducts efficient operations, ensures safe labor conditions, and protects each employee's life and health
- Mitigating negative impact on environment and increasing the sustainability of natural and energy resource utilization

## Business Strategy of JSC SIA

The key provisions of the Long-Term Development Program are a set of measures needed to achieve the said goals. Some of those measures have already been taken, some are being taken according to the plan, and some, perhaps, will be postponed (adjustments to this program are described below). Overall, as of the time of preparation of this Report, the core of the Long-Term Development Program of Sheremetyevo Airport up to 2024 is as follows:

- Aviation activities**
- Ensuring the service of Aeroflot passenger traffic
  - Attracting a second aviation alliance to the airport in order to ensure load on facilities in case Aeroflot's passenger traffic is insufficient
  - Further increasing the quality of passenger services
  - Increasing the number of transit passengers

- Non-aviation activities**
- Increasing the volume of cargo transportation
  - Increasing the efficiency of commercial activities

- Developing infrastructure**
- Construction of the new Terminal B
  - Construction of an interterminal passage between the Northern and the Southern Areas
  - Construction of a new cargo complex
  - Construction of a third fueling complex and a centralized fueling station on the apron of the Northern Terminal Complex
  - Reconstruction of Terminal C (phases 1 and 2)
  - Construction of Runway 3
  - Investment programs aimed at maintaining the operability of the existing airport complex of SIA
  - Reconstruction of Terminal F

- Operational efficiency**
- Increasing the efficiency of procurements
  - Increasing the efficiency and quality of operations
  - Reducing specific costs of passenger traffic

- Financial indicators**
- Ensuring funding through consolidation and privatization
  - Transferring the Airport from the state to JSC SIA under a concession agreement

- Innovative development program**
- Ensuring the comprehensive modernization of the airport activities, the development of the airport complex, and the creation of innovative solutions and services
  - Increasing competitiveness compared to leading foreign airports in terms of efficiency, quality, service level, and services offered
  - Becoming one of the world's leading hub airports in terms of passenger service quality

In 2015–2017, the measures of the Long-Term Development Program which are prerequisites for its overall successful completion were taken. These relate first and foremost to the creation of a viable structure: the restructuring of Sheremetyevo Airport resulted in the establishment of a consolidated group of companies performing both aviation and non-aviation activities: VIP lounges, duty-free stores, parking lots, a fueling complex, and a cargo handling system.

During the same years, crucial financial prerequisites were created as well: based on Decree of the President No. 334 dated August 28, 2015, and the Russian Federation Government Decrees No.1865-r dated September 22, 2015, and No. 201-r dated February 11, 2016, another phase of JSC SIA's privatization was completed; as a result, the share of federal ownership was reduced to 30.46%. Moreover, in 2018, a 49-year concession agreement for the transfer of state property (including, for example, the airport itself and a number of other property items) to JSC SIA was signed between Rosaviatsiya and JSC SIA. Thanks to the changes in the ownership structure, an efficient state-private partnership has been established. Within the framework of this partnership, non-state investments from various extrabudgetary sources in the program of the development of the airport's infrastructure will amount to approximately USD 2.5 billion, including RUB 61 billion under liabilities in accordance with the concession agreement.

In 2017–2018, many infrastructure development components of the Long-Term Development Program were fulfilled: a new cargo complex, Terminal B, the interterminal passage and the third fueling complex were commissioned, and the first phase of reconstruction of Terminal C was commenced. Preparation for the 2018 World Cup played a crucial role in achieving these goals within short timeframes.

In 2018, the long-term operational performance forecast was adjusted upward. The growth rates and marketing research demonstrate that by 2025, the passenger traffic of Sheremetyevo International Airport may reach 62–71 million passengers, provided that the current list of airlines is preserved. This has led to the need to revise the Long-Term Development Program: some of the goals can be achieved with less effort (e.g. commissioning under the second phase of Terminal C reconstruction can take place in 2023–2028, and the reconstruction of

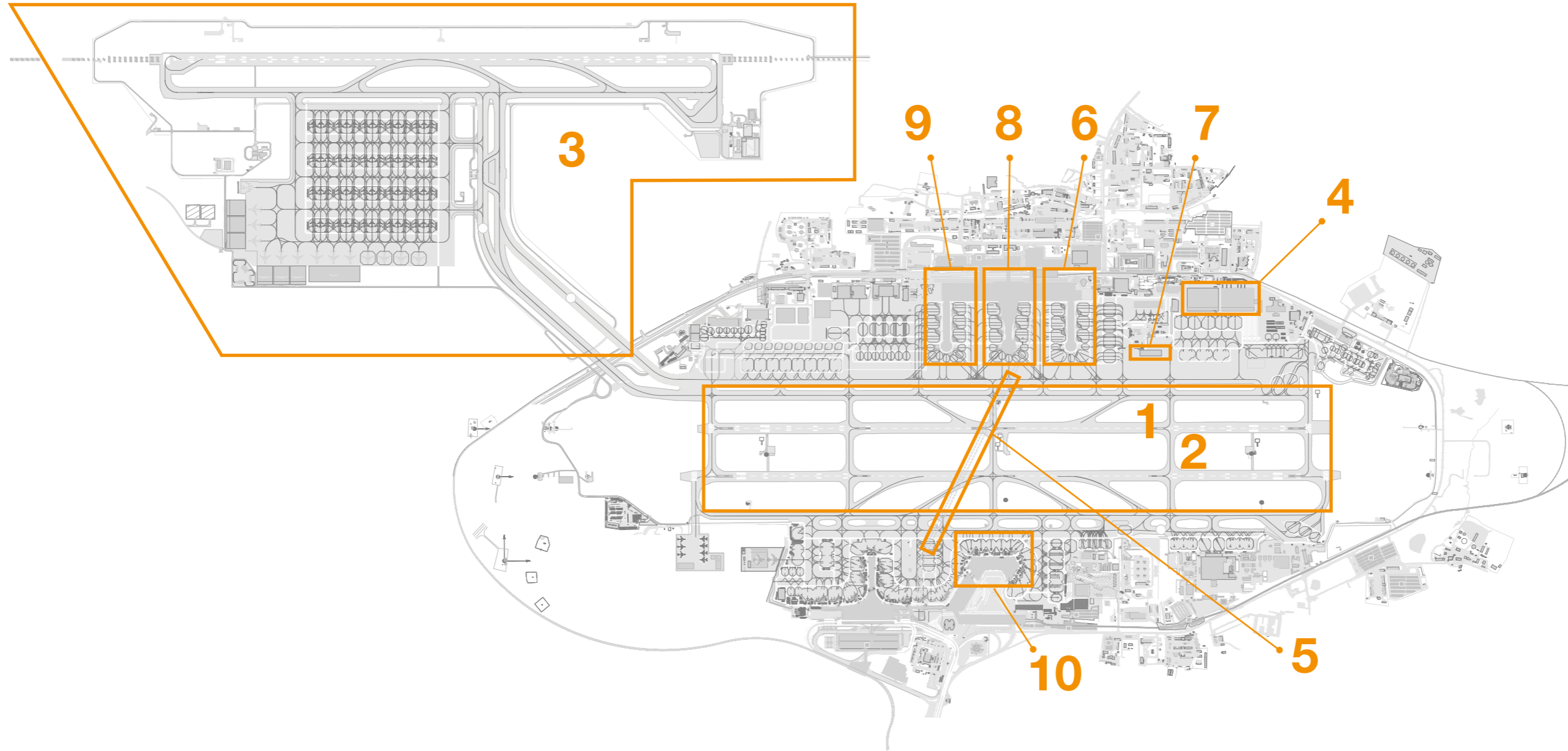
Terminal F can be performed in 2025–2029), some can be made more ambitious, and for some the list of necessary measures has been expanded. In particular, lists of measures aimed at replacing foreign equipment with Russian-made equipment, reducing operating costs and increasing labor efficiency have already been included in the Program.

This is why currently, the Long-Term Development Program of Sheremetyevo International Airport is being prepared for updating. This update will be performed taking into account the results of a program audit (which will be completed by June 1, 2019) and the development strategy of the subsidiaries of JSC SIA.

# Infrastructure Development and Investments

Infrastructure development plans are an integral element of the strategy of JSC SIA and the Long-Term Development Program. For the reader's convenience, we will present them on a map.

JSC SIA also plans to develop the airport's infrastructure in cooperation with other operators on the basis of partnerships, including with operators in which SIA holds a minority share. Among the key joint projects of this type are the construction of another cargo terminal, certain facilities within the Northern Terminal Complex, the Northern Railway Terminal, and parking areas.



**1 Reconstruction and development of the Airport, phase 1**  
 Term: completed in 2015  
 Cost: RUB 9.58 billion from the federal budget as a part of the federal targeted program Development of the Transportation System of Russia

**2 Reconstruction and development of the Airport, phase 2**  
 Term: completed in 2018  
 Cost: RUB 8.5 billion from the federal budget as a part of the federal targeted program Development of the Transportation System of Russia

**3 Complex of the third runway**  
 Term: construction has been commenced and is expected to be completed in 2019  
 Cost: RUB 35.5 billion from the federal budget as a part of the federal targeted program Development of the Transportation System of Russia

**4 New cargo complex**  
 Term: completed in 2016  
 Cost: USD 100 million, by means of investments

**5 Underground interterminal passage**  
 Term: completed in 2018  
 Cost: USD 292 million, by means of investments

**6 New Terminal B**  
 Term: completed in 2018  
 Cost: USD 320 million, by means of investments

**7 Third fueling complex**  
 Term: completed in 2018  
 Cost: USD 150 million, by means of investments

**8 Reconstruction of Terminal C, phase 1**  
 Term: commenced and is expected to be completed in 2020  
 Cost: around USD 509 million, by means of investments

**9 Reconstruction of Terminal C, phase 2**  
 Term: expected to take place in 2021–2023  
 Cost: around USD 350 million, by means of investments

**10 Reconstruction of Terminal F**  
 Term: expected to take place in 2023–2025  
 Cost: around USD 300 million, by means of investments

## Development of Aviation Activities

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According to the development strategy of JSC SIA and the long-term strategy of the Aeroflot Group for the next few years, aviation activities shall develop in the following areas:

- Organizing transfer between flights of different airlines;
- Increasing the traffic capacity of the terminal transit area, with consideration for plans to increase IR-IR transfer traffic;
- Developing a plan for the optimal location of airlines within terminals in order to efficiently use facilities;
- Organizing navigation for transfer passengers of major destinations;
- Optimizing minimum connection time;
- Attracting more airlines.



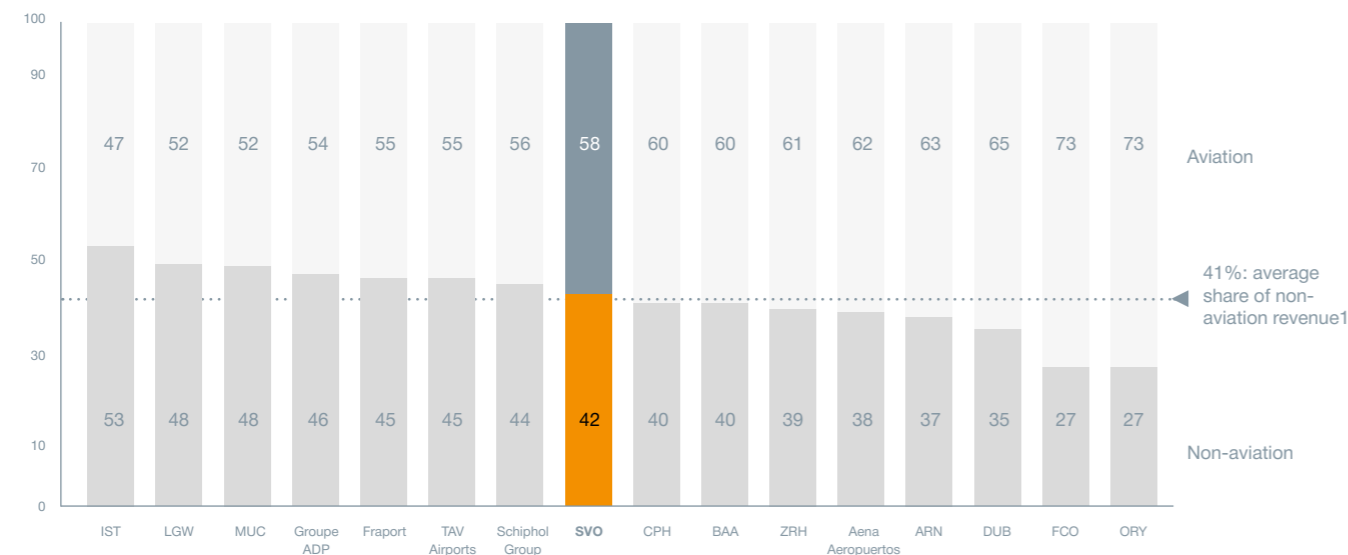
## Development of Non-Aviation Services

The increase of earnings from non-aviation services is a global trend in the development of large airports, which to a great extent are turning from transportation clusters into complex centers where passengers can spend their spare time with productively. Airports' non-aviation earnings normally comprise earnings from such sources as the lease of sales areas, paid services (e.g. parking), advertisement placement on media owned by the airport, etc.

earnings from non-aviation activities against 2017 amounted to 31%. The average annual growth of earnings from non-aviation activities as of 2015–2018 amounted to 13%, though in terms of specific revenue per passenger, it remains lower than that of Europe's leading airports. Nevertheless, in 2018, the growth of revenue per passenger against 2017 amounted to 14%.

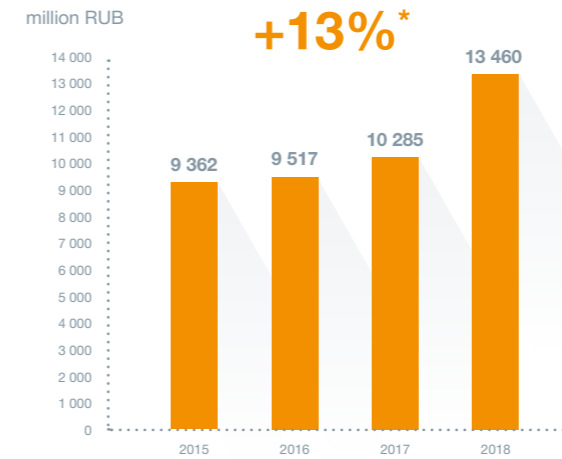
In 2018, the share of non-aviation earnings of JSC SIA amounted to around 42%, which corresponds to the average value of this indicator among the world's leading airports, such as Schiphol (Amsterdam, the Netherlands), Kastrup (Copenhagen), Klotten (Zürich, Switzerland), etc. In 2018, Sheremetyevo's rate of commercial area utilization amounted to 94%, which is 1 percent point higher than in 2017 and 5 percent points higher than in 2016. As of 2018, the growth

Airport revenue structure (%)



Within this sample of airports and groups of airports  
Source: public financial report data for 2017; on SIA, for 2018.

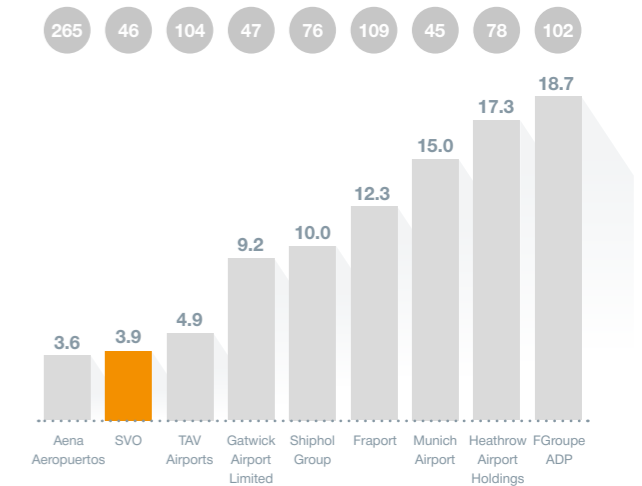
Non-aviation revenue of JSC SIA



Source: airports' open financial report data for 2017; on SIA, data for 2018.

\*Average annual growth rate, %

Non-aviation revenue per passenger, EUR



X Passenger traffic, million people

In terms of sales area per 1 passenger, in 2018, Sheremetyevo terminals have maximally approached the international level. Among the major non-aviation system novelties of 2018, we should note the launch of the tax free system and Alipay payments.

Moreover, with the development of inbound tourism from China, Sheremetyevo has begun actively adapting its services to the needs of tourists from this country. Chinese-language versions of the website and mobile app, audio notices, direction signs, and capital guide have been developed, UnionPay cards are now accepted in stores and fast food restaurants, special discounts are offered to the holders of UnionPay cards by Imperial Duty Free stores, and Asian and Chinese restaurants have been opened.

During the period up to 2024, in order to increase the quality of passenger services and maximize earnings from the non-aviation activities of JSC SIA, it is planned to carry out a number of projects

for improving interactions with the current clients of JSC SIA leasing commercial areas. These projects include the creation of an environment for the promotion of partners' products and services, the implementation of differentiated lease conditions (percentage of revenue) depending on the partner or brand category, and the sale of advertising time on digital media on an RTB (Real Time Bidding) basis. Moreover, there are plans to introduce new products and services for passengers that correspond to the world's best practices. Among such services are loyalty programs, pre-order and pick-up of goods in the departure and arrival clean zones, additional Meet & Assist services, the creation of an e-sale system, etc.



## Development of Information Technologies

In 2018, Sheremetyevo continued the development of digital channels for serving passengers.

The new version of the airport's website, svo.aero, primarily focuses on passengers and provides information in a fundamentally different manner. Information is organized on the basis of user behavior scenarios and takes into account the most popular queries of airport visitors and passengers: departures, arrivals, and transfer. The Mobile First principle was implemented in the development of the website, which makes it as convenient for browsing using a smartphone or a tablet computer as possible. At the same time, all the advantages of desktop browsing remain.

A new version of the iOS and Android mobile app has been released—it has a geopositioning function using BLE beacons located in all terminals of the airport.

The website and the mobile app have three full versions in Russian, English, and Chinese and support functionality for users with limited health capacities (LHC): in addition to a high-contrast interface, visually impaired users can use black inverted website versions with detailed terminal maps. They also offer an online parking payment function, LHS passenger accompaniment, and other services.

The new version of the website has won three gold awards, one silver award, and one bronze award in the Gold Website Internet project contest. It has also won two gold, one silver, and one bronze award in the 2018 Tagline Awards, Russia's top competition for interactive technologies in the field of digital technologies.

Alongside the new versions of the website and the mobile app, the previously launched WhatsApp and Viber channels of the airport continue to function.

Terminal B commissioned for the World Cup is equipped with 16 self-service devices allowing Aeroflot passengers to independently perform all operations required for their flights: flight check-in, boarding pass print-out, and baggage check-in and drop-off in accordance with the service category and bonus program participation level.

The modernization of the passenger visual information system of the Southern Terminal Complex (Terminals D, E, F) has been completed: the departure and arrival areas are equipped with up-to-date information clusters installed at locations determined subject to the specifics of passenger movement. A new graphic language and design of flight information display masks enabling the display of detailed flight information in the Russian, English, and Chinese have been developed and implemented in cooperation with Lebedev Studio. A total of over 500 screens have been installed.

All terminals of the airport have infrastructure supporting e-boarding passes. This hardware and software makes it possible to scan passengers' boarding passes at special control lines during pre-flight procedures and obtain information concerning the presence of a preflight inspection mark when scanning the boarding pass at departure gates. Presently, more than 70 special control workstations and 78 departure gates are equipped with such hardware and software.

Moreover, in 2018, interactive airport terminal maps were designed and implemented. The 49» interactive panels make it possible to find any facility located within the airport and obtain detailed information about it.



## Risks

In the process of its business operations, the Company is exposed to industrial, legal and other internal and external factors (material conditions, events, situations, and actions). Various risks capable of materially influencing the financial position and performance of the Company arise out of these factors.

The Company distinguishes the following major risk groups it may be exposed to:

- operational (including environmental);
- financial;
- strategic (reputational).

### Risk management mechanism

The Company's Management oversees risk management in order to mitigate possible negative consequences affecting the financial position and performance of the Company.

Risks are analyzed, and the risk management policies described below are approved.

The Company's Management aims to make risk management an integral part of the corporate governance system and make provisions for end-to-end business processes and for the active participation of business units in risk mitigation activities.

Depending on the possible extent of risk parameter reduction, as well as on the cost of controls, different methods of regulation and risk management apply.

### Operational risks

The Company believes the extraordinary shutdown of technological systems and equipment and the failure of power supply systems to be its major operational risk.

In order to mitigate risk of the extraordinary shutdown of systems, their technical condition

is monitored by the service teams of the manufacturers on a regular basis. JSC SIA ensures the timely testing and technical inspection of equipment used at hazardous operating facilities, the repair and inspection of control and measuring equipment, and the fulfillment of industrial safety requirements established by law. Moreover, the Company ensures the proper insurance protection of the operation of its facilities against third-party liability.

To mitigate risks, the Company analyzes the industrial safety situation, including by means of holding relevant expert assessments; coordinates activities aimed at the prevention of emergencies and/or the destruction, failure or damage of structures or technical equipment; monitors, eliminates, and prevents deviations from operating conditions and violations of requirements established in legislation and technical standards in the field of industrial safety; and ensures preparedness for the localization and elimination of consequences.

The Company is a strategic transportation infrastructure facility bearing material risks (including the risks of terror attacks and acts of sabotage). In connection with this, an insurance protection system has been developed in addition to the internal control system in the fields of aviation and physical security. Insurance limits are calculated on the basis of the results of engineering reports and research and cover possible financial losses from damage to the Company's property and the Company's liability to third parties.

Airport activities are of a specific nature and involve the operation of expensive equipment of partners (including aircraft). To cover the risks of damage and/or loss of such property, the liability of the Company to third parties arising out of its operations is insured. The limits established under the insurance program cover the main possible scenarios (including scenarios involving damage to passengers' property and health).

A mandatory requirement for the insurance protection of the Company's interests against major risks is the reinsurance of such risks in the international reinsurance market. Requirements for the quality of reinsurance have been developed; among other things, if the Company's third-party liability arising during the operation of the

airport is insured, a mandatory requirement is the reinsurance of insured risks in the international reinsurance market for the entire term of the respective insurance contract.

The Company maintains all types of mandatory insurance, including the insurance of third-party liability.

The real estate and movable property owned or operated by JSC SIA is insured by insurance companies selected through a system of open tenders and a closed request for proposals.

### Financial risks

#### Market risk

Market risk is a risk that the Company may face negative consequences if certain market parameters change. These market parameters include the following types of risk: interest rate risk, FX rate risk, goods price risk, price index risk, and other price risks, e.g. equity risk.

To reduce risks affecting revenue, the Company has entered into long-term contracts with airlines and lessees. In connection with this, one of the key risks is passenger transportation target risk. The income base of aviation activities and meeting non-aviation targets depend on meeting the targets above. The main source of risks and, at the same time, a guarantee of the Company's sustainable development is the fulfilment of flight placement obligations by PJSC Aeroflot – Russian Airlines, which is a key client of the airport. The fulfillment by PJSC Aeroflot – Russian Airlines of its obligations and the meeting of the said targets will make it possible to reduce other financial risks (primarily, liquidity risk) and hence reduce credit risk. The joint work performed by the Company in cooperation with the operating program performance unit of PJSC Aeroflot – Russian Airlines is aimed at ensuring a distinguished level of passenger and airline service quality.

The risks of reduced demand for services caused by sanctions, as well as political and economic instability, largely resulted in the transformation of consumer preferences and redistribution of the passenger traffic structure. The Company has managed to reduce the impact of the risks

and ensure that the economic and operational budget targets are met. The measures taken by the Management made it possible to maintain indicators within the planned range. Since negative factors affecting demand continue to exist, transportation traffic risk remains high. In 2018, passenger traffic grew by 14.3% compared to 2017 and exceeded 45 million people.

Efforts to mitigate the consequences of non-aviation operation volume risk taken in 2018 were highly effective. Since negative factors affecting demand and consumer solvency continue to exist, lessee activeness risk remains high.

Interest rate risk is the risk that fair value and future cash flows from assets and liabilities of the Company will fluctuate due to changes in market interest rates. Market interest rate risk primarily touches upon borrowings with a variable interest rate. The Company's assets and liabilities have fixed interest rates. Hence, the Management believes that the Company is not exposed to interest rate risk with respect to its assets and liabilities.

### Currency risk

Currency risk is the risk that negative consequences will arise in case of FX rate changes. Exposure to FX rate risk primarily depends on the existence of obligations under USD loans. In order to reduce FX transaction risks in 2018, the Company continued to form an FX reserve for the purpose of fulfilling its loan obligations and to perform settlements under contracts on the supply of specialized machinery and equipment manufactured abroad. The Company has determined the volume of monetary reserves sufficient for making payments under loan liabilities. In the course of its operations, the Company purchases works, services, fixed assets, and inventories mainly for rubles. In its operations, the Company is less exposed to the impact of FX risk.

## Risks

### Credit risk and accounts receivable

Credit risk is the risk that the Company will face financial losses because contractors will fail to fulfill their obligations with regard to the loans and credits provided thereto (including those provided in the form of bond purchases, promissory notes, deferral, and payment in instalments for goods sold, works performed, or services rendered). The Company is exposed to credit risk touching upon its operational (primarily with regard to its trade receivables) and financial activities, including deposits with banks and financial institutions.

The management of credit risk relating to buyers is conducted in accordance with the policy, procedures, and controls established in the Company with respect to credit risk management relating to contractors.

The Company monitors contractors' payment discipline on a weekly basis in accordance with the Regulation on Accounts Receivable Management. The Management defines risk concentration as a ratio of the debt of specific customers to the total debt amount. According to the Company's assessment, the concentration of risk with respect to accounts receivable is high, since as of December 31, 2018, 2 large debtors of the Company account for 51% of all of its accounts receivable.

The Company has mapped out an action plan in the key areas of buyer relations:

- ensuring the monitoring of the payment discipline of airlines, retailers, and other counterparties, with special focus on the receipt of foreign currency payments;
- temporarily fixing the FX rate in order to reduce FX rate risk;
- ensuring the monitoring of deviation of operational and financial indicators in order to respond in a timely manner to retain key clients and/or preserve passenger traffic;
- ensuring the monitoring of the international aviation service market, both with regard to Russian and foreign airlines, in order to promptly introduce changes to the fulfillment of the airline attraction plan

- ensuring the monitoring of the commercial real estate market in order to promptly introduce changes to the marketing policy.

Throughout 2018, the regular monitoring of payment discipline was conducted and a flexible approach to pricing aimed at the mitigation of losses in rental income was implemented in order to efficiently manage client solvency risk. The Company actively used bank guarantees and monetary deposits as financial security.

The Company manages credit risk resulting from balances on accounts with banks and financial institutions in accordance with its policy. Surplus funds are invested solely in deposits with approved financial institutions and under credit limits established for each institution. The limits are established in order to minimize risk concentration and thus reduce financial losses arising out of the possible insolvency of a financial institution.

### Liquidity risk

Liquidity risk touches upon the Company's ability to promptly and fully repay its financial liabilities existing as of a reporting date: accounts payable to suppliers and contractors and debt to lenders under credit facilities and loans received.

The Company manages liquidity risk through the achievement of an optimal ratio of equity to borrowed capital in accordance with the Management's plans. Such an approach allows the Company to maintain the required level of liquidity and funding resources in order to minimize expenses relating to borrowings and optimize the structure of indebtedness and its maturity. The Company has analyzed the concentration of this risk with regard to the refinancing of its indebtedness and come to the conclusion that the concentration is low. Currently, the Company believes that it has sufficient access to funding sources and that some of the credit contracts it has previously entered into have undrawn limits that will enable it to meet expected needs for borrowings.

### Capital management

The main objective of the Company in terms of capital management is ensuring stable creditworthiness and a level of capital adequate for the Company's activities and maximization of shareholders' income.

The Company manages the structure of its capital and changes it to meet changes in economic conditions. In order to preserve or change the structure of its capital, the Company can regulate the amounts of dividend payments, refund capital to shareholders, or issue new shares.

### Reputational risks

The Company's Management believe that currently there exist no factors that could result in a material decrease in the number of its buyers (customers) as a result of a negative idea of the quality of the works and services performed/rendered by the Company, the Company's observance of deadlines for performing/rendering works and services, or the Company's participation in any price collusion. Taking into account the strategic priority of the goal of increasing the service quality of all the Company's contractors, the Company assesses its reputational risk as immaterial.



# FINANCIAL REVIEW

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## Key Financial Indicators

Comparative analysis based on the income, expenses and financial results of the Company is provided in the table below: (RUB thousand)

Indicator	2018	2017	(+/-) YoY	(%) YoY
<b>I N C O M E</b>				
Revenue	31 990 239	28 504 538	3 485 701	12,23%
Interest receivable	363 796	252 361	111 435	44,16%
Income from shareholdings	2 524 669	111 488	2 413 181	2 164,52%
Other income	12 758 731	13 618 311	-859 580	-6,31%
<b>Total:</b>	<b>47 637 435</b>	<b>42 486 698</b>	<b>5 150 737</b>	<b>12,12%</b>
<b>E X P E N S E S</b>				
Prime cost	-10 642 780	-9 988 457	-654 323	6,55%
Selling expenses	-390 835	-693 093	302 258	-43,61%
Administrative expenses	-3 132 061	-2 952 618	-179 443	6,08%
Interest payable	-3 310 245	-3 413 462	103 217	-3,02%
Other expenses	-19 040 431	-12 812 928	-6 227 504	48,60%
<b>Total:</b>	<b>-36 516 352</b>	<b>-29 860 557</b>	<b>-6 655 795</b>	<b>22,29%</b>
<b>F I N A N C I A L R E S U L T</b>				
Gross profit	21 347 459	18 516 081	2 831 378	15,29%
Profit (loss) from sales	17 824 563	14 870 370	2 954 193	19,87%
Profit (loss) before taxation	11 121 083	12 626 141	-1 505 058	-11,92%
Change in deferred tax assets	-982 860	-1 364 365	381 505	-27,96%
Change in deferred tax liabilities	64 664	87 250	-22 586	-25,89%
Other	15 215	-32 264	47 479	-147,16%
Current income tax	-1 002 175	-1 328 958	326 783	-24,59%
<b>Net profit</b>	<b>9 215 927</b>	<b>9 987 804</b>	<b>-771 877</b>	<b>-7,73%</b>

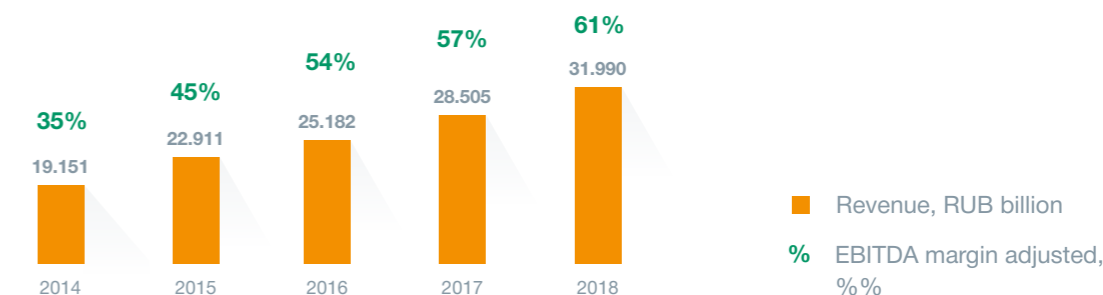
Financial information, including an auditor's opinion from an independent auditor, is provided in more detail in the Consolidated Financial Report pursuant to the International Financial Reporting Standards enclosed as the Appendix hereto.

## EBITDA Margin and Revenue Structure

In 2014–2018, the Company demonstrated the consistent growth of revenue by over 10% per year: from RUB 19.15 billion in 2014 to RUB 31.99 billion in 2018, and the positive dynamics of EBITDA margin from 35% in 2014 to 61% in 2018.

The main tool for the management of EBITDA margin is management of expenses. Within the framework of the annual planning of the Company's budget and its performance, operational control is exercised and operational and administrative expenses are analyzed. In 2018, for the above purposes, the Production Simulation Directorate, focused on optimization and the enhancement of the efficiency of the Company's resource use, was established.

Dynamics of key financial indicators of JSC SIA

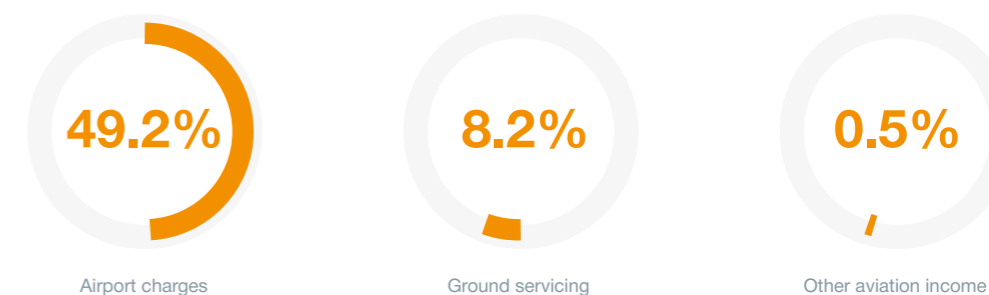


In the Company's income structure, aviation operations account for 58%. In 2018, revenue from aviation operations amounted to RUB 18.53 billion, including airport charges of RUB 15.725 billion, ground servicing of RUB 2.639 billion, and other aviation income of RUB 0.166 billion.

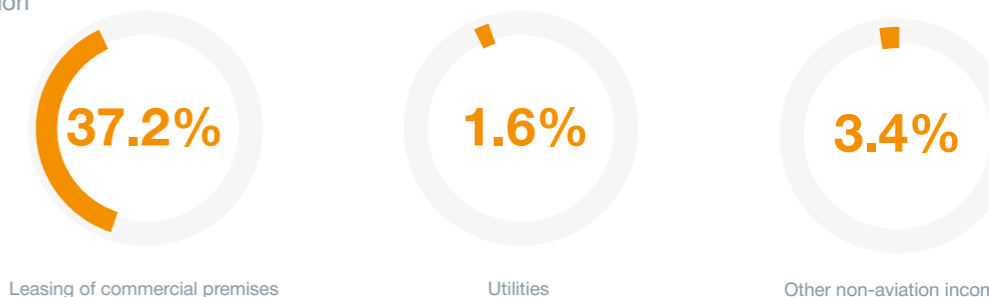
Non-aviation operations in the Company's income structure account for 42%. In 2018, revenue from non-aviation operations amounted to RUB 13.46 billion, including leasing of RUB 11.887 billion, utilities of RUB 0.496 billion, other non-aviation operations of RUB 1.078 billion.

Revenue structure of JSC SIA in 2018

Aviation services:



Non-aviation services:



# CORPORATE GOVERNANCE

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## Corporate Values

In their work, the airport personnel strive to adhere to the following basic values:

- **High quality of services**

We believe that we can honorably represent our country; therefore, quality is an underlying feature of all our operations. We ensure a high technological level and service culture, as well as the comfort and safety for our passengers. We strive to help our guests to leave the airport in a good mood.

- **Professionalism and efficiency**

We appreciate the high professionalism of our employees and their commitment to a common goal, their readiness to resolve difficult tasks and assume responsibility. We believe that most of our employees aim to work well, and we are ready to provide fair remuneration to those who achieve high results.

- **Respect and fairness**

We want each employee of the airport to feel the fairness of relations, respect for workers and pride in the airport's operations. We strive to create an atmosphere of cooperation, honesty and openness amongst our staff members. But we believe that we should take tough measures with respect to those who are unable to cope with their work, display negligence and indifference, or do not want to enhance their professional level.

- **Responsibility and reliability**

We are a reliable partner of airlines and we strive to form trust-based and transparent relations with them. We ensure a uniform approach towards partners. We fulfill our obligations with honesty and responsibility.

## Areas for Improvement of the Corporate Governance System

Following the results of 2018, the members of the Board of Directors of JSC SIA conducted an assessment of the performance of the Board of Directors and its committees (self-assessment). Polling of the members of the Board of Directors was conducted by the questionnaire method.

As a result of the assessment conducted by the members of the Board of Directors, it was noted that the Company's corporate governance in general is in conformity with the best Russian and foreign practices. During the past corporate year, meaningful efforts were made to improve the level of corporate governance in the area of ensuring the efficiency of the internal control system and the risk management system. To ensure the complete conformity of corporate governance with the scope of business and the projects implemented by JSC SIA, the Company conducts an in-house assessment of the applicable standards of the Code of Corporate Governance annually.

The results of the assessment of the Board of Directors performance indicate that the rights of the Company's shareholders are fully secured, the competences of the General Meeting of Shareholders, the Board of Directors and the sole executive body are separated clearly and optimally, and the Company adheres to advanced standards of corporate social responsibility.

According to the opinion of the members of the Board of Directors, the strengths of the Company's corporate governance are:

- A multi-layered system of corporate governance (committees of the Management Board > Management Board > committees of the Board of Directors > Board of Directors);
- Clear procedures and regulations of the Company captured in the by-laws of the Company;
- Prompt interaction between the Board of Directors and the executive bodies of the Company.

The following strengths of the performance of the Board of Directors were noted: the ability of the members of the Board of Directors to have discussions and express personal opinions

on matters important to the Company, active involvement of the members of the Board of Directors in the work of the Board of Directors, and the ability to pay particular attention to key issues of the Company's operations.

In the opinion of the Board of Directors, the strength of the committees of the Board of Directors of JSC SIA is the detailed elaboration of issues before their submission for consideration to the Board of Directors.

In general, the members of the Board of Directors understand the current and long-term priorities of the Company's development in the same way. However, during 2018, some members of the Board of Directors had different opinions on particular issues with respect to ways to meet tactical objectives that were not of a fundamental nature.

Short periods for the review of extensive materials on items on the agenda of meetings of the committees of the Board of Directors and a periodic lack of in-depth analysis of materials were named as weaknesses. The members of the Board of Directors emphasized that if requests for additional information were made, the Company's management has always provided the requested information without unnecessary delay.

The formation of the entire membership of the Company's Management Board was noted by the members of the Board of Directors as a goal for the enhancement of corporate governance quality in 2019.

Tightening control over submission of materials to the committees of the Board of Directors within the established timeframe was named one of the most essential objectives for improving corporate governance in the Company.

## Corporate Governance Structure

### General Meeting of Shareholders

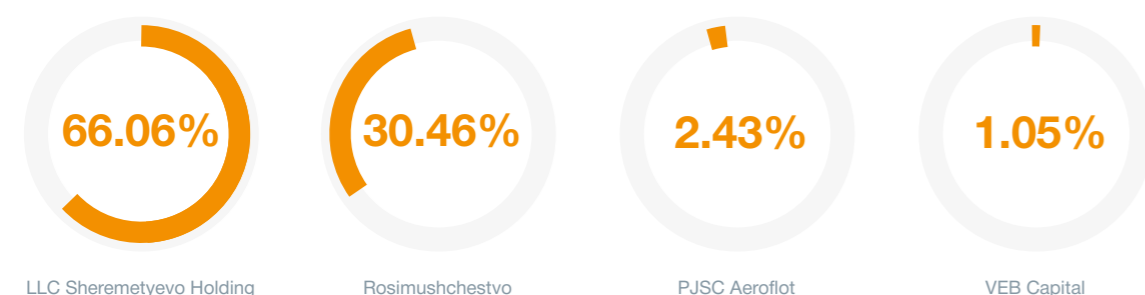
As of December 31, 2018, the authorized capital of Joint Stock Company Sheremetyevo International Airport amounted to RUB 8,490,982,707, divided into 8,490,982,707 ordinary registered uncertified shares with a par value of RUB 1 each.

The equity holding structure of JSC SIA was as follows:  
Limited Liability Company Sheremetyevo Holding (LLC Sheremetyevo Holding): 66.0632% of the outstanding voting shares of JSC SIA;

The Russian Federation represented by the Federal Agency for State Property Management (Rosimushchestvo): 30.4625% of the outstanding voting shares of JSC SIA;

Public Joint Stock Company Aeroflot – Russian Airlines: 2.4275% of the outstanding voting shares of JSC SIA;

Limited Liability Company Investment Company of Vnesheconombank (VEB Capital): 1.0468% of the outstanding voting shares of JSC SIA.



### Board of Directors

The Board of Directors of Joint Stock Company Sheremetyevo International Airport is a collegial governing body of JSC SIA and operates pursuant to the Articles of Association of JSC SIA and the Regulation on the Board of Directors of Joint Stock Company Sheremetyevo International Airport approved by the Resolution of the Extraordinary General Meeting of Shareholders of JSC SIA dated May 20, 2016 (Minutes No. 11).

Pursuant to the Articles of Association of the JSC SIA, the Board of Directors of JSC SIA consists of 9 persons.

During 2018, 16 meetings of the Board of Directors of JSC SIA were held (12 meetings in a form of attendance and 4 meetings by absentee voting). At the meetings of the Board of Directors, 1,167 agenda items were considered in 2018. In the reporting period, there was a trend toward the reduction of the frequency of the meetings of the Board of Directors as compared to 2017 (24 meetings). The growth of the number of items considered at the meetings of the Board of Directors was 46.8% YoY (795 items).

### Committees of the Board of Directors

The committees of the Board of Directors consider the most important matter assigned to the competence of the Board of Directors of JSC SIA and prepare recommendations for the Board of Directors to make decisions on such matters. Pursuant to the decisions of the Board of Directors, three committees were established and operate in the Company:

- The Committee for Strategy and Development of the Board of Directors;
- The Audit Committee of the Board of Directors
- The Personnel and Remuneration Committee of the Board of Directors.

During 2018, 40 meetings of the committees of the Board of Directors were conducted. Out of these, there were 12 meetings of the Audit Committee of the Board of Directors, 13 meetings of the Personnel and Remuneration Committee of the Board of Directors, and 15 meetings of the Committee for Strategy and Development of the Board of Directors. In total, 1,313 items were considered at the meetings of the committees of the Board of Directors in 2018. Similar to the meetings of the Board of Directors, there was a reduction of the frequency of the meetings of the committees of the Board of Directors as compared to 2017 (49 meetings). The growth of the number of items considered at the meetings of the committees of the Board of Directors was 59% YoY (825 items).

### Management Board

Pursuant to the Articles of Association of JSC SIA, the management of the day-to-day operations of the Company is performed by the Management Board of JSC SIA, a collegial executive body, and the General Director of JSC SIA, a sole executive body, who is the Chairman of the Management Board of JSC SIA by virtue of his office. Pursuant to Clause 17 of the Articles of Association of JSC SIA, the Management Board is elected by the Board of Directors with a term of office of no more than 3 years; the number of members of the Management Board is determined by the Board of Directors.

By the Resolution of the Board of Directors dated June 28, 2017 (Minutes No. 234), the membership of the Management Board of JSC was defined as consisting of 10 members for the period from July 1, 2017 through June 30, 2018. By the Resolution of the Board of Directors dated June 27, 2018 (Minutes No. 252), the membership of the Management Board of JSC was defined as consisting of 11 members for the period from July 1, 2018 through June 30, 2019.

The meetings of the Board of Directors are held weekly; in 2018, 52 meetings were held, at which about 4,500 items were considered.

### General Director

Pursuant to the Articles of Association of JSC SIA, appointment to the position of General Director and termination of such appointment falls within the competence of the General Meeting of Shareholders of JSC SIA. Since 2005, Mikhail M. Vasilenko has been the General Director of JSC SIA. By the Resolution of the Extraordinary General Meeting of Shareholders of JSC SIA dated November 7, 2016 (Minutes No. 13), the authorities of M. M. Vasilenko were extended before the scheduled date from November 8, 2016 for three years. By the resolution of the General Meeting of Shareholders, the General Director is a member of the Board of Directors of JSC SIA. In his work, the General Director is subordinate to the General Meeting of Shareholders and the Board of Directors of JSC SIA.





## Membership of the Board of Directors of JSC SIA (as of December 31, 2018)



### **Alexander A. PONOMARENKO**

Born in 1964. Graduated from Ordzhonikidze State Academy of Management (Moscow) in 1997 with a Candidate of Economics degree. In 2001, he received a Doctor of Economics degree at the Academy of Labour and Social Relations. At the time of election to the membership of the Board of Directors of JSC SIA, he was the Chairman of the Board of Directors of LLC Sheremetyevo Holding.



### **Roman N. ZINOVYEV**

Born in 1977. In 1999, he graduated from Polzunov Altai State Technical University with a major in Global Economics. In 2004, he graduated from Polzunov Altai State Technical University with a major in Financial Management of Organizations. At the time of election to membership in the Board of Directors of JSC SIA, he was the President of LLC Sheremetyevo Holding.



### **Mikhail M. VASILENKO**

Born in 1960. In 1981, he graduated with honors from Frunze Leningrad High Command School of Railroad Troops and Military Communications with a major in Air Transportation Operations Engineering. In 1992, he graduated from the Lenin Military Academy of Support Systems and Transport with a gold medal. At the time of election to the membership in the Board of Directors of JSC SIA, he was General Director of JSC SIA.



### **Ilya S. PETROV**

Born in 1973. In 1995, he graduated from Lomonosov Moscow State University with a major in Jurisprudence. Holds a Candidate of Legal Sciences degree. At the time of election to the membership of the Board of Directors of JSC SIA, he was the Vice-President of LLC MD Group.



### **Yevgeny I. DIETRICH**

Born in 1973. In 1996, he graduated from the Moscow Engineering and Physics Institute with a major in Applied Mathematics. In 1999, he graduated from the Higher School of Privatization with a major in Jurisprudence. At the time of election to the membership of the Board of Directors of JSC SIA, he was the First Deputy Minister of Transport of the Russian Federation.



### **Alexander V. PLESHAKOV**

Born in 1960. In 1982, he graduated from Mozhaisky Military Engineering Red Banner Institute with a major in Aerial Vehicles. In 1993, he graduated from a postgraduate military course specializing in Military Cybernetics, Computer Science, System Analysis and Operations Research. In 2000, he underwent professional retraining with the Academy of National Economy under the Government of the Russian Federation in the Finance and Law program. In 2006, he received a second higher education in the Russian Academy of State Service under the President of the Russian Federation with a major in Jurisprudence. Candidate of Technical Sciences. At the time of election to the Board of Directors of JSC SIA, he was the General Director of the Non-Commercial Partnership Guild of Financial Managers.

## Membership of the Board of Directors of JSC SIA (as of December 31, 2018)



### **Dmitry V. PRISTANSKOV**

Born in 1976. In 1999, he graduated from St. Petersburg State University with a major in Jurisprudence. In 2003, he graduated from the International Banking Institute with a major in Banking. Candidate of Legal Sciences. At the time of election to the Board of Directors of JSC SIA, he was the Deputy Minister of Economic Development of the Russian Federation – Head of the Federal Agency for State Property Management.



### **Alexander I. SKOROBOGATKO**

Born in 1967. In 1994, he graduated from the Slavic State Teacher's Institute. In 1996, he graduated from Plekhanov Russian Academy of Economics, Master of Economics. In 1998, he received the Candidate of Legal Sciences degree (St. Petersburg Academy of the Ministry of Internal Affairs of Russia). In 2002–2003, he was a member of the Federation Council of the Federal Assembly of the Russian Federation and a member of the Committee for Industrial Policy of the Federation Council. In 2003–2016, he was a deputy of the State Duma of the Federal Assembly of the Russian Federation and Deputy Chairman / member of the Committee for Civil, Criminal, Arbitration and Procedural Legislation of the State Duma.



### **Alexey S. SMAGIN**

Born in 1981. In 2003, he graduated from Lomonosov Moscow State University with a major in Applied Mathematics. At the time of election to the membership of the Board of Directors of JSC SIA, he was the First Vice-President and Investment Director of LLC Sheremetyevo Holding.

## Membership of the Management Board of JSC SIA (as of December 31, 2018)



**Mikhail M. VASILENKO,**

**General Director**

Born in 1960 in Zheleznovodsk, Stavropol Territory.

In 1981, he graduated with honors from Frunze Leningrad High Command School of Railroad Troops and Military Communications with a major in Air Transportation Operations Engineering. In 1992, he graduated from the Lenin Military Academy of Support Systems and Transport with a gold medal.

In 1977–1998, M. M. Vasilenko served in the Armed Forces: in 1981–1983, he was the Military Transportation Officer in Kabul Airport; in 1983–1989, he was the Military Transportation Officer in Tashkent Airport; in 1992–1998, he was the Head of Military Transportation on air routes of the Republic of Komi, the Republic of Tatarstan, the Republic of Bashkortostan and the Privolzhsky Directorate of Civil Aviation. In 1998–2000, he held the position of the Deputy Director for Corporate Matters of JSC Samara International Airport; in 2000–2003, he held the position of the Vice-President of Samara Aviation Group. In December 2004, he was appointed the Deputy General Director for Commercial Matters of JSC SIA, and in May 2005, General Director of JSC SIA.

M. M. Vasilenko has been a member of the Board of Directors since 2006. At present, he is the Chairman of the Management Board of JSC SIA and a member of the Audit Committee, the Personnel and Remuneration Committee and the Committee for Strategy and Development of the Board of Directors of JSC SIA, and is leading the implementation of the strategic project for the large-scale reconstruction and upgrading of Sheremetyevo International Airport.

In 2010, he was awarded the Order of Honor by Presidential Decree, and in early 2019, he was awarded the Order of Friendship. Ranked first amongst the senior management of transportation companies in the Top 1000 Russian Managers, a rating of Kommersant newspaper and the Association of Managers, for 2015, 2016, and 2017.



**Andrei O. NIKULIN**

**First Deputy General Director  
for Production**

Born in 1977 in Pyatigorsk

In 1996, he graduated from the St. Petersburg Aviation Transportation College of Civil Aviation with a major in Air Traffic Management. In 2000, he graduated from the Academy of Civil Aviation, where he received the qualification «Aircraft Operation and Air Traffic Management.» In 2004, he graduated from the postgraduate program of the St. Petersburg Academy of Civil Aviation. Since September 2009, Assistant Professor of the Department of Air Traffic Management in the Moscow State Technical University of Civil Aviation. Certified teacher of a number of courses and disciplines for aviation personnel, ICAO expert in the development of educational courses for aviation personnel.

In 2005–2007, he was the Senior Lecturer of the Department for Air Traffic Management of the St. Petersburg State University of Civil Aviation. In 2007–2009, he was the Head of the Carriage Service of OJSC Vnukovo Aeroport. In 2009–2012, he held the position of the Director of the Directorate for Passenger Carriage Organization. In 2012–2014, he was Deputy Director, Director for Ground Support Officer (Department for Ground Support of Carriages) of OJSC Aeroflot – Russian Airlines.

In April 2014, he was appointed to the position of the First Deputy Director for Production of JSC SIA.

## Membership of the Management Board of JSC SIA (as of December 31, 2018)



**Igor V. GAPONOV**

**Deputy General Director for IT**

Born in 1974 in Kholmsk, Sakhalin Region

In 1997, he graduated from Ordzhonikidze State Academy of Management with a major in Mathematical Methods and Research on Operations in Economics (Economic Cybernetics).

In 1995–2002, he held various positions in the IT Department of UNICON/MS Consultancy Group, a consulting company; in 1999–2000, in Deltek Systems Inc. (USA), an IT company; in 2002–2010, he held the position of Vice-President and headed the IT area in Evraz, an international industrial group. In 2011–2013, as the General Director / Director for Strategic Development, he headed LLC Sintegma, a company for servicing automation and security systems at oil production and processing facilities; in 2013–2015, he held the position of Vice-President for IT of OJSC TPS Nedvizhimost.

In 2016, he was appointed to the position of Advisor to the General Director and then to the position of the Deputy General Director of JSC SIA.



**Victor E. ERMAKOV**

**Deputy General Director for Security**

Born in 1971

In 1993, he graduated from the Chelyabinsk Air Force Academy for Flight Navigators with the qualification of a Flight Navigator of Tactical Aviation. In 1998, he graduated from the Novosibirsk Institute for Retraining and Enhancement of Qualification of Employees of the Russian Federal Security Service with a major in Law Enforcement Intelligence Operations. In the same year, he underwent courses for retraining and qualification enhancement, specializing in International Law, at the Novosibirsk Financial Academy. In 2008 and 2014, he passed qualification enhancement courses of the ICAO State Scientific and Research Institute of Civil Aviation.

In 1989–2008, he was an officer in active military service in the Ministry of Defense and the Russian Federal Security Service. In 2008–2015, he was Deputy General Director for the Aviation Security Regime in OJSC Sochi International Airport. He managed the enterprise's resources and was in charge of organizing and ensuring transportation security, emergency and rescue operations, and information protection.

On January 15, 2015, he was appointed the Deputy General Director for Security of JSC SIA.

## Membership of the Management Board of JSC SIA (as of December 31, 2018)



**Alexander A. ILYIN**

**Deputy General Director for Corporate Development**

Born in 1961 in Moscow

In 1983, he graduated from the Law Faculty of the Military Red Banner Institute of the Ministry of Defense of the USSR. Served as an Investigator of the Military Prosecutor's Office. In 1985–1987, he was on international duty in the Democratic Republic of Afghanistan. He has government awards. After discharge from the Armed Forces of the USSR, he worked as a Legal Advisor in the Consumer Cooperation System of Centrosoyuz USSR.

In 1990–1995, he held senior positions in various commercial entities. In 1995–2004, he was an attorney in the Inter-Regional Bar Association, providing services to entrepreneurs and individuals. In 2004–2012, he was the Managing Partner of the law firm Ilyin, Gribkov, Torshin and Partners.

Since October 1, 2012, he has been an Advisor to the General Director of JSC Sheremetyevo International Airport.

Since December 1, 2012, he has been the Deputy General Director for Legal Matters and Organizational Development of JSC Sheremetyevo International Airport.

He has not been employed by JSC SIA since April 1, 2019.



**Dmitry A. KAIGORODOV**

**Deputy General Director for Management of Airport Terminals and Servicing of Special Flights**

Born in 1985 in Furmanov, Ivanov Region

In 2007, he graduated with honors from the St. Petersburg State University of Civil Aviation with a major in Organization of Carriages and Management in Air Transportation and received the qualification of an Engineer for Organization and Management in Transportation. In 2010, he also underwent postgraduate education at St. Petersburg State University of Civil Aviation, specializing in Economics and Management at a Transportation Entity, and received the qualification of Economist/Manager.

In 2006–2009, he led operational changes in the Passenger Carriage Organization Service of OJSC Vnukovo Airport. In 2008, he was a representative of SKY EXPRESS. In 2009–2012, he worked in JSC SIA holding the positions of the Head of the Department for Claims and Luggage Tracing (2009), Head of the Passenger Carriage Organization Service (2010), and Director of the Passenger Carriage Organization Directorate (2012).

In April 2014, by the resolution of the Board of Directors of JSC SIA, he was confirmed in the position of the Deputy General Director for Organization of Carriages. At present, he holds the position of the Deputy General Director for Management of Airport Terminals and Servicing of Special Flights of JSC SIA.

## Membership of the Management Board of JSC SIA (as of December 31, 2018)



**Victor V. KOBYLKO**

**Deputy General Director for Flight Safety and Airfield Support**

Born in 1968

In 1990, he graduated from the Armavir Red Banner Air Force Academy for Pilots named after Air Chief Marshal Kutakhov. In 2003, he underwent professional retraining in the Moscow Academy of State and Municipal Management under the President of the Russian Federation with a major in State and Municipal Management.

In 1986–2002, he served in the Armed Forces. Since 2003, he has been working at JSC SIA: he has held the positions of Engineer for Airfield Operation of Operational Shifts (2003), Chief Engineer for Airfield Operation (2007), Head of the Airfield Operation Department of the Airfield Service (2008), Chief Engineer of the Airfield Service (2015), and Head of the Airfield Service (2017).

In March 2014, by the resolution of the Board of Directors of JSC SIA, he was confirmed in the position of the Deputy General Director for Flight Safety and Airfield Support.

He has received gratitude from the Federal Air Transport Agency and the Ministry of Transport of the Russian Federation.



**Alexander P. OLEYNIK**

**Deputy General Director for Economics and Finance**

Born in 1974 in Simferopol

In 1997, he graduated from Plekhanov Russian Academy of Economics with a major in Economics. Candidate of Economic Sciences.

He started his career in banking structures. In 2009–2012, he was the Deputy Head of the Moscow Fuel and Energy Department. He was assigned the civil service rank «2nd Class Counsellor of State for Moscow.»

Since December 1, 2012, he has been the Deputy General Director for Legal Matters and Organizational Development of JSC Sheremetyevo International Airport.

## Membership of the Management Board of JSC SIA (as of December 31, 2018)



**Denis S. PASHKOVSKY**

**Deputy General Director for Commercial Activities**

Born in 1982

In 2004, he graduated with honors from the Moscow State University with a major in Jurisprudence.

In 2004–2006, he worked in the law firm Padva and Partners and CJSC ROSBUILDING Investment Company. In 2006–2012, he worked in the structures of Renova Group, holding senior positions in the headquarters and in the operational businesses of the company. In 2012, he headed LLC TPS Capital as the Director for Investments, and then as Vice-President for Transactions and Investments. Since November 2016, he has been an Advisor to the General Director of OJSC SIA.

Since January 2015, he has been the Deputy General Director for Commercial Activities.

Due to their resignation from JSC SIA, the following persons withdrew from membership in the Management Board of JSC SIA:

D. S. Maslov as of September 15, 2018,  
and L. V. Bodyagina as of August 21, 2018.





## System of Key Performance Indicators and Remuneration of the Senior Management

The system of key performance indicators of the members of the Management Board of JSC SIA is recorded in the Regulation on Key Performance Indicators of JSC SIA approved by the Resolution of the Board of Directors dated February 27, 2019 (Minutes No. 262); in 2018, the document was effective in the version approved on September 20, 2017 (Minutes No. 237).

The system of key performance indicators of the Management Board for 2018 was formed with due account for:

- The Methodological Recommendations of the Ministry of Economic Development of Russia on defining the list of KPIs for companies with state participation;
- Directives of the Government of the Russian Federation No. 6362p-P13 dated October 24, 2013, for persons representing the interests of the Russian Federation related to taking part in meetings of the Board of Directors of open joint stock companies with state participation (on procurement of goods, works and services by particular types of legal entities);
- Directives of the Government of the Russian Federation No. 7389p-P13 dated October 31, 2014, for persons representing the interests of the Russian Federation related to taking part in meetings of the Board of Directors of open joint stock companies with state participation (on improving labor efficiency);
- Directives of the Government of the Russian Federation No. 2303p-P13 dated April 15, 2015, for persons representing the interests of the Russian Federation related to taking part in meetings of the Board of Directors of open joint stock companies with state participation (on reducing operating expenses (costs) by 2–3% per year);
- Recommendations of Airports Council International (ACI) on forming a system of key performance indicators for airport operators.

Within the system implemented in JSC SIA since 2016, key performance indicators (KPIs) are divided into corporate key performance indicators and individual key performance indicators of each member of the Management Board confirmed for the reporting period.

For the purposes of awarding a long-term bonus with a reporting period of 3 years, only corporate KPIs are set.

For the purposes of awarding an annual bonus, KPIs may be both corporate and individual.

Corporate indicators for awarding a long-term bonus may comprise not more than two indicators having material significance for the Company; they should be quantitative financial and economic indicators aimed at increasing the efficiency of the Company's operations and should focus on long-term business objectives.

Corporate indicators for awarding an annual bonus must be significant within the framework of the Company, be limited in quantity, reflect the financial success of the Company and not be strictly static. Individual indicators for awarding an annual bonus may be: financial and economic, industry-specific, innovative, functional, project-specific, etc. The number of individual indicators is determined by the Company's Board of Directors.

By the Resolution of the Board of Directors dated December 20, 2017 (Minutes No. 242), the target values of key performance indicators of the activity of the Management Board of JSC SIA for 2018 were approved.

A single indicator, «Assessment of the Board of Directors,» with an indicator weight in the entire KPI system of 50%, was approved as the individual KPI for each member of the Management Board

(except for the Chairman of the Management Board). This indicator is calculated based on the work results of the members of the Management Board of JSC SIA pursuant to two indicators: «Qualitative Assessment» (40%) and «Innovative KPI» (10%).

The «Qualitative Assessment» indicator is calculated pursuant to the Methodology for Calculation of the «Assessment of the Board of Directors» Key Performance Indicator in the Remuneration System of Joint Stock Company Sheremetyevo International Airport approved by the Resolution of the Board of Directors of JSC SIA dated September 20, 2017 (Minutes No. 237). The «Innovative KPI» indicator is calculated pursuant to the Methodology for Calculation of the Integral Key Performance Indicator of the Innovative Activity of JSC SIA approved by the Board of Directors.

To calculate the target KPI value, the approved budget, the Long-Term Development Program and the investment program of the Company are used. KPIs and weights thereof can change in different planning periods, encouraging development of the Company's business in the desired direction.

Target and actual KPI values for the reporting year and target and actual KPI values specifying the dates of the reporting period for awarding a long-term bonus are approved by the Board of Directors.

Target values set for the current calendar year cannot be adjusted, and deviations from target values shall be subject to a detailed explanation by the members of the Management Board to the Board of Directors of the Company. The Board of Directors annually analyzes the achievement of the Company's KPIs, together with the analysis of the annual reports on activities, implementation of the budget and business plan and accomplishment of strategic goals. Prior to a meeting of the Board of Directors, results of KPI accomplishment are considered (annually) at the meetings of the Personnel and Remuneration Committee of the Board of Directors in order to elaborate the respective suggestions and recommendations.

To confirm the accuracy of the information provided to the Board of Directors of the Company and specialized committees of the Board of Directors (to verify the correctness of calculations of KPIs and the bonus amount for the members of the Management Board), the Internal Control Service of the Company is involved.

Intermediary results of KPI achievement are considered quarterly, to exercise control over the results of accomplishment of KPIs set by the Board of Directors of the Company.

KPI accomplishment results of the members of the Management Board for 2018 were approved by the Resolution of the Board of Directors dated March 27, 2019 (Minutes No. 265).

The annual bonus for 2018 will be paid to the members of the Management Board in 2019 within the limits of the salary fund approved for 2018.

The total remuneration amount of executive bodies of JSC SIA for work in 2018 was approved by the Resolution of the Board of Directors (Minutes No. 265) and amounts to RUB 155,189,061.

Pursuant to the resolutions of the Board of Directors, the remuneration of the Company's General Director amounted to 26% of the total remuneration amount of the Management Board of JSC SIA for 2018.

As JSC SIA is not a public joint stock company, information about the remuneration of the sole executive body is not disclosed on the website of JSC SIA.

## Control and Audit System

The activity of JSC SIA in the area of internal control is designed to ensure achievement of the strategic goals and operational plans of JSC SIA and the growth of the value of JSC SIA while respecting the interests of all stakeholders, and to ensure compliance with the legislative requirements of the Russian Federation.

The internal control system of JSC SIA represents the aggregate of internal control processes exercised on all management levels, within the framework of all functional activity areas, and pursuant to all local statutory documents approved by JSC SIA and regulating matters of internal control and risk management.

The Internal Control Service of JSC SIA is a business unit which coordinates the activity for support of the functioning of the internal control system of JSC SIA.

The activity of the Internal Control Service of JSC SIA was formed pursuant to the Methodological Recommendations of Rosimushchestvo on organizing internal audit work in joint stock companies with the participation of the Russian Federation (Order of Rosimushchestvo No. 246 dated July 4, 2014).

The Internal Control Service of JSC SIA is an independent business unit of JSC SIA which is administratively subordinate to the General Director of JSC SIA and functionally subordinate to the Board of Directors of JSC SIA pursuant to the Articles of Association of JSC SIA.

Internal control is exercised in order to conduct an impartial analysis of audit evidence for the purposes of an independent assessment of corporate governance, risk management and internal control processes, to provide consultancy support to the Board of Directors, the Audit Committee and the management of companies within the Sheremetyevo Group, and to ensure the prevention and detection of deviations from established rules and procedures.

Amongst the principal tasks of the Internal Control Service is assessment of the efficiency of the risk management system and the internal control system, which represents an aggregate

of the Company's organizational structure, local statutory documents, corporate culture standards and procedures designed to ensure sufficient guarantees of achievement of the Company's goals and support of the management and employees of business units in decision-making in the context of uncertainty. The Company implements and develops a comprehensive system of risk management and internal control.

Assessment of the risk management system is performed by verifying the sufficiency and maturity of elements of the risk management system for the effective management of risks, verifying the completeness of detection and the correctness of assessment of risks by the Company's Management, verifying the effectiveness of risk management measures, and analyzing information about materialized risks.

Pursuant to generally accepted Russian and international practices and standards, internal control works toward the objectives set for it in such main areas as assessment of the effectiveness of the internal control system, assessment of the effectiveness of the risk management system and assessment of corporate governance.

### Assessment of the effectiveness of the internal control system comprises:

- analyzing the conformity of the purposes of business processes, projects and business units with the purposes of the companies within the Sheremetyevo Group and verifying the efficiency, reliability and integrity of business processes (activity) and information systems, including the reliability of procedures for countering unlawful acts, misuse and corruption;
- verifying the reliability of accounting (financial), tax, statistical, management and other reporting and determining whether the results of the activity of business processes and business units of the companies within the Sheremetyevo Group meet the established goals;
- determining the adequacy of criteria set by the Management for the analysis of the degree of achievement of the established goals;
- detecting defects in the internal control system that affect the achievement of goals by the companies within the Sheremetyevo Group;

- assessing the results of measures for the elimination of breaches and defects and improvement of the internal control system implemented by the companies within the Sheremetyevo Group at all management levels;
- verifying the efficiency and expediency of resource use;
- verifying the correctness of calculation (withholding) and the completeness and timeliness of the payment (transfer) of taxes, fees and insurance premiums;
- verifying the safeguarding of assets;
- verifying compliance with the requirements of legislation, the Articles of Association and statutory by-laws of the Sheremetyevo Group.

### Assessment of the effectiveness of the risk management system comprises:

- assessing the sufficiency and maturity of elements of the risk management system for effective risk management (aims and objectives, infrastructure, including the organizational structure, automation tools, organization of processes, statutory methodological guidelines, interaction of business units within the risk management system, etc.);
- verifying the completeness of detection and the correctness of assessment of risks by the Management on all management levels by the companies within the Sheremetyevo Group;
- verifying the effectiveness of the control procedures and other measures for risk management, including the efficiency of the use of resources allocated for such purposes;
- analyzing information about materialized risks (including risks detected following the results of verification of violations, failure to achieve established goals, court proceedings and other facts).

### Assessment of corporate governance comprises:

- verifying compliance with the ethical principles and corporate values of JSC SIA and other companies within the Sheremetyevo Group;
- verifying the procedure for setting the goals

of JSC SIA and other companies within the Sheremetyevo Group, and monitoring/control of their accomplishment;

- verifying the level of the statutory base and procedures of information interaction (including matters related to risk management and internal control) on all management levels, including interaction with stakeholders;
- verifying the assurance of the rights of shareholders, including controlled companies, and the effectiveness of interactions with stakeholders;
- verifying the procedures for disclosure of information about the activity of JSC SIA and its controlled companies.

The documents regulating the internal control function and matters related to the functioning of the risk management system in the Company comprise the Regulation «On the Internal Control System of Joint Stock Company Sheremetyevo International Airport,» the Regulation «On Internal Control in Joint Stock Company Sheremetyevo International Airport, its Subsidiaries and Affiliates,» Regulation on the Internal Control Service of JSC SIA, Methodology «Conducting Inspections by the Internal Control Service in Joint Stock Company Sheremetyevo International Airport and its Subsidiaries and Affiliates,» the Regulation «On the Risk Management System in Joint Stock Company Sheremetyevo International Airport,» and the Methodology «Risk Management in Joint Stock Company Sheremetyevo International Airport.»

## Risk Management System

The Company's activity in risk management is aimed at ensuring the accomplishment of the Company's strategic goals and the growth of the Company's value while respecting the interests of all stakeholders.

The key goals of the Company in the area of risk management are:

- ensuring implementation of the Company's strategy;
- timely adaptation of the Company to changes in the internal and external environment;
- ensuring the efficient functioning of the Company, its stability and its development prospects.

The principles underlying the risk management system are uniform and have been accepted and observed at all levels of the Company:

**Strategy compliance principle:** the corporate management of risks functions as a part of the uniform system of support of decision-making by the management in the course of achieving strategic goals and is aimed at defining the events and factors affecting the achievement of established objectives. Risk analysis is used in elaborating and shaping the development strategy, which comprises determination of the Company's risk appetite at the phase of choosing strategic alternatives and goal setting. Risk management ensures that risks do not exceed the Company's readiness to accept risks.

**Integration principle:** management of the entirety of the risks of the Company, including analysis of the consolidated risk portfolio at the Company level.

**Individual responsibility principle:** a particular executive officer is responsible for a particular risk; thus, risk management powers are delegated to business units responsible for a particular risk. Risk management procedures are embedded in business processes and the document flow of each business unit and are tied to places (business

processes) where risks arise.

**Continuity and progressive development principle:** risk management represents a constantly functioning cyclical process covering the entire organization and is performed by employees at all levels as part of the implementation of the corporate strategy and operational plans of the Company.

**Economic expediency and efficiency principle:** the risk management system corresponds to the size, organizational structure and the scope of the Company's objectives. Costs for risk management events are spent rationally, with the most appropriate allocation. The way of affecting a risk is chosen with due regard for the assessment of the decision's efficiency: the cost of risk management measures shall not exceed the size of the measure's effect (the amount of risk level mitigation).

**Information awareness and communication principles as part of corporate risk management:** decisions on risk management are based on the necessary scope of reliable information, and the management ensures constant information exchange inside an organization. Decisions rely on impartial characteristics of the internal and external environment in which the Company operates.

**Principle of prioritizing measures to influence risk:** mitigation of adverse consequences and/or their likelihood is performed in the first instance with respect to risks whose materialization is the most possible and may cause the largest losses.

In the area of risk management, the Company is guided by several approaches.

**First,** compliance with requirements and standards. The Company's risk management is in conformity with the legislative requirements of the Russian Federation. In the area of risk management, the Company is also guided by up-to-date international standards and requirements set by the international investment community for the structure, functions, aims, and objectives of contemporary corporate risk management.

**Second,** the uniform structure of the integrated management of the Company's risks containing business units / employees which act in an agreed-upon mode, a methodology, and a base of by-laws and business processes / procedures. Pursuant to this approach, the Company has a uniform policy and standards in the area of corporate risk management that are cascaded to all business units of the Company. Provisions of methodologies and risk management standards by functional business areas are elaborated and established by risk owners and do not contradict the uniform policy and standards of corporate risk management. Risk appetite, tolerance levels and upper limits are set by the Company's Board of Directors as part of production and financial plans and represent the grounds for calculation of derivative limits and the respective parameters for the Company's business units. Finally, this approach provides for the establishment of a uniform structure of risk reporting.

## Risk Management System

**Third**, risk management represents a continuous and cyclical process in the composition of the entire structure of the Company's corporate governance. Risk management consists of the following phases:

- Determining goals. The risk management system is based on the system of clearly defined and measurable strategic and operational goals of the Company. Shared goals are set on the strategic level; more detailed operational (tactical) goals and lower level objectives are set by the Management on the basis thereof.
- Risk identification. Determining events and factors (internal and/or external) which can have a significant effect on the achievement of established aims and objectives. For each goal of the Company, a complete set of risks, materialization of which may affect the accomplishment of a particular goal, is identified wherever possible. The Company consolidates identified risks in the uniform registry of risks and the map of risks.
- Risk assessment. Risks are analyzed by two parameters: the probability of their occurrence (risk materialization probability) and the degree of the potential damage for the Company (degree of the event's effect on the Company's performance indicators). Based on assessments, crucial risks of the Company are detected and ranked.

- Influence on a risk (risk management). Choosing a method of exercising influence on a risk is based on the economic expediency and efficiency principle. The principal methods of risk management comprise refusal (avoidance) of a risk (abandonment of activity accompanied by an unacceptable risk level above the specified value), transfer (re-distribution) of a risk (transfer of a risk to a counterparty: insurance, hedging, outsourcing), mitigation (minimization) of a risk (measures to reduce the probability of occurrence of a risk event and/or reduction of potential damage: risk localization, risk diversification, prevention, etc.) and acceptance of a risk when the Company assumes elimination of potential consequences of a risk situation and is prepared to cover losses at its own expense.
- Control of risks and methods of their management. Analyzing results and adjusting approaches to risk management. Simultaneously with making decisions on risk influence measures, control procedures ensuring the proper performance of scheduled measures are developed.

**Fourth**, forming a corporate culture of risk management in the Company. The senior management ensures the distribution of knowledge and skills related to risk management in the Company, promotes training on risk management fundamentals and encourages the formation of a corporate culture based on «risk responsive management.» Each employee is aware of risks and opportunities which the Company's business encounters is extensively involved in the process of risk identification and assessment and is capable of choosing effective methods of risk response. Assessment of the effectiveness of the risk management system in JSC SIA, alongside with assessment of the effectiveness of the corporate governance processes and the internal control system, is one of the main objectives of the Internal Control Service of JSC SIA.

For the purposes of establishing uniform principles for the formation of the risk management system, its aims and objectives, overall approaches to the organization and distribution of responsibility between participants of the risk management system and the nature of their interaction in the Company, the Regulation «On the Risk Management System of JSC Sheremetyevo International Airport» approved by the Board of Directors of JSC SIA (Minutes No. 196 dated October 29, 2015) is effective in the Company.

The Regulation on the Risk Management System was elaborated pursuant to the Methodological Guidelines for Preparation of the Regulation on the Risk Management System elaborated by Rosimushchestvo within the framework of the Methodological Guidelines for Preparation of Statutory Bylaws Regulating the Activity of State Corporations and a State Company, as well as Open Joint Stock Companies Specified in the Executive Order of the Government of the Russian Federation No. 91-r dated January 23, 2003 (Assignment of the Government of the Russian Federation No. ISh-P13-1818 dated March 23, 2015) approved by the Assignment of the Government of the Russian Federation No. ISh-P13-4148 dated June 24, 2015.

## Public Private Partnership

### Information about the actual results of fulfillment of assignments and instructions of the President of the Russian Federation and assignments of the Government of the Russian Federation

1) Information about forming specialized committees of the Board of Directors of the company pursuant to the Assignment of the Government of the Russian Federation No. V3-P13-6294.

Pursuant to the requirements of the Articles of Association of JSC SIA and the Regulations of the Committees of the Board of Directors, three dedicated committees have been formed in JSC SIA: the Audit Committee, the Personnel and Remuneration Committee, and the Committee for Strategy and Development.

2) Implementation of the strategy of the joint stock company pursuant to Clause 8 of the Assignment of the Government of the Russian Federation No. ISH-P9-3772 dated June 18, 2008 on implementation of Presidential Decree No. 889 dated June 4, 2008 «On Some Measures for Enhancing the Energy Efficiency and the Environmental Efficiency of the Russian Economy.»

Pursuant to Clause 8 of Assignment of the Government of the Russian Federation No. ISH-P9-3772 dated June 18, 2008 on the implementation of Presidential Decree No. 889 dated June 4, 2008 «On Some Measures to Enhance the Energy Efficiency and the Environmental Efficiency of the Russian Economy» and Federal Law No. 261-FZ dated June 23, 2009 «On Energy Saving and Enhancement of the Energy Efficiency of the Russian Economy,» the Program of Energy Saving and Enhancement of the Energy Efficiency of JSC Sheremetyevo International Airport for 2015–2019 was developed.

3) Disposal of non-core assets pursuant to Presidential Decree No. 596 dated May 7, 2012 «On the Long-Term State Economic Policy.»

Pursuant to Presidential Decree No. 596 dated May 7, 2012 «On the Long-Term State Economic Policy,» elaboration and implementation of the Program for Disposal of Non-Core Assets extends to companies with state participation of over 50%. At present, the participatory share of the Russian Federation in the authorized capital of JSC SIA is 30.43%. Due to that, the obligation to implement the Program shall not extend to JSC SIA. By the Letter of the Federal Agency for State Property Management No. 11/17122 dated April 28, 2016, JSC SIA is excluded from the list of companies that are obliged to implement the said Program.

4) Information about measures designed to develop innovative development programs in joint stock companies included in the list of organizations elaborating innovative development programs approved by the Assignment of the Government of the Russian Federation No. DM-P36-7563 dated November 7, 2015.

Pursuant to Methodological Guidelines for the Development (Update) of Innovative Development Programs of Joint Stock Companies with State Participation, State Corporations, State Companies and Federal State Unitary Enterprises No. DM-P36-7563 dated November 7, 2015, as approved by the Chairman of the Government of the Russian Federation, and the Regulation on the Procedure for Monitoring of the Development (Update) and Implementation of Innovative Development Programs of Joint Stock Companies with State Participation, State Corporations, State Companies and Federal State Unitary Enterprises, JSC SIA was excluded from the List of Joint Stock Companies with State Participation, State Corporations, State Companies and Federal State Unitary Enterprises Implementing Innovative Development Programs.

5) Offers and recommendations designed to encourage development of the environmental responsibility mechanisms based on international standards, such as non-financial reporting and systems of voluntary certification and labelling that are subject to independent assessment and verification pursuant to Sub-Clause «I» Clause 1 of the List of Assignment of the President of the Russian Federation No. Pr-1640 dated June 6, 2010.

In pursuance of the Resolution of the Board of Directors of JSC SIA No. 142 dated February 29, 2012, work for preparation of JSC SIA for certification for the conformity with the requirements of ISO 14001:2004 «Environmental Management Systems. Requirements and the Guidelines for Use.» In October 2012, the certificate of the conformity of JSC SIA with the requirements of the international standard was received. Following the results of the certification, the structure and the scope of non-financial environmental reporting was prepared; it has been approved and published on the website of JSC SIA in Internet annually since 2012.

To encourage the development of environmental responsibility mechanisms, JSC SIA prepared and placed non-financial environmental reporting on its website; the environmental management system of JSC SIA was verified within the framework of a voluntary certification system and recognized to meet the requirements of ISO 9001:2015 «Environmental Management Systems. Requirements and the Guidelines for Use.»

6) The expediency of using recommendations on the management of rights to intellectual activity results pursuant to the Assignment of the Government of the Russian Federation No. ISH-P8-800 dated February 4, 2014.

By the Resolution of the Board of Directors of JSC SIA dated January 31, 2018, under the Directive of the Government of the Russian Federation No. 9177p-P13 dated December 12, 2017, for representatives of the Russian Federation in Boards of Directors of joint stock companies (Minutes of the meeting of the Board of Directors of JSC SIA No. 243), the need to analyze the management of rights to intellectual activity results in JSC SIA pursuant to the provisions of the Recommendations on management of intellectual property rights in organizations approved by the Assignment of the Government of the Russian Federation No. ISH-P8-5594 dated August 25, 2017 (hereinafter, the «Recommendations») was approved.

Pursuant to the Recommendations, for the purposes of assistance in increasing competitive advantages and creating the conditions for sustainable development of organizations and the accomplishment of their aims and objectives in the area of innovative and technological development, organizations are advised to perfect the mechanisms of the creation and management of rights to intellectual activity results (hereinafter, «IAR»), for which purpose they are advised to analyze the management of rights to intellectual activity results and develop a program for the management of rights to intellectual activity results.

The management of intellectual activity results in an organization shall mean, without limitations, activity aimed at the identification of potentially patentable IAR, stock-taking of IAR and the rights to them, ensuring their legal protection, accounting registration of the exclusive rights to IAR, commercialization of rights to IAR, and detection of infringement of rights of third parties by an organization, assistance in the activity for creation of IAR.

In pursuance of the above specified resolution of the Board of Directors of JSC SIA, the management of rights to intellectual activity results in JSC SIA was analyzed pursuant to the provisions of the Recommendations. The activity of JSC SIA is designed to ensure the functioning of the airport and the servicing of aircrafts, passengers and cargoes, and is not related to activity types designed to create intellectual activity results. The intellectual activity results reviewed during the analysis and the rights to which belong to JSC SIA represent isolated cases of the creation of objects that are subject to legal protection, the management of which on aggregate does not make up a significant part of all tasks in the area of innovative and technological development of an organization.

Taking into account the general purpose of the Recommendations for organizations implementing programs of innovative development, the non-statutory nature of that document, and specifics of the activity of JSC SIA, and taking into account the conclusions and results of the analysis of the management of rights to intellectual activity results, the Methodology «Fundamentals of the Management of Rights to Intellectual Activity Results in Joint Stock Company Sheremetyevo International Airport» was approved by the Board of Directors of JSC SIA (Minutes of the meeting of the Board of Directors No. 248 dated April 25, 2018) and is effective.

## Public Private Partnership

7) Elaboration and approval of the long-term program of development of the company, conducting the audit of implementation of the long-term development program (in the case of its implementation in the reporting year) and approval of the standard of such audit pursuant to Sub-Clauses 32, 33 and 34 of Clause 1 of Assignment of the President of the Russian Federation No. Pr-3086 dated December 27, 2013.

The Long-Term Development Program of JSC SIA for 2015–2024 was elaborated pursuant to Assignment of the President of the Russian Federation V. V. Putin No. Pr-3086 dated December 27, 2013, approved at the meeting of the Government Transportation Committee on December 4, 2014, and approved by the Board of Directors of the Company on December 18, 2014 (Minutes No. 181). The Long-Term Development Program of JSC SIA was elaborated pursuant to the aims and objectives set by the state program of the Russian Federation «Transportation System Development» for 2013–2020.

The audit of implementation of the Long-Term Development Program in 2018 is conducted in pursuance of the Lists of Assignments of the President of the Russian Federation No. Pr-3086 dated December 27, 2013 (Sub-Clause 32 and Sub-Clause 33 Clause 1) and No. Pr-1474 dated July 5, 2013 (Clause 4), Assignment of the Government of the Russian Federation No. DN-P13-9589 dated December 31, 2013, and decisions made at the meetings of the Government of the Russian Federation (Minutes No. 3 dated January 30, 2014, and No. ISh-P13-98pr dated October 3, 2013) for the purposes of enhancing the efficiency of joint stock companies with state participation included in a special list approved by Executive Order of the Government of the Russian Federation No. 91-r dated January 23, 2013 for the improvement of the system of their management by a shareholder, the Russian Federation.

The tendering procedure for choosing an auditor to conduct the audit of the Long-Term Development Program of JSC SIA for 2015–2024 in 2018 was performed by a request for proposals pursuant to the provisions of Federal Law No. 223-FZ dated July 18, 2011 «On Procurements of Goods, Works and Services by Certain Types of Legal Entities,» Regulation No. P-10.6-32-18 «On Procurements in JSC SIA» approved by the Board of Directors of JSC SIA on December 19, 2017 (Minutes No. 258), Standard for Conducting the Audit of Implementation of the Long-Term Development Program of JSC SIA approved by the Board of Directors of JSC SIA on November 20, 2014 (Minutes No. 180), and the Statement of Work for the Audit of Implementation of the Long-Term Development Program of JSC SIA for 2015–2024 in 2018 approved by the Board of Directors of JSC SIA on October 31, 2018 (Minutes No. 256).

8) Inclusion of the principal parameters of the need for labor resources, including engineering technical specialists, in the long-term program of development of the company pursuant to Sub-Clause «b» Clause 2 of the List of Assignments of the President of the Russian Federation No. Pr-1627 dated July 1, 2014.

The section «Forecast of SIA's need for specialists» was included in the Long-Term Development Program of JSC SIA. Taking into account the main measures of the Long-Term Development Program, a special focus during implementation of the personnel policy is made on ensuring the growth of labor productivity. The personnel policy is based on the best possible use of labor resources for the benefit of the Company and continuous advanced training of current employees.

9) Inclusion of the list of measures aimed at planned and phased replacement of purchases of foreign products (works, services) with purchases of Russian products (works, services) that are equivalent in terms of technical characteristics and consumer features in the long-term program of development of the company pursuant to Assignments of the Government of the Russian Federation No. DM-P9-87pr dated November 25, 2013, No. AD-P9-9176 dated December 12, 2014, and No. ISh-P13-1419 dated March 5, 2015.

At present, the participatory share of the Russian Federation in the authorized capital of JSC SIA is 30.4625%. JSC SIA has developed a set of measures aimed at the planned and phased replacement of purchases of foreign products (works, services) with purchases of Russian products (works, services) that are equivalent in terms of technical characteristics and consumer features when implementing investment projects and performing the day-to-day operations, proceeding from the principles of economic expediency and technological substantiation; namely, the Regulation on Procurements, in pursuance of Decree of the Government of the Russian Federation No. 925 dated September 16, 2016, sets the priority of goods of Russian origin and works performed and services provided by Russian persons when purchasing goods, works and services when conducting procurement procedures with respect to goods originating from a foreign country and works performed and services provided by foreign persons.

In addition to that, measures aimed at replacing purchases of foreign products with purchases of equivalent Russian products are included in the Long-Term Development Program of JSC Sheremetyevo International Airport for 2015–2024 (Minutes of the Board of Directors No. 190 dated June 24, 2015).

## Public Private Partnership

10) Improvement of the system of key performance indicators of the company pursuant to Clause 5 of the List of Assignments of the President of the Russian Federation No. Pr-1474 dated July 5, 2013.

Pursuant to the approved Regulation on Key Performance Indicators of JSC SIA, key performance indicators are annually approved by the resolution of the Board of Directors for the Management Board of JSC SIA.

11) Improvement of labor productivity pursuant to Clause 6 Section 2 of the Action Plan to Ensure Improvement of Labor Productivity and Create and Upgrade Highly Productive Jobs approved by the Decree of the Government of the Russian Federation No. 1250-r dated July 9, 2014.

In pursuance of Sub-Clauses 6.2, 6.3 and 6.4 Clause 6 Section 2 of the Action Plan to Ensure the Improvement of Labor Productivity and Create and Upgrade Highly Productive Jobs approved by the Decree of the Government of the Russian Federation No. 1250-r dated July 9, 2014, clauses establishing the obligation of the sole executive body to achieve values of labor productivity improvement and a decrease in the operating expenses of JSC SIA determined in the Long-Term Development Program of the Company are included in Section 2 of the employment contract concluded with the General Director of the Company («Obligations of the Parties») by the resolution of the Board of Directors (Minutes No. 183 dated January 28, 2015, Minutes No. 190).

Similar obligations are included in the employment contract with the General Director of the Company signed following the results of his appointment to the position by the resolution of the Extraordinary General Meeting of Shareholders of JSC SIA dated November 7, 2016 (Minutes No. 13).

12) Implementation of a system of awarding bonuses to executive officers based on key performance indicators proceeding from the need to decrease operating costs (expenses) by at least 2–3% pursuant to Sub-Clause 5 Clause 1 of the List of Assignments of the President of the Russian Federation No. Pr-2821 dated December 5, 2014, Clause 4 Section 2 of the Minutes of the meeting with the Chairman of the Government of the Russian Federation No. DM-P13-2pr dated January 18, 2016, and the Assignment of the Government of the Russian Federation No. ISh-P13-2047 dated April 11, 2016.

In 2018, the indicator «EBITDA adjusted,» which provides for a decrease in operating costs (expenses) of JSC SIA, was included in the composition of key performance indicators of the members of the Management Board. Following the results of 2018, the indicator was accomplished 106%.

Detailed information about the composition and accomplishment of key performance indicators of the members of the Management Board of JSC SIA is provided in Section 5 of the Annual Report.

13) Implementation of the integral KPI of innovative activity pursuant to the Assignment of the Government of the Russian Federation No. AD-P36-6296 dated September 15, 2015 (Clause 5), No. DM-P36-7563 dated November 7, 2015, and No. AD-P3b-8381 dated December 10, 2015 (Clause 1).

In 2018, the innovative KPI was included in the list of KPIs of the Management Board of JSC SIA approved by the Resolution of the Board of Directors of JSC SIA dated December 20, 2017 (Minutes No. 242).

14) Elaboration and approval of the list of by-laws regulating the activity of the joint stock company, and ensuring submission of reports on implementation of long-term development programs and accomplishment of approved key performance indicators pursuant to Clauses 2 and 3 of the Assignment of the President of the Russian Federation No. Pr-3013 dated December 27, 2014.

At present, the following by-laws have been approved in JSC SIA pursuant to the established procedure:

By-law	Status
<b>Regulations for Enhancing Investment and Operating Efficiency and Decreasing Costs</b>	Approved by the Resolution of the Board of Directors dated November 20, 2015 (Minutes No. 197)
<b>Regulation on Internal Control in JSC SIA, its subsidiaries and affiliates</b>	Approved by the Resolution of the Board of Directors dated April 25, 2018 (Minutes No. 248)
<b>Regulation on the Quality Management System</b>	Approved by the Resolution of the Board of Directors dated October 29, 2015 (Minutes No. 196)
<b>Regulation on the Risk Management System</b>	Approved by the Resolution of the Board of Directors dated October 29, 2015 (Minutes No. 196)
<b>Regulation on the Procedure for Elaboration and Implementation of Innovative Development Programs</b>	There are no plans to implement or update the innovative development program (IDP) in JSC SIA, as JSC SIA is excluded from the List of Joint Stock Companies with State Participation, State Corporations and Federal State Unitary Enterprises Implementing IDPs approved by the Assignment of the Government of the Russian Federation No. DM-P-36-7563 dated November 7, 2015.

## Public Private Partnership

Results of the audit of the Report on Implementation of the Long-Term Development Program of JSC SIA in 2017, containing the auditor's report on conducting an independent audit of implementation of the Long-Term Development Program, and the Report on Accomplishment of KPIs approved by the Board of Directors of JSC SIA (Minutes No. 251 dated June 27, 2018) were sent to a respective federal executive authority, the Ministry of Transportation of Russia, on July 4, 2018. Copies of the Results of the audit of the Report on Implementation of the Long-Term Development Program of JSC SIA in 2017 and accomplishment of key performance indicators were sent to Rosimushchestvo on July 4, 2018, and placed within the established time frame in the personal account of JSC SIA on Rosimushchestvo's portal in Sections No. 17 and 18 «Assignments.»

Results of the audit of the Long-Term Development Program for 2018 will be prepared and submitted for approval of the Board of Directors in June 2019.

15) In pursuance of the Assignment of the Government of the Russian Federation No. ISh-P13-5859 dated July 31, 2014, it was resolved at the meeting of the Board of Directors of JSC SIA to implement the provisions of the Code of Corporate Governance and bring the by-laws of JSC SIA into conformity with the legislative requirements (Minutes of the Board of Directors No. 180 dated November 20, 2014).

16) Performance of the Assignment of the President of the Russian Federation No. Pr-1032 dated May 7, 2014, about the establishment of a single treasury in the joint stock company, its subsidiaries and affiliates.

Since May 2018, a single treasury has been functioning within three Companies in which JSC SIA holds a stake equal to or exceeding 51%: LLC Sheremetyevo VIP, LLC InterTerminal Passage Sheremetyevo and LLC Terminal B Sheremetyevo.

On April 27, 2018, agreements on the transfer of powers of the sole executive body to the administrator were signed between JSC SIA, LLC InterTerminal Passage Sheremetyevo and LLC Terminal B Sheremetyevo.

At present, a single treasury performs daily monitoring and approval of payments, maintaining forms of financial statistics and operational reporting with respect to LLC Sheremetyevo VIP; with respect to LLC Inter-Terminal Passage Sheremetyevo and LLC Terminal B Sheremetyevo, the complete set of treasury transactions is made, including approval and execution of payments, management of available cash, conversion operations, etc. Control of balances on bank accounts, monitoring of deposit transactions and conversion operations is performed by JSC SIA daily with respect to the entire group of companies. Moreover, at the level of the parent company, preparation of and quarterly control of performance of the consolidated budget of the entire SIA Group is performed.

17) Expansion of the use of factoring when performing agreements on the supply of goods (performance of works, provision of services) pursuant to Assignment of the Government of the Russian Federation No. DM-P13-1100 dated March 1, 2016 (Clause 89 of the Action Plan of the Government of the Russian Federation Aimed at Ensuring the Stable Social and Economic Development of the Russian Federation in 2016).

In pursuance of Assignment of the Russian Federation No. DM-P13-1100 dated March 1, 2016, amendments were made in the Regulation on Procurements in JSC SIA with respect to the expansion of the use of factoring when performing agreements on the supply of goods (performance of works, provision of services); these amendments were approved by the Resolution of the Board of Directors of JSC SIA dated November 23, 2016 (Minutes No. 217).

However, in practice, JSC SIA does not use factoring tools when entering into and performing agreements on the supply of goods (performance of works, provision of services). Pursuant to the procedure established in the Company, supplied goods (performed works, provided services) are paid for on an actual basis; in the case of advance supply (works, services), a bank guarantee is used as security for fulfillment of obligations of suppliers and contractors.

18) Information about the implementation of professional standards in operations of joint stock companies pursuant to Clause 3 Section I of the Minutes of the meeting of the Government of the Russian Federation No. 9 dated March 24, 2016, subject to the provisions of Federal Law No. 122-FZ dated May 2, 2015 «On the Introduction of Amendments to the Labor Code of the Russian Federation and Articles 11 and 73 of the Federal Law 'On Education in the Russian Federation,» in terms of compulsory application of requirements to the qualification needed by an employee for performance of a particular labor function.

At present, the Company has an effective Plan of Implementation of Professional Standards in Operations of JSC SIA (Minutes of the meeting of the Board of Directors No. 225).

In 2018, 126 professional standards were considered in the Company, 94 standards were chosen with respect to a relevant professional activity and considered for applicability, and 7 professional standards were implemented (Minutes of the meeting of the Board of Directors No. 262 dated February 27, 2019). The Board of Directors considers the Report on accomplishment of this plan semi-annually.





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## Safety

### Transportation safety

The fundamental principles for ensuring transportation/aviation safety are: a risk-based approach to management, i.e. assessment of the likelihood of threats of acts of unlawful interference with the activities of a transportation infrastructure facility and development of measures adequate to existing threats, and compliance with the requirements of Russian legislation, statutes and regulations on transportation/aviation safety and international standards set by ICAO and IATA.

Sheremetyevo Airport employs the following security equipment: all security stations are equipped with stationary metal detectors and X-ray television scanners; microwave scanners and gas analyzers are used to screen passengers. A multi-level automatic system for screening 100% of the checked baggage has been introduced. The integrated security management platform comprises the following systems: smart video surveillance, access control, security alarms, and the airport perimeter security equipment complex; this makes it possible to identify alarm events and form an algorithm for determining offender response measures. Along with the formation of the SIA Consolidated Group, in 2016–2018, aviation safety management was implemented through the introduction of safety standards and the aviation safety quality management system developed by JSC SIA in the subsidiaries and affiliates, as well as the development of the centralized transportation/aviation safety process control system of JSC SIA with the participation of the subsidiaries and affiliates. In addition, uniform standards and training programs for personnel, unlawful interference risk management systems, and a Technical Policy for Transportation/Aviation Safety for JSC SIA and its subsidiaries and affiliates were developed and implemented. In order to coordinate security measures within the consolidated JSC SIA group, a central transportation/aviation safety management body was established: the Safety Committee of JSC SIA and its subsidiaries and affiliates with the participation of the Deputies General Director for Security of all subsidiaries and affiliates.

The key security projects in 2018 were, first and foremost, the implementation of safety measures during the commissioning of Terminal B, the interterminal passage and the cargo complex, the automation of incident response processes, the expansion of the security statistics database for storing complete data, and a number of measures aimed at improving the effectiveness of the transportation security system through the introduction of new approaches and the development of technology systems.

### Security officer responsibility system

In accordance with the ICAO recommendations and Decree of the Government of the Russian Federation No. 1215 dated November 18, 2014, and FAR-262, a safety management system with the participation of representatives of the base airlines and aircraft service operators, is functioning at Sheremetyevo International Airport.

The SMS has been implemented to identify safety risks in service operations, ensure the implementation of corrective measures to control safety threats, perform continuous monitoring and evaluation of flight safety activities and continuously improve safety during maintenance operations.

The SMS's operation is based on the analysis of flight safety information, the quantitative and qualitative assessment of the impact of various factors on its level, the development and adoption of measures to prevent hazards or to reduce their impact on safety, and the effectiveness of preventive measures.

### In accordance with the ICAO recommendations, the SMS requires the following to be in place:

- the Sheremetyevo International Airport Safety Policy approved by an internal directive of JSC SIA;
- safety officers assigned to relevant fields of activity;
- identification of hazards, possible errors and violations by personnel and implementation of measures to prevent them;
- participation in the investigation of aviation and other incidents affecting flight safety;
- monitoring of the implementation of recommendations of the commission for the investigation of aviation incidents, reports on their implementation and evaluation of the effectiveness of preventive measures;
- informing of structural units, subsidiaries and affiliates of various incidents at the airport and their causes;
- control of personnel's compliance with the requirements of JSC SIA administrative documents for flight safety;
- staff training and development of competence;
- an emergency response plan.

The JSC SIA Safety Policy sets forth the principles, procedures and methods of the SMS used to achieve the desired safety objectives. This policy is approved by an internal directive of JSC SIA and establishes the obligations of the JSC SIA top management to implement and continuously improve safety principles in all aspects of its activities. The top management is developing measurable and achievable safety objectives that must be implemented throughout JSC SIA.

JSC SIA keeps records of all aviation incidents and violations committed by personnel and monitors the implementation of recommendations of reports (statements) based on the results of investigations of aviation and other incidents, as well as violations affecting flight safety. The results of flight safety management and maintenance are reflected in quarterly and annual flight safety reports.

Safety depends on the results of the work of all structural units, airlines and organizations operating at the airport; it is achieved through joint efforts and quality performance of the JSC SIA management and its structural units, as well as personnel working in cooperation with airlines, organizations and local executive authorities.

## Safety

To establish control over the activities of its employees and the use of resources for the provision of airport services and ensure mitigation of relevant risk factors, the JSC SIA Management:

- determines the organizational structure of JSC SIA and the responsibilities of its structural units;
- determines the procedure for airport operation;
- organizes recruitment and training of employees;
- provides the structural units with the equipment necessary for the provision of services;
- distributes the necessary resources.

The JSC SIA Management ensures the development of administrative and local regulatory documents of JSC SIA in terms of flight safety, as well as technological documents for all types of works, and monitors compliance with the rules and regulations set forth in these documents and maintenance of hardware and equipment.

Flight safety obligations form an integral part of the job responsibilities of each manager. Since safety management comprises one of their key functions, each manager, to a certain extent, is involved in such management.

The General Director performs general leadership functions in the area of flight safety management at JSC SIA.

The responsibilities of the Deputy General Director for Flight Safety and Airfield Support include implementing and maintaining an operating SMS at JSC SIA, developing an effective SMS and ensuring its operation, advising the heads of structural units on flight safety management issues, and coordinating safety issues and communicating them to JSC SIA employees and stakeholders.

The heads of structural units are responsible for developing an action plan for the implementation of the SMS in their units and its execution, as well as for organizing identification of potential and actual hazards, risk assessment, development and adoption of corrective actions and evaluation of the effectiveness of flight safety management measures. They are also responsible for the accuracy of the unit's control list of hazards and risk mitigation measures and its submission to the Flight Safety Inspectorate for compilation and analysis, for organizing the control of subordinates and for promoting the SMS and the voluntary reporting system in their units.

In the structural units, special officers are appointed to be responsible for implementation of the SMS in the unit and for ensuring safety.

At the same time, in the framework of the SMS, each employee of JSC SIA is responsible for ensuring safety in relation to his or her job functions, for performing work in accordance with established flight safety rules and regulations, for complying with the requirements of the JSC SIA regulatory documents and for committed violations.

The management of JSC SIA allows for possible safety violations by aviation personnel, provided such mistakes are unintentional, their reasons are recognized and are not a consequence of personal lack of discipline, lessons are learned from them, and preventive measures are developed and implemented to eliminate their causes and to prevent similar violations in the future. If a mistake or a violation is unintentional,

a punishment for the employee who is at fault is not mandatory. In this case, other corrective measures are introduced, such as development of professional competence, incentives for high-quality performance, etc. In order to make the SMS's operation more effective, JSC SIA established the Flight Safety Committee. The Committee's work is defined by the Regulations on the Flight Safety Committee of Joint Stock Company Sheremetyevo International Airport, put into effect by an internal directive of JSC SIA. The Committee comprises the Deputy General Director for Flight Safety and Airfield Support, heads of structural units ensuring flight safety, representatives of the base airlines and aircraft and air traffic services operators, and the Secretary of the Committee.

In the production units, working groups are created to identify hazards by areas of activity: aircraft maintenance, airfield maintenance, technological processes, maintenance and repair of equipment, training, etc. under the leadership of officials responsible for flight safety in the units.

The JSC SIA Management considers the practice of concealing facts about aviation and other incidents, regardless of their classification, to be inadmissible. In 2018, workers were significantly more active in identifying hazard factors: via the JSC SIA Voluntary Reporting System, the Flight Safety Inspectorate received 252 reports of faults and events of non-compliance from employees (in 2017, there were 92 such reports). Each report is investigated by the Flight Safety Inspectorate and sent to the head of the relevant JSC SIA structural unit, subsidiary, affiliate or other airport operator to take measures to eliminate the deficiencies. Furthermore, in 2018, the number of occupational safety and traffic safety training classes in the JSC SIA structural units, subsidiaries and affiliates doubled.

### Flight safety

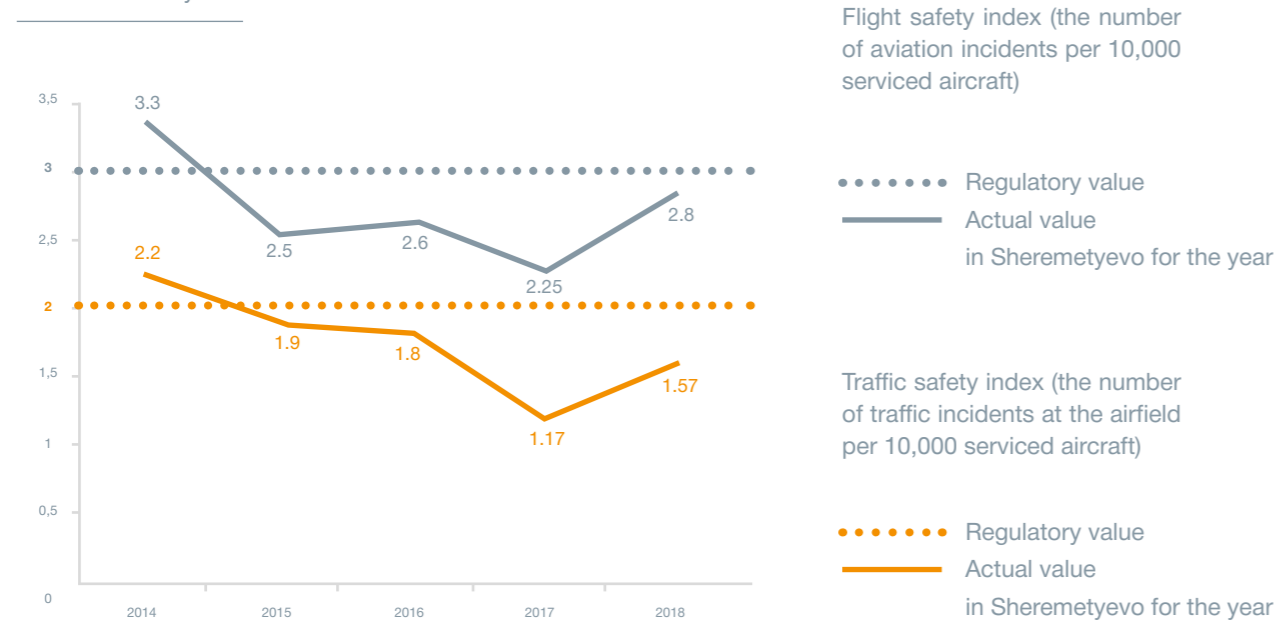
Ensuring flight safety is a priority for JSC SIA. The basic principles of our safety management are:

- recognizing safety as the highest priority in order to preserve the life and health of people;
- implementation and operation of the safety management system and its definition as a complex of preventive, professional and organizational measures to reduce the negative impact of human factors on flight safety;
- focus on identifying airport operation hazards and their prompt elimination or mitigation of possible consequences;
- objective flight safety assessment;
- efficient, specific, purposeful and mandatory preventive measures and their periodic repetition;
- professional personnel recruitment and training;
- full coverage of all aspects and activities of the personnel and all functions of the airfield facilities.

## Safety

In 2018, the flight safety index of the airport (the number of incidents per 10,000 serviced aircraft) was 2.8, the regulatory value being 3.0. Over the past 5 years, Sheremetyevo has shown a tendency toward the improvement of flight and traffic safety indices. During the reporting period, JSC SIA passed a series of inspections, both from the federal civil aviation authorities and from several airlines and foreign organizations, the results of which confirmed a high level of flight safety and air transportation services.

Sheremetyevo flight and traffic safety indices



In 2018, the operation of JSC SIA's SMS was characterized by a number of changes in the infrastructure and organization of the airport's activities. The following safety factors had the most significant impact: large-scale reconstruction of the airport and its facilities; commissioning of Terminal B and the transfer of flights from the terminals of the Southern Terminal Complex to it; structural changes in JSC SIA, establishment of Sheremetyevo Handling LLC and gradual transfer of commercial servicing of aircraft from JSC SIA and PJSC Aeroflot to it; increase in the number of employees hired by subsidiaries and affiliates without any prior airport work experience; and a sustained increase in the number of take-off and landing operations and aircraft maintenance volume.

## Personnel

### Number and composition

In 2018, the average number of employees of the Sheremetyevo Group was 13,912, of which 1,449 were administrative staff and 12,463 were operational staff. The number of employees of the parent company, JSC Sheremetyevo International Airport, was 4,205 as of December 31, 2018. Compared to 2017, the number decreased by 21% due to the planned transfer of a part of the production staff to the subsidiary company LLC Sheremetyevo Handling created specifically for organizing passenger and aircraft services.

Number and composition of JSC SIA personnel as of the end of 2018, people



In 2018, the proportion of male employees in the parent company JSC SIA was 64%, and of female employees, 36%, respectively. This proportion is almost unchanged since 2017. The average age of employees is also stable at 44 years. As of December 31, 2018, the average length of employment of employees was 10 years, with 36% of the employees working at the airport for more than 10 years. In 2018, the staff turnover rate in JSC SIA was 10.4%, which is lower than the previous year (12.2%).

### Staff recruitment and preliminary training

Sheremetyevo Airport is the leader in quality service; we pay great attention to the development of our infrastructure. Our employees play the most important role in this process. As a rule, the requirements for a position in the airport staff team are stricter than standard and ask for higher qualifications. We would like our employees to be ambitious and proactive professionals with a desire to achieve the best results.

In 2018, the main objective of recruitment was the staffing of new infrastructure facilities, such as Terminal B, the interterminal passage, and the Runway 3 complex. More than 1,000 people were hired during the year. Most of them were hired for the Directorate of Engineering Systems and Technical Maintenance of Buildings and Structures, the Airport Management Center, the Flight Operation Search and Emergency Service, the Service for Organization of Disabled Passenger Care, the Medical Sanitary Unit and other airport units.

The airport is working comprehensively on growing the employer's brand and attracting highly qualified candidates with relevant skills and necessary competencies to provide the best service for passengers and airlines.

## Personnel

Sheremetyevo International Airport is also actively cooperating with specialized schools and colleges. In 2018, 246 students underwent training and pre-diploma practice at the airport. Primarily, these are students of specialized educational institutions: Moscow State Technical University of Civil Aviation, Ulyanovsk Institute of Civil Aviation, St. Petersburg State University of Civil Aviation, as well as students of secondary educational institutions that prepare technical staff: electricians, technicians, mechanics, repairmen. 15% of 2018 graduates who have been trained at the airport became employees of JSC SIA.

As part of JSC SIA's cooperation with the Government of the Moscow Region, in 2016, the Right Course Project of targeted programs for education and training of specialists in popular aviation professions was launched in the Moscow Region Vocational School of Industry Technologies. The Right Course Project is a set of programs for training specialists in the fields of Transportation Organization and Management, Transportation Service, Operation and Maintenance of Monitoring Equipment, Repair and Maintenance of Electrical Equipment, Operational Activities in Logistics, Information Technology and Software Development, plus a program for in-depth study of English, including aviation vocabulary. The total number of the Right Course Project participants is 475 students. Since the start of this program, 325 students have undergone internship at Sheremetyevo International Airport (including 69 in 2018) and more than 100 of them were hired (including 54 in 2018).

Besides, in 2018, with the active participation of specialists from Sheremetyevo Airport under the ASI Personnel of the Future for the Regions Program, a Mobile Airline Camp Internet career guidance group for schoolchildren was created to inform teenagers of aviation careers and to help them choose their future profession. Today, this group unites over 200 people and publishes interviews with representatives of airports and air pilots, interesting facts about aviation and its history, recommendations on interesting places related to airplanes, aviation terms and training materials on the principles of aircraft design, information on colleges training aviation personnel and requirements for admission. JSC SIA plans to create an aviation online school based on these materials.

### Corporate University and talent pool

Sheremetyevo International Airport strives to provide top-notch service and an appropriate level of flight safety for our passengers and partner airlines. This is only possible when working in a team of truly dedicated professionals. Sheremetyevo Airport puts great emphasis on the professional growth of its employees and has organized a complex training system for professional and career development. Corporate University and the talent pool of the airport play a key role in this system.

JSC SIA Corporate University is a comprehensive system for the development of leadership and professional skills based on the mission, values, and strategy of JSC SIA. From the very first day of work, each employee is included in the system of compulsory education and continuous training, which consists of initial training, internships and mentoring, obtaining permits, developing competences, and improving and obtaining new skills and knowledge.

In 2018, as part of the implementation of the personnel training system, the Corporate University organized training in various areas for more than 7,500 employees of JSC SIA and other companies of the JSC SIA group involved in airport operations and flight safety.

In order to improve the quality of personnel training, the SIA Corporate University obtained a license for the provision of educational services that permits it to conduct both compulsory and leadership training necessary for achieving the airport's objectives. In 2018 alone, more than 4,000 employees of the JSC SIA group were trained at the Corporate University.

The Corporate University successfully implements modern educational technologies and methods of training that make it possible to conduct on-the-job training with continuous monitoring of progress. In 2018, unique distance learning programs and testing systems, including such important ones for airport operation as aviation safety and flight safety management system; a barrier-free environment program; and a training program for mentors were developed.

In 2018, more than 2,500 people took part in the distance learning programs.

The Corporate University implements programs for the development of leadership and abilities, the improvement of managerial competencies, and professional knowledge and language qualifications. The employees can get career counseling, undergo assessment and draw up individual career development plans, take part in talent pool programs, broaden their perspective and master IT skills.

In 2018, more than 2,500 employees were trained in technical, aviation and management programs. In total, more than 230 training programs were implemented and 275 mentors were trained during 2018. The key 2018 training areas were vocational training for basic production processes; vocational training for support processes; and management training.

For the airport employees, training at the Corporate University is free. Some programs of the Corporate University are completely original and unique to the industry. Those are such programs as:

- mentor training program;
- program for creating an accessible environment;
- Executive Profession training program;
- aviation safety initial training program using distance learning technologies;
- Flight Safety Management System training program.

Under these unique programs alone, more than 3,000 airport employees study annually at the Corporate University. In 2018, the airport also implemented a special training program for World Cup volunteers. As part of the program, more than 600 volunteers learned to navigate the airport and received an action plan for unexpected situations in the process of communication with football fans and guests of the World Cup.

## Personnel

### Incentive system

Sheremetyevo Airport is the only Russian airport that was included in the annual Russia Employers' Rating 2018, where the airport took 23rd place in the list of the most attractive employers in the country and entered the top ten companies most popular with applicants. In the HR Rating by industry, JSC SIA was recognized as the best employer in the category «Transportation and Logistics.»

Leadership in this ranking shows the efficiency of the company's HR strategy. The key principles of the successful HR policy of Sheremetyevo are high requirements for personnel professional qualifications and encouragement and incentives for the best JSC SIA employees. Sheremetyevo Airport employees have a wide range of opportunities growth and training and a competitive benefits package and salary, as well as non-financial incentives.

One of the innovations is the Triumph Incentive Program aimed at identifying and rewarding the best employees for initiatives and achievements. In 2018, the best 100 employees of the airport became the Triumph Prize nominees, and ten of them were awarded travel certificates for RUB 200,000.

Developing a strong and efficient corporate culture is a key priority of Sheremetyevo. The continuity between generations is a proof of the success of the personnel development and incentive system. More than 500 employees have worked in the Company for more than 35 years, and there are 30 labor dynasties with collective work experience exceeding 200 years.

According to the Regulation on Quarterly Bonuses for the Achievement of Key Performance Indicators put into effect by JSC SIA internal directive No. 535 dated November 1, 2017, employees are assigned two types of indicators: corporate and individual. The weight of corporate and individual indicators in the total bonus depends on the position held by an employee.

The General Director approves corporate indicators for employees with quarterly bonuses out of KPIs approved by the Board of Directors for members of the JSC SIA Management Board.

For the group of corporate key performance indicators, EBITDA adjusted is a blocking indicator. When the result for the EBITDA adjusted in the accounting period is below 90% of the planned value, bonuses for the entire group of corporate indicators are not paid.

Individual performance indicators are set individually for each position. In 2018, there were 757 various individual indicators in use.

### Collective Agreement and benefits package

An active primary trade union organization of the employees of JSC SIA and its subsidiary LLC Sheremetyevo Handling works in the Group in close contact with the top management.

The union represents the interests of workers in the social partnership: conducts collective bargaining, enters into a collective agreement, controls its implementation, participates in the resolution of individual and collective labor disputes, and controls the employer's compliance with labor legislation and occupational safety and health regulations. In April 2018, by a joint decision of the employer and the trade union of the employees, the term of the Collective Agreement between JSC SIA and its employees was extended until April 19, 2021.

JSC SIA's occupational safety and health management system is based on OHSAS 18001:2007. It makes it possible to provide a safe work environment in each structural unit, detect possible issues in a timely manner, decrease the incidence of occupational risks, and develop and implement measures to eliminate work injuries and occupational diseases (poisoning).

The benefits package provided for by the Collective Agreement exceeds the volume of benefits, guarantees, and compensations required by the current labor legislation. It is one of the best benefits packages in the industry, including holiday and events bonuses, additional vacation days, corporate transportation, voluntary medical insurance for all employees and medical services at the medical center at the airport, training at the Corporate University at the expense of the Company, and organized vacations for the staff and their children.

In 2018, 284 employees were treated and had vacations at health resorts, including 113 employees' children together with their parents under the Mother and Child Program. Vacations at summer camps (including transportation to the camps) were organized for the employees' children. 204 trips to summer camps were granted in 2018. The program was funded by JSC SIA. The Company works with health resorts in the Moscow Region, Caucasian Mineral Waters and the Black Sea coast of the Krasnodar Region.

In 2018, 942 active and former employees of the Company received financial support (including 543 veterans and retired persons). 397 employees received reimbursement of kindergarten fees. Nearly 2,000 children of employees received New Years presents and tickets for New Years performances.

The union also participates in the development and implementation of policies on youth and gender issues and organizes cultural and sports events.

For example, the trade union initiated a benefits program to attract and retain young professionals. Under this program, Sheremetyevo Airport partially compensates interest paid on mortgage loan agreements, provides financial support and additional paid leave for such events as weddings, the birth of a child, first day of school, etc.

The trade union also supports corporate football and billiards teams, which are constantly training and participating in tournaments. In 2018, Sheremetyevo sports teams took part in 12 different tournaments and special events. The Sheremetyevo Cup annual football tournament was held among 11 football teams of the airport and its subsidiaries.

Traditional charity and volunteer employee-initiated programs are implemented: In 2018, 345 employees took part in the From Heart to Heart blood donation event, the traditional Green Environment waste paper collection event and the Starost v Radost (Russian for «Joy of Old Age») charity event.

The airport reimburses its employees for up to 100% of kindergarten fees.

JSC SIA makes a special effort to support former employees of Sheremetyevo who are war veterans. In 2018, 88 of our former colleagues who are war and labor veterans received financial support from the company. Every year for Victory Day (May 9), the management and trade union committee organize commemorative events and celebrations to honor the soldiers of the Great Patriotic War and commemorate the fallen. Veterans are actively involved in collecting exhibits for the Sheremetyevo International Airport History Museum.

## Personnel

### Occupational safety and health

In 2018, independent specialists of JSC RDC Tekhnoprogress assessed the working conditions at JSC SIA. According to its results, the list of workplaces and the list of industries, professions and positions at JSC SIA with harmful and/or dangerous working conditions (that give employees the right to receive additional guarantees and compensations) were updated. Working Conditions Special Assessment Charts were developed for the structural units. During 2018, the actual working conditions at workplaces, the tools and equipment used, as well as the processes and work performed by the employees, were monitored quarterly for compliance with these Charts, taking into account the changes in the organizational structure of JSC SIA.

Also in 2018, new standards taking into account the results of the assessment of working conditions were introduced for the issuance of protective clothing, footwear and other personal protective equipment and the distribution of neutralizing agents and free milk. With the participation and under the supervision of specialists of the occupational safety and health department, primary hazard identification and risk assessment was organized and conducted at the structural units.

At the same time, occupational safety training procedures were updated. The new Regulation On Organization and Development of Occupational Safety and Health Instructions in Structural Units of Joint Stock Company Sheremetyevo International Airport and the Methodology for Occupational Safety and Health Training and Instructions in Structural Units of Joint Stock Company Sheremetyevo International Airport came into effect. In July 2018, a permanent commission was established to improve and test the knowledge of occupational safety and health requirements of JSC SIA managers and specialists. The first comprehensive examination of knowledge and practical skills took place in August 2018. It covered drivers and workers with additional driver functions of all JSC SIA structural units. The personnel training programs, such as the Program for Onboarding Training of JSC SIA Employees and the Occupational Safety and Health Training for Managers and Specialists of JSC SIA Structural Units, were also checked for compliance with modern requirements and updated.

In 2018, special attention was also paid to health checks for employees; periodic medical examinations for employees of structural units and analytical processing of the obtained data was rigorously monitored. This resulted in adoption of rules that obligate workers of certain specialties to undergo preliminary or periodic medical examinations.

In July 2018, the Russian Register Certification Body conducted a certification audit of special conditions of occupational safety and health at JSC SIA for compliance with the requirements of the law. The audit did not reveal any deficiencies.



## Efficient Use of Resources and Environment

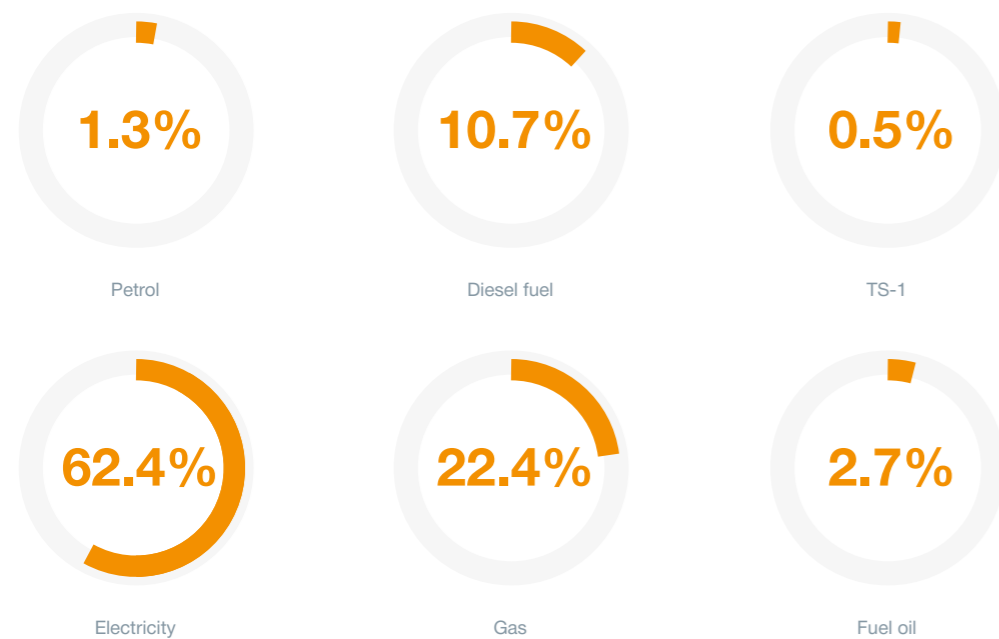
### Efficient use of resources

JSC SIA has a program for energy saving and improvement of the energy efficiency of JSC Sheremetyevo International Airport for 2015–2019. As part of this program, incandescent bulbs were replaced with LEDs, a Free Cooling System was installed to reduce energy consumption for air conditioning and cooling, and the seasonal decommissioning of energy-intensive systems was put into practice (for example, part of the transformers in the TP-65 transformer substation is now disconnected for the winter together with temporarily unnecessary refrigerators), the use of electrically conductive lubricant was introduced. The results of 2018 show energy savings of 452,000 kW/h. The economic effect amounted to RUB 1.435 million.

Energy consumption at Sheremetyevo Airport in 2018:

Type of energy source	Used in 2018
Petrol	0.246 million liters
Diesel fuel	2.025 million liters
TS-1	0.103 million liters
Electricity	146.4 million kW
Gas	30.5 million m <sup>3</sup>
Fuel oil	1,796,000 t
Heat energy	226,872.64 Gcal

Structure of the use of energy resources at Sheremetyevo Airport in 2018 (by shares of energy costs)



Thanks to water saving solutions (installation of aerators at water intakes and replacement of worn-out pipelines) in 2018, 49,800 cubic meters were also saved at the airport with an economic effect of RUB 0.68 million.

### Environment

Sheremetyevo actively implements a policy for ensuring environmental safety and sanitary protection of the population. The environmental management system of Sheremetyevo International Airport complies with the international standard ISO 14001:2015 «Environmental Management Systems. Requirements and Guidelines.» For regular and objective assessment of JSC SIA's sustainability and operation of the environmental management system, key performance indicators in the field of environmental protection have been identified. Internal audits are aimed at timely prevention and identification of non-compliances in the processes that may have a negative impact on the environment.

The Rospotrebnadzor decision established the boundaries of the sanitary protection zone of Sheremetyevo Airport based on the sanitary protection zone (SPZ) and sanitary breaks zone (SBZ) project developed by JSC SIA along the standard flight routes in the take-off and landing zone of aircraft in the Sheremetyevo airport area taking into account Runway 3 complex. To ensure the environmental safety of the population after the commissioning of Runway 3, the level of physical impact (aircraft noise) and the state of the air in the SPZ and SBZ are to be regularly measured.

The main responsibility of Sheremetyevo for the state of the environment is associated with the discharge of surface wastewater. Drains from the airfield may contain residues of fuel and technical liquids. The existing airport wastewater treatment facilities need to be updated. Like the airfield, they belong to the Federal State Unitary Enterprise Administration of Civil Airports (Airfields) (FSUE ACA (A)). Thanks to the concessionary agreement signed at the end of 2018 between the Federal Air Transport Agency and JSC SIA, JSC SIA now can start working on the much-needed update.

In accordance with the results of industrial environmental monitoring of wastewater quality, JSC SIA adopted an action plan until 2021 aimed at reducing the concentration of pollutants in wastewater. To begin with, works on installation and trial operation in the JSC SIA drainage network of a flow-through biological filter system have already started. This engineering and environmental project is to be implemented in 2019. Then, the construction of surface wastewater treatment plants (the so-called release 1.8), started by FSUE ACA (A) and the reconstruction of the wastewater treatment plants of so-called releases 10 and 15 will be completed at the expense of JSC SIA. JSC SIA plans to allocate about RUB 200 million for these works. In addition, the reconstruction of treatment facilities of releases 2 and 3 (started earlier by FSUE ACA (A) with the use of the funds of the federal target program Transportation System Development) will be continued. In general, this stage of the wastewater treatment plants reconstruction is to be jointly completed in 2021–2022. It will reduce water pollution rates to values acceptable for fishery bodies of water.

In addition, the airport carries out comprehensive activities aimed at environmental protection and public health. For example, the airport is a partner of the Day without Smoking Program by the Ministry of Health and Social Development. In 2018, seven modern smoking areas were opened in Sheremetyevo for passengers and guests at the landside areas of Terminals B, D, E, and F. Smoking areas are located on the street outside the premises of the airport complex at a distance of more than 15 meters from the entrances in accordance with the Federal Law «On the Protection of Public Health from Exposure to Surrounding Tobacco Smoke and the Consequences of Tobacco Consumption.» Each area can be used simultaneously by up to 14 people.



## Social Aspects of Passenger Service's

### Passengers with children

Sheremetyevo pays special attention to serving passengers with children. Children account for about 5.5% of all passengers traveling through Sheremetyevo. In 2018, the airport served about 2.5 million children under the age of 12, including about 450,000 under the age of 2.

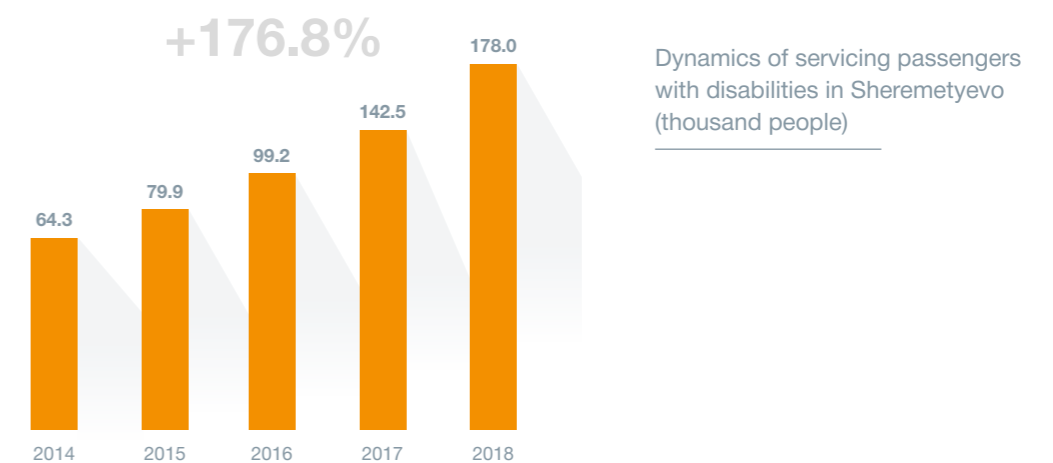
Passengers with children will find in Sheremetyevo everything they need to comfortably wait for a flight. All terminals of the airport are equipped with mother and child rooms with playing and sleeping areas for little passengers, as well as a modern kitchen and changing tables. Many airport restaurants have a children's menu. All business and VIP lounges of the airport also have play areas and changing rooms.

Moreover, in 2018, with the assistance of the Border Guard Service, Sheremetyevo launched special passport control booths designed for faster service for passengers with children up to three years old. For priority passage, passengers with children can address Sheremetyevo officers at the border control line.

In addition, Little Passenger Days are regularly organized at the airport: bright and interesting events aimed at expanding children's horizons and informing passengers of special services that Sheremetyevo provides to passengers with children.

### Disabled passengers

Sheremetyevo Airport offers passengers with disabilities a wide range of assistance and support both at the terminals and while embarking and disembarking from an aircraft. Access roads to the terminals are equipped with ramps; free parking spaces are provided for parking as well as for a short stop near the terminals; the entrances to the terminals are equipped with sliding doors, and at the entrances, it is possible to call support staff. Booking assistance service is also possible in a special section on the airport's website, in a mobile app, by phone or upon arrival at the airport. For hearing impaired passengers, the airport is equipped with special telephones, while the information, check-in, baggage search and superior rooms counters are equipped with audio induction loops. The terminals have tactile paths and tactile-sound mnemonic diagrams with information on the location of the passenger and possible routes of movement, duplicated in Braille and audio. Waiting areas for passengers with limited mobility are set aside at the gates, and wheelchairs of various types and the possibility of using ambulifts and lifting platforms are available for unimpeded movement around the terminals.



The airport staff has all the necessary qualifications to make the stay at the airport for passengers with disabilities as comfortable as possible. If necessary, a passenger with disabilities can be accompanied by a qualified medical professional. Luggage and transportation services are free for passengers with disabilities. Besides, Sheremetyevo is the only airport in Russia that provides halls of international comfort level for travelers with disabilities: Sirius Lounge in the «clean zone» of Terminal E Sheremetyevo and Saturn Hall in the generally accessible area of Terminal D. These lounges are free for passengers with disabilities and accompanying persons. Comfortable furniture and a wide screen TV, hot drinks, Wi-Fi and Internet connection will ensure waiting for the flight is comfortable. The airport staff will escort the registered passenger to the lounge and later to the departure gate.

The airport also has Russia's first express center for psychological pre-flight assistance, Fly Without Fear. Now, any passenger suffering from aerophobia can promptly receive psychological counseling and overcome their fear of flying right before departure from Sheremetyevo.

Back in 2013, Sheremetyevo won the Elena Mukhina Prize, a prestigious award that companies and public organizations receive for their contribution to the socialization and adaptation of people with disabilities. Sheremetyevo was recognized as the best in the nomination «A World Without Barriers» for the implementation of a comprehensive program to create a barrier-free environment.

In 2018, Sheremetyevo Airport continued to actively develop the environment of equal opportunities. Systematic work was done to create a barrier-free infrastructure at new facilities constructed for the 2018 FIFA World Cup. The cars of unmanned trains of the inter-terminal passage have allocated places for the transportation of disabled people in wheelchairs, and the inter-terminal passage station complexes are equipped with spacious elevators. The new Terminal B provides comfortable conditions for passengers with disabilities: tactile navigation, public notices duplicated in Braille, ramps, elevating platforms, lower racks, situational assistance call buttons, and available induction audio loops.

In Terminal B, passengers with disabilities can use Mercury Comfort Lounge with advanced equipment and qualified personnel. The lounge with a total area of 120 square meters is designed for a simultaneous use by up to 20 visitors. At the reception desk there is a «sound panel» that helps to assist hearing impaired passengers using hearing aids equipped with a T-coil. Mercury guests also can use an individual service room with a medical couch and a children's area, as well as a specially equipped bathroom with an emergency call button. For the convenience of visitors, specially designed chairs with comfortable height and angle the backrest are installed in the comfortable recreation area. Guests of the hall are offered a widescreen plasma TV, X-box game console, board games for the blind and visually impaired, and free high-speed Wi-Fi.

## Social Aspects of Passenger Service

### Passengers who are veterans of the Great Patriotic War

Sheremetyevo International Airport annually commemorates the victory in the Great Patriotic War and honors veterans and participants of the war. All veterans receive personal attention and special round-the-clock support and assistance in matters of registration and pre-and post-flight formalities.

During the celebrations, veterans and accompanying persons are served free of charge in the airport's business lounges. They also get tickets for public transport free of charge. Veterans travel for free on the Aeroexpress suburban train and are provided with assistance and escort during flight formalities and help in luggage delivery. For veterans of the Great Patriotic War, luggage storage in the storage rooms at Sheremetyevo (Terminals E, F) is free of charge.

By agreement with JSC SIA, Sheremetyevo partner airlines also traditionally offer veterans and accompanying persons holiday discounts and preferential conditions. For example, Sheremetyevo's base carrier, Aeroflot – Russian Airlines, provides veterans with free flights within the annual Travelling the Places of Military Fame campaign.

### China Friendly

Sheremetyevo International Airport has become Russia's first airport to be certified as China Friendly by the PRC government. The airport provides high standards of service for passengers from this country: a Chinese version of the website, loudspeaker announcements, navigation in the airport premises, a guidebook about Moscow available in Chinese, accepting payments with the Alipay payment system and UnionPay cards at duty free shops and restaurants, special promotions and discounts for UnionPay cardholders at Sheremetyevo Duty Free Heinemann stores, Asian restaurants and menus in Chinese at airport restaurants.

We even trained check-in staff to hand over boarding passes to passengers on Asian flights with two hands, which, according to Eastern traditions, shows respect and hospitality.

### SVOideya («Our Own Idea» in Russian) Innovation Contest

Since 2012, the airport accepts innovative suggestions from passengers and awards valuable prizes to the authors of the best ideas. Everyone is given the opportunity to have a direct impact on the development and improvement of Sheremetyevo Airport. The Contest aims to make passengers' stay at the airport not only as comfortable as possible, but also fascinating, based on the ideas and suggestions of the participants. Any citizens of the Russian Federation over the age of 18 are allowed to participate. The Contest has four categories: Passengers' Free Time, Business Processes, Development of Airport IT Infrastructure and Other Services. In 2018, the airport accepted 145 proposals within this competition, and the best of them will be put into practice whenever possible.

### Creating a friendly atmosphere at the airport

Sheremetyevo Airport is a unique platform for various art projects, including social ones. Exhibitions, presentations and concerts not only contribute to the creation of a positive atmosphere in the terminals, but also serves the airport's mission to unite separate individuals into a common humanity. The most notable art projects of 2018 were the airport's participation in Museum Night (May), Art Night (November), the performance of Pushkin's poems by the Roman Viktyuk Theater (December) and several others.

Throughout 2018, there were various expositions at Sheremetyevo: a Russian Jewelry Art photography exhibition (February), ecological decor of the airport complex interior for International Earth Day (March), Moscow as Seen by Reporters photography exhibition (March), exposition dedicated to the Immortal Regiment march (May), Army of Russia photography exhibition (together with the Ministry of Defense of the Russian Federation, May), #ФУТБОЛВОБЛАГО charity photography exhibition in support of people with Down syndrome (June), and photography exhibitions Football Russia (June), Style of Russian Masters (July), Amber Park (November), and The Maly Theater on Tour (December).

In 2018, Sheremetyevo Airport built Terminal B and put it into operation, with an architectural and spacial design reminiscent of the aesthetics of Russian constructivism. Thus, the rich creative heritage of the Russian avant-garde, which had a significant impact on artists and architects of the 20th century, was brought back for creative reexamination and modern interpretation.

## Promoting Community Development

### Infrastructure of the airport surroundings

JSC SIA has initiated and now actively participates in a comprehensive program to improve the transport accessibility of Sheremetyevo International Airport and Khimki urban district.

In the period from 2017 to 2018, 4 road facilities were built and reconstructed, including bridges across the Klyazma River on Sheremetyevskoye Highway; the Starosheremetyevskoye Highway connecting the airport terminal complexes was widened to 4 lanes. In May 2018, due to the construction of a turning loop near the Novotel hotel, the traffic load of Terminals D, F, E was reduced. In addition, the traffic jam at the new Terminal B was eliminated due to the Sheremetyevskoye Highway being widened from 2 lanes to 3–5 lanes and organization of one-way traffic.

Furthermore, at the bus stops at Terminals D and F, Sheremetyevo Airport, together with the city public transportation companies Mosgortrans and Mostransavto, placed electronic arrival boards for city buses. Now it is more convenient for passengers and residents of Moscow and the Moscow Region to calculate the time when using public transport to travel to the nearest subway stations. Every day their services are used by more than 20,000 people.

In the future, it is also planned to build a railway that will run from the existing Lobnya-Sheremetyevo part of the Savelovsky direction railway to Terminal B for more convenient transportation between the cities of the Moscow Region and Sheremetyevo Airport. The length of the section to be built on the territory of Khimki, Dolgoprudny, and Mytishchi is 4.2 km. In addition, the second stage of Starosheremetyevskoe Highway reconstruction is planned: construction of a single-level roundabout at the intersection of Starosheremetyevskoye Highway, the Lobnya–Sheremetyevo Highway, and the Sheremetyevskoye Highway. The total length of the reconstruction will be more than 3 kilometers. The project also provides for installation of four public transport stops with bus pullouts and construction of four above-ground pedestrian crossings. Vertical lifting platforms will be installed inside crossings to make them accessible for people with limited mobility. The project also provides for repair of existing road joints and intersections.

### Charity

Charity and social work is a constant part of Sheremetyevo International Airport's activity. Its main areas include supporting orphaned children, hospitals, veterans, sports events, as well as protecting the environment and maintaining memorials.

Twice a year, the airport holds blood donation events organized in association with the Federal Medical and Biological Agency. Each time, at least 300 airport employees donate blood. As part of the Green Environment environmental event, twice a year, employees of the airport and its subsidiaries and students of the Right Course Project collect waste paper and other recoverable materials for recycling. All the money raised during the event goes to the «Gift of Life» charity fund.

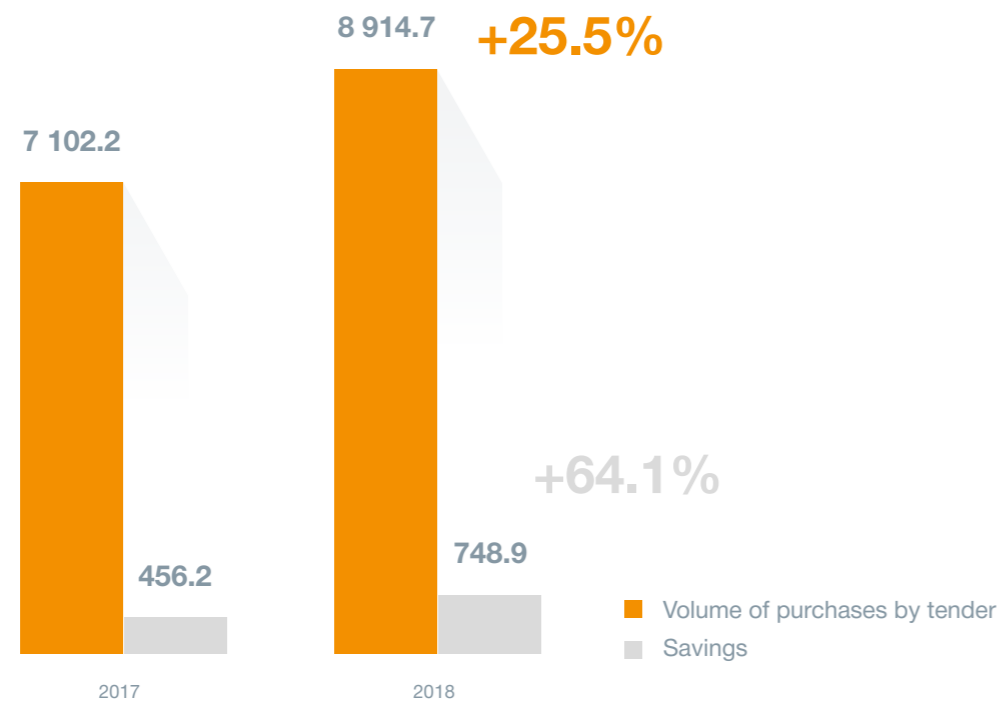
For several years already, the wards of Russian nursing homes receive New Year gifts from Sheremetyevo International Airport employees as part of the Starost v Radost (Russian for «Joy of Old Age») charity event, and during the Soberyom Detey v Shkolu! («Let's Get the Kids to School!») charity event that takes place before the first day of school, Sheremetyevo employees help children left without parental support get ready for school by buying all the necessary things for the residents of the Lobnensky Center for the Social Rehabilitation of Minors, providing notebooks, work books, book covers, pens, pencil cases, paints, plasticine, and backpacks for first-graders.

## Good Business Practices

### Procurement procedures

In 2018, JSC SIA conducted 825 procurement procedures, which is slightly less than in the previous year (837). This is due to the character of procurement needs, which naturally differ from year to year due to the variations in business processes. The average number of participants in one tender procurement procedure in 2018 increased from 2.93 a year earlier to 2.97. The volume of purchases by tender with participation of several applicants increased from RUB 7.1 billion in 2017 to RUB 8.9 billion in 2018. The savings achieved through tenders in 2018 amounted to, on average, 15.2% of the initial cost, which is one and a half times higher than the year before (in 2017, 10.4%).

Dynamics of the JSC SIA volume of purchases by tender (RUB million)



In December 2018, JSC SIA obtained a certificate of the National Procurement Transparency Rating. This rating was established in 2006 by an independent non-governmental research and analytics center specializing in the field of economic and legal analysis of the Russian government and corporate procurement market. The project's objectives include continuous monitoring of state and corporate procurement orders for transparency, ensuring compliance with the law, identifying the most common deviations in the government procurement market, and tracking the main structural, economic and legal trends in the market. The rating comprises 372 procurers of the federal, regional, municipal levels and corporate procurers operating under Federal Law No. 223-FZ, including the 69 largest federal government procurers, 85 constituent entities of the Russian Federation, 87 major municipal entities, 62 major unitary enterprises, and 69 corporate procurers. Sheremetyevo participates in this rating since 2014. According to the results of 2018, the airport received the High Transparency in Procurement award, which indicates high procurement standards and confirms the effective work of the Directorate for the Organization and Conduct of Tender Procedures at Sheremetyevo International Airport. The award ceremony took place at the Chamber of Commerce and Industry of the Russian Federation.

### Anti-corruption system

JSC SIA continuously carries out comprehensive measures aimed at implementing the state anti-corruption policy. This area is regulated by local regulatory documents providing for a system of measures for the organization's employees to comply with the prohibitions, restrictions and requirements established in order to combat corruption. These documents are regularly reviewed and, if necessary, brought in line with current anti-corruption legislation. The employees are regularly informed of local regulatory documents adopted at JSC SIA in order to form corruption awareness and anti-corruption position.

JSC SIA maintains lists of SIA employees obliged to notify the employer of personal interest that leads or may lead to a conflict of interest and a list of positions with employees obliged to submit information on their income, property and property obligations and information on income, property and property obligations of their spouse and minor children, as well as a list of positions with information on income, property and property obligations of employees holding them posted on the Company's official website.

Persons whose job duties include participation in combating corruption are provided with timely training (development of competence) under educational anti-corruption programs. In addition, all the contracts of JSC SIA are supplemented with anti-corruption clauses, and software for checking counterparties is used in the business operations of the legal entity.

JSC SIA has a department responsible for anti-corruption activities that has been assigned the appropriate authority, the JSC SIA Economic Security Service. The Economic Security Service accepts information from employees through a 24/7 hotline, guarantees non-disclosure of information on the applicant and also investigates anonymous tips.

To prevent the so-called «grassroots» corruption, videos declaring the inadmissibility of violating the anti-corruption laws of the Russian Federation and explaining the current legislation are posted in the passenger terminals of the airport on information displays for passengers.

# CONSOLIDATED FINANCIAL STATEMENTS

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

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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;
- 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.

#### Basis for opinion

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.

- 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.

## Independent Auditor's Report (continued)

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- 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.

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



# Consolidated Financial Statements

## Consolidated Statement of Financial Position as at 31 December 2018

(in thousands of US dollars unless otherwise stated)

<b>ASSETS</b>	Note	At 31 December 2018	At 31 December 2017
<b>CURRENT ASSETS</b>			
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
<b>Total current assets</b>		<b>574,962</b>	<b>688,645</b>
<b>NON-CURRENT ASSETS</b>			
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
<b>Total non-current assets</b>		<b>1,784,266</b>	<b>1,789,090</b>
<b>Total assets</b>		<b>2,359,228</b>	<b>2,477,735</b>

<b>LIABILITIES</b>	Note	At 31 December 2018	At 31 December 2017
<b>CURRENT LIABILITIES</b>			
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
<b>Total current liabilities</b>		<b>213,370</b>	<b>223,263</b>
<b>NON-CURRENT LIABILITIES</b>			
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
<b>Total non-current liabilities</b>		<b>750,260</b>	<b>704,807</b>
<b>Total liabilities</b>		<b>963,630</b>	<b>928,070</b>
<b>EQUITY</b>			
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
<b>Total equity</b>		<b>1,395,598</b>	<b>1,549,665</b>
<b>Total liabilities and equity</b>		<b>2,359,228</b>	<b>2,477,735</b>

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**  
Deputy General Director, Economics and Finance

The accompanying notes on pages 146-216 are an integral part of these consolidated financial statements.



# Consolidated Financial Statements

## Consolidated Statement of Financial Position as at 31 December 2018

(in thousands of US dollars unless otherwise stated)

	Note	Year ended 31 December 2018	Year ended 31 December 2017
<b>CONTINUING OPERATIONS:</b>			
Revenue	22	924,606	774,906
Operating expenses	23	(613,433)	(477,097)
<b>Operating profit</b>		<b>311,173</b>	<b>297,809</b>
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
<b>Profit before income tax</b>		<b>217,409</b>	<b>261,518</b>
Income tax expense	26	(41,654)	(57,649)
<b>Profit for the year from continuing operations</b>		<b>175,755</b>	<b>203,869</b>
<b>DISCONTINUED OPERATIONS:</b>			
Gain on disposal of discontinued operations		-	26,001
Profit from discontinued operations for the year		-	26,001
<b>Total profit for the year</b>		<b>175,755</b>	<b>229,870</b>
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Gain on changes in fair values of equity investments, net of tax		750	-
Translation to presentation currency		(277,240)	65,868
<b>Total other comprehensive (loss)/income</b>		<b>(276,490)</b>	<b>65,868</b>
<b>Total comprehensive (loss)/income for the year</b>		<b>(100,735)</b>	<b>295,738</b>
<b>PROFIT ATTRIBUTABLE TO:</b>			
Shareholders of the Company		160,039	218,114
Non-controlling interest		15,716	11,756
		<b>175,755</b>	<b>229,870</b>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO:</b>			
Shareholders of the Company		(98,146)	278,769
Non-controlling interest		(2,589)	16,969
		<b>(100,735)</b>	<b>295,738</b>

The accompanying notes on pages 146-216 are an integral part of these consolidated financial statements.

	Note	Year ended 31 December 2018	Year ended 31 December 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		217,409	287,519
<i>Adjustments for:</i>			
Depreciation of property plant 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)
<b>Operating cash flows before working capital changes</b>		<b>456,881</b>	<b>402,705</b>
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)
<b>Cash flows from operating activities</b>		<b>397,510</b>	<b>386,357</b>
Income taxes paid		(29,496)	(32,659)
<b>Net cash generated from operating activities</b>		<b>368,014</b>	<b>353,698</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
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
<b>Net cash used in investing activities</b>		<b>(312,190)</b>	<b>(235,563)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
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)
<b>Net cash used in financing activities</b>		<b>(132,390)</b>	<b>(150,319)</b>
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
<b>Cash and cash equivalents at the end of the year</b>	<b>8</b>	<b>411,196</b>	<b>498,523</b>
<b>NON-CASH INVESTING ACTIVITIES:</b>			
Property, plant and equipment acquired under finance leases		53,548	

## Consolidated Financial Statements

### Consolidated Statement of Financial Position as at 31 December 2018

(in thousands of US dollars unless otherwise stated)

	Share capital	Treasury shares	Reserve for changes in fair value	Currency translation reserve	Retained earnings	Non-controlling interest	Total equity
<b>Balance at 1 January 2017</b>	222,666	-	-	56,390	898,904	98,599	1,276,559
<b>CONTINUING OPERATIONS</b>							
Profit for the year	-	-	-	-	192,113	11,756	203,869
<b>DISCONTINUED OPERATIONS</b>							
Profit for the year	-	-	-	-	26,001	-	26,001
<b>Total comprehensive income for the year ended 31 December 2017</b>	-	-	-	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)
<b>Balance at 31 December 2017</b>	334,491	(2,260)	-	117,045	992,518	107,871	1,549,665
Effect of IFRS 9 adoption at 1 January 2018	-	-	-	-	(361)	-	(361)
<b>Balance at 1 January 2018</b>	334,491	(2,260)	-	117,045	992,157	107,871	1,549,304
Profit for the year	-	-	-	-	160,039	15,716	175,755
<b>Other comprehensive income/(loss)</b>							
Gain on changes in fair values of equity investments, net of tax	-	-	750	-	-	-	750
Translation to presentation currency	-	-	-	(258,935)	-	(18,305)	(277,240)
<b>Total comprehensive income/(loss) for the year ended 31 December 2018</b>	-	-	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)
<b>Balance at 31 December 2018</b>	334,150	-	750	(141,890)	1,116,564	86,024	1,395,598



## 1. General Information Consolidated Statement of Financial Position as at 31 December 2018 (in thousands of US dollars unless otherwise stated)

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.

### 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:

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.



50%

**Shares of JSC AERO-Sheremetyevo**  
(joint venture)



49%

**Shares of JSC VIP-International**  
(on 23 July 2018, the company was reorganised into LLC Sheremetyevo VIP)  
(non-controlling interest in the subsidiary)



100%

**Interest in share capital of LLC MASH Advertisement**  
(on 19 February 2019, the company was renamed into LLC Sheremetyevo Advertisement)  
(controlling interest in the subsidiary)



74.9%

**Interest in share capital of LLC Moscow Cargo**  
(controlling interest in the subsidiary)



58.35%

**Shares of JSC Imperial Duty Free**  
(controlling interest in the subsidiary)



100%

**Interest in share capital of LLC Sheremetyevo Parking**  
(controlling interest in the subsidiary)

97.85%

**Interest in share capital of LLC Interterminal Tunnel Sheremetyevo**  
(controlling interest in the subsidiary)

89.23%

**Interest in share capital of LLC Terminal B Sheremetyevo**  
(controlling interest in the subsidiary)

## 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;
- 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.

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.

#### 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.

## 4. Summary of Significant Accounting Policies (Continued)

**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.

### 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.

## 4. Summary of Significant Accounting Policies (Continued)

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 losing 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.

### 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).

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.

## 4. Summary of Significant Accounting Policies (Continued)

### 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.

### 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.

## 4. Summary of Significant Accounting Policies (Continued)

### 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.

### 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.

**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.

## 4. Summary of Significant Accounting Policies (Continued)

### 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 be 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.

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.

Deferred 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.

## 4. Summary of Significant Accounting Policies (Continued)

### 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.

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.

### 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.

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)
<b>Total</b>	<b>(8,437)</b>	<b>(449)</b>	<b>(8,886)</b>

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<sup>2</sup> Amendments to IFRS 1 and 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).

## 6. New Accounting Pronouncements (Continued)

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 and 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).
- 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
<b>CURRENT ASSETS</b>		
<b>Accounts receivable and prepayments</b>	<b>461</b>	<b>1,719</b>
Gross amount:		
Associates and joint ventures	302	208
Other related parties	159	1,511
<b>Total assets</b>	<b>461</b>	<b>1,719</b>
<b>CURRENT LIABILITIES</b>		
<b>Accounts payable</b>	<b>14,567</b>	<b>14,496</b>
Associates and joint ventures	561	226
Other related parties	14,006	14,270
<b>Total liabilities</b>	<b>14,567</b>	<b>14,496</b>

The related party transactions are disclosed below:

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



## 7. Balances and Transactions with Related Parties (Continued)

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).

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
<b>Total cash and cash equivalents reported in consolidated statement of financial position</b>	<b>411,196</b>	<b>498,523</b>

As at 31 December 2018, cash was placed on accounts with the banks with credit rating Ba1 and 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)
<b>Total receivables</b>	<b>91,665</b>	<b>100,781</b>
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)
<b>Total prepayments and input VAT</b>	<b>20,570</b>	<b>24,340</b>

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.

**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)
<b>Total trade receivables (gross carrying amount)</b>	<b>69,224</b>	<b>(5,456)</b>
ECL allowance	(5,456)	
<b>Total trade receivables from contracts with customers (carrying amount)</b>	<b>63,768</b>	

OTHER RECEIVABLES	Gross carrying value	Lifetime ECL
- current and less than 30 days overdue	28,300	(403)
<b>Total other receivables (gross carrying amount)</b>	<b>28,300</b>	<b>(403)</b>
ECL allowance	(403)	
<b>Total other receivables from contracts with customers (carrying amount)</b>	<b>27,897</b>	

## 9. Accounts Receivable, Prepayments and Input VAT

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
<b>Total charges to ECL allowance</b>	<b>(1,020)</b>	<b>(112)</b>
Write-offs	2,807	-
Translation to presentation currency	1,278	74
<b>Balance at 31 December 2018</b>	<b>(5,456)</b>	<b>(403)</b>

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)
<b>At 31 December 2017</b>	<b>(8,437)</b>	<b>(18)</b>	<b>(35)</b>	<b>(8,490)</b>

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:

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

## 10. Other Current Financial Assets

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

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)
<b>Total inventories</b>	<b>50,741</b>	<b>40,382</b>

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
<b>Balance at 1 January 2017</b>	<b>(907)</b>
Accrual of provision	(685)
Release of provision	943
Translation to presentation currency	(45)
<b>Balance at 31 December 2017</b>	<b>(694)</b>
Accrual of provision	(813)
Release of provision	622
Utilisation of provision	48
Translation to presentation currency	132
<b>Balance at 31 December 2018</b>	<b>(705)</b>

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

## 12. Property, Plant and Equipment (Continued)

### Comparative information for 2017:

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

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
<b>At 31 December 2017</b>	-	-	-
<b>At 31 December 2018</b>	<b>34,117</b>	<b>19,431</b>	<b>53,548</b>

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
<b>Total goodwill</b>	<b>289,648</b>	<b>349,339</b>

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.

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.

## 13. Goodwill and Intangible Assets (Continued)

### 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)
<b>Net book value at 1 January 2018</b>	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)
<b>Net book value at 31 December 2018</b>	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)
<b>Net book value at 31 December 2018</b>	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)
<b>Net book value at 1 January 2017</b>	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)
Disposals	-	-	35	-	(35)	-
Translation to presentation currency	7	(1)	326	8,930	26	9,288
<b>Net book value at 31 December 2017</b>	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)
<b>Net book value at 31 December 2017</b>	655	-	6,958	169,672	162	177,447

## 14. Concession Rights

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

## 15. Other Non-Current Assets

	31 December 2018	31 December 2017
Restricted cash	-	12,569
Equity investments	849	-
<b>Total other non-current non-financial assets</b>	<b>849</b>	<b>12,569</b>

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
<b>Total financial liabilities</b>	<b>70,836</b>	<b>67,621</b>
Taxes payable other than income tax	19,404	12,014
Accounts payable to employees	5,484	5,260
Social insurance contributions payable	3,440	2,257
<b>Total trade and other accounts payable</b>	<b>99,164</b>	<b>87,152</b>
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	-
<b>Total other current financial liabilities</b>	<b>11,415</b>	<b>6,198</b>
Advances received	5,671	6,701
VAT reversal liabilities	173	1,719
Other	921	313
<b>Total other current non-financial liabilities</b>	<b>6,765</b>	<b>8,733</b>

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
	<b>25,291</b>	<b>20,312</b>

### 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)	(3,212)	2,950	-	1,051	(7,312)
Provision for bonuses and other employee benefits, including accrued compensation for unused vacation	(17,083)	(17,083)	686	32,006	3,330	(17,979)
Other provisions	(17)	(17)	-	16	1	-
<b>Total provisions</b>	<b>(20,312)</b>	<b>(20,312)</b>	<b>3,636</b>	<b>32,022</b>	<b>4,382</b>	<b>(25,291)</b>

### 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)
<b>Total provisions</b>	<b>(16,618)</b>	<b>(35,183)</b>	<b>1,970</b>	<b>30,436</b>	<b>(917)</b>	<b>(20,312)</b>

## 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)	-
<b>Present value of finance lease liabilities</b>	<b>55,577</b>	<b>-</b>

### 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	-
<b>Present value of finance lease liabilities</b>	<b>55,577</b>	<b>-</b>

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

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



## 19. Loans and Borrowings

### Long-term and short-term loans and borrowings

Loans and borrowings	Currency	Contracted interest rate	Maturity year	31 December 2018	31 December 2017
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
<b>Total loans and borrowings</b>				<b>693,373</b>	<b>712,394</b>
Less: current portion of long-term interest-bearing loans and borrowings				(68,533)	(98,611)
<b>Total long-term interest-bearing loans and borrowings, net of current portion</b>				<b>624,840</b>	<b>613,783</b>

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
<b>Total</b>	<b>712,394</b>	<b>(70,607)</b>	<b>131,898</b>	<b>51,894</b>	<b>(132,206)</b>	<b>693,373</b>
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
<b>Total</b>	<b>784,791</b>	<b>(133,012)</b>	<b>(39,381)</b>	<b>60,391</b>	<b>39,605</b>	<b>712,394</b>

## 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
<b>Total other non-current financial liabilities</b>	<b>6,060</b>	<b>26,962</b>
Non-current portion of liabilities on VAT reversal	-	1,319
Other non-current liabilities	2,764	2,413
<b>Total other non-current non-financial liabilities</b>	<b>2,764</b>	<b>3,732</b>

## 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	-
<b>Total revenue</b>	<b>924,606</b>	<b>774,906</b>

## 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
<b>Total operating expenses</b>	<b>613,433</b>	<b>477,097</b>

## 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)
<b>Total other expenses</b>	<b>(8,323)</b>	<b>(3,582)</b>

## 25. Finance Income and Costs

	Year ended 31 December 2018	Year ended 31 December 2017
<b>FINANCE INCOME</b>		
Interest income	11,705	13,864
Dividend income	99	109
Other finance income	16	308
<b>Finance income recognised within profit or loss for the period</b>	<b>11,820</b>	<b>14,281</b>
<b>FINANCE COSTS</b>		
Interest expense	(46,023)	(61,402)
Other finance costs	(1,228)	(17)
<b>Finance costs recognised within profit or loss for the period</b>	<b>(47,251)</b>	<b>(61,419)</b>

## 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
<b>Income tax expense</b>	<b>41,654</b>	<b>57,649</b>

### 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)
<b>Income tax expense</b>	<b>41,654</b>	<b>57,649</b>

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:

TAX EFFECTS OF DEDUCTIBLE TEMPORARY DIFFERENCES	1 January 2018	Recognised within		Translation to presentation currency	31 December 2018
		Other comprehensive income	Profit or loss		
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
<b>Tax assets</b>	<b>27,866</b>	<b>-</b>	<b>5,980</b>	<b>(5,345)</b>	<b>28,501</b>
Tax net-off	(23,265)	-	-	-	(23,276)
<b>Net tax assets</b>	<b>4,601</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,225</b>

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)
<b>Tax liabilities</b>	<b>(83,507)</b>	<b>(191)</b>	<b>(16,505)</b>	<b>15,894</b>	<b>(84,309)</b>
Tax net-off	23,265	-	-	-	23,276
<b>Net tax liabilities</b>	<b>(60,242)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(61,033)</b>

## 26. Income Tax (Continued)

### Comparative information for 2017:

	1 January 2017	Recognised in profit or loss	Translation to presentation currency	31 December 2017
<b>Tax effects of deductible temporary differences</b>				
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
<b>Tax assets</b>	<b>49,096</b>	<b>(23,614)</b>	<b>2,296</b>	<b>27,778</b>
Tax net-off	(44,678)	-	-	(23,177)
<b>Net tax assets</b>	<b>4,418</b>			<b>4,601</b>
<b>Tax effects of taxable temporary differences</b>	<b>(46,672)</b>	<b>1,508</b>	<b>(2,457)</b>	<b>(47,621)</b>
Property, plant and equipment	(33,005)	2,314	(1,722)	(32,413)
Intangible assets	(66)	69	(3)	-
Accounts payable				
Investments in subsidiaries, associates and joint ventures	(3,083)	(189)	(165)	(3,437)
Other	(17)	(18)	(1)	(36)
<b>Tax liabilities</b>	<b>(82,843)</b>	<b>3,684</b>	<b>(4,348)</b>	<b>(83,507)</b>
Tax net off	44,678	-	-	23,177
<b>Net tax liabilities</b>	<b>(38,165)</b>			<b>(60,330)</b>

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).

## 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
<b>Total capital commitments</b>	<b>259,448</b>	<b>181,267</b>

### 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.

## 27. Contingencies, Commitments and Operating Risks (Continued)

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.

### 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
<b>Total operating lease payments</b>	<b>31,639</b>	<b>190,468</b>

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:

Company	Place of registration and operation	Principal activity	Percentage held	
			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	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.

Название	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
<b>Total</b>			<b>15,716</b>	<b>19,258</b>	<b>86,024</b>

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
<b>Current assets</b>		
Cash and cash equivalents	13,632	3,800
Accounts receivable and advances issued	5,330	892
Inventories	216	39,499
<b>Total current assets</b>	<b>19,178</b>	<b>44,191</b>
<b>Non-current assets</b>		
Goodwill	7,787	140,721
Intangible assets	245	22,988
Property, plant and equipment	3,599	8,594
<b>Total non-current assets</b>	<b>11,631</b>	<b>172,303</b>
<b>Total assets</b>	<b>30,809</b>	<b>216,494</b>
<b>Current liabilities</b>		
Accounts payable	5,657	26,756
<b>Total current liabilities</b>	<b>5,657</b>	<b>26,756</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	648	4,894
Other non-current liabilities	-	4,779
<b>Total non-current liabilities</b>	<b>648</b>	<b>9,673</b>
<b>Total liabilities</b>	<b>6,305</b>	<b>36,429</b>
<b>Equity</b>	<b>24,504</b>	<b>180,065</b>
<b>Attributable to:</b>		
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)
<b>Profit before income tax</b>	<b>11,464</b>	<b>35,147</b>
Income tax	(2,472)	(7,128)
<b>Profit for the year</b>	<b>8,992</b>	<b>28,019</b>
Translation to presentation currency	(4,292)	(39,314)
<b>Total comprehensive income</b>	<b>4,700</b>	<b>(11,295)</b>

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)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>10,212</b>	<b>(12,936)</b>

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
<b>Total</b>			<b>11,756</b>	<b>3,011</b>	<b>107,871</b>

## 29. Non-Controlling Interest (Continued)

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

	JSC Sheremetyevo Security	JSC Imperial Duty Free
<b>Current assets</b>		
Cash and cash equivalents	3,420	16,736
Accounts receivable and advances issued	8,576	911
Inventories	521	32,048
<b>Total current assets</b>	<b>12,517</b>	<b>49,695</b>
<b>Non-current assets</b>		
Goodwill	9,393	169,722
Intangible assets	347	32,187
Property, plant and equipment	3,993	4,427
<b>Total non-current assets</b>	<b>13,733</b>	<b>206,336</b>
<b>Total assets</b>	<b>26,250</b>	<b>256,031</b>
<b>Current liabilities</b>		
Accounts payable	5,608	11,545
<b>Total current liabilities</b>	<b>5,608</b>	<b>11,545</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	434	6,302
Other non-current liabilities	-	1,024
<b>Total non-current liabilities</b>	<b>434</b>	<b>7,326</b>
<b>Total liabilities</b>	<b>6,042</b>	<b>18,871</b>
<b>Equity</b>	<b>20,208</b>	<b>237,160</b>
<b>Attributable to:</b>		
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
<b>Profit before income tax</b>	<b>7,943</b>	<b>26,983</b>
Income tax	(1,748)	(5,450)
<b>Profit for the year</b>	<b>6,195</b>	<b>21,533</b>
Translation to presentation currency	783	11,670
<b>Total comprehensive income</b>	<b>6,978</b>	<b>33,203</b>
Attributable to:		
Equity holders of the parent	3,838	19,374
Non-controlling interest	3,140	13,829

### 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
<b>Net increase in cash and cash equivalents</b>	<b>1,874</b>	<b>9,342</b>



## 30. Investments in Associates and Joint Ventures

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

Название	Place of registration and operation	31 December 2018		31 December 2017		
		Actual interest	Carrying amount	Actual interest	Carrying amount	
JSC AERO-Sheremetyevo	Joint venture	Moscow Region	50%	63,346	50%	68,784
CJSC Soyuzveshtrans-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
<b>Total investments in associates and joint ventures</b>				<b>78,364</b>		<b>84,114</b>

	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
<b>Closing balance</b>	<b>78,364</b>	<b>84,114</b>

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
<b>Total assets</b>	<b>157,502</b>	<b>145,335</b>
Current liabilities	(26,538)	(7,767)
Non-current liabilities	(4,272)	-
<b>Total liabilities</b>	<b>(30,810)</b>	<b>(7,767)</b>
<b>Equity/net assets</b>	<b>126,692</b>	<b>137,568</b>
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)
<b>Profit before income tax</b>	<b>17,299</b>	<b>821</b>
Income tax	(2,791)	(120)
<b>Total profit for the year</b>	<b>14,508</b>	<b>701</b>
<b>Total comprehensive income for the year</b>	<b>14,508</b>	<b>701</b>

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).

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

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).

## 30. Investments in Associates and Joint Ventures (Continued)

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

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.

### 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)
	<b>(300,992)</b>	<b>(24,081)</b>	<b>(217,337)</b>	<b>9,653</b>

### 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. Financial Risk and Capital Management (Continued)

	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 %
Прибыль до налогообложения за период	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.

### 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
<b>Total</b>	<b>503,134</b>	<b>622,047</b>

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%).

## 31. Financial Risk and Capital Management (Continued)

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
<b>Total</b>	<b>41,917</b>

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
<b>Total</b>	<b>30,312</b>

### (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
	<b>198,760</b>	<b>151,604</b>	<b>360,483</b>	<b>360,210</b>	<b>1,071,057</b>

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
	<b>218,714</b>	<b>132,170</b>	<b>240,259</b>	<b>453,297</b>	<b>1,044,440</b>

### (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

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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.

## TERMS AND DEFINITIONS

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**DR** means domestic air routes.

**TLO** means takeoff and landing operation, i.e. one take-off or one landing of an aircraft for which the aircraft requires a certain «package» of airport services; basic accounting unit for payments between airlines and airports.

**Subsidiaries and affiliates** means entities in which JSC SIA owns a stake that allows it to participate in the management of these organizations.

**IR** means international air routes.

**MAC** means Moscow Air Cluster, i.e. Sheremetyevo, Domodedovo and Vnukovo airports.

**HST** means high-speed taxiway.

**Departure** means a flight, scheduled or unscheduled, departing from the airport; basic accounting unit for standard operations performed by airports.

**Rosaviatsiya** means the Federal Agency for Air Transport.

**SMS** means the airport's safety management system.

**Boarding bridge** means a covered mobile passage connected to an aircraft that can be accessed directly from the waiting area.

**FC** means fueling complex.

**CFS** means centralized fueling station.

**FAAT** means the Federal Agency for Air Transport of the Russian Federation, Rosaviatsiya for short.