

OJSC International Airport Sheremetyevo

Separate financial statements

For the year ended December 31, 2013

OJSC International Airport Sheremetyevo
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Independent auditors' report

To the shareholders of OJSC International Airport Sheremetyevo

We have audited the accompanying separate financial statements of OJSC International Airport Sheremetyevo (the Company), which comprise the separate statement of financial position as at December 31, 2013, the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Consolidated financial statements presented separately

Without qualifying our opinion, we draw attention to Note 2 to the separate financial statements which states that OJSC International Airport Sheremetyevo is the parent entity of the Group and that consolidated financial statements of the Group prepared in accordance with International Financial Reporting Standards have been issued separately. We have audited the consolidated financial statements of the Group as at and for the year ended December 31, 2013 and expressed an unqualified opinion thereon in our auditors' report dated June 6, 2014.

Ernst & Young LLC

June 6, 2014

OJSC International Airport Sheremetyevo
 Separate statement of comprehensive income
 For the year ended December 31, 2013
 (Amounts in millions of Russian roubles)

	Note	2013	2012 (as restated*)
Revenues	6	17,638	16,237
Operating costs	7	(13,717)	(13,749)
Gain/(loss) on disposal of property, plant and equipment	16	(17)	967
Gain/(loss) on disposal of investments	14	-	(3)
Impairment of investments	14	(509)	(20)
Impairment of interest receivable	15	(139)	(302)
Operating profit		3,256	3,130
Interest expense		(2,985)	(3,052)
Interest income		407	296
Foreign exchange (loss)/gain, net		(2,432)	1,880
Dividend income		281	107
(Loss)/Gain on changes in fair value of derivative financial instrument	28	(2)	10
Other non-operating gains and (losses), net		(27)	38
Profit before income tax		(1,502)	2,409
Income tax	9	90	(781)
Profit for the year		(1,412)	1,628
Total comprehensive income for the year		(1,412)	1,628

* Certain amounts here do not correspond to the separate financial statements as at December 31, 2012 and reflect adjustments made as detailed in (Note 2).



 O.V. Zvereva
 Chief Accountant



 A.P. Oleynik
 Deputy General Director
 Economy and Finance

May 29, 2014

OJSC International Airport Sheremetyevo

Separate statement of financial position


As of December 31, 2013

(Amounts in millions of Russian roubles)

	Note	December 31, 2013	December 31, 2012 (as restated*)	January 1, 2012 (as restated*)
Assets				
Current assets				
Cash and cash equivalents	10	3,161	2,978	2,473
Other financial assets	15	16	22	43
Income tax receivable		3	19	776
Accounts receivable and prepayments, net	11	1,188	1,376	1,651
Inventories	12	370	275	276
Derivative financial instrument	28	8	10	-
		4,746	4,680	5,219
Assets classified as held for sale	13	1,579	32	32
		6,325	4,712	5,251
Non-current assets				
Investments in subsidiaries and associates	14	642	2,678	2,701
Other financial assets	15	2,636	2,500	1,984
Intangible assets		358	356	198
Advances for acquisition of non-current assets		9	10	24
Property, plant and equipment	16	40,841	43,534	46,249
		44,486	49,078	51,156
Total assets		50,811	53,790	56,407
Liabilities and equity				
Current liabilities				
Accounts payable	17	2,952	3,064	3,438
Interest bearing loans and borrowings	18	1,661	3,064	8,636
Current portion of finance lease liabilities	19	50	54	56
Liabilities under put option	20	632	569	-
		5,295	6,751	12,130
Non-current liabilities				
Interest bearing loans and borrowings	18	30,031	29,852	28,333
Deferred income tax liability	9	1,876	1,966	1,077
Finance lease liabilities	19	22	72	109
Liabilities under put option		-	-	513
Other non-current liabilities		478	612	755
		32,407	32,502	30,787
Capital and reserves				
Issued capital	21	2,180	2,180	1,790
Reserve capital	22	96	96	96
Additional paid-in capital		-	-	390
Retained earnings	23	10,833	12,261	11,214
		13,109	14,537	13,490
Total liabilities and equity		50,811	53,790	56,407

* Certain amounts here do not correspond to the separate financial statements as at December 31, 2012 and reflect adjustments made as detailed in (Note 2).


 O.V. Zvereva
 Chief Accountant


 A.P. Oleynik
 Deputy General Director
 Economy and Finance

May 29, 2014

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

OJSC International Airport Sheremetyevo


Separate statement of cash flows

For the year ended December 31, 2013

(Amounts in millions of Russian roubles)

	Notes	2013	2012 (as restated)
Cash flows from operating activities			
Profit before income tax		(1,502)	2,409
<i>Adjustments to reconcile profit before income tax to net cash provided by operating activities:</i>			
Depreciation of property, plant and equipment	16	3,337	3,225
Amortisation of intangible assets		80	42
Loss/(gain) on disposal of property, plant and equipment	16	17	(967)
Loss/(gain) on disposal of investments	14	-	3
(Decrease)/increase in allowance for doubtful debts	11	36	519
Dividend income		(281)	(107)
Gain on changes in fair value of derivative financial instrument	28	2	(10)
Interest expense		2,985	3,052
Interest income		(407)	(296)
Impairment of investments	14	509	20
Impairment of interest receivable	15	139	302
Foreign exchange loss/(gain)		2,432	(1,880)
Movements in provision, net		9	(41)
Operating profit before working capital changes		7,356	6,271
Decrease/(increase) in accounts receivable		221	(781)
Decrease/(increase) in inventory		(96)	1
(Decrease)/increase in accounts payable		(266)	550
		7,215	6,041
Income tax paid		-	(95)
Income tax refund	9	-	727
Net cash provided by operating activities		7,215	6,673
Cash flows from investing activities			
Purchases of property, plant and equipment		(727)	(480)
Purchases of intangible assets		(54)	(57)
Loans issued to a subsidiary	14	(52)	(620)
Proceeds from disposal of property, plant and equipment	16	23	752
Interest received		123	74
Dividends received		281	107
Net cash used in investing activities		(406)	(224)
Cash flows from financing activities			
Interest bearing loans and borrowings repaid		(2,573)	(2,119)
Interest paid		(4,054)	(2,908)
Dividends paid	23	(16)	(581)
Payments of finance lease liabilities		(63)	(36)
Net cash used in financing activities		(6,706)	(5,644)
Net increase in cash and cash equivalents		103	805
Cash and cash equivalents at the beginning of the year		2,978	2,473
Foreign exchange gain/(loss) on cash and cash equivalents		80	(300)
Cash and cash equivalents at the end of the year	10	3,161	2,978


O.V. Zvereva
Chief Accountant


A.P. Oleynik
Deputy General Director
Economy and Finance

May 29, 2014


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

OJSC International Airport Sheremetyevo
 Separate statement of changes in equity
 For the year ended December 31, 2013


(Amounts in millions of Russian roubles)

	Number of shares (millions)	Issued capital	Reserve capital	Additional paid-in capital	Retained earnings	Total equity
Balance at January 1, 2012	1,911	1,790	96	390	11,214	13,490
Profit for the year (as restated*)	-	-	-	-	1,628	1,628
Total comprehensive income for the period (as restated*)	-	-	-	-	1,628	1,628
Acquisition of OJSC Terminal in exchange for shares of the Company (Note 8)	390	390	-	(390)	-	-
Dividends (Note 23)	-	-	-	-	(581)	(581)
Balance at December 31, 2012	2,301	2,180	96	-	12,261	14,537
Profit for the year	-	-	-	-	(1,412)	(1,412)
Total comprehensive income for the period	-	-	-	-	(1,412)	(1,412)
Dividends (Note 23)	-	-	-	-	(16)	(16)
Balance at December 31, 2013	2,301	2,180	96	-	10,833	13,109

* Certain amounts here do not correspond to the separate financial statements as at December 31, 2012 and reflect adjustments made as detailed in (Note 2).



 O.V. Zvereva
 Chief Accountant



 A.P. Oleynik
 Deputy General Director
 Economy and Finance

May 29, 2014

OJSC International Airport Sheremetyevo
Notes to the separate financial statements
For the year ended December 31, 2013
(Amounts in millions of Russian roubles)

1. Corporate information

These financial statements of OJSC International Airport Sheremetyevo (the “Company”) for the year ended December 31, 2013 were authorised for issue in accordance with a resolution of the General Director on May 29, 2014.

International Airport Sheremetyevo was established in 1959 following a Government decree on the transfer of the Airdrome of Military Air Forces to the Head Civil Air Transportation Department. In 1996 International Airport Sheremetyevo was reorganised into open joint stock company International Airport Sheremetyevo (the “Company”). In 2011 Company entered into an agreement with OJSC Terminal under which the Company acquired all the assets and liabilities of OJSC Terminal in exchange for 390,243,767 ordinary shares of the Company with par value of 1 rouble. On April 2, 2012, the Company completed the takeover of OJSC Terminal, which was liquidated as a legal entity on that date.

The principal activities of the Company are the management and operation of Airport Sheremetyevo, including service of international and domestic passenger and cargo flights. In addition, the Company leases part of its properties to retail and other businesses operating at the airport premises.

The Company’s headquarters are located in Moscow region at Sheremetyevo airport.

As of December 31, 2013, the controlling shareholder of Company is the government of the Russian Federation.

2. Basis of preparation

Basis of presentation

The separate financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The separate financial statements of the Company represent the results and financial position of OJSC International Airport Sheremetyevo and do not include results and financial position of subsidiaries and associates. Preparation of separate financial statements is required by the terms of certain loan agreements. These separate financial statements should be read in conjunction with the Company’s consolidated financial statements as of and for the year ended December 31, 2013 which are available to the users at the Company’s premises.

The separate financial statements are presented in millions of rubles (“RUB”), except where it is specifically stated otherwise.

The Company maintains its accounting records in rubles. The accompanying separate financial statements are based on the underlying accounting records, appropriately adjusted and reclassified for separate financial statements presentation in accordance with IFRS.

The separate financial statements have been prepared under the historical cost convention, except for items of property, plant and equipment acquired prior to January 1, 2004, the date of transition of the Company to IFRS, which were stated at deemed cost being the fair value of those assets at that date as determined by an independent appraiser.

OJSC International Airport Sheremetyevo
Notes to the separate financial statements (continued)

2. Basis of preparation (continued)

Going concern

These financial statements have been prepared on a going concern basis that contemplates the realisation of assets and satisfaction of liabilities and commitments in the normal course of business.

Based on the current economic environment and the management's outlook, management concluded that there is no material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Consequently, management has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Restatement of comparative information

In the separate financial statements for the years ended December 31, 2011 and December 31, 2012 the Company applied incorrect accounting treatment in respect of refundability of input VAT related to certain property, plant and equipment. The corresponding amounts as of December 31, 2012 and January 1, 2012 have been restated. Effect of corrections is presented below:

Separate statement of financial position as of December 31, 2012

	<u>As reported</u>	<u>Adjustments</u>	<u>As restated</u>
Non-current assets			
Property, plant and equipment	42,808	726	43,534
Total assets	53,064	726	53,790
Current liabilities			
Accounts payable	2,921	143	3,064
Non-current liabilities			
Deferred income tax liability	1,883	83	1,966
Other non-current liabilities	–	612	612
Equity			
Retained earnings	12,373	(112)	12,261
Total equity and liabilities	53,064	726	53,790

Separate statement of financial position as of December 31, 2011

	<u>As reported</u>	<u>Adjustments</u>	<u>As restated</u>
Non-current assets			
Property, plant and equipment	45,345	904	46,249
Total assets	55,503	904	56,407
Current liabilities			
Accounts payable	3,289	149	3,438
Non-current liabilities			
Other non-current liabilities	–	755	755
Total equity and liabilities	55,503	904	56,407

OJSC International Airport Sheremetyevo
Notes to the separate financial statements (continued)

2. Basis of preparation (continued)

Restatement of comparative information (continued)

Separate statement of comprehensive income for the year ended December 31, 2012

	As reported	Adjustments	As restated
Operating costs	(13,722)	(27)	(13,749)
Operating profit	3,157	(27)	3,130
Interest expense	(3,050)	(2)	(3,052)
Profit before income tax	2,438	(29)	2,409
Income tax	(698)	(83)	(781)
Profit for the year	1,740	(112)	1,628
Total comprehensive income for the year	1,740	(112)	1,628

3. Changes in accounting policies

Application of new and amended IFRS and IFRIC

In preparation of these separate financial statements the Company followed the same accounting policies and methods of computation as compared with those applied in the previous year, except for the adoption of new standards and revision of the existing standards as of January 1, 2013.

New/revised standards and interpretations adopted in 2013

- ▶ IAS 1 *Financial Statement Presentation* (amended) – *Presentation of Items of Other Comprehensive Income*;
- ▶ IFRS 7 *Financial Instruments: Disclosures* (amended) – *Offsetting Financial Assets and Financial Liabilities*;
- ▶ IFRS 11 *Joint Arrangements*;
- ▶ IFRS 12 *Disclosure of Involvement in Other Entities*;
- ▶ IFRS 13 *Fair Value Measurement*;
- ▶ IAS 19 *Employee Benefits* (revised);
- ▶ IAS 27 *Separate Financial Statements* (revised);
- ▶ IAS 28 *Investments in Associates and Joint Ventures* (revised);
- ▶ Improvements to IFRSs.

The principal effect of these changes in policies is discussed below:

IAS 1 Financial Statement Presentation (amended) – Presentation of Items of Other Comprehensive Income

The amendment changes the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time should be presented separately from items that will never be reclassified. The amendment affected presentation only and had no impact on the Company's financial position or performance.

OJSC International Airport Sheremetyevo
Notes to the separate financial statements (continued)

3. Changes in accounting policies (continued)

Application of new and amended IFRS and IFRIC (continued)

IFRS 7 Financial Instruments: Disclosures (amended) – Offsetting Financial Assets and Financial Liabilities

The amendment requires disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The amendment did not have any impact on the financial position or performance of the Company.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities using proportionate consolidation. Jointly controlled entities must be accounted for using the equity method. The application of the new standard did not have an impact on financial position or performance of the Company.

IFRS 12 Disclosure of Involvement in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 *Consolidated and Separate Financial Statements* related to separate financial statements, as well as all of the disclosures that were previously included in IAS 31 *Interests in Joint Ventures* and IAS 28 *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 *Financial Instruments: Disclosures*.

IAS 19 Employee Benefits (revised)

The revision includes a number of amendments to the accounting for defined benefit obligations, including removing the "corridor" mechanism (the revised standard requires actuarial gains and losses to be recognised in other comprehensive income when they occur) and the change of the timing for the recognition of past-service costs (the revised standard requires past-service costs to be recognised in the period of a plan amendment, unvested benefits are not spread over a future-service period). Other amendments include new disclosures, such as, quantitative sensitivity disclosures. The application of the revised standard did not have an impact on financial position or performance of the Company.

IAS 27 Consolidated and Separate Financial Statements (revised)

As a consequence of the IFRS 12 *Disclosure of Involvement with Other Entities*, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.

OJSC International Airport Sheremetyevo
Notes to the separate financial statements (continued)

3. Changes in accounting policies (continued)

Application of new and amended IFRS and IFRIC (continued)

IAS 28 Investments in Associates and Joint Ventures (revised)

As a consequence of the new IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Involvement with Other Entities*, IAS 28 has been renamed to IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The application of the revised standard did not have an impact on financial position or performance of the Company.

Improvements to IFRSs

In May 2012, the IASB issued “Improvements to IFRSs”. The document sets out amendments to International Financial Reporting Standards primarily with a view of removing inconsistencies and clarifying wording. Amendments are generally intended to clarify requirements rather than result in substantive changes to current practice. These amendments did not have any impact on the financial position or performance of the Company.

New accounting pronouncements

The following new or amended (revised) IFRS and IFRIC have been issued but are not yet effective and not applied by the Company. The listing of standards and interpretations issued is those that the Company reasonably expects to have an impact on disclosures, financial position and performance when applied at a future date. The Company intends to adopt these standards when they become effective.

Standards issued but not yet effective

Standards not yet effective for the financial statements for the year ended 31 December 2013	Effective for annual periods beginning on or after
▶ IFRS 11 <i>Joint Arrangements</i>	1 January 2014
▶ IFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2014
▶ IAS 27 <i>Separate Financial Statements</i>	1 January 2014
▶ IAS 28 <i>Investments in Associates and Joint Ventures</i>	1 January 2014
▶ Amendments to IAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
▶ Amendments to IAS 36 – <i>Recoverable Amount Disclosures for Non-financial Assets</i>	1 January 2014
▶ Amendments to IAS 39 – <i>Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014
▶ Amendments to IAS 19 – <i>Defined Benefit Plans: Employee Contributions</i>	not defined
▶ IFRS 14 <i>Regulatory Deferral Accounts</i>	not defined
▶ IFRIC 21 <i>Levies</i>	not defined
▶ IFRS 9 <i>Financial Instruments</i>	not defined
▶ Annual Improvements to IFRSs 2010-2012 Cycle	not defined
▶ Annual Improvements to IFRSs 2011-2013 Cycle	not defined

The Company expects that the adoption of the pronouncements listed above will not have a significant impact on the Company’s results of operations and financial position in the period of initial application.

OJSC International Airport Sheremetyevo
Notes to the separate financial statements (continued)

4. Summary of significant accounting policies

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

Investments in subsidiaries and affiliates

Investments in subsidiaries, associates and joint ventures are stated at cost less any recognized impairment losses. Historical cost of certain investments made or acquired prior to January 1, 2003 has been restated in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies*.

Transfers of controlling interests in entities in transactions with entities under common control

The Company applies pooling of interests method for accounting for transfers of controlling interest in entities in transactions with entities under common control. Under this method of accounting the Company recognizes assets and liabilities of the acquired entity at the values which would be recognized in accordance with IFRS by the predecessor in its financial statements. Difference between consideration transferred and net assets acquired is recognized in equity as contribution to or distribution by the Company depending on the circumstances.

Foreign currency translation

Ruble is the functional currency of the Company and is also the currency in which these separate financial statements are presented. Transactions in currencies other than the functional currency are initially recorded at the spot rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies at the date of financial position are translated into the functional currency at the year-end exchange rate. Exchange differences arising from such translation are included into the separate statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Russian rouble at spot exchange rates ruling at the dates the fair value was determined.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of sales related taxes.

Airport and other traffic charges

- (i) Passenger charges levied on departing passengers;
- (ii) Aircraft landing charges levied according to weight;
- (iii) Aircraft parking charges based on a combination of weight and time parked;
- (vi) Other charges levied for passenger and luggage handling.

Revenue from airport and other traffic charges is recognized when the definite services have been rendered.

OJSC International Airport Sheremetyevo
Notes to the separate financial statements (continued)

4. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Property and operational facilities

- (i) Rental income is recognized in the separate statement of 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 lessor are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income;
- (ii) Usage charges made for operational systems (e.g. check-in-desks) are recognized and invoiced on a monthly basis as the services are rendered;
- (iii) Other invoiced sales are recognized as the services are rendered.

Dividend and interest income

- (i) Dividends from investments are recognized in the separate statement of comprehensive income when the shareholder's right to receive payment has been established;
- (ii) Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset's net carrying amount.

Financial assets (derivatives) at fair value through profit or loss

Derivatives are financial instruments that change their values in response to changes in the underlying variable, require no or little net initial investment and are settled at a future date. Derivatives are primarily used to manage exposures to foreign exchange risk, interest rate risk and other market risks.

The Company's derivative consists of interest rate option designated upon initial recognition at fair value through profit or loss and its use is governed by the Company's policies which are consistent with Company's overall risk management strategy. Gains or losses on this derivative financial instrument are recognised in the income statement.

Leases

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

The Company as a lessee

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised from the commencement of the lease term at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to interest expense.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense in the separate statement of comprehensive income on a straight line basis over the lease term.

OJSC International Airport Sheremetyevo

Notes to the separate financial statements (continued)

4. Summary of significant accounting policies (continued)

Leases (continued)

The Company as a lessor

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Interest expense

Interest expense includes interest payable on borrowings and the interest expense component of finance lease payments is recognised in the separate statement of comprehensive income using the effective interest rate method.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense when incurred.

Property, plant and equipment

Property, plant and equipment are stated at cost, or appraised value, as described below. Depreciation is calculated in order to amortise the cost or appraised value (less estimated salvage value where applicable) over the remaining useful lives of the assets.

Owned assets and infrastructure assets used by the Company

Items of property, plant and equipment are stated at cost, determined on the basis of independent valuation as of January 1, 2004 ("deemed cost") or the actual cost of acquisition or construction for the assets acquired after that date, 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. The Company uses certain items of property plant and equipment, including but not limited to runways, taxi strips, air navigation equipment, etc. (the "Infrastructure") which are owned by state authorities. Refer to Note 16 for details of accounting for infrastructure assets.

The Company leases parts of terminal buildings to other entities, including its related parties. In accordance with IAS 40, if a property has both investment property and non-investment property uses, but no separation (sale or lease-out under finance lease) is possible and where the Company uses only part of a property it owns, utilization of less than 30% is regarded immaterial, which means that the whole property is stated at historical cost and accounted for in accordance with IAS 16.

Assets under construction

Assets under construction comprise costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction as well as costs of purchase of other assets that require installation or preparation for their use less impairment, if any. Depreciation of these assets, on the same basis as for other property assets, commences when the assets are put into operation.

OJSC International Airport Sheremetyevo
Notes to the separate financial statements (continued)

4. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

Leased assets

At the commencement of the lease term, the owner-occupied property acquired under finance lease (as described above) is recognized at an amount equal to the lower of its fair value and the present value of the minimum lease payments each determined at the inception of the lease. Lease payments are accounted for as described above.

Subsequent costs

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the separate statement of income as an expense when incurred.

Depreciation

Depreciation is charged to the separate statement of comprehensive income on a straight-line basis over the estimated useful lives of each 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:

Terminal complex	10-80 years
Airfield	10-35 years
Other buildings	10-95 years
Technical equipment and machinery	3-35 years
Vehicles	3-12 years
Other equipment	2-41 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its 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 the separate statement of comprehensive income when the asset is derecognised.

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

Assets held under finance lease arrangements and operating leasehold improvements are depreciated over the shorter of their estimated useful lives and lease terms. Land areas are not depreciated.

Gain or loss on disposal

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the separate statement of comprehensive income.

OJSC International Airport Sheremetyevo
Notes to the separate financial statements (continued)

4. Summary of significant accounting policies (continued)

Intangible assets

Intangible assets that are acquired by the Company represent mainly purchased software and licenses and are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the separate statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets are amortised from the date they are available for use. The estimated useful lives for existing assets range from 3 to 5 years.

Impairment of non-current assets

At each reporting date, the Company reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have impaired. 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 Company 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 the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the separate statement of comprehensive income.

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

Non-current assets held for sale

The Company classifies non-current assets and investments as held for sale if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use. Such non-current assets and investments classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or investment is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

OJSC International Airport Sheremetyevo
Notes to the separate financial statements (continued)

4. Summary of significant accounting policies (continued)

Non-current assets held for sale (continued)

A disposal group qualifies as discontinued operation if it is:

- ▶ A component of the Company that is a CGU or a group of CGUs;
- ▶ Classified as held for sale or already disposed in such a way; or
- ▶ A major line of business or major geographical area.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Additional disclosures are provided in Note 13.

All liabilities directly related to non-current assets held for sale and transferred upon sale are subject to reclassification and recorded as a separate line item in the statement of financial position (liabilities directly related to assets classified as held for sale) within non-current liabilities.

Non-current assets held for sale are measured at the lower of the carrying value and fair value less costs to sell.

Held-for-sale property, plant and equipment and intangible assets are not depreciated or amortised.

Reclassified non-current financial instruments and deferred taxes are not subject to write down to the lower of their carrying amount and fair value less costs to sell.

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, balances with banks and short-term interest-bearing deposits with original maturities of no more than three months.

Financial assets

Initial recognition and measurement

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss (FVTPL), loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include cash and short-term deposits, trade and other receivables, loan and other receivables, quoted and unquoted financial instruments, and derivative financial instruments.

OJSC International Airport Sheremetyevo

Notes to the separate financial statements (continued)

4. Summary of significant accounting policies (continued)

Financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Investments available-for-sale

Financial assets available-for-sale represent debt and equity instruments that are intended to be held for an indefinite period of time. Such instruments are initially recorded at cost which approximates the fair value of the consideration given and are subsequently measured at fair value, with such re-measurement recognised in other comprehensive income. Where the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is charged to income. Non-marketable securities that do not have fixed maturities are stated at cost, less allowance for impairment unless there are other reasonable and reliable methods of estimating their fair value. Available-for-sale financial assets are classified as current assets if management intends to dispose them within twelve months of the reporting date.

Financial assets at fair market value through profit or loss

Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price and those investments specifically designated by management at fair value through profit or loss are classified as financial assets at fair market value through profit or loss. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income in the period in which they arise.

Held-to-maturity investments

Investments in non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intent and ability to hold to maturity, other than loans and receivables originated by the Company, are classified as held-to-maturity financial assets. Held-to-maturity financial assets are recorded at amortised cost using the effective interest method, less any impairment, with interest income recognised on an effective yield basis. There were no held to maturity investments as of December 31, 2013 and 2012.

Loans receivable

Loans receivable are measured at amortised cost using the effective interest rate method.

Trade and other receivables

Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for impairment of estimated irrecoverable amounts. Receivables with fixed maturities due in more than a year are measured at amortised cost using the effective interest rate method.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

OJSC International Airport Sheremetyevo

Notes to the separate financial statements (continued)

4. Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity investments, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Financial liabilities

The Company recognises financial liabilities on its statement of financial position when it becomes a party to a contractual obligation.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as fair value through profit or loss where the financial liability is either held for trading or it is designated as FVTPL. Financial liabilities at FVTPL are stated at fair value, with any resulting gain or loss recognised in profit or loss. There were no financial liabilities at fair market value through profit or loss as of December 31, 2013 and 2012.

Other financial liabilities are initially recognised at cost, which is the fair value of the consideration received, taking into account transaction costs. After initial recognition, financial liabilities are carried at amortised cost. The amortised cost of a financial liability is the amount at which the financial liability was measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation of any difference between that initial amount and the maturity amount.

Accounts payable

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, because the expected term of accounts payable is short, the value is stated at the nominal amount without discounting, which corresponds with fair value.

Short-term borrowings

Short-term borrowings comprise the short-term portion of interest-bearing long-term borrowings, i.e. the portion of the loans that is amortised in the coming year, as well as other current interest-bearing liabilities with a term shorter than one year. These liabilities are measured at amortised cost and reported on the settlement date.

OJSC International Airport Sheremetyevo
Notes to the separate financial statements (continued)

4. Summary of significant accounting policies (continued)

Long-term borrowings

Long-term borrowings, i.e. liabilities with a term longer than one year, consist of interest-bearing loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method, as of the settlement date.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or, where appropriate, a shorter period.

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 costs of completion and selling expenses.

The cost of inventories is based on the average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Dividends

Dividends are recognised at the date they are declared by the shareholders at a general meeting.

Retained earnings legally distributable by the Company are based on the amounts available for distribution in accordance with applicable legislation and reflected in the statutory financial statements. These amounts may differ significantly from the amounts calculated on the basis of IFRS.

Employee benefits

The Company makes contributions for the benefit of employees to the State Pension fund at the statutory rates in force during the year. The contributions are expensed as incurred.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the country where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the separate statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

The Company's applicable tax rate is the income tax rate of 20% (2012: 20%).

OJSC International Airport Sheremetyevo

Notes to the separate financial statements (continued)

4. Summary of significant accounting policies (continued)

Deferred income tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- (a) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- (b) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant accounting judgments and estimates

The preparation of the separate financial statements requires management to exercise judgment and to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as disclosures. These estimates and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from such estimates, and estimates can be revised in the future, either negatively or positively, depending upon the outcome or changes in expectations based on the facts surrounding each estimate.

OJSC International Airport Sheremetyevo
Notes to the separate financial statements (continued)

5. Significant accounting judgments and estimates (continued)

Accounting judgments

Assets, classified as held for sale and discontinued operations

In October 2013, the Company initiated the sale of all shares in OJSC International Airport Vladivostok and CJSC Terminal Vladivostok (52.16% and 74.99% of total share capital respectively).

Therefore, the operations of OJSC International Airport Vladivostok and CJSC Terminal Vladivostok are classified as assets held for sale. The Company considered subsidiaries to meet the criteria to be classified as held for sale at that date for the following reasons:

- ▶ Shares of OJSC International Airport Vladivostok and CJSC Terminal Vladivostok is available for immediate sale and can be sale in its current condition;
- ▶ The actions to complete the sale were initiated and expected to be completed within one year from the sale;
- ▶ Board of Directors of the Company approved the sale in October 2013;
- ▶ The Company expects the secretarial procedures and procedural formalities for sale to be completed by December 31, 2014.

For more details on the assets, classified as held for sale, refer to Notes 13.

Infrastructure used by the Company

The Company uses exclusively for its benefits and manages infrastructure which belongs to the Federal State Authorities. Prior to May 2003 the Company directly owned these assets. In May 2003, following the imposed regulation which required Federal Government ownership of such assets, the Company transferred legal title to the infrastructure to Administration of Civil Airports (“ACA”), a federal unitary enterprise, for free and continued to use the assets for its benefits.

In 2006 the Company and ACA signed an agreement (“the Agreement”) for indefinite period of time which acknowledged the Company’s rights to use the assets and obliged the Company to maintain the assets in operating condition. In addition, the Agreement imposed a monthly fee for the use of the assets. The fee is subject to the agreement between the parties to the Agreement is contingent on market conditions and changes in a legal environment. Average monthly fee payable by the Company to ACA was RUB 16.7 in 2013 (2012: RUB 16.7).

Although the Agreement contains certain features of a concession, the Company believes that the arrangement is scoped out of IFRIC 12 *Service Concession Arrangements*, as the grantor does not control the Infrastructure based on the terms of the Agreement. As such, the Company continues to recognise the Infrastructure in its statement of financial position following the transfer of legal title to the Infrastructure to the shareholder, which is treated under IFRS as a sale-leaseback transaction that took place in 2003. Changes in fees, which became payable to ACA subsequent to 2003 are contingent rents and charged as expenses in the periods in which they are incurred.

OJSC International Airport Sheremetyevo

Notes to the separate financial statements (continued)

5. Significant accounting judgments and estimates (continued)

Estimation uncertainty

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

Impairment of property, plant and equipment

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the asset's recoverable amount. This requires an estimation of the value in use of the cash-generating unit to which the item is allocated.

The value in use calculation is based on discounted cash flow-based (DCF) methods, which require the Company to make estimates of the expected future cash flows and to choose the suitable discount rate. These estimates may have a material impact on the recoverable value and the amount of the property, plant and equipment impairment.

Assets that suffered an impairment loss are tested for possible reversal of the impairment at each reporting date if indications exist that impairment losses recognised in prior periods no longer exist or have decreased.

Fair values measurements

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. See Note 28 for further disclosures.

Useful lives of items of property, plant and equipment

The Company assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. These estimates may have a material impact on the amount of the carrying values of property, plant and equipment and on depreciation expense for the period.

In 2013 and 2012, there weren't changes in estimates of useful lives of property, plant and equipment.

Income tax

Russian tax, currency and customs legislation is subject to varying interpretations and changes occurring frequently. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Company may not coincide with that of management. As a result, tax authorities may challenge transactions and the Company may be assessed additional taxes, penalties and interest, which can be significant. In Russia the periods remain open to review by the tax and customs authorities with respect to tax liabilities for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. More details are provided in Note 9.

OJSC International Airport Sheremetyevo
Notes to the separate financial statements (continued)

5. Significant accounting judgments and estimates (continued)

Fair values measurements (continued)

Allowances

The Company makes allowances for doubtful receivables to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful accounts, management bases its estimates on the current overall economic conditions, the ageing of accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in the separate financial statements. As of December 31, 2013 and 2012 allowances for doubtful accounts in respect of trade and other receivables have been made in amount of RUB 836 and RUB 784 respectively (Note 11).

The Company makes an allowance for obsolete and slow-moving raw materials and consumables and other inventories (Note 12).

6. Revenue

	2013	2012
To airlines		
Passenger charges levied on departing passengers	6,199	5,118
Aircraft landing charges levied according to weight	2,074	1,917
Aircraft parking charges based on a combination of weight and time parked	183	179
Other charges levied for passenger and baggage handling	–	17
Aviation security	782	700
Maintenance and commercial services to airlines	887	1,007
Other sales to airlines	753	598
Other revenue		
Rental income	5,898	5,451
Other services	862	1,250
	17,638	16,237

OJSC International Airport Sheremetyevo

Notes to the separate financial statements (continued)

7. Operating costs

	2013	2012
Staff costs		
Wages and other compensations to employees	4,317	3,841
Social insurance and other costs	1,145	1,015
Depreciation and amortisation (Note 16)	3,417	3,267
Materials	675	583
Cost of auto fuel	428	408
State-owned infrastructure assets usage costs	193	196
Taxes other than income tax	559	871
Public utilities	558	516
Cleaning services in airport	433	432
Aircraft servicing	300	288
Advertising expenses	10	-
Repair and maintenance expenses	820	715
Consulting, audit and other services	283	467
Rent payment for land	33	109
Allowance for doubtful debts (Note 11)	36	519
Insurance expenses	73	86
Aviation security services	163	117
Passengers servicing	59	95
Bank charges	6	13
Charity	4	13
Expenses for corporate events	10	16
Other expenses	195	182
	13,717	13,749

8. Acquisition of OJSC Terminal

On December 13, 2011, in accordance with decisions of shareholders of the Company and OJSC Terminal, the Company entered into an agreement with OJSC Terminal under which the Company acquired all the assets and liabilities of OJSC Terminal in exchange for 390,243,767 ordinary shares of the Company with par value of 1 rouble. OJSC Terminal owned and operated Terminal D in Sheremetyevo International Airport. On April 2, 2012, the Company completed the takeover of OJSC Terminal, which was liquidated as a legal entity on that date. As a result of the acquisition, OJSC Aeroflot Russian Airlines, Vnesheconombank and VTB became the shareholders of the Company, holding 8.96%, 4.24% and 3.76% of the share capital of the Company, respectively. Consequently, direct ownership interest of the Russian Federation in the Company decreased to 83.03% of the share capital.

Based on the terms of the agreement, management of the Company has determined that on December 13, 2011 the Company obtained potential voting rights in OJSC Terminal and access to the benefits associated with the ownership of the assets and liabilities of OJSC Terminal. In addition, as the acquisition of OJSC Terminal has been conducted in transactions with entities ultimately controlled by the Russian Federation, in accordance with its accounting policy, the Company applied pooling of interests method for the accounting for acquisition of business of OJSC Terminal. The difference between the par value of issued shares and the net assets acquired of RUB 684 was charged to retained earnings.

As of December 13, 2011 the issue of shares was credited to additional paid-in capital.

In April 2012, the issuance of shares was registered with regulatory authorities and increased the issued capital of the Company as of December 31, 2012.

OJSC International Airport Sheremetyevo

Notes to the separate financial statements (continued)

9. Income tax

	2013	2012
Current income tax expense	–	–
Current income tax benefit relating to adjustments in respect of tax of previous years	–	(108)
Deferred income tax expense relating to origination and reversal of temporary differences from continuing operations	(90)	889
	(90)	781

Income before taxation for financial reporting purposes is reconciled to income and expense for the years as follows:

	2013	2012
Profit/(loss) before income tax	(1,502)	2,409
Income tax at statutory income tax rate of 20%	(300)	482
Adjustments in respect of income tax of previous years	–	–
Non-deductible expenses and other permanent differences	210	299
	(90)	781

The statutory tax rate effective in the Russian Federation was 20% for the years ended December 31, 2013 and December 31, 2012.

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

	2013	2012
Net liability at the beginning of the year	(1,966)	(1,077)
Deferred income tax benefit relating to origination and reversal of temporary differences recognized in the statement of comprehensive income	90	(889)
Net liability at the end of the year	(1,876)	(1,966)

	December 31, 2013	December 31, 2012
Deferred income tax liability, net		
Property, plant and equipment	(3,512)	(3,691)
Accounts payable	104	132
Unused vacation accrual	117	73
Accounts receivable	160	147
Bank loans	(7)	(8)
Financial lease	11	22
Intangible assets	4	5
Investments and other financial assets	138	7
Losses carried forward	1,099	1,344
Other	10	3
	(1,876)	(1,966)

OJSC International Airport Sheremetyevo
Notes to the separate financial statements (continued)

10. Cash and cash equivalents

	December 31, 2013	December 31, 2012
RUB denominated cash at banks and on hand	338	121
US dollar denominated cash at banks	354	1,048
EURO denominated cash at banks	9	3
Time deposits with original maturities of three months or less	2,460	1,801
Other	-	5
	3,161	2,978

11. Accounts receivable and prepayments, net

	December 31, 2013	December 31, 2012
Trade accounts receivable		
- RUB denominated	819	1,024
- foreign currency denominated (mainly in US dollars)	1,028	933
Advances given to suppliers	45	58
Other receivables	17	19
Allowance for doubtful trade and other receivables	(836)	(784)
	1,073	1,250
VAT and other taxes recoverable, other than income tax	115	126
	1,188	1,376

	December 31, 2013	December 31, 2012
Allowance for doubtful trade receivables	(825)	(768)
Allowance for doubtful advances given to suppliers	(9)	(13)
Allowance for doubtful other receivables	(2)	(3)
	(836)	(784)

Included in the Company's receivables are debtors with a carrying amount of RUB 172, RUB 390 and RUB 497 as of December 31, 2013, 2012 and 2011, respectively, which are past due at the respective reporting dates and which are considered by the Company as recoverable (i.e. not impaired).

The Company does not hold any collateral over these debts.

As at December 31 the ageing analysis of trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired				
			< 30 days	31-60 days	61-90 days	91-120 days	> 121 days
2013	1,022	850	-	49	22	31	70
2012	1,189	799	-	224	45	43	78
2011	1,104	607	137	77	26	102	155

OJSC International Airport Sheremetyevo
Notes to the separate financial statements (continued)

11. Accounts receivable and prepayments, net (continued)

Movement in the allowance for impairment of trade and other receivables is as follows:

	<u>2013</u>	<u>2012</u>
Balance at the beginning of the year	(784)	(280)
Charged to income (Note 7)	(36)	(519)
Amounts written-off as uncollected	(16)	15
Balance at the end of the year	(836)	(784)

12. Inventories

	<u>December 31, 2013</u>	<u>December 31, 2012</u>	<u>January 1, 2012</u>
Spare parts (at cost)	195	120	133
Raw materials and consumables (at cost, net of provision for obsolescence)	96	82	77
Auto fuel (at cost)	33	29	28
Other inventories (at cost, net of provision for obsolescence)	46	44	38
	370	275	276

The amount of inventories recognised as an expense is RUB 1,103 (2012: RUB 991) which is included in operating costs in the separate statement of comprehensive income.

13. Assets held for sale

In September 2010, the Board of Directors announced its decision to dispose certain investments of the Company in subsidiaries and associates which, therefore, are classified as assets held for sale in the amount of RUB 31.

<u>Company name</u>	<u>Place of registration and operation</u>	<u>Activity</u>	<u>Percentage held as of December 31, 2013</u>	<u>Percentage held as of December 31, 2012</u>
OJSC International Airport				
Vladivostok	Vladivostok	Airport terminal services	52.16%	52.16%
CJSC Terminal Vladivostok	Vladivostok	Terminal construction	74.99%	74.99%
CJSC SVT-Avia	Moscow region	Customs brokerage services	40.0%	40.0%
LLC Air-Food Catering	Moscow region	Catering	26.0%	26.0%
CJSC TZK Sheremetyevo	Moscow region	Fuel trading company	25.1%	25.1%

The Company considered these subsidiaries and associates met the criteria to be classified as held for sale.

CJSC SVT-Avia and LLC Air-Food Catering are available for immediate sale and can be sold to a potential buyer in its current condition. The Company continues active marketing of these assets and is committed to its plan to sell these assets.

In February 2011, the Company sold 43.9% share in CJSC TZK Sheremetyevo to LLC TNK Sheremetyevo for RUB 3,580 and recognized gain from this transaction in the amount RUB 3,580.

OJSC International Airport Sheremetyevo

Notes to the separate financial statements (continued)

13. Assets held for sale (continued)

In 2011, LLC TNK Sheremetyevo paid the remaining amount of RUB 3,287 for this transaction. The Company still owns 25.1% share in CJSC TZK Sheremetyevo, which is available for the immediate sale.

In October 2013, the Company initiated the sale of 52.16% shares in OJSC International Airport Vladivostok and 74.99% shares in CJSC Terminal Vladivostok which, therefore, are classified as of December 31, 2013 as assets held for sale. The carrying value of these assets as of December 31, 2013 was RUB 1,527.

In 2013 the Company's management initiated the sale of certain property assets. These assets have been classified as held for sale. At December 31, 2013, value of these assets was RUB 21.

14. Investments in subsidiaries and associates

	December 31, 2013	December 31, 2012	January 1, 2012
Investments in subsidiaries (at cost)	–	2,035	2,048
Investments in associates (at cost)	642	643	653
	642	2,678	2,701

The Company's principal subsidiary undertakings are:

Company name	Place of registration and operation	Activity	Percentage held as of December 31, 2013	Percentage held as of December 31, 2012
CJSC Mosleasing	Moscow region	Leasing of equipment and vehicles	–	99.9%
LLC Sheratop	Moscow region	Luggage transportation	99.0%	99.0%
CJSC VIP-International	Moscow	VIP passenger services	51.0%	51.0%
CJSC SVO-Changi	Moscow region	Sheremetyevo terminal	–	51.0%
LLC Rusport	Moscow region	Aircraft ground servicing	51.0%	51.0%

The Company's associates, the entities in which the Company holds more than 20% but less than controlling interest are as follows:

Company name	Place of incorporation and operation	Activity	Percentage held as of December 31, 2013	Percentage held as of December 31, 2012
CJSC AeroMASH-AB	Moscow region	Aviation security	45.0%	45.0%
LLC Avia Group	Moscow region	Business aviation	26.0%	26.0%
OJSC Sheremetyevo-4	Moscow region	Servicing international and domestic passenger and cargo air flights	50.0%	50.0%
LLC Cargo complex Sheremetyevo	Moscow region	Direction of cargo complex	25.1%	25.1%
LLC "RN-Sheremetyevo"	Moscow region	Aircrafts fueling and storage	49.0%	49.0%

All the companies listed above are incorporated in the Russian Federation.

OJSC International Airport Sheremetyevo
Notes to the separate financial statements (continued)

14. Investments in subsidiaries and associates (continued)

In 2012 CJSC SVO-Changi and CJSC Mosleasing began of procedures of liquidation. As of December 31, 2012 the Company wrote off the investment in CJSC SVO-Changi and CJSC Mosleasing in the amount of RUB 3.

In October 2013 CJSC SVO-Changi was liquidated.

	2013	2012
Cost at the beginning of the year	2,678	2,701
Additions	–	–
Reclassification to assets held for sale	(1,527)	–
Disposals	–	(3)
Impairment of investments	(509)	(20)
Cost at the end of the year	642	2,678

The Company assessed whether there is objective evidence that its investments are impaired as of December 31, 2013. As a result of the valuation analysis performed the fair value of the investments in OJSC International Airport Vladivostok and CJSC Terminal Vladivostok was less than their carrying value. Impairment loss in the total amount of RUB 509 was recognized in 2013 (2012: 20 (investments in LLC Rusport and OJSC Sheremetyevo-4)).

15. Other financial assets

	December 31, 2013	December 31, 2012	January 1, 2012
Short-term financial assets			
Other	16	22	43
	16	22	43
Long-term financial assets			
Loans issued to CJSC TV	2,537	2,484	1,864
Interest receivable under the loans issued to CJSC TV	535	302	97
Impairment of loan receivable	(441)	(302)	–
Other	5	16	23
	2,636	2,500	1,984

From 2010 till 2012 the Company issued long-term loans to CJSC TV in the amount of RUB 2,484 bearing interest in amount of Refinancing rate of CBRF + 1% but not less than 8.75% and maturing in 2025.

In 2013, the Company issued long-term loan in the amount of RUB 52 to its subsidiary CJSC TV bearing interest in amount of Refinancing rate of CBRF + 1% but not less than 8.75% and maturing in 2025. In 2013 interest rate was 9.25%.

In 2013, the Company recognized interest income under these loans issued in the amount of RUB 233 (2012: RUB 205). As of December 31, 2013, the Company assessed the recoverability of the interest receivable accrued under this loan in the amount of RUB 535. As a result of the valuation analysis the amount in 441 RUB of the interest receivable was considered to be unrecoverable and was impaired as of December 31, 2013. The impairment loss in the amount of RUB 139 was recognized (2012: 302 RUB).

OJSC International Airport Sheremetyevo

Notes to the separate financial statements (continued)

16. Property, plant and equipment

	Terminal complex	Airfield	Other buildings	Technical equipment and machinery	Vehicles	Other equipment	Capital expenditure	Total
Cost								
At January 1, 2012 (as restated)	32,332	4,984	3,957	12,880	1,243	1,646	889	57,931
Additions	54	–	19	131	214	32	432	882
Put into use	60	–	280	467	–	312	(1,119)	–
Disposals	(264)	(139)	(285)	(141)	(30)	(83)	(78)	(1,020)
At December 31, 2012 (as restated)	32,182	4,845	3,971	13,337	1,427	1,907	124	57,793
Additions	15	–	–	87	276	54	304	736
Put into use	90	–	37	70	–	26	(223)	–
Disposals	(9)	(5)	(36)	(55)	(39)	(32)	(36)	(212)
At December 31, 2013	32,278	4,840	3,972	13,439	1,664	1,955	169	58,317
Accumulated depreciation								
At January 1, 2012 (as restated)	(2,957)	(2,948)	(1,124)	(3,108)	(800)	(745)	–	(11,682)
Charge for the year	(922)	(288)	(184)	(1,506)	(132)	(193)	–	(3,225)
Disposals	264	139	71	81	29	64	–	648
At December 31, 2012 (as restated)	(3,615)	(3,097)	(1,237)	(4,533)	(903)	(874)	–	(14,259)
Charge for the year	(1,047)	(241)	(269)	(1,431)	(95)	(254)	–	(3,337)
Disposals	2	–	14	42	37	25	–	120
At December 31, 2013	(4,660)	(3,338)	(1,492)	(5,922)	(961)	(1,103)	–	(17,476)
Net book value								
At January 1, 2012	29,375	2,036	2,833	9,772	443	901	889	46,249
At December 31, 2012	28,567	1,748	2,734	8,804	524	1,033	124	43,534
At December 31, 2013	27,618	1,502	2,480	7,517	703	852	169	40,841

Gross carrying amount of fully depreciated property, plant and equipment that is still in use was RUB 4,158 and RUB 3,559 at December 31, 2013 and 2012, respectively.

17. Accounts payable

	December 31, 2013	December 31, 2012 (as restated)	January 1, 2012 (as restated)
Trade accounts payable in:			
- RUB	603	631	836
- foreign currencies (mainly in USD)	43	106	87
Advances received	553	621	964
Unused vacation accrual	248	217	192
Taxes payable other than income tax	687	793	601
Accounts payable to employees	371	223	154
Other accounts payable	329	355	375
Social insurance payable	79	70	62
Termination benefits	–	–	44
Provisions	39	48	123
	2,952	3,064	3,438

OJSC International Airport Sheremetyevo

Notes to the separate financial statements (continued)

18. Interest-bearing loans and borrowings

	Currency	Interest rate	December 31, 2013	December 31, 2012	January 1, 2012
Non-current interest-bearing loans and borrowings					
Sberbank ⁽ⁱ⁾	USD	9.2%	6,097	5,654	6,559
Sberbank ⁽ⁱⁱ⁾	USD	8.75%-10.75%	–	769	1,013
KFW ⁽ⁱⁱⁱ⁾	EUR	Euribor + 2.5%/3.25%	–	73	152
OJSC Aeroflot Russian Airlines ^(iv)	RUB	12.85%	–	–	477
Vnesheconombank ^(v)	USD	8.3%	19,639	20,238	21,608
VTB ^(vi)	USD	7.75%	5,956	6,182	7,160
Total non-current interest-bearing loans and borrowings			31,692	32,916	36,969
Less current portion of non-current interest bearing loans and borrowings			(1,661)	(3,064)	(8,636)
Total non-current interest-bearing loans and borrowings, net of current portion			30,031	29,852	28,333
Current interest-bearing loans and borrowings					
Current portion of non-current interest-bearing loans and borrowings			1,661	3,064	8,636
Total current interest-bearing loans and borrowings			1,661	3,064	8,636

- (i) In 2007, Nordbank and Sberbank provided to the Company a syndicated long-term loan facility (“the Facility”) maturing 2020. The facility was used for construction and development of Terminal E, additional wing (the left wing) of Terminal F and a pedestrian link to Terminal D. The Facility bore a fixed interest of 6.96% per annum for Nordbank portion of the Facility and 7.51% per annum for the portion financed by Sberbank.

In December 2011 the Company commenced a takeover of OJSC Terminal (Note 8). In 2012 the majority of lenders under the Facility syndicate did not provide a consent for this takeover. Consequently, the Company commenced a restructuring of the Facility. As of December 31, 2011 total amount of principal and accrued interest payable under this facility was classified as current.

In December 2012 the Company completed the restructuring process and obtained from Sberbank the loan facility in the amount of US\$222 million bearing a fixed interest of 9.2% and maturing in 2020. As of December 31, 2013, the Company pledged certain items of equipment with carrying value of RUB 1 856 under the Facility (2012: RUB 2,372).

- (ii) In 2006 and in 2009 the Company obtained from Sberbank US dollar denominated credit lines totaling to US\$51.5 million for the purpose of financing of construction of Terminal C. These credit lines bear interest rate varying from 8.5% to 9.5% per annum and mature in 2016-2018. In October 2013 the Company repaid its liabilities prematurely.

OJSC International Airport Sheremetyevo

Notes to the separate financial statements (continued)

18. Interest-bearing loans and borrowings (continued)

- (iii) Two long-term loans were obtained by the Company from KFW in 2006 to finance the purchase of special airfield equipment. Total credit limit of these loans is EUR 10 million, the loans bear interest of Euribor + 2.44%/3.50% per annum and mature in 2013. The Company repaid loans at maturity in 2013. The Company pledged under these loans the airport equipment with carrying value of RUB 39 as of December 31, 2013 (December 31, 2012: RUB 84).
- (iv) In 2010, OJSC Terminal obtained from OJSC Aeroflot Russian Airlines rouble denominated loan in amount of RUB 384 to finance construction works of the pedestrian link between Terminals E and D. This loan bears fixed interest of 12.85% per annum and was repaid at maturity in 2012.
- (v) In 2006 and in 2008 OJSC Terminal obtained from Vnesheconombank two US dollar denominated credit lines totaling to US\$659.4 million to finance construction works. These credit lines bear interest varying from 9% to 10.56% per annum and mature in 2019-2022. In June 2010 and September 2011, the agreements were amended. Payments of principal debt under the first loan, payable till January-June 2010 in amount of US\$5.1 million and till July-December 2011 in amount of US\$7.4 million were postponed till the end of 2022 and till July-December 2013, respectively. Payment of interest accrued for July-September and for October-December 2011 in total amount of US\$10.1 million was postponed till September and December 2013, respectively. Payments of principal debt under the second loan, payable till January-June 2010 in amount of US\$100.2 million and till July-December 2011 in amount of US\$0.2 million were postponed till June 2019 and July-September 2013, respectively. Payments of interest accrued for June-August and for September-November 2011 in total amount of US\$20.2 million were postponed till August and November 2013, respectively.

Deferred payment of principal and interest were repaid in accordance with the schedule. In September 2013, the Company signed an additional agreement to the credit facility to reduce the interest rate to 8.3% per annum on both credit lines.

The Company pledged the mortgage rights of sublease to the land plot with carrying value of RUB 800 as of December 31, 2013 (December 31, 2012: RUB 1,561) and the airport equipment with carrying value of RUB 20,353 as of December 31, 2013 (December 31, 2012: RUB 20,998).

- (vi) In 2006, OJSC Terminal obtained from VTB US dollar denominated credit line in amount of US\$264 million to finance construction works. This credit line bears fixed interest of 7.75% per annum and matures in 2019. The Company pledged the mortgage rights of sublease to the land plot with carrying value of RUB 800 as of December 31, 2013 (December 31, 2012: RUB 1,561) and the airport equipment with carrying value of RUB 20,353 as of December 31, 2013 (December 31, 2012: RUB 20,998).
- (vii) In December 2013 the Company signed a credit facility with Gazprombank to refinance the Company's current debt to VTB. Limit of the credit line was 180.9 million US (as at December 31, 2013 equivalent in RUB 5,921). The loan bears a fixed interest rate of 6.9%. As of December 31, 2013 the credit line was not used.

As of December 31, 2013 the Company had unutilized borrowing facilities in amount RUB 5,921 (December 31, 2012: nil).

OJSC International Airport Sheremetyevo

Notes to the separate financial statements (continued)

19. Finance lease liabilities

In 2010 and 2011 the Company entered into several 5-year term lease agreements. The estimated useful life of the leased assets varies from 3 to 5 years. Consequently, these leases were accounted for as finance leases in the separate financial statements. The carrying value of the leased assets amounted to RUB 78 and RUB 126 as at December 31, 2013 and December 31, 2012 respectively. The leased assets are included in property, plant and equipment in the separate statement of financial position.

Future minimum lease payments were as follows at December 31, 2013:

2013	Minimum lease payments	Interest	Principal
Not later than one year	59	9	50
Between one and five years	24	2	22
	83	11	72

20. Liabilities under put option

In 2010 the Company's subsidiary CJSC TV issued 900 million of ordinary shares with a par value 1 rouble each. The Company acquired 460 million of the new shares while the remaining 440 million were acquired by Vnesheconombank. In 2010 the Company entered into an agreement with Vnesheconombank containing a put option on shares of CJSC TV owned by Vnesheconombank. Under this agreement Vnesheconombank has a right to sell the shares of CJSC TV to the Company and the Company has an obligation to buy these shares at the price of initial purchase plus accrued interest at Refinancing rate of CBRF + 2.5% capitalized each half of the year. The option expires on December 31, 2014.

As a result the Company recognised a liability under this put option in the amount of RUB 632 as of December 31, 2013 (2012: RUB 569).

21. Issued capital

Authorised, issued and fully paid share capital of the Company was as follows:

	Authorised	Issued and fully paid	
	Number of shares	Number of shares	Amount
At January 1, 2012	4,031,502	1,910,457	1,790
Issue of share capital	–	390,244	390
At December 31, 2012	4,031,502	2,300,701	2,180
Issue of share capital	–	–	–
At December 31, 2013	4,031,502	2,300,701	2,180

On December 13, 2011, the Company entered into an agreement with shareholders of OJSC Terminal under which the Company acquired all the assets and liabilities of OJSC Terminal in exchange for 390,243,767 ordinary shares of the Company with par value of 1 rouble.

On April 2, 2012, OJSC Terminal was liquidated as a legal entity. As a result of the acquisition, OJSC Aeroflot Russian Airlines, Vnesheconombank and VTB became the shareholders of the Company, holding 8.96%, 4.24% and 3.76% of the share capital of the Company, respectively.

OJSC International Airport Sheremetyevo
Notes to the separate financial statements (continued)

21. Issued capital (continued)

As of December 13, 2011 the issue of shares was credited to additional paid-in capital.

In April 2012, the issuance of shares was registered with regulatory authorities and increased the issued capital of the Company as of December 31, 2012.

22. Reserve capital

According to the Company's charter, the Company has to maintain a reserve capital through the allocation of 5% of net profit determined under Russian accounting principles. The total amount of the reserve capital may not exceed 5% of the Company's share capital. The reserve capital may only be used to cover losses of the Company, as well as to redeem issued debt instruments or to purchase treasury shares. As of December 31, 2013 and December 31, 2012, reserve capital was at this maximum level.

23. Retained earnings and dividends

In accordance with the Russian legislation, dividends may only be declared to the shareholders of the Company from accumulated undistributed and unreserved earnings as shown in the Company's Russian statutory financial statements. The Company had approximately RUB 6,691 and RUB 7,597 of undistributed and unreserved earnings as of December 31, 2013 and December 31, 2012, respectively.

In 2012, the Company declared dividends in respect of 2011 in the amount of RUB 581 (0.25 rouble per share).

In 2013, the Company declared dividends in respect of 2012 in the amount of RUB 16 (0.007 rouble per share).

24. Related party transactions

The ultimate controlling party of the Company is the Russian Federation. Revised IAS 24 clarifies the definition of a related party according to which companies controlled by the Russian Federation may not be treated as related parties of the Company for the purpose of these separate financial statements. However, the Company applied a partial exemption to IAS 24 and treats its shareholders, except for the Russian Federation, as related parties.

OJSC International Airport Sheremetyevo
Notes to the separate financial statements (continued)

24. Related party transactions (continued)

The separate financial statements of the Company include the following balances with related parties:

	December 31, 2013	December 31, 2012	January 1, 2012
Current assets			
Cash and cash equivalents	155	1,746	155
Shareholders	155	1,746	155
Short-term investments	14	15	113
Subsidiaries	–	–	97
Associates	14	15	16
Accounts receivable and prepayments, net	676	958	549
Subsidiaries	52	68	48
Associates	24	56	33
Entities under control of shareholders	18	149	82
Shareholders	582	685	386
	845	2,719	817
Non-current assets			
Non-current investments	2,631	2,800	1,892
Subsidiaries	2,631	2,786	1,864
Associates	–	14	28
	2,631	2,800	1,892
Total assets	3,476	5,519	2,709
Current liabilities			
Trade and other accounts payable	355	553	698
Subsidiaries	41	15	9
Associates	19	237	35
Entities under control of shareholders	177	213	17
Shareholders	118	88	637
Liability under put option	632	569	–
Shareholders	632	569	–
Interest-bearing loans and borrowings	1,660	2,798	1,190
Shareholders	1,660	2,798	1,190
	2,647	3,920	1,888
Non-current liabilities			
Liability under put option	–	–	513
Shareholders	–	–	513
Interest-bearing loans and borrowings	23,935	23,623	27,579
Shareholders	23,935	23,623	27,579
	23,935	23,623	28,092
Total liabilities	26,582	27,543	29,980

OJSC International Airport Sheremetyevo
Notes to the separate financial statements (continued)

24. Related party transactions (continued)

The separate financial statements of the Company include the following transactions with related parties:

	2013	2012
Revenue	8,761	8,527
Subsidiaries	261	114
Associates	720	820
Entities under control of shareholders	770	1,787
Shareholders	7,010	5,806
Interest income	316	205
Subsidiaries	233	205
Shareholders	83	-
Other gains	341	118
Subsidiaries	91	8
Associates	224	103
Entities under control of shareholders	3	1
Shareholders	23	6
Total revenue and other income	9,418	8,850
	2013	2012
Expenses	(631)	(593)
Subsidiaries	(48)	(63)
Associates	(492)	(379)
Shareholders	(82)	(149)
Entities under control of shareholders	(9)	(2)
Interest and other expenses	(1,488)	(1,891)
Subsidiaries	(967)	-
Associates	(17)	(5)
Shareholders	(500)	(1,868)
Entities under control of shareholders	(4)	(18)
Total expenses	(2,119)	(2,484)

Transactions with related parties are also disclosed in Notes 8, 13, 14, 15, 18, 20.

Compensation of key management personnel

The remuneration of directors and other members of key management (the members of the Management Committee as well as managers of key departments who have significant power and responsibilities on key control and planning decisions of the Company) consisted of short-term benefits including salary and bonuses as well as short-term compensation for serving on the management bodies of the Company. Such amounts are stated before personal income tax but exclude social security contributions. According to Russian legislation, the Company makes contributions to the Russian State pension fund as part of social security contributions for all its employees including key management personnel. Government officials, acting as members of the Board of Directors, do not receive any remuneration from the Company.

	2013	2012
Salaries	186	154
Bonus and other performance related payments	193	164
Total short-term benefits	379	318

OJSC International Airport Sheremetyevo
Notes to the separate financial statements (continued)

24. Related party transactions (continued)

Pricing policy

Pricing policy for the Company's revenue from airport and other traffic charges and aviation security services is set and controlled by Federal Tariff Service of the Russian Federation.

25. Commitments under operating leases

Future minimum lease payments under non-cancellable operating leases are as follows as of December 31:

	December 31, 2013	December 31, 2012	January 1, 2012
Less than one year	309	319	232
Between one and five years	1,067	1,246	907
More than five years	8,775	11,999	5,654
	10,151	13,564	6,793

The Company leases land from the local State authorities on which the airport complex is located. The leases typically run for an initial period from 25 to 99 years with an option to renew the lease after that date. Lease payments are reviewed regularly to reflect market rentals.

26. Capital commitments

The Company's capital commitments related to construction of terminals and modernisation of existing assets as of December 31 are disclosed below:

	December 31, 2013	December 31, 2012	January 1, 2012
Development of Terminal F of Sheremetyevo airport	–	1	137
Development of northern part of Sheremetyevo airport	11	70	527
Development of Terminal E of Sheremetyevo airport	–	–	14
Aviation security system improvement	5	24	24
Development of Terminal D of Sheremetyevo airport	–	–	71
Other	–	27	34
	16	122	807

27. Contingent liabilities and operating risks

Operating environment

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

OJSC International Airport Sheremetyevo
Notes to the separate financial statements (continued)

27. Contingent liabilities and operating risks (continued)

Operating environment (continued)

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis has resulted in uncertainty regarding further economic growth, availability of financing and cost of capital, which could negatively affect the Company's future financial position, results of operations and business prospects.

Management believes it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

Environmental matters

The enforcement of environmental regulation in Russian Federation is continually evolving. The Company periodically evaluates its obligations under environmental regulations. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that the Company has met the Government's federal and regional requirements concerning environmental matters; therefore there are no significant liabilities for environmental damage or remediation.

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant regional and federal authorities.

Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in its interpretation of the legislation and assessments and, as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed.

Management believes that it has paid or accrued all taxes that are applicable. Where uncertainty exists, the Company has accrued tax liabilities based on the management's best estimate of the probable outflow of resources embodying economic benefits, which will be required to settle these liabilities.

Insurance

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

OJSC International Airport Sheremetyevo

Notes to the separate financial statements (continued)

28. Financial risk management objectives and policies

The Company's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial instruments is to raise finances for the Company's operations and capital construction projects. The Company has various financial assets such as trade and other receivables, cash and cash equivalents, other financial assets that arrive directly from its operations.

Management of risk is an essential element of the Company's operations. The Company is exposed to market risk, credit risk and liquidity risk.

Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures, while optimising the return on risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company borrows on both a fixed and variable rate basis and has other interest-bearing liabilities, such as finance lease liabilities.

The Company borrows on both a fixed and variable rate basis. EURIBOR and LIBOR served as the basis for the calculation of interest rates on loans with variable rate. These loans accounted for 45% of the total loan portfolio at the end of 2013 (40% at the end of 2012). The Company considers interest rate risk as not significant and is not using instruments to hedge such interest-rate risks at present. Nevertheless, the Company monitors interest rates and will use instruments to hedge such risk as necessary.

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets or liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect the Company's profits.

The Company does not account for any fixed rate financial assets as assets available for sale. Therefore, a change in interest rates at the reporting date would not affect the Company's equity.

Cash flow sensitivity analysis for variable rate instruments

In 2013 and 2012, financial liabilities with variable interest rates were represented by KFW and Vnesheconombank long-term loans. Reasonably possible change in the interest rates at the reporting date would not have material effect on profit or loss.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency).

OJSC International Airport Sheremetyevo
Notes to the separate financial statements (continued)

28. Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

The Company is exposed to currency risk on sales, purchases and loans and borrowings.

The Company does not have formal arrangements to mitigate currency risks of the Company's operations. However, management believes that the Company is partly secured from currency risks as foreign currency denominated sales are used to cover repayments of foreign currency denominated borrowings.

Carrying amounts of the Company's monetary assets and liabilities denominated in foreign currencies as of the reporting date are as follows:

	US dollar			EURO		
	2013	2012	2011	2013	2012	2011
Assets						
Cash	354	1,048	718	9	3	13
Trade accounts receivable	984	888	438	45	45	48
Total assets	1,338	1,936	1,156	54	48	61
Liabilities						
Trade accounts payable	35	90	63	8	16	24
Short-term borrowings	1,661	2,991	8,083	–	73	76
Long-term borrowings	30,031	29,852	28,257	–	–	76
Total liabilities	31,727	32,933	36,403	8	89	176
Total net position	(30,389)	(30,997)	(35,247)	46	(41)	(115)

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar / RUB and EURO/RUB exchange rates, with all other variables held constant, of the Company's profit before tax. In 2013 and 2012, the Company assessed reasonably possible changes based on the volatility of foreign exchange rates during the reporting periods. The Company's exposure to foreign currency changes for all other currencies is not material.

	Change in USD/RUB rate	Effect on profit before tax	Change in EURO/RUB rate	Effect on profit before tax
2013	20%	(6,078)	20%	9
	(10%)	3,102	(9%)	(4)
2012	11%	(3,323)	9.5%	(4)
	(11%)	3,323	(9.5%)	4

Credit risk

Credit risk is the risk that counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Financial instruments that potentially expose the Company to concentrations of credit risk consist primarily of cash and trade accounts receivable.

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Notes to the separate financial statements (continued)

28. Financial risk management objectives and policies (continued)

Credit risk (continued)

To manage credit risk related to cash, the Company maintains its available cash, mainly in US dollars and roubles, in major Russian banks. Management periodically reviews the creditworthiness of the banks in which it deposits cash.

The Company has policies in place 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 provision for impairment, represents the maximum amount exposed to credit risk. Although collection of receivables could be influenced by economic factors, management believes that there is no significant risk of loss to the Company beyond the provision already recorded.

The maximum exposure to credit risk is equal to the carrying amount of financial assets, which is disclosed below:

	December 31, 2013	December 31, 2012
Cash and cash equivalents	3,161	2,978
Trade and other receivables	1,037	1,205
Other financial assets	2,660	2,532
	6,858	6,715

As of December 31, 2013 61% of the total amount of net trade and other receivables related to the five largest customers of the Company (December 31, 2012: 73%).

The summary below shows the outstanding balances of top five counterparties as of the respective reporting date:

	2013
OJSC Aeroflot Russian Airlines	539
CJSC "V.I.P.-International"	30
Air Astana JSC	30
Air France	24
LLC Rosinter Restaurants	19
	642
	2012
OJSC Aeroflot Russian Airlines	649
CJSC "V.I.P.-International"	61
LLC "Duty Free Partners"	57
CJSC Airlines Aerosvit	57
OJSC Transaero	54
	878

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Notes to the separate financial statements (continued)

28. Financial risk management objectives and policies (continued)

Fair value of financial instruments

Fair value of derivative financial instrument

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- ▶ Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- ▶ Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- ▶ Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at December 31, 2013, the Company held the following financial instruments measured at fair value:

	December 31, 2013		December 31, 2012	
	Total	Level 3	Total	Level 3
Derivative financial instrument				
Interest rate option (Sberbank loan)	8	8	10	10
	8	8	10	10

During the reporting period, there were no transfers into and out of Level 3 fair value measurements.

Fair value of financial instruments not carried at fair value

The carrying amounts of financial instruments, such as cash, investments and other financial assets, short-term accounts receivable and payable and short-term loans payable approximate their fair value.

The following table shows financial instruments which carrying amounts differ from fair values (level 3 in the fair value hierarchy).

	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Interest-bearing loans and borrowings				
Sberbank loan facility	6,097	6,489	5,654	5,917
Sberbank	–	–	769	784
KFW	–	–	73	72
Vnesheconombank	19,639	18,773	20,238	19,130
VTB	5,956	5,981	6,182	6,118
	31,692	31,243	32,916	32,021

The fair value of bank loans was estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. Cash flows were discounted at prevailing interest rates of 8.4% per annum for loans denominated in US dollar as at December 31, 2013 (9.05% and 8.7% per annum for loans denominated in US dollar as at December 31, 2012 and December 31, 2011).

OJSC International Airport Sheremetyevo

Notes to the separate financial statements (continued)

28. Financial risk management objectives and policies (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to settle all liabilities as they fall due. The Company's liquidity position is carefully monitored and managed. The Company has in place a detailed budgeting and cash forecasting process to ensure that it has adequate cash available to meet its payment obligations.

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments, including interest payments.

2013	Less than 1 month	1-3 months	3-12 months	1-2 years	3-5 years	After 5 years	Total
Borrowings with fixed rate (principal and interest)	–	1,144	3,122	4,794	15,567	3,553	28,180
Borrowings with variable rate (principal and interest)	–	–	–	–	429	16,747	17,176
Trade and other payables	1,493	656	183	147	284	75	2,838
Finance lease liabilities	5	11	43	20	4	–	83
	1,498	1,811	3,348	4,961	16,284	20,375	48,277

2012	Less than 1 month	1-3 months	3-12 months	1-2 years	3-5 years	After 5 years	Total
Borrowings with fixed rate (principal and interest)	14	2,403	3,383	4,256	15,356	8,042	33,454
Borrowings with variable rate (principal and interest)	–	37	37	–	–	14,892	14,966
Trade and other payables	1,386	561	308	273	319	159	3,006
Finance lease liabilities	7	13	53	75	8	–	156
	1,407	3,014	3,781	4,604	15,683	23,093	51,582

Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to its shareholder through the optimisation of the debt and equity balance. Capital includes equity attributable to the shareholder.

The Company's management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital. The Board of directors reviews the Company's performance and establishes key performance indicators. In addition, the Company is subject to externally imposed capital requirements which are used for capital monitoring. There were no changes in the objectives, policies and processes during 2013.

The Company monitors the compliance of the amount of legal reserve with the statutory requirements and makes appropriations of profits to legal reserve. In addition, the Company monitors distributable profits on a regular basis and determines the amounts and timing of dividends payments.

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Notes to the separate financial statements (continued)

28. Subsequent events

On April 1, 2014, the Company tested its compliance with financial covenants under certain bank loan agreements, which require quarterly measurement of covenant compliance. Following significant depreciation of Russian rouble against US dollar in the first three months of 2014 the Company failed to meet certain financial ratios for one of its loans. The Company obtained a waiver from the bank which provides a relief from testing of a failed covenant through October 1, 2014. Based on current macroeconomic forecasts and expected operating results management believes that the Company will be able to comply with all covenants at December 31, 2014.