20:19 ANNUAL REPORT

SHEREMETYEVO
INTERNATIONAL AIRPORT

CONTENTS

About the Report 5
Address of Chairman of the Board of Directors, SIA JSC 6
Address of Director General, SIA JSC 8
Awards and Passenger Recognition 10
In Celebration of the Airport's 60th Anniversary: Name and Brand 12

1. SHEREMETYEVO AIRPORT IN 2019 18

1. 2019 in Figures 20
2. Main objects 22
3. Key Operational Results 40
4. Sheremetyevo — the Leading Airport of the Moscow Air Cluster 42
5. Partner Airlines 43
6. Route Network 44
7. Cargo Turnover 46
8. SIA Group 49
9. Participation in Non-Profit Associations and Certification 50
10. Calendar of Most Significant Events in 2019 54

2. DEVELOPMENT STRATEGY 60

2.1. Competitive Environment 61
2.1.1. Competition within the Moscow Air Cluster 61
2.1.2. International Competition 62
2.1.3. Prime Advantages 65
2.2. Business Strategy of SIA JSC 66
2.2.1. SIA JSC approach to strategic planning 66
2.2.2 Updated Long-Term Development Program 68
2.2.3. KPIs of the Long-Term Development Program as of year-end 2019 71
2.3. Infrastructure Development Investments 72
2.4. Concession Agreement Implementation 75
2.5. Development of Aviation Activities 76
2.6. Development of Non-Aviation Services 78
2.7. Development of Information Technologies 82
2.8. Basic Risks 85

3. SECURITY 90

3.1. Transport Security Arrangements 91
3.2. Responsibility of security officers 93
3.3. Flight Safety Arrangements 96

4. FINANCIAL REVIEW 98

4.1. Key Financial Indicators of SIA JSC 99
4.2. Profit Margin and Revenue Structure of SIA JSC 100

5. CORPORATE MANAGEMENT 102

5.1. Consolidated SIA Group 103
5.2. Basic details on SIA JSC 106
5.3 SIA JSC Ownership Structure 107
5.4. Corporate management structure and bodies 108
5.5. General Shareholder Meeting 107
5.6. Board of Directors 109
5.7. Management Board 113
5.8. Corporate Management System Improvement 122
5.9. System of Key Performance Indicators and Top Management Remuneration 122
5.10. Control and Audit System 124
5.11. Risk Management System 126

6. SOCIAL RESPONSIBILITY 132

6.1. Corporate Values 133
6.2. Personnel of SIA JSC 133
6.2.1. Number and Composition 133
6.2.2. Staff Recruitment and Preliminary Training 134
6.2.3. Corporate University and Talent Pool 135
6.2.4. ncentive System 137
6.2.5. Collective Agreement and Benefits Package 138
6.2.6. Occupational Health and Safety 139
6.3. Environment and Resource Saving 140
6.3.1. Environment 140
6.3.2. Resource Saving 142
6.4. Social Aspects of Passenger Service 142
6.4.1. Focus on passengers with children 142
6.4.2 Creation of barrier-free environment 143
6.4.3. China Friendly Program 146
6.4.4. Creating a friendly atmosphere at the airport 146
6.5. Promoting Local Communities Development 150
6.5.1. Development of Infrastructure on the Territory of Presence 150
6.5.2. Charity 152
6.6. Good Business Practices 153
6.6.1. Procurement Procedures 153
6.6.2. Anti-corruption system 154

7. INDEPENDENT AUDITOR'S REPORT 156

8. TERMS AND ABBREVIATIONS 226

About the Report

This Annual Report contains information concerning the activities of the Sheremetyevo International Airport Joint Stock Company (hereinafter — SIA JSC, Sheremetyevo International Airport, Sheremetyevo Airport, Sheremetyevo, the Company, or the Entity), including its subsidiaries, during the period from January 1 to December 31, 2019.

Sheremetyevo International Airport is not a public company. The Company is publishing this Report for general public on a voluntary basis.

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

The Report is based on the Management Statements of Sheremetyevo International Airport, taking into account the Consolidated Financial Statements of SIA JSC for 2019 prepared in accordance with the International Financial Reporting Standards (IFRS). The Consolidated Financial Statements of SIA JSC for 2019 have been audited in accordance with IFRS by Ernst & Young LLC. Social responsibility information has been prepared using the GRI Sustainability Reporting Standards (GRI SRS).

Unless otherwise specified in this Report, quantitative performance indicators refer to SIA JSC and its subsidiaries. Insignificant discrepancies in some quantitative indicators that may arise due to the form of data representation (text, table, figure, etc.) used in the Report result from rounding off.

The Report is based on the information available to the Company as of the moment of its preparation, including the information obtained from third parties. The Company believes this information to be complete and accurate as of the publication of this Report. However, the Company neither claims nor guarantees that such information will never be subsequently adjusted, revised, or otherwise altered.

The Report contains estimates and forecasts concerning operational, financial, economic, social, and other performance indicators describing the development of SIA JSC. The Company neither claims nor guarantees that the performance indicators presented in the forecasts will be achieved. The Company is not responsible for losses that individuals or legal entities acting on the basis of such forecasts may incur.

The Report is published separately in Russian and English, in print and electronic forms. The Company's annual Consolidated Financial Statements for 2019 and previous years are also available on the Company's official web-site.

Address of Chairman of the Board of Directors, SIA JSC

We hereby provide all stakeholders with a detailed report on the activities of the Sheremetyevo International Airport Joint Stock Company, as well as the companies that are members of the SIA Group, for 2019. Operation of the country's largest airport, one of the leading aviation hubs in Europe, is always under scrutiny of the public. Guided by the principles of responsibility and transparency, we annually provide the society with consolidated information on our operational results.

In 2019, we have proceeded to the second stage of implementing the Long-Term Development Program planned until 2026. In the preceding year, our capital investments in the development of the airport complex amounted to RUB 36.6 bln. We completed the construction and put into commercial operation Terminal C, an aircraft parking apron, and a multi-level car-park. The new Terminal C is designed for 20 mln passengers and intended for international airlines. Terminal C and Terminal B constitute a single Northern Terminal Complex.

In 2019, the third independent runway was put into operation. This key element of aerodrome infrastructure was built at public expense in the framework of the Federal Targeted Program "Development of the Transport System of the Russian Federation until 2020". With the new runway, the airport has increased the aerodrome handling capacity from 60–65 to 90 take-off and landing operations per hour.



Alexander A. Ponomarenko,
Chairman of the Board of Directors, SIA JSC

2019 was the start of the implementation of the Concession Agreement between Rosaviatsiya and SIA JSC for new construction and reconstruction of Sheremetyevo aerodrome infrastructure that was concluded for a period of 49 years. The aerodrome infrastructure to be created will allow serving the airport's growing needs. It should be highlighted that this agreement is the way to modernize and overhaul Sheremetyevo aerodrome at the expense of extrabudgetary investments. Thus, over the preceding year alone, we have invested RUB 9.8 bln in the aerodrome infrastructure under this Concession Agreement.

The investment program of modernization is designed to achieve the target infrastructure handling capacity of 100 mln passengers per year by 2030. This, in turn, will let Sheremetyevo rank among top ten largest passenger and cargo hubs of the world. Our plans are aligned with the strategic plans of our core partner — Aeroflot PJSC, as well as domestic and foreign partner airlines.

The civil aviation crisis caused by the coronavirus epidemic will stem passenger traffic growth for a certain period of time. In fact, following the results of Q1 2020, passenger traffic at Sheremetyevo Airport has decreased by 18 % compared to the same period of the previous year. In April, the decline was 96 %, including 99 % for international destinations and 92 % for domestic ones. Nevertheless, infrastructure projects are intended for a much longer period. As soon as passenger traffic is restored, we will effectively resume our investment program in full.

Despite the existing difficulties, we will make every effort to achieve our strategic goals. We make no doubt that we will restore the full operation of the airport in the shortest possible time as soon as the corresponding circumstances allow it. I would like to express my confidence that our country and the entire world community will manage the consequences of the pandemic already in the near future, and Sheremetyevo International Airport will operate at its full capacity again, growing its competitiveness on the global market, creating the environment for the development of its partners' business and making a significant contribution to the advancement of Russian transport system and economy.

Address of Director General, SIA JSC

Please find hereby the Annual Report of the Sheremetyevo International Airport Joint Stock Company for 2019.

Since 2018, Sheremetyevo International Airport has ranked among ten largest airports in Europe in terms of passenger traffic and, according to Bloomberg, is showing the highest growth rates. For a number of years, the airport has been leading in Europe in terms of quality of service and punctuality of flights. By the end of 2019, Sheremetyevo route network comprised more than 230 destinations.

In 2019, Sheremetyevo International airport accomplished 60 years. President of the Russian Federation, Prime Minister of the RF, Minister of Transport of the RF, Head of the Federal Air Transport Agency (Rosaviatsiya), and Governor of the Moscow region put a high value on operation of the airport in their complimentary addresses on the occasion of the anniversary. Celebration of the anniversary became a landmark event in the domestic aviation industry.

Based on the national vote results, the airport was named after the great Russian poet Alexander Pushkin, which proved to be another significant event in the history of the airport. On the eve of the 220th anniversary of the poet's birthday, a cultural event program was launched to perpetuate the memory of the classical author and promote his richest heritage.



Mikhail M. Vasilenko,
Director General, SIA JSC

The development of infrastructure and improvement of service quality were fundamental to attracting and expanding interaction with airlines and, as a result, the progressive growth of key performance indicators of the airport itself. At year-end 2019, 49.932 mln passengers have been served, which is 8.9 % above 2018 results. The number of take-off and landing operations was 386,370, thus showing a growth of 8.2 %. As a result, in 2019, Sheremetyevo International Airport handled 48.6 % of the total volume of passenger traffic and accounted for 49.4 % of all take-off and landing operations of the Moscow Air Cluster.

The key drivers of Sheremetyevo passenger traffic growth in 2019 remained as before: the increase in volumes and intensive development of the Aeroflot route network, the passenger traffic growth of other airlines served at the airport, and the engagement of new operating airlines. In 2019, a number of new airlines began to operate at Sheremetyevo, and flights to 19 destinations were opened.

In 2019, Terminal B of Sheremetyevo Airport was awarded the 5-star Skytrax status. This is a respected international rating for airports and airlines in assessment of passenger service quality.

Sheremetyevo International Airport is a team of thousands of top-level professionals. Our overriding priorities are the safety and health of passengers and employees, and the maintenance of the environment of the region in which we operate. We implement corporate social responsibility of our business. This principle applies to various aspects of our activities: from our commitment to ensuring a comfortable stay at the airport for all categories of our guests to careful treatment of our national cultural heritage, as well as educational and career guidance programs in the territory of our presence. We strive to do our utmost to meet the needs of passengers who are our main clients, to ensure the success of airlines who are our partners, to develop civil aviation and to fulfill national-scale tasks.

Awards and Passenger Recognition

The Best Airport for Service Quality in the category of the largest European airports with passenger traffic of more than 40 mln passengers per year, according to the results of the ASQ ACI program.

It ranks among the TOP 10 largest air hubs of Europe by passenger traffic and among the best airports of the world, according to the Airports Council International — ACI Director General's Roll of Excellence.

The holder of the highest international 5-star Skytrax rating based on the results of a comprehensive audit of Terminal B.

The Global Punctuality Leader in the Mega Airports category, as rated by the British research company OAG. The arrival and departure punctuality rate was 87 %.

The Most Punctual Airport in the World in such categories as Global Airports and Large Airports, as rated by the aviation agency for statistics and based on the analysis of flights data by Cirium. In 2019, 95 % of flights departed on schedule.

The winner of the Development Award by VEB.RF for the project of the Northern Terminal Complex (NTC) comprehensive modernization, which won in the category the Best Infrastructure Project.

The winner of the Air Gateway of Russia National Award in the categories Best Airport by the results of Journalists Voting and Discovery of the Year for commissioning the third runway.

The Airport of the Year by the Wings of Russia National Aviation Award named after E.E. Chibireva in the nomination based on 2019 results.

Winner of the National Award For the Advancement of Russia Security (ZUBR-2019).

The World's Best Airport according to the global study by the British company Stasher.

The first place in the Forbes rating the Most Convenient Russian Airport.

The Best Russian Airport according to GQ Travel Awards in the category of elite tourism.

The winner of the international Sky Travel Awards in the category the Best Airport with Passenger Traffic of over 10 mln Passengers per Year.

The winner of the Business Traveller Russia and CIS Awards-2019 as the Best Airport of the Year in Russia and the CIS, and award of the Moscow business lounge as the Best Business Lounge in Russia and the CIS.

The winner of CX (Customer eXperience) WORLD AWARDS, the international expert award in customer experience creation, in the category "Best B2C Customer Experience" (Sheremetyevo VIP LLC, operator of business and VIP lounges of the airport).

The Silver Medal by A'Design Award & Competition, the international design award, for the design of the Rublev Business Lounge (Sheremetyevo VIP LLC).

Managers of Sheremetyevo Airport are the leaders of the 20th annual rating the Top 1000 Russian Managers. A.A. Ponomarenko, Chairman of the Board of Directors of SIA JSC, was included in the list of Russian business leaders.

M.M. Vasilenko, Director General of SIA JSC, headed the list of top managers in the rating the Management Top-250 in the category Transport.

A.V. Zakharenkova, Director of the Directorate for Public Relations of SIA JSC, was acknowledged the leader of the Top 100 Directors for Public and Corporate Relations (by industry) rating in the Transport category.

The official web-site of Sheremetyevo Airport won the Golden Web-Site contest in such categories as Design for Everyone (Inclusiveness and Versatility), the Best User Web-Site (b2c) and the Web-Site in Transport, Logistics and Delivery Industries. Silver Award in the Best Design category, and Bronze Award — in the Best Usability category.

The winner of the Eurasian Award in Aviation Marketing in a special category For the Commissioning of the Most Advanced and High-Tech Cargo Air Hub in the Eurasian Region (Moscow Cargo LLC).

IN CELEBRATION OF THE AIRPORT'S 60TH ANNIVERSARY: NAME AND BRAND

In the reporting year of 2019, Sheremetyevo International Airport celebrated its 60th anniversary. Sheremetyevo has developed into one of the largest modern hub airports in Europe from a small military airfield. The name of the airport has become one of the symbols of Russia for millions of people all over the world. Therefore, we believe it is worth telling the story of names and brands associated with the airport. There is all the more reason for this as the marketing method known in the professional community as 'branding' celebrated its informal 60th anniversary in 2019 too: it was in 1959, when the first flight was served in Sheremetyevo, that the book by American sociologist Erving Goffman 'The Presentation of Self in Everyday Life' was published. The author was the first to show that not only people, but also brands can be endowed with human traits and associated with emotional values in addition to their functional utility.



Toponym

The airport was named Sheremetyevo after railway station Sheremetyevskaya and the surrounding dacha village. In 1900, the Railway of Savyolovo destination was laid through the forest lands that belonged to count Sergey Dmitryevich Sheremetyev (1844–1918). The count was a member of the State Council and one of major Russian landowners. So he decided to lease the land in this area for dacha construction and immediately concerned of the required infrastructure. This is how a railway platform, and a little later — Sheremetyevsky settlement (now Sheremetyevsky subdistrict in Dolgoprudny) appeared. When in autumn of 1953, according to a resolution of the Council of Ministers of the USSR, construction of the Central aerodrome of Air Forces was launched here, the object was originally called Sheremetyevsky Airfield.

Soviet Brand

BIn July 1959, a government aircraft Tu-104 with N.S. Khrushchev, General Secretary of the CPSU Central Committee, on board arrived at the Sheremetyevsky military airfield from London. In his speech addressed to the journalists welcoming him, Khrushchev committed to create world-class airports in the USSR. As soon as on July 30, 1959, the handover statement of Sheremetyevsky Airfield transfer from the military to the civil aviation administration was signed. The official opening ceremony of the civil airport was held on June 2, 1960. That's how the new brand — Sheremetyevo Airport — became somewhat symbolic of Khrushchev's policy of greater openness of our country to the outer world. By the end of 1965, Aeroflot had concluded agreements on air services with 47 countries. The company performed regular flights to 40 countries, most of them from Sheremetyevo. Although nobody was aware of marketing strategies in our country those days and nobody knew the word 'brand', still there was a concept of 'our trademark' already, and this concept had high value. These were not only the domestic aircraft trademarks of the time such as Il, Yak, Tu that promoted our airport throughout the world. All Soviet export trademarks that are still familiar to us passed through this cargo hub: from Zenit cameras to Pobeda watches, from Eskimo ice-cream to Alyonka chocolate, from Red October piano to Chaika limousine, from Lenvest shoes to Red Moscow perfume, not to mention the Stolichnaya vodka and the AK gun. Actually, in September 2019, a large exhibition dedicated to the centenary of the legendary gun designer Mikhail Kalashnikov took place in the art gallery of Terminal E at Sheremetyevo. As Sheremetyevo Airport was a Soviet trademark itself, the company treats the highlights of Soviet heritage with care and respect.

Logo

On July 9, 1996, Sheremetyevo International Airport became an independent legal entity — an open joint-stock company. The independent company certainly needed a logotype. So the airport obtained its first logo, although history has no record on its authorship. It looked like a blue bird only vaguely resembling a double-headed eagle from the Russian national emblem, with a stylized runway on its back and the silhouette of a plane flying into the sky. The first thing that reads on the logo is the airport's state affiliation, which was absolutely logical in 1996, since the state remained the core shareholder of the enterprise. But in terms of industrial design evolution, the rapid development of branding technologies, and the increasingly complex requirements to corporate identity, the logo quickly became outdated.

Brand

ПThe epoch of full-fledged branding came ten years later — in the middle of the two thousandth. Competition between the airports of the Moscow air hub has become as acute as never before. In addition to the development of its infrastructure, Sheremetyevo benefitted from the creation of a comprehensive set of communication tools: from a new model of values to branded clothing, from naming of the terminals to the representation on the Internet, from communication manner of its staff to trilingual navigation around the airport. In February 2007, Sheremetyevo International Airport launched a major program to change its image in order to inform passengers, partners of the airport and general public about the changes to take place at Sheremetyevo, namely — focus of the airport on the interests of its passengers and service quality. Now this principle is not surprising, but earlier there was another viewpoint dominating: for a long time they used to believe that airports should focus on those who pays them directly — on airlines and tenants!

The new slogan of the airport 'Welcome anytime' expresses friendliness, openness and hospitality. The authorship belongs to a young Russian creative studio Diamond Group. The airport's new brand logo — a bright orange ball — symbolizes the sun, light, warmth, optimism, completeness and harmony. The three lines inside it resemble the Cyrillic letter 'sh' (the first letter in the name Sheremetyevo), and for foreigners they are



associative with three runways (RWYs). It is worth mentioning, that the third RWY in Sheremetyevo designed at that time came into commission right in the reporting year 2019.

In 2006, a corporate university was opened at the airport. At the university, employees learn about the values of the organization and new quality standards, pass programs of additional education and advanced courses, as well as special trainings on the culture of service. Branded clothing for airport employees was designed by Denis Simachyov, one of the best Russian fashion designers, who, as is widely known, uses elements of the national cultural heritage in his works. The navigation system at the ever-growing airport is maintained by Art. Lebedev Studio, one of the leading Russian design offices.

In addition to its direct purpose — passenger servicing — airport terminals have become a cultural communication space: there are regular photo exhibitions and even performances and concerts by popular artists organized there. Every year, the airport participates in the Night of Museums. Besides, there is the Sheremetyevo Airport History Museum opened in Terminal F. For almost ten years the museum has accepted guests and numerous school excursions.

Throughout the history of Sheremetyevo Airport, its architecture and design solutions of its interiors have served not only functional, but also emotional and aesthetic tasks. In fact, it is this symbiosis that forms the basis of Constructionism — the main line of engineering thinking of the XX–XXI centuries. We can see the features of Constructionism in all architectural structures of the airport: from the legendary wineglass-shaped pavilion for passenger boarding called Ryumka and the Olympic rings in the suspended ceiling panel built for the Moscow Olympics at Sheremetyevo 2 (now Terminal F) to the swan-shaped outlines of the architectural appearance of Terminal D. As for the open competitive tender for the development of the interior design of new Terminals B and C in the Northern Terminal Area, it was won by the Serbian architectural bureau RMJM with its project in the style of Russian Constructionism. Thus, the airport guests start their acquaintance with the capital of Russia with an incredible emotion-charged layer of national culture associated with the names of our renowned compatriots: Rodchenko, Malevich, Kandinsky, Mayakovsky, Khlebnikov.

Umbrella Brand

The success of the branding program launched in 2007 suggested the rationale for extending the Sheremetyevo brand to the airport's subsidiaries. Thus, in 2016–2017, a single content platform and corporate identity, supplemented and expanded for this purpose by the 2sharp branding agency, were applied to the Moscow Cargo company specializing in cargo handling, the Sheremetyevo VIP company operating VIP lounges, the Sheremetyevo Parking company operating car-parks, the Sheremetyevo Advertising company specializing in advertising at the airport and other subsidiaries and affiliates. By so doing, the Sheremetyevo brand became the so-called umbrella brand. This umbrella brand embraces diverse subsidiaries with their unique audience, thus unifying these businesses with the image of high-quality service providers that exhibit professionalism and efficiency and prove responsible, reliable and truly respected.

In addition to this classic appreciation of the umbrella brand principle, we also consider a variety of functions, but not just businesses. Thus, one of key tasks for us as the largest international airport of Russia, along with high technology and service, is to familiarize Russian and foreign passengers with the richest



historical and cultural heritage of our country. We implement this task in the architectural solutions of new terminals, in unique media systems, object d'art, as well as through exhibition events. The umbrella brand also facilitates organizing this work in a unified and focused manner.

Named after A. Pushkin

In May 2019, Russian President Vladimir Putin signed a decree according to which more than 40 Russian Airports were named in honor of people who are of special merits to the Fatherland. According to the results of a national vote, Sheremetyevo Airport was named after the great Russian poet Alexander Pushkin. We have treated this naming as a new opportunity. The name of A. Pushkin is truly known all over the world. Indeed, it is one of the best names that an international airport could deserve. Alongside this, there is an ongoing program of various cultural events held at the airport that allowed us to gain vast experience. Throughout 2019, we have been implementing a large-scale program to integrate the new name into the life of the airport. There was a special addition to the corporate look of the airport developed. It allowed us to successfully associate the aesthetics of Pushkin's epoch with that of Constructionism, which dominates the design of premises and visual communications of SIA JSC. On the day of the poet's 220th anniversary, there was a bronze sculpture by Alexander Burganov, the people's artist of Russia, opened in the atrium of the departure zone of Terminal E. There were illustrations to Pushkin's works displayed on multimedia panels. As for the works themselves, they were translated into many languages of the world and made available to airport passengers in the mini-libraries in the lounges (including those in Braille script in the lounges for passengers with disabilities) and in the form of free audiobooks available through a QR code on the SVO.aero web-site. Portraits of and drawings by Pushkin were used in the design of banners in the terminals, of boarding passes, souvenirs and consumables. Such key cultural events of 2019 as Roman Viktyuk Theater day, Little Passenger Day, Night of Arts, Travel Festival, Passenger Day — were all hinged on the name and works of the great poet. ***



The history of Sheremetyevo International Airport is woven into the history of our country. It is amazing how many traces between all the names and symbols associated with Sheremetyevo can be found. From the toponym of a dacha village to the main air defense aerodrome of the capital. From a state enterprise of count Sheremetyev to the private-public partnership of SIA JSC as it is today. From Soviet trademarks to the brands of modern Russia. From the folk character and comprehensiveness of Pushkin's works to the current generality of the airport's marketing message addressed to passengers, partners, the country and the world.

01:00 SHEREMETYEVO AIRPORT IN 2019
01:01 2019 IN FIGURES
01:02 MAIN OBJECTS
01:03 KEY OPERATIONAL RESULTS
01:04 SHEREMETYEVO — THE LEADING AIRPORT OF THE MOSCOW AIR CLUSTER
01:05 PARTNER AIRLINES
01:06 ROUTE NETWORK
01:07 CARGO TURNOVER
01:08 SIA GROUP
01:09 PARTICIPATION IN NON-PROFIT ASSOCIATIONS AND CERTIFICATION
01:10 CALENDAR OF MOST SIGNIFICANT EVENTS IN 2019



020:1900SHEREME TYEVO AIRPORT0000

GROWTH (by 2018)

49,9 mln passengers[1] (+8,9%)

379 ths tons of cargo and mail (+13%)

386,3 ths TLO (+8,2 %)

230 destinations (+19 new ones)

QUALITY

5 Stars by Skytrax (Terminal B, 2019)

№ 1 in the world in terms of punctuality[3]

№ 1 in the world in terms of tourist servicing[4]

№ 1 in Europe in terms of the quality of service[5]

LEADERSHIP

49% the share of passenger carriages in the MAC[2] (+2 p.p. by 2018)

67% share of cargo carriages in the MAC (+6 p.p. by 2018)

183 airlines were served in 2019

90 capacity of three RWYs

FINANCES

82,1 RUB bln, revenue

41,6% revenue growth compared to 2018

46,7 RUB bln, revenue from aviation activities

22,3 RUB bln, net profit

INFRASTRUCTURE

36,6 RUB bln, of capital investments in 2019[6]

+127 ths sq. m — total area of new Terminal C

75 ths sq. m of commercial premises (+41 % compared to 2018)

+3 car-parks for 2,946 parking lots

+2 business lounges for 933 seats

3 runways (+1 compared to 2018)

+1 VIP lounge for 219 seats

RESPONSIBILITY

18 055 employees (incl. subsidiaries)

229,6 ths passengers with disabilities served (+26.2 % compared to 2018)

2,96 mln young passengers aged 2–12 served (+16.4 % compared to 2018)[7]

454 ths infant passengers aged 0–2 served (+0.6 % by 2018)

37 ths companion animals carried (+21 % compared to 2018)

43,9 RUB mln of charitable contributions

[1] Including infants aged 0–2.

[2] The Moscow Air Hub: SVO, DME, VKO; data from Rosaviatsiya.

[3] In the Mega Airports category (more than 30 mln seats per year on scheduled flights in terms of departure) as rated by the OAG British research company.

[4] Comprehensive research by the Stasher company.

[5] In the category of the largest European airports with passenger traffic of more than 40 mln people, according to the results of the ACI global survey of Airport Service Quality (ASQ).

[6] Including VAT.

[7] At foreign airlines, passengers aged 2 to 12 are counted as adult passengers.

MAIN OBJECTS

Third Runway and Bridge Crossing

On September 19, 2019, Moscow Sheremetyevo Airport commissioned the Third Runway (RWY-3). With the new runway, the airport's capacity increased from 65 to 90 take-off and landing operations per hour. Now Sheremetyevo is the only airport in the country with three operating RWYs. The size of RWY-3 is 3200x60 m, which allows landing of all types of aircraft. The runway will provide approaches in accordance with ICAO IIIA Category. As part of the project, a unique bridge crossing was built for aircraft over the Sheremetyevskoye highway.



Implementation of the RWY-3 project involved a significant amount of works on preparation of the construction ground, including avulsion and rearrangement of Klyazma and Alba rivers, reconstruction of engineering and transport communications (oil and gas pipelines, water conduits, electricity lines, roads) passing through the construction site, as well as releasing it from residential facilities and objects of other purposes.



During the construction of RWY-3, a solution new for Russia was implemented for the erection of a bridge designed for aircraft movement. This is the country's first project like that. The bridge structure can carry all types of currently used and possible aircraft, as well as their modifications, including A380.



RWY-3 removes infrastructural restrictions. It allows for meeting the growing demand for air transportation at Sheremetyevo Airport and restoring the operational suitability of existing elements of the aerodrome field, including the planned reconstruction of RWY-1, while maintaining and further increasing the air traffic volume.



The third RWY is a high-level engineering complex equipped with radio-technical navigational and lighting equipment, a command and control center, an emergency rescue station, its own network



of taxiways, patrol-operational and patrol roads, surface wastewater treatment facilities and other engineering infrastructure.

The formal opening of the third runway took place with the participation of S.B. Ivanov, a special representative of RF President for environmental protection, ecology and transport, E.I. Ditrikh, Minister of Transport of the RF, A.V. Neradko, Head of Rosaviatsiya, A.Yu. Vorobyov, Governor of the Moscow region, A.A. Ponomarenko, Chairman of the Board of Directors of SIA JSC, managers of specialized organizations and airlines.



Terminal C and Multi-Level Car-Park

On October 25, 2019, the Federal Air Transport Agency issued permission for commissioning the first stage of the reconstructed Terminal C. Passenger Terminal C was built in the framework of SIA JSC Long-Term Development Program and is part of the Northern Terminal Complex of Sheremetyevo Airport (Terminals B and C). Terminal C1 is intended for international airlines. This terminal with the annual capacity of about 20 mln passengers occupies a seven-story building of the airport complex and has a total area of 127,375 sq. m. Terminal C is connected to a roofed six-level car-park for 2,500 parking lots. The parking and the terminal are connected by a ground level passageway, which allows getting to the airport in two minutes.

Terminal C is united with Terminal B. Coupling the two buildings under the same roof has been one of the biggest challenges in the course of construction. The merger of two buildings allows passengers to use services and technical capabilities of both terminals, and transfer passengers can go through the transit zone between the terminals in minimal time.

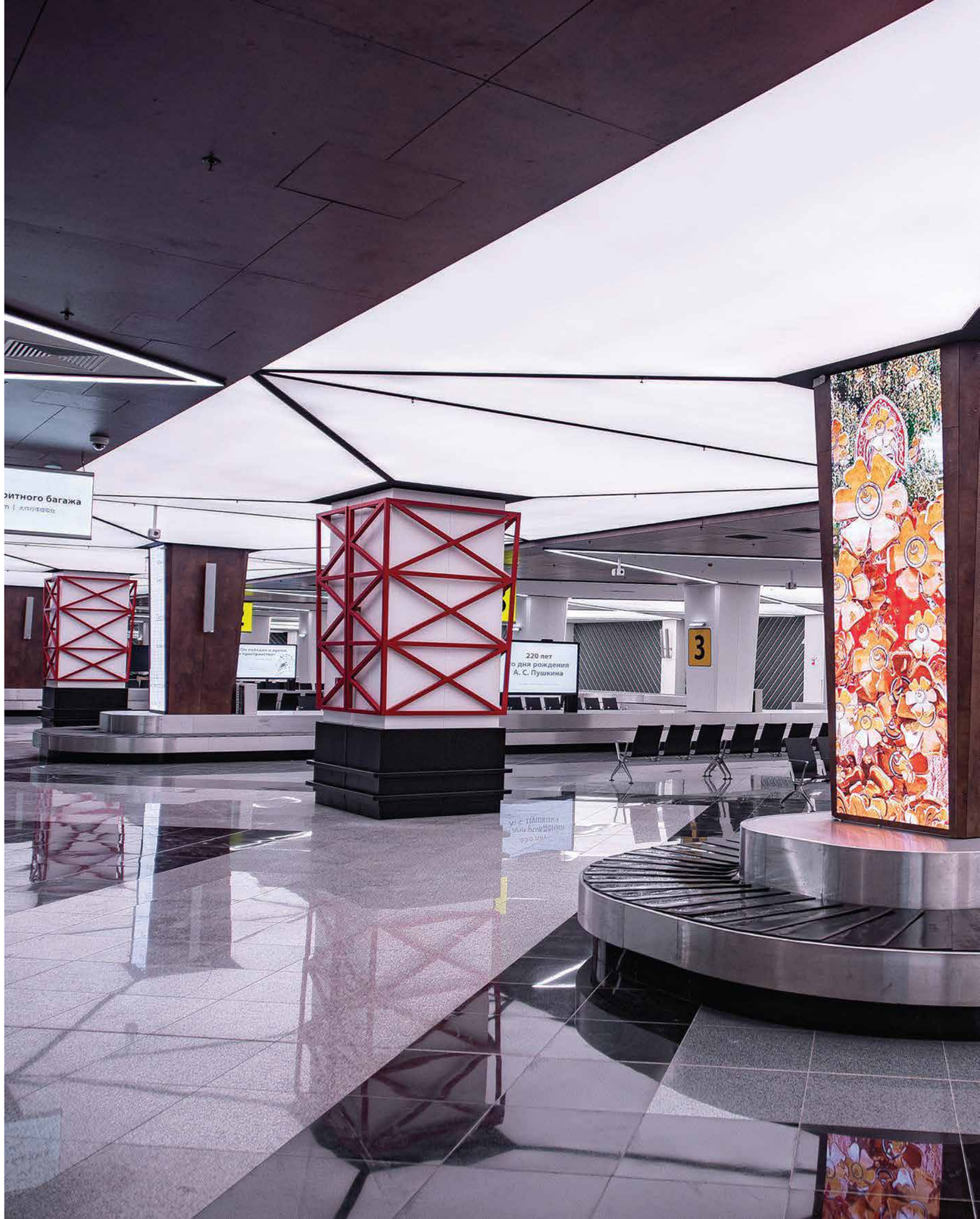


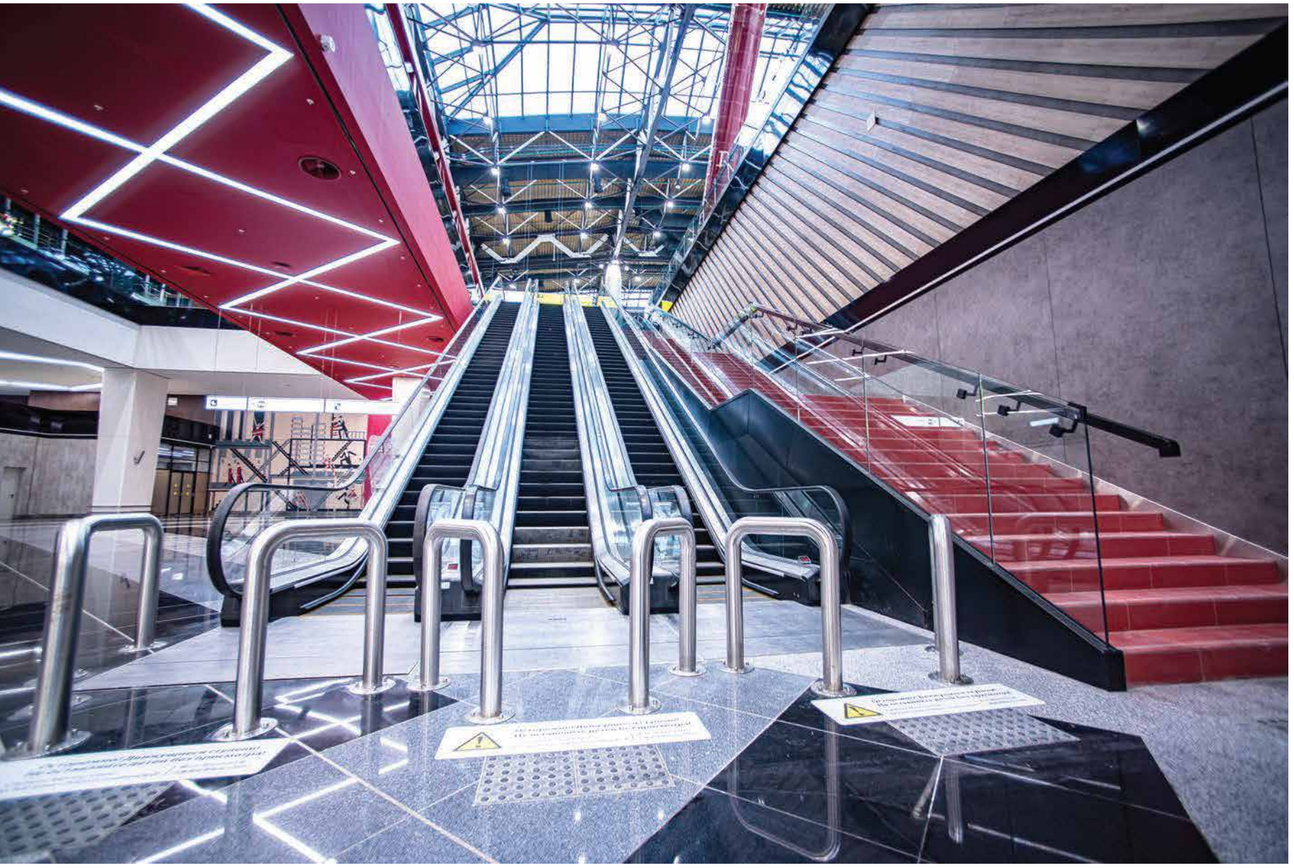




Terminal C facilities include a new Aircraft Surface Movement Control Tower. This is the second center of SIA JSC for ground movement control after that in Terminal D. The Tower of Terminal C will ensure control of ground movement of aircraft on NTC aprons, including new POZ-3 and POZ-5 platforms for de-icing the aircraft with running engines.

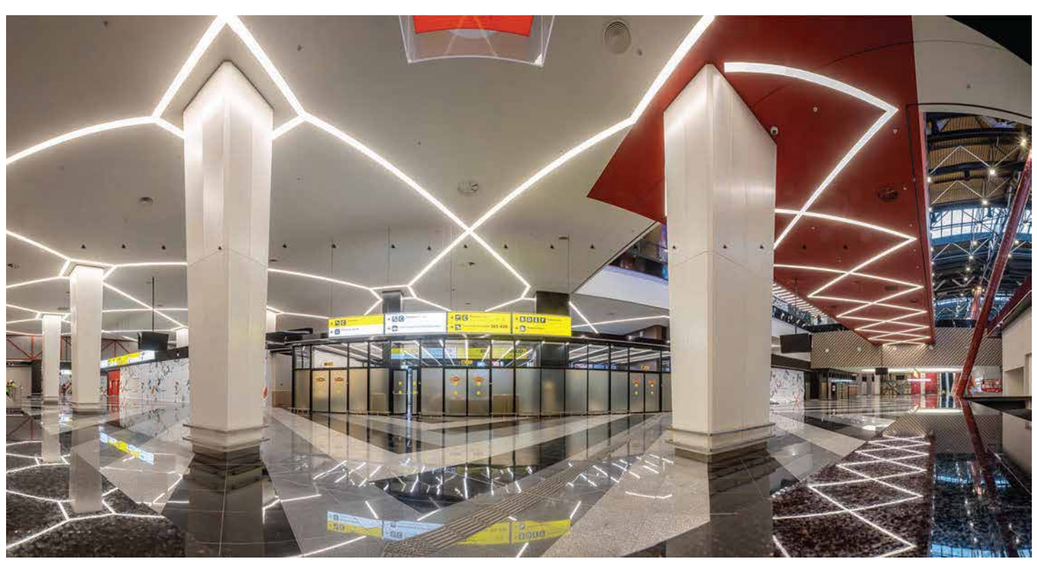
Terminal C can handle up to 4,110 passengers per hour and up to 3,288 luggage units on arrival/departure. Passengers and aircraft crews are served at 84 check-in desks and more than 140 passport control booths. The terminal is equipped with 20 jet bridges, including a special jet bridge for aircraft A-380.

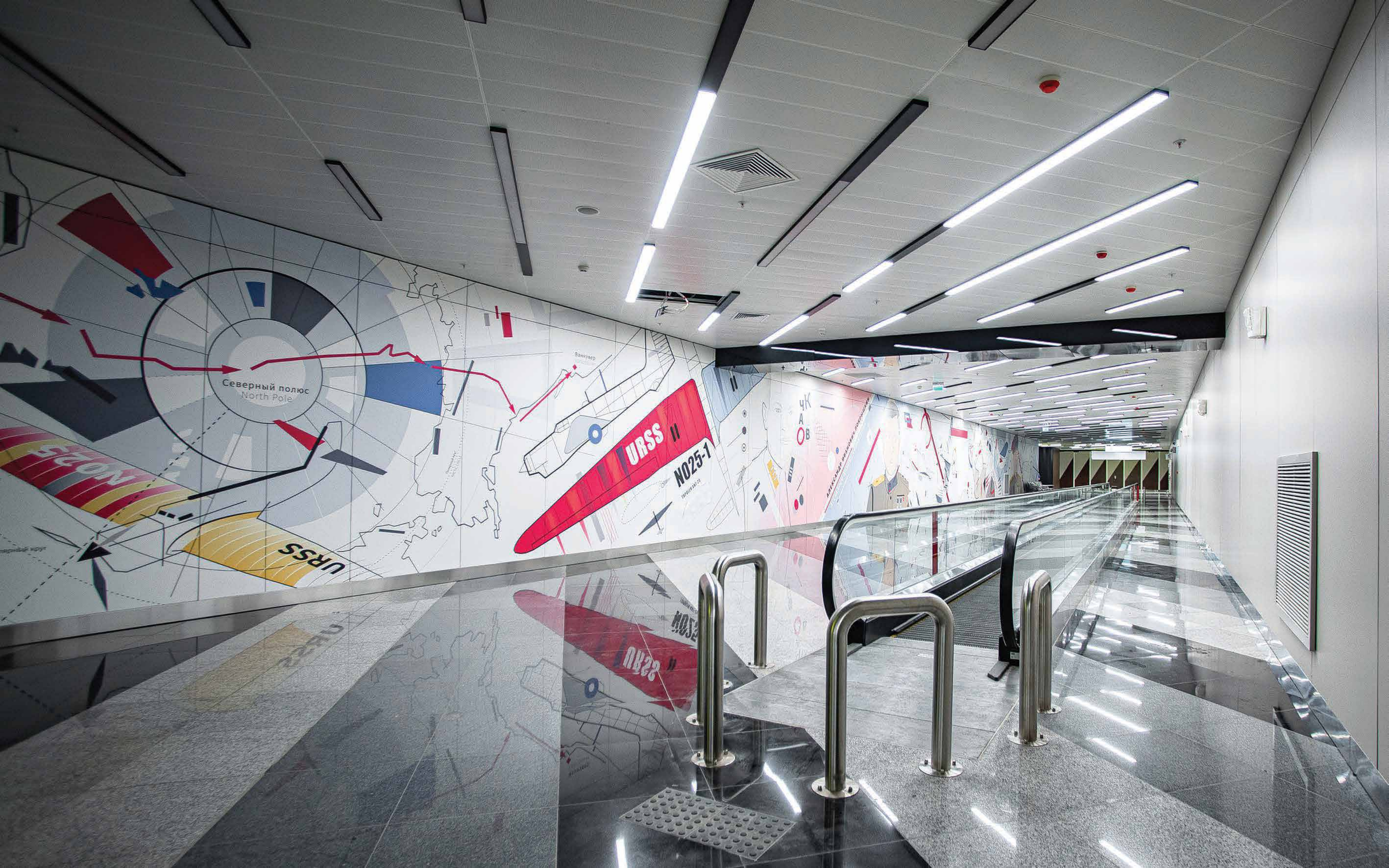


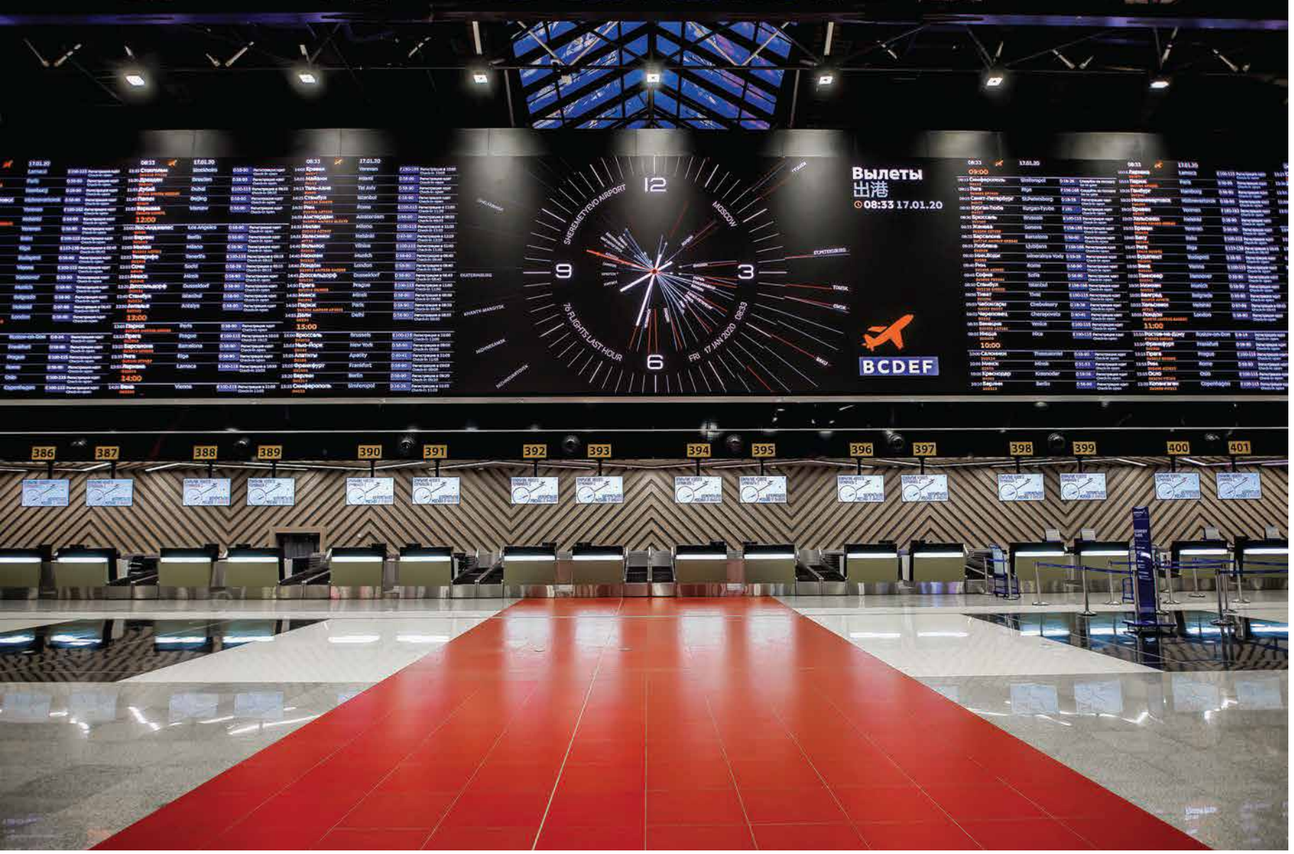




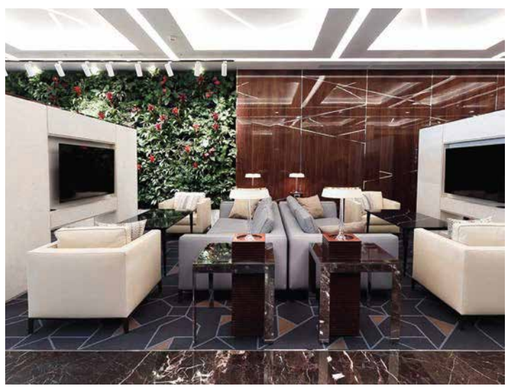
The interior of Terminal C adds to the existing Terminal B in a smooth and logical manner. It is based on Constructionism-driven principles and ideas of Yakov Chernikhov, the visual language of El Lisitsky, Konstantin Melnikov and Alexander Rodchenko, and the graphical solutions by Lyubov Popova and Olga Rozanova. One of the decorative wall panels is created after the experimental futuristic poem Invocation by Laughter by Velimir Khlebnikov.




Северный полюс
North Pole
URSS
URSS
Ванкувер











In Terminal C, the area of more than 21 ths sq. m was allocated for catering companies of all price categories and stores, including 11 sales points of Sheremetyevo Duty Free Heinemann. The VIP lounge and four business lounges with a total area of 9.1 ths sq. m in the Terminal C be able to accommodate 1.4 ths guests at the same time.







In November 2019, a six-level car-park at Terminal C with an area of 95,667 sq. m intended for 2,500 cars was commissioned. It was built in the framework of SIA JSC Long-Term Development Program as part of the Northern Terminal Complex renovation program. The car-park is connected to the terminal with a passageway.

New parkings of the Sheremetyevo Parking company

P19

Area — **7,423 sq. m**

Located **close to the STC (Terminal E F)**

Intended for: **SIA employees and companies**

Number of parking lots — **300**

P20

Area — **11,371 sq. m**

Located **close to the NTC (Terminal B)**

Intended for: **taxicabs**

Number of parking lots — **277**





Other purposeful facilities of 2019:

- **Terminal C apron** of 261 ths sq. m The construction works were completed in November, 2019;
- **apron for the parking of 8 class F aircraft** (built under a concession agreement as part of the airfield and taxiway reconstruction project);
- **de-icing station** for aircraft (Western sector of NTC);
- **MRD-B high speed taxiway** of 64 ths sq. m (as part of the project: Reconstruction of Terminal C Apron, Stage 1 (Central apron of Sh-1 sector). The construction works were completed in August, 2019;
- **hangar facility** for the maintenance of B-747-8 aircraft with a total area of 16.8 ths sq.m. This facility includes an aircraft maintenance facility with annexes, a compressor and pumping station, a pre-hangar ground, as well as external and internal engineering networks. The complex was put into operation soon after the reporting period (in March 2020) and serves primarily the Aeroflot Group aircraft.

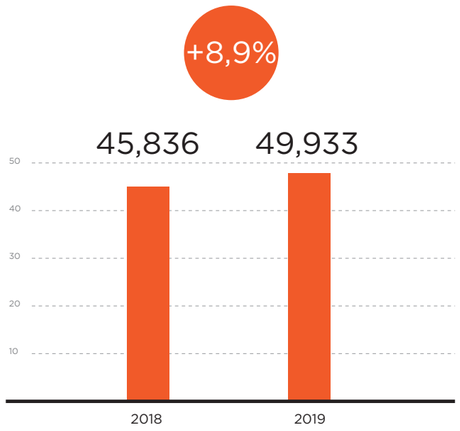
Key Operational Results

In the reporting year, Sheremetyevo International Airport has maintained its status of the largest airport in Russia in terms of passengers and cargo transportation, landing and takeoff operations, the area of the airport complex, and the capacity of cargo handling.

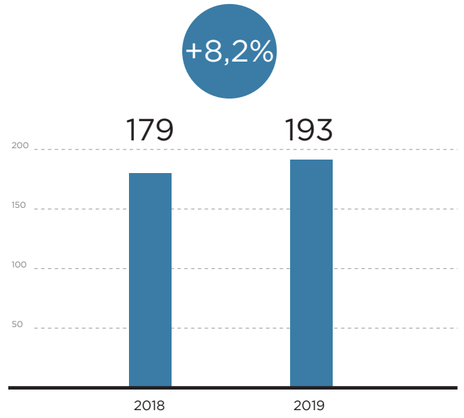
In 2019, the airport route network included more than 230 destinations. Over this period, the airport's passenger traffic grew by 8.9 % and exceeded 49.9 mln passengers. In 2019, the average commercial load per flight was 129 people per flight against 128 people for the same period of the last year (an increase of 0.7 percentage points).

The number of sorties in 2019 grew by almost 8.2 % and amounted to 193,185. The growth of passenger airlines traffic was 8 %, that of cargo airlines traffic — 8 %, and traffic in business aviation decreased by 4 % compared to 2018.

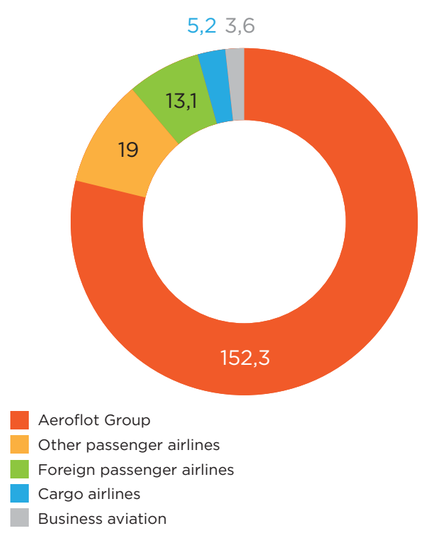
Annual passenger traffic at Sheremetyevo International Airport (mln passengers)



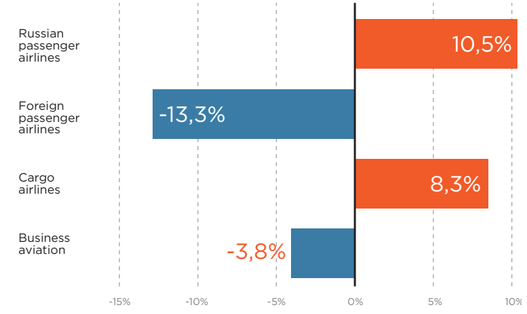
Number of departures from Sheremetyevo International Airport (ths)



Structure of sorties from Sheremetyevo International Airport in 2019 by air carriage types (ths)



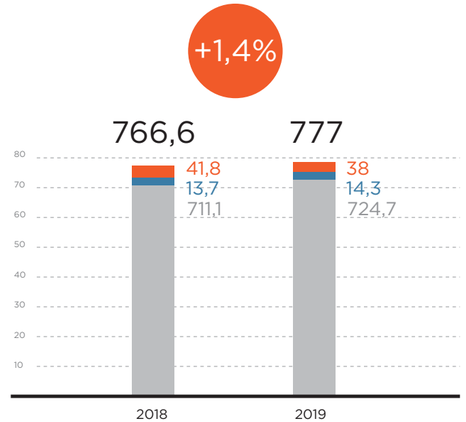
2019 increase in the number of sorties from Sheremetyevo International Airport by air carriage types (%% against 2018)



Sheremetyevo — the Leading Airport of the Moscow Air Cluster

In 2019, there were 777 ths take-off and landing operations (TLOs) performed at the airports of the Moscow Air Cluster (MAC) including Sheremetyevo, Domodedovo and Vnukovo, compared to 766 ths operations a year earlier (+1.4 %). The MAC passenger traffic increased by 5.7 % — from 96.3 to 101.7 mln passengers. Sheremetyevo Airport remained the market leader: its share in total passenger traffic (on domestic and international lines) amounted to 49 % (in 2018, Domodedovo and Vnukovo airports carried 28 % and 24 % of the total number of passengers, respectively). Sheremetyevo accounts for 49.4 % of all take-off and landing operations (TLOs) within the MAC (Domodedovo and Vnukovo airports — for 26.5 and 24.1 %, respectively).

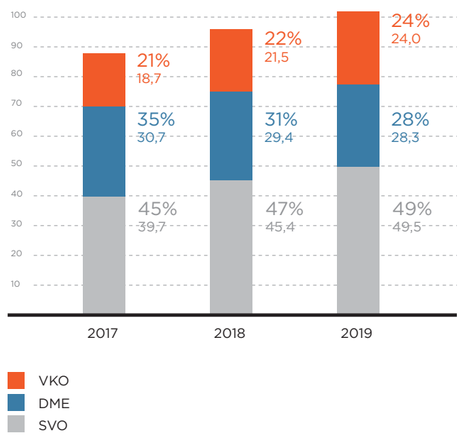
Structure of takeoff-and-landing operations of the Moscow Air Cluster by carriage types (ths TLOs)



Structure and number of annual passenger throughput of the Moscow Air Cluster (mln passengers)



Trends and structure of the Moscow Air Cluster market (passenger traffic share and volume)



Partner Airlines

Sheremetyevo Airport offers favorable terms and high-quality service to airlines and passengers, which helps to constantly attract new carriers and expand the route network. Sheremetyevo International Airport ranks among the TOP-10 air hubs in Europe. It is the largest Russian airport in terms of passenger and cargo traffic.

In 2019, 11 Russian airlines operated their flights through Sheremetyevo on a regular basis. The share of Russian air carriers in 2019 accounted for 91.5 % of the flights performed and 93.2 % of the passengers carried.

The largest airline in terms of traffic is Aeroflot. The airline's route network from Sheremetyevo counts 156 regular destinations. In 2019, Aeroflot increased its passenger traffic through Sheremetyevo by 4 %, i.e. by about 1.4 mln passengers. Therewith Aeroflot's share in passenger traffic of Sheremetyevo was 75 %. Aeroflot also maintained its leadership in 2019 by number of take-off and landing operations at Sheremetyevo: its share in the total number of sorties in 2019 was 75.5 %. In 2019, Rossiya airlines showed the highest absolute increase in passenger traffic: the number of passengers of Rossiya grew by 2.3 mln people.

Among other Russian airlines, such companies as Nordwind Airlines, Ikar Airlines and Royal Flight made the largest contribution to passenger traffic through Sheremetyevo.

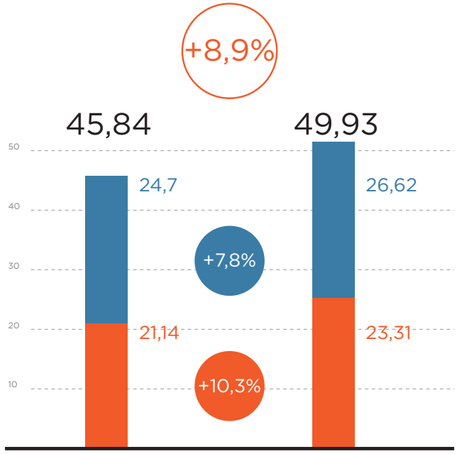
The share of passenger traffic attributed to other airlines in the Russian Federation is 12.8 % (an increase of 0.6 percentage points against 2018), and the share in the total number of sorties is 9.8 % (an increase of 0.1 percentage points).

In 2019, 31 foreign airlines operated their regular flights to Sheremetyevo. Such companies as Belavia, Vietnam Airlines, Brussels Airlines and Turkish Airlines Cargo began cooperating with Sheremetyevo in 2019. In 2019, the companies of Air France, Air Baltic, Air Astana, China Southern Airlines and KLM accounted for the largest share in passenger traffic. Foreign airlines account for 6.8 % of the total number of sorties and the total passenger traffic.

Growth in passenger traffic at Sheremetyevo (ths passengers)

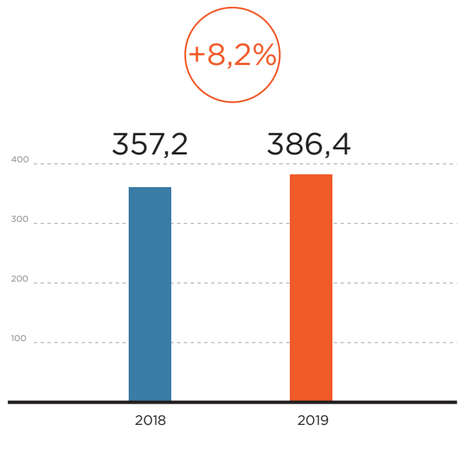
Passenger traffic	2018	2019	abs.	%
TOTAL for SIA	45 836	49 932	4 096	8.94 %
SIA IAL	24 696	26 618	1 922	7.78 %
SIA DAL	21 140	23 314	2 174	10.28 %
TOTAL for Aeroflot	36 028	37 454	1 426	3.96 %
Aeroflot IAL	18 350	19 554	1 204	6.56 %
Aeroflot DAL	17 678	17 900	222	1.26 %
TOTAL for other airlines (Russian and foreign)	9 808	12 478	2 670	27.22 %
IAL	6 346	7 064	718	11.31 %
DAL	3 462	5 414	1 952	56.38 %
TOTAL for other Russian airlines	5 917	9 063	3 146	53.17 %
Other Russian airlines IAL	2 455	3 649	1 194	48.64 %
Other Russian airlines DAL	3 462	5 414	1 952	56.38 %
International airlines, IAL	3 891	3 415	-476	-12.23 %

Passenger traffic, mln people



DAL
IAL

TLO, ths



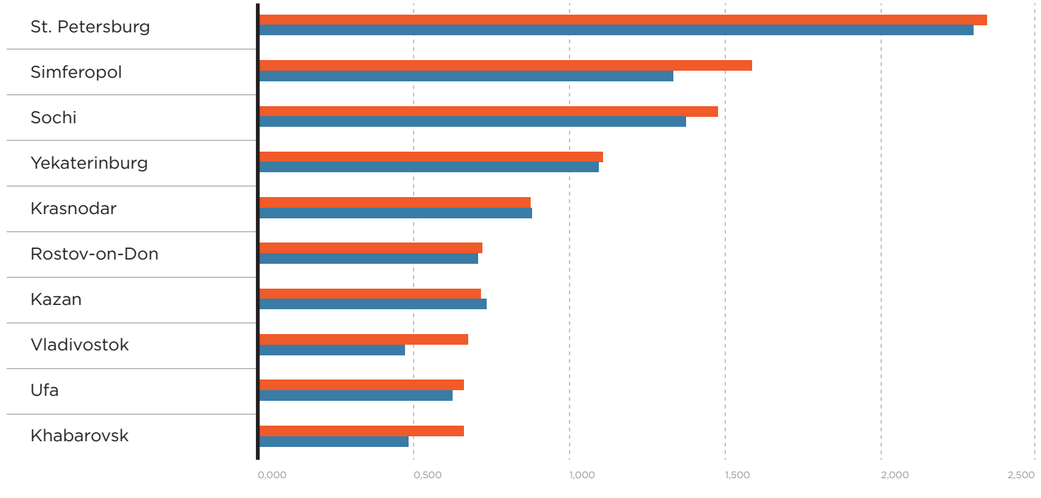
Route Network

Sheremetyevo Airport is the largest Russian airport serving international and national flights. Its route network covers more than 230 destinations, 19 of which were opened in 2019.

The following national destinations became the most popular among air passengers in 2019: Saint Petersburg, Simferopol, Sochi, Yekaterinburg, Krasnodar, Rostov-on-don, Kazan, Vladivostok and Ufa.

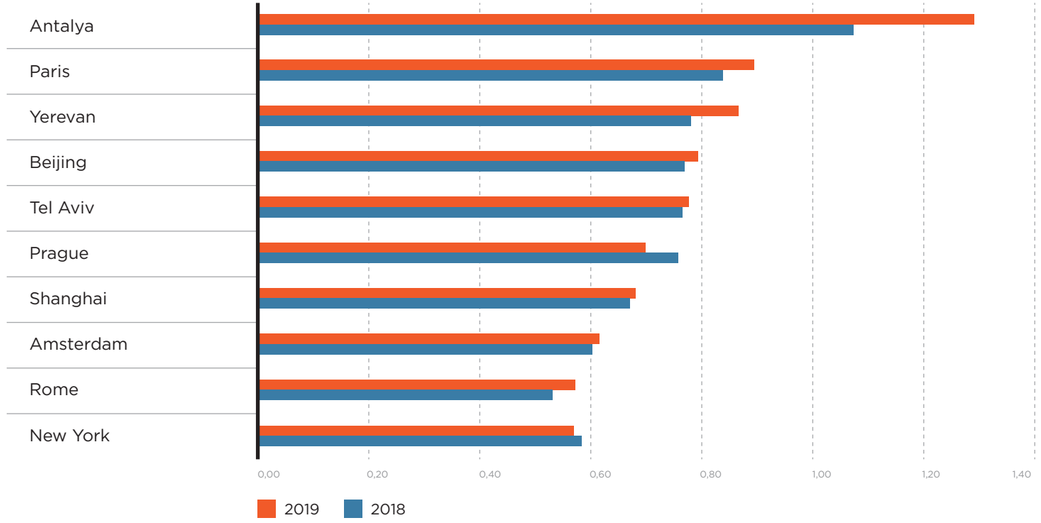


Passenger traffic on key DAL destinations (mln passengers)



The main foreign destinations in 2019 were Antalya, Paris, Yerevan, Beijing, Tel Aviv, Prague, Shanghai and Amsterdam.

Passenger traffic on key IAL destinations (mln passengers)

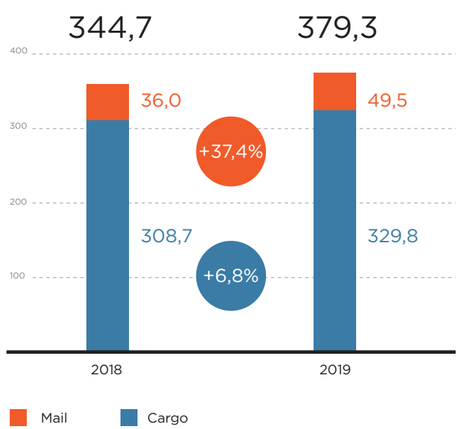


Cargo Turnover

In 2019, cargo traffic at Sheremetyevo International Airport was handled by two operators: Moscow Cargo LLC and Sheremetyevo-Cargo JSC. The terminal of the Moscow Cargo with a total area of 42,300 sq. m is designed to handle 380 ths tons of cargo per year. It is the largest terminal in Russia, the CIS and Eastern Europe. Thanks to high-tech equipment and production facilities for handling the goods of special categories, Moscow Cargo LLC can effectively handle all types of cargo without any restrictions. Currently, Moscow Cargo handles flights of the RF carrier Aeroflot PJSC and Rossiya airlines (part of the Aeroflot Group), three leading Russian cargo airlines — AirBridgeCargo, Volga-Dnepr and Atran (which are part of the Volga-Dnepr Group), as well as Severstal airlines.

Sheremetyevo holds leading position on the market of MAC mail and cargo handling with its market share of 67 %, having increased the latter by 6 percentage points against 2018.

Structure and trends of cargo operations at Sheremetyevo (ths tons)



In 2019, the total volume of cargo handled at the airport was 330 ths tons, and mail — 49.5 ths tons. The growth in cargo operations in 2019 was 6.8 %, and the volume of handled mail grew by 37.4 % against 2018.

The total volume of cargo handled at Sheremetyevo increased on both domestic and international air lines (DAL and IAL). Compared with 2018, the DAL cargo turnover grew by 7 % and amounted to more than 86 ths tons, while that on IAL — by 6.7 % and more than 243 ths tons. The increase in the volume of transfer cargo on DAL amounted to 16.4 %.

The growth of cargo turnover of the largest Russian airlines that are served at the Moscow Cargo company terminal — Aeroflot, Rossiya and AirBridgeCargo — contributed to the increase in volumes on IAL at Sheremetyevo in 2019.

The main foreign destinations, which accounted for more than 50 % of the total cargo traffic in 2019, are China, Germany, the USA, the Netherlands and Italy. In 2019, the maximum growth in the volume of export and transit cargo operations was recorded on international destinations to Liege (LGG), Columbus (LCK) and Milan (MXP), as well as on domestic Far Eastern destinations — to Vladivostok (VVO), Yuzhno-Sakhalinsk (UUS) and Petropavlovsk-Kamchatsky (PKC). In terms of cargo import and transit, the maximum growth was recorded on such destinations as: Shenzhen (SZX), Chicago (ORD), Seoul (ICN) and Ho Chi Minh (SGN).

Moscow Cargo LLC, the major cargo operator of Sheremetyevo Airport, handled more than 275 ths tons of cargo and mail, thus showing an increase of 12 % compared to 2018, which is significantly higher than both general indicators for the whole of Russia and average indicators for the global air cargo market. Thanks to its advanced cargo infrastructure and robust cargo handling technologies, Moscow Cargo LLC continues to strengthen its position as a leader among Russian cargo aviation complexes and to steadily increase its share: in 2019, the company handled 72.5 % of the total cargo and mail turnover of Sheremetyevo Airport, 48.3 % of the total cargo turnover of MAC airports and accounted for 23.4 % of the total volume of air cargo transportation in the RF.



In 2019, Moscow Cargo LLC fulfilled all its obligations under the normative standards of cargo handling to Sheremetyevo Airport's strategic partners — Aeroflot PJSC and AirBridgeCargo Airlines LLC, complying with the KPI at the level of 94 % and 99.86 %, respectively.

Improvement of cargo handling standards is a clear indicator of the terminal's successful cooperation with airlines and its fruitful efforts in quality improvement of cargo handling standards. According to the results of 2019:

- 81.2 % of cargo arrived through international airlines (IAL) was ready for issue to the consignee within 6 hours from aircraft (A/C) landing (with the established standard of 8 hours);
- 75.3 % of cargo arriving through domestic flights (DAL) was ready for issue to the consignee within 4 hours after A/C landing (with the established standard of 6 hours).

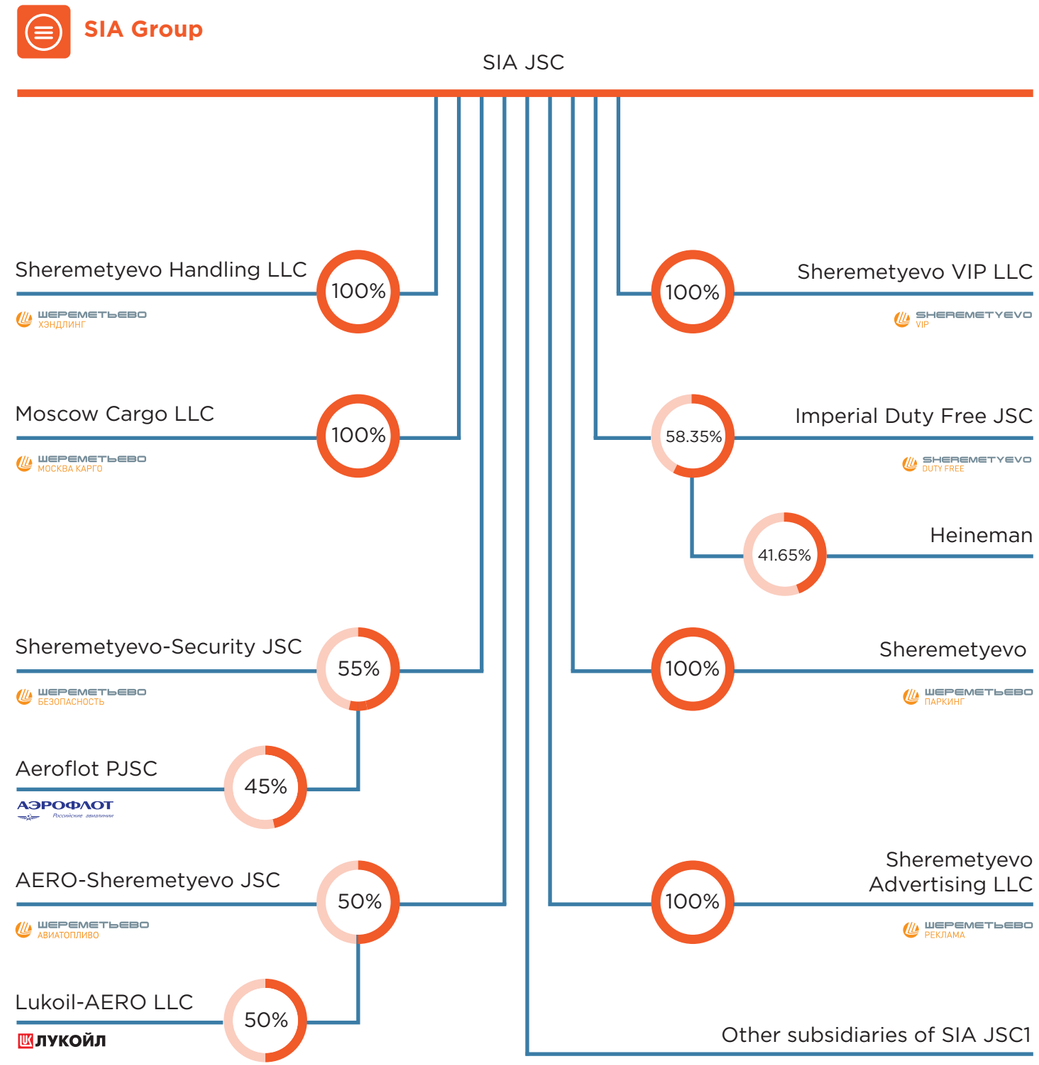
Following the customer requests and market development trends, Sheremetyevo constantly strives to expand the range of services rendered and to provide additional services beyond a typical service agreement. In the last few years, due to the brisk development of cross-border trade, there has been a steady growth in demand for express carriers. To respond to this opportunity, the company allocated the areas (of about 3,000 sq. m) intended for sorting and storage, ensured equipped workplaces for partner companies staff, special conditions for storing and returning the express shipments abroad. As a result, as of year-end 2019, 23.7 % of the total volume of import through IAL at the Moscow Cargo terminal was attributed to e-Commerce cargo.

A large volume of cross-border trade goods is delivered to the Russian Federation by Russian Post. In 2019, Moscow Cargo LLC, together with Russian Post, Federal State Unitary Enterprise, and Aeroflot PJSC launched a number of new logistics projects aimed at improving the technology of mail sending and effective handling of the growing flow of cross-border parcels from China. As a result, in 2019 Moscow Cargo LLC processed more than 43 ths tons of mail.

The aviation community appreciated the dynamic development, modern cargo infrastructure and the high level of digitalization of internal technological processes of Moscow Cargo LLC. In 2019, the Moscow Cargo won the prestigious Eurasian Award in Aviation Marketing in a special category "For the Commissioning of the Most Advanced and High-Tech Cargo Air Hub in the Eurasian Region".



In 2019, Moscow Cargo LLC confirmed the compliance of its ground handling procedures for air cargo carriage with the ISAGO safety standards (IATA Safety Audit for Ground Operations), passing the audit of the International Air Transport Association (IATA) without receiving any critical remark.



Associated companies (with more than 20 % of voting shares/interests, whereby the main company cannot determine the decisions of such companies):

Soyuzvneshtrans-Avia JSC	40,0%
Aero-Food Catering LLC	26,0%
Fuel Refilling Complex Sheremetyevo JSC	25,9%
Other companies with SIA JSC participation – Sheremetyevo Cargo LLC	8,90%

Participation in Non-Profit Associations and Certification

SIA JSC is involved in the activities of the following organizations:

International Air Transport Association

(IATA), Canada

The purpose of participation: compliance with global ground handling safety standards and obtaining the corresponding certification.

Airports Council International — Europe

(Airports Council International — Europe), Brussels

The purpose of participation: benchmarking in international ratings (the ACI Airport Service Quality program (ACI ASQ)) and access to relevant information, best practices and standards of the airport business.

Form of participation: voluntary, with annual membership fees.

SIA JSC holds the organization membership, also cooperates with its members and participates in joint research on the matters related to the aviation industry promoting a safe, environment-friendly, and efficient air transportation system aimed at meeting the interests of society and consignors and at ensuring economic development both at the national and international levels.

American Chamber of Commerce in Russia (AmCham Russia)

The purpose of participation: establishing business relationships with members of the chamber — major American corporations, Russian companies, as well as leading business structures in Europe and Asia; participating in the work of special commissions and committees in the capacity of the industry leader in Russia; exposure to the best global practices in the development of corporate culture, IT, law, taxation and marketing; representing the interests of the air transport industry at a reputable international organization.

Form of participation: voluntary, with annual membership fees.

Russian Union of Industrialists and Entrepreneurs, Russia

The purpose of participation: uniting employers to ensure their participation in the social partnership system; creating a favorable business environment for the successful development of the market economy, to improve competitiveness of Russian business, to strengthen the positive reputation of Industrialists and entrepreneurs; participating in social partnership bodies, developing relationships between employers, employees' representatives and public authorities; participating in negotiations at the Federal level and executing the agreements on social and labor and related economic relations.

International Airport Association (IAA), Russia

The purpose of participation: supporting the development of a consensus concerning matters of common interest and defending them at the international level; supporting civil airport development for the benefit of air transportation.

Form of participation: full membership in the association.

SIA JSC and its subsidiaries are certified to the following important professional and industry standards:

Certificates of Conformity with Standards of the International Organization for Standardization

(ISO), Switzerland

- Quality Management System Certificate of Conformity with ISO 9001:2015.
- Environmental Management System Certificate of Conformity with ISO 14001:2015.
- Management System in the Field of Industrial Safety and Labor Protection Certificate of Conformity with OHSAS 18001:2007.

The certification was completed by the Russian Register Certification Association, which is a member of IQNet, the International Association of Certification Bodies. Conformity with certification requirements is confirmed annually by way of the inspection control.

Certificates of Independent Audit of Airport Services Quality by Skytrax Consulting Company, Great Britain

- Airport Services Quality in Terminal B of Sheremetyevo Airport Certificate of Conformity with the highest 5-star Skytrax program level.

Skytrax is the only program for evaluating the quality of airport services using an independent expert audit conducted using the 'mystery buyer' method.

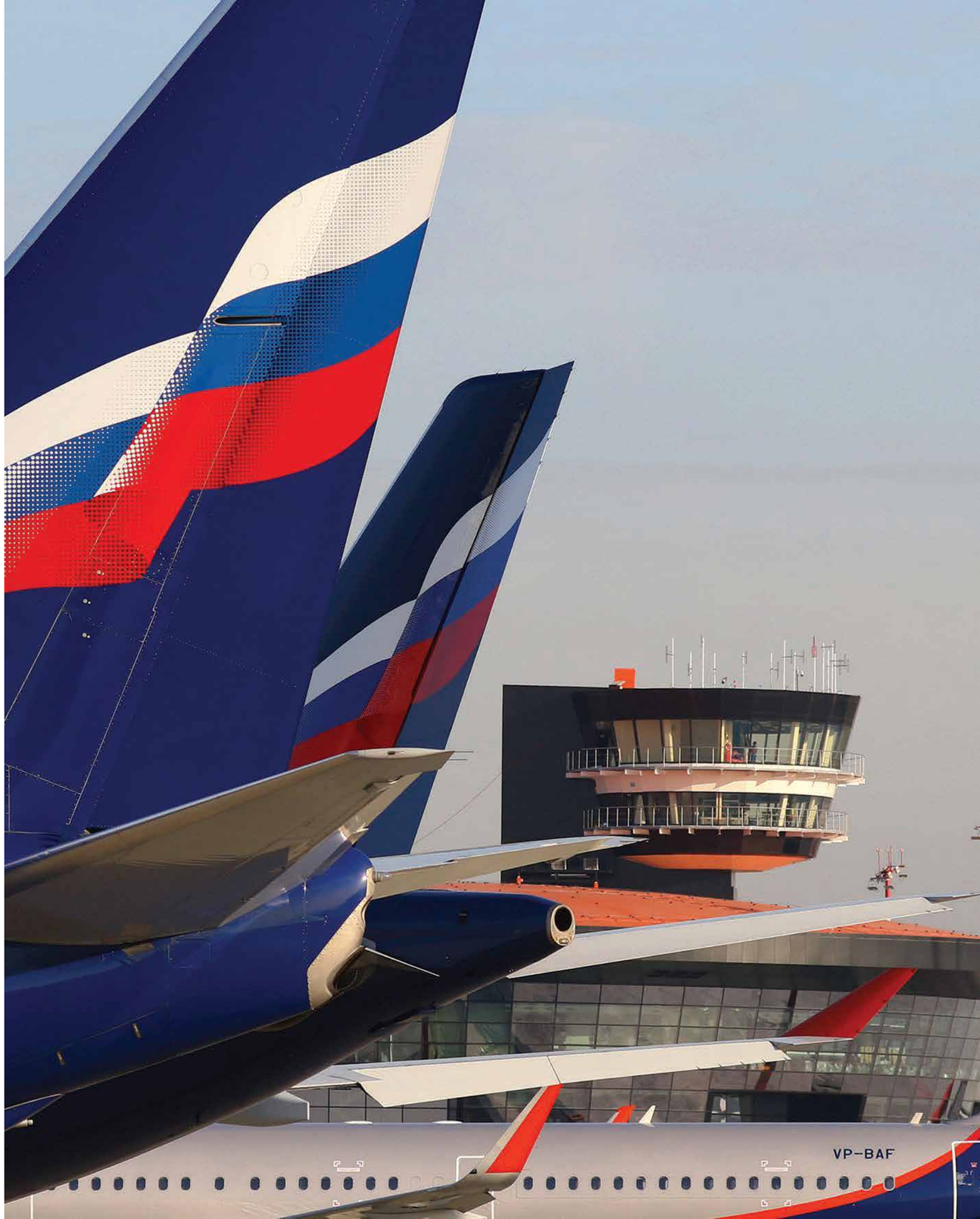
The purpose of SIA JSC participation: checking the conformity of airport terminals with the 5-star level, as well as accessing up-to-date information, best practices and standards of the airports all over the world.

Certificates of Ground Service Quality issued by Safety Audit for Ground Operations for International Air Transport Association

(Safety Audit for Ground Operations for International Air Transport Association, ISAGO IATA), Canada

Sheremetyevo Handling LLC is certified as follows:

- Ground Handling Safety Procedures Certificate of Conformity with ISAGO IATA;
- Certificate DAQCP IATA De-icing & Anti-icing Quality Control Pool.



Calendar of Most Significant Events in 2019

January

- It was for the first time ever that Sheremetyevo International Airport entered the TOP 10 largest European airports in terms of annual passenger traffic, outrunning all the leaders in terms of growth (according to Bloomberg).
- Now tourists from China can benefit from WeChat Pay available in Sheremetyevo Duty Free Heinemann shops. This service acts as an electronic wallet based on the Chinese messenger WeChat.

February



- Sheremetyevo International Airport — the holder of the Development Award by VEB.RF. The project of the Northern Terminal Complex (NTC) comprehensive modernization won in nomination of the Best Infrastructure Project. The award was presented to the airport by D.A. Medvedev, Chairman of the RF Government as part of the Russian Investment Forum held in 2019 in Sochi.
- The transport security control point of the Northern Terminal Complex (NTC TSCP) was commissioned. The project was implemented as part of the SIA JSC Masterplan for the Development of Transport Security System by 2022.
- Sheremetyevo International Airport together with Electronika PSC LLC and Administration of Civil Airports (Aerodromes) Federal State Unitary Enterprise won the National Award For the Advancement of Security of Russia (ZUBR-2019). The perimeter protection system of Sheremetyevo Airport is recognized as the most innovative industry solution of the year.
- St. Michael the Archangel Chapel was opened in Terminal B.

March

- Sheremetyevo International Airport is recognized as the best quality service provider among the largest European airports with passenger traffic of more than 40 mln, following the results of the 2018 global program Airport Service Quality (ASQ) of the Airports Council International (ACI).



- A customs post of physical verification is launched on the territory of the Moscow Cargo LLC terminal. It performs the functions of customs inspection, servicing the individuals and courier cargo.
- Sheremetyevo International Airport — the winner in the nomination the Best Russian Airport. The prestigious GQ Travel Awards in elite tourism is special in terms of its panel of judges including readers of GQ magazine, who vote on the periodical's web-site.
- 5-stars status b Skytrax — awarding a star rating to Sheremetyevo International Airport based on the results of a comprehensive audit of Terminal B. The certificate was officially presented in London.



- M.M. Vasilenko, Director General of SIA JSC, was awarded the Order of Friendship assigned by the decree of the President of Russia. The honorary award was presented to M.M. Vasilenko by E.I. Ditrikh, Minister of Transport.
- Korean Air launches a Boeing 787 Dreamliner on the Moscow-Seoul route from Sheremetyevo.

April

- The Airport begins to serve passengers with electronic boarding passes on domestic air lines. The service simplifies and speeds up the procedure for pre-flight formalities.



- Sheremetyevo International Airport — the winner of the National Aviation Award Wings of Russia named after E.E. Chibirev in the nomination Airport of the Year among airports with the annual passenger traffic of more than 15 mln. The award winners are determined by the award's Expert Council based on the companies' performance results in 2018.
- Belavia, the national carrier of Belarus, launches its flights from Sheremetyevo Airport.



- Azur Air airline resumes its flights from Sheremetyevo to Turkey.
- The new Saint Petersburg business lounge is opened for passengers of international lines in the 'clean' zone of Terminal D. SIA business and VIP lounges are operated Sheremetyevo VIP LLC.
- Sheremetyevo VIP won CX (Customer eXperience) WORLD AWARDS, the international expert award

in customer experience creation, in the category the Best B2C Customer Experience and won approval of the judges in the category the Best Offline Customer Experience.

- Car owners now have the opportunity to pay for parking at the airport online via the company's official web-site www.svo.aero or using a mobile app.

May

- P13 parking is open. It is located within walking distance of Terminal B. The parking is operated by Sheremetyevo Parking LLC.
- Four new Sheremetyevo Duty Free Heinemann stores are opening in the international arrival sector of Terminals D and E, in baggage dispensing areas before the customs control point.
- A virtual 3D tour of advertising spaces available in Terminals B, D, E, and F is launched on the web-site of Sheremetyevo Advertising LLC. On the site, you can choose an appropriate placement option and purchase an advertising package online.



- A.O. Nikulin, First Deputy Director General for SIA JSC Operations, was awarded the second-class medal of the Order of Merit for the Fatherland. The honorary award was presented to A.O. Nikulin by E.I. Ditrikh, Minister of Transport.

June

- Brussels Airlines, the national carrier of Belgium, has moved all its flights to Sheremetyevo from another Moscow airport. The opening of flights was attended by Jan Arthur Rejibo, Ambassador Extraordinary and Plenipotentiary of the Kingdom of Belgium to Russia.



- The official ceremony of awarding Sheremetyevo Airport a name after Alexander Pushkin. Now one of the attractions of the airport is the sculpture of the great poet created by A.N. Burganov, the people's artist of Russia that was in the atrium of Terminal E. The official opening of the monument was attended by V.R. Medinsky, RF Minister of Culture.



- Turkish Cargo airline starts its regular direct flights to Sheremetyevo International Airport.

- The Airport begins to serve passengers with electronic boarding passes on international air lines.
- There is an agreement reached with Sberbank on cooperation under a loan facility with a limit of RUB 11 bln for financing capital expenditures under the first Russian concession agreement for new construction objects and reconstruction of aerodrome infrastructure. The concession agreement was concluded at the end of 2018 between Sheremetyevo International Airport JSC and the Russian Federation represented by the Federal Air Transport Agency (Rosaviatsiya). The agreement validity is 49 years. Cumulative investment is about RUB 61 bln.
- The Annual General Meeting of SIA JSC shareholders was conducted. The shareholders approved the 2018 Annual Report and elected a new Board of Directors of SIA JSC.

July

- Vietnam Airlines, the national airline of Vietnam, has moved all its flights to Sheremetyevo from another Moscow airport.



- Based on the auditing results, the International Civil Aviation Organization (ICAO) confirmed that Sheremetyevo Airport fully complies with the organization's aviation security standards.
- Moscow Cargo LLC — winner of the 2019 Eurasian Award in Aviation Marketing in a special category "For the Commissioning of the Most Advanced and High-Tech Cargo Air Hub in the Eurasian Region."
- IX ceremony of awarding its own SIA award to mass and social media "ShereMedia-2019." The panel appreciated more than 25 journalistic works and partner communication projects.



- The design of the Rublev business lounge in Terminal B was highly evaluated by the panel of A'Design Award & Competition, one of the leading international awards in design.

August

- Sheremetyevo International Airport celebrated its 60th anniversary. The greeting telegrams were sent by Russian President Vladimir Putin and Prime Minister Dmitry Medvedev, Patriarch Kirill of Moscow and All Russia, as well as by other officials. a special commemorative sign was designed in honor of the 60th anniversary. It is awarded for special merits to the company.



- Sheremetyevo Airport web-site, developed in cooperation with the Beta Agency, won silver and bronze

awards in “Runet Rating”, one of the most prestigious competitions of web projects.

- The General Board of State Expert Review (Glavgosexpertiza) of Russia issued an approval of design documentation and engineering survey results for the reconstruction of taxiways, aircraft parking lots and other airfield infrastructure on the Western apron of Sheremetyevo-1.

September

- The third runway and bridge cross for all types of currently used and perspective aircraft, as well as their modifications, including A380, is commissioned. The formal opening took place with the participation of S.B. Ivanov, special representative of RF President for environmental protection, ecology and transport, E.I. Ditrikh, Minister of Transport of the RF, A.V. Neradko, Head of Rosaviatsiya, A.Yu. Vorobyov, Governor of the Moscow region, A.A. Ponomarenko, Chairman of the Board of Directors of SIA JSC. The first flight to land on the new runway was SU 019 from Saint Petersburg operated by Aeroflot.



- As part of the celebration of the company’s 60th anniversary, a solemn anniversary concert was held at The State Kremlin Palace. As many as 1,500 Russian and foreign partners and more than 4,000 employees of the SIA Group were invited. Russian pop stars such as Philip Kirkorov, Tamara Gverdtsitely, the Turetsky Choir, the Gorod 312 group, and others performed for the guests.
- Sheremetyevo Airport acted as a partner of the China Festival in Moscow devoted to the 70th anniversary of the establishment of diplomatic relations between Russia and China.

October



- Vietnam Airlines start their flights on the route Moscow (Sheremetyevo)–Hanoi on Airbus A350-900 aircraft.
- The meeting of shareholders extended the powers of M.M. Vasilenko, Director General of SIA JSC, for the term of three years.
- Managers of SIA JSC took leading positions in the 20th annual TOP-1000 Russian Managers rating compiled by the Association of Russian Managers and the Kommersant Publishing House. Alexander Ponomarenko, Chairman of the Board of Directors of SIA JSC, entered the list of Russian business leaders. Mikhail Vasilenko, Director General of SIA JSC, headed the list of top managers in the Management Top 250 rating in the Transport category.

November

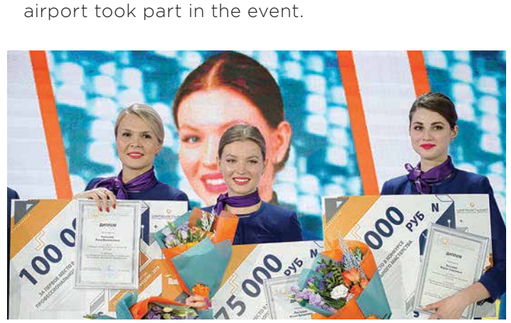
- The construction works on Terminal C are completed and the object is commissioned. The conclusion on conformity of the reconstructed Terminal C (Stage 1) with the requirements of design documentation (Statement of Conformity) is obtained from Rostechnadzor. Rosaviatsiya approves the Terminal commissioning. Test operation of the main systems of the Terminal Building is started with the involvement of volunteers and with the participation of Aeroflot.
- Sheremetyevo International Airport shared its experience of successful development into a major hub at the IAR 2019 China-Europe Aviation Summit.

December

- The technical re-equipment of aerodrome equipment and special vehicles. a new A/C de-icing station (area — 6,658 sq. m), located in the Western sector of the STK is being commissioned.
- DBA (Digital Boarding Assistant) infokiosks for personal passenger information are installed in the Southern Terminal Complex.



- Sheremetyevo Airport — a holder of the certificate National Rating of Procurement Transparency. The results were summed up at the Chamber of Commerce and Industry of the Russian Federation.
- Sheremetyevo is included in the Forbes rating Top-50 Best Employers in Russia.
- Sheremetyevo summed up the results of the Perfect Timing Awards 2019 rating of airlines’ punctuality and awarded air carriers for the best performance as of year-end. The winners were determined based on flight punctuality, transportation performance indicators and passenger loyalty.
- The traditional New Year’s festivity Passenger’s Day was held. Thousands of travelers and guests of the airport took part in the event.



- The XIII annual ceremony for awarding the winners of the professional skills competition “Best in Profession — 2019” was held. The competition was attended by more than 600 specialists of SIA JSC and its subsidiaries, who claimed the victory in 25 categories.
- On December 31, 2019, at 23 h 57 min, Moscow time (arrival of London–Moscow flight SU2583), Sheremetyevo International Airport counted 49,932,676 passengers served — a record-breaking number in its history.

02:00 DEVELOPMENT STRATEGY
02:01 00 COMPETITIVE ENVIRONMENT
02:12 00 COMPETITION WITHIN
00000000 THE MOSCOW AIR CLUSTER
02:13 00 INTERNATIONAL COMPETITION
02:14 00 PRIME ADVANTAGES
02:02 00 BUSINESS STRATEGY OF SIA JSC
02:21 00 SIA JSC APPROACH
00000000 TO STRATEGIC PLANNING
02:22 00 UPDATED LONG-TERM
00000000 DEVELOPMENT PROGRAM
02:23 00 KPIS OF THE LONG-TERM DEVELOPMENT
00000000 PROGRAM AS OF YEAR-END 2019
02:03 00 INFRASTRUCTURE DEVELOPMENT INVESTMENTS
02:04 00 CONCESSION AGREEMENT IMPLEMENTATION
02:05 00 DEVELOPMENT OF AVIATION ACTIVITIES
02:06 00 DEVELOPMENT OF NON-AVIATION SERVICES
02:07 00 DEVELOPMENT
00000000 OF INFORMATION TECHNOLOGIES
02:08 00 BASIC RISKS

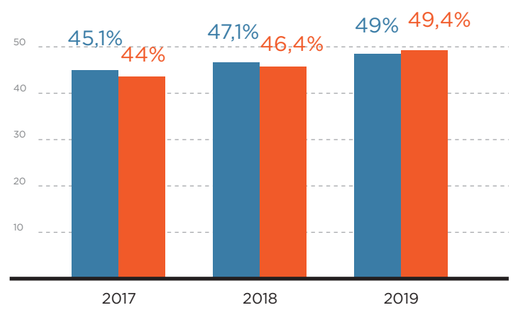
DEVELOPMENT STRATEGY

Competitive Environment

Competition within the Moscow Air Cluster

Sheremetyevo International Airport is the largest airport in Russia and the Moscow Air Cluster (MAC). Following the results of 2019, the share of passenger traffic of Sheremetyevo in the structure of MAC airports overall passenger traffic (not including infants aged 0–2) grew by 2 percentage points against 2018 and amounted to 49 %.

Changes in the share of Sheremetyevo among MAC airports



Despite the fact that the international passenger traffic of Sheremetyevo grew by 1.9 mln passengers (+8 %), the share of Sheremetyevo in the MAC with regard to international passenger transportation fell from 53.6 to 53.2 % As of the end of 2019, the absolute growth Sheremetyevo domestic passenger traffic amounted to 2.2 mln people (+10 %), and the share of this indicator in the MAC increased from 41 to 44 %. This dynamic on both domestic and international routes was due to the increased flight frequency of Aeroflot, Rossiya, Nordwind and Ikar, Severstal, Royal Flight and Azur Air. Besides, such airlines as Belavia, Vietnam Airlines, Brussels Airlines and Turkish Airlines Cargo started to operate their flights through Sheremetyevo in 2019.

Moscow Airport Domodedovo is a large airport. It cooperates with 45 airlines, both domestic and foreign. In particular, Domodedovo airport was selected for flights to Moscow by members of the Oneworld Aviation Alliance (with the Russian partner — S7 Group), as well as the Star Alliance. In 2019, Domodedovo accounted for 27.8 % of the overall passenger traffic of the MAC. The airport served 28.3 mln passengers. This share is 4 % fewer than in 2018. In line with this, the share of Domodedovo in the total passenger traffic of the MAC decreased almost proportionally (by 3 percentage points) compared to a year earlier.

Passenger traffic at Domodedovo airport from international lines decreased by 1.4 mln passengers to 11.9 mln people (-11 %, with the market share of 24 % against 29 % in 2018). The reason for this negative impact was the transition to Vnukovo of Azur Air and Uzbek Airlines in summer of 2018, as well as the moving to Sheremetyevo of Brussels Airlines and Vietnam Airlines in summer of 2019. The decrease in passenger traffic through Domodedovo was partially counterbalanced by launch flights by Ethiopian Airlines, Atlasglobal, Air Astana.

As for domestic lines, the year of 2019 saw an increase in passenger traffic of Domodedovo by 268 ths passengers to 16.4 mln (+2 %), with a slight change in the corresponding MAC market share (31.5 % against 31.8 % in 2018). The transfer of Rusline Airline to

Vnukovo was offset by an increase in passenger traffic of core companies such as Ural Airlines, S7, Red Wings and Smartavia.

The share of Moscow Airport Vnukovo in 2019 amounted to 24 %, thus adding 2 percentage points. Vnukovo passenger traffic is 24.0 mln passengers (an increase of 11.7 % compared to the last year). The main carriers are UTAir, Pobeda, Rossiya and Turkish Airlines.

On international lines, Vnukovo passenger traffic in 2019 grew by almost one and a half times (by 44 % or 3.4 mln) and reached 11.3 mln passengers. In parallel, Vnukovo Airport significantly increased its market share in the international segment to 22.8 % (against 17.3 % in 2018). The high growth rates are explained by increased demand in low-cost transportation of Pobeda Airlines, Wizzair, and engagement of new partners by Vnukovo: Ellinair, Uzbek Airlines and Azur Air.

On domestic lines, Vnukovo passenger traffic in 2019 decreased by about 1 mln passengers (by 7 %) and amounted to 12.7 mln. The share of Vnukovo on the DAL market decreased accordingly (to 24 % against 27 % in 2018). The negative impact on passenger traffic is explained by the partial transfer of flights of Rossiya Airlines to Sheremetyevo in October 2018, which was partially offset by the airport through an increase in traffic of Pobeda and UTAir Airlines.

At year-end, Zhukovsky Airport served 1.32 mln passengers compared to 1.162 mln in 2018 (an increase of 14 % to a year earlier). Now the airport continues its proactive policy to attract charter and regular carriers. The international flights from Zhukovsky are not treated as flights from the MAC and, subsequently, do not fall under the restrictions of intergovernmental agreements on aviation communication. This airport status is most actively exploited by the Ural Airlines, which have opened flights to Kyrgyzstan, Tajikistan, Israel and Italy, unavailable for operation from the MAC due to the lack of quotas. In addition to this, the airport involved Tajik Somon Air and Russian Iraero.

International Competition

Being the busiest airport in Russia, Sheremetyevo provides a high level of punctuality and quality of service to passengers and airlines. According to the rating of the British research company OAG, Sheremetyevo in 2019 was recognized as the most punctual airport in the world in the Mega Airports category (more than 30 mln seats per year by regular flights departure). The punctuality rate of 87 % is the highest among global airports in this category.

As of year-end 2019, Sheremetyevo was ranked 8th in Europe by number of passengers served and, according to the ACI rating, is one of the fastest growing in the category of more than 25 mln passengers per year:

Passenger traffic growth 2019/2018

IATA	City	Country	Rate of increase, %
VIE	Vienna	Austria	17.1
AYT	Antalya	Turkey	12.8
SVO	Moscow	Russia	8.9
LIS	Lisbon	Portugal	7.4
MAD	Madrid	Spain	6.6

According to Sabre MIDT, Sheremetyevo Airport advanced risen from 15th to 14th place globally in terms of the number of transfer passengers. In Europe, Sheremetyevo continues to rank 5th, closing the gap with London Heathrow (LHR) and Paris Charles de Gaulle (CDG). If the airport maintains its high rate of development in the coming years, it will reach the 3rd place in Europe in terms of the number of transfer passengers:

IATA	City	Country	Global rank		Rank in Europe	
			2018	2019	2018	2019
ATL	Atlanta	the USA	1	1		
DXB	Dubai	UAE	2	2		
DFW	Dallas	the USA	3	3		
FRA	Frankfurt	Germany	4	4	1	1
ORD	Chicago	the USA	5	5		
CLT	Charlotte/Douglas	the USA	6	6		
IST	Istanbul	Turkey	7	7		
DOH	Doha	Qatar	8	8		
AMS	Amsterdam	Netherlands	9	9	2	2
DEN	Denver	the USA	10	10		
CDG	Paris	France	11	11	3	3
HKG	Hong Kong	China	13	12		
LHR	London	United Kingdom	12	13	4	4
SVO	Moscow	Russia	15	14	5	5
IAH	Washington	the USA	14	15		
MAD	Madrid	Spain	16	16	6	6
MUC	Munich	Germany	17	17	7	7
SIN	Singapore	Singapore	18	18		
LAX	Los Angeles	the USA	19	19		
DTW	Detroit	the USA	23	20		

In the market of China-Europe connections, the airport continues to lead among non-Chinese hubs in terms of the number of transfer passengers. On average, in 2019, about 1,600 passengers make flight connection in each direction at Sheremetyevo every day (source: Sabre MIDT):

No.	IATA	City	Country	Average number of transfer passengers a day in each direction		Rate of increase, %
				2018	2019	
1	PEK	Beijing	China	2,170.6	2,230.1	3
2	SVO	Moscow	Russia	1,523.8	1,595.1	5
3	DXB	Dubai	UAE	1,463.3	1,496.3	2
4	FRA	Frankfurt	Germany	1,146.4	1,214.2	6
5	HKG	Hong Kong	China	1,017.7	1,127.4	11
6	PVG	Shanghai	China	862.3	993.9	15
7	AMS	Amsterdam	Netherlands	896.7	931.5	4
8	HEL	Helsinki	Finland	745.5	918.5	23
9	CDG	Paris	France	814.9	873.2	7
10	DOH	Doha	Qatar	698.5	839.7	20

According to the ACI Air Connectivity Index, in 2019, Sheremetyevo Airport improved its indicators for route network development (direct connectivity), surpassing Barcelona and Rome, and ranked 8th in Europe. By transfer passenger traffic, the airport advanced from the 17th to the 15th place globally, and ranked 7th in Europe by Airport Connectivity integral indicator [7]:

No.	IATA	City	Country	Index value	
				2018	2019
1	FRA	Frankfurt	Germany	78,914	78,773
2	AMS	Amsterdam	Netherlands	57,781	58,263
3	CDG	Paris	Paris	48,594	47,556
4	IST	Istanbul	Turkey	35,525	41,539
5	MUC	Munich	Munich	35,286	36,058
6	LHR	London	United Kingdom	33,643	33,904
7	SVO	Moscow	Russia	20,372	24,879
8	MAD	Madrid	Spain	20,860	22,933
9	ZRH	Zurich	Switzerland	16,922	18,932
10	VIE	Vienna	Austria	15,206	15,655



Prime Advantages

The key advantages of Sheremetyevo over its main competitors in attracting new airlines and expanding existing partnerships are as follows:

- **passenger service high-quality.**
  Based on the ACI Airport Service Quality (ASQ) global survey program, since 2012, Sheremetyevo International Airport has been in leading positions and has been recognized as Europe's best airport in terms of passenger service quality.
  In 2018, Sheremetyevo was included to the list of the world's best airports according to the Airport Council International, the ACI Director General's Roll of Excellence, and continued to hold its position in 2019. In 2019, Sheremetyevo repeatedly led the rating of Europe's airports with passenger traffic of over 40 mln passengers a year in terms of service quality by ASQ and ranked 1st in terms of passenger service quality according to the results of a global survey carried out by the British company Stasher.
  In 2019, Terminal B of Sheremetyevo Airport obtained a Certificate of Conformity of the Airport Services Quality with the highest 5-star Skytrax program level.
  Sheremetyevo was highly appraised in 2019 not only for its high punctuality of flights, but also for the atmosphere at the airport in general, for professionalism and courtesy of its staff, convenience of service and navigation, comfort of lounges and waiting halls and smoothness of landing;

- **modern infrastructure promoting passenger traffic growth.**
  Today, Sheremetyevo is in Top-50 of the world's airports in terms of passenger traffic and one of European leaders in terms of passenger traffic growth rate. For the past 10 years, the average annual passenger traffic growth rate has amounted to 11.7 %; the annual growth rate is expected to be 7 % for the next 10 years. With this regard, Sheremetyevo Airport is implementing a large-scale reconstruction program: the year of 2019 saw commissioning of another international terminal for 20 mln passengers and a third runway with taxiways, aprons and related infrastructures. The overall passenger traffic capacity of the airport will grow from 52 to 80 mln passengers a year;

- **specific location and growth in demand for flights to Asia and Europe.**
  The geographical location and the economy of Moscow contribute to the creation of a hub for transfer passenger traffic between the East (Japan, China, Southeast Asia countries), Europe, and Russian cities. In 2019, the airport ranked 5th in Europe and the 1st in terms of transfer passenger traffic on routes to and from China, excluding Beijing airport as such. In order to improve its competitiveness in the global market, Sheremetyevo has passed a special certification of the Chinese Government and has been assigned the China Friendly status: the airport offers navigation and notices in Chinese, accepts plastic cards of Chinese payment systems and provides other services making Sheremetyevo friendly and convenient. For example, in 2019, Sheremetyevo Airport adopted the payment system via the e-wallet of the popular Chinese messenger WeChat Pay;

- **flight punctuality as an indicator of the quality of ground services and air traffic coordination.**
  According to the British research company OAG, in 2019, Sheremetyevo was acknowledged the Global Punctuality Leader in the Mega Airports category. The arrival and departure punctuality rate was 87 %. Sheremetyevo is also evaluated as the most punctual airport in the world in such categories as Global Airports and Large Airports, as rated by the aviation agency for statistics and based on the analysis of flights data by Cirium. In 2019, 95 % of flights departed on schedule.

- **convenient location of airport in the Moscow Region.**
  According to a survey by the Boston Consulting Group (2017), the proximity of Sheremetyevo to Moscow's center and the airport's transport accessibility represent a competitive advantage that influences the airline choice of 46 % of citizens of Moscow and the Moscow Region, office employees and tourists.

Business Strategy of SIA JSC

SIA JSC approach to strategic planning

The mission of Sheremetyevo Airport is to work every day and every hour for our passengers' safety and comfort, provide services to our clients, create conditions for the balanced growth of our employees, and, by servicing flights, unite otherwise separate individuals into a common humanity.

Focal areas for the long-term development of Sheremetyevo Airport were approved by the Board of Directors of Sheremetyevo International Airport JSC in August 2005 (clause 8, section III of Minutes No. 75 dated 15.08.2005). The proposals submitted by executive departments for approval by the Board of Directors were about the definition of the Company's key strategic goals and priority areas of activity, the concept of Sheremetyevo Airport development. In 2008, a Master plan for the development of Sheremetyevo Airport until 2030 was drawn up (with the assistance of the Scott Wilson Ltd consulting company, UK). The Master plan was discussed at the meeting of the Board (item 1, section III of Minutes No. 100) and approved by the Corporate Committee for Strategic Cooperation between the Airport and Aeroflot. In the preparation of the Master plan, they analyzed the current situation with Sheremetyevo Airport and determined the focal areas for the development of the enterprise.

In December 2012, an expert opinion was submitted on the pathways and stages of development of the Northern and Southern Terminal areas of the airport with the consideration of the existing restrictions and the new development strategy of Aeroflot. The expert opinion contained an updated basic forecast of passenger traffic according to the Masterplan until 2025. The consultants' report confirmed the feasibility of the Northern Terminal Complex development in terms of the airport's development strategy efficiency. It also confirmed the rationale for creating the second flight zone at Sheremetyevo with the construction of a new RWY-3 suitable for receiving all types of aircraft. On August 28, 2012, the Federal Air transport Agency issued a permit for the construction of RWY-3 at Sheremetyevo International Airport.

In September 2013, the airport selected a strategic investor to jointly develop the Northern terminal area of Sheremetyevo. Since 2014, the following advanced projects related to the development of the airport infrastructure have been implemented:

- construction of a new terminal complex with an estimated capacity of 20 mln passengers per year. The new terminal is located on the site of the old Terminal B (Sheremetyevo 1). It was put into operation in May 2018;
- construction of an interterminal connection object between the Northern and Southern Terminal Complexes (underground tunnel under the RWY system put into operation in May 2018);
- construction of a new cargo terminal and related infrastructure with an estimated annual capacity of 380 ths tons (stage 1 was put into operation in September 2017, completion of stage 2 is scheduled for 2021);
- construction of a new substitute fuel refilling complex on the territory of Sheremetyevo Airport (commissioned in July 2018);
- reconstruction of Terminal C (stage I) with an estimated annual capacity of 20 mln passengers. The new Terminal C (stage I) combined with Terminal B formed the Northern Terminal Complex (NTC) of Sheremetyevo [permit from the Federal Air Transport Agency (FATA) for commissioning was received in November 2019, and the terminal was opened in January 2020].

There are also plans of large-scale construction and reconstruction of Sheremetyevo aerodrome facilities, including the following (but not limited to them):

- reconstruction of the Central and Eastern parts of a new high speed taxiway (HSTW);
- reconstruction of a paved take-off and landing strip (PRWY-1) (the works were launched in January 2020, commissioning is scheduled for the end of 2020);
- construction of connecting taxiways (including high speed taxiways);
- reconstruction of stages II and III of the Sheremetyevo-1 central apron;
- construction and reconstruction of air traffic control facilities.

The plan for implementing the investment program of SIA JSC in the reporting year of 2019 was approved by the Board of Directors on December 19, 2018, within the capital expenditure budget of SIA JSC for 2019.

In September 2019, the third runway was put into operation. Construction of RWY-3 was carried out at the expense of the federal budget under the Federal Targeted Program Development of Transport System of Russia (2010–2021 years). The infrastructural feature worth mentioning is the first Russian bridge over the road intended for all types of aircraft with a height of 17 m. The bridge crossing ensures connection of RWY-3 with the terminal complex.

In August 2019, Glavgosexpertiza of Russia issued a positive conclusion to the design documentation providing for the construction of new and reconstruction of existing aerodrome infrastructure facilities under a concession agreement, namely: two sections of a new high-speed taxiway and adjacent taxiways, as well as reconstruction of the central apron of the Sheremetyevo-1 domestic service sector, water treatment and drainage facilities.

In 2019, as part of the investment program of Russian Railways, the construction of a new railway line and Aeroexpress railway station for direct communication between the Northern Terminal Complex (NTC) and Moscow was started. The new railway will reach Terminal B and Terminal C, which are part of the NTC. The project is planned to be implemented in two stages (stage 1 is scheduled for 2022).

Updated Long-Term Development Program

The Long-Term Development Program of SIA JSC until 2025 was developed on the basis of decree of RF President V. V. Putin No. Пр-3086 dated December 27, 2013.

The period of 2015–2019 saw the implementation of the Long-Term Development Program activities, which constituted essential prerequisites for its overall success. First, this refers to the creation of a viable structure: Sheremetyevo Airport was reorganized into a consolidated group of companies carrying out both aviation and non-aviation activities: VIP lounges, duty free shops, parking lots, advertising, a fuel refilling complex and a cargo handling system. In the same years, the most important prerequisites were formed in the financial sector too: in accordance with Presidential Decree No. 443 dated 28.08.2015, Orders of the RF Government No. 1865-p dated 22.09.2015 and No. 201-p dated 11.02.2016, a successive stage of SIA JSC privatization was completed. As a result, the total share of federal property reduced to 30.46 %.

Besides, in December 2018, Rosaviatsiya and SIA JSC signed an agreement for 49 years. The agreement provides for the transfer of state property (this refers to, for example, the aerodrome itself and a number of other property objects) to the concession of SIA JSC. These changes in the ownership structure enabled the creation of an effective public-private partnership. Within the framework of this partnership, non-governmental funds from various non-budgetary sources to be invested as part of the airport infrastructure development program will amount to about USD 2.5 bln, including RUB 61 bln under the concession agreement.

In 2017–2019, many other points of the Long-Term Program were completed in the area of infrastructure development: a new cargo complex, Terminal B, inter-terminal passage, the third fuel refilling complex, an independent runway 3 were commissioned (construction of such infrastructure facilities as bridge crossing was finished too), and the first stage of Terminal C reconstruction was completed. It was preparation of the airport for the 2018 FIFA World Cup that required completion of the works within short timeframes. In 2018, the long-term forecast of performance indicators was adjusted upwards.

In compliance with Directive of the Government of the Russian Federation No. 276п-П13 dated 17.01.2019 (in compliance with the Decree of the President of the Russian Federation “On National Goals and Strategic Objectives of the Russian Federation until 2024” dated 07.05.2018 and instructions of the Government of the Russian Federation No. ДМ-П13-4513 dated 21.07.2018), the Program was updated and approved in 2019 by the Board of Directors of SIA JSC (Minutes No. 279 dated 27.11.2019). The Program was updated with regard to the auditors’ advice (including the assistance of the BCG consulting company) and the plans of development of subsidiaries, affiliates and business partners. In order to improve the strategic planning system, as well as to increase the explanatory value of the Program for state authorities and its effective use in the operations of SIA Group, the following amendments were entered to the current Program:

- strategic goals were revised in close collaboration with subsidiaries and affiliates based on the overall consolidated strategy of SIA JSC;
- the list and planned values of KPIs were updated with regard to the existing external conditions and the current economic situation and in accordance with the consolidated financial model;
- work on updating the long-term development programs of Aeroflot Group and SIA JSC was aligned.

In general, the core of the Long-Term Development Program of Sheremetyevo International Airport until 2025 as of the time of this report preparation looks as follows:

Aviation activities	• Servicing the passenger traffic of Aeroflot. • Attracting a second aviation alliance to the airport in order to ensure load on facilities in case Aeroflot’s passenger traffic is insufficient. • Further increasing the quality of passenger services. • Increasing the number of transit passengers.
Non-aviation activities	• Growth in the volume of cargo operations. • Improvement of efficiency of commercial activities.
Development of infrastructure	• Construction of a new cargo complex. • Construction of the third fuel refilling complex and creation of a centralized aircraft refueling system on the apron of the Northern Terminal Complex. • Reconstruction of Terminal C (stage 2). • Reconstruction of RWY-1. • Investment programs aimed at maintaining the operability of the existing aerodrome complex of SIA. • Reconstruction of Terminal F. • Construction of a new Aeroexpress station and a railway line to the NTC.
Operational efficiency	• Improvement of procurement activities efficiency. • Improvement of efficiency and quality of operations. • Reducing specific costs for passenger traffic.
Financial Indicators	• Ensuring funding through consolidation and privatization. • Transfer of the aerodrome from the state to SIA JSC under a concession agreement.
Innovative development program	• Ensuring the comprehensive modernization of the airport activities, the development of the airport complex, and the creation of innovative solutions and services. • mprovement of competitiveness compared to leading foreign airports in terms of efficiency, quality, the level and the range of services. • Becoming one of the world’s leading hub airports in terms of passenger service quality.

The updated program provides for the following key goals:

- becoming one of the top 3 airports in the world in terms of quality of service;
- becoming an airport that annually carries 69 mln passengers and 530 ths tons of cargo;
- entering TOP-5 of the airports in terms of flights punctuality;
- becoming an airport with EBITDA margin of at least 50 %;
- becoming an airport with the state-of-the-industry infrastructure;
- becoming an airport that efficiently performs its operations, guarantees safe working conditions and preserves the life and health of every employee;
- mitigating the negative impact on the environment and enhancing sustainable use of natural resources and energy.

There are a number of new large-scale programs planned to ensure the achievement of the strategic goals of SIA JSC:

- a package of measures to improve the flights punctuality and the capacity of the PRWY complex;
- a comprehensive project concerning work with Chinese passengers;
- automation of access of transfer passengers to the zone of extra security restrictions;
- increase in the throughput of the Automated Passenger Transportation System (APTS) via interterminal passage;
- advancement of barrier-free environment;
- provision of infrastructure for using a Russian passport to the full potential of digital technologies;
- creation of CIP lounges in Terminals C and F.

Plans for further infrastructure development are an integral part of SIA JSC strategy as well:

- commissioning of Terminal C (stage I and stage II);
- reconstruction of RWY-1;
- reconstruction of Terminal F;
- commissioning of a railway station in the NTC.

A special priority in the development of the airport is given to the tasks related to the facilitation of the Aeroflot Group strategy implementation: the development of transit passenger traffic and the creation of aircraft parking places. As outlined in its development strategy until 2025, the Aeroflot Group should rank among TOP-5 European and TOP-20 global air carriers in terms of passenger traffic and revenue. Some of the milestone indicators in this strategy were achieved ahead of schedule, so now Aeroflot is revisiting its plans to upwardly adjust its targets. Taking into account that Aeroflot PJSC is the major carrier of Sheremetyevo International Airport, the revision of its strategy towards passenger traffic increase will have immediate impact on setting and achieving the strategic goals of SIA JSC.

*As of the date of this report preparation, passenger traffic and take-off and landing operations volumes have decreased below tolerance limit due to the global coronavirus pandemic and the corresponding sanitary and epidemiological restrictions. As a consequence, implementation deadlines for the Long-Term Development Program of SIA JSC until 2019–2025 will be adjusted accordingly based on the actual situation with the recovery of KPIs of the airport.

KPIs of the Long-Term Development Program as of year-end 2019

SIA JSC, guided by the strategic goals of the enterprise, develops on the annual basis and implements short-term goals for the current year. The airport's annual goals and development indicators are an integral part of the Company's key performance indicators system. The company's budget indicators are accounted for as well. When setting the goals for each consecutive year, the Company draws on the need to achieve long-term KPIs of SIA JSC.

In order to appraise the achievement of strategic goals, to monitor and to manage the implementation of the LTDP, and to ensure proper incentive for top managers, there has been a KPI system developed and approved within the framework of the Program.

The primary goal of KPI system implementation is to translate the strategy and the LTDP into the language of specific KPIs for operational management, assessing the current status of their achievement, and creating a basis for the long- and medium-term decision-making by the management.

Key performance indicators for the implementation of the long-term development program of SIA Group as of year-end 2019

KPI	Plan 2019	Fact 2019
Total consolidated revenue of the Group according to IFRS, RUB bln	75.8	82.1
EBITDA margin adj. under IFRS, %	47	49.3
Net profit of the Group according to IFRS, RUB bln, excluding exchange differences	18.5	19.5
Net debt to EBITDA adj.	Max 4.0	1.0
Annual passenger traffic, mln passengers	50.3	49.9
Quality of passenger service, ASQ score	Min 4.4	4.43
Cargo turnover of Moscow Cargo LLC, incl. mail, ths tons	297	275
Labor efficiency, RUB mln/staff units	4.1	4.6

Thus, all 2019 financial KPIs were achieved, regardless of the insignificant deviation from the plan by operational indicators of passenger and cargo traffics.

The audit of the Long-Term Development Program of SIA JSC Group for the reporting period will be completed in May 2020.

Infrastructure Development Investments

2015–2018

1. Reconstruction and development of the aerodrome, stage 1 (cost: RUB 9.58 bln from the federal budget as part of the FTP Development of the Transport System of Russia).

2. New cargo complex, stage 1 (cost: USD 100 mln, financed by investments).

3. Reconstruction and development of the aerodrome, stage 2 (cost: RUB 8.5 bln from the federal budget as part of the FTP Development of the Transport System of Russia).

4. Underground interterminal passage (cost: USD 262 mln, funded by investments).

5. New Terminal B (cost: USD 310 mln, funded by investments).

6. The third refueling complex (cost: USD 150 mln, funded by investments).

2019 год

7. The third RWY complex (funded by the federal budget through the FTP Transport Infrastructure Development in Russia).

8. New Terminal C, stage 1 (commissioned in January 2020, cost: about RUB 28* bln, funded by investments).

9. Parking of Terminal C, stage I (commissioned in January 2020, cost: about RUB 4.28* bln, funded by investments).

10. Apron of Terminal C (cost: about RUB 5.28* bln, funded by investments).

11. Apron for 8 class F aircraft and de-icing platform (total cost: about RUB 4.59* bln, funded by investments).

12. Hangar facility for the maintenance of B-747-8 type aircraft (commissioned in March 2020, cost: USD 57.32* mln, funded by investments).

2020 and onwards

13. Construction of a railway station in the Northern Terminal Complex (expected to take place in 2020–2021, funded as part of the investment program of Russian Railways JSC).

14. Reconstruction of RWY-1 (expected to take place in 2020, cost: about RUB 7.96* bln, funded by investments).

15. New cargo complex, stage 2 (expected to take place in 2022, cost: about USD 60.7* mln, funded by investments).

16. Construction of a roundabout at the crossing of Starosheremetyevskoye highway, a highway from Lobnya to Sheremetyevo and Sheremetyevskoye highway (expected to take place in 2021, at the expense of the Moscow region).

17. Reconstruction of Terminal C, stage 2 (expected to take place in 2027-2030, cost: about USD 415* mln, funded by investments).

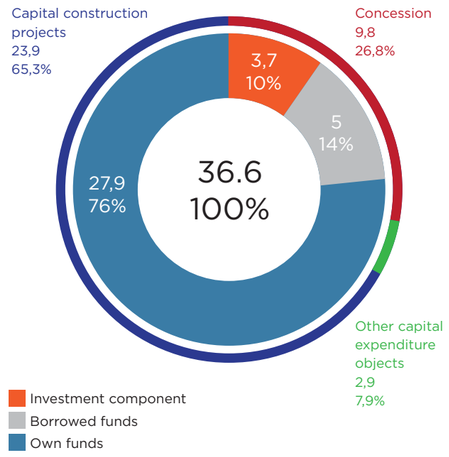
18. Reconstruction of Terminal F (expected to take place in 2030, cost: about USD 120 mln, funded by investments).

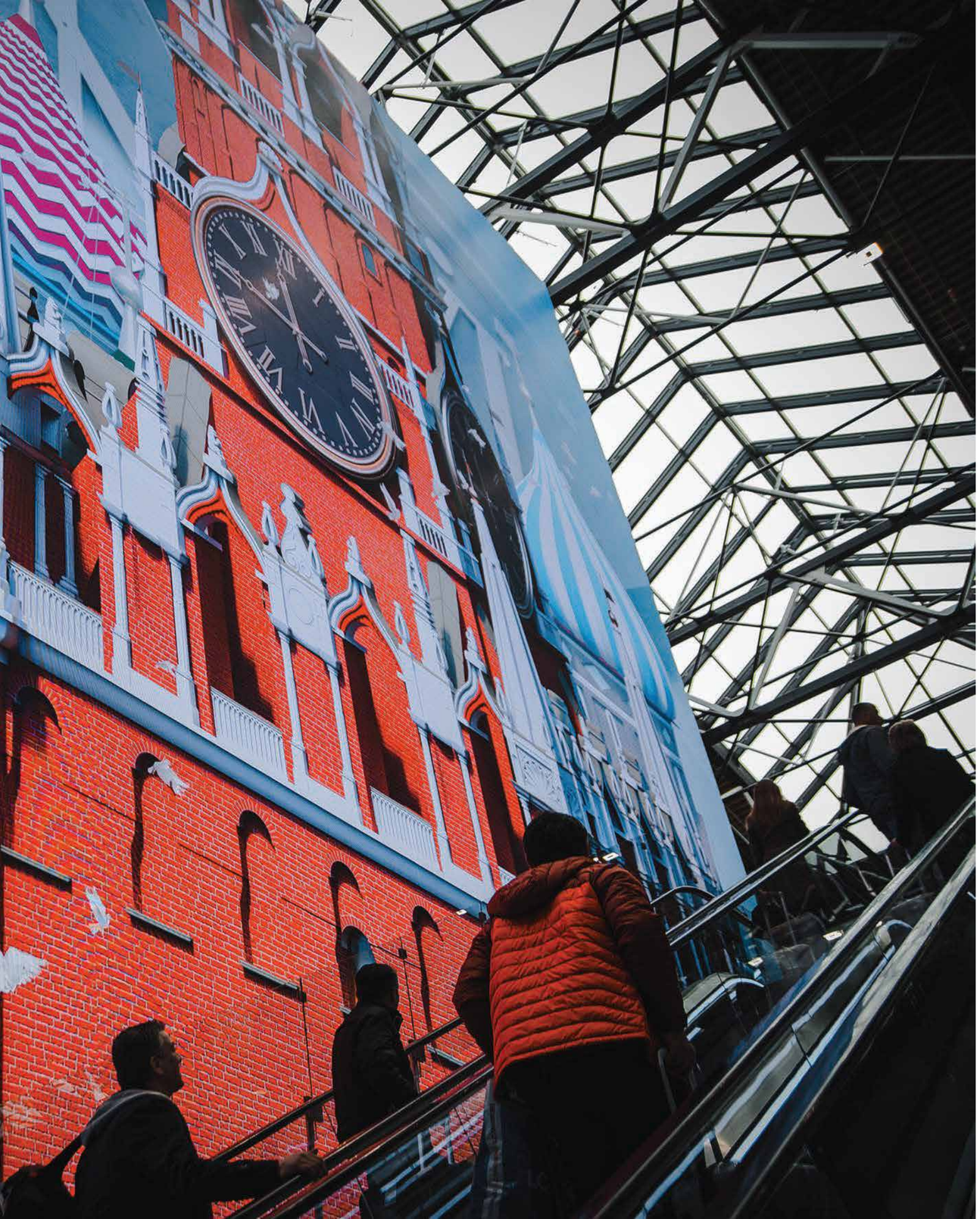
*Prices do not include VAT.

SIA JSC is developing and intends to continue developing the airport infrastructure in partnership with other operators, including with a minority share. Key joint projects include the construction of a cargo terminal, the development of the NTC, a railway terminal, and parking grounds.

In the year of 2019, the investment program was funded from the following sources:

Volumes (RUB bln, incl. VAT) of SIA JSC investment program and its funding sources





Concession Agreement Implementation

On December 25, 2018, in compliance with the order of the President of the Russian Federation “On the Development of Airports of the Moscow Air Cluster” and the Order of the Government of the Russian Federation, a concession agreement between Rosaviatsiya and SIA JSC was signed. This agreement for 49 years provides for the new construction and reconstruction of Sheremetyevo aerodrome infrastructure.

It is important to note, that the concession agreement consists not only in the construction and reconstruction of the aerodrome facilities allowing to service the steadily growing passenger and cargo traffic, but also in future modernization and overhaul of the Sheremetyevo Airport at the expense of extra-budgetary investments. This agreement is the first among the arrangements aimed to shift the financial burden for the development of the country’s largest airports from the federal budget to airports. According to the concession agreement, the total amount of investment in the construction of new objects and reconstruction of Sheremetyevo Aerodrome to be provided until 2026 will amount to about RUB 61 bln.

Under this agreement, RUB 9,827.30 mln (incl. VAT) were invested by SIA JSC in the aerodrome infrastructure facilities during the year of 2019.

Projects under the concession agreement	Investments in 2019, RUB mln, incl. VAT	Project implementation status as of year-end 2019
Reconstruction of Central apron areas of the Sh-1 sector (stage 1 of the reconstruction) (Terminal C Apron)	5,134.10	The apron was reconstructed together with the reconstruction of Terminal C. In 2019, 95 % of all construction and installation works were completed. The facility is ready for commissioning in the first half of 2020.
Reconstruction of the Western apron of the Sh-1 sector (ANTC)	4,548.18	The major part of the Western apron reconstruction in the ANTC area of the Sh-1 sector (about 80 % of the whole project). The project is scheduled to be completed in the first half of 2020.
Reconstruction of RWY-1 with adjacent taxiways and engineering facilities	137.33	The investments cover a set of design and survey works for the reconstruction of RWY-1 with adjacent taxiways.
Treatment facilities, discharge 1.8	6.54	The investments are aimed to examining the condition of treatment facilities.
Treatment facilities, discharge X	1.15	

The construction and reconstruction of the aerodrome infrastructure is financed with the investment component of the take-off and landing tariff, provided for by an order of the Government of the Russian Federation. Under the terms of the concession agreement, all funds collected from the investment component can be used exclusively in funding the costs associated with the construction and reconstruction of the aerodrome infrastructure (RWYs, aprons, taxiways, treatment facilities, etc.).

According to experts, the tariff burden on airlines will increase by about RUB 100 per passenger. This practice is utilized in many airports of the world.

Development of Aviation Activities

SIA JSC regards the development of the airport as an international transit hub as the main strategic potential of its aviation activities. Therefore, pursuant to the strategy of SIA JSC and the long-term strategy of the Aeroflot Group, the main lines of development of the airport's aviation activities for the coming years are as follows:

- increasing the traffic capacity of the terminal transit areas, with consideration for plans to increase IAL–IAL transfer traffic;
- optimizing the minimum connecting time;
- organizing navigation for transfer passengers of major destinations;
- organizing transfers between flights of different airlines;
- developing a plan for the optimal location of airlines within terminals in order to efficiently use airport facilities;
- attracting new airlines.

In 2019, there was a special plan developed as part of the measures to increase the traffic capacity of the transit areas. The plan provides for transferring IAL–IAL transit to Terminal C, which can handle peak transit passenger traffic of more than 1,000 people per hour. Now the new pre-flight inspection area at this terminal supports a capacity of more than 1,200 transit passengers per hour. The automated gates on the passport control line serve more than 2,000 passengers per hour. Increased capacity of the IAL–IAL transit area in Terminal C is enhanced due to the installation of 8 automated turn-gates and 5 new inspection machines equipped with an automated tray return system.

Besides, they started to promote automated servicing of transfer passenger traffic in the terminals of the Southern Terminal Complex. Reconstruction and re-equipment of technological areas for transit passengers (IAL–IAL) handling in STC terminals is scheduled for Q1-2 of 2020 and provides for the installation of 18 automated turn-gates at the passport control line crossing, which will increase the capacity of STC transfer areas by more than 3-fold.

As for minimum connecting time (MCT) optimization, in July 2019 the Operational Committee of SIA JSC approved new standard MCT calculations performed on the basis of the results of the airport infrastructure analysis considering the location of terminals, remoteness of aircraft parking area, taxiing time, IATA recommendations and a number of other parameters that provide the best understanding of the real situation with the infrastructure and the required operations in terms of ground service. The approved calculation was finalized together with Sheremetyevo Handling LLC, taking into account the details of specific flights servicing and the technical capabilities of the handling operator. Based on this calculation, an action plan to reduce the minimum connecting time was developed with the required tests to take place after the commissioning of Terminal C. This plan will be implemented gradually and its interim results will be monitored on a regular basis. As the testing period is not completed, MCT calculations shall not be regarded as final. Therefore, a joint working group on transferring part of ground handling functions from Aeroflot PJSC to Sheremetyevo Handling LLC decided to use the MCT values proposed by Aeroflot PJSC during the winter season 2019/2020 and summer season 2020.

To improve the navigation for transit passengers of priority destinations, in 2019, changes were made to the navigation systems in the arrival zone of transfer passengers in Terminal D, information and navigation structures were installed in the transit zone of Terminal D with the guiding information for passengers with short connections, and transfer passenger movement schemes were integrated into the unified navigation system in Terminals B, C, D, E, F (schemes are placed in the arrival zones of transfer passengers).



Efficient organization of transfers between flights of different airlines rests upon punctuality of arrival and departure of flights. Punctuality is a challenge not only to the airport, but to the airlines too. The airport is always at risk of uncertainty as to whether a particular airline will keep a particular flight on the agreed schedule. In 2019, Sheremetyevo implemented a comprehensive plan of measures to ensure the declared aerodrome capacity and to improve flight punctuality. In this regard, a scenario planning considering the possible futures was carried out for the first time in our country, and a joint decision-making system A-CDM was introduced. A-CDM integrates the activities of the airport, airlines and air traffic control authorities. This system was implemented on the basis of the Synchron Central Airport Database, which processes the data from all operational IT systems to allow monitoring the operations in a fully automatic mode with an accuracy of 1 min. The developed module meets all the requirements and is recognized suitable for informing service operators and the State Corporation for ATM, Federal State Unitary Enterprise, about the implementation of automatic calculation of the specified aircraft departure time in case the incoming flight is delayed by partner airlines of SIA JSC.

In addition, in 2019, the test mode of the Runway Advisor Module was introduced into the Synchron Central Airport Database. The module defines the effective PRWY configuration depending on the intensity of traffic flows across the Sheremetyevo Airport sectors.

These measures, as exemplified by Aeroflot PJSC flights, ensured punctuality of arrival at the level of 64.8 %, take-off — 85.6 %, departure — 77.3 %, landing — 31.8 % and 97 % timely (no later than 5 minutes from the scheduled target time) change of the scheduled departure time of aircraft (DTA) of Aeroflot flights in the Net Line and Synchron systems. The management of PRWY configurations allowed, in its turn, to reduce the time of taxiway cleaning in the period of heavy precipitation from the permissible 40 minutes to less than 20 minutes (in 96.3 % cases).

Development of Non-Aviation Services

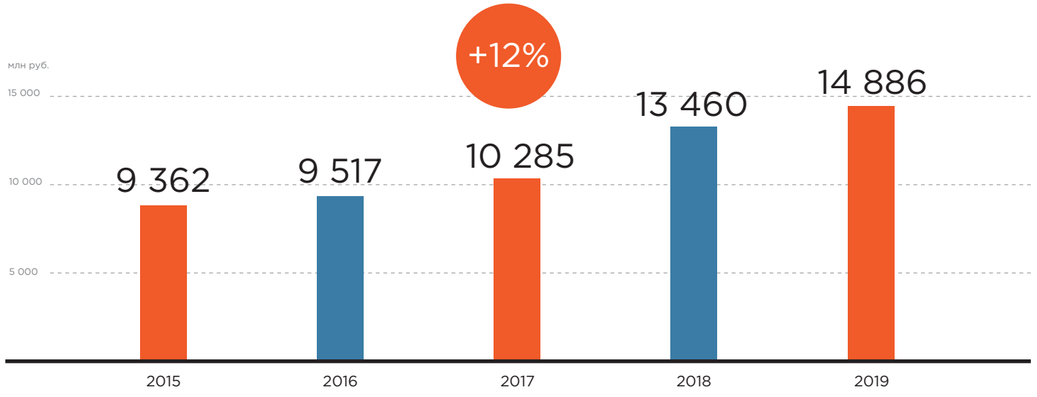
Rise of earnings from non-aviation services is a global trend in the development of large airports, which are increasingly turning from transportation clusters into complex centers where passengers can spend their spare time for their benefit. Airports' non-aviation earnings are usually a combination of earnings from lease of sales areas, paid services (e.g. parking), advertisement placement on media owned by the airport, etc.

In 2019, the share of non-aviation earnings of SIA JSC amounted to around 38 % of revenues. As of year-end 2019, the rate of commercial area utilization at Sheremetyevo remained at the level of 2018 and amounted to 94 %, which is 1 percentage point higher than in 2017 and 5 percentage points higher than in 2016. The growth of 2019 earnings from non-aviation activities against 2018 amounted to 11 %. The average annual rate of growth of earnings from non-aviation activities over the period 2015–2019 amounted to 12 %.

In order to increase the quality of passenger services and to maximize earnings from non-aviation activities, SIA JSC plans to implement a number of projects in the period until 2024 aimed at improving interactions with the current clients of SIA JSC — tenants of commercial areas. Moreover, there are plans to introduce new products and services for passengers that correspond to the best global practices. These services include loyalty programs, pre-order and pick-up of goods in the stores located in the departure and arrival clean zones, extra Meet & Assist services, the creation of an e-sale system, etc.

In the outgoing year, Sheremetyevo International Airport developed and implemented a wide range of services and options, many of which are implemented for the first time in Russia. The commercial strategy of Sheremetyevo Airport in the field of non-aviation services is based on consumer behavior research, which allows for the continuous improvement of the quality of service through the creation the most comfortable environment for all categories of visitors.

Non-Aviation Revenue of SIA JSC



*Average annual growth rate, %.

Specifically, the concept of catering system development at the airport provides for the variety of food outlets formats with the reduction of menu options of each of them. Today, Sheremetyevo offers passengers a wide range of food outlets in all price ranges. The gastronomic concept of catering outlets at Sheremetyevo employs a simple principle of maximum variety: passengers can choose to go either to basic outlets of international format such as coffee shops, or bars, or fast food cafes, or restaurants of various cuisines of the world. Menus offer fewer options compared to similar food outlets in the city to speed up the service. All menus are translated into English and illustrated with photos, and some outlets provide menus in Chinese as well. Besides, all travelers can make use of the services of online ordering and delivery to onboard meal gates rendered by Novikov Group restaurants. Guests of VIP and business lounges have the opportunity to order meals using the à la carte system (by special menu) or from the nearest restaurant.

In 2019, Sheremetyevo Airport continued to promote passenger services based on mobile apps and electronic flow of documents. In particular, Sheremetyevo Airport started servicing passengers with e-boarding passes on domestic and international lines. Also, the modern digital passenger information devices (DBA — Digital Boarding Assistant) were installed and commissioned in 2019. DBAs are located in secure zones of domestic and international departures in Terminals D, E and F. Now car owners have the opportunity to pay for parking at Sheremetyevo via the official web-site of the airport and a mobile app, which allows quick and timely use of the service without leaving the car.



The transport service system keeps developing too: in 2019, a new flat parking lot P13 was opened in Sheremetyevo. It is located on the Sheremetyevskoye highway within walking distance from Terminal B. Besides, there is a regular express bus route launched from Khovrino metro station to Terminal B.

In 2019, a new Saint Petersburg business lounge for 239 visitors with an area of 1,234 sq. m was opened for international airline passengers in the secure zone of Terminal D. In addition, 4 new duty free shops Sheremetyevo Duty Free Heinemann were opened in the international arrival sector of Terminals D and E.

On March 27, 2019, at the official ceremony in London, Sheremetyevo Airport was awarded a 5-star Skytrax Certificate — a prestigious international rating of airports and airlines in the area of passenger service quality assessment. The award was awarded based on the results of a comprehensive audit of Terminal B.


Выходы на посадку 101-123
Gates | 登机口
Информация
Information | 问讯处
HEINEMANN
SHEREMETYEVO
TRAVEL RETAIL
Dior
PRICE HITS

Development of Information Technologies

In 2019, Sheremetyevo continued to promote and to develop the latest information technologies aimed at improving business processes at the airport.

In the field of passenger services:

- the passport control booths in Terminal C were equipped with DSM-Frontier readers for controlling passenger access based on e-boarding pass scanning. The devices allow reading information from the boarding pass bar code on a mobile phone and provide the controller with the information on the flight for which the passenger is registered without using a printed boarding pass. Besides, access to the DSM-Gate module of personal security control at boarding gate counters allows boarding agents to monitor passengers' personal security checks and to ensure the absence of restrictions when checking their baggage;
- STC transfer zone is equipped with IER-710 gates for automated boarding pass check and the admission of transfer passengers from arriving flights to departure lounges for their next flight. The equipment was purchased by and delivered to SIA JSC in 2019. Installation works started in November 2019, and commissioning is scheduled for the summer of 2020;
- new programs to monitor clusters with displaying of flight information for passengers were installed, and solutions for displaying flight information in all airport terminals were integrated in order to automate and improve passenger information services. Works on upgrading the WEB FIDS (Flight Information Display System) system of visual information for passengers proceeded;
- a new software package for the Contact Center to facilitate handling of incoming passenger phone calls was commissioned. It was integrated with the airport's internal telephone systems. As part of the project, internal information web-sites accessed by contact center employees were entered into the embedded database. As a result of the project, control over the work of contact center operators was significantly improved;
- works to ensure the functions of personalized display of calls from communication points located in terminals for a single control point of the Low-Mobility Passenger Service were performed. This provides operators with the information about the caller's location, which enables to provide assistance more quickly.



In handling baggage:

- a modern unified Baggage Reconciliation System (BRS) was introduced in all terminals of the airport. The system allows tracking the status of baggage handling and inspection, accounting of its loading throughout the airport, generating baggage manifests and reports, and uploading baggage statistics to an external reporting system;
- BagTrack system for baggage analytical reporting was implemented. The system allows generating structured reports on all checked and baggage handled at the airport for any period with a breakdown into such categories as: sent baggage, baggage left behind, rush baggage, non-scanned baggage and baggage of passengers who have a canceled carriage, as well as determining the factors for the baggage left behind;
- a unified system for baggage message and flight information exchange was implemented. It is aimed to optimize the architecture of data exchange between baggage systems and with airline check-in hosts, to cut down the number of interfaces with external hosts, and to reduce the load on global information exchange networks. Now all baggage handling systems in terminals and interterminal connections of the airport are connected to a single local message broker ensuring baggage message exchange and flight schedule data transmission.

In improvement business process efficiency:

- A-CDM (Airport-Collaborate Decision Making) principles were developed and implemented based on the Synchron Airport Database integrated with IT solutions of the basic airline Aeroflot, air traffic control authorities and partners. The system coordinates the work of various business units of the airport, airlines, handlers, ATM and representatives of state regulatory authorities. It allows to enhance the capacity, to ensure punctuality of flights, to reduce the queue time for the A/C departure of critical flights and to optimize the utilization of resources at the airport;
- automated resource management system (RMS) modules were implemented or significantly improved: Long-Term Planning of Check-in Counters, Management of Personnel and Special Equipment of the Baggage Handling Directorate, Management of Personnel for the Delivery of Transfer Baggage upon Arrival, Personnel Management of Sheremetyevo Security LLC, Baggage Conveyor Belt Management and a number of others.

In the field of monitoring the situation on the aerodrome apron:

- a software and hardware package for collecting, processing and displaying the information on the operational situation on VegaS aerodrome working area was introduced for the benefit of the airport's operations control services. The system allows visual controlling of the aircraft taxiing on the apron in real-time mode regardless of the weather conditions, excluding the aerodrome unobservable sections and unauthorized occupation of the maneuvering area by aircraft.

In ensuring security:

- the Nabat-Antiterror alarm system and the NEST security system were integrated, and the possibility both of automated transmission of emergency alerts and collecting the information on receiving of / listening to these messages by their addressees — end subscribers of fixed-line and mobile telephone networks. This ensured coverage of client services with a comprehensive emergency alert service and monitoring the receipt of these alerts by their employees

In ensuring communication functions:

- expert works on the creation of a structured cabling system (SCS), a local area network (LAN), a wireless network (Wi-Fi) and an automated infrastructure management system (imVision system) were carried out in the process of construction of new facilities of SIA JSC: Terminal C1, Terminal C2, parking buildings of Terminal C1, Terminal C2, a hangar facility, parking systems within the airport and other facilities. Works to upgrade and to develop the SCS were performed in the existing buildings too: so, for example, more than 23 km of new low-current communication lines were laid there;
- the central network equipment of the Data Processing Center and the central network equipment of the CCTV segment in Terminal D were upgraded, which allowed to increase the capacity of the 10 Gbit connection interfaces, as well as to apply advanced functions and protocols for the transmission and processing of traffic. Commissioning works were carried out and network equipment at the new facilities — Terminal C1 and the C1 parking building — was commissioned. To ensure remote access and to provide remote operation tools, a high-performance cluster of modern firewalls with a VPN gateway function and fault tolerance technology was chosen. Works on network architecture upgrading in accordance with the modular concept keep going;
- internal telephone networks were switched to five-digit numbering. High-performance processor modules with new software, optical callouts and indoor base stations were installed in the DECT wireless telephone system. This enabled to provide a single seamless coverage of Terminals D, B, C, premises of the interterminal passage and parkings of the NTC with the internal telephone network.



In automation IT service:

- a new system for managing requests and incidents of IT system users was implemented. The system provides for the process of managing the incidents and service requests; there is a catalog of services created there; the process of automated registration of tickets from monitoring systems and standard service requests was configured; arrangements for receiving feedback from users with their evaluation of the works performed upon requests was implemented.

Basic Risks

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

The Company distinguishes the following major risk groups it may run:

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

RISK MANAGEMENT MECHANISM

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

Risks are assessed and analyzed in accordance with the risk management policies approved in the Company.

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

Depending on the possible extent of risk mitigation, as well as on the cost of controls, different methods of risk minimization/elimination apply.

OPERATIONAL RISKS

The Company regards extraordinary shutdown of technological systems and equipment, as well as the failure of power supply systems to be its major operational risks.

In order to mitigate the risk of the extraordinary shutdown of systems, their technical condition is insured with the involvement of maintenance services of manufacturers. SIA JSC ensures timely testing and technical inspection of equipment used at hazardous operating facilities, the repair and inspection of control and measuring equipment, and the fulfillment of industrial safety requirements prescribed by law. Moreover, the Company ensures proper insurance protection of the operation of its facilities against third-party liability.

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

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

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

A mandatory requirement for the insurance protection of the Company's interests against major risks is the

reinsurance of such risks on the international reinsurance market. Requirements for the quality of reinsurance have been developed; among other things, if the Company's third party liability arising during the operation of the airport is insured, a mandatory requirement is the reinsurance of insured risks on the international reinsurance market for the entire duration of the respective insurance contract.

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

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

FINANCIAL RISKS

Market risk

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

To reduce the risks affecting revenue, the Company has entered into long-term contracts with airlines and tenants. One of key risks in this regard is target passenger transportation delivery. Successful implementation of these plans defines the income base of aviation activities and meeting the non-aviation income targets. The main source of risks and, at the same time, a guarantor of the Company's sustainable development is the fulfillment of flight placement obligations by PJSC "Aeroflot — Russian Airlines", which is a key client of the airport. The fulfillment by PJSC "Aeroflot — Russian Airlines" of its obligations and the meeting of the said targets will make it possible to reduce other financial risks (primarily, liquidity risk) and hence to mitigate the loan default risk. The joint work performed by the Company in cooperation with the operational program performance unit of PJSC "Aeroflot — Russian Airlines" is aimed at ensuring a distinguished level of passenger and airline service quality.

The risks of falling of demand for services caused by sanctions, as well as political and economic instability, largely resulted in the transformation of consumer preferences and redistribution of the passenger traffic structure. The Company has managed to reduce the impact of these risks and to ensure that the economic and operational budget targets are met. The measures taken by the Management made it possible to maintain the indicators within the planned range. As the negative factors affecting demand are not eliminated, the transportation traffic risk remains high. The efforts to mitigate the consequences of non-aviation activities volume risk taken in 2019 have proved highly effective. Since negative factors affecting demand and consumer solvency continue to exist, the risk of tenant's activity remains high.

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

Currency risk

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

Credit risk and accounts receivable

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

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

The Company monitors contractors' payment discipline on a weekly basis in accordance with the Regulation on Accounts Receivable Management. The Management defines risk concentration as a ratio of the debt of particular customers to the total debt amount.

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

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

Throughout 2019, regular monitoring of payment discipline was conducted and a flexible approach to pricing aimed at the mitigation of losses in rental income was implemented in order to efficiently manage client solvency risk. The Company actively used bank guarantees and monetary deposits as financial security.

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

LIQUIDITY RISK

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

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

Capital management

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

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

REPUTATIONAL RISKS

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



03:00 SECURITY

03:01 TRANSPORT SECURITY ARRANGEMENTS

03:02 RESPONSIBILITY OF SECURITY OFFICERS

03:03 FLIGHT SAFETY ARRANGEMENTS

Transport Security Arrangements

Transport security at Sheremetyevo Airport is maintained by the airport's Aviation Security Service and Sheremetyevo Security JSC (55 % owned by SIA JSC, 45 % by Aeroflot PJSC).

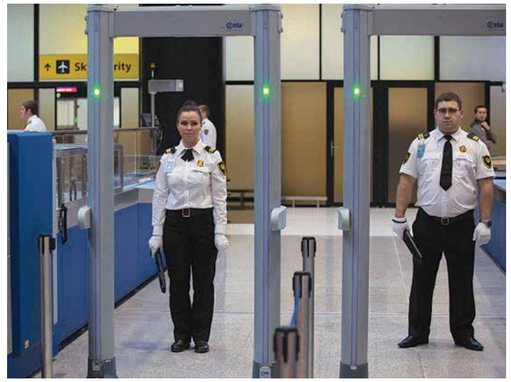
The Aviation Security Service performs the following functions:

- maintaining the forces ready to localize and to prevent acts of unlawful interference;
- managing the entire process of ensuring transport security via transport security control points;
- organizing access and intra-facility control;
- maintaining the security of the airport territory (jointly with the Extradepartmental Protection Directorate of the Russian Ministry of Transport, Federal State Unitary Enterprise);
- development of the documentation regulating actions to ensure transport security;
- quality control of aviation security measures;
- managing the risks of transport security.

The following functions are in the responsibility of the Sheremetyevo Security company:

- control of clean zones
- inspection and other day-to-day operational functions.

In June 2019, Sheremetyevo Airport was audited by the international inspection for practical implementation of state requirements for aviation security. Following the results of the audit, Sheremetyevo Airport was recognized as fully compliant with ICAO standards. During the audit, a positive assessment was given to new facilities put into operation in the run-up to the 2018 FIFA World Cup: passenger Terminal B for 20 mln passengers and the cargo complex of Moscow Cargo LLC with the annual capacity of 380 ths tons. It was particularly noted that during the design and construction of new airport infrastructural facilities, the fundamental principles of ICAO were taken into account: ensuring the proper level of aviation security while simplifying the procedures and reducing the time of pre-flight formalities.



In 2019, it was decided to organize a new transport security control center located in Terminal B and responsible for the entire Sheremetyevo-1 Terminal Complex, the cargo complex and the new RWY-3.

The procedures and equipment of Terminal C1 comply with the highest level 3 of the security standard. a wide range of innovations aimed at improvement of control efficiency was been applied:

- there are high speed scanners installed already at the first stage of baggage handling in Terminal C1;
- passengers and their cabin baggage are inspected using an automated system with sorters and tray returns;

- for the first time in Russia, inspectors process images from intro-scopes received during the inspection of cabin baggage in a separate control room. Suspicious cabin baggage is checked without stopping the main line of inspection.



These solutions have increased the throughput of the inspection zone almost two-fold.

In 2019, the following innovative solutions have been implemented at the airport:

- a software and hardware complex for automatic neural network-based detection of items that are prohibited to be carried into the transport security zone was successfully tested;
- Terminals B and C were equipped with security cameras allowing i.a. to carry out detection in the passenger traffic;
- a system of centralized control, information collection and monitoring of the current status of multi-zone arched metal detectors has been introduced. It allows to remotely control equipment configuration, to obtain reliable information about the workload of each checkpoint and to allocate the human resources involved in the inspection in accordance with this workload;
- radiation monitoring systems have been introduced at all entrance lobbies of the new Terminal C. This solution allows checking radiation safety without inconveniences to the visitors, minimizing the human factor upon the registration formalities, archiving and processing the data, generating alerts about emergency events in order to ensure rapid response, and linking radiation monitoring data with video surveillance data;
- a system for monitoring the state of operators' attention has been tested. It is aimed to trace the level of employee's alertness. In the future, the airport plans to integrate the operator tracking system into the inspection equipment of all airport terminals.

It should be noted that a significant part of the security equipment and solutions at Sheremetyevo Airport is supplied by local developers and manufacturers. This applies primarily to the inspection equipment, video surveillance systems, access control systems, alarm call systems, top-level software solutions and airport perimeter security systems.

In addition to technical means, there are other security measures applied at Sheremetyevo Airport:

- dog service is available;
- terminals and landsides are patrolled;
- examiners-profilers work in passenger traffic;
- a set of measures has been implemented to protect aircraft and airport facilities.

The security system at Sheremetyevo Airport is constantly improved and makes it possible to detect and prevent the carriage of dangerous items and substances into aircraft with high efficiency.



Based on 2019 results, 2,087 dangerous items prohibited for being carried were detected and seized during the inspection of passengers, their cabin luggage and baggage, as well as cargo and mail at Sheremetyevo Airport, including: 5 fire-pieces, 88 cold weapons, 34 weapons of other types, 1 830 special weapons, and 2,123 stabbing and cutting items.

Responsibility of security officers

In compliance with the requirements of the International Civil Aviation Organization (ICAO), Decree of the Government of the Russian Federation No. 1215 "On the Procedure for Developing and Applying Aircraft Safety Control Systems, as well as Collecting and Analyzing Data on Hazard and Risk Factors that Create a Threat to the Security of Civil Aircraft, Storing and Exchanging these Data" dated 18.11.2014 and Order of the Ministry of Transport of the Russian Federation No. 262 "On Approval of Federal Aviation Regulations — Requirements for Aerodromes Intended for Take-off, Landing and Taxiing and Parking of Civil Aircraft" (FAP-262) dated 25.08.2015, there is a Flight Safety Control System (FSCS) operating at Sheremetyevo International Airport with the participation of representatives of key airlines and aircraft maintenance operators.

The FSCS is implemented in order to identify the risks to the security of service operations, to ensure the implementation of corrective measures for security risk management, to perform continuous monitoring and evaluation of flight safety activities, and to enable continuous security improvements in the course of service operations.

FSCS work is guided by the analysis of information on the status of flight safety, quantitative and qualitative assessment of the impact of various factors on the level of flight safety, development and adoption of the measures to prevent risk factors or to reduce their impact on flight safety, assessment of preventive measures.

In accordance with ICAO recommendations, the FSCS provides for the following:

- availability of the Flight Safety Policy of Sheremetyevo International Airport Joint-Stock Company to be approved by the order of SIA JSC;
- appointment of persons responsible for flight safety in the respective area of activities;
- performance of works to identify risk factors, possible errors and violations on the part of personnel, organization of preventive actions;
- participation in the investigation of aviation and other events that affect flight safety;
- monitoring the implementation of recommendations of commissions on aviation events investigation, generation of reports on their implementation and assessment of preventive measures efficiency;
- informing the divisions and S&A of the events occurred at the aerodrome and their causes;
- monitoring the compliance by the personnel with the requirements of organizational and administrative documents of SIA JSC on flight safety;
- training and professional development of the personnel;
- availability of an emergency plan.

The flight safety policy of SIA JSC is a statement of the principles, procedures and methods of the FSCS used to achieve the intended safety level. This policy shall be approved by the order of SIA JSC and confirms commitment of SIA JSC top management to implement and to constantly improve the safety principles in all aspects of its activities. Top management shall develop measurable and achievable goals of safety, which must be implemented across SIA JSC.

SIA JSC shall keep records of all aviation events and violations committed by personnel, monitors the implementation of recommendations of reports (acts) following the results of investigations of aviation and other events, as well as violations affecting FS. The results of FS management and control shall be recorded in quarterly and annual reports on FS.

The security status depends on the performance of each structural division, all airlines and organizations operating at the aerodrome, and is achieved by joint efforts and professional work of the Management of SIA JSC and its divisions, by the actions of all personnel in cooperation with airlines, organizations and administrations of local executive authorities.

The Management of SIA JSC shall organize control over the activities of employees and the application of resources for the rendering of airport services and ensures the mitigation of the corresponding risk factors. For this purpose, the Management shall:

- define the organizational structure of SIA JSC and the functions of structural divisions;
- define the procedure of airport operation;
- organize hiring and training of employees;
- provide divisions with the equipment necessary for the service rendering;
- allocate the necessary resources.

The Management of SIA JSC shall ensure the elaboration of organizational and administrative and local regulatory documentation of SIA JSC related to flight safety, as well as process documentation for all types of works, control over the compliance with the rules and regulations set out in these documentation, and maintenance of technical means and equipment in operational condition.

The responsibility for flight safety is an integral part of the official duties of each manager of the enterprise. Since flight safety management is one of the main functions of their professional duties, each manager is in some way involved in ensuring such control.

The Company exploits a multi-level system of the delegation of authority, rights and responsibilities in flight safety issues, including the following levels:

- Director General;
- Deputy Director General for Flight Safety and Aerodrome Support;
- head of a structural division;
- persons responsible for the implementation of the FSCS in the division and ensuring FS.

The Management of SIA JSC admits the possibility of mistakes to be made by aviation personnel, if these mistakes are unintentional, if their causes are understood and they are not the result of lack of personal discipline, if the corresponding lessons have been learned, preventive measures developed and implemented to eliminate the causes and to prevent similar violations in the future. The punishment of an employee who committed an unintentional error or omission is optional. In this case, other corrective measures apply, such as advanced training, incentivization for the better performance of duties, etc.

In order to ensure the effective functioning of the FSCS, the Flight Safety Committee was established by the order of SIA JSC. The Committee's activities are determined by the Regulations on the Flight Safety Committee of Sheremetyevo International Airport Joint-Stock Company approved by the Management Board of SIA JSC. The Committee consists of Deputy Director General for Flight Safety and Ground Support, heads of structural divisions that are responsible for flight safety, representatives of major airlines and operators for aircraft maintenance and air traffic, as well as the Secretary.

Besides, there are working groups established in operational divisions. They are headed by the officials responsible for FS in the corresponding division and intended to identify risk factors in such areas of activity as: aircraft maintenance, airdrome maintenance, technological processes, maintenance and repair of technical equipment, training etc.

One of functional element of the FSCS is the voluntary reporting system (hereinafter — the "VRS"). The purpose of VRS at SIA JSC is information collection, identification of hidden risks and/or inconsistencies in the activities of air staff ensuring air transportation that adversely affect flight safety. In 2019, the activity of employees in risk factor identification was significantly improved due to the system of voluntary messages applied at SIA JSC. a total of 295 voluntary messages were recorded, processed and submitted by the flight safety inspection for actions to be taken by the organization and its divisions. All the messages were answered, the applicants were informed accordingly (in 2018, 252 such messages were handled).





Flight Safety Arrangements

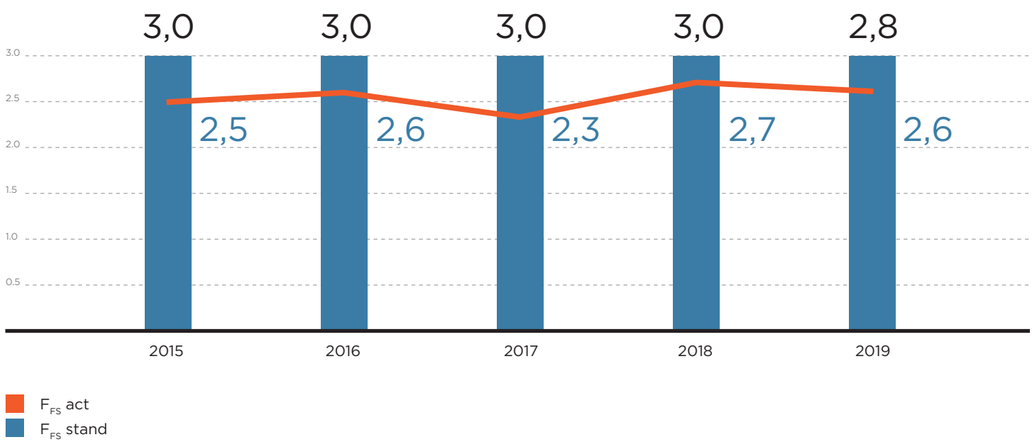
Flight safety arrangements at the aerodrome are a priority in the airport activities of SIA JSC. To control flight safety we are guided by the following core principles:

- recognition of flight safety as an absolute priority for the protection of human life and health;
- implementation and operation of the Flight Safety Control System as a set of preventive, professional and organizational measures to reduce the negative impact of the human factor on flight safety;
- focus on the identification of risk factors in airport operations and timely elimination or mitigation of the possible consequences;
- fair assessment of flight safety;
- operational efficiency, specificity, purposefulness and mandatory nature of preventive measures and their regular repetition;
- professional screening and training of personnel;
- full coverage of all aspects and areas of activities of the personnel and aerodrome facilities functioning.

In 2019, the actual value of the Flight Safety Factor (FFS) on aerodrome was as follows[1]:

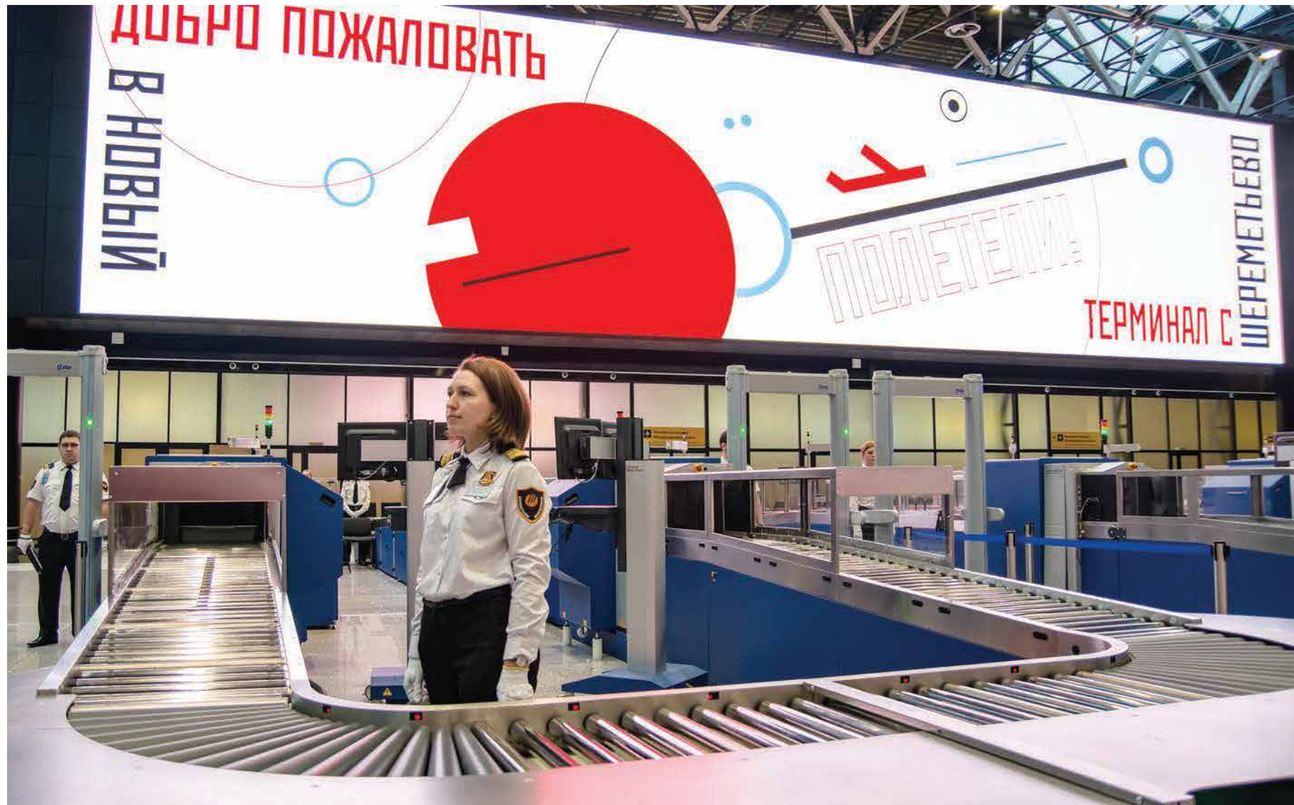
F_{FS} act (actual value) was 2.6 compared to F_{FS} stand (standard value): 2.8.

Flight Safety at Sheremetyevo Airport



During the reporting period, SIA JSC passed a series of inspections carried out by the federal government authorities in the field of civil aviation, as well as by several airlines and foreign organizations. The results of the inspections confirmed an acceptable level of flight safety and air transportation.

The FSCS operation at SIA JSC in 2019 was determined by a number of large-scale changes in the infrastructure and the organization of the airport's activities. The factors affecting the safety of flights were i.a. a large-scale reconstruction of the airport and its facilities, the commissioning of Terminal C and the relevant transfer of flights from the Southern Terminal Complex terminals, the commissioning of RWY-3, the reconstruction of RWY-1 and aprons of the Northern Terminal Complex; structural transformations at SIA JSC, the ongoing establishment of Sheremetyevo Handling LLC and the gradual transfer of commercial aircraft servicing functions to it from SIA JSC and Aeroflot PJSC; an increase in the number of employees with no experience of work in the aerodrome taken on by S&A, as well as an increase in the number of take-off and landing operations and aircraft serviced.



04:00 FINANCIAL REVIEW
04:01 KEY FINANCIAL INDICATORS OF SIA JSC
04:02 PROFIT MARGIN AND REVENUE STRUCTURE

Key Financial Indicators of SIA JSC

Comparative analysis of income, expenses and SIA JSC profit or loss indicators achieved based on RAS, according to SIA JSC accounting (financial) statements under RAS (RUB ths)

Indicator	2019	2018	(+/-) YoY	% YoY
INCOME				
Revenue	39 239 056	31 452 819	7 786 237	24.76
Interest receivable	402 572	363 796	38 776	10.66
Income from shareholdings	2 005 152	2 524 669	-519 517	-20.58
Other income	6 326 017	169 919	6 156 098	3,622.98
Total:	47 972 797	34 511 203	13 461 594	39.01
EXPENSES				
Cost	-12 962 120	-10 642 780	-2 319 340	21.79
Selling and marketing expenses	-43 501	-11 098	-32 403	291.97
Administrative expenses	-3 852 728	-3 132 061	-720 667	23.01
Interest payable	-3 194 041	-3 310 245	116 204	-3.51
Other expenses	-2 559 588	-6 293 936	3 734 348	-59.33
Total:	-22 611 978	-23 390 120	778 142	-3.33
PROFIT AND LOSS				
Gross profit	26 276 936	20 810 039	5 466 897	26.27
Profit (loss) from sales	22 380 707	17 666 880	4 713 827	26.68
Profit (loss) before taxation	25 360 819	11 121 083	14 239 736	128.04
Change in deferred tax assets	-1 077 791	-982 860	-94 931	9.66
Change in deferred tax liabilities	-145 225	64 664	-209 889	-324.58
Other	-41 254	15 215	-56 469	-371.14
Current income tax	-3 616 513	-1 002 175	-2 614 338	260.87
Net profit	20 480 036	9 215 927	11 264 109	122.22

Profit Margin and Revenue Structure of SIA JSC

In 2015–2019, the Company demonstrated the consistent growth in revenue by over 10 % per year: from RUB 22,911 bln in 2015 to RUB 39,239 bln in 2019, and the positive dynamics of EBITDA margin from 45 % in 2015 to 68 % in 2019.

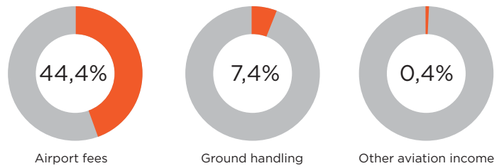
In the Company's income structure, aviation activities account for 52.2 %. In 2019, revenue from aviation activities amounted to RUB 20.493 bln, including airport charges of RUB 17.435 bln, ground servicing of RUB 2.886 bln and other aviation income of RUB 0.172 bln.

Non-aviation activities in the Company's income structure account for 38 % In 2019, revenue from non-aviation activities amounted to RUB 14.886 bln, including leasing of RUB 13.522 bln, utilities of RUB 0.518 bln, other non-aviation operations of RUB 0.846 bln.

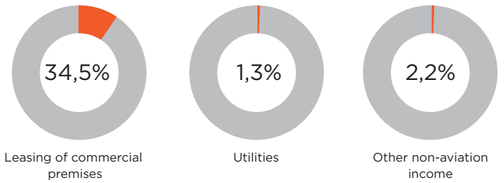
The concession in the company's income structure was 9.8 % — RUB 3.860 bln.

Revenue structure of SIA JSC in 2019

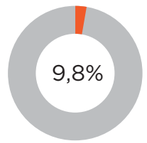
Aviation services



Non-aviation services



Concession



Profit Margin and Revenue Structure of SIA Group

Key profit and loss indicators of SIA Group for 2019 that are calculated under IFRS: revenue has grown by 41.6 % year-on-year to RUB 82.088 bln.

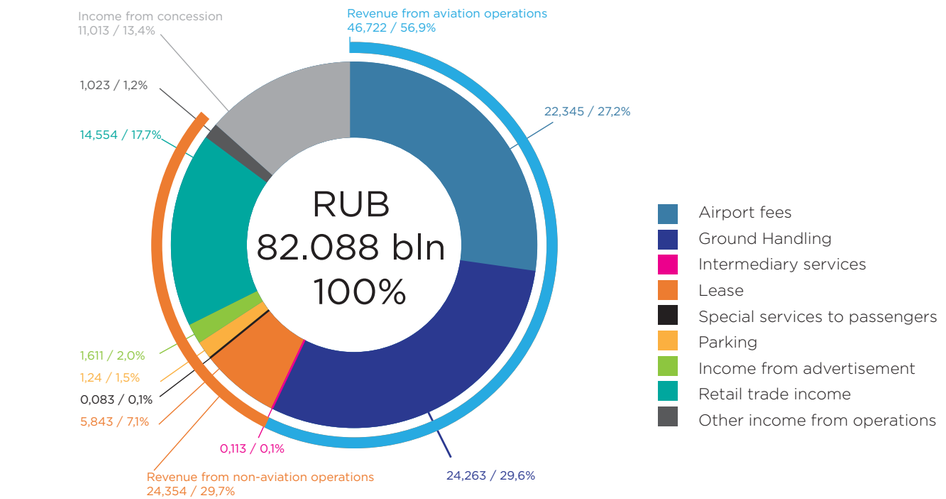
- EBITDA adjustedindicator of SIA Group was RUB 36.909 bln. The margin by this indicator was 49.3 %.
- Operational profit increased by 38.8 % year-on-year to RUB 27.087 bln.

Key consolidated financial indicators (RUB bln)

	2019	2018	Change, %
Revenue	82.088	57.980	41.6
Operational expenses	55.001	38.467	43.0
Operational income	27.087	19.513	38.8
Net profit from continuous operations over the period	22.341	11.021	102.7

In the income structure of SIA JSC, aviation activities account for 57 %. In 2019, the revenue from such activities amounted to RUB 46.722 bln. Non-aviation activities account for 30 % in the Group's structure of income. The corresponding revenue received in 2019 amounted to RUB 24.354 bln. Besides, 13 % of the revenue across the Group — RUB 11.013 bln — was gained by income from concession.

Structure of 2019 consolidated revenue of SIA Group by type of activity (IFRS)



Detailed financial information, including the independent auditor's report, is set out in the Consolidated Financial Statement generated in accordance with the International Financial Reporting Standards and attached to this Annual Report.

05:00 CORPORATE MANAGEMENT
05:01 CONSOLIDATED SIA GROUP
05:02 BASIC DETAILS ON SIA JSC
05:03 SIA JSC OWNERSHIP STRUCTURE
05:04 GENERAL SHAREHOLDER MEETING
05:05 CORPORATE MANAGEMENT STRUCTURE AND BODIES
05:06 BOARD OF DIRECTORS
05:07 MANAGEMENT BOARD
05:08 CORPORATE MANAGEMENT SYSTEM IMPROVEMENT
05:09 SYSTEM OF KEY PERFORMANCE INDICATORS AND TOP MANAGEMENT REMUNERATION
05:10 CONTROL AND AUDIT SYSTEM
05:11 RISK MANAGEMENT SYSTEM

Consolidated SIA Group

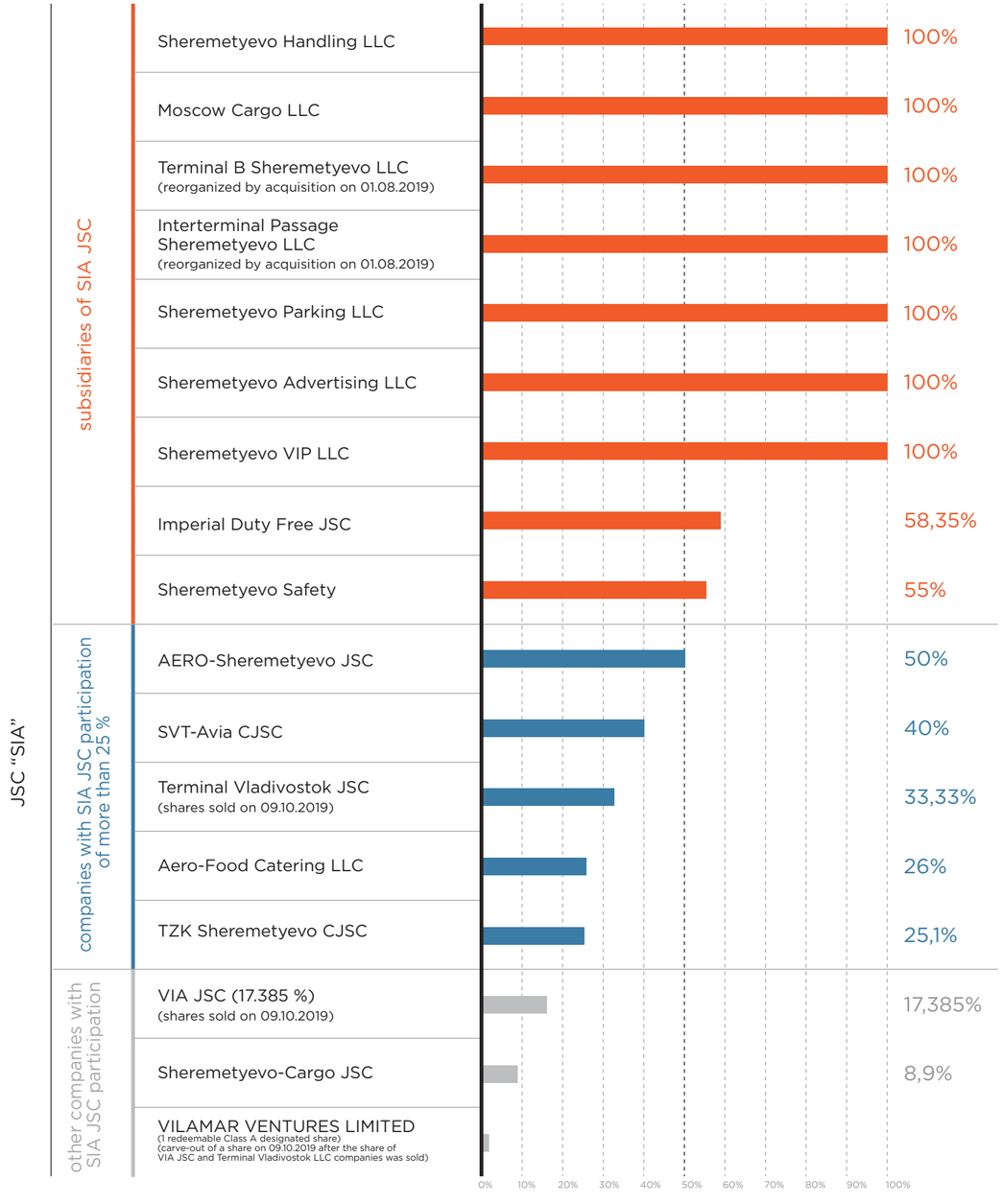
SIA JSC should be construed as a large holding in the aviation services market, which in 2019 was a participant in 9 subsidiaries with a share of more than 50 %, 5 companies with a share from 20 % to 50 % and 3 companies with a share of less than 20 %. The total amount of the contribution to the authorized capital of these organizations as of January 01, 2019 was RUB 95,083 mln (according to RAS accounting data).

The subsidiaries partially owned by SIA JSC are organizations that operate primarily on the territory of the airport and provide services related to passenger, cargo and general transportation services. Most of the companies with the participation of SIA JSC utilize the airport property, either owned or leased.

In 2019, Sheremetyevo Terminal B LLC and Sheremetyevo Interterminal Passage LLC were reorganized in the form of their acquisition by SIA JSC. Further, SIA JSC, based on Contract of Purchase and Sale dated 25.11.2016, conducted the carve-out of the shares of Vladivostok International Airport JSC, Terminal Vladivostok JSC and the redeemable class a designated share of Vilamar Ventures Limited. As of December 31, 2019, SIA JSC was a participant in 7 subsidiaries with a share of more than 50 %, 4 companies with a share from 20 % to 50 %, and 1 company with a share interest of less than 20 %.

The total amount of contributions to the authorized capital of these organizations as of December 31, 2019 was RUB 37,604 mln (according to RAS accounting data).





Basic details on the subsidiaries according to the accounting (financial) statements prepared under RAS

Name	Key areas of activities	Revenue under RAS, RUB ths		
		2019	2018	Gain
SHEREMETYEVO VIP	Organization of air passenger service, including through the design and operation of official delegation lounges, first and business class passenger lounges, maintenance of lounges and rest rooms for air passengers	5 747 118	4 874 653	17,9%
ШЕРЕМЕТЬЕВО ХЭНДЛИНГ	Aircraft and passenger services, including support activities related to air transport	12 130 524	5 306 711	128,59%
ШЕРЕМЕТЬЕВО МОСКВА КАРГО	Cargo handling	5 203 757	3 838 364	35,57%
ШЕРЕМЕТЬЕВО ПАРКИНГ	Lease and management of owned or rented real estate	1 101 762	993 720	10,87%
ШЕРЕМЕТЬЕВО РЕКЛАМА	Advertising activities (mainly by utilizing the advertising space of the airport territory)	1 415 988	2 010 359	-29,57%
SHEREMETYEVO DUTY FREE HEINEMANN	Duty free and duty paid stores management at Sheremetyevo International Airport	14 814 757	13 518 808	9,59%
ШЕРЕМЕТЬЕВО БЕЗОПАСНОСТЬ	Organization and arrangement of transport and aviation security of transport infrastructure facilities and vehicles	5 057 364	4 499 247	12,4%
Terminal B Sheremetyevo LLC	Lease and management of owned or rented non-residential real estate	767 717	456 693	68,10%
Sheremetyevo Interterminal Passage LLC	Lease and management of owned or rented non-residential real estate	437 500	322 097	35,83%

Basic details on SIA JSC

Full company name — Sheremetyevo International Airport Joint-Stock Company. Certificate of Registration No. 005.283 dated July 09, 1996, issued by the Governmental Establishment Moscow Registration Chamber, OGRN No. 1027739374750 assigned by Moscow Interdistrict Inspectorate of the Ministry for Taxes and Levies of Russia No. 39 on October 14, 2002.

The Company is registered in the Moscow region. Location:Sheremetyevo Airport territory, Khimki, Moscow Region, 141400, Russian Federation. Contact number: +7(495) 578-01-11; fax: +7(495) 578-78-83; 737-53-91; e-mail: svo@svo.aero.

The main activity of the Company is airport activities (OKVED 52.23.11), including servicing of aircraft, passengers and cargo of Russian and foreign airlines, as well as leasing and management of owned and rented non-residential real estate (OKVED 68.20.2), provision of non-aviation services to enterprises and organizations operating on the territory of the airport and in the surrounding area, to passengers of the airport.

SIA JSC was registered under No. 227 in the "List of joint-stock companies with the federal participation which ensures strategic interests, defense and security of the state, protection of morality, health, rights and legitimate interests of citizens of the Russian Federation", approved by Decree of the President of the Russian Federation No. 1009 dated August 4, 2004. SIA JSC is also entered under No. 267 into the "List of strategic organizations, as well as federal executive bodies that ensure the implementation of a unified state policy in their respective sectors of the economy", approved by Order of the Government of the Russian Federation No. 1226-p dated August 20, 2009.

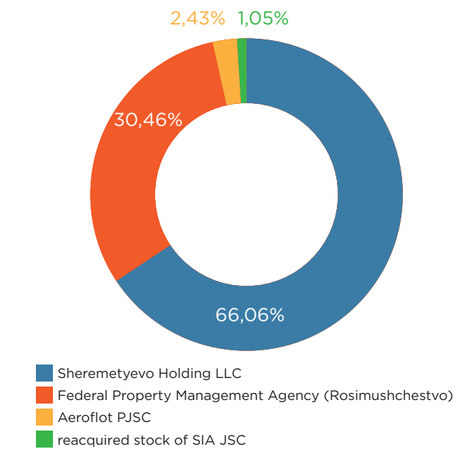
As of December 31, 2019, the staffing level of the Company was 5,060 people.

The Company's authorized capital amounts to RUB 8,490,982,707 (eight billion four hundred and ninety million nine hundred and eighty-two thousand seven hundred and seven rubles). It is divided into 8,490,982,707 ordinary shares with a nominal value of 1 (one) ruble each. The issue of these shares was registered by the Federal Commission for Securities Market on 06.04.2010 under the state registration number 1-01-04511-A. The special right for the Russian Federation to participate in the management of the Company ("golden share") is not supported.

SIA JSC Ownership Structure

As at December 31, 2019, the Russian Federation owned 2,586,564,391 ordinary shares of the Company. Thus, the share of the Russian Federation represented by the Federal Property Management Agency in the authorized capital of SIA JSC was 30.4625 %. Other shares in the authorized capital of SIA JSC were owned by Sheremetyevo Holding LLC (66.0632 %) and Aeroflot PJSC (2.4275 %).

Ownership of SIA JSC as at 31.12.2019



The Company's registrar is VTB Registrar Joint-Stock Company (23 Pravdy Str., Moscow, 127015).

The Company's auditor is Ernst & Young Limited Liability Company (77 bdg. 1 Sadovnicheskaya Emb., Moscow, 115035).

General Shareholder Meeting

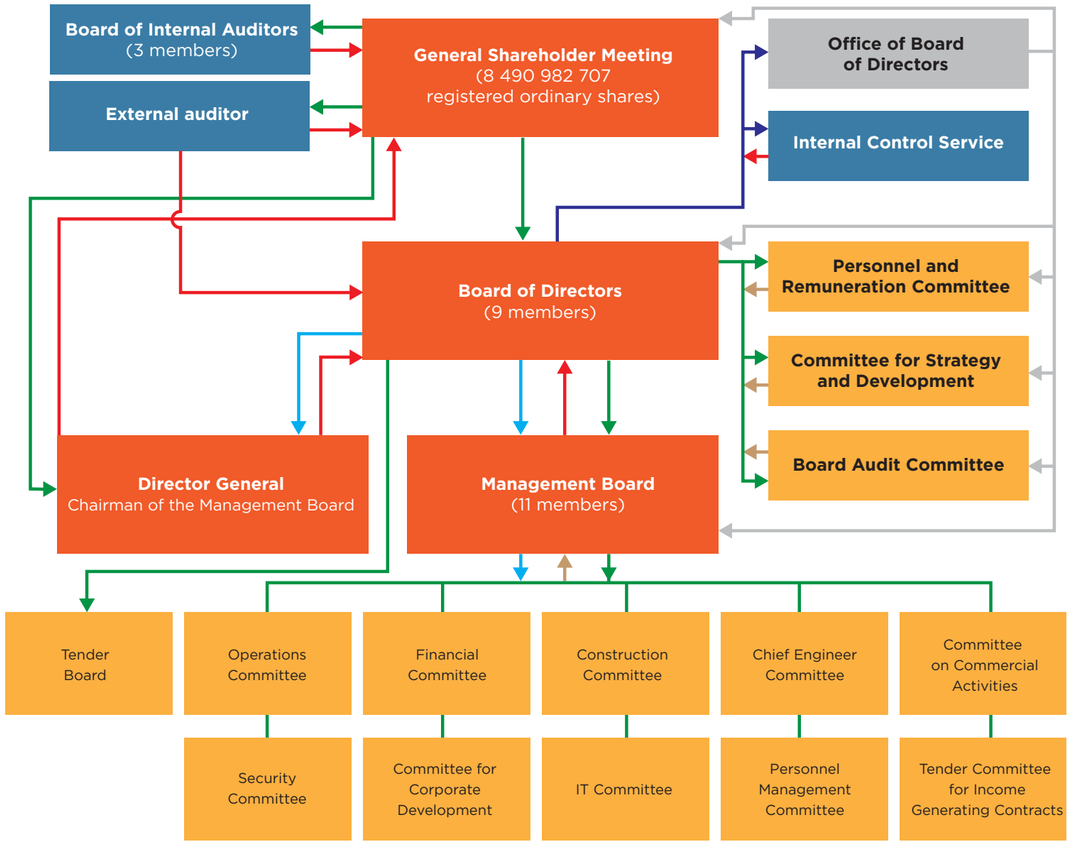
The supreme management body of the Sheremetyevo International Airport Joint-Stock Company is the General Shareholder Meeting.During 2019, one annual and two extraordinary General Shareholder Meetings of SIA JSC were held.

On March 28, 2019, an extraordinary General Shareholder Meeting of SIA JSC was held (Minutes No. 25 dated March 28, 2019). It concerned reorganization of the Sheremetyevo International Airport Joint-Stock Company through joining the Sheremetyevo Terminal B Limited Liability Company and the Sheremetyevo Interterminal Passage Limited Liability Company to the Sheremetyevo International Airport Joint-Stock Company. These subsidiaries were established with the purpose to improve management efficiency for the company's complex construction projects. Hence, the organizations seized to exist as soon as the objects have been commissioned.

On June 24, 2019, the Annual General Shareholder Meeting of the Sheremetyevo International Airport Joint-Stock Company (Minutes No. 26 dated June 24, 2019) was held. At the meeting, Annual Report of SIA JSC for 2018, Annual Accounting (Financial) Statements of SIA JSC and the distribution of profit of SIA JSC as of year-end 2018 were approved, the amount of dividends on shares of SIA JSC as of year-end 2018 were considered, the payment of remuneration to members of the Board of Directors (other than public employees) for their work as members of the Board of Directors was approved in the amount established by internal documents of SIA JSC; the payment of remuneration to members of the Board of Internal Auditors (other than public employees) for their or work in the Board of Internal Auditors was approved in the amount established by internal documents of SIA JSC; lastly, members of the Board of Directors of SIA JSC, members of the Board of Internal Auditors of SIA JSC were elected and the auditor of SIA JSC was approved. In addition, a regular meeting approved a new version of the Regulation on Remuneration of Members of the Board of Directors of the Sheremetyevo International Airport Joint-Stock Company and decided to participate in the Russian Union of Industrialists and Entrepreneurs, the All-Russia Association of Employers.

On October 30, 2019, an extraordinary General Shareholder Meeting of SIA JSC was held (Minutes No. 27 dated October 30, 2019) on the issue of extending the powers of Director General (sole executive body) of SIA JSC.

Corporate management structure and bodies



- Election (re-election) / approval (appointment) / formation of composition;
- Appointment of the head of a division;
- Submission of reports / audit results (recommendations for corrective actions);
- Control of operations;
- Preparation of recommendations;
- Organization and support of operations.

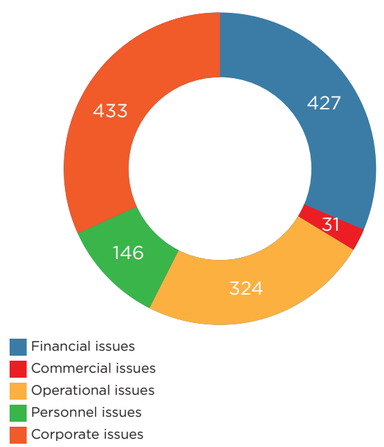
Board of Directors

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

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

During 2019, 22 meetings of the Board of Directors of SIA JSC were held (12 meetings in a form of attendance and 10 meetings by absentee voting). At the meetings of the Board of Directors, 1,361 agenda items were considered in 2019. In the reporting period, there was a 38 % increase in the frequency of the meetings of the Board of Directors as compared to 2018 (16 meetings) and a 17 % increase in the number of issues considered (1,167 issues in 2018).

Structure of agendas of the Board of Directors meetings in 2019



Committees of the Board of Directors of SIA JSC preview the most important issues assigned to the competence of the Board of Directors of SIA JSC and submit recommendations for the Board of Directors to make decisions on such issues. Pursuant to the decisions of the Board of Directors, three committees were established and currently operate in the Company:

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

During 2019, 47 meetings of the committees of the Board of Directors were conducted. Of these, there were 13 meetings of the Audit Committee of the Board of Directors; 16 meetings of the Personnel and Remuneration Committee of the Board of Directors, and 18 meetings of the Committee for Strategy and Development of the Board of Directors. In total, 1,527 issues were considered at the meetings of the committees of the Board of Directors in 2019.

Similar to the meetings of the Board of Directors, there was a 18 % increase in the frequency of the meetings of committees of SIA JSC Board of Directors as compared to 2018 (40 meetings) and a 16 % increase in the number of issues considered at the meetings (1,313 issues in 2018).

Composition of the Board of Directors of SIA JSC (as of 31.12.2019)



Alexander
A. PONOMARENKO

Born in 1964.

Graduated from Ordzhonikidze State Academy of Management (Moscow) in 1997 with a Candidate of Economics degree.

In 2001, he received a Doctor of Economics degree at the Academy of Labor and Social Relations.

At the time of election to the Board of Directors of SIA JSC, he was Chairman of the Board of Directors of Sheremetyevo Holding LLC.

From June 2, 2016 to the present day, A.A. Ponomarenko has performed duties of Chairman of the Board of Directors of SIA JSC.



Mikhail
M. VASILENKO

Born in 1960.

In 1981, he graduated with honors from Frunze Leningrad High Command School of Railroad Troops and Military Communications with a major in Air Transportation Operations Engineering.

In 1992, he graduated from Lenin Military Academy of Support Systems and Transport with a gold medal.

At the time of election to the Board of Directors of SIA JSC, he was Director General of SIA JSC and has held this position to the present day.



Roman
N. ZINOVYEV

Born in 1977.

In 1999, he graduated from Polzunov Altai State Technical University with a major in World Economics.

In 2002, he completed a postgraduate course in Management of National Economy Sectors.

In 2004, he graduated from Polzunov Altai State Technical University with a major in Financial Management of Organizations.

At the time of election to the Board of Directors of SIA JSC, he was President of Sheremetyevo Holding LLC and has held this position to the present day.



Lyubov
R. NISENBOYM

Born in 1975.

In 1996, she graduated from Russian State University for the Humanities with a major in Economics.

In 2014, she took a degree in MBA (Master of Business Administration) at Kellogg-WHU Executive MBA with a major in Strategic Consulting and Investment Analysis.

At the time of election to the Board of Directors of SIA JSC, she held the position of Managing Director of the Analytical Center under the Government of the Russian Federation, independent noncommercial organization, and continues to perform her duties in this position.



Ilya S.
PETROV

Born in 1973.

In 1995, he graduated from Lomonosov Moscow State University with a major in Jurisprudence. Holds a Candidate degree in Legal Sciences.

At the time of election to the Board of Directors of SIA JSC, he was Deputy Head of Federal Property Management Agency, and continues to perform his duties in this position.



Alexander
I. SKOROBOGATKO

Born in 1967.

In 1994, he graduated from Slavic State Teacher's Institute.

In 1996, he graduated from Plekhanov Russian Academy of Economics, Master of Economics.

In 1998, he was awarded the Candidate of Legal Sciences degree (St. Petersburg Academy of the Ministry of Internal Affairs of Russia).



Alexey S. SMAGIN

Born in 1981.

In 2003, he graduated from Lomonosov Moscow State University with a major in ‘Mathematics. Applied Mathematics.’

In 2014, he was awarded a degree of MBA (Master of Business Administration) at Warwick Business School, UK.

At the time of election to the Board of Directors of SIA JSC, he was First Vice President and Investment Director of Sheremetyevo Holding LLC and continues to perform his duties in this position.



Alexander A. YURCHIK

Born in 1957.

In 1978, he graduated from Frunze Leningrad High Command School of Railroad Troops and Military Communications with a major in Command Tactical Operation of Railways.

In 1989, he graduated from Lenin Military Academy of Support Systems and Transport with a major in Command and Staff Operational and Tactical military communications.

In 1997, he graduated from State Academy of Management after Sergo Ordzhonikidze with a major in Management.

At the time of election to the Board of Directors of SIA JSC, he was Deputy Minister of Transport of the Russian Federation.



Vadim V. YAKOVENKO

Born in 1970.

In 1995, he graduated from Kuban State University with a degree in Law.

At the time of election to the Board of Directors of SIA JSC, he was Head of Federal Property Management Agency, and continues to perform his duties in this position.

Management Board

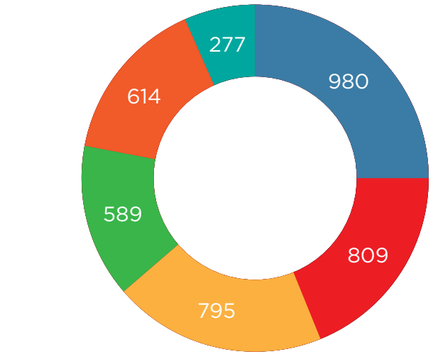
Pursuant to the Articles of Association of SIA JSC, the management of day-to-day operations of the Company is performed by the Management Board of SIA JSC — a collegial executive body, and Director General of SIA JSC — a sole executive body, who is the Chairman of the Management Board of SIA JSC by virtue of his office. Pursuant to Clause 17 of the Articles of Association of SIA JSC, the Management Board is elected by the Board of Directors for the term of office of maximum 3 years; the number of members of the Management Board is determined by the Board of Directors.

By the Resolution of the Board of Directors dated June 27, 2018 (Minutes No. 251), the membership of the Management Board of SIA JSC was defined as consisting of 11 members for the period from July 1, 2018 to June 30, 2019.

By the decision of the Board of Directors dated March 27, 2019 (Minutes No. 265), the new composition of SIA JSC Management Board of 11 members for the period from April 1, 2019 to June 30, 2019 was approved. This composition of members was re-approved by the decision of the Board of Directors on June 26, 2019 (Minutes No. 271) for the period from July 1, 2019 to March 31, 2022.

The meetings of the Management Board of SIA JSC are held weekly. There were 54 meetings arranged in 2019. During the reporting period, SIA JSC Management Board considered 5,071 issues (of these, there are 4,064 agenda items considered at the meetings and 1,007 reports were issued by the orders of Management Board of SIA JSC); 834 agenda items were not approved at the meetings of SIA JSC Management Board (21 %).

Structure of the Agenda of SIA JSC Management Board meetings in 2019



Director General

Pursuant to the Articles of Association of SIA JSC, appointment to the position of Director General and termination of such appointment falls within the competence of the General Shareholder Meeting of SIA JSC. Since 2005, Mikhail Mikhailovich Vasilenko has been Director General of SIA JSC. By the Resolution of the Extraordinary General Shareholder Meeting of SIA JSC dated October 30, 2019 (Minutes No. 27), the authorities of M.M. Vasilenko were extended from November 8, 2019 for three years. By the resolution of the General Shareholder Meeting, Director General is a member of the Board of Directors of SIA JSC. In his work, Director General is subordinate to the General Shareholder Meeting and the Board of Directors of SIA JSC.

Composition of the Management Board of SIA JSC (as of 31.12.2019)



Mikhail M. VASILENKO
Director General

Born in 1960.

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

In 1977–1998, M.M. Vasilenko served in the Armed Forces: in 1981–1983, he served as Military Transportation Officer in Kabul Airport (awarded a Medal for Combat Service (1982)); in 1983–1989, he was Military Transportation Officer in Tashkent Airport; in 1992–1998, he was Head of Military Transportation on air routes of the Republic of Komi, the Republic of Tatarstan, Bashorkostan and the Privolzhsky Directorate of Civil Aviation. In 1998–2000, he held the position of Deputy Director for Corporate Matters, Samara International Airport JSC; in 2000–2003, he was Vice-President of Samara Aviation Group. In December 2004, he was appointed Deputy Director General for Commercial Matters of SIA JSC, and in May 2005 — Director General of SIA JSC.

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

In 2010, he was awarded the Order of Honor by Presidential Decree, and early in 2019, he was awarded the Order of Friendship. He was ranked 1st amongst top management of transportation companies in the Top 1000 Russian Managers, a rating of Kommersant newspaper and the Association of Managers, for 2015, 2016, and 2017.



Andrey O. NIKULIN
First Deputy Director General for Production

Born in 1977.

In 1996, he graduated from St. Petersburg Aviation Transportation College of Civil Aviation with a major in Navigation and Air Traffic Control.

In 2000, he graduated from St. Petersburg Academy of Civil Aviation with a major in Aircraft Operation and Air Traffic Management.

In 2004, he completed postgraduate studies at St. Petersburg Academy of Civil Aviation, having passed qualifying examinations for the Candidate's degree.

In 2005–2007, he was Senior Lecturer of the Department for Air Traffic Management of St. Petersburg State University of Civil Aviation.

In September 2009, he completed advanced training at St. Petersburg State University of Civil Aviation under the program for aviation personnel responsible for the safety of civil aviation flights.

In 2015, he received his second graduate degree at St. Petersburg State University with a major in Management.

In 2007–2009, he worked as a Shift Manager for Vnukovo Airport OJSC.

In 2009–2012, he held the position of Director of the Directorate for Passenger Carriage Organization at SIA JSC.

In 2012–2014, he was Director of Ground Support Directorate of Aeroflot — Russian Airlines OJSC.

Since April 2014, he has worked on the position of First Deputy Director General for Operations of SIA JSC.

In 2019, he was awarded the second-class medal of the Order of Merit for the Fatherland.



Victor E. ERMAKOV
Deputy Director General for Security

Born in 1971.

In 1993, he graduated from Chelyabinsk Air Force Academy for Flight Navigators with a major in Flight Navigator of Tactical Aviation.

In 1998, he graduated from Novosibirsk Institute for Retraining and Enhancement of Qualification of Employees of the Russian Federal Security Service with a major in Law Enforcement Intelligence Operations.

In the same year, he underwent courses for retraining and qualification enhancement in International Law at Novosibirsk Financial Academy.

In 2008 and 2014, he passed qualification enhancement courses of ICAO State Scientific and Research Institute of Civil Aviation.

From August of 1989 till November 2008, he served military obligations in the Ministry of Defense and the Russian Federal Security Service as an officer, senior officer (colonel).

In 2008–2015, he worked as a Deputy Director General for the Aviation Security Regime in Sochi International Airport OJSC.

From January 15, 2015 on, he has worked as Deputy Director General for Security for SIA JSC.

In 2002, by Order of the Russian President, he was awarded the second-class medal of the Order of Merit for the Fatherland.



Dmitriy A. KAIGORODOV
Deputy Director General for Management of Airport Terminals and Servicing of Special Flights

Born in 1985.

In 2007, he graduated from St. Petersburg State University of Civil Aviation with a major in Organization of Carriages and Management in Air Transportation.

In 2010, he graduated from St. Petersburg State University of Civil Aviation with a major in Economics and Enterprise Management (Transport Enterprises).

In 2006–2009, he worked as a Shift Manager for Vnukovo Airport OJSC.

From 2009 to 2014, he made his way up from Head of the Baggage Claim Department to Director of the Directorate for Passenger Transportation at SIA JSC.

From April 2014 to December 2014, he held the position of Deputy Director General for Transportation Organization at SIA JSC.

In December 2014, he held the position of Deputy Director General for Passenger and Aircraft Maintenance at SIA JSC.

From January 2018, he has held the position of Deputy Director General for Management of Airport Terminals and Servicing of Special Flights at SIA JSC.



Viktor V. KOBYLKO

Deputy Director General for Flight Safety and Ground Support

Born in 1968.

In 1990, he graduated from Armavir Red Banner Air Force Academy for Pilots named after Air Chief Marshal Kutakhov.

In 1986–2002, he served in the Armed Forces.

In 2003, he underwent professional retraining at Moscow Academy of State and Municipal Management under the President of the Russian Federation with a major in State and Municipal Management.

In 2003, he was hired as an aerodrome operations engineer for operational shifts of the Airfield Service at Sheremetyevo International Airport JSC.

In 2005–2017, he held the positions of aerodrome operations engineer for operational shifts, leading engineer and Head of the Aerodrome Operations Department, Head of the Department — Chief Engineer of the Aerodrome, Head of Aerodrome Service of SIA JSC.

From March 2018 on, he has been Deputy Director General for Flight Safety and Ground Support of SIA JSC.



Denis V. NUZHDIN

Deputy Director General for Corporate Development

Born in 1979.

In 2002, he graduated from Military University with a major in Jurisprudence.

In 2008, he graduated from Russian Foreign Trade Academy of the Ministry of Economic Development of the Russian Federation with a major in World Economy.

In 2003–2005, he worked as Head of the Arbitration Division for ANEX Law Company CJSC.

In 2005, he held the position of Head of the Legal Department at TMK Innovations LLC.

In 2005–2007, he worked as a Legal Adviser and Head of the Legal Department for Domodedovo Development CJSC. In 2007–2010, he was Head of the Legal Support Department, Director of Legal Support in Russia at Airport Management Company Limited.

In 2010, he worked as a representative of Domodedovo Development Limited in the Russian Federation.

In 2010–2018, he held the positions of Director of the Methodological Department, Chief Executive Officer, Managing Director-Deputy Director of the Airport, Director for External Relations at the Airport Management Company Limited in the representative office in Russia.

In 2018–2019 — Director for Strategic Analysis and Development, Director for Business Development at United Aircraft Corporation PJSC.

From May 1, 2019 on, he has worked as Deputy Director General for Corporate Development for SIA JSC.



Alexander P. OLEYNIK

Deputy Director General for Economics and Finance

Born in 1974.

In 1997, he graduated from Plekhanov Russian Academy of Economics with a major in Finance and Credit. Ph.D. in Economics.

Until 2009, he worked for various banking structures.

In 2009–2012, he worked as Deputy Head of the Department for Fuel and Energy Management of Moscow.

He was awarded the civil service 2 class rank of State Councilor of the city of Moscow.

From November 14 to 30, 2012, he worked as an adviser to Director General of SIA JSC.

Since December 1, 2012, he has worked as Deputy Director General for Economics and Finance for Sheremetyevo International Airport JSC.



Ivan V. LYSENKO

Deputy Director General — Chief Engineer

Born in 1978.

In 2000, he graduated from Moscow State Institute of Electronic Technology with a major in Management.

In 2014, he graduated from Moscow State University of Civil Engineering with a major in Urban Construction and Agriculture.

From 2003 to 2004, he worked as a senior engineering economist for Spurt, State Unitary Enterprise Scientific and Production Center.

In 2004–2005, he worked as a Leading Specialist in property insurance, Head of Vehicle Insurance Department for Granit-Polis Insurance Company LLC.

In 2004–2005, he worked as a Design Engineer and Technical Director for Instal-Titan CJSC.

Since 2005, he has worked for SIA JSC as an assistant to Deputy Director General for infrastructure, Head of the Ground Maintenance Service, Chief Engineer of the Engineering and Technical Directorate, Director of the Directorate for Engineering Systems and Technical Operation of Buildings and Structures.

Since 2019, he has been appointed to the position of Deputy Director General — Chief Engineer of SIA JSC.

The following members withdrew from SIA JSC Management Board in connection with their discharge from SIA JSC: from October 10, 2019 — D.S. Pashkovsky, from October 18, 2019 — A.A. Yakovleva, from November 13, 2019 — I.V. Gaponov.

Corporate Management System Improvement

Following the results of 2019, members of the Board of Directors of SIA JSC conducted a self-assessment of the performance of the Board of Directors and its committees. Members of the Board of Directors noted that the Company's corporate management is in essence in conformity with the best Russian and foreign practices, the shareholders' rights are fully secured. The competences of the General Shareholder Meeting, the Board of Directors and sole executive body are separated clearly and optimally.

According to the members of the Board of Directors, the strengths of the Company's corporate management are as follows:

- a multi-layered system of corporate management (committees of the Management Board — Management Board — Committees of the Board of Directors — Board of Directors);
- excellent processes for organizing and holding the meetings of the Board of Directors and its committees;
- high quality of the materials provided and a high level of detail;
- high level of document flow automation.

Active involvement of members of the Board of Directors in the work of the Board of Directors, and the ability to pay particular attention to key tasks of the Company were named as strengths of the work of the Board of Directors.

As for the strengths of the committees of the Board of Directors of SIA JSC, it is the detailed elaboration of issues before their submission for consideration to the Board of Directors.

System of Key Performance Indicators and Top Management Remuneration

The system of remuneration of members of SIA JSC Management Board is recorded in the Regulation on Key Performance Indicators of SIA JSC approved by the Resolution of the Board of Directors dated April 24, 2019, Minutes No. 267 (before May 01, 2019, the document was effective in the version approved by the Board of Directors on February 27, 2019, Minutes No. 262).

The system of remuneration of Management Board members includes:

- bonuses based on the key performance indicators (KPIs) for the year;
- long-term bonus awards;
- one-time bonuses for completing additional KPIs.

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

Only corporate KPIs shall be set with regard to awarding a long-term bonus with a reporting period of 3 years.

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

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

Corporate indicators for awarding an annual bonus should be significant within the framework of the Company, limited in quantity, reflect the financial success of the Company and be other than strictly static.

Individual indicators for awarding an annual bonus may be: financial and economic, industry-specific, innovative, functional, project-specific, etc. The number of individual indicators is determined by the Company's Board of Directors.

KPIs for members of the Management Board for 2019 were approved by Resolution of the Board of Directors dated January 30, 2019 (Minutes No. 260):

- a common EBITDA adjusted (with an indicator weight in the overall system of KPIs: Chairman of the Board — 100 %, the remaining board members — 50 %) was approved as the corporate KPI for each member of the Management Board;
- a single indicator, Assessment of the Board of Directors with an indicator weight in the entire 2019 KPI system of 50 % was approved as the individual KPI for each member of the Management Board. This indicator is calculated based on the performance of members of SIA JSC Management Board pursuant to two indicators: Qualitative Assessment (30 %), Innovative KPI (10 %) and Integrated KPI of HR Security (10 %). The performance of these indicators is calculated according to the methods approved by the Board of Directors (Decision of the Board of Directors dated 27.02.2019, Minutes No. 262).

The Company's approved budget, the long-term development program, and investment program are used to calculate the planned KPI value. KPI values and their weights can change from one planning period to another, in such a way stimulating the development of the Company's business in the required direction.

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

Target values set for the current calendar year are not subject to adjustment, and deviations from target values are to be explained in detail by members of the Management Board to the Company's Board of Directors. The Board of Directors performs annual analysis of Company's KPIs achievement together with the analysis of the annual report on activities, budget and business plan execution and the accomplishment of strategic goals. Prior to a meeting of the Board of Directors, KPI achieving results are considered (annually) at the meetings of the Personnel and Remuneration Committee of the Board of Directors in order to elaborate the respective suggestions and recommendations.

To confirm the accuracy of the information provided to the Board of Directors of the Company and specialized committees of the Board of Directors (to verify the correctness of KPI calculations and the bonus amount for the members of the Management Board), the Internal Control Service of the Company is involved. In order to control the results of the accomplishment of KPIs set by the Company's Board of Directors, the latter reviews intermediary results of KPI achievement on a quarterly basis.

KPI accomplishment results of members of the Management Board for 2019 were approved by the Resolution of the Board of Directors dated May 25, 2020, Minutes No. 284. The total remuneration paid to the executive bodies of SIA JSC for their work in 2019 was approved by the Resolution of the Board of Directors (Minutes No. 284) and amounts to RUB 197,128,041. Pursuant to the resolutions of the Board of Directors, the remuneration of the Company's Director General amounted to 22 % of the total remuneration amount paid to SIA JSC Management Board for 2019. The annual bonus for 2019 will be paid to members of the Management Board in 2020 within the limits of the salary fund approved for 2019.

In addition to the remuneration paid to members of the Management Board, remuneration was also paid to the members of the Board of Directors who are not public employees. It is calculated based on the basic rate of remuneration for work in the Board of

Directors using additional coefficients for the chairmanship (including managing a particular Committee of the Board of Directors) and the main coefficients that reflect the immediate presence of a member of the Board of Directors at the meetings of the Board and its committees. Based on the results of work for the 2018–2019 corporate year, the Annual General Shareholder Meeting of SIA JSC dated June 24, 2019 (Minutes No. 26 dated 24.06.2019) decided to pay remuneration to the members of the Board of Directors of SIA JSC (six persons), who are not public employees, for the total amount of RUB 33,822,999.28. The increase in the total remuneration of members of SIA JSC Board of Directors against 2017–2018 corporate year was 10 %. The decision to pay remuneration to members of the Board of Directors of SIA JSC for performing the duties of SIA JSC Board of Directors in the 2019–2020 corporate year will be made at the Annual General Shareholder Meeting in 2020.

Control and Audit System

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

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

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

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

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

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

Amongst the principal tasks of the Internal Control Service is assessment of the risk management system efficiency and the internal control system, which represents an aggregate of the Company's organizational structure, local statutory documents, corporate culture standards and procedures designed to ensure sufficient guarantees of achievement of the Company's goals and support of the management and employees of business units in decision-making in the context of uncertainty. The Company implements and develops a comprehensive system of risk management and internal control.

Assessment of the risk management system efficiency shall be performed by verifying the sufficiency and maturity of elements of the Risk Management System for the effective management of risks, verifying the completeness of detection and the correctness of assessment of risks by the Company's Management, verifying the efficiency of risk management measures, and analyzing information on materialized risks.

Pursuant to recognized Russian and international practices and standards, internal control works toward the objectives set for it in such key areas as assessment of the efficiency of the internal control system, assessment of the efficiency of the risk management system and assessment of corporate management.

Assessment of the internal control system efficiency includes:

- analyzing the conformity of goals of business processes, projects and business units with the goals of the companies within the Sheremetyevo Group and verifying the efficiency, reliability and integrity of business processes (activity) and information systems, including the reliability of procedures for countering unlawful acts, misuse and corruption;
- verifying the reliability of accounting (financial), tax, statistical, management and other reporting and determining whether the activity results for business processes and business units of the companies within the Sheremetyevo Group meet the established goals;
- determining the adequacy of criteria set by the Management for the analysis of the degree of execution (achievement) of the established goals;
- detecting defects in the internal control system that affect the achievement of goals by the companies within the Sheremetyevo Group;
- assessing the introduction (implementation) results of measures for the elimination of breaches and defects and improvement of the internal control system to be implemented by the companies within the Sheremetyevo Group on all levels of management;
- verifying the efficiency and expediency of resource exploitation;
- verifying the correctness of calculation (withholding) and the completeness and timeliness of the payment (transfer) of taxes, fees and insurance premiums;
- verifying the safeguarding of assets;
- verifying the compliance with the requirements of legislation, the Articles of Association and statutory by-laws of the Sheremetyevo Group.

Assessment of the risk management system efficiency includes:

- assessing the sufficiency and maturity of elements of the risk management system for effective risk management (goals and objectives, infrastructure, including the organizational structure, automation tools, organization of processes, statutory methodological guidelines, interaction of business units within the risk management system, etc.);
- verifying the completeness of detection and the correctness of assessment of risks by the Management on all levels of management by the companies within the Sheremetyevo Group;
- verifying the efficiency of control procedures and other risk management measures, including the efficiency of the exploitation of resources allocated for such purposes;

- analyzing information about materialized risks (including risks detected following the results of verification of violations, failure to achieve established goals, court proceedings and other facts).

Assessment of corporate management includes:

- verifying the compliance with ethical principles and corporate values of SIA JSC and other companies within the Sheremetyevo Group;
- verifying the procedure for setting the goals of SIA JSC and other companies within the Sheremetyevo Group, and monitoring/control of their accomplishment;
- verifying the level of the statutory base for and procedures of information interaction (including matters related to risk management and internal control) on all levels of management, including interaction with stakeholders;
- verifying the assurance of the rights of shareholders, including affiliated companies, and the efficiency of interactions with stakeholders;
- verifying the procedures for disclosure of information about the activity of SIA JSC and affiliated companies.

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

Risk Management System

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

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

- ensuring the implementation of the Company's strategy;
- timely adaptation of the Company to the changes in the internal and external environment;
- ensuring the efficient functioning of the Company, its sustainability and its development prospects.
- The principles underlying the risk management system are uniform and have been accepted and observed at all levels of the Company:

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

Integration principle — means managing the entirety of the Company's risks, including analysis of the consolidated risk portfolio at the Company level.

Individual responsibility principle — a particular executive officer is responsible for a particular risk; thus, risk management powers are delegated to business units responsible for a particular risk. Risk management procedures are embedded in business processes and the document flow of each business unit and are linked to the locations (business processes) where risks arise.

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

Economic expediency and efficiency principle — the risk management system corresponds to the size, organizational structure and the scope of the Company's objectives. Risk management processes are financed on a rational basis, with the most appropriate allocation of funds. The response to risk is chosen with due regard for the assessment of the decision's efficiency: the cost of risk management measures shall not exceed the size of the measure's effect (the amount of risk level mitigation).

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

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

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

First, compliance with requirements and standards. The Company's risk management conforms to the legislative requirements of the Russian Federation. In the area of risk management, the Company is also guided by advanced international standards and requirements set by the international investment community for the structure, functions, goals and objectives of contemporary corporate risk management.

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

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

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

materialization probability) and the degree of the potential damage for the Company (degree of the event's effect on the Company's performance indicators). Based on the assessments, crucial risks of the Company are detected and ranked;

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

Fourth, building a corporate culture of risk management in the Company. Top management ensures the distribution of knowledge and skills related to risk management in the Company, promotes training on risk management fundamentals and encourages the formation of a corporate culture based on risk responsive management. Each employee is aware of risks and opportunities which the Company's business encounters is extensively involved in the process of risk identification and assessment and is capable of choosing effective methods of risk response. Assessment of the risk management system efficiency in SIA JSC, alongside with assessment of the efficiency of the corporate management processes and the



internal control system, are one of main objectives of the Internal Control Service of SIA JSC.

For the purposes of establishing uniform principles for the formation of the risk management system, its goals and objectives, overall approaches to the organization and distribution of responsibility between participants of the risk management system and the nature of their interaction in the Company, the Regulation "On the Risk Management System of Sheremetyevo International Airport JSC" approved by the Board of Directors of SIA JSC (Minutes No. 269 dated May 29, 2019) is effective in the Company.

The Regulation on the Risk Management System was elaborated pursuant to the Methodological Guidelines for the Preparation of the Regulation on the Risk Management System elaborated by Rosimushchestvo within the framework of the Methodological Guidelines for Preparation of Statutory By-laws Regulating the Activity of Public Corporations and a Public Company, as well as Open Joint-Stock Companies Specified in Executive Order of the Government of the Russian Federation No. 91-p dated January 23, 2003 (Instruction of the Government of the Russian Federation No. ИШ-П13-1818 dated March 23, 2015) approved by Instruction of the Government of the Russian Federation No. ИШ-П13-4148 dated June 24, 2015.


САНКТ-ПЕТЕРБУРГ
SHEREMETYEVO
INTERNATIONAL AIRPORT
2024
1
Ряд
Row
3
Ряд
Row
4
Ряд
Row
333 - 348
报到

06:00 SOCIAL RESPONSIBILITY
06:01 CORPORATE VALUES
06:02 PERSONNEL OF SIA JSC
06:21 NUMBER AND COMPOSITION
06:22 STAFF RECRUITMENT
AND PRELIMINARY TRAINING
06:23 CORPORATE UNIVERSITY AND TALENT POOL
06:24 INCENTIVE SYSTEM
06:25 COLLECTIVE AGREEMENT
AND BENEFITS PACKAGE
06:26 OCCUPATIONAL HEALTH AND SAFETY
06:03 ENVIRONMENT AND RESOURCE SAVING
06:31 ENVIRONMENT
06:32 RESOURCE SAVING
06:04 SOCIAL ASPECTS OF PASSENGER SERVICE
06:41 FOCUS ON PASSENGERS WITH CHILDREN
06:42 CREATION OF BARRIER-FREE ENVIRONMENT
06:43 CHINA FRIENDLY PROGRAM
06:44 CREATING A FRIENDLY ATMOSPHERE
AT THE AIRPORT
06:05 PROMOTING LOCAL COMMUNITIES
DEVELOPMENT
06:51 DEVELOPMENT OF INFRASTRUCTURE
ON THE TERRITORY OF PRESENCE
06:52 CHARITY
06:06 GOOD BUSINESS PRACTICES
06:61 PROCUREMENT PROCEDURES
06:62 ANTI-CORRUPTION SYSTEM

Corporate Values

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

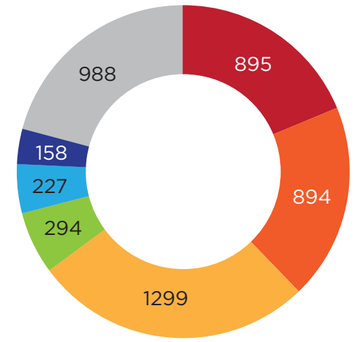
- high quality of services. We believe that we can honorably represent our country; therefore, quality is a key element of all our operations. We ensure a high technological level and service culture, as well as comfort and safety for our passengers. We try to work in such a way that our guests would leave the airport in good mood;
- professionalism and efficiency. We appreciate the high professionalism of our employees and their commitment to a common goal, their readiness to resolve challenges and to assume responsibility. We believe that most of our employees aim to work well, and we are ready to provide fair remuneration to those who achieve high results;
- respect and fairness. We want each employee of the airport to feel the fairness of treatment, respect for workers and pride in the airport's operations. We strive to create an atmosphere of cooperation, honesty and openness amongst our staff members. But we believe that we should take tough measures with respect to those who are unable to cope with their work, display negligence and indifference, or refuse to enhance their professional level;
- responsibility and reliability. We are a reliable partner of airlines and we strive to form trust-based and transparent relations with them. We ensure a uniform approach towards our partners. We fulfill our obligations with honesty and responsibility.

Personnel of SIA JSC

Number and Composition

In 2019, the average number of employees of the Sheremetyevo Group was 18,055 people, including 1,796 of administrative staff and 16,258 of operational staff. In the same year, the average number of employees of the parent company, Sheremetyevo International Airport JSC, was 4,363 people. Compared to 2018, the number increased by 3.7 % due to the preparation for the commissioning of Terminal C, RWY-3 (the third runway), as well as the centralization of the functions of SIA JSC to ensure aviation and transport security of SIA JSC and the Group.

Number and composition of SIA JSC personnel as of year-end 2019, people



In 2019, the proportion of male employees in the parent company SIA JSC was 66 %, and of female ones, 34 %, respectively. This proportion is almost unchanged compared to 2018. The average age of employees remained at about the same level too: 43 years. As of December 31, 2019, the average employment period of enterprise employees was 9 years, with 32 % of the employees who have worked at the airport for more than 10 years. In 2019, the staff turnover rate in SIA JSC was 12 %, which is slightly above the previous year level (10.4 %)..

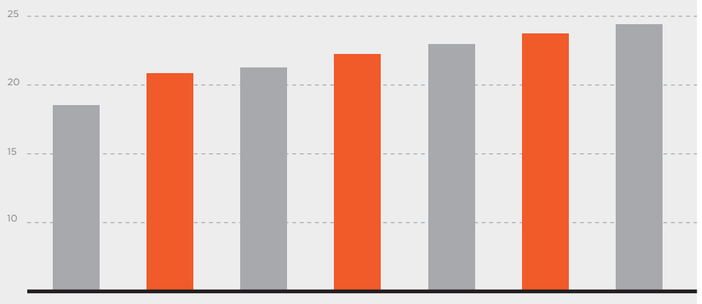
Staff Recruitment and Preliminary Training

Sheremetyevo Airport is the leader in quality service focused on the development of its infrastructure. Our employees play the most important role in these processes. As a rule, the requirements for a position in the airport team are stricter than standard and suggest higher qualifications. We would like our employees to be ambitious and proactive professionals with a desire to achieve the best results.

According to the airport development program, the number of employees of SIA JSC and its functional subsidiaries will increase from 18.2 ths in 2019 to 24.6 ths in 2025..

SIA Group plans to increase the number of employees to 24.6 ths by 2025

SIA and S&A	2019	2020	2021	2022	2023	2024	2025
SIA JSC	4630	4981	4981	4981	5146	5127	5332
Sheremetyevo VIP LLC	685	762	762	762	734	717	794
Sheremetyevo Handling LLC	5119	6067	6411	6740	7098	7343	7598
Moscow Cargo LLC	2185	2306	2934	3020	3084	3151	3207
Sheremetyevo Parking LLC	221	254	254	254	254	254	254
Sheremetyevo Advertising LLC	41	42	42	42	42	42	42
Imperial Duty Free JSC	1610	2142	2156	2249	2396	2497	2706
Sheremetyevo Security JSC	3800	4208	4240	4263	4380	4518	4669
TOTAL	18291	20762	21780	22310	23134	23648	24602



In 2019, recruitment was focused mainly on staffing the new Terminal C. During the year, more than 1,400 people were hired, of whom 519 were employed in the positions related to the operation of Terminal C. New employees were recruited for work in the aerodrome Directorate, the Aircraft Ground Control Service, the Technical Operation Service of the STC and NTC, the Terminal Building Management Directorate, the Information Service, the Service for Passengers with Disabilities, and the Medical and Sanitary Unit.

In 2019, Sheremetyevo Airport was ranked 33rd among TOP 50 most trustworthy employers in Russia, according to Forbes. Sheremetyevo received higher ratings for the level of wages compared to other Moscow airports. In terms of the level of training, Sheremetyevo was among top twenty.

Sheremetyevo International Airport extensively cooperates with specialized universities and higher education institutions. In 2019, for example, 179 students completed their academic and pre-graduate practical training at the enterprise. These were mainly the students of such specialized educational institutions as Moscow State Technical University of Civil Aviation, Ulyanovsk Institute of Civil Aviation, St. Petersburg University of Civil Aviation, as well as students of educational institutions teaching technical staff — electricians, mechanical technicians, repair technicians. 17 % of 2019 graduates, who completed their practical training at the airport, continued their professional career with the company.

As part of cooperation between SIA JSC and the Government of the Moscow Region, in 2016, the Right Course Project of targeted programs for education and training of specialists in popular aviation professions was launched in Moscow Region Vocational School of Industry-Specific Technologies. Over the lifetime of this program, 527 students have undergone practical training at Sheremetyevo International Airport (including 202 in 2019). More than 140 of them were hired (including 42 in 2019).

In 2019, on the basis of Podmoskovye College, preparations for WorldSkills 2020 among schoolchildren of the city of Lobnya have started. In this regard, Sheremetyevo airport specialists provide consultations and training and conduct development activities for future participants and their parents.

Alongside this, in 2019, work in a special career guidance group for schoolchildren Mobile Air Camp was continued with the active participation of Sheremetyevo Airport specialists. This initiative falls within the framework of the program of the Agency for Strategic Initiatives Perspective Personnel for the Regions and aims to get teenagers acquainted with aviation-related professions and help them decide on their career.

Corporate University and Talent Pool



Sheremetyevo International Airport keeps a strong focus on the professional development of its employees and supports a comprehensive system of training, professional and career development. Corporate University and the talent pool system of the airport play a key role in the fulfillment of this task.

Currently, SIA JSC Corporate University is an integrated system of knowledge management and

personnel development, built in accordance with the airport's strategy, mission and values. From the very first day of their work, each employee is included into the system of compulsory education and continuous training, which consists of initial training, internships and mentoring, obtaining permits, developing competences, and improving and obtaining new skills and knowledge.

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

In 2019, more than 4,000 employees were trained in technical, aviation and management programs. In total, more than 250 training programs were implemented and 186 mentors were prepared during 2019. The key training areas were vocational training for basic production processes, support processes and management.

For the airport employees, training at the Corporate University is free. Some programs of the Corporate University are truly sophisticated and unique to the industry. These are such programs as:

- Welcome Anytime program for the development of skills of high-quality passenger and airline service for employees of service departments;
- training program for mentors and internal coaches of the airport;
- training programs for the middle management and top management personnel pool;
- program on the organization of barrier-free environment;
- Profession of Manager program.

More than a thousand airport employees undergo these unique programs of the Corporate University annually.



Incentive System

In 2019, Sheremetyevo Airport was ranked among TOP 50 most trustworthy employers in Russia, according to Forbes, and was recognized as the best among employers in the category "Transport and Logistics."

The key principles of the successful HR policy at Sheremetyevo are high requirements for professional qualifications of the personnel and encouragement and incentives for the best SIA JSC employees. Sheremetyevo Airport employees enjoy a wide range of opportunities for the development and training, as well as competitive benefits package, high-level salary and non-financial incentives.

According to the Regulation on Quarterly Bonuses for the Achievement of Key Performance Indicators, employees are assigned two types of key performance indicators (KPIs): corporate and individual. Corporate indicators define the achievement of target results and are set for the employees whose remuneration provides for quarterly bonuses. Director General of SIA JSC approves these indicators and their values based on the list of KPIs approved by the Board of Directors for members of SIA JSC Management Board. Thus, the indicator that falls within the responsibility of a functional Manager is divided into more specific indicators of his/her subordinates.Individual performance indicators are set individually for each position and characterize the quality of the particular employee's work. In 2019, the set of individual indicators included as many as 893 different indicators.The total bonus amount for each position is set by a weighted ratio of corporate and individual KPIs depending on the extent to which the position adds to the achievement of goals and/or improvement of the quality of processes.

With the purpose to maintain motivation to better performance, there is a Professional Skills Competition traditionally held. It is aimed at promotion of service jobs and encouraging the best practices of operations. In 2019, 640 employees of the airport and 6 subsidiaries participated in the competition in 25 categories. 75 employees entered the shortlist of the competition and took part in the award ceremony. The airport professionals who took top 1st, 2nd, and 3d places received monetary compensation in the amount of 100, 70 and 50 ths rubles, respectively, as well as appraisal from top managers of Sheremetyevo.



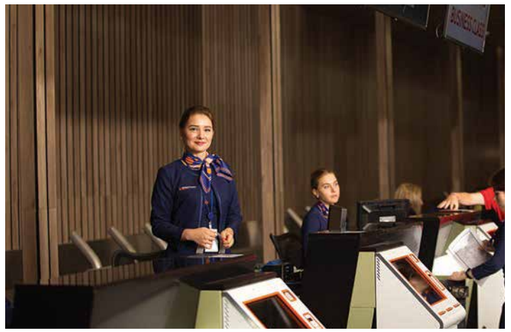
In 2016, to promote initiativityamong the employees, SIA JSC launched the Triumph program aimed at identifying and awarding employees for the best offers and achievements. In 2019, 80 airport specialists were nominated for the Triumph award.

Developing a strong and efficient corporate culture is a key priority at Sheremetyevo. The continuity between generations is a proof of the success of the personnel development and incentive system. More than 160 employees have been working in the Company for more than 35 years.

Collective Agreement and Benefits Package

The primary trade union organization of the employees of SIA JSC and its subsidiary, Sheremetyevo Handling LLC, is an important element of the corporate management structure of Sheremetyevo International Airport.

The union represents the interests of workers in social partnership, conducts collective bargaining, enters into a collective agreement, controls its implementation, participates in the resolution of individual and collective labor disputes, and controls the compliance with labor legislation and occupational safety and health regulations, organizes cultural and sports events. It should be noted that the primary trade union organization performs its duties in a constructive interaction with management bodies of SIA JSC, who regard the activities of the trade union as a means to receive feedback from teams and as an important element helping to rapidly respond to and implement actual needs of employees.



There is a Collective Agreement in effect in SIA JSC. In April 18, 2018, by a joint decision of the employer and the trade union of the employees, the term of the Collective Agreement between SIA JSC and its employees was extended until April 19, 2021.The benefits package provided for by the Collective Agreement exceeds the volume of benefits, guarantees and compensations required by the current labor legislation. It is one of the best benefits packages in the industry. It includes holiday and events bonuses, additional vacation days, corporate transportation, voluntary medical insurance for all employees and medical services at the medical center in the territory of the airport, training at the Corporate University at the expense of the Company, and organized vacations for the employees and their children.

The Company cooperates with health resorts of the Moscow Region, Caucasian Mineral Waters and the Black Sea coast of the Krasnodar Region. In 2019, 391 employees were treated and had vacations at health resorts, and 202 children of employees enjoyed recreation in children's camps.

In 2019, 782 active and former employees of the Company received financial support (including 409 veterans and retired persons). 356 employees received reimbursement of kindergarten fees. Almost 2,500 children of employees received New Years presents and tickets for New Years performances.

Sheremetyevo Airport partially compensates interest paid on mortgage loan agreements, provides financial support and additional paid leaves, when needed. In 2019, 80 war and labor veterans from among our former colleagues received financial aid from the Company.

There are traditional charity and volunteer programs implemented upon the initiative of employees. In 2019, for example, 387 employees took part in the From Heart to Heart blood donation event. More than 5,000 employees of SIA Group attended a large concert in commemoration of the 60th anniversary of Sheremetyevo organized with the participation of the trade union in the State Kremlin Palace.

In 2019, as part of the program for sports development and promotion of employees' health, Sheremetyevo Trade Union distributed 510 unlimited ski passes to one of the ski resorts of the Moscow region valid for the entire winter period. Besides, in 2019, members of the Trade Union Organization used 6,571 subscriptions to a health complex equipped with a swimming pool and a gym. The Trade Union also supports corporate football and billiards teams, which are constantly training and participating in tournaments. In 2019, Sheremetyevo sports teams successfully participated in such industry tournaments as: Russian Transport Cup, Civil Aviation Cup, Aviation and Mechanical Engineering Cup, Aviation Industry Worker's Cup, Aeronautics and Space Cup, Aviation Industry Cup and others.

Occupational Health and Safety

In 2019, in accordance with the current legislation of the Russian Federation, an assessment of working conditions was conducted at SIA JSC. According to its results, the list of workplaces and the list of industries, professions and positions at SIA JSC with harmful and (or) dangerous working conditions (that give employees the right to receive additional guarantees and compensations provided for by the legislation) were updated. Special Charts of Assessment of Working Conditions were developed in the structural units to familiarize employees with the working conditions in their workplace. Within 2019, SIA JSC monitored the compliance of charts with actual working conditions in the workplace, the list of types of work performed, tools, devices, machines and equipment used. The monitoring took place quarterly and with account for the changes in the organizational structure of the Company.

Based on the results of the special assessment of working conditions held in 2019, new standards were developed and introduced: Norms of free issuance of special clothing, shoes and other personal protective equipment to the employees of SIA JSC engaged in works with harmful and (or) dangerous working conditions; List of professions of employees of SIA JSC structural divisions to receive free washing agents and (or) detergents; List of professions (positions) of employees engaged in works with harmful working conditions who are entitled to free milk in accordance with the established standards. With the participation and under the supervision of specialists of the occupational safety and health department, primary hazard identification and risk assessment was organized and conducted in the structural units.

In addition, a number of regulations were updated and introduced: Regulation "Provision of employees of structural divisions with special clothing, shoes and other personal protective equipment, washing agents and detergents in the Sheremetyevo International Airport Joint-Stock Company", a methodology "Procedure for planning measures to improve working conditions and safety in structural divisions of the Sheremetyevo International Airport Joint-Stock Company", methodology "On persons responsible for occupational safety in the structural divisions of the Sheremetyevo International Airport Joint-Stock Company" and methodology "Financial support of preventive measures to reduce occupational injuries and diseases of employees in the Sheremetyevo International Airport Joint-Stock Company."

In 2019, specialists of the Department of Occupational Safety conducted planned and operational internal checks of labor conditions and safety in all structural divisions of SIA JSC. During the inspection, all working places of SIA JSC employees located in terminals, structures, facilities of the airport and administrative buildings were checked. Following the result of inspections, all identified violations of occupational safety requirements were documented and eliminated.

In 2019, special attention was paid to the quality of occupational health briefings held in structural divisions of SIA JSC, training and testing of knowledge in safe methods and techniques of work, by profession (types of work), on-the-job training aimed to improve the level of training of employees for safe performance of high-risk works, the quality of resulting documents and the legality of employees' access to perform works independently, by profession (position).

In September 2019, the Russian Register Certification Body conducted a certification audit of occupational safety and health at SIA JSC for compliance

with the requirements of certification. SIA JSC has successfully confirmed the compliance of its Occupational Health and Safety Management System with the corresponding requirements.

In 2019, thanks to the Occupational Health and Safety Management System developed in SIA JSC as well as to the system of organizational and regulatory support of operational activities and safety that provided the required level of performance discipline of employees and ensured constant monitoring of the status and timely implementation of corrective measures by heads of structural divisions together with specialists of the Occupational Safety Department, SIA JSC reduced the probability of occurrence of and excluded accidents at work.

Environment and Resource Saving

Environment

Sheremetyevo Airport actively implements the policy of environmental safety and sanitary protection of population. The environmental management system of Sheremetyevo International Airport complies with international standard ISO 14001:2015 “Environmental Management Systems. Requirements and Guidelines.” For regular and objective assessment of the sustainable development of SIA JSC and the environmental management system operation, key performance indicators in the area of environmental protection were set. The internal audits held in the Company are aimed at timely prevention and identification of non-compliances in the processes that may have a negative impact on the environment.

The decision by Rospotrebnadzor established the boundaries of the sanitary protection zone of Sheremetyevo Airport based on project of sanitary protection zone (SPZ) and sanitary breaks zone (SBZ) along standard flight routes in the take-off and landing zone in the area of Sheremetyevo Airport developed by SIA JSC with the consideration of the RWY-3 complex.

The main responsibility of Sheremetyevo for the environment is associated with surface wastewater treatment. Drains from the aerodrome territory may contain residues of fuel and technical liquids. The existing airport wastewater treatment facilities need to be updated. However, they are federally owned.

The subprogram “Civil Aviation and Air Navigation Services” of RF state program No. 1596 “Development of the Transport System”, approved by the Decree of the Government of the Russian Federation on 20.12.2017, provided for the reconstruction and construction of treatment facilities at Sheremetyevo Aerodrome at the expense of the federal budget. However, they managed to implement the project for the reconstruction and construction of treatment facilities under the state program only in the part of the reconstruction of treatment facilities of discharges No. 2 and No.3. Works on this project are currently performed by Administration of Civil Airports (Aerodromes), Federal State Unitary Enterprise. ACA (A) FSUE plans to complete the reconstruction of treatment facilities of discharges No. 2 and No. 3 in 2020–2021.

Implementation of the project for the construction and commissioning of treatment facilities of discharges X and 1.8 under the state program has not been completed. These treatment facilities are included in the list of facilities under the Concession Agreement concluded between SIA JSC and Rosaviatsiya at the end of 2018.

In January 2019, SIA JSC approved 2019–2022 Road Map for the implementation by theSheremetyevo International Airport Joint-Stock Company of measures aimed at the construction and reconstruction of Sheremetyevo Aerodrome’s treatment facilities (discharges No. 1.8, X and No. 15), as well as at the reduction of the concentrations of pollutants in wastewater entering the environment from the territory of Sheremetyevo International Airport in order to prevent adverse impact on the environment.

In 2019, in accordance with the Road Map, SIA JSC installed additional modular treatment facilities on discharge No. 1.8 for the period until the completion of the main treatment facilities and the installation of biological filters in the drainage network of SIA JSC. The works required to complete the construction of the unfinished construction facility “Surface Wastewater Treatment Facilities at Discharge 1.8” accepted from ACA (A) FSUE, the reconstruction of treatment facilities of discharges X and No. 15, as well as pilot operation of the flow-through biological filtering system continue.

Noise is another important aspect of the airport’s impact on the environment. This issue has become particularly relevant in connection with the commissioning of the third runway (RWY-3) of Sheremetyevo Airport by the Federal Air Transport Agency.

The impact of the airport on Moscow districts (Mitino, Tushino, Kurkino) and the Moscow region (Solnechnogorsky, Krasnogorsky districts, subdistrict Skhodnya, municipal districts Khimki and Lobnya) in terms of the impact of aviation noise is due to the location of these territories, which are not a restricted area for air traffic, in the vicinity of Sheremetyevo Airport. There are no restrictions as to the use of airspace over these areas. Flights are performed according to maneuvering schemes developed in accordance with the requirements of the air legislation of the Russian Federation and the recommendations of the International Civil Aviation Organization (ICAO) and ensure the required level of flight safety and the minimum possible impact of aviation noise on residential areas.

Throughout almost the entire history of Sheremetyevo Airport and until Federal Law No. 135-FZ “On Amendments to Certain Legislative Acts of the Russian Federation in Terms of Improving the Procedure for the Arrangement and Use of the Aerodrome Environs and Sanitary Protection Zone” dated 01.07.2017 has been adopted, it was required by the law to coordinate residential construction on the aerodrome territory with the organization managing the aerodrome — with the main operator of the aerodrome. The construction of residential buildings on the territory that is exposed to acoustic impact from the airport’s activities was not coordinated with SIA JSC and was carried out without consideration of the requirements of the sanitary legislation of the Russian Federation.

The decision to build a new runway at Sheremetyevo Aerodrome was taken by the Government of the Russian Federation in 2009 on the basis of the Transport Strategy of the Russian Federation which is an industry strategic planning document. The areas adjacent to RWY-3 are located in the roadside clear zones of Sheremetyevo Airport with an equivalent level of noise exceeding the permissible values established by the requirements of sanitary and hygienic legislation. The construction of residential buildings in the areas with the increased level of noise due to the acoustic impact from the airport’s activities contradicts the requirements of sanitary legislation and was not approved by SIA JSC.

At the same time, SIA JSC makes every effort to reduce the impact of noise on residents of the settlements located in the immediate vicinity of the airport. Currently, there are procedures developed and implemented to reduce the noise impact of aircraft operating in the area of Sheremetyevo Aerodrome on the adjacent residential areas of the Moscow region. These procedures include:

- daily restrictions on take-off and landing of aircraft that do not meet the requirements for the permissible level of noise from 11.00 PM to 06.00 AM, local time;
- performance of operational noise reduction techniques by all aircraft crews at the take-off and height gain stages;
- the appointment of the preferred directions of take-off of A/C to reduce noise pollution;
- use of the accelerated climb procedure to reduce the area of impact of aircraft noise.

Moreover, in 2019, the procedures for take-off and landing of A/C at Sheremetyevo Aerodrome were reviewed. In particular, the parameters for speed holding at the initial stages of departure routes have been changed, and new maneuvering schemes allowing limiting night flights over the residential areas of Severnoye Tushino, Mitino and Khimki and to by-pass residential areas of the city of Zelenograd have been introduced for Sheremetyevo Aerodrome.

According to the results of noise measurements taken at night time in Kurkino, Mitino and Tushino together with the representatives of Rospotrebnadzor of Moscow, Sanitary and Epidemiological Center Federal State-Funded Healthcare Institution, Moscow Duma members, the noise level from overflights of A/C meets the permissible values, and the existing exceedances of noise level is due solely to the influence of land transport, particularly in the residential sectors located along exit highways.

Resource Saving

SIA JSC has a Program for energy saving and improvement of the energy efficiency of JSC Sheremetyevo International Airport for 2015–2019. As part of this program, seasonal decommissioning of energy-intensive systems was put into practice, temperature control system in terminals was introduced that reduces energy consumption for air conditioning, incandescent bulbs were replaced with LEDs and a number of other measures were implemented.

In 2019, in accordance with the program, worn-out water supply systems were replaced. This allowed preventing water losses in the amount of about 74 ths cub. m a year, which resulted in the economic effect of about RUB 2.85 mln. Also in 2019, thanks to economizing measures, the total consumption of heat energy and gas decreased (heat energy — to 201.7 ths Gcal compared to 226.9 ths Gcal in 2018, gas — to 28.2 mln cub. m compared to 30.5 mln cub. m in 2018), despite the expansion of the area of buildings and structures.

Structure of Resource Saving at Sheremetyevo Airport in 2019

Energy Resources	Volume
Fuel, mln l, of which	2,191
• Gasoline	0,272
• Diesel fuel	1,876
• Aviation kerosene TS-1	0,043
Electricity, mln kWe	161,6
Gas, mln m^3	28,08
Fuel oil, tons	1 796,33
Тепловая энергия, Гкал	201 719,80

Social Aspects of Passenger Service

Focus on passengers with children

Sheremetyevo pays special attention to serving passengers with children. Children account for about 6.2 % of all passengers traveling through Sheremetyevo. In 2019, the airport served about 3 mln children under the age of 12, including about 500 ths under the age of 2.

For passengers traveling with children, Sheremetyevo Airport provides all the necessary conditions to make waiting for a flight comfortable. All terminals of the airport are equipped with mother and child rooms open around the clock. There is a play area with a large number of toys and a game console available for little passengers. There is also a sleeping area, as well as a modern kitchen and a room for feeding and changing.

In 2019, a large-scale project for families and passengers with children was implemented in Terminal C. The baby care room in Terminal C1 with an area of



350 sq. m is located on the third floor in the departure zone. It is designed for 60 children and their accompanying persons. It offers a play room with soft furniture, a TV and toys, a kitchen for cooking and heating food equipped with kids furniture, a fridge, a microwave stove, a kettle, a sink, two bedrooms (20 baby cribs with fencing for children up to 5 years and 20 beds for children 5–7 years), a children's bathroom, two adult bathrooms and 3 shower rooms, as well as mini-laundry equipped with a washing machine and an airing cupboard. The room is open around the clock and is free of charge.

The staff of mother and child rooms has all the necessary qualifications to make the stay of young passengers and their parents at the airport as comfortable as possible. Over the past five years, as annual statistics shows, the number of requests for using mother and child rooms at Sheremetyevo Airport has grown from 74.8 ths (2014) to 84.9 ths (2019).

The equipment of play areas and playgrounds is updated annually. Many airport restaurants offer meals for children. All business and VIP lounges of the airport also have play areas and changing rooms.

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

Creation of barrier-free environment

Sheremetyevo Airport offers passengers with disabilities a wide range of assistance and support both in the terminals and while embarking and disembarking from an aircraft.

All terminals of the airport, including the new Terminal C, have been checked with the involvement of public organizations of disabled people and have valid accessibility passports. The airport offers free parking spaces both for long-term and short-term parking near the terminals. The entrances to the terminals are equipped with sliding doors, and there is a possibility to call support staff at the entrances. One can order support services in a special section on the airport's web-site, in the mobile app, by phone or upon arrival at the airport.

For hearing impaired passengers, the airport is equipped with special telephones, while the information, check-in, baggage search and superior room counters are equipped with audio induction loops. The terminals have tactile paths and tactile-sound mnemonic diagrams with the information on the location of the passenger and possible routes of movement, duplicated in Braille and audio.

Waiting areas for passengers with limited mobility are set aside at the boarding gates, and there are wheelchairs of various types available for unimpeded movement around the terminals. Special equipment, special vehicles with automatic lifting platforms and an ambulift are used for accessing parking places located at a distance from the terminal. Today, SIA JSC has all the types of equipment for transporting passengers with limited mobility with various degrees of physical restraint.

The airport staff has all the necessary qualifications to make the stay at the airport for passengers with disabilities ascomfortable as possible. If necessary, a passenger with disabilities can be accompanied by a qualified medical professional. Baggage and transportation services are free for passengers with disabilities. In the cars of the driverless train of the Interterminal Passage

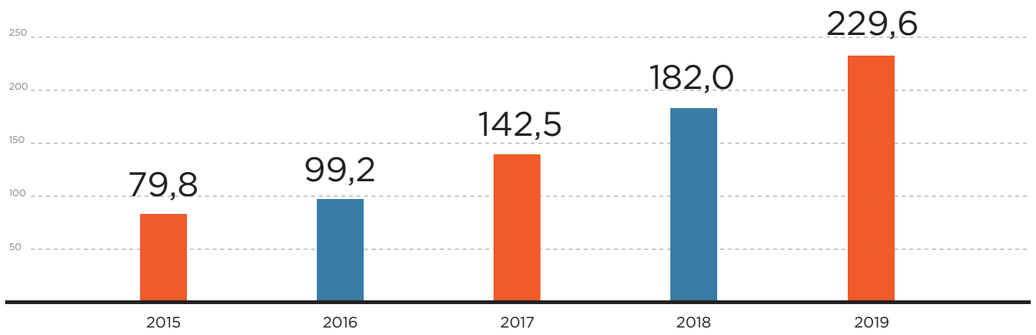
(ITP), there are places allocated for the transportation of disabled people in wheelchairs, and ITP stations are equipped with spacious elevators.



Sheremetyevo is the only airport in Russia that provides lounges of international comfort level for travelers with disabilities. These are the Sirius Lounge available in the clean zone of Terminal E, the Saturn Lounge — in the generally accessible area of Terminal D and the Mercury Lounge — in the generally accessible area of Terminal B. a similar high-comfort lounge with advanced technical equipment and qualified personnel is also provided for in the new Terminal C. The Orion Lounge with a total area of 200 sq. m is designed for a stay of up to 30 visitors. At the reception desk, there is a sound panel that helps to assist hearing impaired passengers using hearing aids equipped with a T-coil. Guests of the Orion Lounge can also use an individual service room with a medical couch and a children's area, as well as two specially equipped bathrooms with an emergency call button. For the convenience of visitors, specially designed armchairs with comfortable height and angle of the backrest are installed in the comfortable recreation area. These halls are free for passengers with disabilities and accompanying persons. Comfortable furniture and a wide TV-screen, X-box game console, board games designed for the blind and visually impaired, free high-speed Wi-Fi, hot drinks and an extra sanitary room will contribute to comfortable waiting for the flight. The airport staff will accompany a checked-in passenger to the lounge and, later, to the departure gate.

In 2019, Sheremetyevo Airport continued to actively promote the environment of equal opportunities in all the terminals. In South Terminal Complex, for example, the handsets to call for help were installed on the exits from remote parking areas; special benches for people with disabilities were placed at the arrival zone on ramp extensions: panic buttons were connected

Dynamics of servicing passengers with disabilities in Sheremetyevo



in the bathrooms of the STC; warning fence for safe movement of blind and visually impaired was set in an accessible area under the flights of open stairs and escalators. Libraries of literature in Braille were updated, walkers and walking sticks were added for self-use in special VIP-lounges.

SIA JSC provides regular assistance in sending organized groups to rehabilitation, and disabled athletes — to important international competitions through Sheremetyevo Airport. Over the past five years, the number of passengers with disabilities served annually at Sheremetyevo Airport has almost tripled and reached 230 ths people. (2019).

Back in 2013, Sheremetyevo won the Elena Mukhina Prize, a prestigious award that companies and public organizations receive for their contribution to the socialization and adaptation of people with disabilities. Sheremetyevo was recognized as the best in the nomination World Without Barriers for the implementation of a comprehensive program to create a barrier-free environment. In 2019, SIA JSC received honorary acknowledgement from the participants of the X All-Russian Congress of Patients. At the V Congress of Parents of Children with Disabilities, the Service for Transportation of Passengers with Disabilities was awarded as the best support service.



China Friendly Program

The China Friendly project is one of the key long-term programs included in the airport's business strategy. This is a program designed to create a comfortable environment for Chinese tourists. It is aimed at promoting Russia as a tourist destination on the international market, at attracting customers and increasing the revenue of the tourist business.



Sheremetyevo is Russia's first airport to be certified as China Friendly by the PRC government in 2017. Special facilities for Chinese travelers provided for at Sheremetyevo Airport include not only the adaptation of information (the airport offers navigation in Chinese, provides audio information in it, has a Chinese version of the official web-site and released a guidebook about Moscow), but also support of special standards of service (for example, check-in dispatchers give passengers of Asian flights a boarding pass with two hands, which, according to Eastern traditions, symbolizes special respect and hospitality; all airport restaurants offer menus in Chinese). Special attention at the airport is given to the introduction of payment networks that are "native" for travelers from Asia. Stores and food outlets, for example, accept UnionPay cards, and special discounts are provided for their owners in duty free stores.In 2018, duty free restaurants and stores began to accept payments using the Alipay payment system.

In 2019, as many as 54 duty free and retail stores of Sheremetyevo Duty Free Heinemann located on the territory of Sheremetyevo International Airport accept payment using the WeChat Pay system. This service works as an e-wallet and allows tourists from China who use WeChat messenger to pay for their purchases as they usually do. It was Yandex.Kassa service that assisted the airport in the implementation of this system; this service allows any company to accept payments via WeChat Pay. To do this, one just needs to install an Android payment app on the smartphone or tablet, through which one can generate and scan QR codes to accept payments.

In addition to maintaining and developing a friendly service system, the China Friendly project also includes support for visa facilitation initiatives, including the introduction of transit visas for tourists from high-priority countries of Asia. In 2019, the airport prepared an appeal to the Government of the Russian Federation concerning amendments to regulatory legal acts on the entry into and exit from the Russian Federation of foreign citizens through the permanent air cargo-and-passenger multilateral border crossing point at Sheremetyevo on the basis of ordinary single-entry business, tourist and humanitarian visas in the form of electronic documents.

Creating a friendly atmosphere at the airport

Sheremetyevo Airport cares for the creation of a unique, friendly atmosphere for its guests — passengers. Promotion of a special environment that complements the trip with cultural, educational and festive events and makes people feel cheerful and optimistic is part of the airport's marketing communications strategy. In other words, the airport offers not only a range of mandatory services, but also additional opportunities to spend time while waiting for the flight, which would exceed the expectations of passengers. The airport follows its mission "We want our passengers to come back to us over and over again."



For this purpose, the creative team of Sheremetyevo, acting together with its partners and drawing on their own creative developments and ongoing monitoring of the world's best practices, has actually created a permanent art platform at the airport with the differentiation by the terminals, where various interactive projects are implemented.

The Sheremetyevo History Museum enjoys pride of place in terms of the airport's educational activities. Unique exhibits of the Museum tell the visitors the history of the entire aviation industry of the country as exemplified by the growth and development of the airport. The panoramic windows of the museum offer an impressive view of the airfield, which makes it a place of attraction for amateurs of aviation photography and arouses genuine admiration of visitors.

The Sheremetyevo History Museum is a growing and developing project applying modern formats of work in order to increase its attractiveness to visitors. Guests are offered an extensive excursion program: there are quest tours, film shows, lectures and workshops are organized there. The museum can be called the heart of cultural life of the entire airport in its function as an art space. It regularly participates in federal and metropolitan programs and events, such as "Night at the Museum", "Night of arts", etc.

In 2018, following the results of the All-Russian Competition Great Names of Russia, Sheremetyevo International Airport was named after the great Russian poet Alexander Pushkin. On May 31, 2019, the name “Sheremetyevo International Airport named after A.S. Pushkin” was enshrined by a decree of the President of Russia V. V. Putin.

This, on the eve of the 220th anniversary of the birth of the great poet, triggered a program aimed to perpetuate the memory of the classic and to promote his rich heritage on the territory of the airport. Ceremonial events with the participation of officials started on June 5, 2019, with the opening of the sculpture of Alexander Pushkin by the people’s artist A.N. Burganov in the passenger atrium of Terminal E. The official opening ceremony was held with the participation of V.R. Medinsky, Minister of Culture of the Russian Federation.

A.S. Pushkin full-length portrait was shown where he recites a poem. The QR code on the spine of the book that the poet is holding represents a link between the Pushkin epoch and the world of today. Using this QR code, Sheremetyevo passengers can download audiobooks from the creative heritage of Alexander Pushkin.



The image of the great Russian poet, the plots and characters of his amazing works provided the basis for the multimedia concept Literary Living Room. Sheremetyevo Airport, together with its partner — the AST Publishing Group — created a digital space with classical literature that is free and accessible to passengers of all categories. Mini-libraries with Pushkin’s works in several languages (English, French, Spanish, German) are located in business lounges, recreation lounges for disabled passengers and mother and child rooms.

The image, life milestones and artistic creativity of the poet are gracefully reflected in Sheremetyevo Airport with the use of modern technology and creative formats. Passengers see the name and works of the poet on welcome banners and media screens. There is an exhibition on Moscow and Pushkin organized jointly with the state Pushkin Museum and a program of literary meetings with the participation of Pushkin scholars and famous artists developed. a special corporate identity to solve image-building tasks was drawn out.

Sheremetyevo Airport has become an integral part of the cultural life of Moscow and the region, a center of attraction for artists and painters, and a venue for noticeable cultural events. It is by now a good tradition to annually hold events for the entire family — Little Passenger Day, dedicated to the International Children’s Day, and Passenger Day — a pre-Christmas festival offering an extensive program from airlines and partners.

Last year, young guests of the Little Passenger Day in Sheremetyevo could attend exciting workshops organized by the Children’s Center of the State Pushkin Museum, and meet Olympic medalists. As for the New Year’s festival, the audience enjoyed an exciting dance show performed by artists of the State Academic Theater of Classical Ballet of Natalia Kasatkina and Vladimir Vasiliev; an enchanting musical performance was made by the Honor Band of the Ministry of Emergency Situations of Russia.

Sheremetyevo Airport is usually transformed for the Christmas holidays: fantastic New Year decoration of the terminals create a festive mood for many thousands of travelers from all over the world.

A bright chord closing the airport’s anniversary year of 2019 was the large-scale shoot of a video clip by popular singer Valery Syutkin: Sheremetyevo was chosen as a scene for the dynamic musical performance, which subsequently became part of the New Year Night Performance on Channel One.

The eventful life of the airport is formed in cooperation with leading Russian museums and institutions the activities of which are tied to the culture of Russia.



Among the most vivid projects are photo exhibitions held jointly with the State Historical Museum and the All-Russian Museum of Decorative and Applied Arts (March, November), exhibitions and festivals organized together with the partners of Sheremetyevo in terms of aviation — HNA Group Holding, Brussels Airlines, Korean Air, Vietnam Airlines and KLM. With the cooperation of the UN Refugee Agency, Sheremetyevo held a photo exhibition Refugees Nowadays (July). In October, there was a special exhibition held to commemorate the 100th anniversary of birth of the outstanding Russian weapon master M.T. Kalashnikov. In December, a photo exhibition New Year Russia was held with the participation of the Russia-1 TV channel. It was dedicated to the history of New Year’s traditions of our country.

A well-thought-out and aesthetic concept of terminal exteriors is a key to creating a favorable environment in Sheremetyevo. In 2019, construction of the new international Terminal C was finished. The terminal was designed as a smooth continuation of the architectural and stylistic solution for Terminal B. The main challenge in designing and constructing the Northern Terminal Complex (Terminals B and C) was to combine the highest level of technology and conceptual architectural and design solutions with the traditions and style of Russian Constructionism and avant-garde. Art objects and decorative wall panels dedicated to the history of Russian aviation and its heroes were used in the decoration of the interior. Terminal C of Sheremetyevo Airport can be truly regarded as a unique art object that embodies the best traditions and astonishingly daring solutions of modern art and architecture. Millions of airport guests from all over the world can get acquainted with the outstanding examples of Russian cultural heritage.



Promoting Local Communities Development

Development of Infrastructure on the Territory of Presence

In the coming years, due to the large-scale reconstruction of the airport, convenient transport logistics has become a major concern for SIA JSC in terms of infrastructural development of the adjacent territory. In the period from 2017 to 2018, 4 road facilities were built and reconstructed, including bridges across the Klyazma River on Sheremetyevskoye Highway; Staroshеremetyevskoye Highway interconnecting the airport terminal complexes was widened to 4 lanes. In May 2018, due to the construction of a turning loop near the Novotel hotel, the traffic load on Terminals D, F, E was reduced. In addition, the traffic jam at the new Terminal B was eliminated due to the widening of Sheremetyevskoye Highway from 2 to 3–5 lanes and the organization of one-way traffic.

In 2019, stage 2 construction works on the large-scale renovation of Staroshеremetyevskoye Highway were started and the necessary documents for the new project — reconstruction of Lobnenskoye highway — were signed.

Within stage 2, as part of the reconstruction of Staroshеremetyevskoye Highway, construction of a single-level roundabout (at the intersection of Staroshеremetyevskoye Highway, Lobnya–Sheremetyevo Airport and Sheremetyevskoye Highway) is planned. The project provides for a four-lane interchange at the same level with one-way roundabout. The total length of the reconstruction will be more than 3 km. The reconstruction will double the capacity of the facility up to 70 ths cars per day. Construction and installation work under the project began in Q1 of 2019 and is to be completed in stages by the end of 2021.

In December 2019, the required contracts for the reconstruction of Lobnenskoye Highway were signed. The reconstructed section will run from the roundabout at the intersection of Lobnenskoye Highway and Staroshеremetyevskoye Highway to the intersection of Lenin Street with Krasnopolyansky Drive in the area of the Povorot shopping center in the city district of Lobnya. The total length of the reconstructed section will be about 2.1 km of the main road route and 4 km of side roads. The roadway is planned to be widened from 4 to 7 lanes. Besides, throughout the entire section, lighting will be installed, sidewalks equipped, 4 above-ground pedestrian crossings and 6 bus stops built. The estimated speed along the main road route will be 80 km/h. The date of completion of Lobnenskoye Highway reconstruction under the contract is QIV of 2022.

The development of transport infrastructure provides not only for the reconstruction of motor roads, but also for new routes that increase the accessibility of the airport. Thus, in October 2019, upon the initiative of SIA JSC, Aeroexpress launched a regular bus express from Khovrino metro station to Terminal B of Sheremetyevo Airport.

There are also plans to build an Aeroexpress railhead in the Northern Terminal Complex in cooperation with the Aeroexpress company and Russian Railways. According to the plans, the project will be implemented in two stages.

The first stage involves the construction of Sheremetyevo-1 station in the NTC with three receiving and departure tracks and two platforms of a double-track railroad with a length of 3 km and a single-track branch that will connect the new station with the existing Sheremetyevo-2, located in the Southern Terminal Complex (STC, Terminals D, E and F). At the first stage, the project implementation scheduled until 2022 will allow to launch shuttle trains from the NTC to STC with the traffic interval of 15 minutes.

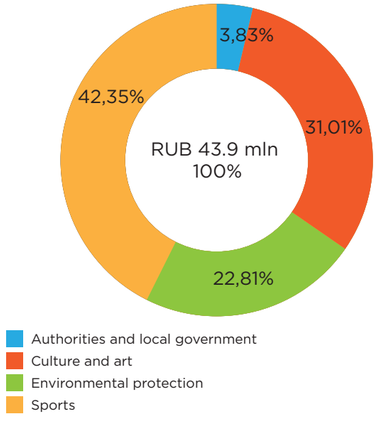
To implement the second stage, it is required to continue construction of a two-track connecting line from Sheremetyevo-1 with a link to the existing tracks in the direction of the halt platform Sheremetyevo of Savelovskoye direction of the Moscow railway. For this purpose, the development of accessibility of the airport is planned to be aligned with the development of the Savelovskoye direction in the framework of the Central Moscow Diameters-1 project. After completion of all these works, the train capacity to Sheremetyevo Airport will increase from the current 38 to 72 train-pairs per day: 32 train-pairs to the STC and 40 train-pairs to the NTC with the traffic interval of 30 min. From Moscow, trains to the airport will depart in timing mode, every 15 minutes.



Charity

In 2019, expenses for charity of SIA JSC under direct contracts of various types (sponsorship, gift agreements, etc.) amounted to RUB 43.9 mln.

Charity areas of SIA JSC in 2019



The main directions of charitable activity of SIA JSC are determined based on the priorities of corporate social responsibility of the enterprise.

The strategic vector of charitable sponsorship is to support the promotion of various sports and healthy lifestyle related to the involvement of the active population of the Russian Federation in sports activities, and to implement the joint projects for promotion global and Russian sports, achievements of Russian athletes.

Equally important area of charitable activity is to support the environmental activities, particularly programs aimed to prevent complete disappearance of rare species of animals listed in the Red Book.

SIA JSC pays much attention to assisting the foundations and public organizations specialized in the development of culture and art, facilitation of public access to the world cultural heritage and modern art that form the cultural code of humanity in the XXI century.

The priority in the distribution of charitable funds of the airport is given to local communities in the territories of SIA JSC operating. Thus, the required funds were allocated to the city district of Khimki for the organization of festive events in the framework of the 80th anniversary of the city.

Sheremetyevo Airport is a traditional participant to large-scale federal actions, including social ones. Last year, Sheremetyevo joined the all-Russian campaign To You, My Beloved, dedicated to the International Women's Day. On the International Volunteer Day, in cooperation with Rossiya Airlines, Sheremetyevo participated in the charity marathon I Do Good in Russia!

Since 2019, Sheremetyevo Airport has been providing information support to the Vyhod Foundation of Russia. They share the task to inform society about autism spectrum disorders, to combat myths about it and to give the citizens the understanding of the forms of assistance available.

The airport's priorities with regard to charitable activities within the framework of corporate social responsibility were disclosed in the speech of A.P. Oleynik, Deputy Director General for Economy and Finance of Sheremetyevo International Airport JSC, at the session on Public-Private Partnership in Charitable Activities held during the St. Petersburg International Economic Forum 2019 (SPIEF-2019).

Good Business Practices

Procurement Procedures

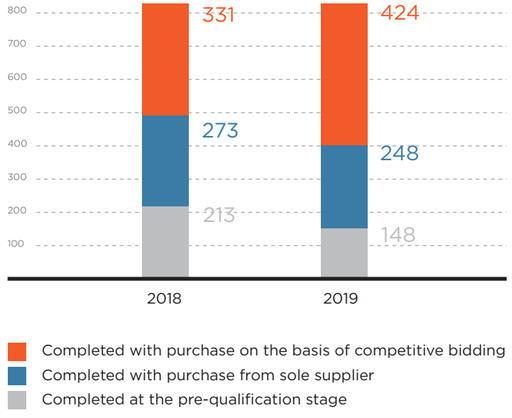
Procurement activities of SIA JSC and a number of its subsidiaries are subject to Federal Law No. 223-FZ "On Procurement of Goods, Works and Services by Certain Types of Legal Entities" dated 18.07.2011. On March 27, 2019, the Board of Directors of SIA JSC (Minutes No. 265) decided to develop a program to improve the quality of procurement management in SIA JSC and its subsidiaries.

Based on the approved program, SIA JSC is implementing a set of general measures aimed at improvement the quality of procurement management, the measures to ensure the participation of SMEs in the procurement procedures of SIA JSC, as well as the measures for advanced training of procurement services personnel. The decision to develop a program to improve the quality of procurement management applies not only to SIA JSC but to its subsidiaries too: Sheremetyevo Handling LLC andSheremetyevo Security JSC, whose procurement activities are subject to Federal Law No. 223-FZ On Procurement of Goods, Works and Services by Certain Types of Legal Entities dated 18.07.2011.

In 2019, 820 requests for open competitive procurement were posted by SIA JSC in the unified procurement information system. Of these, 148 procurement procedures (for the total amount of about RUB 3.3 bln) were conducted with pre-qualification, 248 applications (for more than RUB 29.9 bln) were closed with procurement from sole supplier, and 424 procedures (for about RUB15.9 bln) were closed on a competitive basis. The average number of participants per one competitive procedure was 2.84.

In 2019, the number of offers of SIA JSC remained almost unchanged compared to 2018 (817), which is explained by cyclical procurement. However, there is substantial improvement in the structure of decisions upon such requests. The share of procurement from sole supplier has decreased: in 2018, such procurement accounted for 87 % of the total amount of transactions (RUB 34.8 bln), while in 2019 — only 65 %. Such changes attest to the fact that real competition for the requests of SIA JSC has grown. In 2018, the share of contracts concluded on a competitive basis amounted to only 13 % of the total spending (RUB 8.9 bln), while in 2019 — 35 % (RUB 15.9 bln). Summarizing the results of competitive procedures, savings in 2019 amounted to 4.87 % or RUB 687.3 mln.

2018 — 2019 structure of SIA JSC procurement procedures by type of completion



It should be further noted of the purposeful efforts of SIA JSC in organizing the purchases from small and medium-sized business. In accordance with Government Decree No.1352 dated 11.12.2014, the share of contracts concluded with SMEs shall be at least 15 % from the total number of contracts concluded. As of year-end 2019, the share of contracts between SIA JSC and SMEs was 28.65 % of the total number of contracts.

Anti-corruption system

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

SIA JSC maintains the lists of its employees obliged to notify the employer of personal interest that leads or may lead to a conflict of interest. Persons whose job duties include participation in combating corruption are provided with timely training (advanced training) under educational anti-corruption programs. In addition, all the contracts of SIA JSC are supplemented with an anti-corruption clause, and software for checking counterparties is used in the business operations of the legal entity.

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



07:00 CONSOLIDATED FINANCIAL STATEMENTS

Independent auditor's report
Appendices
Consolidated statement of financial position
Consolidated statement of profit or loss and other comprehensive income
Consolidated statement of cash flows
Consolidated statement of changes in equity

Notes to the consolidated financial statements

1. General information 168
2. Basis of preparation 169
3. Summary of significant accounting policies 169
4. Key accounting estimates and professional judgments in applying accounting policies 183
5. New accounting interpretations and standards 185
6. Related party disclosures 187
7. Cash and cash equivalents 189
8. Accounts receivable, prepayments and input VAT 190
9. Other current financial assets 193
10. Inventories 193
11. Property, plant and equipment 194
12. Intangible assets 195
13. Right-of-use assets 198
14. Other non-current assets 199
15. Accounts payable 199
16. Provisions and contingencies 200
17. Lease liabilities 200
18. Loans and borrowings 202
19. Other non-current liabilities 204
20. Share capital 204
21. Revenue 205
22. Operating expenses 205
23. Other income/(expenses) 206
24. Finance income and expense 206
25. Income tax 207
26. Contingencies, commitments and operating risks 210
27. Consolidated subsidiaries 212
28. Non-controlling interests 213
29. Investments in associates and joint ventures 217
30. Financial risk and capital management 220
31. Fair value of financial instruments 224
32. Subsequent events 224



Ernst & Young LLC
Sadovnicheskaya Nab., 77, bld. 1
Moscow, 115035, Russia
Tel: +7 (495) 705 9700
+7 (495) 755 9700
Fax: +7 (495) 755 9701
www.ey.com/ru

ООО «Эрнст энд Янг»
Россия, 115035, Москва
Садовническая наб., 77, стр. 1
Тел.: +7 (495) 705 9700
+7 (495) 755 9700
Факс: +7 (495) 755 9701
ОКПО: 59002827
ОГРН: 1027739707203
ИНН: 7709383532

Independent auditor's report

Translation of the original Russian version

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

Opinion

We have audited the consolidated financial statements of Joint Stock Company "International airport Sheremetyevo" and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for 2019 in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and Board of Directors for the consolidated financial statements

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

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

Board of Directors are responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements,

Ernst & Young LLC
Sadovnicheskaya Nab., 77, bld. 1
Moscow, 115035, Russia
Tel: +7 (495) 705 9700
+7 (495) 755 9700
Fax: +7 (495) 755 9701
www.ey.com/ru

ООО «Эрнст энд Янг»
Россия, 115035, Москва
Садовническая наб., 77, стр. 1
Тел.: +7 (495) 705 9700
+7 (495) 755 9700
Факс: +7 (495) 755 9701
ОКПО: 59002827
ОГРН: 1027739707203
ИНН: 7709383532

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

D.M. ZHIGULIN
Partner
Ernst & Young LLC

10 April 2020

Details of the audited entity
Name: Joint Stock Company "International airport Sheremetyevo"
Record made in the State Register of Legal Entities on 14 October 2002, State Registration Number 1027739374750.
Address: Russia 141400, Moscow region, Khimki, premises of Sheremetyevo airport

Details of the auditor
Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo". Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

Consolidated statement of financial position as of 31 December 2019

(in millions of Russian rubles, unless otherwise indicated)

	Note	31 December 2019	31 December 2018
ASSETS			
Current assets			
Cash and cash equivalents	7	18,868	28,566
Accounts receivable	8	4,056	6,368
Other current financial assets	9	13	19
Prepayments and input VAT	8	3,910	1,429
Income tax receivable		187	36
Inventories	10	4,157	3,525
Total current assets		31,191	39,943
NON-CURRENT ASSETS			
Property, plant and equipment	11	110,021	87,999
Right-of-use assets	13	4,347	–
Intangible assets	12	38,436	30,089
Deferred tax assets	25	24	363
Investments in associates and joint ventures	29	5,525	5,444
Other non-current financial assets	14	60	59
Other non-current non-financial assets		10	–
Total non-current assets		158,423	123,954
Total assets		189,614	163,897
LIABILITIES			
Current liabilities			
Accounts payable	15	9,822	8,138
Income tax payable		280	152
Short-term loans and borrowings and current portion of long-term loans and borrowings	18	6,963	4,761
Finance lease liabilities	17		1
Current lease liabilities	17	480	–
Provisions and contingencies	16	1,106	508
Other current financial liabilities	15	2,469	793
Other current non-financial liabilities		661	470
Total current liabilities		21,781	14,823

	Note	31 December 2019	31 December 2018
NON-CURRENT LIABILITIES			
Long-term loans and borrowings	18	45,074	43,408
Deferred tax liabilities	25	4,965	4,240
Finance lease liabilities	17	–	3,860
Non-current lease liabilities	17	4,718	–
Other non-current financial liabilities	19	320	421
Other non-current non-financial liabilities	19	253	192
Total non-current liabilities		55,330	52,121
Total liabilities		77,111	66,944
EQUITY			
Share capital	20	8,491	8,491
Treasury shares	20	(2,258)	–
Retained earnings and other reserves		100,314	82,486
Equity and reserves attributable to the Company's shareholders		106,547	90,977
Non-controlling interest	28	5,956	5,976
Total equity		112,503	96,953
Total liabilities and equity		189,614	163,897

These consolidated financial statements were approved and signed on 10 April 2020.

O.V. Zvereva

Director of Directorate — Chief Accountant

A.P. Oleynik

Chief Financial Officer

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019

(in millions of Russian rubles, unless otherwise indicated)

	Note	For the years ended	
		31 December 2019	31 December 2018
Revenue	21	82,088	57,980
Operating expenses	22	(55,001)	(38,467)
Operating profit		27,087	19,513
Finance income	24	523	741
Finance expense	24	(2,771)	(2,963)
Foreign exchange differences, net		2,793	(3,775)
Other income/(expense), net	23	207	(522)
Share in net profit of associates and joint ventures	29	295	639
Profit before tax		28,134	13,633
Income tax expense	25	(5,793)	(2,612)
Profit for the year		22,341	11,021
Items that will not be subsequently reclassified to profit or loss			
Gain on changes in the fair value of equity instruments, net of tax		–	47
Total other comprehensive income		–	47
Total comprehensive income for the year		22,341	11,068
Profit attributable to:			
Company's shareholders		21,527	10,035
Non-controlling interests		814	986
		22,341	11,021
Total comprehensive income for the year attributable to:			
Company's shareholders		21,527	10,082
Non-controlling interests		814	986
		22,341	11,068

Consolidated statement of cash flows for the year ended 31 December 2019

(in millions of Russian rubles, unless otherwise indicated)

	Note	For the year ended	For the year ended
		31 December 2019	31 December 2018
Cash flows from operating activities			
Profit before tax		28,134	13,633
Adjustments for:			
Depreciation of property, plant and equipment and amortization of intangible assets	11, 12	8,224	6,707
Amortization of right to use concession facilities	12	55	–
Amortization of right-of-use assets	13	561	–
Change of allowance for expected credit losses	8	(137)	71
Change in provisions and other reserves	16	777	323
Loss from disposal of property, plant and equipment	23	85	346
Net finance expense/(income)	24	2,254	2,152
Foreign exchange differences, net		(2,793)	3,775
Dividend income	24	(5)	(6)
Share in net profit of associates and joint ventures	29	(295)	(639)
Other non-cash changes		–	4
Cash flows from operating activities before changes in working capital		36,860	26,366
Change in trade and other receivables and advances issued		(2,213)	(1,650)
Change in inventories		(593)	(1,170)
Change in trade and other payables, advances received and accrued liabilities		657	1,381
Cash flows from operating activities		34,711	24,927
Income tax paid		(4,792)	(1,858)
Net cash from operating activities		29,919	23,069
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(30,137)	(22,961)

Consolidated statement of cash flows for the year ended 31 December 2019

(in millions of Russian rubles, unless otherwise indicated)

	Note	For the year ended 31 December 2019	For the year ended 31 December 2018
Purchase of works, services and materials for construction of concessions facilities		(8,196)	–
Proceeds from disposal of property, plant, equipment and intangible assets		7	5
Proceeds from disposal of assets held for sale		1,962	1,450
Redemption of promissory notes		–	1,286
Interest received		384	480
Dividends received		205	13
Net cash used in investing activities		(35,775)	(19,727)
Cash flows from financing activities			
Proceeds from loans and borrowings	18	13,826	5,809
Repayment of loans and borrowings	18	(4,471)	(6,436)
Interest paid		(3,475)	(3,763)
Payment of lease liabilities	17	(554)	–
Purchase of treasury shares	20	(2,258)	–
Purchase of shares in subsidiaries		(14)	(245)
Dividends paid		(4,119)	(3,665)
Net cash used in financing activities		(1,065)	(8,300)
Effect of movements in foreign exchange rates on cash		(2,777)	4,809
Net decrease in cash and cash equivalents		(9,698)	(149)
Cash and cash equivalents at the beginning of the year		28,566	28,715
Cash and cash equivalents at the end of the year	7	18,868	28,566
Non-cash investing activities			
Property, plant and equipment received under finance leases		–	3,720

Consolidated statement of changes in equity for the year ended 31 December 2019

(in millions of Russian rubles, unless otherwise indicated)

	Attributable to shareholders				Total equity and reserves attributable to the Company's shareholders	Non-controlling interest	Total equity
	Share capital	Treasury shares	Provision for changes in fair value	Retained earnings			
Balance at 1 January 2018	8,500	(127)	–	74,654	83,027	6,213	89,240
Profit for the year	–	–	–	10,035	10,035	986	11,021
Other comprehensive income							
Gain on changes in the fair value of equity instruments, net of tax	–	–	47	–	47	–	47
Total comprehensive income for the year ended 31 December 2018	–	–	47	10,035	10,082	986	11,068
Redemption of treasury shares	(9)	127	–	(118)	–	–	–
Dividends accrued	–	–	–	(2,132)	(2,132)	(1,223)	(3,355)
Balance at 31 December 2018	8,491	–	47	82,439	90,977	5,976	96,953
Profit for the period	–	–	–	21,527	21,527	814	22,341
Total comprehensive income for the year ended 31 December 2019	–	–	–	21,527	21,527	814	22,341
Purchase of treasury shares (Note 20)	–	(2,258)	–	–	(2,258)	–	(2,258)
Dividends accrued	–	–	–	(3,699)	(3,699)	(834)	(4,533)
Balance at 31 December 2019	8,491	(2,258)	47	100,267	106,547	5,956	112,503

Notes to the consolidated financial statements for the year ended 31 December 2019

1. General information

These are the consolidated financial statements of Joint Stock Company "International airport Sheremetyevo" (the "Company") and its subsidiaries (together referred to as the "Group").

These consolidated financial statements for the year ended 31 December 2019 and for the year ended 31 December 2018 were authorized for issue in accordance with a resolution of the General Director of the Company dated 10 April 2020.

Sheremetyevo International Airport was formed in 1959 pursuant to the Decree of the Government On the Transfer of the Sheremetyevsky Central Aerodrome of the Air Force to the Main Directorate of the Civil Air Fleet. In 1996, Sheremetyevo International Airport was reorganized into Open Joint Stock Company International airport Sheremetyevo.

Principal activity

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

The Group's operations that include servicing international and domestic passenger and cargo flights are subject to seasonal fluctuations; the maximum demand is observed in the second and the third quarter of the year.

As of 31 December 2019, the Company's controlling shareholder, which holds a 66.0632% stake, is Sheremetyevo Holding Limited Liability Company. Its sole participant is TPS AVIA Holding Ltd (holds 100% of Sheremetyevo Holding LLC's share capital). TPS Group Holding Inc. is an ultimate controlling shareholder of the Company. It is controlled by a trust acting on behalf of the families of A.A. Ponomarenko and A.I. Skorobogatko.

As of 31 December 2019, 30.46% of the shares in the Company were held by the Government of the Russian Federation represented by the Federal Agency for State Property Management.

Location

The Company is located in the Russian Federation, Moscow region, Khimki, premises of Sheremetyevo airport.

Operating environment of the Group

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

Business environment in the Russian Federation

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. Russian legal, tax and regulatory systems continue developing and are subject to changes which can occur frequently, allowing for various interpretations (Note 26). Continuing political instability in the region and international sanctions imposed against several Russian companies and individuals still have a negative impact on the Russian economy. a moderate economic growth in 2019 resulted from stability of oil prices, low unemployment rates and increasing salaries. This economic environment has a significant impact on operations and financial performance of the Group. Management takes appropriate measures to ensure the stability of the Group's operations. However, it is quite difficult to forecast consequences of the current economic situation, therefore, actual results may differ from the current expectations and management's estimations.

2. Basis of preparation

Statement of compliance

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

These consolidated financial statements present the Group's performance and financial position.

Measurement principle

These consolidated financial statements have been prepared on a historical cost basis.

Functional currency

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

Presentation currency

The consolidated financial statements are presented in Russian rubles. Unless otherwise indicated, all amounts have been rounded to the nearest million.

3. Summary of significant accounting policies

Subsidiaries

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

- Has power over the investee that enables it to control significant activities that greatly influence the income of the investee;
- Has exposure, or rights, to variable returns from its involvement with the investee;
- Has the ability to use its power over the investee to affect its returns.

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

The Group may have power over an investee even when it holds less than the majority of the voting rights to an investee. In such cases, in order to determine the existence of actual powers over the investee, the Group should assess the extent of its voting rights against the extent and distribution of the voting rights of other holders. Protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

Business combinations and acquisitions

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

at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.
Any costs directly related to the business combination (accounting fees, legal fees, valuation and other professional services necessary for the business combination) are recorded as expenses of the period as incurred and are not included in the acquisition cost.

Acquisition of non-controlling interests

A non-controlling interest is a part of the net results and the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. a non-controlling interest at the end of the reporting period represents the non-controlling shareholders' portion of the fair value of the identifiable assets and liabilities of the subsidiary at the acquisition date and the non-controlling shareholders' portion of movements in the equity of the subsidiary since the date of the combination. Non-controlling interests are presented separately within equity.
Acquisitions of non-controlling interests are accounted for as transactions with owners acting in the capacity of owners thus no goodwill is recognized as a result of such transactions. Acquisitions of non-controlling interests in a subsidiary of the Group result in a difference between the value of the investment and the current value of net assets of the subsidiary at the acquisition date. This difference is recorded as retained earnings within equity.

Loss of control

When the Group loses control over a subsidiary, it ceases to recognize its assets and liabilities, the respective non-controlling interests and other components of equity. Except for the transactions under common control, all positive or negative differences arising from a loss of control are recorded in profit or loss. Positive and negative differences arising from a loss of control as a result of transactions under common control are recorded in equity. If the Group reserves a part of the investment in the former subsidiary, such an interest is measured at the fair value at the date of loss of control. Subsequently, this interest is recognized as an investment in an associate (using the equity method), joint venture or a financial asset, depending on the level of influence the Group will continue to have on the former subsidiary.

Investments in associates

Investments in associates which the Group significantly influences (directly or indirectly), but does not control (usually voting shares in the entities account for 20%-50%), are recognized using the equity method, unless such investments are classified as assets held for sale. Investments in associates are initially recognized at acquisition cost. Goodwill arising from the acquisition of associates is included in the carrying amount of the investment (net of accumulated impairment losses). Dividends received from associates reduce the carrying amount of the investments in associates.
Other post-acquisition changes in the Group's share of net assets of an associate are recognized as follows: (a) the Group's share of profit or loss is recorded in the consolidated profit or loss for the year as the share of the financial result of the associate; (b) the Group's share of other comprehensive income is recognized in other comprehensive income and presented separately. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.
If an associate incurs losses, the Group recognizes its share of the losses until the carrying amount of the investment reaches zero. Further losses are not recognized.

Joint operations

Investments in joint operations are classified as joint operations or joint ventures, depending on contractual rights and obligations of each investor rather than on the legal structure of the joint operations.
The Group accounts for investments in joint ventures under the equity method. According to the equity method, an investment in a joint venture is initially recorded at acquisition cost. Any difference between the acquisition cost and shares in the fair value of net assets of a joint venture represents goodwill arising on the acquisition of the joint venture.
The carrying amount of investments in joint ventures includes goodwill identified on acquisition less accumulated impairment losses, if any.
Other post-acquisition changes in the Group's share of net assets of a joint venture are recognized as follows: (a) the Group's share of profit or loss is recorded in the consolidated profit or loss for the year as a share of the financial result of the joint venture; (b) the Group's share of other comprehensive income is recognized in other comprehensive income and presented separately; (c) all other changes in the Group's share of the carrying amount of net assets of joint ventures are recognized in retained earnings in the statement of changes in equity.
When the Group's share of losses of a joint venture equals or exceeds its investment in the joint venture, including any other unsecured accounts receivable, the Group does not recognize further losses, unless it has accepted obligations or made payments on behalf of the joint venture.
Dividends received from joint ventures reduce the carrying amount of the investments in joint ventures.
Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Foreign currency transactions

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

Financial instruments — key measurement approaches

Fair value is a price obtained as a result of sale of an asset or payable for transferring a liability as a result of an orderly transaction between market participants as of the date of measurement.

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

Level 1

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

Level 2

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

Level 3

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

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

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

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

Initial recognition of financial instruments

Financial instruments at fair value through profit or loss (FVPL) are initially recognized at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. a gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition of financial assets at amortized cost and investments in debt instruments at fair value through other comprehensive income, an allowance for expected credit losses is recognized, which results in the recognition of an accounting loss immediately upon initial recognition of the asset.

Financial assets — classification and subsequent measurement — measurement categories

The Group classifies financial assets using the following measurement categories: at fair value through profit or loss (FVPL), at fair value through other comprehensive income (FVOCI), and at amortized cost. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets — classification and subsequent measurement — business model

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

The business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities the Group intends to perform to achieve the objective set for the portfolio at the assessment date.

Financial assets — classification and subsequent measurement — cash flow characteristics

If, in accordance with the business model, assets are held to collect contractual cash flows and to collect contractual cash flows and sell, the Group determines whether cash flows are solely payments of principal and interests (SPPI test). Financial assets with embedded derivatives are assessed collectively to determine whether cash flows are solely payments of principal and interest. Therefore, the Group determines whether the contractual cash flows comply with the terms of the underlying loan contract, i.e. interest comprises only the consideration for credit risk, time value of money, other risks of the underlying loan contract and profit margin.

If contractual terms establish a risk exposure or volatility that do not meet the terms of the underlying loan contract, the respective financial asset is designated and measured at fair value through profit or loss. The SPPI test is performed at initial recognition without subsequent remeasurement.

Reclassification of financial assets

Financial instruments are reclassified only in case of changes in the business model used to manage the respective portfolio as a whole. The reclassification is performed prospectively beginning with the first reporting period after the business model change.

The Group did not change its business model during the current period and did not make any reclassifications.

Impairment of financial assets — allowance for expected credit losses

The Group assesses, on a forward-looking basis, expected credit losses for debt instruments measured at amortized cost and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts. The Group estimates the expected credit losses and accrues an allowance for expected credit losses at each reporting date. The estimation of expected credit losses (ECL) reflects: (i) an unbiased and probability-weighted amount determined by estimating a range of possible results, (ii) time value of money and (iii) all reasonable and supportable information on past events, current circumstances, forecast economic conditions existing as of the reporting date, without excessive costs and effort.

Debt instruments at amortized cost are carried in the consolidated statement of financial position less the allowance for ECL. a separate allowance for ECL is recognized against loan commitments and financial guarantees as a part of liabilities in the consolidated statement of financial position.

The Group applies a three-stage model for recognition of impairment, based on changes in credit quality since initial recognition. a financial instrument that is not impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to a portion of lifetime ECL that results from default events that may occur during the next 12 months or before the contractual maturity, if it comes earlier ("12-month ECL"). If the Group identifies a significant increase in credit risk since initial recognition, the asset is transferred to Stage 2 and its ECL are measured based on lifetime ECL, that is, until the contractual maturity but the measurement includes the expected prepayments, if any ("lifetime ECL"). If the Group determines that a financial asset is impaired, the asset is transferred to Stage 3 and its ECL are measured as lifetime ECL. For purchased or originated credit-impaired financial assets, ECL are always measured as lifetime ECL.

Derecognition of financial assets

The Group derecognizes financial assets when:

- The assets are redeemed or the rights to cash flows from the assets have otherwise expired; or
- The Group has transferred the rights to the cash flows from financial assets or entered into a transfer agreement, while:
  a) Also transferring all substantial risks and rewards of ownership of the assets; or
  b) Neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control.

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

Offsetting of financial instruments

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, on-demand bank deposits and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortized cost as (i) they are held to collect contractual cash flows and such cash flows are solely payments of principal and interests and (ii) they are not designated at fair value through profit or loss. Cash balances restricted for use are excluded from cash and cash equivalents for the purpose of the statement of cash flows. Cash balances restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date, are included in other non-current assets.

Trade and other receivables

Trade and other receivables are initially recognized at fair value and are subsequently carried at amortized cost using the effective interest rate method.

Equity instruments

Equity instruments are initially carried at cost and classified as at fair value through other comprehensive income. Profit or loss from changes in the fair value of such instruments is recognized in other comprehensive income and will not be subsequently reclassified into profit or loss upon impairment or disposal of related equity instruments.

Financial liabilities — measurement categories

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

Trade and other payables

Trade payables are accrued when the counterparty performed its contractual obligations and are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

Loans and borrowings

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

Short-term loans and borrowings comprise:

- Interest-bearing loans and borrowings maturing in less than one year;
- Current portion of long-term interest-bearing loans and borrowings.

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

Derecognition of financial liabilities

The Group derecognizes financial liabilities when they are discharged (i.e. when the contractual obligation is performed, terminated or expired).

An exchange of debt financial instruments with significantly different terms between the Group and its creditors and significant modifications of existing financial liabilities are recognized as discharge of the initial financial liability and accrual of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, differs by 10% minimum from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of the interest rate, new conversion features attached to the instrument and changes in loan covenants are also considered. If an exchange of debt instruments or modification of their terms is accounted for as a discharge, any

costs or fees incurred are recognized as part of the gain or loss on the discharge. If the exchange or modification is not recognized as a discharge, all costs or fees incurred are carried as an adjustment to the carrying amount of the liability and are amortized over the remaining term of the modified liability.
Modifications which do not result in discharge are recognized as a change in provision by a retrospective accrual of cumulative depreciation, with gains or losses taken to profit or loss.

Property, plant and equipment

Property, plant and equipment are stated at cost or revalued amount, as described below.
The Company's property, plant and equipment are recorded at cost determined on the basis of an independent valuation as of 1 January 2004, which is the date of the first adoption of IFRS ("deemed cost"). Property, plant and equipment of subsidiaries obtained as a result of the Group's reorganization (Note 27) are recorded at cost based on the carrying amount determined by the previous controlling shareholder, at fair value as of the date when the Group obtained control through the business combination, or based on the actual cost of acquisition or construction of assets acquired after 1 January 2004, less accumulated depreciation and impairment losses.
Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Construction in progress

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

Subsequent costs

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

Depreciation of property, plant and equipment

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

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

Previously recognized property, plant and equipment or any significant component thereof are derecognized upon disposal or when no future economic benefits are expected from their use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the consolidated statement of profit or loss and other comprehensive income in the period when the asset is derecognized.
The assets' residual values, useful lives and methods of depreciation are reviewed at the end of each reporting year and adjusted prospectively, as appropriate.
Land plots are not depreciated.

Concession agreement

On 25 December 2018, the Company signed a concession agreement for the Sheremetyevo airfield and infrastructure including navigation equipment for a period of 49 years.
Under the agreement, the Company is obliged to conduct modernisation of the assets under concession, construct certain infrastructure objects and maintain all of them during the concession period in exchange for the right to charge its customers for the use of those assets. The title for the assets under concession is held or will be held by the Russian Federation as represented by the Federal Air Transport Agency (the "Grantor").
Financing for the construction and modernisation of the infrastructure facilities is covered by an investment component within the take-off /landing tariff. Under the terms of the concession agreement, all funds raised from the investment component can be only allocated to finance the construction and modernisationof the infrastructure facilities (runways, aprons, taxiway strips, treatment facilities).
The infrastructure facilities are not recognized within the Group's property, plant and equipment, as the concession agreement does not provide the Group with the title to the infrastructure facilities.
The Group recognizes an intangible asset in the form of the concession right when it is likely that the Group will receive future economic benefits associated with the asset, and the cost of the asset can be reliably measured. The cost of an intangible asset includes:

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

Following the initial recognition, concession rights are carried at cost less any accumulated amortization and impairment losses.
Amortization begins when the Group is able to use its right to charge users for the services. Amortization of intangibles is accrued on straight line basis over useful life or the term of the concession agreement (49 years) whichever is shorter.
In determining the method for recognizing maintenance, current and capital repair costs of the infrastructure facilities, the Group identifies:

- Improvement of the infrastructure facilities with related costs capitalized in the cost of the intangible asset;
- Regular large-scale repairs subject to provisioning in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- Current repair and maintenance to be recorded within expenses of the period, in which they were incurred.

Services related to the Group's improvement of infrastructure are recognized similar to the accounting for the construction and modernisation of infrastructure facilities, i.e. the Group recognizes an

intangible asset at the cost of the improvement in correspondence with revenue from the construction services provided.
The Group recognizes a provision in the amount of its best estimate of expenses on regular large-scale repairs of infrastructure facilities with the subsequent recognition of the actual repair costs against the previously recognized provision. The provision is recognized within expenses as the infrastructure facilities are depreciated.

Leases

Accounting policies applicable to the periods ended prior to 1 January 2019

Finance leases

Where the Group is a lessee in a lease which transfers substantially all risks and rewards incidental to ownership to the Group, the assets leased are capitalized in property, plant and equipment at the date of commencement of the lease term at the lower of the fair value of the leased assets and the present value of the minimum lease payments.
The amount of each lease payment is allocated between the decrease in the outstanding lease liability and finance costs so as to achieve a constant periodic interest rate on the outstanding balance of the finance lease. The corresponding lease liabilities, net of future finance charges are recorded in a separate line (finance lease liabilities) of current and non-current liabilities in the Group's consolidated statement of financial position. Interest costs included in lease payments are recognized in profit or loss over the lease period using the effective interest rate method. The assets acquired under finance leases are depreciated over their useful lives or the lease term, whichever is shorter, if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received reduce the total lease expense over the term of the lease.

Lease income

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

Accounting policies applicable to the periods ended after 1 January 2019

Group as a lessee

Right-of-use assets and liabilities

The Group recognizes right-of-use assets and liabilities under lease agreements at the date the underlying asset is available for use.
As of the lease commencement date, the Group includes the following types of lease payments in the lease liability: fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group potentially exercising the option to terminate.

The Group performs initial measurement of lease assets and lease liabilities as of the lease commencement date and measures them at the present value of lease payments using the interest rate implicit in the lease or, if the rate is not readily determinable, at the incremental borrowing rate.
At initial recognition, in addition to the initial estimate of the liability, the right-of-use lease asset also includes lease payments paid as of the lease commencement date or before such date less lease incentives received, initial direct costs and estimated costs which the Group expects to incur to restore the underlying asset to the condition required by the terms and conditions of the lease for it to be returned to the lessor.
After the commencement date, the Group measures the right-of-use asset by applying a cost model, less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. The Group records the lease liability at the carrying amount increased to reflect the accretion of interest and reduced for the lease payments made, considering remeasurement or modification of the lease. During the lease term, interest on lease liabilities comprise an amount that produces a constant periodic rate of interest on the remaining balance of the liability for each reporting period.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machines and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Group also applies an applicable recognition exemption to leases of low-value assets (i.e. those below USD 5,000). Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

Significant judgment in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases.

Recognition of lease income

The Group recognizes lease income in income on a straight-line basis over the lease term, except for when systematical allocation that differs from that on a straight-line basis better presents the time schedule of reducing benefits from leased assets.
Costs, including depreciation, incurred when receiving lease income, are included in expenses.
Initial direct costs incurred during the approval of the operating lease, are added to the carrying amount of the underlying asset and recorded as an expense over the entire lease term, using the same principles as for the lease income.

Capitalization of borrowing costs

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

Intangible assets

Goodwill

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of the non-controlling interest in the acquiree and the fair value of a capital charge the acquiree held immediately before the acquisition date. If such excess is negative (negative goodwill), its entire amount is immediately recorded in profit or loss for the period.

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

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

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

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

Other intangible assets

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

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

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

Impairment of non-current assets

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

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

If the carrying amount of an asset or a CGU is more than its recoverable amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount.

An impairment loss is recognized in the statement of profit or loss and other comprehensive income.

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

Inventories

Inventories are recorded at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and selling costs.

When inventories are released to production or otherwise disposed of, their cost is determined on the first-in, first-out basis.

Prepayments

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

Discontinued operations

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale and (a) represents a separate major line of business or geographical area of operations; (b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Gains and cash flows from discontinued operations (if any) are recorded separately from the continuing operations and the classification of respective comparative data are changed accordingly.

Share capital

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

Treasury shares

Where the Group entities purchase shares of the Company, the consideration paid including any additional directly attributable transaction costs (net of taxes) is deducted from total equity attributable to the shareholders of the Company until shares are redeemed, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received net of additional direct transaction costs and respective taxes is included in equity attributable to the Company's shareholders.

Dividends

Dividends are recognized as a liability and deducted from equity as of the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorized for issue.

Provisions and contingencies

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

Revenue recognition

Revenue is recognized when (or while) transferring control over goods or services to the customer at the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring goods or services to the customers. Revenue represents any amounts payable for goods or services sold in the normal course of business less discounts and taxes accrued on the revenue.

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

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

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

Revenue from retail trade is recognized upon transfer of control of goods, i.e. when goods are transferred to a customer in a store, the customer can freely dispose of the goods and there are no outstanding obligations which could affect the acceptance of goods by the customer.

Revenue from other services is recognized at the transaction cost at the moment the service is rendered to the customer.

Employee benefits

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

Contributions to social and pension funds

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

Finance income and expense

Finance income includes interest income from investments made, dividend income from investments made, gains from disposal of financial assets, as well as foreign exchange gains. Interest income is recognized in profit or loss for the period at the moment it arises and measured using the effective interest rate method. Dividends from investments are recognized in profit or loss in the consolidated statement of profit or loss and other comprehensive income, starting from the moment when the shareholder's right to receive respective payments is recognized. Finance expense comprises interest expense on borrowings, unwinding of the discount on provisions, foreign exchange losses, as well as losses from impairment of financial assets other than accounts receivable. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using effective interest rate method.

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

Income tax

Income tax expense comprises current income tax and deferred tax. Current tax and deferred tax are recognized in profit or loss for the period, except to the extent that they relate to a business combination, or items recognized directly in equity or in other comprehensive income.

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

In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted as of the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current income tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities that intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

In accordance with the tax legislation of the Russian Federation, tax losses and current tax assets of a Group entity may not be set off against taxable profits and current tax liabilities of other Group entities. In addition, the tax base is determined separately for each of the Group's main activities and, therefore, tax losses and taxable income subject to different activities cannot be offset.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is highly probable that future taxable income will be available against which they can be utilized. The amount of deferred tax assets is analyzed as of each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4. Key accounting estimates and professional judgments in applying accounting policies

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

Assessment of impairment

of non-current assets

The Group tests goodwill for impairment at least annually. Non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. The recoverable amount of respective cash-generating units is determined on the basis of their value in use. Such calculations require the use of estimates detailed in Note 12.

Useful lives of property, plant and equipment and intangible assets

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

Useful lives of intangible assets acquired as part of business combinations (customer lists and customer relationships) were determined by management using a professional judgment on the basis of statistics of customer outflows for the previous periods and terms of agreements signed. Management annually assesses the remaining useful lives of intangible assets taking into account the Group's plans and projections related to duration of its cooperation with the key customers and likelihood that they will switch to another airport or another service provider. If expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. These estimates may have a material effect both on carrying amounts of property, plant and equipment and intangible assets and on depreciation and amortization charges for the period.

Recognition of a deferred tax asset

A deferred tax asset is the amount of income tax that may be offset against future taxable income and is recorded in the consolidated statement of financial position. a deferred tax asset is recorded only to the extent to which its realization is highly probable. This includes temporary differences, which are expected to reverse in the future and the availability of sufficient future taxable profit against which the deductions can be utilized. The amounts of future taxable profit and tax benefits that are probable to be utilized in the future are determined based on the medium-term business plan prepared by management and its extrapolated results. The business plan is based on management's expectations that are deemed to be reasonable under the current circumstances.

Concession agreement

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

Estimation of expected credit losses

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

5. New accounting interpretations and standards

New standards and interpretations that had a material effect on the consolidated financial statements for the six months ended 31 December 2019:

IFRS 16 Leases (effective from 1 January 2019)

The Group adopted IFRS 16 Leases using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized on the date of initial application.

The effect of adopting IFRS 16 Leases on the statement of financial position is as follows:

	1 January 2019
Right-of-use assets	4,749
Property, plant and equipment	(3,588)
Total assets	1,161
Right-of-use liabilities	5,023
Finance lease liabilities	(3,720)
Interest expense accrued	(142)
Total liabilities	1,161

When adopting IFRS 16 Leases, the Group applied the following practical expedients:

- The recognition exemption for short-term leases or leases of low-value assets (below USD 5,000). Lease payments on short-term leases and leases of low-value assets are recognized monthly as an expense on a straight-line basis over the lease term;
- The same discount rate for leases having reasonably similar characteristics (leases with a similar remaining lease term, for a similar type of underlying assets in a similar economic environment and contractual currency).

Lease liabilities as of 1 January 2019 can be reconciled to operating lease commitments as of 31 December 2018 as follows:

Operating lease commitments as of 31 December 2018	2,198
Weighted average incremental borrowing rate as of 1 January 2019	11.1%
Discounted operating lease commitments as of 1 January 2019	266
Commitments relating to leases previously classified as finance leases	3,862
Operating lease payments, not recognized as of 31 December 2018	1,161
Total lease liabilities as of 1 January 2019	5,023

The standards, amendments and interpretations that have been issued, but are not yet effective at the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, amendments and interpretations, if relevant, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach);
- A simplified approach (premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material are not expected to have a significant impact on the Group's financial statements.

6. Related party disclosures

Parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Other related parties include entities under common control with the Group. The outstanding balances with related parties were as follows:

	31 December 2019	31 December 2018
Current assets		
Accounts receivable and prepayments	28	32
Gross value:		
Associates and joint ventures	27	21
Other related parties	1	11
Total assets	28	32
Current liabilities		
Accounts payable and other liabilities	989	1,012
Associates and joint ventures	28	39
Other related parties	961	973
Current lease liabilities	56	–
Other related parties	56	–
Total current liabilities	1,045	1,012
Non-current lease liabilities	77	–
Other related parties	77	–
Total non-current liabilities	77	–

As of 31 December 2018, the Group had contractual commitments with related parties in respect of construction of terminals and upgrade of existing assets (Note 26) for the total amount of RUB 493 million.
The related party transactions are disclosed below.

	31 December 2019	31 December 2018
Revenue from sale of goods and services	279	233
Associates and joint ventures	277	231
Other related parties	2	2
Dividend income	199	40
Associates and joint ventures	199	40
Interest expense	18	–
Other related parties	18	–
Purchase of goods, works and services, construction of property, plant and equipment	(1,301)	(5,604)
Associates and joint ventures	(432)	(256)
Other related parties	(869)	(5,348)
Other expenses	–	(1)
Associates and joint ventures	–	(1)

As of 31 December 2019, 30.46% (31 December 2018: 30.46%) of the shares in the Company were held by the Government of the Russian Federation represented by the Federal Agency for State Property Management.
In the Group's economic environment, companies and credit institutions are controlled, directly or indirectly, by the Russian Government represented by municipal bodies, agencies, associations and other organizations, which collectively represent organizations under the state influence.
The Group decided to apply an exemption from disclosure of individually insignificant transactions and balances with the state and its related parties, as the Russian Government controls, jointly controls or exercises a significant influence on such parties.

As of 31 December 2019, the amount of loans and borrowings and finance lease liabilities of the Group to state-controlled entities was 100% (2018: 100%). 43% of the Group's current assets and 8% of other liabilities are attributable to balances with state-controlled entities (2018: 47% and 3%, respectively). The share of interest expense on finance leases approximated 15% (2018: 5%). The share of interest expense on loans and borrowings is 81% (2018: 92%). For the year ended 31 December 2019, the share of transactions with state-controlled entities in the Group's operating expenses and revenue amounted to 4% and 42%, respectively (2018: 3% and 37%, respectively).
Transactions with the state also comprise settlements and turnovers of taxes, levies and customs duties disclosed in Note 25.

Compensation to key management personnel

In 2019, compensation to key management personnel (members of the Board of Directors and the Management Board, as well as other management with power and responsibilities to manage, control and plan the Group's operations) included in operating expenses of the consolidated statement of profit or loss and other comprehensive income totaled RUB 2,384 million, including long-term compensation of RUB 123 million (2018: RUB 1,682 million, including RUB 63 million of long-term compensation).
In 2017, the Company's Board of Directors approved a program of long-term bonuses to key management personnel. Bonuses are paid when the target corporate KPIs are achieved.
The key management personnel compensation plan is mainly represented by short-term payments (including salary, bonuses and mandatory contributions to non-budget funds), and compensation for their involvement in the Group's governing bodies.

7. Cash and cash equivalents

The amount of cash and cash equivalents includes:

	31 December 2019	31 December 2018
RUB-denominated cash at banks and on hand	1,470	1,610
EUR-denominated cash at banks and on hand	323	98
USD-denominated cash at banks and on hand	4,712	9,013
RUB-denominated term deposits	822	1,084
USD-denominated term deposits	11,538	16,758
Other	3	3
Total cash and cash equivalents	18,868	28,566

As of 31 December 2019, cash was placed with banks, which were assigned Ba1 and Baa3 credit ratings by Moody's (31 December 2018: Ba1 and Baa3).
All balances at banks and term bank deposits are neither past due nor impaired.

8. Accounts receivable, prepayments and input VAT

	31 December 2019	31 December 2018
Trade receivables	4,226	4,809
Accounts receivable from discontinued operations	–	1,827
Other receivables	58	139
Less allowance for expected credit losses	(228)	(407)
Total accounts receivable	4,056	6,368
VAT and other taxes receivable, other than income tax	3,668	1,294
Advances issued to suppliers	243	136
Less allowance for impairment	(1)	(1)
Total prepayments and input VAT	3,910	1,429

Trade receivables as of 31 December 2019 are denominated in RUB except for accounts receivable of RUB 1,043 million denominated in US dollars and RUB 38 million denominated in euros (31 December 2018: RUB 1,716 million denominated in US dollars and RUB 93 million denominated in euros).

Trade receivables were not pledged as collateral under loan agreements.

The Group applies a simplified approach to measure expected credit losses according to IFRS 9 and uses an allowance for lifetime expected credit losses for all trade and other receivables.

To measure expected credit losses, trade and other receivables have been grouped based on similar credit risk characteristics and the number of days past due.

The level of expected credit losses is based on payment schedules for services rendered in the previous year and similar historical credit losses incurred during the period. Losses for previous periods are not adjusted for the current and forecast macroeconomic information, as accounts receivable have a short term and the effect of adjustments is insignificant.

As of 31 December 2019, an allowance for credit losses from trade and other receivables is based on the provision matrix presented in the table below.

	Gross carrying amount	Lifetime expected credit losses
Trade receivables:		
- Current and less than 30 days overdue	3,954	(31)
- 30 to 90 days overdue	79	(25)
- 91 to 180 days overdue	36	(17)
- 181 to 360 days overdue	38	(31)
- Over 360 days overdue	119	(119)
Total trade receivables (gross carrying amount)	4,226	(223)
Allowance for expected credit losses	(223)	–
Total trade receivables from contracts with customers (carrying amount)	4,003	–

	Gross carrying amount	Lifetime expected credit losses
Other receivables:		
- Current and less than 30 days overdue	49	–
- 30 to 90 days overdue	1	–
- 91 to 180 days overdue	4	(4)
- 181 to 360 days overdue	1	–
- Over 360 days overdue	3	(1)
Total other receivables (gross carrying amount)	58	(5)
Allowance for expected credit losses	(5)	–
Total other receivables from contracts with customers (carrying amount)	53	–

The table below explains changes in the allowance for credit losses from trade and other receivables under a simplified model of expected credit losses that were incurred in the period between the beginning and the end of the annual period.

	Trade receivables	Other receivables
Balance at 1 January 2019	(379)	(28)
Originated or purchased	(441)	–
Financial assets derecognized during the period	549	21
Total charges to allowance for ECL	108	21
Write-offs	44	–
Foreign exchange gains	4	–
Balance at 31 December 2019	(223)	(7)

As of 31 December 2018, an allowance for credit losses from trade and other receivables is based on the provision matrix presented in the table below.

	Gross carrying amount	Lifetime expected credit losses
Trade receivables:		
- Current and less than 30 days overdue	3,828	(38)
- 30 to 90 days overdue	456	(40)
- 91 to 180 days overdue	194	(50)
- 181 to 360 days overdue	63	(42)
- Over 360 days overdue	268	(209)
Total trade receivables (gross carrying amount)	4,809	(379)
Allowance for expected credit losses	(379)	–
Total trade receivables from contracts with customers (carrying amount)	4,430	–

	Gross carrying amount	Lifetime expected credit losses
Other receivables:		
- Current and less than 30 days overdue	1,966	(28)
Total other receivables (gross carrying amount)	1,966	(28)
Allowance for expected credit losses	(28)	–
Total other receivables from contracts with customers (carrying amount)	1,938	–

The table below explains changes in the allowance for credit losses from trade and other receivables under a simplified model of expected credit losses that were incurred in the period between the beginning and the end of the annual period.

	Trade receivables	Other receivables
Balance at 1 January 2018	(491)	(21)
Originated or purchased	(132)	(8)
Financial assets derecognized during the period	68	1
Total charges to allowance for ECL	(64)	(7)
Write-offs	176	–
Balance at 31 December 2018	(379)	(28)

9. Other current financial assets

	31 December 2019	31 December 2018
Restricted cash	13	19
Total other current assets	13	19

10. Inventories

	31 December 2019	31 December 2018
Spare parts	679	479
Auto fuel	28	14
Raw materials and consumables	495	231
Goods for resale	2,882	2,783
Other inventories	134	67
Allowance for impairment of inventories	(61)	(49)
Total inventories	4,157	3,525

As of 31 December 2019 and 31 December 2018, the Group had no inventories pledged as collateral under loan agreements. The allowance for impairment of inventories mainly includes non-liquid inventories, which will not be used in production or sold at a price exceeding their carrying amount.

11. Property, plant and equipment

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

	Land and buildings	Technical equipment and machinery	Vehicles	Other items	Construction in progress	Total
Balance at 1 January 2019						
Cost	61,393	32,360	7,764	4,481	12,842	118,840
Accumulated depreciation	(13,783)	(12,062)	(3,453)	(1,543)	–	(30,841)
Transfer to right-of-use-assets	–	(2,301)	(1,287)	–	–	(3,588)
Net book value at 1 January 2019	47,610	17,997	3,024	2,938	12,842	84,411
Additions	69	4,108	2,150	1,274	25,275	32,876
Commissioning	4,562	2,910	129	302	(7,903)	–
Disposals	(3)	(39)	(1)	(15)	(38)	(96)
Depreciation	(2,240)	(3,325)	(979)	(678)	–	(7,222)
Transfers	(10)	26	(8)	(8)	52	52
Net book value at 31 December 2019	49,988	21,677	4,315	3,813	30,228	110,021
Balance at 31 December 2019						
Cost	65,937	36,892	8,604	5,915	30,228	147,576
Accumulated depreciation	(15,949)	(15,215)	(4,289)	(2,102)	–	(37,555)
Net book value at 31 December 2019	49,988	21,677	4,315	3,813	30,228	110,021

Movements in the carrying amount of property, plant and equipment in 2018 were as follows:

	Land and buildings	Technical equipment and machinery	Vehicles	Other items	Construction in progress	Total
Balance at 1 January 2018						
Cost	45,426	13,697	4,859	2,524	28,451	94,957
Accumulated depreciation	(14,506)	(9,741)	(2,734)	(1,101)	–	(28,082)
Net book value at 1 January 2018	30,920	3,956	2,125	1,423	28,451	66,875
Additions	16	6,503	2,660	1,041	17,192	27,412
Commissioning	19,096	12,534	98	970	(32,698)	–
Disposals	(315)	(68)	(5)	(36)	(103)	(527)
Depreciation	(2,114)	(2,588)	(565)	(494)	–	(5,761)
Transfers	7	(39)	(2)	34	–	–
Net book value at 31 December 2018	47,610	20,298	4,311	2,938	12,842	87,999
Balance at 31 December 2018						
Cost	61,393	32,360	7,764	4,481	12,842	118,840
Accumulated depreciation	(13,783)	(12,062)	(3,453)	(1,543)	–	(30,841)
Net book value at 31 December 2018	47,610	20,298	4,311	2,938	12,842	87,999

For the period ended 31 December 2019, the Group capitalized borrowing costs of RUB 861 million (2018: RUB 830 million) within property, plant and equipment at a weighted average interest rate of 7.92% p.a. (2018: 10.71% p.a.).

As of 31 December 2019, construction in progress included advances for the acquisition of property, plant and equipment totaling RUB 3,489 million (31 December 2018: RUB 5,347 million).

As of 31 December 2019, bank loans were collateralized by property, plant and equipment with a carrying amount of RUB 20,445 million (31 December 2018: RUB 21,816 million) (Note 18).

12. Intangible assets

	Goodwill	Intangible assets under the concession agreement	Other intangible assets	Total
Cost				
1 January 2018	20,122	–	12,021	32,143
Additions	–	154	540	694
Disposals	–	–	(39)	(39)
31 December 2018	20,122	154	12,522	32,798
1 January 2019	20,122	154	12,522	32,798
Additions	–	8,671	734	9,405
Disposals	–	–	(102)	(102)
31 December 2019	20,122	8,825	13,154	42,101
Accumulated amortization and impairment				
1 January 2018	–	–	(1,799)	(1,799)
Amortization charge for the year	–	–	(946)	(946)
Disposals	–	–	36	36
31 December 2018	–	–	(2,709)	(2,709)
1 January 2019	–	–	(2,709)	(2,709)
Amortization charge for the period	–	(55)	(1,002)	(1,057)
Disposals	–	–	102	102
31 December 2019	–	(55)	(3,609)	(3,664)
Net book value				
31 December 2018	20,122	154	9,813	30,089
31 December 2019	20,122	8,770	9,545	38,436

Goodwill

Goodwill is allocated to the following CGUs:

Cash-generating unit (CGU)	31 December 2019	31 December 2018
JSC Imperial Duty Free	9,776	9,776
LLC Moscow Cargo	6,724	6,724
LLC Sheremetyevo Parking	2,419	2,419
LLC MASh Advertising	662	662
JSC Sheremetyevo Security	541	541
Total goodwill	20,122	20,122

As of 30 September 2019 (30 September 2018), the Group tested its goodwill for impairment. The Group determined the recoverable amount of CGUs based on value in use calculations. The calculation used the estimated cash flows denominated in USD based on financial budgets approved by management for 2020, and estimated cash flows until 2032. The use of such a long-term period is reasonable due to the long-lived nature of the Group's assets and the growth of passenger traffic with rates exceeding the average industry rates. a long-term growth rate of USD-denominated income and expenses of 2.0% was used for periods after 2032.

Key assumptions applied to calculate CGUs' value in use as of 30 September 2019 include:

- Internal passenger traffic and cargo turnover projections. In 2020 and 2021, the passenger traffic is projected to increase by 4.4% and 11.9%, respectively, and subsequently will nearly double the level of 2019 by the end of the forecast period;
- Indexation of tariffs for services provided and the average bill for JSC Imperial Duty Free at the level of consumer price inflation;
- Indexation of key cost items (lease, maintenance, staff costs) at the level of consumer price inflation.

The projected cash flows were discounted using the post-tax rate at 10.15%; the effective pre-tax rate amounted to 10.48%.

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

Intangible assets under the concession agreement

On 25 December 2018, the Group entered into a concession agreement for the provision of services with the Russian Federation represented by the Federal Air Transport Agency (the "Grantor") maturing on 31 December 2067 with a five-year renewal option. The Group acts as an operator under the concession agreement (the "Operator") and provides the Grantor with services of construction and modernisation of property and equipment of the Sheremetyevo airfield (including agreements to lease land plots, hereinafter together referred to as "infrastructure facilities"), the title to which is or will be held by the Grantor. The Group also acts as an airfield operator using the infrastructure facilities. The Group received a right to charge customers for take-off, landing and aircraft parking during the term of the concession agreement. According to the Group's estimates, the cost of construction, modernisation and maintenance of the infrastructure facilities for the entire term of the concession approximates RUB 188 023 million.

Financing for the construction and modernisation of the infrastructure facilities is covered by an investment component within the take-off/landing tariff. Under the terms of the concession agreement, all funds raised from the investment component can be only allocated for financing the construction and modernisation of the infrastructure facilities (runways, aprons, taxiway strips, treatment facilities).

The infrastructure facilities are not recognized within the Group's property, plant and equipment, as the concession agreement does not provide the Group with the title to the infrastructure facilities. The concession agreement may be terminated by mutual consent of the parties or in the event the Operator fails to discharge its obligations. In 2019, capitalized borrowing costs within intangible assets under the concession agreement amounted to RUB 195 million (2018: nil). The effective interest rate on capitalized borrowing costs was 9.72%.

Other intangible assets

The carrying amount of intangible assets as of 31 December 2019 was as follows:

	Licenses and certificates	Patents and trademarks	Software	Customer lists and customer relationships	Other intangible assets	Total
Balance at 1 January 2019						
Cost	69	1	1,336	11,019	97	12,522
Accumulated amortization	(36)	(1)	(667)	(1,968)	(37)	(2,709)
Net book value at 1 January 2019	33	–	669	9,051	60	9,813
Additions	30	–	678	–	26	734
Amortization	(16)	–	(253)	(721)	(12)	(1,002)
Transfers	(1)	–	(1)	–	2	–
Net book value at 31 December 2019	46	–	1,093	8,330	76	9,545
Balance at 31 December 2019						
Cost	93	1	1,930	11,019	111	13,154
Accumulated amortization	(47)	(1)	(837)	(2,689)	(35)	(3,609)
Net book value at 31 December 2019	46	–	1,093	8,330	76	9,545

The carrying amount of intangible assets as of 31 December 2018 was as follows:

	Licenses and certificates	Patents and trademarks	Software	Customer lists and customer relationships	Other intangible assets	Total
Balance at 1 January 2018						
Cost	63	2	893	11,019	44	12,021
Accumulated amortization	(25)	(2)	(492)	(1,246)	(35)	(1,800)
Net book value at 1 January 2018	38	–	401	9,773	9	10,221
Additions	7	–	453	–	80	540
Amortization	(12)	–	(183)	(722)	(29)	(946)
Disposals	–	–	(2)	–	–	(2)
Net book value at 31 December 2018	33	–	669	9,051	60	9,813
Balance at 31 December 2018						
Cost	69	1	1,336	11,019	97	12,522
Accumulated amortization	(36)	(1)	(667)	(1,968)	(37)	(2,709)
Net book value at 31 December 2018	33	–	669	9,051	60	9,813

13. Right-of-use assets

	Land and buildings	Technical equipment and machinery	Vehicles	Total
Balance at 1 January 2019				
Cost	1,155	6	–	1,161
Transfers from property, plant and equipment — cost	–	2,370	1,350	3,720
Transfers from property, plant and equipment — accumulated depreciation	–	(69)	(63)	(132)
Net book value at 1 January 2019	1,155	2,307	1,287	4,749
Additions	301	–	21	322
Disposals	–	–	–	–
Effect from changes of lease terms	–	(97)	(66)	(163)
Depreciation charge for the period	(176)	(226)	(159)	(561)
Net book value at 31 December 2019	1,280	1,984	1,083	4,347
Balance at 31 December 2019				
Cost	1,456	2,278	1,306	5,040
Accumulated depreciation	(176)	(294)	(223)	(693)
Net book value at 31 December 2019	1,280	1,984	1,083	4,347

The Group leases land plots, vehicles, as well as other items (real estate, equipment, etc.) under agreements with third parties and related parties. According to contractual terms, land plots and buildings are leased for a period of 4-99 years with a renewal option. Leased items in fact represent collateral under lease agreements because if the lessee fails to discharge its liabilities, they will be returned to the lessor.

14.Other non-current assets

	31 December 2019	31 December 2018
Non-current other receivables	1	–
Equity investments	59	59
Total other non-current financial assets	60	59

15. Accounts payable

	31 December 2019	31 December 2018
Trade payables	5,929	4,261
Bonuses payable to airlines	318	404
Dividends payable	414	–
Other payables	221	256
Total financial liabilities	6,882	4,921
Taxes payable, other than income tax	308	1,348
Accounts payable to employees	506	381
Premiums, bonuses and other benefits payables to employees, including compensations for unused vacations	1,789	1,249
Social insurance payable	337	239
Total trade and other payables	9,822	8,138
Current portion of guarantee payments under leases	333	316
Guarantee amounts retained from contractors	2,136	461
Other	–	16
Total other current financial liabilities	2,469	793
Advances received from lessees	218	143
Liabilities under contracts with customers	287	251
VAT reversal liabilities	138	12
Other	18	64
Total other current non-financial liabilities	661	470

As of 31 December 2019, trade payables were mainly denominated in Russian rubles, except for balances of RUB 64 million denominated in US dollars, RUB 1,238 million denominated in euros (31 December 2018: RUB 591 million denominated in US dollars, RUB 1,317 million denominated in euros).
Liabilities under contracts with customers mainly present advances for cargo forwarding servicing.

16. Provisions and contingencies

	31 December 2019	31 December 2018
Provision for litigations	1,026	508
Provisions for other contingencies	80	–
	1,106	508

Movements in provisions for the year ended 31 December 2019 were as follows:

	1 January 2019	Charged	Reversed	Utilized	31 December 2019
Provision for litigations	508	1,025	(328)	(179)	1,026
Provisions for other contingencies	–	80	–	–	80
Total provisions	508	1,105	(328)	(179)	1,106

Movements in provisions for 2018 were as follows:

	1 January 2018	Charged	Reversed	Utilized	31 December 2018
Provision for litigations	185	508	(185)	–	508
Provisions for other contingencies	1	–	–	(1)	–
Total provisions	186	508	(185)	(1)	508

17. Lease liabilities

The carrying amounts of lease liabilities and respective movements during the period are as follows:

	31 December 2019
Lease liabilities at 1 January 2019	5,023
Increase	159
Interest accrued	570
Payments	(554)
Lease liabilities at 31 December 2019	5,198
Current lease liabilities	480
Non-current lease liabilities	4,718
Total lease liabilities at 31 December 2019	5,198

Maturities of lease liabilities are analyzed in Note 30.
Minimum lease payments under finance leases and their discounted values are set out below (for periods before 1 January 2019).

	31 December 2018
Not later than 1 year	224
1-2 years	721
2-5 years	2,150
Over 5 years	3,354
Future interest payments under finance leases	(2,588)
Discounted value of finance lease liabilities	3,861

Maturities of discounted finance lease liabilities are as follows:

	31 December 2018
Not later than 1 year	1
1-2 years	114
2-5 years	1,108
Over 5 years	2,638
Discounted value of finance lease liabilities	3,861

The table below shows the analysis of movements in finance lease liabilities.

	31 December 2018
Opening balance at 1 January	–
Recognition of finance lease liabilities	3,720
Finance lease payments	–
Interest expense accrued	141
Repayment of interest	–
Closing balance at 31 December	3,861

18. Loans and borrowings

Long-term and short-term loans and borrowings

	Currency	Contractual interest rate	Maturity	31 December 2019	31 December 2018
Loans and borrowings					
PJSC Sberbank	RUB	9.70%	2028	4,963	–
PJSC VTB Bank	USD	7.75%	2019	–	1,606
PJSC Sberbank	USD	9.20%	2020	1,160	3,902
PJSC Sberbank	USD	6.25%	2028	8,341	5,169
PJSC Sberbank	USD	7.20%	2026	32,700	36,947
PJSC Sberbank	EUR	3.35%	2020	–	545
PJSC Sberbank	EUR	2.55%	2021	555	–
PJSC Sberbank	RUB	8.70%	2022	1,502	–
PJSC Sberbank	RUB	8.70%	2024	2,804	–
JSC SMP Bank	RUB	7.80%	2021	12	–
Total loans and borrowings				52,037	48,169
Less: current portion of long-term interest-bearing loans and borrowings				(6,963)	(4,761)
Total long-term interest-bearing loans a nd borrowings, net of current portion				45,074	43,408

Carrying amounts and fair values of loans and borrowings are as follows:

	31 December 2019		31 December 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Total loans and borrowings	52,037	53,255	48,169	48,286

The fair value of bank loans was estimated by discounting future cash flows using interest rates currently available for loans and borrowings with similar terms, credit risk and maturities. Cash flows were discounted using current interest rates, which as of 31 December 2019 were from 2.75% to 3.22% on credit facilities denominated in euros, 8.9% on credit facilities denominated in US dollars and 8.85% on credit facilities denominated in Russian rubles (31 December 2018: from 7.8% to 8.9% on credit facilities denominated in US dollars and 11.1% on credit facilities denominated in Russian rubles).

In 2019, the Group was provided with the following credit facilities:

PJSC Sberbank

- Non-revolving Credit Facility Agreement No. 7178 dated 5 June 2019 for a total amount of RUB 11,000 million to finance the Borrower's current operations and purchase property, plant and equipment; in 2019, the Group received RUB 4,956 million under this credit facility;
- Non-revolving Credit Facility Agreement No. 6965 dated 12 August 2019 for a total amount of RUB 1,500 million; in 2019, the Group received RUB 1,500 RUB million under this credit facility;
- Non-revolving Credit Facility Agreement No. 6999 dated 30 August 2019 for a total amount of RUB 2,800 million; in 2019, the Group received RUB 2,800 million under this credit facility;
- Non-revolving Credit Facility Agreement No. 6542 dated 5 June 2019 for a total amount of EUR 8,000 thousand; in 2019, the Group received EUR 8,000 thousand under this credit facility;
- Non-revolving Credit Facility Agreement No. 7048 dated 2 December 2019 for a total amount of RUB 1,640 million; in 2019, the Group did not receive any funds under this credit facility.
-

JSC SMP Bank

- Credit Facility Agreement No. 86-2019/KL dated 23 December 2019 for a total amount of RUB 600 million; in 2019, the Group received RUB 12 million under this credit facility.

As of 31 December 2019, the Company had short-term and long-term loans for a total amount of RUB 47,164 million (2018: RUB 47,624 million) collateralized by property, plant and equipment. The carrying amount of the pledged property, plant and equipment is disclosed in Note 11.

As of 31 December 2019, the amount of the Group's undrawn credit facilities comprised RUB 8,228 million and USD 18,731 thousand (31 December 2018: USD 79,184 thousand, EUR 1,142 thousand and RUB 400 million).

Cash flows from financial liabilities

Cost	Balance at 1 January 2019	Cash flows	Change in foreign currency exchange rates	Accrued interest	Balance at 31 December 2019
Loans and borrowings	48,169	5,880	(5,323)	3,311	52,037
Total	48,169	5,880	(5,323)	3,311	52,037

Cost	Balance at 1 January 2018	Cash flows	Change in foreign currency exchange rates	Accrued interest	Balance at 31 December 2018
Loans and borrowings	41,034	(4,390)	8,271	3,254	48,169
Total	41,034	(4,390)	8,271	3,254	48,169

19. Other non-current liabilities

	31 December 2019	31 December 2018
Non-current portion of guarantee payments under leases	267	318
Guarantee amounts retained from contractors for construction of property, plant and equipment	20	95
Other non-current financial liabilities	33	8
Total other non-current financial liabilities	320	421
Non-current portion of VAT reversal liabilities	24	–
Other non-current liabilities	230	192
Total other non-current non-financial liabilities	253	192

20. Share capital

	Number of outstanding shares (in thousands)	Share capital	Treasury shares
31 December 2018	8,490,983	8,491	–
31 December 2019	8,490,983	8,491	(2,258)

The Company's share capital comprises 8,490,982,707 ordinary registered uncertified shares with a nominal amount of one (1) Russian ruble each (issued shares). All issued shares of the Company were paid in full.
Pursuant to the decision of the Board of Directors, 88,882,125 shares of the Company were purchased on 20 May 2019 for RUB 2,258 million upon request of LLC VEB Capital.

Dividends

In 2019, the Company accrued dividends in the amount of RUB 3,699 million based on the performance results for 2018, the dividends per share amounted to RUB 0.44.
In 2018, the Company accrued dividends in the amount of RUB 2,132 million based on the performance results for 2017, the dividends per share amounted to RUB 0.25.

21. Revenue

	Year ended 31 December 2019	Year ended 31 December 2018
Aviation operations	26,356	19,764
Ground servicing	24,337	15,828
Revenue from the concession agreement	7,153	154
Other services	3,750	3,712
Total revenue from contracts with customers recognized over time	61,596	39,458
Retail trade	14,736	13,421
Total revenue from contracts with customers recognized at a point of time	14,736	13,421
Lease income	5,757	5,101
Total revenue	82,089	57,980

22. Operating expenses

	Year ended 31 December 2019	Year ended 31 December 2018
Personnel expenses	22,684	16,311
Amortization and depreciation	8,841	6,707
Material costs	7,412	7,426
Expenses under the concession agreement	7,153	154
Maintenance, repair and cleaning	3,748	2,815
Other services by third parties	2,577	2,457
Taxes and levies	1,080	244
Change in provision for litigations and other provisions	777	335
Leases	394	1,522
Banking	224	179
Change of allowance for expected credit losses	(137)	71
Other	248	246
Total operating expenses	55,001	38,467

23. Other income/(expenses)

	Year ended 31 December 2019	Year ended 31 December 2018
Loss from disposal of property, plant and equipment	(81)	(346)
Other income	380	91
Other expenses	(92)	(267)
Total other operating income/(expense)	207	(522)

24. Finance income and expense

Finance income	Year ended 31 December 2019	Year ended 31 December 2018
Interest income	518	734
Dividend income	5	6
Other finance income	–	1
Finance income recognized within profit or loss for the period	523	741

Finance expense	Year ended 31 December 2019	Year ended 31 December 2018
Interest expense	(2,771)	(2,886)
Other finance expense	–	(77)
Finance expense recognized within profit or loss for the period	(2,771)	(2,963)

25. Income tax

	Year ended 31 December 2019	Year ended 31 December 2018
Income tax expense — current	4,729	1,952
Deferred income tax expense — origination and reversal of temporary differences	1,064	660
Income tax expense	5,793	2,612

Profit before tax recognized in the consolidated financial statements is reconciled to income tax as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Profit before tax from continuing operations for the year	28,134	13,633
Theoretical income tax expense at the statutory rate of 20%	5,627	2,727
Effect of differences in tax rates on dividend income from associates	(15)	(99)
Reversal of deferred tax liabilities	–	(84)
Tax effect of expenses, which are not deductible or assessable for taxation purposes	181	68
Income tax expense	5,793	2,612

The income tax rate for the Group's entities registered in the Russian Federation was 20%.

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

	1 January 2019	Recognized in profit or loss	31 December 2019
Tax effect of deductible temporary differences			
Property, plant and equipment	268	96	364
Intangible assets	–	4	4
Accounts payable	243	222	465
Accounts receivable	81	(55)	26
Intangible assets under the concession agreement	–	27	27
Right-of-use assets	–	11	11
Tax loss carried forward	1,358	(1,134)	224
Investments in subsidiaries, associates and joint ventures	4	–	4
Other	26	6	32
Tax assets	1,980	(823)	1,157
Tax offset	(1,617)		(1,133)
Net tax assets	363		24
Tax effect of taxable temporary differences			
Property, plant and equipment	(3,911)	(345)	(4,256)
Intangible assets	(1,741)	163	(1,578)
Accounts payable	(52)	(57)	(109)
Investments in subsidiaries, associates and joint ventures	(139)	–	(139)
Other	(14)	(2)	(16)
Tax liabilities	(5,857)	(241)	(6,098)
Tax offset	1,617		1,133
Net tax liabilities	(4,240)		(4,965)

	1 January 2018	Recognized in		31 December 2018
		Other comprehensive income	Profit or loss	
Tax effect of deductible temporary differences				
Property, plant and equipment	225	–	43	268
Accounts payable	–	–	243	243
Accounts receivable	284	–	(203)	81
Tax loss carried forward	1,013	–	345	1,358
Investments in subsidiaries, associates and joint ventures	12	–	(8)	4
Other	71	–	(45)	26
Tax assets	1,605	–	375	1,980
Tax offset	(1,340)			(1,617)
Net tax assets	265			363
Tax effect of taxable temporary differences				
Property, plant and equipment	(2,743)	–	(1,168)	(3,911)
Intangible assets	(1,867)	–	126	(1,741)
Accounts payable	–	–	(52)	(52)
Investments in subsidiaries, associates and joint ventures	(198)	(12)	71	(139)
Other	(2)	–	(12)	(14)
Tax liabilities	(4,810)	(12)	(1,035)	(5,857)
Tax offset	1,340			1,617
Net tax liabilities	(3,470)			(4,240)

The Group did not recognize deferred tax liabilities on temporary differences related to retained earnings of subsidiaries and joint ventures. The Group controls the reversal of these temporary differences and expects their reversal through dividends. As of 31 December 2019, retained earnings of subsidiaries and joint ventures taxable at a zero tax rate on intercompany dividends is RUB 11,565 million (31 December 2018: RUB 23,717 million).

26. Contingencies, commitments and operating risks

Capital expenditure commitments

As of 31 December 2019, the Group has contractual commitments related to the construction of terminals and the modernization of existing assets totaling RUB 13,111 million (31 December 2018: RUB 18,024 million).

	31 December 2019	31 December 2018
Construction of concession facilities	7,879	–
Development of Terminal C of Sheremetyevo airport	3,411	17,238
Construction of hangar complex	759	31
Development of business halls	316	231
Development of duty free trade areas	209	16
Construction of car park	14	245
Development of Terminal D of Sheremetyevo airport	13	41
Development of cargo terminal area	9	–
Development of Terminal E of Sheremetyevo airport	–	19
Other	501	192
Total capital commitments	13,111	18,024

The above amounts do not include VAT.

Taxation

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

Changes and recent trends in the application and interpretation of certain provisions of Russian tax legislation indicate that tax authorities may take a more assertive position in their interpretation of this legislation and reviewing tax calculations. Consequently, tax authorities may challenge transactions and accounting methods that they had never challenged before. As a result, significant additional taxes, penalties and interest may be assessed. It is not possible to determine the amounts of constructive claims or evaluate the probability of their negative outcome. Fiscal periods remain open to review for a period of three calendar years immediately preceding the year of review. Under certain circumstances, reviews may cover earlier periods.

According to management, as of 31 December 2019, they had properly construed the relevant legislation, and the probability that the Group will retain its position with regard to tax, currency and customs legislation is assessed as high.

Management believes that its position with regard to contingent liabilities and interpretations of the Russian legislation applied by the Group are reasonable; however, there is a possible risk that the Group may incur additional expenses if the management's position with regard to contingent liabilities is challenged in accordance with the legally established procedure. As of 31 December 2019, the Group does not expect that significant additional contingent liabilities will arise.

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organization for Economic Cooperation and Development (OECD) but it has certain specific characteristics. Transfer pricing legislation provides a possibility for tax authorities to impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not on an arm's length basis. Management has implemented internal controls to be in compliance with the new transfer pricing legislation. Tax liabilities arising from controlled transactions are determined using actual transactions prices. It is possible, with the evolution of the practice of application of transfer pricing rules, that such prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or business operations.

Operating leases (for periods prior to 1 January 2019)

The Group leases buildings and facilities, as well as land plots where the airport complex is located, from the local authorities. Leases of land plots typically run for an initial period from 49 to 99 years with an option to renew the lease after that date. Lease payments are reviewed regularly to reflect market rates.

As of 31 December, future minimum lease payments under leases were as follows:

	31 December 2018
Less than 1 year	29
1-5 years	118
Over 5 years	2,051
Total operating lease payments	2,198

All other long-term leases may be terminated.

Legal actions and claims

During the year, the Group was involved in a number of litigations (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims, which could have a material effect on the result of operations or financial position of the Group and which would not have been recognized or disclosed in these consolidated financial statements.

27. Consolidated subsidiaries

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

Company	Place of registration and operation	Principal activity	Ownership interest	
			31 December 2019	31 December 2018
LLC Sheremetyevo VIP (previously JSC VIP-International)	Moscow	VIP passenger services-	100.0%	100.0%
LLC Sheremetyevo Parking	Moscow Region	Leases and management of own or leased immovable properties	100.0%	100.0%
LLC Sheremetyevo Advertising (previously LLC MASh Advertising)	Moscow	Advertising	100.0%	100.0%
LLC Moscow Cargo	Moscow Region	Management of cargo complex	100.0%	100.0%
LLC Interterminal Tunnel Sheremetyevo*	Moscow Region	Leases and management of own or leased non-residential real property	–	100.0%
LLC Terminal B Sheremetyevo*	Moscow Region	Leases and management of own or leased non-residential real property	–	100.0%
LLC Sheremetyevo Handling	Moscow Region	Airport activities	100.0%	100.0%
JSC Imperial Duty Free	Moscow Region	Retail trade in beverages at specialized stores	58.35%	58.35%
JSC Sheremetyevo Security	Moscow Region	Aviation security	55.00%	55.00%

* Reorganization in the form of a merger.

In August 2019, LLC Terminal B Sheremetyevo and LLC Interterminal Tunnel Sheremetyevo were reorganized in the form of a merger with JSC "MASh".

28. Non-controlling interests

Significant subsidiaries, in which the Group has a non-controlling interest:
The information on these subsidiaries as of 31 December 2019 is provided below.

Name	Principal location	NCI at 31 December 2019, %	Profit allocated to NCI for 2019	Dividends accrued to NCI for 2019	Accumulated NCI at 31 December 2019
JSC Sheremetyevo Security	Russia	45.00%	108	125	749
JSC Imperial Duty Free	Russia	41.65%	706	709	5,207
Total			814	834	5,956

The summarized financial information on these subsidiaries is provided below. This information is based on amounts before the elimination of intra-group transactions.

	JSC Sheremetyevo Security	JSC Imperial Duty Free
Current assets		
Cash and cash equivalents	982	674
Accounts receivable and advances issued	428	41
Inventories	22	2,867
Total current assets	1,432	3,582
Non-current assets		
Goodwill	541	9,776
Intangible assets	25	1,337
Right-of-use assets	26	333
Property, plant and equipment	288	998
Other current non-financial assets	–	8
Total non-current assets	880	12,452
Total assets	2,312	16,034
Current liabilities		
Short-term loans and borrowings	–	370
Current lease liabilities	6	41
Accounts payable	578	2,306

	JSC Sheremetyevo Security	JSC Imperial Duty Free
Other current liabilities	4	39
Total current liabilities	588	2,756
Non-current liabilities		
Long-term loans and borrowings	–	185
Non-current lease liabilities	22	308
Deferred tax liabilities	36	274
Other non-current liabilities	–	9
Total non-current liabilities	58	776
Total liabilities	646	3,532
Equity	1,666	12,502
Attributable to:		
Equity holders of the parent	917	7,295
Non-controlling interests	749	5,207

The summarized statement of profit or loss and other comprehensive income for 2019:

	JSC Sheremetyevo Security	JSC Imperial Duty Free
Revenue	5,057	14,729
Operating expenses	(4,653)	(12,754)
Interest expense	(4)	(56)
Interest income	42	6
Loss from disposal of property, plant and equipment	(69)	(3)
Foreign currency translation gain/(loss)	(53)	198
Other gains and losses	(1)	4
Profit before tax	319	2,124
Income tax	(79)	(428)
Profit for the period	240	1,696
Total comprehensive income	240	1,696
Equity holders of the parent	132	990
Non-controlling interests	108	706

The summarized information on cash flows for the year ended 31 December 2019:

	JSC Sheremetyevo Security	JSC Imperial Duty Free
Operating activities	529	2,147
Investing activities	(173)	(476)
Financing activities	(278)	(1,219)
Foreign exchange differences, net	(43)	(42)
Net increase/(decrease) in cash and cash equivalents	35	410

As of 31 December 2018:

Name	Principal location	NCI at 31 December 2018, %	Profit allocated to NCI for 2018	Dividends accrued to NCI for 2018	Accumulated NCI at 31 December 2018
JSC Sheremetyevo Security	Russia	45.00%	254	12	766
JSC Imperial Duty Free	Russia	41.65%	732	1,211	5,210
Total			986	1,223	5,976

The summarized financial information on these subsidiaries is provided below. This information is based on amounts before the elimination of intra-group transactions.

	JSC Sheremetyevo Security	JSC Imperial Duty Free
Current assets		
Cash and cash equivalents	947	264
Accounts receivable and advances issued	371	62
Inventories	15	2,744
Total current assets	1,333	3,070
Goodwill	541	9,776
Intangible assets	17	1,597
Property, plant and equipment	250	597
Total non-current assets	808	11,970
Total assets	2,141	15,040
Current liabilities		

	JSC Sheremetyevo Security	JSC Imperial Duty Free
Accounts payable	393	1,858
Total current liabilities	393	1,858
Deferred tax liabilities	46	340
Other non-current liabilities	–	332
Total non-current liabilities	46	672
Total liabilities	439	2,530
Equity	1,702	12,510
Equity holders of the parent	936	7,300
Non-controlling interests	766	5,210

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

	JSC Sheremetyevo Security	JSC Imperial Duty Free
Revenue	4,499	13,450
Operating expenses	(3,829)	(11,113)
Interest expense	–	(18)
Interest income	21	5
Loss from disposal of property, plant and equipment	(2)	–
Foreign currency translation gain/(loss)	32	(81)
Other gains and losses	(2)	(39)
Profit before tax	719	2,204
Income tax	(155)	(447)
Profit for the year	564	1,757
Total comprehensive income	564	1,757
Attributable to:		
Equity holders of the parent	310	1,025
Non-controlling interests	254	732

The summarized information on cash flows for the year ended 31 December 2018:

	JSC Sheremetyevo Security	JSC Imperial Duty Free
Operating activities	771	1,966
Investing activities	(6)	(265)
Financing activities	(25)	(2,507)
Foreign exchange differences, net	10	106
Net increase/(decrease) in cash and cash equivalents	750	(700)

29. Investments in associates and joint ventures

As of 31 December, the Group's associates and joint ventures are as follows:

		Place of registration and operation	31 December 2019		31 December 2018	
			Effective ownership	Carrying amount	Effective ownership	Carrying amount
JSC AERO-Sheremetyevo	Joint venture	Moscow Region	50%	4,483	50%	4,401
CJSC Soyuzvneshtrans-Avia	Associate	Moscow Region	40%	–	40%	–
CJSC TZK-Sheremetyevo	Associate	Moscow Region	25.1%	1,009	25.1%	988
LLC Aero-Food Catering	Associate	Moscow Region	26%	33	26%	55
Total investments in associates and joint ventures				5,525		5,444

	31 December 2019	31 December 2018
At the beginning of the reporting period	5,444	4,845
Share in net profit of associates and joint ventures	295	639
Dividends received from associates and joint ventures	(214)	(40)
At the end of the reporting period	5,525	5,444

The summarized financial information in respect of a significant joint venture, JSC AERO-Sheremetyevo, is set out below.

	31 December 2019	31 December 2018
Non-current assets	6,190	6,318
Current assets, including:	3,544	4,624
- Cash and cash equivalents	1,789	1,892
Total assets	9,734	10,942
Current liabilities	(506)	(1,844)
Non-current liabilities	(262)	(297)
Total liabilities	(768)	(2,141)
Equity/net assets	8,966	8,801

	For the year ended 31 December 2019	For the year ended 31 December 2018
Revenue	25,883	12,652
Operating expenses, including:	(25,348)	(12,027)
- Depreciation and amortization	(673)	(313)
Other income, including	169	461
- Interest income	33	–
Other expenses	(243)	(2)
Profit before tax	461	1,084
Income tax	(97)	(175)
Total profit for the year	364	909
Total comprehensive income for the period	364	909

In 2019, the Group's share in profit of JSC AERO-Sheremetyevo amounted to RUB 182 million (2018: RUB 455 million).
In 2019, the Group received dividends from JSC AERO-Sheremetyevo in the amount of RUB 100 million (2018: RUB 17 million).
The summarized financial information in respect of a significant associate, CJSC TZK Sheremetyevo, is set out below.

	31 December 2019	31 December 2018
Non-current assets	4,834	4,939
Current assets	844	841
Total assets	5,678	5,780
Non-current liabilities	(1,282)	(1,460)
Current liabilities	(387)	(397)
Total liabilities	(1,669)	(1,857)
Equity/net assets	4,009	3,923

	For the year ended 31 December 2019	For the year ended 31 December 2018
Revenue	4,060	5,376
Operating expenses	(3,651)	(4,636)
Other gains and losses, net	(8)	(64)
Profit before tax	401	676
Income tax	(88)	(124)
Total profit for the period	313	552
Total comprehensive income for the period	313	552

In 2019, the Group's share in profit of CJSC TZK Sheremetyevo amounted to RUB 78 million (2018: RUB 139 million). In 2019, the Group received dividends from CJSC TZK Sheremetyevo in the amount of RUB 50 million (2018: RUB 23 million).

The summarized financial information in respect of a significant associate, LLC Aero-Food Catering, is set out below.

	31 December 2019	31 December 2018
Non-current assets	14	10
Current assets	166	265
Total assets	180	275
Non-current liabilities	–	–
Current liabilities	(26)	(38)
Total liabilities	(26)	(38)
Equity/net assets	154	237

	For the year ended 31 December 2019	For the year ended 31 December 2018
Revenue	563	530
Operating expenses	(361)	(298)
Other gains and losses, net	(24)	(1)
Profit before tax	178	231
Income tax	(43)	(56)
Total profit for the period	135	175
Total comprehensive income for the period	135	175

In 2019, the Group's share in profit of LLC Aero-Food Catering amounted to RUB 35 million (2018: RUB 45 million).
In 2019, the Group received dividends from LLC Aero-Food Catering in the amount of RUB 49 million (2018: nil).

30. Financial risk and capital management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program aims to minimize their potential adverse effects on its financial performance.
Management has overall responsibility for the establishment and oversight of the financial risk management process.

(a) Market risk

(i) Currency risk

The Group operates in foreign markets and is therefore exposed to currency risk arising on its operations in various foreign currencies, primarily US dollars and euros. Currency risk arises on future commercial transactions, recognized assets and liabilities.
The Group's financial assets and liabilities denominated in currencies other than the functional currency are as follows:

	31 December 2019		31 December 2018	
	In USD	In EUR	In USD	In EUR
Cash and cash equivalents	16,250	323	25,771	98
Financial receivables	1,043	38	1,716	93
Financial payables	(64)	(1,238)	(773)	(1,319)
Loans and borrowings	(42,201)	(555)	(47,624)	(545)
	(24,972)	(1,432)	(20,910)	(1,673)

Sensitivity to exchange rate fluctuations

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

	31 December 2019			
	Depreciation of EUR by 20%	Appreciation of EUR by 20%	Depreciation of USD by 20%	Appreciation of USD by 20%
Profit before tax for the period	286	(286)	4,994	(4,994)

	31 December 2018			
	Depreciation of EUR by 20%	Appreciation of EUR by 20%	Depreciation of USD by 20%	Appreciation of USD by 20%
Profit before tax for the period	335	(335)	4,182	(4,182)

(ii) Interest rate risk

Interest rate risk arises on changes in interest rates that could affect the Group's financial results or cost of its capital. Interest rate fluctuations may cause changes in interest receivable and payable.
The Group borrows at fixed interest rates. Borrowings at fixed interest rates amounted to RUB 45,074 million (31 December 2018: RUB 48,169 million).
Currently, the Group does not use instruments to hedge interest rate risk. Nevertheless, the Group monitors interest rates and, if necessary, may decide to start using instruments for hedging such risks.
The Group does not account for any fixed rate financial instruments in accordance with the procedure established for instruments at fair value through profit or loss for the period or at fair value through other comprehensive income. Therefore, a change in interest rates at the reporting date would not affect the Group's profit or loss for the period or its equity after the fair values of such instruments are revalued.

(b) Credit risk

Credit risk is the risk that a customer or counterparty to a transaction will not meet its obligations under a contract, leading to a financial loss to the Group. It arises primarily on accounts receivable from the Group's customers. The Group's policy to manage this type of risk is to provide a partial prepayment option to its customers. Customer contracts stipulate a mechanism of considerable advance payments. Bank guarantees and letters of credit are used to ensure settlement of accounts receivable from customers. To accelerate payments, standard contractual terms provide for late payment interest.
To manage credit risk related to cash, the Group places its available cash, mainly in US dollars and Russian rubles, in banks that, in the Group's opinion, are least likely to go bankrupt throughout the period of depositing funds. Management regularly reviews the creditworthiness of the banks in which it deposits cash.

The Group has policies in place to ensure that sales of goods and services are made only to customers with an appropriate credit history. The carrying amount of accounts receivable, net of allowance for expected credit losses, 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 Group beyond the allowance for expected credit losses already recorded.

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

	31 December 2019	31 December 2018
Cash and cash equivalents	18,868	28,566
Accounts receivable	4,056	6,368
Other current financial assets	13	19
Total	22,937	34,953

Financial instruments that potentially expose the Group to concentrations of credit risk consist primarily of cash and trade receivables.
As of 31 December 2019, the five largest customers of the Group accounted for 67% of the total amount of trade accounts receivable (net of allowance) (31 December 2018: 66%).
The table below shows the outstanding balances of the five largest counterparties as of the respective reporting dates.

	31 December 2019
PJSC Aeroflot — Russian Airlines	1,942
Priority Pass Limited Company	242
LLC AirBridgeCargo Airlines	292
JSC Rossiya Airlines	118
LLC Nordwind Airlines	105
Total	2,699

	31 December 2018
PJSC Aeroflot — Russian Airlines	2,118
LLC AirBridgeCargo Airlines	437
Priority Pass Limited Company	150
LLC Nordwind Airlines	132
AIR FRANCE Airlines	75
Total	2,912

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all its financial liabilities as they fall due. The Group's approach to liquidity management is to ensure that it will always have sufficient funding to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or taking a risk of damage to the Group's reputation. The Group has a detailed budgeting and forecasting process in place to ensure that it has adequate cash available to meet its payment obligations.
The table below summarizes the maturity profile of the Group's financial liabilities as of 31 December 2019 based on contractual undiscounted payments, including interest payments:

	Less than 1 year	1-2 years	3-5 years	More than 5 years	Total
Loans and borrowings	7,001	7,136	22,018	16,309	52,464
Interest payments	2,965	2,642	5,399	1,507	12,513
Lease payments	1,031	1,124	2,607	5,006	9,768
Accounts payable	6,882	–	–	–	6,882
Other financial liabilities	2,467	174	132	16	2,789
	20,346	11,076	30,156	22,838	84,416

The table below summarizes the maturity profile of financial liabilities as of 31 December 2018.

	Less than 1 year	1-2 years	3-5 years	More than 5 years	Total
Loans and borrowings	4,503	6,902	17,415	19,589	48,409
Interest payments	3,367	2,533	5,433	2,081	13,414
Finance lease payments	224	721	2,150	3,354	6,449
Accounts payable	4,921	–	–	–	4,921
Other financial liabilities	793	376	45	–	1,214
	13,808	10,532	25,043	25,024	74,407

(d) Capital management

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

The Group's management reviews the capital structure on a regular basis. As part of this review, management considers the cost of capital. The Board of Directors reviews the Group's performance and establishes key performance indicators. In addition, the Group is subject to certain externally imposed capital requirements, which are used for capital adequacy monitoring. There were no changes in the capital management objectives, policies and processes during 2019.

31. Fair value of financial instruments

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

The estimated fair values of financial instruments have been determined by the Group, using available market information, where it exists, and appropriate valuation techniques. Management uses all available market information in determining the fair value of financial instruments.

Fair values of cash and cash equivalents, accounts receivable and payable approximate their carrying amounts due to their short maturity.

The fair value of loans, finance lease liabilities and other non-current financial liabilities of the Company is determined using the discounted cash flow method based on discount rates that reflect the interest rate on loans with similar terms, credit risk and maturities at the end of the reporting period (Level 3 fair value measurement hierarchy — significant unobservable inputs). As of 31 December 2019 and 31 December 2018, fair values of loans are disclosed in Note 18, fair value of lease liabilities approximate their carrying amounts.

32. Subsequent events

In January 2020, Terminal C, with an annual capacity of up to 20 million passengers, was put into operation. Total capital expenditures approximated RUB 32 billion.

In late 2019, a number of medical cases with the symptoms of pneumonia caused by an unknown agent were reported in Wuhan, the capital of a Chinese province. In March 2020, World Health Organization announced a coronavirus pandemic. Since then, there has been a growth in a number of people infected by the new virus (coronavirus), both in China and in other countries. Beginning early 2020, the Company has been taking measures to prevent penetration of the virus to the Russian Federation via travelers, including transit passengers, in accordance with the instructions and orders of the respective state authorities.

The Group noted a significant decrease in the number of passengers starting from February 2020, which was caused by the coronavirus outbreak. In February and March 2020, international flights between Russia and other countries were suspended. In March 2020, the number of passengers decreased by more than 35% year-on-year. PJSC Aeroflot — Russian Airlines continues regular flights to several foreign capitals only. Consequently, the Group temporarily suspended passenger services in Terminals C, D and E. The terminals were temporarily abandoned and will be closed until the pandemic is ceased and international flights are resumed. As the coronavirus outbreak is still evolving, it is difficult for the Group to estimate the duration and magnitude of the negative impact of these circumstances on its financial position and financial results. The Group takes measures to mitigate the consequences of the situation for its financial position.

0:00 TERMS

Terms and Abbreviations

DAL	Domestic Air Lines
TLO	Take-off and Landing Operation, i.e. one take-off or one landing of anaircraft, for which the aircraft demands a set of airport services; the main accounting unit for settlements between the airline and the airport
RWY	Runway
A/C	Aircraft
CA	Civil aviation
SCC	Sheremetyevo Cargo Complex
S&A	Subsidiaries and Affiliates — the organizations with the membership interest of SIA JSC allowing the latter to participate in the management of these organizations
LTDP	Long-Term Development Program
PRWY	Paved Runway
SCP	Security Check Point
KPI	Key Performance Indicator
MAC	Moscow Air Cluster
SIA	Sheremetyevo International Airport
IAL	International Air Lines
HSTW	High-Speed Taxiway
PJSC	Public Joint-Stock Company
PD	Passengers with Disabilities
PRM	Passengers with Reduced Mobility
AIF	Anti-Icing Fluid
A/C AIP	A/C Anti-Icing Protection
Sortie	A flight, either regular or irregular, dispatched from the airport; the main accounting unit for the number of standard operations performed by the airport
NTC	Northern Terminal Complex
Rosaviatsiya	Federal Agency of Air Transport
FSCS	Flight Safety Management System
FRC	Fuel Refilling Complex
CRS	Centralized Refueling Station
ACC	Airport Operation Centre
FATA	The Federal Agency of Air Transport of the RF, Rosaviatsiya in short
FTP	Government's Federal Target Program
STC	South Terminal Complex
EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization)	Earnings before the payment of interest, income tax (including deferred tax) and depreciation. EBITDA is used to determine the competitiveness and efficiency of the company's activities, regardless of the extent of debt on loans, the tax regime and the method of depreciation charges calculation
IATA (International Air Transportation Association)	The International Air Transportation Association established in 1945 to promote cooperation between airlines in order to ensure safety, reliability and economy of flights in the interests of consumers
ICAO (International Civil Aviation Organization)	The International Civil Aviation Organization established upon the signing of the 1944 Chicago Convention on International Civil Aviation. It is a specialized UN agency responsible for the development of international standards, recommended practices and regulations in the technical, economic and legal areas of international civil aviation
ISAGO IATA Safety Audit for Ground Operations	IATA ground handling security audit
ISO	International Organization for Standardization