

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE U.S. OTHER THAN AS PERMITTED BY REGULATIONS UNDER THE U.S. SECURITIES ACT OF 1933 AS AMENDED (THE "SECURITIES ACT").

IMPORTANT: You must read the following before continuing. The following applies to the Prospectus attached to this Important Notice, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them, any time you receive any information from any of DME Airport Designated Activity Company (the "Issuer"), Hacienda Investments Limited (the "Borrower" or the "Company"), the Guarantors (as named herein) or ING Bank N.V., London Branch ("ING"), Société Générale ("Société Générale") or UBS Limited ("UBS Investment Bank" and, together with ING and Société Générale, the "Joint Lead Managers") in connection with the offering described in the Prospectus. If you have gained access to this transmission contrary to any of the following restrictions, you are not authorised and will not be able to purchase any of the securities described herein (the "Securities").

The Prospectus has been prepared solely in connection with the offering of Securities to certain institutional and professional investors.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL SECURITIES OR THE SOLICITATION OF AN OFFER TO SUBSCRIBE FOR OR PURCHASE SECURITIES. ANY SECURITIES TO BE ISSUED WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT ("**REGULATIONS**")), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OR APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. PERSON (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT) OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your representation: In order to be eligible to view the Prospectus or make an investment decision with respect to the Securities, investors must be non-U.S. persons (within the meaning of Regulation S), outside the United States who are not acting for the account or benefit of U.S. persons. The Prospectus is being sent at your request and by accepting the email and accessing the Prospectus, you shall be deemed to have represented to us that you are outside the United States and are not a U.S. person and/or are not acting for the account or benefit of a U.S. person, the electronic mail address that you have given to us and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the US Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands),

any state of the United States or the District of Columbia; and that you consent to delivery of such prospectus by electronic transmission.

Under no circumstances shall the Prospectus constitute an offer to sell or the solicitation of an offer to buy Securities, nor shall there be any sale of the Securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, any offering of Securities shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer in such jurisdiction. None of the Issuer, the Borrower, the Guarantors or the Joint Lead Managers or their respective representatives or affiliates make any representation regarding the legality of an investment by any person under any investment or similar laws. Prospective investors should consult their own advisers as to the legal, tax, business, financial and other aspects of any purchase of the Securities.

The Prospectus is directed solely at (i) persons outside the United Kingdom; (ii) persons with professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 as amended (the "**Order**"); (iii) high net worth entities; or (iv) any other persons to whom an invitation or inducement to engage in investment activities may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons in (i)-(iv) above being "**Relevant Persons**"). Any investment activity to which this communication relates will only be available to and will only be engaged with Relevant Persons. Any person who is not a Relevant Person should not act or rely on this communication.

The Prospectus is addressed solely to and is only directed at persons in Cyprus who are "qualified investors" within the meaning of Article 2(1)(e) of the Directive 2003/71/EC, as amended (the "**Prospectus Directive**") as transposed in Cypriot legislation by the Cyprus Prospectus Law (Law 114(I)/2005) as amended ("**Qualified Investors**"). Any investment activity to which this communication relates will only be available to and will only be engaged with Qualified Investors. Any person who is not a Qualified Investor should not act or rely on this communication.

Neither this document nor the information contained herein is an offer, or an invitation to make offers, to sell, exchange or otherwise transfer securities in the Russian Federation to or for the benefit of any Russian person or entity and does not constitute an advertisement or offering of securities in the Russian Federation within the meaning of Russian securities laws. Information contained in this document is not intended for any persons in the Russian Federation who are not "qualified investors" within the meaning of Article 51.2 of the Federal Law no. 39-FZ "On the Securities Market" dated 22 April 1996, as amended (the "**Russian QIs**") and must not be distributed or circulated into Russia or made available in Russia to any persons who are not Russian QIs, unless and to the extent they are otherwise permitted to access such information under Russian law. Any securities referred to in this document have not been and will not be registered in Russia and are not intended for "placement", "circulation", "offering" or "advertising" in Russia (each as defined in Russian securities laws) unless and to the extent otherwise permitted under Russian law.

The Prospectus does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be

deemed to be made by the underwriters or such affiliate on behalf of the Issuer in such jurisdiction.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver, forward or distribute the Prospectus (or any reproduction of the Prospectus) to any other person.

This Prospectus has not been, and is not required to be, filed or lodged with any regulatory or other authority in the Isle of Man. The Issuer is not subject to any regulatory approval in the Isle of Man and the Isle of Man Financial Services Authority does not vouch for the financial soundness of the Issuer or the correctness of any statements made or opinions expressed with regard to it.

No person may market, offer or sell Securities in or to persons in the Isle of Man other than in compliance with the licensing requirements of the Isle of Man Financial Services Act 2008 or in accordance with any relevant exclusion contained in the Isle of Man Regulated Activities Order 2011 (as amended) or exemption contained in the Isle of Man Financial Services (Exemptions) Regulations 2011.

The Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Issuer, the Borrower, the Guarantors (as named herein), the Joint Lead Managers or any person who controls any of them or any director, officer, employee or agent of it or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from the Issuer or the Joint Lead Managers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature. Please ensure your copy is complete.



U.S.\$ 350,000,000 5.875 per cent. Loan Participation Notes due 2021

issued by

DME Airport Designated Activity Company

(incorporated under the laws of Ireland under Company Number 534175)

on a limited recourse basis for the sole purpose of financing a U.S.\$ 350,000,000 loan to

Hacienda Investments Limited

(incorporated under the laws of Cyprus)

such loan being unconditionally and irrevocably and jointly and severally guaranteed by Airport Management Company Limited, DME Limited, DOMODEDOVO INTERNATIONAL AIRPORT Limited Liability Company, DOMODEDOVO COMMERCIAL SERVICES Limited Liability Company, DOMODEDOVO CATERING Limited Liability Company, "DOMODEDOVO FUEL SERVICES" Limited Liability Company, DOMODEDOVO PASSENGER TERMINAL Limited Liability Company, "DOMODEDOVO FUEL FACILITIES" Limited Liability Company and "DOMODEDOVO AIRPORT HANDLING" Limited Liability Company

Issue Price: 100 per cent.

DME Airport Designated Activity Company a company incorporated as a designated activity company under the laws of Ireland (the "**Issuer**"), is issuing an aggregate principal amount of U.S.\$ 350,000,000 5.875 per cent. Loan Participation Notes due 2018 (the "**Notes**") for the sole purpose of financing a loan (the "**Loan**") to Hacienda Investments Limited, a company with limited liability organised under the laws of the Republic of Cyprus (the "**Company**" or the "**Borrower**"), pursuant to a loan agreement dated 21 November 2013 (the "**Loan Agreement**") between the Issuer and the Borrower. The Loan shall be unconditionally and irrevocably guaranteed (the "**Guarantees**", which expression will include any Further Guarantees, as defined below) by Airport Management Company Limited, DME Limited, DOMODEDOVO INTERNATIONAL AIRPORT Limited Liability Company, DOMODEDOVO COMMERCIAL SERVICES Limited Liability Company, DOMODEDOVO CATERING Limited Liability Company, "DOMODEDOVO FUEL SERVICES" Limited Liability Company, DOMODEDOVO PASSENGER TERMINAL Limited Liability Company, "DOMODEDOVO FUEL FACILITIES" Limited Liability Company and "DOMODEDOVO AIRPORT HANDLING" Limited Liability Company (the "**Initial Guarantors**") pursuant to a deed of guarantee between the Issuer and the Initial Guarantors dated on or around 8 November 2016 (the "**Deed of Guarantee**"). In addition, in certain circumstances set out in the Loan Agreement, the Borrower may be obliged to procure certain of its subsidiaries (the "**Further Guarantors**") and together with the Initial Guarantors, the "**Guarantors**") to give further guarantees of the Borrower's obligations under the Loan Agreement (the "**Further Guarantees**"). See – "**Loan Agreement**" – Clauses 9.8 and 9.9.

Pursuant to the trust deed (the "**Trust Deed**") relating to the Notes between the Issuer and BNY Mellon Corporate Trustee Services Limited, as trustee (the "**Trustee**"), the Issuer will provide certain security for all payment obligations in respect of the Notes for the benefit of the Noteholders, including a first fixed charge in favour of the Trustee of all amounts paid and payable to it under the Loan Agreement and the Guarantees and an assignment to the Trustee of the Issuer's rights and interests under the Loan Agreement and the Guarantees, other than in respect of certain reserved rights (as more fully described in "**Description of the Transaction and the Security**"). Interest on the Loan will be payable at a rate of 5.875 per cent. per annum semi-annually in arrear on the interest payment date falling on 11 May and 11 November in each year, commencing on 11 May 2017, and, provided that the Issuer receives such payment in full, the Notes will bear interest from, and including, 10 November 2016 on such dates at the same rate.

The Notes are senior, limited recourse obligations of the Issuer. In each case where amounts of principal, interest and additional amounts (if any) are stated to be payable in respect of the Notes, the obligation of the Issuer to make any such payment shall constitute an obligation only to account to the Noteholders, on each date upon which such amounts of principal, interest and additional amounts (if any) are due, for an amount equivalent to the principal, interest and additional amounts (if any) actually received by or for the account of the Issuer from the Borrower or the Guarantors pursuant to the Loan Agreement or the Guarantees, as the case may be. The Issuer will have no other financial obligation under the Notes and Noteholders will have no recourse, directly or indirectly, to any other asset of the Issuer. **Noteholders will be deemed to have accepted and agreed that they will be relying solely and exclusively on the credit and financial standing of the Borrower and the Guarantors in respect of the financial servicing of the Notes.**

Except as set forth herein, payments in respect of the Notes will be made without any deduction or withholding for, or on account of, the taxes of any relevant jurisdiction (see "**Taxation**").

The Loan, and correspondingly the Notes, may be redeemed early at the option of the Borrower in certain circumstances, as more fully described in the Loan Agreement and Terms and Conditions of the Notes.

AN INVESTMENT IN THE NOTES INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" BEGINNING ON PAGE 1.

The Notes, the Loan and the Guarantees (together, the "**Securities**") have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")). For a description of these and certain further restrictions on offers, sales and transfers of the Notes and this distribution of the Prospectus, see "**Subscription and Sale**" and "**Transfer Restrictions**".

This Prospectus has been approved by the Central Bank of Ireland, as competent authority under Directive 2003/71/EC, as amended, (the "**Prospectus Directive**"). The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange plc (the "**Irish Stock Exchange**") for the Notes to be admitted to the official list of the Irish Stock Exchange (the "**Official List**") and trading on its regulated market (the "**Main Securities Market**"). The Main Securities Market is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC.

It is expected that the Notes will be rated BB+ by Fitch Ratings Limited ("**Fitch**") and BB+ by Standard & Poor's Financial Services LLC ("**S&P**"). A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

Fitch is established in the European Union and is registered under the Regulation (EC) No. 1060/2009, as amended (the "**CRA Regulation**"). As such, Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation. S&P is not established in the European Union and is not registered under the CRA Regulation. As such, S&P is not included in the list of credit rating agencies published by the ESMA on its website in accordance with the CRA Regulation. For more information on the ratings of the Notes, see "**Overview of the Notes**". In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation.

The Notes will be offered and sold in the minimum denomination of U.S.\$200,000 and higher integral multiples of U.S.\$1,000. The Notes will initially be represented by interests in a global note certificate in registered form (the "**Global Certificate**"), without interest coupons, which will be deposited with a common depository for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"), and registered in the name of a nominee, on or about 10 November 2016 (the "**Issue Date**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through records maintained by Euroclear or Clearstream, Luxembourg (as the case may be) and their respective participants. See "**Clearing and Settlement**". Definitive certificates in registered form ("**Definitive Certificates**") will only be available in certain limited circumstances as described herein.

Joint Lead Managers

ING

Société Générale
Corporate & Investment Banking

UBS Investment Bank

8 November 2016

IMPORTANT INFORMATION ABOUT THIS PROSPECTUS

This Prospectus comprises a prospectus for the purposes of the Prospectus Directive as implemented in Ireland by the Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (the "**Prospectus Regulations**") for the purpose of giving information with regard to the Notes, the Initial Guarantors, the Borrower and DME Limited and its subsidiaries taken as a whole (the "**Group**") and the Issuer which, according to the particular nature of the Issuer, the Borrower, the Group, the Notes, the Loan and the Guarantees, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer, the Borrower, the Initial Guarantors and the Group and the terms and conditions of the Notes.

Each of the Issuer, the Borrower (whose registered office is set out on page 146 of the Prospectus) and the Initial Guarantors accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of each of the Issuer, the Borrower and the Initial Guarantors (each of whom has taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

In addition, the Borrower, having made all reasonable enquiries, confirms that (i) this Prospectus contains all information with respect to the Borrower, the Initial Guarantors, the Group, the Loan, the Guarantees and the Notes that is material in the context of the issue and offering of the Notes; (ii) the statements contained in this Prospectus relating to the Borrower, the Initial Guarantors, the Group, the Loan, the Guarantees and the Notes are in every material particular true and accurate and not misleading; (iii) the opinions, expectations and intentions expressed in this Prospectus with regard to the Borrower, the Initial Guarantors, the Group, the Loan, the Guarantees and the Notes are honestly held, have been reached after considering all relevant material circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Borrower, the Initial Guarantors, the Group, the Loan, the Guarantees and the Notes the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Prospectus misleading in any material respect; and (v) all reasonable enquires have been made by the Borrower and the Initial Guarantors to ascertain such facts and to verify the accuracy of all such information and statements.

Information under the headings "*Overview of the Group*", "*Risk Factors*", "*Operating and Financial Review*", "*Industry Regulation*" and "*Business*" includes extracts from information and data publicly released by official and other sources. The Issuer, the Borrower and the Initial Guarantors accept responsibility for accurately reproducing such information and as far as they are aware and are able to ascertain from information published by the relevant third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Instances where the information and data provided by third parties appear are identified as such in this Prospectus.

This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Borrower, the Initial Guarantors, the Joint Lead Managers (as defined in "*Subscription and Sale*"), the Trustee or the Agents to subscribe for or purchase any Notes. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer, the Borrower, the Initial Guarantors, the Joint Lead Managers, the Trustee and the Agents to inform themselves about and to observe any such restrictions. For a description of certain

further restrictions on offers and sales of Notes and distribution of this Prospectus, see "*Subscription and Sale*" and "*Transfer Restrictions*".

No person is authorised to provide any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer, the Borrower, the Initial Guarantors, the Joint Lead Managers, the Trustee or the Agents. The delivery of this Prospectus at any time does not imply that the information contained in it is correct as at any time subsequent to its date. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer, the Borrower, the Initial Guarantors or the Group, since the date of this Prospectus.

None of the Issuer, the Borrower, the Initial Guarantors the Joint Lead Managers, the Trustee, the Agents or any of its or their respective representatives or affiliates makes any representation to any person regarding the legality of an investment by such person under applicable legal, investment or similar laws. Each investor should consult with its own advisers as to the legal, tax, business, financial and related aspects of the purchase of the Notes.

Prospective purchasers must comply with all laws that apply to them in any place in which they buy, offer or sell any Notes or possess this Prospectus. Any consents or approvals that are needed in order to purchase any Notes must be obtained. None of the Issuer, the Borrower, the Initial Guarantors, the Joint Lead Managers, the Trustee or the Agents are responsible for compliance with these legal requirements. The appropriate characterisation of the Notes under various legal investment restrictions, and thus the ability of investors subject to these restrictions to purchase the Notes, is a matter for such investors and not the responsibility of the Issuer. No representation or warranty is made as to whether, or the extent to which, the Notes constitute a legal investment for investors whose investment authority is subject to legal restrictions, and investors should consult their legal advisers regarding such matters.

The contents of the Domodedovo Airport website (<http://www.domodedovo.ru/>) do not form any part of this Prospectus.

No representation or warranty, express or implied, is made by the Joint Lead Managers, the Trustee, the Agents or any of its or their affiliates or any person acting on their behalf as to the accuracy or completeness of the information set forth in this Prospectus. Nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation, whether as to the past or the future.

None of the Joint Lead Managers or any of their affiliates or any person acting on their behalf assumes any responsibility for the accuracy or completeness of the information set forth in this Prospectus.

Each person receiving this Prospectus acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Agents or any of its or their affiliates or any person acting on their behalf in connection with its investigation of the accuracy or completeness of such information or its investment decision. Each person contemplating making an investment in the Notes from time to time must make its own investigation and analysis of

the creditworthiness of the Issuer, the Borrower, the Initial Guarantors and the Group and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investment.

This Prospectus has been filed with and approved by the Central Bank of Ireland as required by the Prospectus Regulations. This Prospectus, as approved by the Central Bank of Ireland, will be filed with the Irish Companies Registration Office in accordance with Regulation 38(1)(b) of the Prospectus Regulations.

The Issuer is not and will not be regulated by the Central Bank of Ireland as a result of issuing the Notes. Any investment in the Notes does not have the status of a bank deposit and is not within the scope of the deposit protection scheme operated by the Central Bank of Ireland.

The Issuer does not intend to provide any information on the Notes or the Loan following the date of the issuance of the Notes

STABILISATION

In connection with the issue of the Notes, UBS Limited (the "Stabilising Manager") (or any person acting on behalf of the Stabilising Manager) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Managers (or any person acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if commenced, may be discontinued at any time and must be brought to an end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over-allotment shall be conducted in accordance with all applicable laws and regulations.

NOTICE TO INVESTORS IN THE UNITED KINGDOM

This document is only being distributed to and is only directed at (1) persons who are outside the United Kingdom or (2) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (3) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "**Relevant Persons**"). The Notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on this document or any of its contents.

NOTICE TO INVESTORS IN CYPRUS

This document is being distributed solely to and is only directed at persons in Cyprus who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC) as transposed in Cypriot legislation by the Cyprus Prospectus Law (Law 114(I)/2005) as amended ("**Qualified Investors**"). Any investment activity to which this communication relates will only be available to and will only be engaged with Qualified

Investors. Any person who is not a Qualified Investor should not act or rely on this communication.

NOTICE TO INVESTORS IN THE RUSSIAN FEDERATION

Neither this document nor the information contained herein is an offer, or an invitation to make offers, to sell, exchange or otherwise transfer securities in the Russian Federation to or for the benefit of any Russian person or entity and does not constitute an advertisement or offering of securities in the Russian Federation within the meaning of Russian securities laws. Information contained in this document is not intended for any persons in the Russian Federation who are not "qualified investors" within the meaning of Article 51.2 of the Federal Law no. 39-FZ "On the Securities Market" dated 22 April 1996, as amended (the "**Russian QIs**") and must not be distributed or circulated into Russia or made available in Russia to any persons who are not Russian QIs, unless and to the extent they are otherwise permitted to access such information under Russian law. Any securities referred to in this document have not been and will not be registered in Russia and are not intended for "placement", "circulation", "offering" or "advertising" in Russia (each as defined in Russian securities laws) unless and to the extent otherwise permitted under Russian law.

FOREIGN LANGUAGE

The language of the Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus are not historical facts but constitute "forward-looking statements". Such forward-looking statements are set forth in "*Risk Factors*", "*Operating and Financial Review*" and "*Business*" and elsewhere in this Prospectus. The Company may from time to time make written or oral forward-looking statements in reports to shareholders, holders of debt securities and in other communications. Examples of such forward-looking statements include, but are not limited to:

- strategies, outlook and growth prospects;
- future plans, expectations, projections and potential for future growth;
- plans or intentions relating to acquisitions or disposals;
- future revenues and performance;
- liquidity, capital resources and capital expenditures;
- economic outlook and industry trends;
- the impact of regulatory initiatives;
- the Group's competitive strengths and weaknesses; and
- the strengths and weaknesses of Group's competitors.

In particular, included throughout this Prospectus are statements relating to the Group's current and future investment plans. While such statements accurately reflect the Company's current expectations, such expectations are based on a number of assumptions, which may prove to be incorrect or which may change, thereby causing the Group to revise its investment plans. Further, except where otherwise specifically indicated, the Group is not contractually or otherwise committed to making such investments or expenditures, and consequently the Group may choose to invest less than the amounts stated herein, or not at all.

Forward-looking statements that may be made by the Group from time to time (but that are not included in this Prospectus) may also include projections or expectations of revenues, income (or loss), earnings (or loss) per share, dividends, capital structure or other financial items or ratios.

Words such as "targets", "believes", "anticipates", "expects", "estimates", "intends", "plans", "will", "may", "could" or "should" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. Prospective investors should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

- fluctuations in the Group's financial results and financial condition;
- changes in political, social, legal or economic conditions in Russia;
- the Group's ability to service the Group's existing indebtedness;
- the Group's ability to fund future operations and capital needs through borrowing or otherwise;
- the Group's ability to successfully implement any of the Group's business strategies;
- the Group's expectations about growth in demand for the Group's services;
- competition in the marketplace;
- inflation, interest rates and fluctuation in exchange rates;
- a changing regulatory environment; and
- the Group's success in identifying other risks to the Group's business and managing the risks of the aforementioned factors.

This list of important factors is not exhaustive. When relying on forward-looking statements, prospective investors should carefully consider the aforementioned factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Group operates. Such forward-looking statements speak only as at the date on which they are made and are not subject to any continuing obligations under any guidelines issued by the Irish Stock Exchange. Accordingly, the Issuer, the Company and the Guarantors do not undertake any obligation to update or review any of them, whether as a result of new information, future events or otherwise. The Issuer, the Company and the Guarantors do not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

ENFORCEABILITY OF JUDGMENTS

General

The Company and DME Limited are incorporated under the laws of the Republic of Cyprus. Airport Management Company Limited is incorporated under the laws of the Isle of Man. DOMODEDOVO INTERNATIONAL AIRPORT Limited Liability Company, DOMODEDOVO COMMERCIAL SERVICES Limited Liability Company, DOMODEDOVO CATERING Limited Liability Company, "DOMODEDOVO FUEL SERVICES" Limited Liability Company, DOMODEDOVO PASSENGER TERMINAL Limited Liability Company, "DOMODEDOVO FUEL FACILITIES" Limited Liability Company and "DOMODEDOVO AIRPORT HANDLING" Limited Liability Company are incorporated under the laws of the Russian Federation. Substantially all of the assets of the Company and the Initial Guarantors and the assets of their respective subsidiaries are located outside the United Kingdom. In addition, all of the directors and executive officers of the Company and the Initial Guarantors are residents of countries other than the United Kingdom. As a result, it may not be possible for Noteholders to:

- effect service of process within the United Kingdom upon the Company or the Initial Guarantors or any of the directors or executive officers of the Company or the Initial Guarantors named in this Prospectus; or
- enforce, in the English courts, judgments obtained outside England against the Company and the Initial Guarantors or any of their respective directors and executive officers named in this Prospectus.

In addition, it may be difficult for the Noteholders to enforce, in original actions brought in courts in jurisdictions located outside the United Kingdom, liabilities predicated upon English laws.

Russian Federation

Courts in the Russian Federation will generally recognise judgments rendered by a court in any jurisdiction outside the Russian Federation if an international treaty providing for the recognition and enforcement of judgments in civil cases exists between the Russian Federation and the country where the judgment is rendered or a federal law is adopted in the Russian Federation providing for the recognition and enforcement of foreign court judgments. No such treaty for the reciprocal recognition and enforcement of foreign court judgments in civil and commercial matters exists between the Russian Federation and certain other jurisdictions (including the United Kingdom), and no relevant federal law on enforcement of foreign court judgments has been adopted in the Russian Federation, as a result of which new proceedings may have to be brought in the Russian Federation in respect of a judgment already obtained in any such jurisdiction against the Company or the Initial Guarantors or their officers or directors. In addition, Russian courts have limited experience in the enforcement of foreign court judgments. The limitations described above, including the general procedural grounds set out in Russian legislation for the refusal to recognise and enforce foreign court judgments in the Russian Federation, may significantly delay the enforcement of such judgment or deprive the Issuer and/or the Noteholders of effective legal recourse for claims related to the investment in the Notes or under the Loan.

In the absence of an applicable treaty, enforcement of a final judgment rendered by a foreign court may still be recognised by a Russian court on the basis of reciprocity, if courts of the country where the foreign judgment is rendered have previously enforced judgments issued by Russian courts. While Russian courts have recently recognised and enforced English court judgments on these grounds, the existence of reciprocity must be established at the time the recognition and enforcement of a foreign judgment is sought, and it is not possible to predict whether a Russian court will in the future recognise and enforce on the basis of reciprocity a judgment issued by a foreign court, including an English court.

The Loan Agreement, the Deed of Guarantee and any non-contractual obligations arising out of or in connection with them will be governed by English law and will provide for disputes, controversies and causes of action brought by any party thereto to be settled by arbitration in accordance with the rules of the LCIA (formerly the London Court of International Arbitration) (the "**LCIA Rules**"). The place of such arbitration shall be London, England. The Russian Federation and the United Kingdom are parties to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**"). Consequently, Russian courts should generally recognise and enforce in the Russian Federation an arbitral award from an arbitral tribunal in the United Kingdom on the basis of the rules of the New York Convention (subject to qualifications provided for in the New York Convention and compliance with Russian procedural regulations and other procedures and requirements established by Russian legislation).

The Arbitrazh Procedural Code of the Russian Federation (the "**Arbitrazh Procedural Code**") sets out the procedure for the recognition and enforcement of foreign arbitral awards by Russian courts. The Arbitrazh Procedural Code also contains an exhaustive list of grounds for the refusal of recognition and enforcement of foreign arbitral awards by Russian courts, which grounds are broadly similar to those provided by the New York Convention.

The Arbitrazh Procedural Code and other Russian procedural legislation could change, and other grounds for Russian courts to refuse the recognition and enforcement of foreign courts' judgments and foreign arbitral awards could arise in the future. In practice, reliance upon international treaties may meet resistance or a lack of understanding on the part of a Russian court or other officials, thereby introducing delay and unpredictability into the process of enforcing any foreign judgment or any foreign arbitral award in the Russian Federation.

Furthermore, any arbitral award pursuant to arbitration proceedings in accordance with the LCIA Rules and the application of English law to the Loan Agreement and the Deed of Guarantee and any non-contractual obligations arising out of or in connection with them may be limited by the mandatory provisions of Russian laws relating to the exclusive jurisdiction of Russian courts and the application of Russian laws with respect to bankruptcy, winding up or liquidation of Russian companies.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

Financial Statements: This Prospectus includes the following financial information: (i) the unaudited interim condensed consolidated financial information of the Group as of and for the six months ended 30 June 2016 prepared in accordance with International Accounting Standard 34 "Interim financial reporting" which are set forth on pages F-2 through F-28 (the "**Interim Financial Statements**"), (ii) and the audited consolidated financial statements of the Group as of and for the years ended 31 December 2015 prepared in accordance with International Financial Reporting Standards ("**IFRS**") as promulgated by the International Accounting Standards Board ("**IASB**") which are set forth on pages F-29 through F-76 and (iii) the audited consolidated financial statements of the Group as of and for the year ended 31 December 2014 prepared in accordance with IFRS as promulgated by IASB which are set forth on pages F-77 through F-124 (the "**Annual Financial Statements**", and together with the Interim Financial Statements, the "**Group's Financial Statements**").

The financial statements of the Issuer as at 31 December 2015 and 2014 and for the years then ended (the "**Issuer's Financial Statements**") have been audited by Deloitte Chartered Accountants, independent auditors of the Issuer, whose registered address is at Deloitte & Touche House, Earlsfort Terrace, Dublin 2, Ireland, in accordance with the International Standards on Auditing.

The Group's Financial Statements are presented in Roubles. The functional currency of DME Limited and all subsidiaries of the Group is Rouble because the primary economic environment of the Group is the Russian Federation. Solely for the convenience of the reader, certain amounts included in this Prospectus have been translated from Roubles into U.S. Dollars, as set forth under "*Exchange Rate Information*". Investors in the Notes should not construe those translations as a representation that those amounts could be converted from one currency to another at any particular rate or at all.

Independent Auditors: The Group's Annual Financial Statements as of and for the years ended 31 December 2015 and 2014 have been audited by ZAO Deloitte & Touche CIS, independent auditors. The Annual Financial Statements and audit opinions of ZAO Deloitte & Touche CIS are included in this Prospectus. The Interim Financial Statements included in this Prospectus have been reviewed by ZAO Deloitte & Touche CIS as appears in the review report included herein. ZAO Deloitte & Touche CIS is a member of non-commercial partnership "Audit Chamber of Russia" (*Auditorskaya Palata Rossii*).

Alternative Performance Measures: The selected financial data set forth in this Prospectus, in addition to the conventional financial performance measures established by IFRS, contains certain alternative performance measures (such as EBITDA, Adjusted EBITDA, EBITDA margin, Adjusted EBITDA margin and other) ("**APMs**") that are presented for purposes of a better understanding of the trend of operations and the financial condition and provides a more meaningful depiction for investors of the underlying fundamentals of the Group's business. Where used, the relevant metrics are identified as APMs and accompanied by an explanation of each such metric's components and calculation method. However, APMs should not be considered as a substitute for those required by IFRS.

Presentation of Certain Terminology

In this Prospectus, all references to:

- the "**Company**" and the "**Borrower**" are to Hacienda Investments Limited on an unconsolidated basis, unless the context otherwise requires;
- "**DME**" are to Domodedovo International Airport;
- the "**Group**" are to DME Limited and its consolidated subsidiaries, taken as a whole, unless the context otherwise requires;
- "**SVO**" are to Sheremetyevo International Airport;
- "**VKO**" are to Vnukovo International Airport; and
- "**ZIA**" are to Zhukovsky International Airport.

Volume Measurement

In this Prospectus, all references to:

- "**cubic meter**" are to a metric unit of volume or capacity equal to 1,000 litres; and
- "**tonne**" are to a unit of mass equal to 1,000 kg or 2,204.6 pounds.

Currencies

In this Prospectus, all references to:

- "**EUR**", "**euro**", "**Euro**" and "**€**" are to the currency of the participating member states in the third stage of the Economic and Monetary Union of the Treaty establishing the European Community;
- "**RUB**", "**Russian rouble**", "**Rouble**" and "**rouble**" are to the currency of the Russian Federation; and
- "**U.S. Dollar**", "**U.S. dollar**" and "**U.S.\$**" are to the currency of the United States of America.

Certain Jurisdictions

In this Prospectus, all references to:

- "**EU**" are to the European Union;
- "**CIS**" are to the Commonwealth of Independent States and its member states as at the date of this Prospectus are: Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan;

- "**Cyprus**" are to the Republic of Cyprus;
- "**Russia**" are to the Russian Federation;
- "**U.K.**" and "**United Kingdom**" are to the United Kingdom of Great Britain and Northern Ireland; and
- "**U.S.**" and "**United States**" are to the United States of America.

Certain Definitions

In this Prospectus, all references to:

- "**ATMs**" are to air traffic movements, being aircraft takeoffs or landings;
- "**CAGR**" are to compound annual growth rate;
- "**CBR**" are to the Central Bank of the Russian Federation;
- "**MAH**" are to the Moscow Aviation Hub which includes DME, SVO, VKO and ZIA;
- "**Rosstat**" means the Federal State Statistics Service in the Russian Federation; and
- "**state authorities**" are to federal, regional and municipal authorities.

Rounding

Certain figures included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

EXCHANGE RATE INFORMATION

The following tables show, for the periods indicated, certain information regarding the exchange rate between the rouble and the U.S. dollar, based on the official exchange rate quoted by the CBR. These rates differ from the actual rates used in the preparation of the Group's Financial Statements and other financial information appearing in this Prospectus.

	High	Low	Average⁽¹⁾	Period End
	<i>(RUB per U.S.\$)</i>			
2016 (up to and including 4 November 2016)	83.59	62.05	67.54	63.50
2015	72.88	49.18	60.66	72.88
2014	67.79	32.66	37.97	56.26
2013	33.47	29.93	31.82	32.73

	High	Low	Average⁽¹⁾	Period End
	<i>(RUB per EUR)</i>			
2016 (up to and including 4 November 2016)	91.18	67.50	75.30	70.60
2015	81.15	52.91	67.43	79.70
2014	84.59	45.06	50.46	68.34
2013	45.37	39.64	42.27	44.97

⁽¹⁾ The average of the exchange rates on the last calendar day of each month for the relevant annual period, and on each calendar day for any other period.

The rouble/U.S. dollar and rouble/Euro exchange rates as quoted by the CBR on 4 November 2016 were RUB 63.50 for one U.S. dollar and RUB 70.60 for one Euro.

No representation is made that the U.S. dollar and/or Euro amounts referred to in this Prospectus could have been or could be converted into roubles or U.S. dollars, as the case may be, at the above exchange rates or at all.

INFORMATION DERIVED FROM THIRD PARTIES

The Issuer, the Borrower, and the Initial Guarantors have obtained certain statistical and market information that is presented in this Prospectus on such topics as the airports industry, the Russian economy in general and related subjects from the following third-party sources:

- CBR;
- Ove Arup & Partners International Limited ("**ARUP**");
- Rosstat;
- Russian Federal Treasury;
- Transport Clearing House ("**TCH**");
- Sabre Airport Data Intelligence;
- Airports Council International ("**ACI**"); and
- International Monetary Fund ("**IMF**").

This third party information is presented in the following sections of this Prospectus: "*Overview of the Group*", "*Risk Factors*", "*Operating and Financial Review*", "*Industry*" and "*Business*".

The Issuer, the Borrower, and the Initial Guarantors accept responsibility for accurately reproducing such information and as far as they are aware and are able to ascertain from information provided or published by such third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Nevertheless, prospective investors are advised to consider this data with caution. Market studies are often based on information or assumptions that may not be accurate or appropriate, and their methodology is inherently predictive and speculative. Prospective investors should note that the Group's estimates are based on such third-party information. Neither the Issuer, the Group nor the Joint Lead Managers have independently verified the figures, market data or other information on which third parties have based their studies.

The Issuer, the Borrower and the Initial Guarantors have derived substantially all of the information contained in this Prospectus concerning its competitors from publicly available information and has accurately reproduced such information and, as far as the Group is aware and is able to ascertain from information published by such third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. The Issuer and the Group have relied on the accuracy of this information without independent verification. In addition, some of the information contained in this document has been derived from official data of the Russian government agencies, such as Rosstat, and the CBR. The information derived from the official data of various Russian governmental agencies has been accurately reproduced by the Issuer and the Group, and as far as the Issuer and the Group are aware and are able to ascertain from information published by such Russian governmental agencies, no facts have been omitted that would render the reproduced information inaccurate or misleading. The Issuer and the Group have relied on this information without independent verification. The official data published by Russian federal,

regional and local government agencies is substantially less complete or researched than that of more developed countries. Official statistics, including data published by the CBR, may also be produced on different bases than those used in more developed countries. Any discussion of matters relating to Russia in this Prospectus must, therefore, be subject to uncertainty due to concerns about the completeness or reliability of available official and public information.

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RISK FACTORS

An investment in the Notes involves a high degree of risk. Prospective investors should consider carefully, among other matters, the risks set forth below and the other information contained elsewhere in this Prospectus prior to making any investment decision with respect to the Notes. Any of the risks described below, individually or together, could have a material adverse effect on the Group's business, financial condition, results of operations or prospects and the trading price of the Notes.

In addition, the description of the risks set forth below does not purport to be an exhaustive description of all risks that the Group faces. Additional risks that are not known to the Group at this time, or that it currently believes are immaterial, could also have a material adverse effect on the Group's business, financial condition, results of operations or future prospects and the trading price of the Notes. The order in which the following risks are presented is not intended to be an indication of the probability of their occurrence or the magnitude of their potential effects.

RISKS RELATING TO THE GROUP AND INDUSTRY IN WHICH IT OPERATES

The Group is subject to risks associated with the economic environment.

Economic conditions can have a significant impact on the level of air traffic and DME's performance. Adverse changes in the general level of economic growth may result in a decline in levels of discretionary spending and general business expenditure, which in turn may reduce passenger and cargo traffic levels and, as a result, the Group's revenue. According to Rosstat, Russia's GDP growth rate slowed from 1.3 per cent. in 2013 to 0.6 per cent. in 2014; in 2015, Russia's GDP contracted by 3.7 per cent in real terms; and in January 2016 the IMF predicted that Russia's GDP will contract by 1 per cent in 2016. In addition, the introduction of economic sanctions by the U.S. and EU in 2014 resulted, among other things, in a sharp devaluation of the Rouble against U.S. dollar and Euro (See "Exchange Information"). As a result the purchasing power of certain groups of customers and their ability to travel abroad was significantly weakened due to increased costs forcing them to either limit or suspend using air travel or turn to domestic air travel (which generates less revenue for the Group on a relative basis as compared to international travel) or other means of transportation which has negatively affected the Group's revenue. The Group's revenue decreased from RUB 41,224 million for the year ended 31 December 2014 to RUB 39,446 million for the year ended 31 December 2015, and from RUB 18,571 million for the six months ended 30 June 2015 to RUB 17,757 million for the six months ended 30 June 2016.

A decline in general economic conditions may also affect passengers' shopping behaviour, which would reduce the Group's revenue from commercial services. A reduction in consumer spending at DME may affect the attractiveness of retail space to merchants renting commercial space at DME, and in turn, the success of the Group's auction process for renting commercial space in the terminal. In addition, the Group's rental rates are based, among other things, on the passenger traffic level, which reduced in 2015 and in the first half of 2016. The Group's rental income decreased from RUB 6,857 million for the year ended 31 December 2014 to RUB 5,921 million for the year ended 31 December 2015, and from RUB 2,733 million for the six months ended 30 June 2015 to RUB 2,426 million for the six months ended 30 June 2016.

If the global financial and economic crisis recurs or global or Russian economic conditions otherwise worsen, the Group's business, financial condition, results of operations and prospects could be materially adversely affected.

The Group is highly dependent on air traffic levels.

The Group's business and development depend on the levels of air traffic to and from DME, in terms of passenger numbers, the number of take-off and landing operations or ATMs and cargo volumes. These factors directly impact revenue from all three business segments of the Group.

The Group's aviation services revenue is generated from airport fees and traffic charges for the use of DME's infrastructure. These charges are typically levied on the basis of departing and arriving passenger numbers and maximum take-off weight. Revenue for the Group's auxiliary aviation services (including ground handling services, fuelling services, in-flight catering, cargo storage and mail handling), which represented the largest portion of the Group's total revenue, at 54.7 per cent. of total revenue for the six months ended 30 June 2016 and 54.9 per cent. of total revenue for the year ended 31 December 2015, is also impacted by the number of flights, passenger traffic levels and cargo volumes at DME. In addition, demand for commercial services, which include retail concessions, advertising, car parking facilities and hotel services, are impacted by the number of passengers and ATMs.

The level of passenger numbers, the number of ATMs and cargo traffic to or from DME depends on numerous factors, some of which are beyond the Group's control, including:

- the strategy and success of airlines and airline alliances that have important network hubs at DME, notably S7, the Star Alliance and the oneworld airline alliances;
- the financial and operating condition of airlines that have a major presence at DME;
- the attractiveness of DME both to passengers and airlines relative to that of other airports within and outside the MAH;
- the development of efficient and viable alternatives to air travel, including the improvement or expansion of existing surface transport systems, the introduction of new transport links or technology and the increased use of communications technology;
- the ongoing development of budget airlines in the MAH and Russia;
- intergovernmental agreements, which regulate the number of airlines operating to and from each country;
- "Open Skies" or anticipated liberalisation of the Russian airspace;
- regulatory decisions by the Russian Federal Antimonopoly Service ("**FAS**") or decisions by the European Union or other international entities, which could affect the airlines' behaviour and policies as well as demand for air travel;

- the ability and decisions of the Moscow Air Traffic Control Centre (the "MATCC") to increase throughput capacity at DME and other MAH airports;
- downturns in global and local economies;
- acts of terrorism, wars, civil disorder, political action, industrial action, blockades, health scares, severe weather conditions and natural disasters;
- closures of certain destinations by government authorities;
- fluctuations in oil prices, which can have an impact on DME's airline customers' operations or ticket prices;
- the size of aircraft and their destinations;
- changes in political, social or legal conditions in Russia and elsewhere;
- any decisions of the Russian government regarding the development of the airfield infrastructure of the MAH; and
- the abolishment or amendment of visa requirements between certain countries.

For example, the ban on flights to Egypt and on charter flights to Turkey introduced in November 2015, mutual bans on flights of national carriers between Russia and Ukraine introduced in September 2015 and the cessation of business by Transaero in October 2015 adversely affected the Group's business resulting in a significant drop in overall flights to tourist and other destinations out of DME, and DME's non-regular flights volume decreasing by approximately 43 per cent. in the first half of 2016 as compared to the first half of 2015.

Air traffic levels is a key element affecting the Group's expansion plans. See "*Business—Airport Development 2026 Masterplan*". However, in 2015 and the first half of 2016 the Group experienced a decrease in the number of flights both to and from DME. The number of such flights decreased from 277,785 in 2014 to 253,084 in 2015, and from 120,223 in the first half of 2015 to 105,235 in the first half of 2016. Should air traffic to and from DME both overall and by geographic region continue to decrease going forward, the Group may not reach the expected growth levels and/or may be required to delay, reduce or cancel the Group's expansion plans in full or in part. Any such decrease, reduction or cancellation could have a material adverse effect on the Group's business, financial condition, results of operations and/or prospects.

The Group's business depends significantly on the actions and business of airlines.

Actions taken by airlines or alliances, in particular those that have a major presence at DME such as S7, the Star Alliance and the oneworld alliance, have an effect on passenger numbers and the volume of services acquired from the Group by airlines at DME, which could materially adversely affect the Group's financial performance. For example, traffic levels at DME could be adversely affected by the decisions of airlines to change the number of flights they operate to and from DME, flight routes, flight times, airline ticket prices or employed aircraft. Likewise, financial difficulties or the failure of a significant airline customer, for example, as a result of rising fuel costs or otherwise, could lead to a reduction in or cessation of certain flights to and from DME. In addition, the type of aircraft used by airlines or change

in demand for such services as catering could result in changes to operational and facility requirements. Foreign airlines may also respond to political and tariff-related pressure and their operations may be affected by government policy.

Airlines that use DME are not subject to any contractual or other obligation to maintain a minimum volume of flights to or from the airport. Airlines may choose to reduce or discontinue their flights to and from DME at any time and for any reason. There can be no assurance that, if any of the Group's key airline customers reduced or discontinued their use of DME, other airlines would add flights to their schedules to replace flights no longer handled by the respective airline. A reduction in flights to and from DME could materially adversely affect the Group's business, financial condition, results of operations and prospects.

As aircraft margins are squeezed, airlines may also seek to cut services offered to passengers, push down their costs or purchasing those services from suppliers other than DME. A reduction in fees for auxiliary aviation services could materially adversely affect the Group's business, financial condition, results of operations and prospects.

The highly competitive nature of the airline industry subjects airlines to a high level of commercial and financial risks, which have resulted in insolvencies or mergers of airlines in recent years. For example, the cessation of business by Transaero, formerly the second largest airline by the share of scheduled seats operating at DME, in October 2015 due to financial difficulties resulted in a decrease in volumes of air traffic, a decrease in the Group's revenue from aviation services segment, a decrease in the number of destinations serviced by DME, and a RUB 1,010 million outstanding receivable from Transaero as at 31 December 2015, which the Group has almost fully provided for and has a low expectation as to recovery.

Furthermore, certain carriers, seeking to reduce expenses, decommissioned economically inefficient Russian-made aircraft and discontinued flights on unprofitable routes. There can be no assurance, however, that the Group would be able to mitigate the effect of bankruptcy or liquidation or inability to pay debts of any of its major airline clients, should such a bankruptcy or liquidation or lack of payment occur in the future. In addition, the formation and expansion of airline alliances have led, and may in the future lead, to changes in demand for the Group's services. Airline customers that unite into airline alliances may strengthen their position within the Group's customer base, which could adversely affect the Group's ability to negotiate prices and service agreements. Airline alliances may attempt to pass on cost pressures to the Group.

DME operates in a competitive environment.

Competition faced by DME could intensify across all of its business areas – aviation services, auxiliary aviation services and commercial services. DME competes with SVO and VKO and may in the future compete with ZIA in the MAH for passenger and cargo traffic. In 2015, DME's shares of international and domestic passenger traffic in the MAH were 36.8 per cent. and 41.7 per cent., compared with 46.5 per cent. and 34.4 per cent. shares of SVO and 16.6 per cent. and 23.9 per cent. shares of VKO, respectively. In 2014, DME's shares of international and domestic passenger traffic in the MAH were 42.0 per cent. and 44.0 per cent., compared with 43.3 per cent. and 37.2 per cent. shares of SVO and 14.7 per cent. and 18.8 per cent. shares of VKO, respectively.

Both SVO and VKO have previously undertaken development projects, including reconstruction of runways and other airport facilities, which have led to growth in airline

customers. In addition, the privatisation of a 68 per cent. stake in SVO completed in early 2016 envisages significant investment in SVO to upgrade and expand its existing terminal facilities (See "*Business–Competition*"). These improvements could allow SVO to further increase its share in the MAH and give competitive advantages to SVO over DME. The above developments may result in DME not being able to successfully compete with SVO and VKO which may have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, DME may face increasing competition from the new market entrant, ZIA, which commenced its operations in September 2016 (See "*Business–Competition*"). Although as of the date of this Prospectus, the scale of ZIA's operations is not entirely clear, its development plan contemplates a rather significant expansion through several stages which may result in ZIA taking over a portion of market share from DME.

The Group could also lose market share to other airports in the MAH if budget airlines are able to significantly increase their presence in the Russian air transport market. If budget airlines expand the number of flights, other airports may be able to capture this traffic if they have a more favourable cost structure. In addition, if budget airlines increase their share of the Russian air traffic, the Group's regular airline customers may lose passengers and cancel certain routes at DME. The Group may also face lower revenue if required to reduce fees to attract and retain budget airline customers.

DME competes with other airports outside of the MAH as a hub for transfer traffic to long haul destinations between the United States and Europe, on the one hand, and Asia and the Pacific region, on the other. The Group considers that DME's main competitors in this market are the major Asian hubs of Dubai, Doha, Istanbul, Singapore, Hong Kong, Bangkok and, to a lesser extent, the European hubs of Frankfurt, Munich, Paris, Amsterdam, London and Helsinki. For the six months ended 30 June 2016, connecting passengers represented 18.7 per cent. of passenger traffic at DME, compared to 16.5 per cent. as of 30 June 2015. If other hubs or regional airports outside of the MAH, in the Russian Federation or elsewhere, prove more attractive to airlines (due to transfer convenience, better economics or otherwise), DME could lose a portion of its existing level of transfer passenger flows.

More direct routes could bypass DME, and DME could lose, or not increase, traffic levels as expected. This effect could be magnified by airlines forming or joining alliances that create global route networks to maximise sales by offering passengers a seamless service around the world, dealing with one carrier and a single ticketing agent which could lead to a reduction in the number of airlines flying the same route. The impact of an alliance airline deciding to use a hub other than DME could result in loss of customers from other airlines in the alliance as well.

At a regional level, DME faces competition from other modes of transportation than air travel, especially in deteriorating economic conditions. The Group believes that railways, in particular, are currently the most important means of transport for Russian domestic and CIS travel. Air travel competes with railways in particular on short distance travel, such as the routes between Moscow and St. Petersburg and between Moscow and Nizhniy Novgorod, where high speed railways are available. Increased penetration of the rail infrastructure, modernisation of existing infrastructure or other factors that may drive increased rail and road usage could result in a decrease in air traffic levels at DME, particularly in respect of domestic and short-haul flights, including destinations such as Minsk, which, taken together, account for approximately 15 per cent. of DME's passenger traffic for the six months ended 30 June 2016.

The Group also competes with other providers of services at DME. For example, in July 2013, the Group commissioned the Star Alliance LSG Sky Chefs catering facility at DME. Since 2013, Lufthansa Group has used this catering facility which constitutes direct competition for Domodedovo Catering. In addition, several operators offer fuel to airlines at DME, including Lukoil-Aero, Gazpromneft-Aero and Rosneft-Aero, in direct competition with Domodedovo Fuel Service Corporation, though the sale of fuel has been something that DME has been generally decreasing as a service in recent periods.

Any of these factors could result in reduced margins or cost pressures for the Group, or in DME losing market share to its airport competitors within and outside the MAH as well as its non-airport competitors, any of which could materially adversely affect the Group's business, financial condition, results of operations and prospects.

The Russian government may prioritise funding of SVO's, VKO's or ZIA's projects over DME's.

Although none of SVO, VKO or ZIA are currently state-controlled airports, there is a risk that the Russian government may still prioritise funding of their projects as opposed to utilising such funds for projects at DME, including the potential construction of Runway 3, reconstructing existing and building new apron surfaces and/or other projects the implementation of which is projected to be, at least in part, dependent on funds from the Federal Budget. Should this risk materialise the capacity of SVO, VKO and/or ZIA may increase, leading to a deterioration of DME's relative position in the MAH. If any of the airports competing with DME in the MAH increases its capacity or improves its infrastructure, DME could lose airline customers and passengers or a portion of airline's flights to and from DME which could materially adversely affect the Group's business, financial condition, results of operations and prospects.

DME has been and may in the future be affected by acts of terrorism.

The global nature of the aviation industry has made it a target for terrorism. Airlines and airports have been and may continue to be targets of terrorist attacks. In the last decade, two terrorist attacks occurred at, or related to, DME. On 24 January 2011, a suicide bombing occurred in the international arrivals hall of DME, an area outside of the DME aviation security control perimeter, killing 37 persons and wounding approximately 173. In August 2004, Chechen separatists detonated bombs on board two domestic flights that had departed from DME, killing 90 persons. Acts of terrorism or a perceived threat of terrorist actions may lead to damage to DME's reputation and decreased passenger confidence in air travel in general, which, in turn, would result in fewer airlines and passengers using DME. The Group could incur significant costs in taking additional measures to prevent an attack or repairing damage resulting from such an attack. For example, following the 2004 bombings, the Group spent approximately RUB 361 million on security and detection equipment, which has been installed at the airport. In the aftermath of the January 2011 terrorist attack, the Group spent over RUB 4 billion to enhance security procedures at DME. The Group may incur additional costs related to enhanced security procedures in the future, but it expects to continue recovering the increased costs associated with heightened security at DME through an increase in aviation security tariffs. Moreover, the discovery of potential terrorist plots against airlines or airport facilities could lead to the cancellation and/or delay of flights at DME or lead to a drop in passengers flying generally. Acts of terrorism or the perceived threat of terrorist actions at DME or elsewhere may also lead to increases in insurance costs or in reduced insurance availability. Acts of terrorism or a perceived threat of terrorist actions

could, therefore, have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, acts of terrorism could lead to liability for the Group. See "*Some of the Group's senior officers and Mr. Kamenshchik have been the subject of investigations in Russia*".

Furthermore, acts of terrorism have resulted in, and may in the future continue to result in, negative press relating to DME or the Group. DME and members of the management of the Group have been the subject of negative publicity and commentary following the January 2011 attack, including from the President of the Russian Federation and other public officials. Any such negative press reports or other commentary in relation to DME or the management of the Group could have a material adverse effect on DME's and the Group's reputation, as well as the Group's business, financial condition, results of operations and prospects.

The Russian Federation and the Group have heightened security measures since the 24 January 2011 bombing (See "*Industry Regulation— Overview of the Applicable Legislation*" and "*Industry Regulation— Amendments to the Legislation Following the Terrorist Attack at DME*"), as a result of which every person entering the free access zone of the terminal building (the "**landside**") is screened by Russian police authorities. These authorities are assisted by members of the Group's security team, who provide and operate the screening equipment at the entrance to the terminal. Any changes in safety regulations could increase costs related to airport security, which in turn would result in increases in operating costs, delays to passenger movement through DME and increased potential liability for security-related issues, all of which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. See "*Business—Business Segments— Aviation Services—Aviation Security*" and "*Regulation of Airports in Russia*".

The Group's operations may be impacted by accidents, adverse weather conditions, natural disasters, pandemics, war, civil unrest or other events outside of its control, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's operations could be adversely affected or disrupted by natural events (such as fires, adverse weather conditions and earthquakes, amongst others) or other events outside of its control such as accidents, health scares or pandemics. Any catastrophic event that affects or disrupts the Group's operations or those of its business partners could have a negative effect on the volume of air traffic at DME and may decrease the Group's revenue and increase the Group's costs. In some circumstances, the Group may not be able to remediate the situation caused by such an event in an effective manner and may be subject to interruptions in terminal operations or delays in resuming operations. Such events are often subject to media coverage and the Group's reputation could be significantly damaged by adverse media coverage. The Group may also incur unforeseen costs related to the occurrence or in the anticipation of any of these events. The occurrence of any of these events could, therefore, have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Accidents

DME is exposed to the general risk of accidents, including aircraft crashes, occurring at or near its facilities. Accidents may result in injury or loss of human life, damage to the airport and/or other infrastructure and short or long-term closure of part or all of DME's facilities and may have an ongoing impact on passenger traffic levels. If an accident occurs, DME's

operations may be disrupted by the accident and during the repair of any ensuing damage. On 4 December 2010, a Dagestan Airlines aircraft made an emergency landing at DME following a jet engine failure shortly after take-off from VKO, killing two persons and injuring 56. On 31 July 2015, an aircraft flying from Ulyanovsk made an emergency landing at DME after failing to extend the landing gear properly. The accident did not result in any injuries, but did lead to a temporary closure of a runway. In addition, some of the Group's facilities have been in operation for several decades. Although these facilities undergo various checks and repair work on a regular basis, they are more prone to malfunction than newer facilities. There can be no assurance that DME's operations will not be affected by accidents in the future which could result in liability or reputational harm to the Group, damage to DME's infrastructure and/or an interruption of airport operations.

Adverse weather conditions and natural disasters

DME is exposed to the general risk of adverse weather conditions and natural disasters. During 2010, a volcanic eruption, heat waves, smog, heavy fog, freezing rain and forest fires each led to delays, flight cancellations and changes in routes and destinations, thereby decreasing the level of air traffic at DME. On 26 December 2010, freezing rain caused damage to the two power lines feeding DME, causing a blackout at the airport and the express railway that connects DME to central Moscow. The outage lasted 12 hours and resulted in the cancellation of 493 ATMs and the delay of 543 flights, and a loss of revenue of approximately RUB 59 million for the Group. This loss in revenue was not covered by the Group's insurance. The Group was the subject of adverse publicity relating to this incident due to its scale and the time needed to resume normal operations. In addition, DME experienced a decrease in air traffic during the period of the Icelandic volcano eruption in the spring of 2010, resulting in the cancellation of 265 flights. DME's operations were also significantly affected by forest fires in the Moscow region, which disrupted the MAH's air traffic in August 2010. Difficult weather conditions, natural disasters and other force majeure circumstances could materially adversely affect the Group's operations in the future. The Group's reputation could also be damaged if the Group is not able to take prompt measures to counter or reduce materially the negative impact of these circumstances. The occurrence of any of these events, therefore, could adversely affect the Group's business, financial condition, results of operations and prospects.

Pandemics, war and civil unrest

In the event of a health scare, pandemic, war, an outbreak of hostilities or other forms of civil unrest in any country in which flights depart to or arrive from DME, airlines may decide to cancel or delay flights. A health scare or a pandemic, such as the H1N1 pandemic in 2009 or SARS in 2003, has in the past and may in the future affect levels of air traffic. A war, an outbreak of hostilities or other form of civil unrest could also reduce air traffic levels at DME. This could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is subject to environmental and health and safety laws, and changes in these laws could require the Group to modify its existing business practices, incur increased costs and subject it to potential liabilities.

The Group's operations may be impacted by environmental, health and safety and planning regulations, including those relating to aircraft movements, air quality (including emission standards), noise, soil and water pollution arising from airport operations, discharges and

surface water drainage, land and groundwater contamination, flooding, asbestos, waste handling management and disposal, climate change and energy use and efficiency.

While the Group believes it has implemented adequate environmental and health and safety protection measures and is in compliance with existing environmental and health and safety laws, compliance with these regulations may involve time-consuming procedures or otherwise impede or prevent or increase the operating costs involved in the continuation of the Group's existing activities and operations. The operation of a hydrant fuelling system, fuel storage, drainage storage and the use of de-icing fluids, in particular, creates environmental risks for DME. DME's fuelling system has been in operation since the 1960s and its age exposes it to risks of corrosion and malfunction. Although the Group is constantly monitoring the operational condition of the fuelling system and takes various actions, including the implementation of a spillage detection system and the gradual reconstruction of the fuelling system in order to mitigate the risks associated with the fuelling system in operation, its physical deterioration could cause the failure of core technological equipment, pipelines and valves. Environmental damage, such as that from a fuel spillage, or complying with new or more stringent laws and regulations relating to fuelling services and fuelling storage could result in significant additional costs to the Group.

New or revised policies, laws or regulations relating to the environment or health and safety, or changes in the enforcement of any of these laws or regulations, may also require the Group or its customers to implement significant changes in their operations or activities and/or to incur increased costs, any of which could have a material adverse effect on the Group's results of operations. Operational and development constraints could result in substantial expenditure for the Group. These include regulations relating to noise levels, air quality, buildings and other emissions, and mitigation measures related to these. Such regulations and measures include restrictions on runway or terminal capacity and use, contamination containment and flooding-related measures and the payment of compensation for failure to comply with such regulations. Expanding capacity involves planning and compulsory purchase costs and delays, uncertainties relating to new runways and terminal expansion (including as a result of third-party opposition and appeals and public inquiries and judicial proceedings) and the costs, disruptions and uncertainties relating to surface transport improvements. Any of these could restrict the Group's operations or activities and lead to additional costs for the Group.

In addition, environmental contamination or other environmental damage that has not been detected, if any, may be present at the Group's airport terminal, runways, fuel tankers and car parks. Remedying environmental contamination or other environmental damage could entail substantial costs and have a material adverse effect on the Group's business, financial condition, results of operations and growth prospects.

These costs and other constraints may arise either in respect of the Group's existing businesses or in respect of future capital expenditure projects or new business activities at DME. Soil and air quality mitigation and compensation costs for capacity expansion of DME have not been fully estimated. There can be no assurance that such costs and other constraints will not have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Tariffs for certain services provided by the Group have been in the past and may in the future be regulated by the Russian Federal Antimonopoly Service and, as a result, the

tariffs charged for such services were, and may in the future be, subject to a maximum tariff rate.

With effect from 21 February 2016, the FAS deregulated the fees for the airport services provided by DME, SVO and VKO which had previously been subject to capped tariffs set by the FAS or its predecessor the Russian Federal Tariff Service (the "FTS"). While currently the fees for takeoff, landing, aircraft parking, use of airport terminal, airport security, passenger servicing, aircraft fueling and storage of fuel are determined by the Group at its discretion, there is no guarantee that the FAS will not re-introduce regulated tariffs which could result in the FAS determining the maximum fees the Group may charge its airline customers for these services. As a result, the FAS could stipulate tariff levels that would be disadvantageous to the Group or delay or deny amendments to tariff levels requested by the Group, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

In addition, although the Group is currently entitled to set fees for airport services at its discretion, the FAS still retains the control and oversight functions in the pricing area. Following the deregulation of fees for airport services, DME, SVO and VKO increased certain Rouble-denominated fees paid by their Russian airline customers. While, as of the date of this Prospectus, the FAS has not taken any action in response to the increase of airport fees by the Group following the deregulation, the Russian authorities have reported in the Russian media that any increase of fees should be justified. Therefore, there is no guarantee that the FAS or other state authorities will not take any action in the future which may include forcing the Group to decrease previously introduced fees, levying fines on the Group and/or re-introducing the government-regulated tariffs and may result in higher scrutiny from the governmental authorities. Moreover, the FAS imposes limits on charges for certain types of services if it determines that a company holds a dominant market position and is raising prices for services without sufficient justification. In the ordinary course of business, the Group is and has been subject to investigations by the FAS. Any order by the FAS that would require the Group to lower its fees would affect the Group's revenue, and there can be no assurance that the Group will not be required to pay fines or face penalties in the future.

Further, the increase of airport fees by the Group may result in airlines switching to other airports in the MAH offering lower rates which could result in DME losing some of its clients and a portion of its market share which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Some of the Group's activities are subject to mandatory licencing

The Group must obtain and retain certain licences, permits and approvals for certain of its operations, especially as required by state property, safety and environmental laws. If licences, permits or approvals were to be revoked, suspended, or not granted or extended either in the context of DME's current operations or its expansion as envisaged under the Group's expansion plans for DME by 2026 (the "**2026 Masterplan**"), or if there were delays in obtaining such permits or approvals, the Group's operations and prospects could be adversely affected. Regulatory authorities could adopt new or more stringent regulations, or heighten the aviation industry oversight and, as a result, the Group could incur significant costs and expenses to comply.

Generally, Russian Federation laws and regulations and rulings by the Russian Federation and international courts with jurisdiction over airports and air transport have a direct and

significant influence on the Group's revenue. The Group has in the past been subject to a significant number of inspections relating to applicable regulations, which have resulted in fines and penalties, and the Group may be subject to similar inspections in the future. The Group may also face substantial liability if it fails to comply with existing or future regulations applicable to its businesses. Any change in the laws, rules and regulations related to the Group's operations could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The strategy of prioritising the provision of infrastructure over the provision of services may affect the Group's revenues.

In response to market conditions and the demands of its customers, the Group is gradually changing its strategy with respect to certain of its areas of activity from the provision of services (such as fuelling services and catering services) to the provision of infrastructure (such as storage facilities, cargo facilities, office and other buildings) whereby it charges for the use of infrastructure used by customers rather than the services associated with such infrastructure. While such strategy may lead to savings for the Group associated with the costs previously incurred in providing such services, there is no assurance that the same level of revenues will be maintained under the provision of infrastructure model, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

RISKS RELATING TO THE GROUP'S BUSINESS

The Group is dependent on its relationship with the Government.

The Group's ability to carry on its business, execute its expansion plan and increase its revenue and profitability depends significantly on its relationship with the Government and Government authorities. The Group interacts with the Russian government in a variety of areas and the Group's key operations and future plans depend, to a certain extent, on maintaining good relations with the Government.

DME's growth depends on the support of the Ministry of Transport, the Federal Air Transport Agency (Rosaviatsia) in the form of providing funds of the Federal Budget to finance its projects (see "*—The ability of the Group to increase DME's air traffic capacity and to implement the 2026 Masterplan depends on a number of factors some of which are beyond the Group's control*" below). The Group also interacts with the Federal Agency for State Property Management (Rosimushchestvo) in relation to the land, runways and other infrastructure it leases from the Russian Federation and a municipal entity of the Moscow Region (see "*—The Group's business depends on its lease of the runways and the land occupied by the airport from Governmental authorities*" below). Decisions by the Service for Transport Supervision (Rostransnadzor) and the Federal Air Transport Agency (Rosaviatsia) also have a significant impact on the Group's security policies and costs. The Group's relationship and interactions with these Government agencies, therefore, can affect the Group's business, financial condition, results of operations and prospects.

In addition, because of its importance to the public, the airport attracts a significant amount of political attention. The Group is subject to a high level of scrutiny from public officials and may from time to time be subject to Government reviews, statements and investigations. Since the January 2011 terrorist attack, the entities of the Group have been subject to an increased number of inspections by various Governmental authorities. Such Government

reviews, statements and investigations may also generate adverse publicity relating to the Group. Any conclusion pursuant to a Government review or investigation that finds the Group to be liable or that is otherwise unfavourable to the Group, or any adverse publicity relating to such events, may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Some of the Group's former and current senior officers and its ultimate beneficial owner Mr. Kamenshchik, have been the subject of investigations in Russia.

On 24 January 2011, a suicide bombing occurred in the international arrivals hall of DME, an area outside of the DME aviation security control perimeter, killing 37 persons and wounding approximately 173.

Following the terrorist attack, the Investigative Committee of the Russian Federation instituted a criminal investigation pursuant to Part 3, Article 263.1 of the Russian Criminal Code, for failure to follow the rules of transportation security at the airport and certain employees of the Group were summoned to appear as suspects. In the course of the investigation, no signs of malicious action or inaction relating to terrorist attack prevention measures were found in the behaviour of the employees responsible for the security service at DME. In August 2015, the relevant criminal proceedings were terminated due to the absence of substance of the offence given that no legislative act requiring employees of the Group to take measures aimed at transportation security on the landside zone of the airport was adopted as of the date of the terrorist attack.

In April 2015, a separate criminal investigation pursuant to Part 3, Article 238 of the Russian Criminal Code was commenced for provision of services not complying with safety requirements which resulted in the death of two or more persons. As part of the investigations, in February 2016, some of the Group's former and current senior managers were formally arrested and charged. Criminal charges were also brought against Mr. Dmitry Kamenshchik, the Group's ultimate beneficial owner (the "**Ultimate Beneficial Owner**"), who was placed under house arrest. In addition, the Group's cash in the amount of RUB 1 billion was arrested in the accounts of Airport Management Company Limited.

According to government investigators, in 2010, the Ultimate Beneficial Owner and the relevant senior managers developed and implemented a new standard for security checks at DME entrance which allegedly increased DME's vulnerability and allowed the terrorist to conduct the January 2011 attack. In the statements of defence, the accusations were rebutted on, among other things, the following grounds: (i) pursuant to the then existing regulation DME airport security service was entitled to conduct only pre-flight security checks and its powers did not extend to the visitors to the DME's arrivals hall which fell under the responsibility of the police which was subsequently confirmed by court rulings; and (ii) there exists no direct link between the actions of the Ultimate Beneficial Owner and the relevant senior managers and the consequences of the crime, i.e. the death of 37 victims and wounding of approximately 173 people resulted from the actions of the terrorist rather than DME's employees failing to take appropriate security measures which was also confirmed by subsequent court rulings.

In June 2016, without admitting liability for the alleged crime, a related party of the Group created a charity fund to provide financial assistance to the injured and families of victims of the 2011 attack. In July 2016, the injunctions introduced with respect to the accused earlier were substituted with travel restrictions and proper behaviour and the investigation period

was extended until 28 October 2016. However, on 21 September 2016, the Investigative Committee of the Russian Federation satisfied the Prosecutor's General earlier motion and terminated criminal proceedings against the Ultimate Beneficial Owner and the relevant senior managers due to the absence of elements of crime in the case.

As of the date of this Prospectus, the criminal charges against the Ultimate Beneficial Owner and the relevant senior managers have been withdrawn, and the arrest of the Group's cash in the amount of RUB 1 billion in the accounts of Airport Management Company Limited was removed on 21 September 2016. As a matter of Russian law, the decision of the Prosecutor General is final and binding on the parties to the criminal investigation. However, there remains a risk that the termination of the relevant proceedings may be contested by representatives of the injured and families of victims on procedural grounds which could result in the relevant proceedings being re-opened. Although the Group believes that the outcome of the case should not be affected by such re-opening if it were to occur, it could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's business depends on its lease of the runways and the land occupied by the airport from Governmental authorities.

The Group's operation of the airport is dependent on its lease of the runways and the land on which the airport is located. Both runways, as well as the aprons, aircraft parking spaces, taxi strips, radio beacons and transformer substations are owned by the Russian Federation and are leased to the Group under a lease dated 13 May 1998 for a period of 75 years (the "**75-year Lease**"). In accordance with the supplementary agreement No. 17 to the 75-year Lease dated 17 January 2013 the rent for the lease is renegotiated every several years, with the next review date scheduled for 2017. The 75-year Lease has been subject to extensive litigation. See "*—The Group is subject to the risk of claims, lawsuits and other proceedings*" below.

The Group also leases from a municipal entity of the Moscow Region the land beneath the runways, aprons, parking space, taxi strips and some other components of the airport infrastructure under a lease dated 25 May 1998, which extends over a period of 49 years (the "**49-year Lease**"). The rent amount under the 49-year Lease is set in municipal decrees and, as a general rule, each is renegotiated annually. In 2012, the supplementary agreement No. 11 to the 49-year Lease dated 7 March 2012 was signed reflecting the transfer of title to the leased land, whereupon the Federal Agency for the State Property Management (Rosimushchestvo) became owner of the federal lands and the Property Management Committee of the City District of Domodedovo became owner of the municipal lands. As a result of this change in title of the land, the terms of the lease and rent payments could be modified in a manner unfavourable to the Group. In addition, the property rights of the 49-year Lease have been the subject of court proceedings between the municipal entity of the Moscow Region from which the Group leases the land and the Russian Federation. In the beginning of 2008, the Federal Agency for the State Property Management (Rosimushchestvo) challenged the municipal entity of the Moscow Region (with whom the Group entered into the 49-year Lease) in relation to the municipal entity's ownership of the land that is subject to the 49-year Lease. The claim, however, was unsuccessful and on 5 November 2009, the court ruled that the land did not belong to the Russian Federation. Given that the ruling was not contested, the proceedings may not be restarted between the same parties and with respect to the same subject matter.

If the Governmental authorities that are party to these leases were to require increased rent payments or impose more stringent requirements on the use of the leased property or otherwise alter the terms of these leases, or if these Governmental authorities were to terminate the 75-year Lease or the 49-year Lease, the Group's business, financial condition, results of operations and prospects would be materially adversely affected. See "*Business—Airport Facilities, Real Estate and Infrastructure—Real Estate*" and "*Material Contracts and Related Party Transactions—Material Contracts—Other Agreements*" for more details on the 75-year Lease and the 49-year Lease.

The Group's business may be subject to future concession agreements with government authorities in relation to DME's airfield infrastructure.

For budgetary reasons, the Russian government is considering alternative arrangements in respect of the construction and maintenance of airfield infrastructure, including the replacement of lease payments with a concession agreement and the introduction of a special infrastructure fee payable by air carriers to airport operators. Although the Group expects that such alternative arrangements will be put in place in respect of future infrastructure only (including the potential construction of Runway 3), and that the Russian government will continue to be primarily responsible for construction costs, there is no certainty regarding the division of responsibilities between the state and the Group in relation to such arrangements should they be put in place and there is a risk that the Group will need to bear all or some of the construction costs of new airfield infrastructure, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

A significant share of the Group's business is linked to the business of its largest airline customer, S7 Airlines.

In general, the Russian air traffic market is highly concentrated, with approximately four airlines, namely Aeroflot Group, S7 Group ("**S7**"), UTair and Ural Airlines, accounting for the majority of the ATMs. Out of these four airlines, DME currently serves two (excluding Aeroflot which uses SVO and UTair uses VKO).

S7, the Group's main airline customer which has used DME as its hub since 2002, accounted for 15 per cent. of the Group's revenue for the six months ended 30 June 2016 and 12 per cent. of the Group's revenue for the year ended 31 December 2015. For the six months ended 30 June 2016 and the year ended 31 December 2015, S7 accounted for 39.3 per cent. and 29.8 per cent., respectively, of passenger traffic at DME. A change in S7's strategy, the closure or relocation of certain of its routes, a decline in its passenger levels, financial difficulties or insolvency could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's success depends on key members of senior management and its ability to attract, train and retain qualified and experienced employees.

The Group's future success and growth depend in part on the continued service, efforts and skills of key members of the Group's senior management. Key members of the management team supervise DME's development, cover day-to-day management of its operations and oversee the construction and expansion of airport facilities and the Group's relationship with the Government. The Group does not maintain key life insurance on any of its executive officers, nor does the Group intend to purchase such insurance in the future. The loss of these personnel or the inability to attract and retain suitably qualified personnel could have a

material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's success also depends on its ability to attract, train and retain highly qualified management, technical and other personnel. However, due to a deficit of educational organisations, training professionals in the airport business, as well as technical specialists trained for DME's operations, the Group may suffer from a lack of qualified personnel, and may not be able to recruit personnel with appropriate qualifications for DME at a reasonable cost or at all. The Group provides certain training programmes for its personnel, but there can be no assurance that employees will not be hired by competitors and that the Group will not lose the benefit of its investment in such training. If the Group is unable to attract and retain experienced, capable and reliable personnel, especially senior and middle management with appropriate professional qualifications, or fails to recruit skilled professional and technical staff in line with the Group's and DME's growth, the Group may need to increase expenditure on recruiting, salaries, training and incentives and may otherwise adversely affect the Group's business, financial results, results of operations and prospects.

The interests of the Group's beneficial owners may conflict with those of Noteholders.

As of the date of this Prospectus, the Company's authorised and issued share capital was EUR 17,100, comprised of 10,000 ordinary shares with a nominal value of EUR 1.71 each. DME Limited holds 100 per cent. of the Company's share capital. As of the date of this Prospectus, Mr. Dmitry Kamenshchik as the Ultimate Beneficial Owner is the person controlling 100 per cent. of the ordinary shares in the Company.

The Ultimate Beneficial Owner has the ability to control and significantly influence the Group's business and certain actions requiring shareholders' approval, including, but not limited to, increasing or decreasing the authorised share capital of the Company, the election of directors, declaration of dividends, making loans to affiliates including the Ultimate Beneficial Owner or the parent entity of the Group (such as the loans provided to the parent entity of the Group, which have subsequently been reclassified into equity, see "*Related Party Transactions*"), amendments to the Company's Memorandum and Articles of Association, the appointment of management and other policy decisions. Furthermore, the interests of the Ultimate Beneficial Owner may, in some circumstances, conflict with the interests of the Noteholders, which may have a material adverse effect on the Noteholders' investment in the Notes as well as on the Company's business, results of operations, financial condition and prospects.

The Group's day-to-day operations could be adversely affected by interruptions to, or the improper functioning of, its information technology systems.

The Group's business as an airport operator is dependent on the successful and uninterrupted functioning of its information technology systems and their integration with the information technology systems of the airlines that operate at DME, as well as those of various governmental agencies that perform functions such as air traffic control. The Group relies on these systems for complex logistical tasks critical to its airline customers' and passengers' needs and central to the Group's business. The Group's information technology, databases, computer systems, telecommunication networks and other infrastructure that support the Group's day-to-day operations are vulnerable to interruptions or damage from a number of factors, including power loss, network and telecommunications failures, data corruption, computer viruses, security breaches, natural disasters, theft, vandalism or other acts. In

October 2010, a failure due to a design error caused disruptions in the operation of the airport operational database at DME. Although the server was quickly restored and the Group has not experienced any further significant failures or interruptions with respect to its information systems (including as a result of the power failure in December 2010), there can be no assurance that such a failure or interruption will not occur in the future.

Failures or interruptions in the Group's information technology systems may compromise the Group's ability to provide services to airlines and passengers at DME. In the event of a delay or failure in the delivery of data, the Group does not have an alternative server hosting provider to which it could transfer its data collection operations. Such failures or interruptions could result, for example, in delays in the check-in and boarding procedure, including security checks, or in interruptions in the functioning of the air traffic control system. In addition, delays in the planned delivery of system enhancements and improvements, or inadequate performance of systems once they are completed, could affect the Group's reputation and harm its business. The Group is currently not insured against any adverse effects from interruptions or failures of its information technology systems. Any significant inadequacy, disruption or failure of the Group's information technology systems could result in unforeseen expense and difficulties in managing the Group's operations, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

The Group may fail to meet the performance, quality and security standards and expectations of its customer airlines and passengers.

The performance by the Group of the services it provides to airline customers, passengers and the general public has a material impact on its customer airlines' financial condition and reputation. Airlines and passengers rely on the Group's proper operation of the airport, the quality of its fuelling, in-flight catering and other services. If the Group fails to meet the performance, quality and security standards and expectations of its customer airlines and passengers this could result in reputational damage reductions in passenger traffic volumes and the Group's customer airlines could decide to reduce or cancel their operations at DME. Moreover, risks and hazards related to the operation of an airport or the Group's activities, such as environmental, safety or information technology-related risks, could result in a delay to or interruption of the Group's services and could adversely affect terminal operations or the delivery of the Group's services.

The Group relies on third parties for the supply of certain services and products at DME.

The safe and efficient operation of DME depends, to some extent, on third-party suppliers. The Group utilises a number of third-party suppliers to offer services such as energy and water supply, emergency medical services, immigration and customs procedures as well as goods such as aviation fuel and de-icing liquid. Third-party suppliers may experience disruptions, delays or difficulties in meeting the Group's requirements and quality standards and there can be no guarantee that third-party suppliers will fulfil their responsibilities in accordance with contract terms and the Group's specifications. On 26 December 2010, when the two suppliers of electricity to DME failed to provide power as a result of freezing rain, DME suffered a 12-hour power outage which resulted in the cancellation of 493 flights scheduled for take-off or landing and the delay of an additional 543 flights. For more information on the Group's suppliers, see "*Business—Suppliers*".

In addition, Governmental authorities and agencies are responsible for providing certain services at DME, such as the security of certain areas of DME as well as air traffic control via the MATCC. The Group relies on the adequacy of these services for the proper functioning of operations at DME. For example, if the Government fails to provide an adequate number of such employees as border guards, customs and police officers, this could result in delays for passengers in passing through security and passport checkpoints. The delivery of these services is outside the Group's control. If there is any failure in the provision of these services by Governmental authorities and agencies, the Group's reputation, business, financial condition, results of operations and prospects could be materially adversely affected.

The Group's reputation and profitability could be materially adversely affected if it is unable to offer its products and services due to a disruption or failure by third-party suppliers. In the event of an interruption in the delivery of the services provided by third parties, the Group may be unable to find alternative suppliers in a timely manner or on commercially reasonable terms or at all. In addition, there can be no assurance that the Group's arrangements with third-party suppliers will be renewed upon completion of contractual terms or that the Group will be able to find alternative suppliers on commercially reasonable terms in the event of non-renewal. Any significant interruption or failure of services provided by third-party suppliers to DME could affect DME's operations and could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group does not carry all of the types of insurance coverage customary in other countries for a business of DME's size and nature, and the Group's insurance policies may not cover all risks associated with the operation of the Group's business.

The Group maintains insurance policies covering liability arising out of certain operations at DME including property damage, third-party liability, hazardous materials and operational risk. Insurances are maintained with reputable Russian insurance companies. As of 31 December 2015 and 30 June 2016, the Group's third party liability was insured to a total aggregate value of RUB 40,444 million and RUB 38,680 million, respectively. Due to the relative underdevelopment of the Russian insurance market, the Group does not carry all of the types of customary insurance coverage that are available in certain other countries for a business of DME's size and nature, including coverage for business interruption, and only maintains the statutory minimum insurance coverage. As a result the Group is exposed to potential losses which may not be covered in full or in part by the insurance. For example, on 26 December 2010, freezing rain caused damage to the two power lines feeding DME, causing a blackout at the airport and the express railway that connects DME to Central Moscow. The outage lasted 12 hours and resulted in the cancellation of 493 ATMs and the delay of 543 flights. This resulted in a loss of revenue of approximately RUB 59 million for the Group. This loss in revenue was not covered by the Group's insurance.

In addition, many forms of insurance protection available in more economically developed countries are not yet available in the Russian Federation on commercially feasible terms or at all. There can be no assurance that these forms of insurance protection will become available in the Russian Federation, or that they would become available on commercially reasonable terms. The Group's business may be affected by certain risks for which full insurance coverage is either not available or not available on commercially reasonable terms. For example, the Group is not insured against consequential damages, environmental damage, loss of aeronautical communications, loss of key management personnel, terrorist acts, war-related events and IT failures. In addition, the Group's insurance policies are subject to standard deductibles, exclusions and limitations that could affect the Group's ability to make

a claim. Consequently, there can be no assurance that the Group will not incur losses or suffer claims beyond the limits of, or outside the relevant coverage of, its insurance policies. Moreover, a change in coverage policy by the insurance companies could reduce the Group's ability to reach a satisfactory level of insurance cover, and existing insurance coverage may no longer be available on commercially reasonable terms.

The 2026 Masterplan is critical to the Group's business strategy through 2026 and the Group may not realise all of the expected benefits of the 2026 Masterplan.

The Group believes that the successful execution of its expansion plan for DME through 2026 is critical for implementing its business strategy. See "*Business—Airport Development 2026 Masterplan*" for more information and details of the 2026 Masterplan. There may be a significant time period between the planning phase and the construction and implementation of the complex infrastructure envisaged by the 2026 Masterplan (often four to six years between planning and completion). For example, the Group's planned construction of Terminal 2 at DME requires successive phases of engineering and design, site preparation, major construction, secondary construction, installation of electrical and mechanical equipment and testing. The 2026 Masterplan is based on estimates by the Group of the number of passengers and the level of air traffic at DME and is subject to change. If growth in passenger levels and air traffic is slower than anticipated, the return on investment could be lower than expected and potentially insufficient to provide a satisfactory return on capital employed and/or may have to scale back the development programme. In addition, the Group may not be able to complete the projects of the 2026 Masterplan in a manner or in time to support potential traffic growth at DME. Furthermore, the Group's estimates of the expenditure associated with the 2026 Masterplan may not be accurate. Any of these factors could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The ability of the Group to increase DME's air traffic capacity and to implement the 2026 Masterplan depends on a number of factors some of which are beyond the Group's control

In accordance with Russian legislation, the Government is responsible for funding major infrastructure improvements in Moscow airports including runways, access infrastructure (road and rail improvements) and improvements to air traffic control systems. Therefore, the ability of each of the MAH airports to grow is dependent on continued Government funding, which in some cases may be delayed. In particular, the completion of reconstruction of Runway 1 was delayed for almost three years among other things, due to the lack of state funding during the financial crisis of 2008 and 2009.

The Group's capacity to expand DME and realise the 2026 Masterplan depends on the Group being able to secure the Russian government support for the construction of a new runway to replace the existing Runway 2 and other key infrastructure. As at the date of this Prospectus, the Russian government has allocated RUB 4,788.5 million in the Federal Target Investment Programme for 2016 (the "**FTIP**") to finance the construction of the new runway (as part of the project for replacement of the existing Runway 2). Furthermore, the Federal Target Programme for Development of the Transport System in Russia 2010-2020 (Decree by the Russian government No. 848 dated 5 December 2001, as amended) (the "**FTPD**") envisages allocation of funds for the entire project of construction of the new runway and other key infrastructure in the amount of RUB 30,477.3 million, including federal budget funds of RUB 15,570.5 million and non-budget government funds of RUB 14,906.8 million.

In addition, air traffic control is provided by the MATCC, which is responsible for air traffic control in the MAH airports. The Group depends on the MATCC to update and increase the efficiency of organisation of air traffic and navigation equipment at DME, in order to increase air traffic capacity. If the MATCC is unable to increase the efficiency of air traffic control to support air traffic growth, the Group's 2026 Masterplan may not be realised in whole or in part, which may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The 2026 Masterplan and DME's future development depends on the availability of certain land plots, permits and approvals that the Group does not currently own or have, and the Group's growth and success depends on obtaining these land plots on commercially reasonable terms or their being transferred to the Government in a timely manner.

Approximately 9,940 hectares of land adjacent to or close to the airport complex territory have been allocated for airport development by a decree issued by the Moscow Region government (the "**Airport Development Land Plots**"). Of the 9,940 hectares, the Group currently owns or leases 1,267 hectares of land which management estimates, as of the date of this Prospectus, will be sufficient for the 2026 Masterplan. The Airport Development Land Plots consist of forest land and agricultural land, currently owned by the Russian Federation and municipalities or other third parties. See "*Business—Airport Facilities, Real Estate and Infrastructure—Real Estate*".

Approximately 21.5 per cent. of Airport Development Land Plots are designated as agricultural land. Under Russian law, this category of land cannot be owned by a foreign company, and prior to acquisition of the land by the Group the permitted use of the land plots will need to be changed. There can be no assurance that the permitted use of the land will be changed in a timely manner or that these land plots will be available on commercially reasonable terms.

In addition, DME's expansion and the implementation of the projects envisaged by the 2026 Masterplan are subject to obtaining all necessary permits and approvals from the state and municipal authorities. Although DME strives to meet all the requirements necessary for it to obtain the relevant approvals, there is a possibility that such approvals will not be obtained in a timely manner or indeed at all. Should these risks materialise, the implementation of the 2026 Masterplan by the Group may be adversely impacted which could have a material adverse effect on the financial condition, results of operations and prospects of the Group.

The Group is dependent on the work of third-party contractors for the successful execution of the 2026 Masterplan and there may be delays and increased costs related to the 2026 Masterplan out of the Group's control.

The Group has contracted and will contract additional firms to assist with the execution of the 2026 Masterplan and there can be no assurance that it will not experience higher than expected costs and/ or delays as a result of possible shortages of equipment, materials and labour, or inability of its contractors to deliver on their commitments. In particular, the completion of the reconstruction of Runway 1 was delayed for almost three years due to the lack of state funding during the financial crisis of 2008 and 2009 and the failure of the Group's contractors to perform their obligations as a result of the contractors experiencing financial difficulties during this period of time. Similarly, the construction of a new runway to replace the existing Runway 2, which was initially scheduled to be completed by 30 November 2016, was extended until 30 November 2017 in early 2016 due to a combination

of factors including complex technical terms, geological environment and adverse market conditions in 2014 and 2015 affecting the financial condition of the contractors. Any failure of the Group to estimate, plan for or manage the scope of the projects undertaken at DME requiring services of third-party contractors could result in projects overrunning budgets, operational disruptions, unsatisfactory facilities at DME, safety and security performance deficiencies and higher than expected operating costs. Any costs that are higher than currently budgeted for may need to be funded by the Group through its own funds or from other third-party financing on terms that may be commercially disadvantageous to the Group.

The commencement of any new commercial operation may give rise to start-up problems, such as the breakdown or failure of equipment or processes or lack of readiness of operators or failure of third-party suppliers, which could lead to the closure of facilities and disruption of operations. To the extent that there are defects in the work performed by the Group's hired contractors or violation of the contracts between the Group and such contractors, the contracts may contain restricted remedies or limitations on liability such that any such sums claimed or amounts paid may be insufficient to cover the financial impact of breach of contract. In addition, the ability of contractors to meet their financial or other liabilities cannot be assured. If the 2026 Masterplan is delayed or its implementation hindered due to increased costs and/or delays resulting from third-party contractors, the Group may be unable to have the capacity it needs to accommodate the currently forecasted increase in passenger traffic which could have a material adverse effect on its business, financial condition and results of operations.

The Group is exposed to certain risks inherent to the real estate development and rental business and this exposure is expected to increase in the future.

As part of the 2026 Masterplan, the Group plans to build a multi-level car park, hangars, cargo warehouses and administrative buildings with a goal of significantly increasing the proportion of the Group's revenue derived from commercial services. Real estate development is subject to certain risks arising from the complexity of projects and the applicable regulations, the large number of parties involved and the official authorisations required. These risks include, in particular, the cancellation of projects for which the Group has undertaken initial design studies or the denial of requests for official authorisations (particularly changes in zoning plans). The Group is also exposed to risks of budget overruns, additional costs relating to delayed handover, or occupancy rates or rental levels that are below expectations, which may negatively affect the execution of the projects of the 2026 Masterplan and put pressure on rental income.

The Group receives rental income from the retail areas within the passenger terminals at DME. The amount of rent paid to the Group by its retail tenants is determined in an auction process. The amount of rent tenants are willing to pay to the Group is primarily driven by passenger numbers and propensity of passengers to shop at DME. Factors affecting the number of passengers using DME are discussed under "*Risks Relating to the Group's Industry—The Group is highly dependent on air traffic levels*" above. Levels of retail income, and correspondingly the rent tenants are willing to pay to the Group, may also be affected by changes in the mix of long- and short-haul and transfer and origin and destination passengers; economic factors, including exchange rates; stricter hand luggage and other carry on restrictions; and reduced shopping time as a result of more rigorous and time consuming security procedures.

These factors affecting the Group's potential rental income or its real estate development plans could have a material adverse effect on the Group's business, financial condition and results of operations.

In the event that the title to any asset acquired by the Group through privatisation, bankruptcy sale or by other means is successfully challenged, the Group may lose its ownership interest in such assets.

Although the Group has not directly acquired any assets through privatisation, some of the Group's assets were acquired by previous owners through privatisation during the 1990s and later transferred to the Group. In addition, the Group may seek to acquire additional assets or companies that have been privatised or that have undergone bankruptcy proceedings. Privatisation and bankruptcy legislation in the Russian Federation is vague, internally inconsistent and in conflict with other elements of Russian legislation. Although the statute of limitations for challenging transactions entered into in the course of privatisations and as a result of bankruptcy proceedings is currently three years, privatisations and acquisitions of assets or companies that have undergone bankruptcy proceedings may still be vulnerable to challenge. Regulatory authorities in Russia have a high degree of discretion and at times appear to exercise their discretion selectively or arbitrarily, without hearing or prior notice, and in a manner that is contrary to law or influenced by political or commercial considerations. As such, the Group's title to its assets may be subject to challenge through selective action by governmental authorities motivated by political or other extra-legal considerations.

If any of the Group's acquisitions is challenged as having been improperly conducted and the Group is unable successfully to defend itself, the Group may lose its ownership interests, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group is subject to the risk of claims, lawsuits and other proceedings.

The Group is exposed to a variety of potential litigation and statutory compliance risks. These risks include, among others, litigation concerning contracts it has entered into with airline customers and third-party service providers, personal injuries and health and safety, taxes, environmental matters, property and Government regulation. The outcome of inspections, investigations, legal proceedings and other contingencies cannot be predicted, and the Group may be subject to fines, penalties and other damages if found liable. The Group has in the past been subject to a significant number of inspections and investigations relating to applicable regulations, which have resulted in fines and penalties, and the Group may be subject to similar inspections and investigations in the future. Inspections, investigations and legal proceedings may adversely impact the Group's reputation with airline customers, passengers, third-party service providers, employees, the general public and other market participants.

Challenges to the Group's ownership interests or lease rights relating to DME's land and infrastructure could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. For example, the 75-year Lease has been subject to extensive litigation. In 2003, the state-owned enterprise Administration of Airport Domodedovo filed a claim seeking to declare the 75-year Lease invalid. On 24 October 2006, the Supreme Arbitration Court of the Russian Federation approved a settlement between the Group and the state-owned entity and affirmed the legality of the use of the property on the

basis of the 75-year Lease. There can be no assurance that the Group's ownership interests and/or lease rights in land will not be challenged in the future.

The passenger terminal and other infrastructure and the Group's obligations under the relevant construction agreements have also been subject to various litigations for the last decade. In addition, in the ordinary course of its business, the Group has been and may in the future be subject to various disputes with state and regional authorities, including tax authorities. While the Group was generally successful in defending against or settling those claims in the past, there can be no assurance that new claims will not be brought in the future the outcome of which may not be foreseen. In addition, participation in any such lawsuit may result in additional costs incurred by the Group. Any inspection, investigation, or legal or other proceeding could have an adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's results of operations could be adversely affected by currency fluctuations.

In 2015, the average RUB/U.S.\$ exchange rate was 60.66, compared to 37.97 in 2014, and was 72.88 as at 31 December 2015. In the first six months ended 30 June 2016, the average RUB/U.S.\$ exchange rate was 70.10, compared to 57.20 in the six months ended 30 June 2015. Although the Rouble started strengthening in the second half of February 2016, moving from RUB 77.8 per U.S. dollar on 16 February 2016 to RUB 63.4 per U.S. dollar on 1 October 2016, the exchange rates remain highly volatile.

While virtually all of the Group's costs are denominated in Roubles for the year ended 31 December 2015, 50.0 per cent. of the Group's revenue was denominated in Roubles, 19.0 per cent. of the Group's revenue was denominated in U.S. dollars and 31.0 per cent. of the Group's revenue was denominated in Euro. The Group does not use any formal hedging or derivative arrangement to manage foreign currency risk exposure. Accordingly, the Group is exposed to movements in the exchange rates among the currencies in which its revenues are denominated. Fluctuations in these exchange rates could materially affect the Group's results of operations, assets and liabilities, and cash flows as reported in Roubles.

RISKS RELATING TO THE RUSSIAN FEDERATION

General

Emerging markets, such as the Russian Federation, may be subject to greater risks than more developed markets, including significant economic, political, social, legal and legislative risks.

Investors in emerging markets, such as the Russian Federation, should be aware that these markets may be subject to greater risk than more developed markets including, in some cases, significant economic, political, social, legal and legislative risks. Investors should also note that emerging economies are subject to rapid change and that the information set forth herein may become outdated relatively quickly. Moreover, financial turmoil in any large developing country may tend to adversely affect prices in equity and debt markets of other developing countries as investors move their money to more stable and developed markets. Thus, even if the Russian economy remains relatively stable, financial turmoil in other emerging market countries could have an adverse effect on the Russian economy.

Global financial or economic crises tend to adversely affect prices in capital markets of emerging market economies, such as Russia, more so than in more developed markets, resulting in investors shifting their money away from the emerging market to the more stable and developed markets. Throughout 2015 and 2016, European markets generally remained relatively unstable and highly susceptible to financial and political events, including the slowdown of China's economy and the future exit of the United Kingdom from the EU following the UK referendum. Should these or any similar events lead to a significant worsening of the global macroeconomic situation and/or impact commodity prices and global trade flows, Russia's overall economic and financial position in the short and medium term could also be negatively affected.

The above factors generally expose Russian capital markets to higher volatility as opposed to European markets. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Russia and adversely affect the Russian economy. In addition, during periods in which such problems or perceptions exist, businesses that operate in emerging markets can face severe liquidity constraints as foreign funding sources are withdrawn, making it difficult for these businesses to conduct their operations (in particular, if their working capital becomes insufficient) and/or to implement their strategies (for example, if projects are suspended or cancelled as a result of a lack of funding to finance capital expenditure). Accordingly, investors should exercise particular care in evaluating the risks involved and must decide whether, in light of those risks, their investment is appropriate. Potential investors are urged to consult with their own legal and financial advisers before making an investment in the Notes.

Political instability in Ukraine and other states and the imposition of various sanctions by the United States, the European Union and other countries against Russian, Ukrainian or other nations' individuals and legal entities may adversely affect the Group's operations.

The political instability and armed conflict in Ukraine, heightened levels of tension between Russia and other states, the imposition by the United States, the European Union and other countries of sanctions and other restrictive measures, and the imposition by Russia of sanctions, including import and travel restrictions, has had in the past, and may continue to have in the future, an adverse effect on the Russian economy and demand for services and commodities.

The United States, the European Union and a number of other jurisdictions and authorities have imposed sanctions on a number of Russian officials and individuals, former Ukrainian officials, and several Russian companies, banks and businessmen, with the consequence that entities and individuals in the United States and the European Union either cannot do business with them or cannot provide funds or economic resources to them. In addition, in certain cases, assets of the sanctions targets in the relevant sanctioning jurisdictions are subject to seizure and the individuals are subject to visa bans. In addition, the United States and the European Union have applied "sectoral" sanctions, whose principal consequences are that several leading Russian banks have been restricted from accessing Western capital markets. Such factors have affected Russian trade volumes, had a negative impact on the Group's business and could adversely affect the Group's ability to obtain financing on favourable terms and to deal with certain persons and entities in Russia or in other countries.

The economic sanctions described above have adversely affected the Russian economy and Russia's financial markets, increased the cost of capital and capital outflows, and worsened

the investment climate in Russia. During the course of 2014 and 2015, each of S&P, Moody's and Fitch downgraded the Russian sovereign rating and most recently S&P lowered Russia's long-term foreign currency sovereign bond rating to "BB+" with negative outlook in January 2015, Moody's confirmed its sovereign rating for the Russian Federation to "Ba1" with negative outlook in April 2016 and Fitch downgraded Russia's long-term foreign and local currency rating to "BBB-" with negative outlook in January 2015, resulting in two out of three ratings of the big three rating agencies falling below investment grade. Although, in September - October 2016, S&P and Fitch revised the outlook on Russia's sovereign credit rating from "negative" to "stable", there is no guarantee that Russia's sovereign credit ratings will not be subject to subsequent negative rating actions by the relevant rating agencies or that corresponding rating upgrade will be made by Moody's.

A significant escalation in Eastern Ukraine or elsewhere in the world would be likely to cause substantial economic disruption to the countries involved. This could also result in the imposition of a sanctions regime that would seek to isolate Russia or other countries in which the Group operates from the world economy. Even without such an escalation, there may well be a further strengthening and broadening of sanctions. If Russia were barred from using the international SWIFT payment system, ordinary banking services in Russia and cross-border trade would be disrupted.

None of the proceeds of the issue of the Notes will be used to fund activities or persons that are subject to sanctions introduced by the U.S. and the EU. While as of the date of this Prospectus, no individual or entity within the Group has been designated as subject to either U.S. or EU sanctions, an introduction of sanctions targeting the Group, or individuals holding positions in the Group or controlling the Group, the transportation sector or a broader segment of the Russian economy could interfere with the Group's operations and could have a material adverse effect on the Group's ability to conduct business with its customers, suppliers, agents and other third parties, including the Trustee, as well as the Group's ability to service its payments under its debt obligations (including the Notes).

Political Risks

Political and governmental instability, resulting from conflicts among federal, regional and local authorities, as well as other political conflicts, could create an uncertain operating environment hindering the Group's long-term planning ability, which could have an adverse effect on the Group's business, financial condition, results of operations and prospects or the value of the Notes.

With any investment, there exists the risk of adverse political or regulatory developments, including, but not limited to, nationalisation, appropriation without fair compensation, terrorism, war or currency restrictions, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. This risk is compounded in an emerging market economy, such as Russia, where political instability has been an inherent part of the country's development.

Since 1991, Russia has sought to transform itself from a one-party state with a centrally planned economy to a democracy with a market economy. The course of political and other reforms has in many respects been uneven and the composition of the Government at times unstable, leading to instances of popular dissatisfaction, as well as to unrest among certain social and ethnic groups.

Russia encountered a period of high political and economic volatility in the 1990s, largely as a result of widespread dissatisfaction with the privatisation programme, as well as demands for autonomy from certain regional and ethnic groups. This volatility was evidenced by frequent conflicts among executive, legislative and judicial branches of the government, which negatively affected Russia's business and investment climate. From 1999, Vladimir Putin came to power and generally increased Government and political stability over the following decade. Russia's relative political stability and continued economic reform process of the early 2000s made Russia more attractive to foreign investors. In September 2016, the State Duma elections were held in the Russian Federation and the next presidential elections are scheduled for March 2018. Although the structure of political forces in the State Duma did not change substantially, it is currently unclear what outcome the most recent State Duma and the upcoming presidential elections might have on the Russian political system. Moreover, shifts in governmental policy and regulation in Russia may be less predictable than in many Western democracies and could disrupt or reverse political, economic and regulatory reforms. Furthermore, Russia is a federation of various sub-federal political units, which may also fuel the country's potential for political instability. The delineation of authority and jurisdiction among the members of the Russian Federation and the Government is, in many instances, unclear and remains contested. Lack of consensus between the Government and local or regional authorities often results in the enactment of conflicting legislation and may lead to further inter-governmental conflicts and resulting political strife. This lack of a definitive consensus with respect to legal legislation as well as the general tendency of Russia as an emerging market towards a degree of political instability may have a material adverse effect on the value of investments relating to Russia, including the value of the Notes, and may hinder the Group's long-term planning efforts and create uncertainties in its operating environment, which may prevent the Group from effective and efficient execution of its business strategy or delay its implementation of the 2026 Masterplan.

Social or ethnic conflicts or instability could create an uncertain operating environment.

Ethnic, religious, historical and other divisions in Russia have, on occasion, given rise to tensions and in certain cases, led to military conflict or terrorist attacks. In addition to the suicide bombing that occurred on 24 January 2011 in the international arrivals hall of DME, Russia has been the scene of several conflicts and attacks in recent years. See "*Risks Relating to the Group's Industry—The Group has been and may in the future be affected by acts of terrorism*" above. The on-going conflict in Chechnya has disrupted economic activity within Chechnya for a significant period of time and has had a negative economic and political effect on the neighbouring regions. Terrorist attacks have been reported on a periodic basis in the neighbouring republics of Ingushetia and Dagestan. Violence and attacks relating to conflicts in the North Caucasus have also spread to other parts of Russia and resulted in terrorist attacks in Moscow and in various places in southern Russia. In March 2010, two suicide bombings were carried out in the Moscow subway during morning rush hour, killing 40 people and injuring many others. Suicide bombings were carried out in December 2013 in the Volgograd-1 train station and later in a public trolleybus in the city of Volgograd in the Southern Federal District of Russia resulting in 34 fatalities in the aggregate.

The emergence of any new tensions or the escalation of existing tensions, whether manifested as a military conflict or increased levels of terrorist activity, could lead to heightened security measures, or a state of emergency declared in some or all regions of Russia, resulting in disruptions to domestic commerce, which could have a negative effect on Russia's economy.

Investors may be likely to move their money out of Russia, leading to significant reductions in the price of listed Russian securities and an overall negative effect on liquidity, including Notes liquidity, and the ability of companies in Russia to raise debt or equity capital in international capital markets. Any of these consequences could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The reversal of reform policies or Government policies targeted at specific individuals or companies could have an adverse effect on the Group's business, financial condition, results of operations and prospects as well as investments in Russia more generally.

A significant struggle over the direction of future reforms or the reversal of the reform process could lead to a deterioration in Russia's investment climate that might adversely impact the Group's business. Regulatory authorities in Russia have a high degree of discretion and at times appear to exercise their discretion selectively or arbitrarily, without hearing or prior notice, and in a manner that is contrary to law or influenced by political or commercial considerations. Such arbitrary governmental actions have reportedly included denial or withdrawal of licences, sudden and unexpected tax audits, criminal prosecutions and civil actions. In this environment, other Russian airports, transportation systems or commercial competitors may receive preferential treatment from the Government and governmental authorities. Selective or arbitrary Government action, if directed at the Group's operations, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects and on the value of the Notes.

Furthermore, the Government has the power in certain circumstances to interfere with the performance of, nullify or terminate contracts and, through its tax, environmental and prosecutorial arms, has engaged in, selective investigations and prosecutions of particular companies or persons. This may be of particular concern for entities that are involved in operations closely tied to vital national interests (such as the operation of an airport). Russian authorities have recently challenged some Russian companies and prosecuted their executive officers and shareholders on tax evasion and related charges which, in some cases, resulted in significant claims against companies for unpaid taxes and the imposition of prison sentences on individuals.

The reversal of reforms, arbitrary Government action or unjustified use of its power could have a material adverse effect on the value of investments in Russia generally and, if directed at the Group, its major shareholders or its beneficial owners, on the Group's business, financial condition, results of operations and prospects.

Crime and corruption could create a difficult business climate in Russia and could adversely affect the value of investments.

Levels of organised criminal activity continue to be significant in Russia. The Russian and international press have reported high levels of corruption in the Russian Federation, including the bribing of officials for the purpose of initiating investigations by government agencies and facilitating payments. Additionally, published reports indicate that a significant number of the Russian media regularly publishes biased articles in exchange for payment. The Group's business, results of operations, financial condition and prospects, as well as the value of the Notes, could be materially adversely affected by illegal activities or corruption or by claims alleging that the Group is involved in illegal activities.

Economic Risks

Fluctuations in the global economy and their impact in the Russian Federation as well as the general economic instability of the Russian Federation itself, could materially adversely affect the Group's business, financial condition, results of operations and prospects.

Russia is still a developing economy, with the greater part of its GDP coming from its export activity, and as such, it is very vulnerable to global market downturns and economic slowdowns. Since Russia produces and exports large quantities of crude oil, natural gas and other commodities, its economy is particularly vulnerable to fluctuations in the prices of crude oil, natural gas and other commodities on the world market, which reached record high levels in the first half of 2008 and have since experienced high levels of volatility, including significant decreases in commodity prices in 2014, 2015 and 2016. An additional cause for concern regarding the stability of the Russian economy has been associated with the advent of intensive shale oil and gas exploration in the U.S. and elsewhere around the world, which is claimed by some experts to undermine Russia's leading positions in export of these resources.

Any of the following risks, which the Russian economy has experienced at various times in the past and some of which have already occurred during the global financial and economic crisis in 2007 and 2008, may have, or have already had, a significant, adverse effect on the investment climate in Russia and, in turn, may burden or have already burdened the Group's operations:

- significant declines in gross domestic product;
- hyperinflation;
- increases in, or high interest rates;
- sudden price declines in the natural resources sector;
- an unstable currency;
- high levels of state debt relative to gross domestic product;
- a significant decline in the reserves of the CBR;
- lack of reform in the banking sector and a weak banking system limiting the ability of banks to provide liquidity to Russian corporate and individual borrowers;
- a large number of loss-making enterprises that continue to operate due to the lack of effective bankruptcy proceedings;
- widespread use of barter transactions and/or promissory notes to settle commercial transactions;
- widespread tax evasion;
- growth of a black and grey market economy;
- pervasive capital flight;

- significant declines and volatility in the stock market;
- high levels of corruption and the penetration of organised crime into the economy;
- significant increases in unemployment;
- major deterioration of physical infrastructure; and
- the impoverishment of a large proportion of the Russian population.

In addition, any financial crisis may lead to a significant decrease in or termination of government financing of certain of DME's projects. There can be no assurance that a future economic downturn, will not have a negative effect on investors' confidence in the Russian Federation's markets or economy or the ability of Russian entities to raise capital in the international capital markets, any of which, in turn, could have a material adverse effect on the Russian Federation's economy and/or the Group's business, results of operations, financial condition and prospects and the value of the Notes.

The infrastructure in Russia is inadequate, which could increase costs or result in losses for businesses and disrupt normal business activities.

The infrastructure in Russia, particularly the power generation and transmission systems, communication systems, rail and road networks and building stock, largely dates back to Soviet times and has not been adequately funded and maintained. As a result, it is unreliable and may fail temporarily or completely at any time. At the end of December 2010, freezing rain caused a failure in power lines of the two electric substations that supply DME. See "Risks Relating to the Group's Industry—The Group's operations may be impacted by accidents, adverse weather conditions, war or natural or other events outside of its control, which could have a negative impact on the Group's business, financial condition, results of operations and prospects—Adverse weather conditions" above. Fires have also occurred at power stations resulting in large power outages that disrupted transportation, mobile communications, electricity and water supply. Any failure of the Russian infrastructure, either due to adverse weather conditions or otherwise, could have a direct adverse impact on the Group's operations or may slow growth in the Russian economy generally, either of which could materially adversely affect the Group's business, results of operations, financial condition and prospects.

Russian currency regulation may be subject to changes.

During the 1990s, Russian currency regulation and control regimes severely limited, and, at times, prohibited, certain currency payments and operations. Although the liberalisation of this regime was followed by approximately 10 years of generally stable currency climate, there is no guarantee that future changes to the Russian exchange control regime will not restrict the Company's ability to repatriate earnings from its subsidiaries to pay dividends or to pay for the general operational expenses of the Company in Cyprus. Adverse changes to the currency regulations could have a negative impact on the development of the Russian capital markets, which, in turn, could have a material adverse effect on the Group's business, financial condition, results of operations or prospects and the value of the Notes.

The Russian banking system remains underdeveloped and another banking crisis could place severe liquidity constraints on the Group's operations.

The Russian banking system have recently been subject to downturns with credit ratings of Russian financial institutions being subject to numerous downgrades and revisions recently. Following the sovereign rating downgrade in 2015, Moody's downgraded senior unsecured, subordinated debt and deposit and issuer ratings of certain large Russian state-owned and private financial institutions (including Sberbank, Bank VTB JSC and Alfa-Bank) and lowered the standalone financial strength ratings of some of them. In line with the outlook on sovereign rating, the outlook on the long-term ratings of these financial institutions was negative. Furthermore, recently, a number of Russian banks have experienced other difficulties, including failure to make sufficient loss provisions, that have caused them to become insolvent and have their licenses revoked or to recognise large loan impairments that required steps to replenish their capital. The vulnerability of the Russian banking system may have a material adverse effect on the Group's business, particularly in the event of a financial or economic crisis by, among other things, preventing the Group from obtaining commercial bank loans necessary to finance many of its future expansion projects, which in turn could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Inflation could increase the Group's costs.

The Russian economy has recently experienced relatively high rates of inflation. The consumer price index was 6.8 per cent. in 2013, 7.8 per cent. in 2014, 15.5 per cent. in 2015 and 3.3 per cent. in the first six months of 2016, according to Rosstat. Most of the Group's costs, including salaries, lease payments, price of fuel and utilities are sensitive to inflation in Russia. In addition, salaries currently represent the Group's single most significant cost item, accounting for a substantial portion of the Group's total costs. Salaries in Russia have historically been significantly lower than wage costs in some of the more developed market economies of North America and Western Europe for similarly skilled employees, which until recently, provided Russian businesses with a significant labour cost advantage. However, should inflation in Russia continue at high levels, the Group may be required to increase its wage and salaries costs in order to retain the personnel.

Incomplete, unreliable or inaccurate official data and statistics could create uncertainty.

The official data published by Russian federal, regional and local government agencies are substantially less complete or reliable than those of some of the more economically developed countries of North America and Europe. Official statistics may also be produced on different bases than those used in more economically developed countries. Additionally, the Group relies on and refers to information and statistics from various third-party sources, and its own internal estimates. Much of the information contained in this Prospectus concerning other airports and other air transport industry participants has been derived from publicly available information, including press releases. The Group believes that these sources and estimates are reliable, but the Group has not independently verified them. To the extent that such sources or estimates are based on official data released by Russian federal, regional and local government agencies, they will be subject to the same uncertainty. Any discussion of matters relating to Russia in this prospectus is, therefore, subject to uncertainty due to concerns about the completeness or reliability of available official and public information.

Russian Legal Risks and Uncertainties

Weakness relating to the Russian legal system and legislation creates an uncertain environment for investment and business activity that could in turn have a material adverse effect on the Group's business, financial condition, results of operations, prospects and the value of the Notes.

A comprehensive and well developed legal system is important for a successful transition to a market economy. Russia's legal framework is still under development and large portions of this framework have only recently become operational. The relatively recent enactment of many laws and the lack of consensus about the aims, scope, content and pace of economic and political reforms have resulted in ambiguities, inconsistencies and problems in the Russian legal system. The enforceability and underlying constitutionality of more recently enacted laws are in doubt, and many new laws remain untested. Any or all of these weaknesses could affect the Group's ability to determine whether, for example, it has adequate property rights, or whether it can enforce its legal rights in Russia, including rights under its contracts, or to defend against claims.

Similar uncertainties also extend to property rights. After the Soviet Union ceased to exist, land reform commenced in Russia and real estate legislation changed continually during the following years. More than 100 federal laws, presidential decrees and governmental resolutions were issued and almost all Russian regions passed their own real estate legislation. Until recently, land legislation in Russia was unsystematic and contradictory. In many instances, there was no certainty regarding which municipal, regional or federal government body had the power to sell, lease or otherwise dispose of land. In recent years, both the Civil Code of the Russian Federation (the "**Civil Code**") and the Land Code of the Russian Federation (the "**Land Code**") have incorporated several sets of amendments and a number of other federal laws regulating land use and ownership were enacted. Nevertheless, the legal framework relating to the ownership and use of land and other real property in Russia is not yet sufficiently developed to support private ownership of land and other real property to the same extent as is common in countries with more developed market economies. The uncertainties plaguing the state of property rights legislation in Russia discussed above may have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, while legislation has been enacted to protect private property against expropriation and nationalisation, due to political factors and the lack of experience of the courts in the Russian Federation in enforcing these provisions, these protections may not be enforced. Expropriation or nationalisation of any of the Group's assets or portions thereof without adequate compensation, could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The risks of the current legal system include, but are not limited to:

- inconsistencies between and among the Constitution, laws, presidential decrees and governmental, ministerial and local orders, decisions and other acts;
- discrepancies between federal and regional legislation;
- limited judicial and administrative guidance on interpreting legislation;

- gaps in the regulatory structure due to the absence of or delay in implementing regulations;
- the relative inexperience of judges and courts in interpreting new principles of Russian law, particularly in relation to business and commercial law;
- bankruptcy procedures that are still under development;
- a lack of judicial independence from political, social and commercial forces;
- alleged corruption within the judiciary and the governmental authorities;
- problematic and time-consuming enforcement of both Russian and non-Russian judicial orders and international arbitration awards; and
- a high degree of discretion on the part of governmental authorities, leaving significant opportunities for arbitrary Government action.

All of the above risks could affect the Group's ability to ascertain its rights or to seek or obtain effective redress in the Russian courts, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Lack of independence and experience of the judiciary, difficulty of enforcing Russian court decisions.

Russia's unpredictable acknowledgement and enforcement of foreign court judgments or arbitral awards and governmental discretion in enforcing claims gives rise to significant uncertainties. The independence of the judicial system and its immunity from political, economic and other influences in Russia, for the most part, cannot be assured. Judicial precedents generally have no binding effect on subsequent decisions. Not all Russian legislation and court decisions are readily available to the public or organised in a manner that facilitates their understanding. The Russian judicial system can be slow and enforcement of court orders can in practice be very difficult in Russia. All these factors make judicial decisions in Russia difficult to predict and effective redress uncertain. Additionally, court claims are often used in furtherance of political aims which may affect the fair hearing of cases. Moreover, court orders are not always enforced or followed by law enforcement agencies.

These uncertainties also extend to property rights. While legislation has been enacted to protect private property against expropriation and nationalisation, due to the lack of experience of the courts in Russia in enforcing these provisions and due to political factors, these protections may not be enforced in the event of an attempted expropriation or nationalisation. Expropriation or nationalisation of any of our Group's entities, their assets or portions thereof, potentially without adequate compensation, would have a material adverse effect on our business.

In addition, Russia is not party to any multilateral or bilateral treaties with most Western jurisdictions for the mutual enforcement of court judgments. Consequently, should a judgment be obtained from a court in any of such jurisdictions, it is difficult to predict whether a Russian court will give direct effect to such judgment. However, Russia (as successor to the Soviet Union) is a party to the New York Convention. A foreign arbitral

award obtained in a state that is party to the New York Convention should be recognised and enforced by a Russian court (subject to the qualifications provided for in the New York Convention and compliance with Russian civil procedure regulations and other procedures and requirements established by Russian legislation and non-violation of Russian public policy). There is also a risk that Russian procedural legislation will be changed by way of introducing further grounds preventing foreign court judgments and arbitral awards from being recognised and enforced in Russia. In practice, reliance upon international treaties may be met with resistance or a lack of understanding on the part of Russian courts or other officials, thereby introducing delays and unpredictability into the process of enforcing any foreign judgment or any foreign arbitral award in Russia. See "*Enforceability of Judgments – Russian Federation*".

The Group may not comply with governmental and administrative real estate regulations in Russia.

In order to use and develop land or other real property in Russia, approvals and consents of various federal, regional or local governmental authorities, including various environmental, sanitation and epidemiological control authorities, are required. The approval and consent requirements vary from locality to locality; they are numerous, sometimes contradictory, subject to change without public notice and occasionally applied retroactively. The enforcement of such requirements is inconsistent and is often arbitrary and selective. Failure to obtain the required approvals and consents may lead to severe consequences to landowners and leaseholders or other property holders. The Group may not have been, and no assurance can be given that it will at all times be, in full compliance with all governmental and administrative real estate regulations in Russia. If any of the Group's existing or prospective sites is found not to be in compliance with applicable regulations, the Group or its officers may be subject to fines or penalties (including civil and administrative penalties) or the Group's rights to such properties may be affected. Additional compliance with, or any violation of, current and future laws or regulations could result in material expenditures by the Group or otherwise have a material adverse effect on our business, prospects, results of operations, financial condition of the Group or on the price of the Notes.

Lack of developed corporate and securities laws and regulations in the Russian Federation may limit the Group's ability to attract future investment.

The regulation and supervision of the securities markets, financial intermediaries and issuers are considerably less developed in the Russian Federation than in more developed countries. Securities laws, including those relating to corporate governance, disclosure and reporting requirements and insider trading have only recently been adopted in Russia, and laws relating to anti-fraud safeguards and fiduciary duties are rudimentary. In addition, the Russian securities markets are regulated by several different authorities, resulting in inconsistent and occasionally contradictory rules and regulations. These authorities include:

- the Ministry of Finance;
- the FAS;
- the CBR; and
- various professional self-regulatory organisations.

Furthermore, Russian corporate and securities rules and regulations can change rapidly, which may materially adversely affect the Group's ability to conduct securities-related transactions. While some important areas are subject to virtually no oversight, the regulatory requirements imposed on Russian issuers can result in delays in conducting securities offerings and in accessing the capital markets. It is often unclear whether or how regulations, decisions and letters issued by the various regulatory authorities apply to the Group. As a result, the Group may be subject to fines or other enforcement measures despite its best efforts at compliance.

In addition, Russian law generally provides that shareholders in a Russian joint stock company or participants in a Russian limited liability company generally are not liable for that company's obligations and bear only the risk of loss of their investment. Additional shareholder liability may arise, however, if one person (the "**Effective Parent**") can give binding instructions to another person (the "**Effective Subsidiary**") or approves the transaction entered into by the Effective Subsidiary, subject to certain exceptions set out in the Civil Code. The Effective Parent bears joint and several liability for transactions concluded by the Effective Subsidiary in carrying out business decisions if:

- the decision-making capability is provided for in the charter of the Effective Subsidiary or in a contract between the companies; and
- the Effective Parent gives binding directions to the Effective Subsidiary or approves the transaction entered into by the Effective Subsidiary.

In addition, the Effective Parent bears secondary liability for the obligations of an Effective Subsidiary that becomes insolvent or bankrupt due to the Effective Parent's faulty actions or inactions and whose assets are insufficient to meet the creditors' claims. In these instances, the other shareholders of the Effective Subsidiary may claim compensation for the Effective Subsidiary's losses from the Effective Parent that causes the Effective Subsidiary to take action or fail to take action knowing that such action or failure to take action would result in losses. Accordingly, subject to the conditions described above, DME Limited could be liable in some cases for the debts of its subsidiaries.

Lack of developed corporate and securities laws and regulations in the Russian Federation may limit the Group's ability to attract future investment, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Russian legal entities may be forced into liquidation on the basis of formal non-compliance with certain requirements of Russian law.

Certain provisions of Russian law may allow a court to order liquidation of a Russian legal entity on the basis of its formal non-compliance with certain requirements during formation, reorganisation or operation. There have been cases in the past in which formal deficiencies in the establishment process of a Russian legal entity or non-compliance with provisions of Russian law have been used by Russian courts as a basis for liquidation of a legal entity. Some Russian courts, in deciding whether to order the liquidation of a company, have looked beyond the fact that the company failed to comply fully with all applicable legal requirements and have taken into account other factors, such as the financial standing of the company and its ability to meet its tax obligations, as well as the economic and social consequences of its liquidation. This judicial approach is supported by a decision of the Constitutional Court of

the Russian Federation that held that even repeated violations of law may not serve as a basis for an involuntary liquidation of a company, and instead consideration should be given as to whether the liquidation would be an adequate sanction for such violations.

Many Russian companies have negative net assets due to very low historical asset values reflected on their balance sheets; however, their solvency, i.e., their ability to pay debts as they come due, is not otherwise adversely affected by such negative net assets.

Corporate Governance

Corporate governance standards in Russia are not of the same standard as those in Western Europe and the United States.

The Group's operating companies are incorporated in Russia. Corporate governance standards in Russia are not of the same standard as corporate governance standards in Western European countries or in the United States and may provide less protection for investors. In particular, corporate governance practices in Russia have suffered from the lack of transparency and information disclosure, both to the public and to shareholders; lack of independence of directors; and insufficient regulatory oversight and protection of shareholders' rights.

RISKS RELATING TO THE NOTES, THE ISSUER, THE GUARANTEES AND THE TRADING MARKET

The Notes will be structurally subordinated to subsidiary debt, secured creditors and other liabilities.

For the twelve months ended 31 December 2015 and for the six months ended 30 June 2016, the Obligor EBITDA Cover Ratio¹ was above 104.3 per cent. and 110.3 per cent., respectively. As of 31 December 2015 and 30 June 2016, the Obligor Total Assets Cover Ratio² was above 90.1 per cent. and 87.1 per cent., respectively.

With the exception of the Initial Guarantors and any other subsidiaries of DME Limited which may become Guarantors in the future, DME Limited's subsidiaries have no obligation in respect of any amounts due under the Loan Agreement and neither the Issuer nor holders of Notes will have any direct or indirect claim on such non-Guarantor subsidiaries' cash flows or assets other than through DME Limited's shareholding in such entities. In most circumstances, the Issuer's rights to receive payments under the Loan Agreement and the Guarantees (and therefore its ability to make payments under the Notes as they fall due) are effectively subordinated to any liabilities of DME Limited's non-Guarantor subsidiaries. As of 30 June 2016, no portion of the Group's total debt (including finance lease obligations and guarantees in respect of Group borrowings and excluding intra-group borrowings) was held by the DME Limited's subsidiaries other than the Initial Guarantors and the Borrower. In the event of a bankruptcy, liquidation or reorganisation of a non-Guarantor subsidiary, holders of

¹ This measure is an APM. The Obligor EBITDA Cover Ratio is defined in the Loan Agreement and is a ratio which is used to determine whether any Further Guarantees (as defined in the Loan Agreement) are required.

² This measure is an APM. The Obligor Total Assets Cover Ratio is defined in the Loan Agreement and is a ratio which is used to determine whether any Further Guarantees (as defined in the Loan Agreement) are required.

that subsidiary's indebtedness and trade and other creditors of that subsidiary will have a claim to the assets of that subsidiary that is senior to DME Limited's interest in those assets as a shareholder, except to the extent that DME Limited's is recognised as a creditor through intercompany claims or loans. Accordingly, the Notes are effectively subordinated to this debt. Moreover, the Issuer's rights to receive payments under the Loan Agreement and the Guarantees (and therefore its ability to make payments under the Notes as they fall due) are effectively subordinated to the secured liabilities of the Borrower and the Initial Guarantors. As of 30 June 2016, the Borrower and the Initial Guarantors had no outstanding secured borrowings.

Payments under the Notes are limited to the amount of certain payments received by the Issuer under the Loan Agreement and/or the Guarantees.

The Issuer is a special purpose vehicle with no business other than issuing debt securities, such as the Notes. The Issuer has an obligation under the Terms and Conditions of the Notes and the Trust Deed to pay such amounts of principal, interest, and additional amounts (if any) as are due in respect of the Notes. However, the Issuer's obligation to pay is limited to the amount of principal, interest, and additional amounts (if any) actually received by, or for the account of, the Issuer pursuant to the Loan Agreement or the Guarantees. Consequently, if the Borrower fails to meet its payment obligations under the Loan Agreement or the Guarantors fail to meet their obligations under the Guarantees in full, this will result in the Noteholders receiving less than the scheduled amount of principal or interest or any other amounts, if any, under the Notes.

The Borrower's ability to pay under the Loan Agreement is dependent on other operational subsidiaries of the Group.

The Borrower's main activity is leasing real estate and other property to operational subsidiaries of the Group. Therefore the Borrower's financial performance and its ability to pay under the Loan is to a large extent dependent on the punctual performance of the Group subsidiaries, including the Guarantors, of their obligations under agreements entered into with the Borrower.

In most circumstances, the Issuer's rights to receive payments under the Loan Agreement and the Guarantees (and therefore its ability to make payments under the Notes as they fall due) are effectively dependent on any liabilities of the Group's subsidiaries owed to the Borrower, whose ability to pay under the Loan could be adversely affected if any of the Group's subsidiaries declares bankruptcy, liquidates or reorganises.

With the exception of the Guarantors, pursuant to the terms of the Guarantees, and any other subsidiaries which may become Guarantors from time to time, the Group's subsidiaries have no obligation in respect of any amounts due under the Loan Agreement and neither the Issuer nor holders of Notes will have any direct or indirect claim on such non-Guarantor subsidiaries' cash flows or assets.

In addition, the Borrower's debtor may be subject to legal, contractual or other restrictions that would prevent them from due performance of their obligations under agreements entered into with the Borrower. Therefore, there can be no assurance that any of the Group's subsidiaries will be able to duly perform their obligations to enable the Borrower to make payments under the Loan Agreement, which could adversely affect the Issuer's ability to make payments under the Notes as they fall due.

No direct recourse of the Noteholders to the Company or the relevant Guarantor.

Except as otherwise expressly provided in the "*Terms and Conditions of the Notes*" and in the Trust Deed, the Noteholders will not have any proprietary or other direct interest in the Issuer's rights under or in respect of the Loan Agreement or the Deed of Guarantee. Subject to the terms of the Trust Deed, no Noteholder will have any entitlement to enforce any of the provisions of the Loan Agreement or the Deed of Guarantee or have direct recourse to the Company or the relevant Guarantor except through action by the Trustee under the Charge (as defined in the "*Terms and Conditions of the Notes*") or assignment of rights.

In addition, Noteholders should be aware that neither the Issuer nor the Trustee accepts any responsibility for the performance by the Company or the relevant Guarantor of its obligations under the Loan Agreement or the Deed of Guarantee.

The market price of the Notes may be volatile.

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Group's own or the Group's competitors' operating results, adverse business developments, changes to the regulatory environment in which the Group operates, changes in financial estimates by securities analysts, and the actual or expected sale of a large number of Notes, as well as other factors. Historically, the market for non-investment grade debt securities, such as the Notes, has been subject to disruptions that have caused substantial volatility in the prices of such securities. Any such disruptions may harm Noteholders. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations that, if repeated in the future, could adversely affect the market price of the Notes without regard to the Group's results of operations, prospects or financial condition.

An active trading market may not develop for the Notes.

There may not be an existing market for the Notes at the time they are issued. The Notes are expected to be admitted to the Official List of the Irish Stock Exchange and traded on its Main Securities Market. However, there can be no assurance that a liquid market will develop for the Notes, that Noteholders will be able to sell their Notes, or that such holders will be able to sell their Notes for a price that reflects their true value.

The Notes may or must be redeemed early in a number of circumstances.

On the occurrence of one of the early redemption events described in "*Terms and Conditions of the Notes—Redemption and Purchase*" and in "*The Loan Agreement*", the Borrower may, or in some cases must, prepay the Loan in whole (but not in part) together with accrued interest at any time, and (to the extent that it has actually received the relevant funds from the Borrower or the Guarantors) the Issuer shall redeem all outstanding Notes in accordance with the Terms and Conditions of the Notes.

On such redemption, or at maturity, the Borrower may not have the funds to fulfil its obligations under the Loan Agreement and the Borrower may not be able to arrange for additional financing. If the early repayment or maturity date of the Loan occurs at a time when other arrangements prohibit the Borrower from repaying the Loan, the Borrower would try to obtain waivers of such prohibitions from the lenders under those arrangements, or the Borrower could attempt to refinance the borrowings that contain the restrictions. If the

Borrower could not obtain the waivers or refinance these borrowings, the Borrower would be unable to repay the Loan.

Changes to the Borrower's credit rating or the credit rating of the Russian Federation, the Republic of Cyprus or the Isle of Man may adversely affect the Notes' trading price.

It is expected that the Notes will be rated BB+ by both Fitch and S&P. Any changes in the credit ratings of the Borrower, the Russian Federation, the Republic of Cyprus or the Isle of Man could adversely affect the trading price of the Notes. A change in the credit rating of one or more other Russian, Cypriot or Isle of Man corporate borrowers or banks could also adversely affect the trading price of the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organisation.

The Group will have the ability to incur more debt and this could increase the risks described above.

The Group may decide to incur additional debt in the future that will be senior to the Loan. If new debt is added to the Group's current debt levels, the magnitude of the related risks described above could increase, and the foregoing factors could have an adverse effect on the ability of the Group to pay amounts due in respect of the Loan Agreement and the Guarantees.

Noteholders may face foreign exchange risks by investing in the Notes.

The Notes will be denominated and payable in U.S. dollars. For a Noteholder who measures its investment returns by reference to a currency other than the U.S. dollar, an investment in the Notes entails foreign exchange related risks due to, among other factors, possible significant changes in the value of the U.S. dollar relative to such other reference currency because of economic, political and other factors over which the Group has no control. Depreciation of the U.S. dollar against currency could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss when the return on the Notes is converted into such other reference currency. There may be tax consequences for Noteholders as a result of any foreign exchange gains or losses from any investment in the Notes.

Noteholders' rights will be limited so long as the Notes are issued in book-entry interests.

Owners of book-entry interests will not be considered owners or holders of Notes unless and until definitive notes are issued in exchange for book-entry interests. Instead, Euroclear or Clearstream, Luxembourg or their nominees, will be the sole holders of the Notes.

Payments of principal, interest and other amounts owing on or in respect of the Notes in global form will be made as described in "Summary of the Provisions Relating to the Notes in Global Form" and none of the Issuer, the Guarantors, the Trustee or any paying agent will have any responsibility or liability for any aspect of the records relating to or payments of interest, principal or other amounts to Euroclear or Clearstream, Luxembourg or to owners of book-entry interests.

Owners of book-entry interests will not have the direct right to act upon the Issuer's, the Borrower's or the Guarantors' solicitations for consents or requests for waivers or other

actions from holders of the Notes, including without limitation in respect of the enforcement of security for the Notes. Instead, Noteholders who own a book-entry interest will be reliant on the nominee for the common depositary (as registered holder of the Notes) to act on their instructions and/or will be permitted to act directly only to the extent such holders have received appropriate proxies to do so from Euroclear or Clearstream, Luxembourg or, if applicable, from a participant. There can be no assurances that procedures implemented for the granting of such proxies will be sufficient to enable a holder of the Notes to vote on any requested actions or to take any other action on a timely basis.

The proposed financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

RISKS RELATING TO TAXATION

Risks Relating to the Russian Taxation System

The Russian taxation system is relatively underdeveloped

The Russian Government is constantly reforming the tax system by redrafting parts of the Tax Code of the Russian Federation (the "**Russian Tax Code**"). These changes have resulted in some improvement in the tax climate. As of 1 January 2009 the corporate profits tax rate was reduced to 20 per cent. However, starting from 1 January 2015, the general tax rate on dividends was increased from 9 per cent. to 13 per cent. For individuals who are tax resident in the Russian Federation the current personal income tax rate is 13 per cent. The general rate of VAT is 18 per cent. Since 1 January 2010 the Unified Social Tax was replaced by social security charges to the Russian pension, social security and medical insurance funds. For 2016, the total of the respective charges to the pension fund equals 22 per cent. of the taxable base up to RUB 796,000 of an employee's annual remuneration and 10 per cent. of the amount exceeding RUB 796,000; additional charges to the pension fund may be payable with

regard to employees working in hazardous and dangerous conditions of work; mandatory social insurance contributions against occupational accidents and diseases are payable on employees' wages. Charges to the social security fund equal 2.9 per cent. of the taxable base up to RUB 718,000 of an employee's annual remuneration and are not paid on amounts exceeding RUB 718,000. Charges to the medical insurance fund equal 5.1 per cent. of an employee's annual remuneration. Other rates apply to specific categories of employees. In addition, the new Russian transfer pricing legislation has been in force since 1 January 2012. In 2015 controlled foreign companies and beneficial ownership provisions were introduced.

Russian tax laws, regulations and court practice are subject to frequent change, varying interpretations and inconsistent and selective enforcement. In accordance with the Constitution of the Russian Federation, laws that introduce new taxes or worsen a taxpayer's position cannot be applied retroactively. Nonetheless, there have been several instances when such laws have been introduced and applied retroactively.

Despite the Russian Federation having taken steps to reduce the overall tax burden in recent years in line with its objectives, there is a possibility that it could impose arbitrary or onerous taxes and penalties in the future, which can complicate tax planning and related business decisions.

These conditions complicate tax planning and related business decisions. These uncertainties could possibly expose the Group to significant fines and penalties and potentially severe enforcement measures despite its best efforts at compliance, and could result in a greater than expected tax burden. This, in turn, could have a material adverse effect on the Group's business, results of operations and financial condition or prospects.

Generally, taxpayers are subject to tax audits for a period of three calendar years immediately preceding the year in which the decision to carry out a tax audit has been taken. In certain circumstances repeated tax audits (i.e. audits with respect to same taxes and the same periods) are possible. Generally, the statute of limitations for the commission of a tax offence is also limited to three years from the date on which it was committed or from the date following the end of the tax period during which the tax offence was committed (depending on the nature of the tax offence). Nevertheless, according to the Russian Tax Code and based on current judicial interpretation, there may be cases where the tax offence statute of limitations may be extended beyond three years.

Tax audits or inspections may result in additional costs to the Group, in particular if the relevant tax authorities conclude that the Group did not satisfy its tax obligations in any given year. Such audits or inspections may also impose additional burdens on the Group by diverting the attention of management. The outcome of these audits or inspections could have a material adverse effect on the Group's business, results of operations, financial condition or the trading price of the Notes.

In October 2006, the Plenum of the Supreme Arbitration Court of the Russian Federation issued a ruling concerning judicial practice with respect to unjustified tax benefits. In this context, a tax benefit means a reduction in the amount of a tax liability resulting, in particular, from a reduction of the tax base, the receipt of a tax deduction or tax concession or the application of a lower tax rate, and the receipt of a right to a refund (offset) or reimbursement of tax. The ruling provides that where the true economic intent of operations is inconsistent with the manner in which they have been taken into account for tax purposes, a tax benefit may be deemed to be unjustified. The same conclusion may apply when an

operation lacks a reasonable economic or business rationale. As a result, a tax benefit cannot be regarded as a business objective in its own right. On the other hand, the fact that the same economic result might have been obtained with a lesser tax benefit accruing to the taxpayer does not constitute grounds for declaring a tax benefit to be unjustified. Moreover, there are no rules and little practice for distinguishing between lawful tax optimization and tax avoidance or evasion. The tax authorities have actively sought to apply this concept when challenging tax positions taken by taxpayers in court, and are anticipated to expand this trend in the future. Although the intention of this ruling was to combat tax abuses, in practice there can be no assurance that the tax authorities will not seek to apply this concept in a broader sense than may have been intended by the Supreme Arbitration Court.

As a result of these rules, it is possible that despite the best efforts of the Group to comply with Russian tax laws and regulations, certain transactions and activities of the Group that have not been challenged in the past may be challenged in the future, resulting in a greater than expected tax burden, exposure to significant fines and penalties and potentially severe enforcement measures for the Group. Recent developments show that the Russian tax authorities are scrutinizing various tax planning and mitigation techniques, including international tax planning, used by taxpayers. In particular, the Russian Federation introduced "controlled foreign companies" ("CFC") rules, the concept of "tax residency for legal entities", "beneficial ownership" concept and is in the process of ratifying of international information exchange agreements (including country-by-country reporting standards developed by OECD).

At the moment, it is unclear how the above measures will be applied in practice by the Russian tax authorities and the courts. The Group operates in various jurisdictions and includes companies incorporated outside of the Russian Federation. It is possible that with the introduction of these rules and changes in the interpretation and application of these rules and changes by the Russian tax authorities and/or courts, the Group might become subject to additional taxation in the Russian Federation in respect of its operations outside the Russian Federation.

Furthermore, Russian tax legislation is consistently becoming more sophisticated. It is possible that new revenue raising measures could be introduced. Although it is unclear how any new measures would operate, the introduction of such measures may affect the Group's overall tax efficiency and may result in significant additional taxes becoming payable. No assurance can be given that no additional tax exposures will arise.

All the aforesaid evolving tax conditions create tax risks in the Russian Federation that are greater than the tax risks typically found in countries with more developed taxation, legislative and judicial systems. These tax risks impose additional burdens and costs on the Group's operations, including management's resources. Furthermore, these risks and uncertainties complicate the Group's tax planning and related business decisions, potentially exposing the Group to significant fines, penalties and enforcement measures, and could materially adversely affect the Group's business, results of operations, financial condition and its ability to service its payment obligations under the Loan Agreement, and the Guarantees as a consequence, the Issuer's ability to make payments under, or the trading price, of the Notes.

Russian transfer pricing rules may subject the Group's transfer prices to challenge by the Russian tax authorities

On 1 January 2012, new transfer pricing rules were introduced to Russian tax law. In particular, the methods for monitoring the prices of controlled transactions were expanded and the list of controlled transactions currently includes:

- cross-border transactions with certain types of commodities where the amount of income attributable to one counterparty exceeds RUB 60 million;
- Russian domestic transactions between related entities if the total annual turnover of such transactions exceeds RUB 1 billion;
- transactions with residents of offshore jurisdictions included in the list established by the Ministry of Finance of the Russian Federation where the amount of income attributable to one counterparty exceeds RUB 60 million; and
- transactions between Russian legal entities and related foreign legal entities.

The Russian transfer pricing rules require taxpayers to notify the Russian tax authorities as to all controlled transactions. Taxpayers are also required to present to the Russian tax authorities transfer pricing documentation upon request. The Russian transfer pricing rules could have a material adverse effect on the Group's business, results of operations and financial condition, its ability to service its payment obligations under the Loan Agreement, all of which may affect the trading price of the Notes.

Payments on the Loan may be subject to Russian withholding tax

In general, interest payments on borrowed funds made by a Russian legal entity or Russian permanent establishment of a foreign organisation to non-residents are subject to Russian withholding tax at a rate of 20 per cent for legal entities or organizations and 30 per cent. for non-resident individuals, unless such withholding is reduced or eliminated pursuant to the terms of an applicable double tax treaty.

However, the Russian Tax Code provides an exemption from the obligation to withhold tax from interest paid with respect to "quoted bonds" (as defined below). In particular, Russian borrowers are exempted from the obligation to withhold Russian withholding tax from interest payments made to foreign companies on debt obligations arising in connection with placement by these foreign companies of quoted bonds, provided that: (1) there is a double tax treaty between the Russian Federation and the jurisdiction of tax residence of the issuer; and (2) the issuer duly confirms its tax residence. According to the Russian Tax Code, the above exemption established for the interest payments is also applicable to (i) income payable by a Russian legal entity in connection with a guarantee, surety or other security granted by such Russian organisation with respect to a debt obligation to a foreign organization and/ or with respect to quoted bonds; and (ii) to other income payable by a Russian organisation providing that the payment of such income is established by the provisions of the respective debt obligation or such income is paid due to a change in the terms and conditions of the respective quoted bonds and/or debt obligations including the cases of their early repurchase or redemption.

This exemption is also applicable to the foreign organizations, which are either recognized as Russian tax residents, or as those organizations, which activities are leading to recognition of a permanent establishment in Russia.

If the Company's Russian representative office is recognized as a permanent establishment for tax purposes and the payments under the Loan Agreement transferred to and made by this representative office are associated with its activities in the Russian Federation, the above tax exemption should be applicable to the Company.

However, if the Company's representative office is not recognized as a permanent establishment for tax purposes in the Russian Federation, the above tax exemption related to "quoted bonds" could not apply to the Company. In this situation, notwithstanding the fact that foreign organizations, which do not have a permanent establishment in the Russian Federation, should not be obligated to withhold Russian withholding tax from their interest payments on borrowed funds, there is a risk that interest payments made by the Company to the Issuer under the Loan Agreement could be recognized as Russian source income and subject to Russian withholding tax at a rate of 20 per cent with respect to Non-Resident Noteholders - Legal Entities (or, potentially, 30 per cent. in respect of non-resident individual Noteholders).

For the purpose of the Russian Tax Code, "quoted bonds" mean bonds and other debt obligations (1) which passed the listing procedure and/or (2) which were admitted to circulation on one or more foreign stock exchanges and/or (3) rights to which are recorded by a foreign depositary-clearing organization, provided such foreign stock exchanges and depositary-clearing organizations are specified in the list of foreign financial intermediaries (the "List"). The List, which became effective on 30 December 2012, includes the Irish Stock Exchange amongst the recognized foreign stock exchanges and Euroclear Bank SA/NV ("Euroclear") and Clearstream amongst the recognized foreign depositary-clearing organisations. While Clearstream is mentioned in the List, the List does not explicitly mention Clearstream Banking, *société anonyme* ("Clearstream, Luxembourg"). According to the shareholding structure of Clearstream group, Clearstream, Luxembourg is a member entity of Clearstream group and, therefore, Clearstream, Luxembourg is a part of Clearstream. However, there is a residual risk that the Russian tax authorities may apply a formalistic approach and take a position that Clearstream, Luxembourg is not included in the List based on the fact that it is not explicitly mentioned in the List.

Criteria (1) and (2) should be satisfied as the Notes will be listed on the Irish Stock Exchange. The Notes should satisfy criterion (3) because the rights to the Notes will be held in Euroclear and Clearstream, Luxembourg, which for the purposes of the Russian Tax Code essentially should mean that the rights to the Notes are "recorded" with one of the above foreign depositary-clearing organizations. According to the Russian Tax Code, in order to be treated as "quoted bonds" fulfilment of one of the above criteria is sufficient. Therefore, the Notes should be recognised as "quoted bonds" for purposes of the Russian Tax Code.

The Company, based on professional advice received, believes that its Russian representative office (recognized as a permanent establishment for tax purposes) should not be obligated to withhold Russian withholding tax from interest payments made to the Issuer under the Loan Agreement because (i) the Notes should be considered "quoted bonds" as described above; and (ii) the Loan is financed from the funds received from the issue of the Notes, provided the Issuer duly confirms its Irish tax residence. If the Notes are (i) delisted from the Irish Stock Exchange and (ii) exchanged for duly executed and authenticated registered Notes in definitive form in the limited circumstances specified in the Global Note Certificate, the above exemption related to "quoted bonds" could not apply and the Company's permanent establishment in Russia will be required to withhold Russian income tax on interest payments made by such permanent establishment to the Issuer. Besides that, if the Notes are delisted

from the Irish Stock Exchange and deposited with a common depository for, and registered in the name of a nominee of, Clearstream, Luxembourg, the Notes may potentially not fall within the definition of "quoted bonds" under the Russian Tax Code and, therefore, there is a residual risk that the Company's permanent establishment in Russia may be required to withhold Russian tax from interest payments made by it to the Issuer.

Further, currently there is no mechanism or requirement for foreign income recipients that are legal entities to self-assess and pay Russian tax (provided that such recipients are neither Russian tax residents, nor foreign entities, which are recognised as controlled by the Russian tax residents under the Russian CFC Rules). However, there can be no assurance that such mechanism will not be introduced in the future or that the Russian tax authorities will not attempt to collect the tax from foreign income recipients. See "*Taxation – The Russian Federation*".

If any payments under the Loan are subject to any Russian or Irish withholding tax, the Company will be obliged to increase the amounts payable as may be necessary to ensure that the Issuer (or other recipient) receives a net amount equal to the amount it would have received in the absence of such withholding taxes. In addition, payments in respect of the Notes will be made without deduction or withholding for or on account of taxes except as required by law or regulation. Subject to certain exceptions (see "*Taxation – Ireland*"), in the event that any deduction or withholding for or on account of Irish taxes is required by law or regulation with respect to payments under the Notes, the Company will be obliged to increase the amount payable under the Loan Agreement to the extent necessary to ensure that the Issuer receives (or the Noteholders receive, as applicable) the amount which would have been received had such deduction or withholding not been required. If withholding in respect of payments pursuant to the Loan Agreement occurs as a result of application of any amendments or clarification to, or change in the Russian/Ireland tax treaty or as a result of the application of Russian withholding tax, the Company has a right to prepay the loan in accordance with item 5.2 of the Loan Agreement. While the Loan Agreement provides for the Company to pay such corresponding amounts in these circumstances, there are some doubts as to whether a tax gross-up clause such as that contained in the Loan Agreement is enforceable under Russian law. Due to the limited recourse nature of the Notes, if the Company fails to pay any such gross-up amounts, the amount payable by the Issuer under the Notes will be correspondingly reduced. Any failure by the Company to increase such payments would constitute an Event of Default under the Loan Agreement. In certain circumstances (including following enforcement of the security upon the occurrence of a "Relevant Event" as defined in the Trust Deed), in the event that the Company is obliged to increase the amounts payable, it may prepay the principal amount of the Loan together with accrued interest and/or additional amounts payable (if any) thereon, and all outstanding Notes would be redeemed by the Issuer (to the extent that it has actually received the relevant funds from the Company).

The Issuer will grant security over certain of its rights in the Loan Agreement to the Trustee in respect of its obligations under the Notes. The security under the Trust Deed will become enforceable upon the occurrence of a Relevant Event, as defined in the Trust Deed. In these circumstances, payments under the Loan Agreement (other than in respect of "Reserved Rights", as described in "*Terms and Conditions of the Notes*") would be required to be made to, or to the order of, the Trustee. Under Russian tax law, payments of interest and other payments made by the Company's representative office (recognized as a permanent establishment for tax purposes) in Russia to the Trustee will in general be subject to Russian

income tax withholding at a rate of 20 per cent. (or, potentially, 30 per cent. in respect of non-resident individual Noteholders). It is not expected that the Trustee will, or will be able to, claim a withholding tax exemption under any double tax treaty. However, pursuant to the Russian Tax Code, it is possible that the Company's permanent establishment in Russia will be exempt from the obligation to withhold Russian withholding tax from interest payments to the Trustee under the exemption established for "quoted bonds" (as described above). However, there is ambiguity as to the applicability of the exemption in this situation. If the exemption does not apply and tax is withheld it may be possible for some Noteholders who may be eligible for an exemption from Russian withholding tax under double tax treaties and the applicable Russian tax law to claim a refund of tax withheld, although there would be considerable practical difficulties in obtaining any such refund.

If the Company is not recognised as a Russian tax resident under the respective Russian tax law requirements, the Company's indebtedness under the Loan should not be recognized as "controlled debt" for the purposes of the Russian Tax Code.

If the Company is recognized as a Russian tax resident, there is a risk that, under the Russian thin capitalisation rules in certain circumstances where parties related to the Company (i.e. any foreign corporate shareholder of the Company owning directly or indirectly more than a 20 per cent. share in the Company's charter capital and, potentially, affiliates of such foreign corporate shareholder, collectively the "Related Parties") hold Notes and/or the Loan is secured or guaranteed by Related Parties, part or all of the interest to be paid by the Company under the Loan could be reclassified as dividends for Russian tax purposes. This would occur if the overall amount of the "controlled debt" of the Company (including the aggregate indebtedness under the Loan), calculated on an individual related party basis, exceeded three times the "own capital" ("*sobstvenniy kapital*") of the Company, calculated in accordance with the requirements of the Russian Tax Code. There is a risk that the "controlled debt" of the Company may include all or part of the Loan, to the extent that any Related Parties acquire any portion of the Notes.

Such reclassification of all or a portion of interest under the Loan as dividends could potentially lead to the imposition of Russian withholding tax on such reclassified interest at the rate of 15 per cent. and non-deductibility of such interest for Russian profit tax purposes by the Company. Also, such withholding on dividends would trigger the gross up obligation of the Company as discussed above.

It should be noted that pursuant to the amendments to the Russian Tax Code introduced by Federal Law No. 25-FZ of 15 February 2016, starting from 1 January 2017 indebtedness arising from "quoted bonds" should not be recognised as "controlled debt" for the purposes of the Russian Tax Code.

It is currently unclear whether the provisions obliging the Company to gross-up payments will be enforceable in the Russian Federation. If, in the case of litigation in the Russian Federation, a Russian court does not rule in favour of the Issuer or the Trustee and Noteholders, there is a risk that a gross-up for withholding tax will not take place and that interest payments made by the Company under the Loan Agreement will be reduced by Russian tax withheld by the Company's permanent establishment in Russia at the rate of 20 per cent., or, potentially, with respect to Non-Resident Noteholders-Individuals Russian personal income tax at a rate of 30 per cent. See "*Taxation – The Russian Federation*".

In addition, assuming that (a) until 31 December 2016, interest paid to the Issuer under the Loan Agreement and any other loans extended by the Issuer to fund other loan participation notes represent less than 90 per cent. of the total income of the Issuer and (b) starting from 1 January 2017, the Issuer's interest expenses on the Notes (and on any other "quoted bonds" issued by the Issuer) represent less than 90 per cent. of the total expense of the Issuer in any financial year, there is a risk that tax residence rules established by the Russian Tax Code may be applied to the Issuer and the Issuer may be treated as a tax resident of the Russian Federation for Russian tax law purposes in case the Issuer is recognized as managed from the Russian Federation under applicable Russian tax law. In that case, payments of interest under the Notes made by the Issuer to the Noteholders could be recognised by Russian tax authorities as subject to Russian withholding tax at a rate of 20 per cent. (or 30 per cent. with respect to Non-Resident Noteholders-Individuals).

However, the Russian Tax Code provides an exemption from the obligation to withhold tax from interest paid by a Russian organisation under "quoted bonds" issued in accordance with the legislation of the foreign jurisdiction (this exemption is also applicable to the foreign organisations, which are either recognised as Russian tax residents, or as those organisations, which activities are leading to creation of a permanent establishment in Russia).

Based on the above, the Issuer should be released from the obligation to withhold Russian withholding tax from interest payments made to the Noteholders under the Notes provided that the Notes continue to be recognised as "quoted bonds" for the purposes of the Russian Tax Code as outlined above.

If the Notes cease to fall within the above definition established for "quoted bonds" and the above assumptions for the Issuer are not fulfilled and the Issuer is recognized as a Russian tax resident under the respective Russian tax law requirements, payments of interest under the Notes made by the Issuer to the Noteholders could be recognized by Russian tax authorities as subject to Russian withholding tax at a rate of 20 per cent. with respect to Non-Resident Noteholders-Legal Entities (or 30 per cent. with respect to Non-Resident Noteholders-Individuals).

Payments under the Guarantee may be subject to Russian withholding tax

Payments following enforcement of the Guarantee to be made by the Initial Guarantors being either Russian legal entities, or Russian permanent establishment of foreign organisations to the non-resident to Noteholders relating to interest on the Notes are likely to be characterised as Russian source income. Accordingly, there is a risk that such payments may be subject to withholding tax at a rate of 20 per cent. in the event that a payment under the Guarantee is made to a non-resident Noteholder that is a legal entity or organisation which in each case is not organised under Russian law and which holds the Notes otherwise than through a permanent establishment in Russia. In the event a payment under the Guarantee is made to a non-resident individual, there is a risk that such payment may be subject to withholding tax at a rate of 30 per cent. We cannot offer any assurance that such withholding tax would not be imposed on the full amount of the payment under the Guarantee, including with respect to the principal amount of the Notes. The imposition or possibility of imposition of this withholding tax could adversely affect the value of the Notes. See "*Taxation – The Russian Federation*".

However, the Initial Guarantors being either Russian legal entities, or Russian permanent establishment of foreign organisations could be exempt from the obligation to withhold Russian withholding tax from such payments following enforcement of the Guarantee under

the exemption established for "quoted bonds" (as described above). However, there is ambiguity as to the applicability of the exemption in this situation as the Russian Tax Code could be interpreted in the way exempting only payments made by the Borrower and not third parties (such as the Initial Guarantors). If the exemption does not apply and tax is withheld it may be possible for some Noteholders who may be eligible for an exemption from Russian withholding tax under double tax treaties and the applicable Russian tax law to claim a refund of tax withheld, although there would be considerable practical difficulties in obtaining any such refund.

All payments made by the Initial Guarantors with respect to the Guarantee, except in certain limited circumstances, will be made free and clear of and without withholding or deduction for, or on account of, any present or future taxes unless the withholding or deduction for, or on account of, such taxes is then required by law. In the event of such a deduction or withholding, the Initial Guarantors, as applicable, will pay such additional amounts as may be necessary in order that the net amounts received in respect of such payments after such withholding or deduction will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction. While the Prospectus provides for the Initial Guarantors to pay such corresponding amounts in these circumstances, it is unclear as to whether a tax gross up clause such as that contained in the Prospectus is enforceable in the Russian Federation. There is a risk that the tax gross-up for withholding tax will not take place and that the full amount of the payments made by the Initial Guarantors being Russian legal entities or Russian permanent establishment of foreign organizations will be reduced by Russian withholding income tax at a rate of 20 per cent. (or potentially, 30 per cent. in respect of individual Noteholders). See "*Taxation – The Russian Federation*".

Tax might be withheld on disposals of the Notes in the Russian Federation, thereby reducing their value

If a non-resident Noteholder that is a legal person or organisation, which in each case is not organised under Russian law and which holds and disposes of the Notes otherwise than through a permanent establishment in Russia, sells the Notes and receives proceeds from either a source within the Russian Federation or a Russian tax resident-legal entity, there is a risk that any part of the payment that represents accrued interest may be subject to a 20 per cent. Russian withholding tax (even if a disposal is performed at a loss). The foreign Noteholder may be entitled to a reduction of such Russian withholding tax under an applicable double tax treaty and applicable provisions of the Russian Tax Code (i.e. the "beneficial ownership" concept and the concept of "tax residency").

Currently there is uncertainty in the interpretation of the provision of the Russian Tax Code in respect of the interest portion included in the purchase price of the notes disposed by non-resident Noteholders, which are legal entities or organisations, to Russian tax residents and there could be no assurance that such income would not be subject to Russian withholding tax.

Where proceeds from a disposal of the Notes are received from either a source within the Russian Federation or a Russian tax resident-legal entity by a non-resident Noteholder that is an individual, there is a risk that Russian withholding tax would be charged at a rate of 30 per cent. on gross proceeds from such disposal of the Notes less any available documented costs (including the acquisition cost of the Notes).

The imposition or possibility of imposition of withholding tax could adversely affect the value of the Notes. See "*Taxation – The Russian Federation*".

Cyprus

In June 2012, the Cypriot Government applied to the members of the Eurozone for assistance through the European Stability Mechanism. The final agreement between the Cypriot Government and the Troika (International Monetary Fund, European Commission and the European Central Bank) was reached after the decisions of the Eurogroup dated 15 March 2013 and 25 March 2013. The measures which were in the agreement between the Cypriot Government and the Troika, include new taxes, special contributions, increases of the existing tax rates and reductions in subsidies. Whilst Cyprus is now out of the final agreement, the Troika continues to monitor the Cyprus economy and further structural changes may be implemented. The dangers to the Cyprus economy have not been completely eliminated and as such, there is still a remote risk of some tax increases, although certain taxes have already been reduced.

The payment of any principal amount of the Loan and/or any interest payments to be made by a legal entity which is a Cypriot tax resident are not subject to any taxation and/or withholding tax in Cyprus. It is uncertain whether this will change in the future, but at this stage it seems unlikely that any withholding taxes will be introduced in the near future. Furthermore any Cypriot tax residents which will receive interest payments in respect of the Notes may be subject to corporate tax or special defence contribution tax in Cyprus (see section entitled "*Taxation*").

The application or interpretation of the Cypriot tax system may change or the Company may become managed and controlled from or otherwise tax resident in a jurisdiction other than Cyprus.

The Company is incorporated in Cyprus. Cyprus became a member of the European Union on 1 May 2004, as a result of which it has harmonised its legislation with European Union directives and guidelines and has reformed its tax system. Moreover, as a result of its accession to the European Union, Cyprus will adhere to decisions of the European Court of Justice and any amendments to, or newly introduced, European Union directives with respect to taxation. Such judicial decisions and legislative changes may adversely affect the tax treatment of and transactions with the Company.

In addition, in accordance with Cypriot income tax laws, a company is tax resident in Cyprus if its management and control is exercised in Cyprus. There is no definition in the Cypriot income tax laws as to what constitutes management and control. Currently the Cyprus tax authorities follow the OECD model convention with respect to taxes on income and capital, which refers to a "place of effective management". The commentary on that model convention states: the place of effective management is the place where key management and commercial decisions that are necessary for the conduct of the entity's business are in substance made. The place of effective management will ordinarily be the place where the most senior person or group of persons (for example a board of directors) makes its decisions, the place where the actions to be taken by the entity as a whole are determined; however, no definitive rule can be given and all relevant facts and circumstances must be examined to determine the place of effective management. An entity may have more than one place of management, but it can have only one place of effective management at any one time. Based on this definition, management and control may be considered to be exercised where the board of directors of a company meets and makes decisions.

In the event the tax residency of a company incorporated in Cyprus is challenged, such Cypriot company would be required to establish that it is managed and controlled from Cyprus. If the tax residency of the Company were to be challenged and it had failed to observe the requirements of, or was unable to establish that it qualified as, a Cypriot tax resident, it would be unable to make use of the Cypriot tax treaty network. If the Company is not tax resident in a member state, any tax benefits under the EU tax directives may be restricted or eliminated. In addition, if management and control of the Company takes place in another jurisdiction, or strategic or significant operational decisions or other management activities take place in that jurisdiction, it may be subject to tax in that other jurisdiction. Whether this is the case will depend upon the tax laws of that other jurisdiction and, in certain cases, the impact of any tax residence provision in any double tax treaty between Cyprus and that jurisdiction.

Adverse changes in the application or interpretation of Cypriot tax law, or a finding that the Company does not qualify as a Cypriot tax resident or for tax treaty based benefits, or is subject to tax in another jurisdiction, may increase the Group's consolidated tax burden, including its interest expenses and could have a material adverse effect on the Group's business, results of operations, cash flows, financial position.

It is possible that FATCA could operate to impose U.S. withholding tax on certain payments to the Company and the Issuer and may also apply to certain payments from the Issuer to Noteholders

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including Ireland) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019. Noteholders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

EACH HOLDER OF NOTES SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO LEARN HOW THIS LEGISLATION MIGHT AFFECT EACH HOLDER IN ITS PARTICULAR CIRCUMSTANCE.

RISKS RELATING TO THE ISSUER

Examiners, preferred creditors under Irish law and floating charges may impose additional risks on the Notes.

COMI

As the Issuer has its registered office in Ireland, there is a rebuttable presumption that its centre of main interest ("**COMI**") is in Ireland and consequently that any main insolvency proceedings applicable to it would be governed by Irish law. In the decision by the European Court of Justice ("**ECJ**") in relation to Eurofood IFSC Limited, the ECJ restated the presumption in Council Regulation (EC) No. 1346/2000 of 29 May 2000 on Insolvency Proceedings that the place of a company's registered office is presumed to be the company's COMI and stated that the presumption can only be rebutted if "factors which are both objective and ascertainable by third parties enable it to be established that an actual situation exists which is different from that which locating it at the registered office is deemed to reflect". As the Issuer has its registered office in Ireland, has Irish directors, is registered for tax in Ireland and has an Irish corporate services provider, the Issuer does not believe that factors exist that would rebut this presumption, although this would ultimately be a matter for the relevant court to decide, based on the circumstances existing at the time when it was asked to make that decision. If the Issuer's COMI is not Ireland, and is held to be in a different jurisdiction within the European Union, its main insolvency proceedings may not be opened in Ireland.

Examinership

Examinership is a court moratorium/protection procedure which is available under Irish company law to facilitate the survival of Irish companies in financial difficulties. Where a company, which has its COMI in Ireland is, or is likely to be, unable to pay its debts an examiner may be appointed on a petition to the relevant Irish court under Section 509 of the Companies Act 2014.

The Issuer, the directors of the Issuer, a contingent, prospective or actual creditor of the Issuer, or shareholders of the Issuer holding, at the date of presentation of the petition, not less than one tenth of the voting share capital of the Issuer are each entitled to petition the court for the appointment of an examiner. The examiner, once appointed, has the power to halt, prevent or rectify acts or omissions, by or on behalf of the company after his appointment and, in certain circumstances, negative pledges given by the company prior to his appointment will not be binding on the company. Furthermore, where proposals for a scheme of arrangement are to be formulated, the company may, subject to the approval of the court, affirm or repudiate any contract under which some element of performance other than the payment remains to be rendered both by the company and the other contracting party or parties.

During the period of protection, the examiner will compile proposals for a compromise or scheme of arrangement to assist in the survival of the company or the whole or any part of its undertaking as a going concern. A scheme of arrangement may be approved by the relevant Irish court when a minimum of one class of creditors, whose interests are impaired under the proposals, has voted in favour of the proposals and the relevant Irish court is satisfied that such proposals are fair and equitable in relation to any class of members or creditors who have not accepted the proposals and whose interests would be impaired by implementation of the scheme of arrangement and the proposals are not unfairly prejudicial to any interested party.

The fact that the Issuer was created specifically for the purpose of issuing loan participation notes and that all its liabilities are of a limited recourse nature means that it is unlikely that an

examiner would be appointed to the Issuer. If, however, for any reason, an examiner were appointed while any amounts due by the Issuer under any Notes were unpaid, the primary risks to the holders of such Notes would be as follows:

- (i) the Trustee, acting on behalf of the Noteholders, would not be able to enforce rights against the Issuer during the period of examinership; and
- (ii) a scheme of arrangement may be approved involving the writing down of the debt due by the Issuer to the Noteholders irrespective of the Noteholders' views.

Preferred Creditors

If the Issuer becomes subject to an insolvency proceeding and the Issuer has obligations to creditors that are treated under Irish law as creditors that are senior relative to the Noteholders, the Noteholders may suffer losses as a result of their subordinated status during such insolvency proceedings. In particular:

- (i) under the terms of the Trust Deed, the Notes will be secured in favour of the Trustee for the benefit of itself and the Noteholders by security over the Loan Agreement and sums held in the related account with the Account Bank. Under Irish law, the claims of creditors holding fixed charges may rank behind other creditors (namely fees, costs and expenses of any examiner appointed and certain capital gains tax liabilities) and, in the case of fixed charges over book debts, may rank behind claims of the Irish Revenue Commissioners for PAYE and VAT;
- (ii) under Irish law, for a charge to be characterised as a fixed charge, the charge holder is required to exercise the requisite level of control over the assets purported to be charged and the proceeds of such assets including any bank account into which such proceeds are paid. There is a risk therefore that even a charge which purports to be taken as a fixed charge may take effect as a floating charge if a court deems that the requisite level of control was not exercised; and
- (iii) in an insolvency of the Issuer, the claims of certain other creditors (including the Irish Revenue Commissioners for certain unpaid taxes), as well as those of the creditors mentioned above, will rank in priority to claims of unsecured creditors and claims of creditors holding floating charges.

OVERVIEW

This overview highlights certain information concerning the Group's business and the offering of Notes. It does not contain all information that may be important to you and to your investment decision. The Company urges you to carefully read the entire Prospectus, including the financial data and related notes and the matters set forth in "Risk Factors" before deciding to invest in the Notes.

Overview of the Group

The Group owns and operates DME, the second largest airport in Eastern Europe in terms of passenger traffic according to FlightGlobal. Located 44.6 kilometres southeast of the centre of Moscow (22.7 kilometres away from the Moscow Ringway), DME served approximately 30.5 million passengers in 2015 and 12.6 million during six months ended 30 June 2016. As of 30 June 2016, DME served 61 airlines, including 40 foreign airlines (11 from the CIS states) and 21 Russian airlines. DME has a diversified Russian and international airline customer base, with two major clients, S7 and Ural Airlines, and is the hub in Russia for eight member airlines of the Star Alliance and five member airlines of the oneworld alliance. As of 30 June 2016, non-stop flights from DME serviced 190 domestic and international destinations, of which 75 destinations were exclusive to DME among MAH airports.

The Group provides a wide range of airport services, seeking to diversify sources of revenue with a particular focus on high-margin businesses and better serving the needs of its airline and other customers. The Group operates through three business segments: (i) aviation services such as the use of terminal, take-off and landing and aviation security services; (ii) auxiliary aviation services such as ground handling and fuelling services, in-flight catering, cargo and mail handling; and (iii) commercial services, which include DME's retail concessions, advertising, car parking and an on-site hotel. DME Limited, the holding company of the Group, is rated 'BB+' by Fitch and S&P, with the most recent confirmations announced in September 2016 and October 2016, respectively. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

The MAH is a major international gateway to Russia and the CIS region. Moscow is one of the largest cities in the world by population and has one of the highest total passenger traffic through its airports in the world. According to the TCH, in 2015, 77.6 million passengers used MAH airports. Annual growth in air traffic in the MAH averaged 10.6 per cent. between 2000 and 2015, according to the TCH. DME's market share of total passenger traffic in the MAH has increased from 16.1 per cent. in 2000 to 39.3 per cent. in 2015.

To capture this growth, the Group plans to expand DME's capacity and upgrade its infrastructure as part of its 2026 Masterplan, as described further in "*Business–Airport Development 2026 Masterplan*". The 2026 Masterplan includes, among other things, the construction by the Russian government of a new runway to replace the existing Runway 2 (which is already underway and expected to be completed in 2017), reconstruction of existing aprons and construction of new aprons, construction of Terminal 2 and additions to and renovations of existing facilities. The Group estimates that, upon the completion of these plans as currently contemplated, capacity at DME can be increased from approximately 423,000 ATMs in the year ended 31 December 2015 to up to approximately 474,034 ATMs per year with the construction of a new runway to replace the existing Runway 2. For the six months ended 30 June 2016, DME handled 105,235 ATMs.

For the six months ended 30 June 2016 and 2015, the Group's revenue amounted to RUB 17,757 million and RUB 18,571 million, respectively. For the years ended 31 December 2015, 2014 and 2013, the Group's revenue amounted to RUB 39,446 million, RUB 41,224 million and RUB 39,924 million, respectively. The Group's profit and comprehensive income for the six months ended 30 June 2016 and 2015 amounted to RUB 3,672 million and RUB 3,527 million, respectively. For the years ended 31 December 2015, 2014 and 2013, the Group's profit and comprehensive income for the year amounted to RUB 8,151 million, RUB 11,401 million and RUB 9,430 million, respectively. For a more detailed discussion of the Group's results of operations and financial condition, see "*Operating and Financial Review*".

For the six months ended 30 June 2016 and 2015, the Group's EBITDA³ amounted to RUB 6,215 million and RUB 7,263 million, respectively. For the years ended 31 December 2015, 2014 and 2013 the Group's EBITDA amounted to RUB 14,828 million, RUB 16,829 million and RUB 15,473 million, respectively. For the six months ended 30 June 2016 and 2015, the Group's Adjusted EBITDA⁴ amounted to RUB 6,247 million and RUB 7,228 million, respectively. For the years ended 31 December 2015, 2014 and 2013 the Group's Adjusted EBITDA amounted to RUB 15,664 million, RUB 16,976 million and RUB 15,334 million. For a more detailed discussion of the Group's results of operations and financial condition, see "*Operating and Financial Review*".

The Borrower was incorporated in Cyprus on 20 January 1995. The Company's registered address is Michalaki Karaoli, 2, office 203, 1095, Nicosia, Cyprus and its registration number is HE 68181.

Competitive Strengths

The Company believes that the Group benefits from the following key strengths:

Largest European Market with Strong Growth Potential. The Russian air travel market benefits from a significant population, with a low but steady propensity to fly, and an important and growing domestic market due to long distances between Russian cities, making air travel an increasingly competitive mode of domestic transport compared to rail travel. With a population of approximately 12 million people, Moscow is the largest city in Europe, and the MAH is the third largest European hub with the air traffic of 77.6 million passengers in 2015 (with London, Paris, Frankfurt and Amsterdam making up the rest of top-5 European hubs, with 153.5 million passengers, 99.8 million passengers, 63.7 million passengers, and 58.3 million passengers, respectively), according to ACI Europe and the TCH, and accounts for 77 per cent. of passenger traffic in Russia according to the TCH. The Moscow region is the major international gateway to Russia and the CIS and a large and growing market for air travel.

³ This measure is an APM. EBITDA is calculated as the pre-taxation profit after adding back any amount of depreciation of tangible assets and amortisation of intangible assets before taking into account any amount of interest expense commission, fees, discounts, prepayment fees, impairment of restricted cash balances, premiums or charges and other finance payments, whether paid, payable or capitalised less interest income and before taking into account any items treated as exceptional or extraordinary items including, without limitation, any amount in relation to foreign exchange gain or loss or gains or losses on any derivative instrument and revaluation of an asset or any gain or loss of book value arising on the disposal of any asset.

⁴ This measure is an APM. Adjusted EBITDA is calculated as operating profit plus depreciation and amortisation and adjusted for (i) changes in provision for impairment of receivables and advances to suppliers and (ii) changes in legal provision.

The Group's strategy is based on the expectation that an increasing propensity of Russians to fly, the economic pre-eminence of the Moscow area in the CIS and the dominant position of Moscow in trade and travel in Russia is expected to lead to further passenger traffic growth in Russia and DME in the future. In 2015, Russian air traffic reached 100.2 million passengers, out of which DME served approximately 30.5 million passengers, as compared to 106.2 million passengers of which DME served approximately 33.0 million passengers in 2014, according to the TCH. For the six months ended 30 June 2016, Russian air traffic reached 41.4 million passengers, out of which DME served approximately 12.6 million passengers, according to the TCH.

Second Largest Airport in Russia and Eastern Europe. DME is a key hub and the second largest airport in Russia and Eastern Europe in terms of passenger traffic, handling approximately 30.5 million passengers in 2015 and approximately 33.0 million passengers in 2014, according to the TCH. DME's strong position among the MAH airports is reflected by its share of air passenger traffic in the MAH which amounted to 39.3 per cent. and 37.4 per cent. in 2015 and the six months ended 30 June 2016, respectively. DME also holds the largest share of MAH domestic passenger traffic with a 41.7 per cent. and 39.4 per cent. share in 2015 and the six months ended 30 June 2016, respectively. Furthermore, DME is an important international gateway to Moscow, handling 42.0 per cent. and 34.9 per cent. of MAH international passenger traffic in 2015 and the six months ended 30 June 2016, respectively. DME serves the largest number of airlines on the most extensive route network in the MAH, with 61 airline customers (compared to 45 airline customers at SVO and 20 airline customers at VKO) operating 223 routes (compared to over 200 routes at SVO and 120 routes at VKO) as of 30 June 2016, according to annual reports and official estimates of the relevant airport authorities. The Group also believes that DME is well positioned to capture the expected incremental future growth in some of the most attractive segments of traffic such as transfer and international traffic, taking advantage of the following factors: (i) a single terminal layout, (ii) existing runway capacity with further additional capacity planned and (iii) the airport of choice for a number of foreign airlines which represent two of the three global airline alliances, namely the oneworld alliance and the Star Alliance.

Attractive Location and Best in Class Asset Infrastructure with Expansion Potential. DME's location outside Moscow provides an attractive location for development, by allowing for limited environmental impact of airport operations and featuring low population density in the immediate surrounding area. DME has a single terminal building that is located and configured in a manner that will allow phased development. The location of DME's terminal between the runways expedites transfer of passengers, expanding DME's potential as a transit hub. DME is the only MAH airport with two parallel runways configured to permit simultaneous, independent operation. This, together with high speed taxiways and a sufficient number of parking slots, provides DME with the highest potential runway capacity among MAH airports (90 ATMs per hour) as compared to SVO (68 ATMs per hour) and VKO (61 ATMs per hour), according to ARUP report of 2010. Both of DME's runways are certified to meet ICAO Category IIIA specifications, qualifying the airport for landing operations under adverse weather conditions. Unlike VKO, which currently may not service ATMs from 3:00 a.m. to 6:00 a.m., DME does not have such restrictions on night flights. Access to DME is provided by a direct rail link from the centre of Moscow and by a dual carriageway dedicated to, and with its end point at DME. In addition, DME has potential for significant expansion and development, both for (i) additional runways, as well as for expansion of terminals and air traffic support capacity and (ii) related property and commercial development. DME's expansion goals include increasing terminals capacity to approximately 19,100 passengers

per hour by 2018, as compared to 11,795 passengers per hour as of 30 June 2016, and commercial space to approximately 500,000 square metres by 2018, as compared to 225,000 square metres as of 30 June 2016.

Unique Integrated Business Model. The Group has a highly integrated operating model with a diverse product offering. The Group believes that it offers a breadth of services to its airline customers that few other airports can match. The Group essentially offers a "one-stop-shop" for airlines, covering a wide range of their needs relating to aviation services (terminal, take-off and landing services and security), auxiliary aviation services (including ground handling of passengers and aircraft, in-flight catering, fuelling services and storage, and cargo handling) and other services for its non-airline customers (for example, offering commercial space and parking for passengers) with a particular focus on high-margin business. The Group also strives to offer its airline customers unique tailored solutions through DME Commercial Services ("DCS"), a centralised contact point for airline customers, a strategy which the Group believes has been instrumental in its ability to retain and attract airline customers.

Diversified and Growing High Quality Airline Customer Mix. The Group has a diversified airline customer base among the MAH airports and hosts a variety of leading Russian (including two out of the four largest airlines in Russia: S7 and Ural Airlines) and international carriers (including British Airways, Eithad Airways, Emirates, Lufthansa, Singapore Airlines, Swiss Air, Qatar Airways, Uzbekistan HJ and others) with S7 being the Group's major client. The Group services all types of airlines, from budget to premium quality airlines with a particular focus on top rated international carriers. The Group has more airlines offering flights than its MAH competitors (61 at DME as compared to 45 at SVO and 20 at VKO as of 30 June 2016) and believes it has significantly less airline customer concentration with S7 accounting for 39.3 per cent. of total scheduled seats for the six months ended 30 June 2016, as compared to SVO and VKO where Aeroflot accounted for 88 per cent. and UTair accounted for 41 per cent., respectively, of total scheduled seats for the same period, based on quarterly reports of the relevant airlines. DME also serves all three global airline alliances (eight members of the Star Alliance, five members of the oneworld alliance and one member of the Sky Team alliance currently operate at DME), with scope for future migration of alliance partners not currently using DME. Moreover, S7 (which is a member of the oneworld alliance) continues to consolidate its strong position in the Russian aviation market and expand internationally through operating agreements with other oneworld airlines.

Strong Management Track Record. The Group has a strong, dynamic and experienced management team with nine key members of the Group's management team having an average of 11.5 years of experience in the Russian aviation sector. The management team has overseen the transformation of DME which has led to extensive growth over the past several years, during which time they have covered not only day-to-day management of operations but also construction and expansion of airport facilities, enabling DME to evolve as one of the largest airports in Moscow, the CIS and Eastern Europe in terms of passenger traffic volumes. As a result, the Group believes that it is well-equipped to operate DME and to oversee its continued expansion.

Strong Financial Position, Conservative Capital Structure and Financial Policy, and Track Record of Profitability. The Group has historically maintained a conservative debt policy which enables the Group to meet its obligations in a timely and comfortable fashion. Despite an active expansion policy, DME has consistently maintained a low-leverage position

with Net Debt to Adjusted EBITDA ratio of 0.7 and 0.9 as of 31 December 2015 and 30 June 2016, respectively, Total Debt to Adjusted EBITDA ratio of 1.7 and 1.4 as of 31 December 2015 and 30 June 2016, respectively, and Debt to Equity ratio⁵ of 49.7 per cent. and 42.1 per cent. as of 31 December 2015 and 30 June 2016, respectively, supported by free cash flow generation and significant revenue growth and margin improvement. The Group's policy is to maintain the leverage ratio, calculated as Net Debt to Adjusted EBITDA, below 3.0. See "*Selected Consolidated Financial Information and Operating Data - Additional (Non-IFRS) Financial Information*" for information on ratios calculation.

Strategy

The Group's goal is to maintain DME's position as one of the largest airports in Russia and Eastern Europe and continue business expansion while keeping a prudent capital structure and conservative debt policy, maintaining a strong balance sheet and robust cash flow generation by pursuing the following strategies:

Increase Passenger Traffic. The Group will seek to sustain its leading market positions and increase passenger traffic through continuing development of airport infrastructure, seeking to increase transfer traffic, maximising convenience of travel to and from DME and continuing its focus on its airline customers' needs. The Group's 2026 Masterplan contemplates increasing DME's passenger terminals capacity to up to 55.0 million passengers per annum by 2026 by (i) construction by the Russian government of a new runway to replace the existing Runway 2; and (ii) construction of Terminal 2 (adding a total of 319,023 square metres of new terminal area in several phases), as well as increasing cargo terminal capacity by 345,000 tonnes per year. See "*—Airport Development 2026 Masterplan*" below. The Group will seek to realise potential increases in transfer traffic by assisting airlines in developing route networks and technologies to service transfer flights, developing airport route networks through marketing and promotion of new routes to airlines, and developing transfer services technology at the airport to reduce passenger connecting times for both domestic and international flights. The Group will seek to enhance convenience of travel to and from DME by working with applicable parties to transfer the rail link terminal to a more centralised point and increase train frequency from every 30 minutes to every 15 to 20 minutes by 2017. The Group also expects that the planned widening of the DME access road, to be financed by the federal and regional governments, will accommodate more traffic and facilitate access to DME.

Further Develop the Group's Integrated Business Model. The Group intends to enhance its integrated business model and "one-stop-shop" airline services concept to facilitate and to raise efficiency of client communications. Further, the Group will seek to introduce standardised contractual terms to increase transparency between DME and its clients. The Group also plans to seek to encourage customers and investors to develop their own businesses at DME. In 2013, the Group commissioned an in-flight catering facility with a capacity of up to 3,500 meals per day together with the catering network LSG Sky Chefs. A new Aeroexpress train terminal constructed by the operator of Aeroexpress and JSC Russian Railways is expected to be commissioned by the end of 2017.

⁵ This measure is an APM. The Group calculates Debt to Equity ratio as a sum of the long-term and short-term borrowings (Debt) divided by Total equity (Equity) as stated in the consolidated statement of financial position prepared in accordance with IFRS.

Seek to Realise Revenue Growth Potential from Non-aeronautical Services. The Group intends to further increase the share of its revenue derived from non-aeronautical services through expanding retail concession areas in Terminal 1 and adding significant additional capacity upon construction of Terminal 2. As a part of its 2026 Masterplan, the Group also intends to develop the airport complex territory with projects such as "DME Aerotropolis". The first phase of "DME Aerotropolis" includes construction of an industrial park with an area of 900,000 square meters, a commercial unit with an area of 315,000 square meters, a hotel and leisure unit with an area of 275,000 square meters, and exposition village with an area of 370,000 square meters, an agricultural unit with an area of 1,000,000 square meters and a business unit with an area of 215,000 square meters.

Enhance Operational Efficiency. The Group intends to improve profitability by improving its technological processes and by fostering a more thorough process-based approach to business management. The Group focuses on increasing the overall level of automation across the entire spectrum of business processes and optimisation of various airport operations. In particular, the Group is developing an Airport Operations Control Centre (AOCC) based on the Airport Collaborative Decision Making (A-CDM) concept that will include all its aviation partners in a full-scale continuous joint decision-making process. As the next step, the Group intends to develop the Total Airport Management (TAM) concept by developing a more powerful AOCC extending its control functions to landside operations. The Group also intends to increase its efforts to provide appropriate personnel training through use of corporate training centres and improving results-oriented incentivisation schemes and loyalty programmes for personnel, in order to optimise staff headcount while decreasing employee turnover. In addition, the Group will seek to strengthen security systems through utilisation of advanced and automated technological systems. The Group also intends to focus on minimising the adverse impact of airport operations on the environment and on the population of the areas near DME. In particular, in 2014, the Group put into operation a noise monitoring system and built local waste and water treatment facilities and storage and disposal facilities used for de-icing fluids.

Risk Factors

An investment in the Notes involves risks, including those relating to or arising from the Group's business and industry, political, social, economic, legislative and legal risks associated with the Russian Federation and risks arising from the nature of the Notes and the markets upon which they are or are expected to be traded. Investors should carefully consider all of the information in this Prospectus, including the information included under "*Risk Factors*", prior to making an investment in the Notes.

Overview of the Offering

The following overview of the offering should be read in conjunction with, and is qualified in its entirety by "Terms and Conditions of the Notes", "Clearing and Settlement" and the form of the Loan Agreement and the Guarantees.

The Notes

Issuer	DME Airport Designated Activity Company, a designated activity company incorporated under the laws of Ireland. The Issuer is not a subsidiary of the Borrower or any Guarantor, directly or indirectly.
Joint Lead Managers	ING Bank N.V., London Branch, Société Générale and UBS Limited.
Notes Offered	U.S.\$350,000,000 5.875 per cent. Loan Participation Notes due 2021.
Issue Price	100 per cent. of the principal amount of the Notes.
Issue Date	10 November 2016
Maturity Date	11 November 2021
Trustee	BNY Mellon Corporate Trustee Services Limited
Account Bank, Principal Paying Agent and Transfer Agent	The Bank of New York Mellon, London Branch
Registrar	The Bank of New York Mellon (Luxembourg) S.A.
Interest	On each interest payment date (being 11 May and 11 November in each year and commencing on 11 May 2017), the Issuer shall account to the Noteholders for an amount equivalent to amounts of interest actually received by or for the account of the Issuer pursuant to the Loan Agreement and/or the Deed of Guarantee, which interest under the Loan accrues at a rate of 5.875 per cent. per annum from and including the Issue Date.
Limited Recourse	The Notes will constitute the obligation of the Issuer to apply an amount equal to the gross proceeds from the issue of the Notes solely for the purpose of financing the Loan to the Borrower pursuant to the terms of the Loan Agreement. The Issuer will only account to the holders of the Notes for all amounts equivalent to those (if any) received from the Borrower in respect of principal, interest or any additional amounts under the Loan

Agreement and the Deed of Guarantee less amounts in respect of the Reserved Rights (as defined under "*Terms and Conditions of the Notes*").

Form and Denomination

The Notes will be issued in registered form, in denominations of U.S.\$200,000 and higher integral multiples of U.S.\$1,000. The Notes will be represented by a Global Certificate. The Global Certificate will be exchangeable for Definitive Certificates in the limited circumstances specified in the Global Certificate.

Initial Delivery of Notes

On or before the Issue Date, the Global Certificate shall be registered in the name of a nominee of, and deposited with a common depositary for, Euroclear and Clearstream, Luxembourg.

Status of the Notes

The Notes are limited recourse, secured obligations of the Issuer as more fully described in "*Terms and Conditions of the Notes — Status*".

Security

The Notes will be secured by the Charge (as defined in "*Description of the Transaction and the Security*") on:

- all principal, interest and other amounts now or hereafter payable to the Issuer by the Borrower under the Loan or the Guarantors under the Deed of Guarantee;
- the right to receive all sums which may be or become payable by the Borrower or the Guarantors under any claim, award or judgment relating to the Loan Agreement or the Deed of Guarantee, as the case may be; and
- all the rights, title and interest in and to all sums of money now or in the future deposited in the Account (as defined in "*Description of the Transaction and the Security*") and the debts represented thereby (including interest from time to time earned on the Account, if any), pursuant to the Trust Deed,

provided that Reserved Rights and any amounts relating to Reserved Rights are excluded from the Charge.

The Notes will also be secured by an absolute assignment with full title guarantee by the Issuer to the Trustee of its rights under the Loan Agreement and the Deed of Guarantee (save for the Reserved Rights and those rights subject to the Charge) pursuant to the Trust

Deed.

Withholding Taxes and Increased Costs

All payments in respect of the Notes by or on behalf of the Issuer will be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Ireland or any political subdivision or any authority thereof or therein having the power to tax, other than as required by law. In the event that any deduction or withholding is required by law, the Issuer will be required, except in certain limited circumstances, to pay increased amounts of principal, interest or any other payment due thereon to the extent that it receives corresponding amounts from the Borrower or a Guarantor under the Loan Agreement or the Deed of Guarantee, as the case may be.

Optional Redemption by the Noteholders upon a Change of Control

Upon the occurrence of a Change of Control (as defined in "*Loan Agreement*") the Notes may be redeemed at the option of a Noteholder at their principal amount together with accrued and unpaid interest, if any, as more fully described in "*Loan Agreement*" and "*Terms and Conditions of the Notes*."

Optional Redemption for Taxation Reasons

The Issuer will be required to redeem in whole, but not in part, the Notes at the principal amount thereof, together with accrued and unpaid interest and additional amounts, if any, to the date of redemption should (1) the Borrower elect to repay the Loan in the event that it is required to pay increased amounts of principal, interest or any other payment due under the Loan Agreement on account of Cypriot, Russian or Irish withholding taxes or as a result of the enforcement of the security provided for in the Trust Deed, or (2) the Borrower elects to repay the Loan in the event it is required to pay additional amounts on account of certain costs incurred by the Issuer pursuant to the Loan Agreement.

Optional Redemption by the Issuer for Illegality

In limited circumstances as more fully described in the Terms and Conditions, the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time upon giving notice to the Trustee and the Noteholders, at the principal amount thereof, together with accrued and unpaid interest and additional amounts, if any, to the date of redemption, in the event that it becomes unlawful for the Issuer to fund the Loan or allow the Loan to remain outstanding under the Loan Agreement or allow the Notes to remain outstanding or for the Issuer to maintain

or give effect to any of its obligations in connection with the Loan Agreement or the Notes and/or to charge or receive or to be paid interest at the rate then applicable to the Loan or the Notes and in such case the Issuer shall require the Loan to be repaid in full.

Relevant Events

Upon the occurrence of a Relevant Event (as defined in "*Description of the Transaction and the Security*"), the Trustee may, subject as provided in the Trust Deed and subject to being indemnified and/or secured and/or prefunded to its satisfaction, enforce the security created in its favour pursuant to the Trust Deed.

Ratings

It is expected that the Notes will be rated:

- BB+ by Fitch; and
- BB+ by S&P.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Similar ratings on different types of notes do not necessarily mean the same thing. The ratings do not address the likelihood that the principal on the Notes will be prepaid or paid on a particular date before the legal final maturity date of the Notes. The ratings do not address the marketability of the Notes or any market price. Any change in the credit ratings of the Notes could adversely affect the price that a subsequent purchaser will be willing to pay for the Notes. The significance of each rating should be analysed independently from any other rating.

Listing

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market.

Selling Restrictions

The Notes are subject to selling restrictions in various jurisdictions and, in particular, in the United Kingdom, the United States, Ireland, the Russian Federation, Cyprus and the Isle of Man. See "*Subscription and Sale*".

Governing Law, Jurisdiction and Arbitration

The Notes, the Trust Deed, the Paying Agency Agreement (as defined below) and any non-contractual obligations arising out of or in connection with them shall be governed by and construed in accordance with English law and contain provisions submitting to the jurisdiction of courts of England or referral to arbitration

in London, England, as applicable.

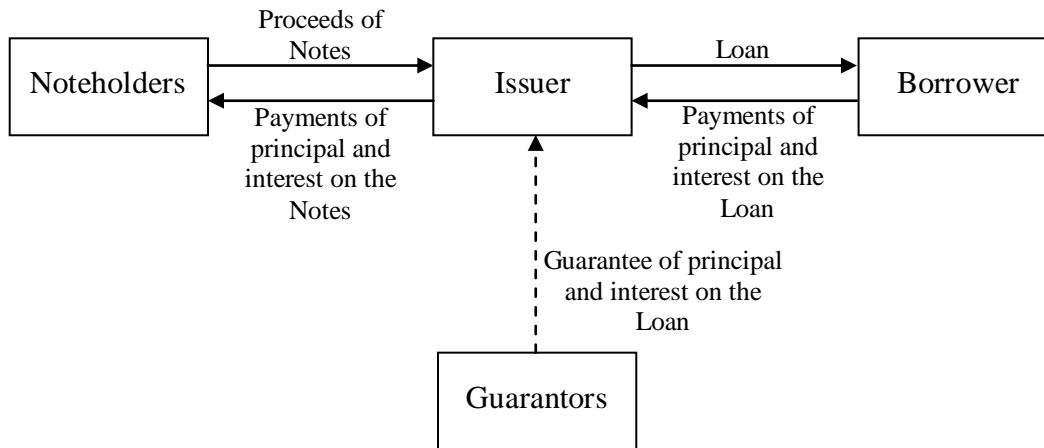
Use of Proceeds	The gross proceeds to the Issuer from the offering of the Notes are expected to be U.S.\$ 350,000,000, which the Issuer intends to use for the sole purpose of financing the Loan to the Borrower.
Security Codes	International Security Identification Number ("ISIN"): XS1516324321 Common Code: 151632432
Clearing Systems	Euroclear and Clearstream, Luxembourg
Yield	The annual yield of the Notes when issued is 5.875 per cent.
Risk Factors	An investment in the Notes involves a high degree of risk. See " <i>Risk Factors</i> ".
Certain Covenants	The Issuer has covenanted under the Trust Deed that, as long as any Notes remain outstanding, it will not, without the prior written consent of the Trustee, agree to any amendment or any modification or waiver of, or authorise any breach or proposed breach of, the terms of the Loan Agreement or the Deed of Guarantee, except as otherwise expressly provided in the Trust Deed, the Loan Agreement or the Deed of Guarantee.
The Loan and the Guarantees	
Lender	DME Airport Designated Activity Company, a designated activity company incorporated under the laws of Ireland.
Borrower	Hacienda Investments Limited, a company with limited liability incorporated under the laws of the Republic of Cyprus with registration number HE 68181 having its registered office address at Michalaki Karaoli, 2, Office 203, 1095, Nicosia, Cyprus.
Status of the Loan	The Loan is a direct, unconditional, unsubordinated obligation of the Borrower secured by the Guarantees and obligations under the Loan will rank at least <i>pari passu</i> with all other direct, unconditional, unsubordinated and unsecured indebtedness of the Borrower.
Status of Guarantee	The Guarantee will rank at least <i>pari passu</i> with all other direct, unconditional, unsubordinated and unsecured indebtedness of the Guarantors.

Guarantors	The Loan will be unconditionally and irrevocably guaranteed pursuant to the Guarantees by the Guarantors under the Deed of Guarantee in favour of the Issuer as Lender under the Loan Agreement. In addition, in certain circumstances set out in the Loan Agreement, the Borrower may be obliged to procure certain further guarantees.
Guarantees	The Loan will be unconditionally and irrevocably guaranteed by the Guarantors. The Guarantees will rank at least <i>pari passu</i> with all other direct, unconditional, unsubordinated and unsecured indebtedness of the Guarantors.
Principal Amount of the Loan	U.S.\$ 350,000,000
Interest on the Loan	5.875 per cent. per annum, payable semi-annually in arrear on 11 May and 11 November in each year starting on 11 May 2017.
Use of Proceeds	The Borrower will use the proceeds of the Loan to finance the purchase of U.S.\$300,000,000 6 per cent. loan participation notes due 2018 issued by the Issuer on 25 November 2013 by way of a tender offer as well as for general corporate purposes, including financing the construction of Terminal 2.
Early Prepayments by the Borrower	See " <i>Optional Redemption for Taxation Reasons</i> " and " <i>Optional Redemption by the Issuer for Illegality</i> "
Withholding Taxes and Increased Costs	Payments under the Loan Agreement and the Deed of Guarantee shall, except in certain limited circumstances, be made without deduction or withholding for, or on account of, Russian, Cypriot, Isle of Man or Irish taxes, except as required by law. In the event that any deduction or withholding is required by law with respect to payments under the Notes or the Loan Agreement, the Borrower and the Guarantors will be obliged, except in certain limited circumstances, to increase the amounts payable under the Loan Agreement and the Deed of Guarantee, respectively, by an amount equivalent to the required tax payment.
Certain Covenants	As described in " <i>The Loan Agreement</i> ".
Events of Default	As described in " <i>The Loan Agreement</i> ".
Governing Law	The Loan Agreement and the Deed of Guarantee and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance

with English law.

DESCRIPTION OF THE TRANSACTION AND THE SECURITY

The following summary description should be read in conjunction with, and is qualified in its entirety by "Terms and Conditions of the Notes", "Clearing and Settlement" and the form of the Loan Agreement and the Deed of Guarantee.



The transaction will be structured as a loan to the Borrower by the Issuer. The Issuer will issue the Notes, which will be limited recourse loan participation notes issued for the sole purpose of funding the Loan to the Borrower. The Guarantors will provide the Guarantees in respect of the obligations of the Borrower under the Loan Agreement. The Notes themselves will be the obligations of the Issuer and will not be guaranteed by the Guarantors or any other person.

The Notes will be constituted by, be subject to, and have the benefit of, the Trust Deed. The obligations of the Issuer to make payments under the Notes shall constitute an obligation only to account to the Noteholders for an amount equal to the sums of principal, interest and/or additional amounts (if any) due under the Loan and the Guarantees and actually received by or for the account of the Issuer from the Borrower or the Guarantors pursuant to the Loan Agreement or the Deed of Guarantee, as the case may be, less any amount in respect of the Reserved Rights (as defined in the Trust Deed). In the event that the amount due and payable by the Issuer under such Notes exceeds the sums so received or recovered and retained (net of tax), the right of any person to claim payment of any amount exceeding such sums from the Issuer shall be extinguished, and Noteholders may take no further action against the Issuer to recover such amounts.

As provided in the Trust Deed, the Issuer, with full title guarantee and as continuing security for the payment of all sums under the Trust Deed and the Notes, will charge by way of first fixed charge in favour of the Trustee (the "**Charge**"):

- (a) all its rights to principal, interest and other amounts now or hereafter payable to the Issuer by the Borrower under the Loan Agreement or by the Guarantors under the Deed of Guarantee;
- (b) the right to receive all sums which may be or become payable by the Borrower or the Guarantors under any claim, award or judgment relating to the Loan Agreement or the Deed of Guarantee, as the case may be; and
- (c) all the rights, title and interest in and to all sums of money now or in the future deposited in an account with the Account Bank in the name of the Issuer (the

"**Account**") and the debts represented thereby (including interest from time to time earned on the Account, if any),

provided that for the avoidance of doubt, the Issuer shall remain the legal and beneficial owner of the property subject to the Charge following the granting of the Charge and that Reserved Rights and any amounts relating to Reserved Rights are excluded from the Charge.

In addition, the Issuer with full title guarantee will assign absolutely to the Trustee for the benefit of the Trustee and the Noteholders all the rights, interest and benefits, both present and future, which have accrued or may accrue to the Issuer (1) as lender under or pursuant to the Loan Agreement (as amended from time to time) (including, without limitation, all monies payable to the Issuer and any claims, awards and judgments in favour of the Issuer in connection with the Loan Agreement (as amended from time to time) and the right to declare the Loan immediately due and payable and to take proceedings to enforce the obligations of the Borrower thereunder) and (2) as party to the Deed of Guarantee (including, without limitation, the right to declare the obligations of the Guarantors to be immediately due and payable and to take proceedings to enforce the obligations of the Guarantors under the Deed of Guarantee) in each case other than any rights, title, interests and benefits which are subject to the Charge and other than the Reserved Rights and any amounts relating to the Reserved Rights. As a consequence of such assignment, the Trustee will assume the rights of the Issuer under the Loan Agreement and the Deed of Guarantee as set out in the relevant provisions of the Trust Deed. Formal notice of the Charge and assignment will be given to the Borrower and each of the Guarantors, who will each be required to acknowledge the same.

The Issuer will covenant not to agree to any amendments to, or any modification, recession, cancellation, termination or waiver of, or authorise any breach by any counterparty or proposed breach by any counterparty of, the terms of the Loan Agreement or the Deed of Guarantee unless the Trustee has given its prior written consent or unless authorised to do so by an Extraordinary Resolution (as defined in the Trust Deed) or Written Resolution (as defined in the Trust Deed). The Issuer will further agree to act at all times in accordance with any instructions of the Trustee from time to time with respect to the Loan Agreement and the Deed of Guarantee (subject to being indemnified and/or secured to its satisfaction by the Borrower), save as otherwise provided in the Trust Deed, the Loan Agreement or the Deed of Guarantee. Any amendments, modifications, waivers, recession, cancellation, termination or authorisations made with the Trustee's consent shall be notified to the Noteholders in accordance with Condition 14 of the Terms and Conditions relating to the Notes.

USE OF PROCEEDS

The gross proceeds of the Notes will be used by the Issuer for the sole purpose of financing the Loan to the Company. The gross proceeds of such Loan, less any commissions or expenses payable by the Company, will be used to finance the purchase of U.S.\$300,000,000 6 per cent. loan participation notes due 2018 issued by the Issuer on 25 November 2013 (the "**2018 LPNs**") by way of a tender offer (the "**Tender Offer**") as well as for general corporate purposes, including financing the construction of Terminal 2.

INCORPORATION BY REFERENCE

The Issuer's Financial Statements together with the audit reports thereon, which have been filed with the Central Bank of Ireland and may be found at the following websites:

- Financial Statements 2015:

http://www.ise.ie/debt_documents/Annual%20Financial%20Statement_1e2bba81-8202-44e9-99e2-633cf59dc896.PDF

- Financial Statements 2014:

[http://www.ise.ie/debt_documents/DME%20Airport%20Financial%20Statements%20-%202014\(22282950_1\)_fe7c513e-a339-4a8d-89f1-aa80c853344c.PDF](http://www.ise.ie/debt_documents/DME%20Airport%20Financial%20Statements%20-%202014(22282950_1)_fe7c513e-a339-4a8d-89f1-aa80c853344c.PDF)

are incorporated in, and form part of, this Prospectus.

Copies of Issuer's Financial Statements may be obtained, free of charge, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the specified offices of the Paying Agents and from the registered office of the Issuer.

CAPITALISATION OF THE GROUP

The following table sets forth the Group's cash and cash equivalents, current borrowings and capitalisation as of 30 June 2016.

Prospective investors should read this table in conjunction with "*Selected Consolidated Financial and Operating Information*", "*Operating and Financial Review*" and the Group's Financial Statements.

	As of 30 June 2016
	<i>(in millions of RUB)</i>
	<i>(unaudited)</i>
Indebtedness	
Short-term borrowings ⁽¹⁾	205
Long-term borrowings ⁽²⁾	20,648
Total indebtedness	20,853
Equity	
Share capital	11,877
Retained earnings	46,208
Loans to the owners of the Company ⁽³⁾	(8,542)
Equity attributable to owners of the Company ⁽³⁾	49,543
Non-controlling interests	(26)
Total equity	49,517
TOTAL CAPITALISATION ⁽⁴⁾	70,370

⁽¹⁾ Short-term borrowings consist of the short-term portion (due within 12 months) of the 2018 LPNs.

⁽²⁾ Long-term borrowings include the long-term portion of the 2018 LPNs and other long-term borrowings.

⁽³⁾ As defined in the Group's Financial Statements.

⁽⁴⁾ Total capitalisation of the Group is calculated as the sum of the total indebtedness of the Group and the total equity of the Group.

Other than (1) the new shareholder loans in the aggregate principal amount of RUB 6,701 million provided to the parent entity of the Group from July to October 2016, and (2) as a result of the matters set forth under "*Operating and Financial Review*", there has been no material change in the Group's capitalisation since 30 June 2016.

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND OPERATING DATA

The following selected consolidated financial information should be read in conjunction with "Operating and Financial Review", and the Group's Financial Statements included in this Prospectus beginning on page F-2. For a description of the Consolidated Financial Statements, see "Presentation of Financial and Other Information".

The tables below show the selected consolidated financial information and operating information for the years ended 31 December 2013, 2014 and 2015, and for the six months ended 30 June 2015 and 2016. It has been derived from the Group's Financial Statements.

Certain operating information is set forth below. EBIT, EBITDA, Adjusted EBITDA, EBITDA margin and Adjusted EBITDA margin are non-IFRS measures and represent APMs.

SELECTED CONSOLIDATED COMPREHENSIVE INCOME DATA

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	(in millions of RUB)				
	(unaudited)				
Total revenue:	39,924	41,224	39,446	18,571	17,757
<i>Service revenue</i>					
Ground handling	7,346	8,274	9,146	4,343	4,416
Airport and other related charges	6,874	7,770	8,406	3,990	3,928
Rental income	6,028	6,857	5,921	2,733	2,426
Jet fuelling and storage services	2,690	3,162	2,511	1,220	1,204
Aviation security	1,938	2,142	2,393	1,092	1,127
Parking fees	728	750	670	309	280
Construction revenue	178	218	122	41	85
Other revenue	383	609	575	258	282
<i>Product revenue</i>					
Jet fuel sales	8,568	6,019	5,098	2,321	2,126
Catering	5,191	5,423	4,604	2,264	1,883
Total operating expenses, net:	(27,269)	(27,419)	(27,717)	(12,890)	(13,085)
Wages and salaries	(8,499)	(9,484)	(9,011)	(4,411)	(4,445)
Social taxes	(2,155)	(2,290)	(2,433)	(1,223)	(1,234)
Cost of jet fuel	(7,335)	(4,906)	(4,748)	(2,249)	(1,935)
Depreciation and amortisation	(2,818)	(3,024)	(3,099)	(1,582)	(1,543)
Materials	(1,770)	(1,760)	(1,703)	(838)	(815)
Maintenance	(1,148)	(1,488)	(1,751)	(780)	(780)
Taxes other than income tax	(860)	(1 147)	(1 029)	(466)	(664)
Cleaning and waste management	(543)	(717)	(736)	(386)	(386)
Public utilities	(473)	(443)	(497)	(241)	(289)
Transport	(232)	(336)	(404)	(192)	(251)
Consulting, audit and other services	(233)	(242)	(269)	(104)	(162)
Rent	(374)	(290)	(320)	(170)	(140)
Passenger servicing	(108)	(152)	(177)	(67)	(109)
Staff development and training	(197)	(285)	(266)	(139)	(103)

Change in provision for impairment of receivables, advances to suppliers and advances for acquisition of non-current assets	(132)	(20)	(965)	(24)	(33)
Communication services expense	(80)	(61)	(47)	(24)	(19)
Certification and licensing	(18)	(57)	(16)	(8)	(16)
Advertising expenses	(43)	(52)	(27)	(7)	(9)
Aircraft servicing	(13)	(11)	(8)	(4)	(4)
Charitable donations	–	–	(91)	(91)	–
Reimbursement of taxes relating to prior periods	–	–	–	512	–
Change in legal provision	271	(127)	129	59	1
Tax refund relating to claimed tax benefit	–	–	512	–	–
Other expenses, net	(509)	(527)	(761)	(455)	(149)
Operating profit	12,655	13,805	11,729	5,681	4,672
Interest expense	(468)	(1,146)	(1,437)	(539)	(317)
Interest income	177	258	541	222	168
Foreign exchange (loss)/gain, net	(848)	896	(1,545)	(1,041)	(69)
Impairment of restricted cash balances	–	(308)	(47)	–	–
Loss on disposal of a subsidiary	–	(2)	–	–	–
Profit before income tax	11,516	13,503	9,241	4,323	4,454
Income tax	(2,086)	(2,102)	(1,090)	(796)	(782)
Profit and comprehensive income for the period	9,430	11,401	8,151	3,527	3,672

SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As of 31 December			As of 30 June
	2013	2014	2015	2016
	<i>(in millions of RUB)</i>			
ASSETS				<i>(unaudited)</i>
Property, plant and equipment	49,397	51,192	55,163	59,603
Investment property	1,852	1,786	561	557
Advances for acquisition of non-current assets	456	362	2,327	2,268
Intangible assets	5,022	4,927	5,019	4,986
Deferred tax asset	825	1,621	1,444	2,515
Amounts due from grantor under a concession agreement	642	785	576	387
Long-term lease receivable	143	217	294	276
Long-term investments	–	–	8,557	18
Other non-current assets	1	1,882	2,258	1,955
Total non-current assets	58,338	62,772	76,199	72,565
Inventory	862	1,214	1,223	1,196
Trade and other receivables	2,495	2,835	2,744	2,972
Prepayments and other current assets	2,493	2,274	3,294	3,994
Prepaid income tax	554	1,505	1,446	758
Short-term lease receivable	108	164	180	163
Short-term investments	2,108	17,918	11,916	31
Assets classified as held for sale	–	–	–	11
Cash and cash equivalents	12,210	4,112	4,783	7,474
Payments made in connection with uncertain tax positions	614	21	–	–

Total current assets	21,444	30,043	25,586	16,599
TOTAL ASSETS	79,782	92,815	101,785	89,164
EQUITY AND LIABILITIES				
Share capital	11,877	11,877	11,877	11,877
Retained earnings	36,576	38,081	42,573	46,208
Loans to the owners of the Company	—	—	—	(8,542)
Equity attributable to owners of the Company ⁽¹⁾	48,453	49,958	54,450	49,543
Non-controlling interests	14	99	101	(26)
Total equity	48,467	50,057	54,551	49,517
Non-current liabilities				
Five-year USD loan participation notes	9,720	16,707	21,644	19,083
Long-term borrowings	4,345	3,596	1,544	1,565
Deferred tax liability	5,412	6,925	6,658	6,822
Amounts due to grantor under a concession agreement, long term portion	3,189	3,169	3,147	3,136
Total non-current liabilities	22,666	30,397	32,993	30,606
Current liabilities				
Trade and other payables	3,684	3,775	4,215	4,719
Accrued expenses and other current liabilities	1,038	2,198	2,135	2,333
Taxes other than income tax payable	1,142	1,169	1,133	1,440
Amounts due to grantor under a concession agreement, short-term portion	318	364	255	262
Five-year USD loan participation notes, short-term portion	60	133	213	205
Provisions	24	205	325	42
Income tax payable	292	37	61	40
Dividends payable	—	1,309	2,193	—
Current portion of long-term borrowings	2,091	3,171	3,711	—
Total current liabilities	8,649	12,361	14,241	9,041
TOTAL EQUITY AND LIABILITIES	79,782	92,815	101,785	89,164

⁽¹⁾ As defined in the Group's Financial Statements.

ADDITIONAL (NON-IFRS) FINANCIAL INFORMATION

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	<i>(in millions of RUB, unaudited)</i>				
	<i>(unaudited)</i>				
EBIT¹	12,655	13,805	11,729	5,681	4,672
EBITDA²	15,473	16,829	14,828	7,263	6,215
<i>Aviation services</i>	3,848	4,562	5,333	2,567	2,025
<i>Auxiliary aviation services</i>	7,437	8,057	5,759	2,929	2,321
<i>Commercial services</i>	4,188	4,210	3,736	1,767	1,869
Adjusted EBITDA³	15,334	16,976	15,664	7,228	6,247
<i>Aviation services</i>	3,801	4,600	5,529	2,562	2,026
<i>Auxiliary aviation services</i>	7,349	8,155	6,238	2,905	2,274
<i>Commercial services</i>	4,184	4,221	3,897	1,761	1,947
EBITDA margin (in percentages)⁴	39%	41%	38%	39%	35%
<i>Aviation services</i>	42%	44%	48%	50%	38%

<i>Auxiliary aviation services</i>	31%	35%	27%	29%	24%
<i>Commercial services</i>	61%	54%	56%	57%	68%
Adjusted EBITDA margin (in percentages)⁵	38%	41%	40%	39%	35%
<i>Aviation services</i>	42%	45%	50%	49%	38%
<i>Auxiliary aviation services</i>	31%	35%	29%	28%	23%
<i>Commercial services</i>	61%	54%	58%	57%	70%
Net Debt⁶/Adjusted EBITDA⁸	0,1	0,1	0,7	0,4	0,9
Total Debt⁷/Adjusted EBITDA⁹	1,1	1,4	1,7	1,3	1,4

1. This measure is an APM. The Group defines EBIT as operating profit.
2. This measure is an APM. The Group defines EBITDA as operating profit (EBIT) plus depreciation and amortisation. The definition of EBITDA used in this Prospectus may differ from the definitions of EBITDA used in the transaction documents in respect of the Notes.
3. This measure is an APM. The Group defines Adjusted EBITDA as EBITDA adjusted for (i) changes in provision for impairment of receivables and advances to suppliers and (ii) changes in legal provision. The definition of Adjusted EBITDA used in this Prospectus may differ from the definitions of EBITDA or Adjusted EBITDA, if any, used in the transaction documents in respect of the Notes.
4. This measure is an APM. The Group defines EBITDA margin as EBITDA divided by revenue.
5. This measure is an APM. The Group defines Adjusted EBITDA margin as Adjusted EBITDA divided by revenue.
6. This measure is an APM. The Group defines Net Debt as financial indebtedness of the Group less cash and cash equivalents. The Group defines financial indebtedness as a sum of long-term and short-term borrowings.
7. This measure is an APM. The Group defines Total Debt as financial indebtedness of the Group calculated on a consolidated basis. The Group defines financial indebtedness as a sum of long-term and short-term borrowings.
8. This measure is an APM. To calculate Net Debt/Adjusted EBITDA ratio for six months ended 30 June 2015 and 2016 last twelve months Adjusted EBITDA ("**LTM Adjusted EBITDA**") was used for consistency of ratios.
9. This measure is an APM. To calculate Total Debt/Adjusted EBITDA ratio for six months ended 30 June 2015 and 2016 LTM Adjusted EBITDA was used for consistency of ratios.

The following table sets forth a reconciliation of adjusted EBITDA to operating profit for the periods indicated:

	<u>Year ended 31 December</u>			<u>Six months ended 30 June</u>	
	2013	2014	2015	2015	2016
	<i>(in millions of RUB)</i>				
	<i>(unaudited)</i>				
Operating profit	12,655	13,805	11,729	5,681	4,672
Depreciation and amortisation	2,818	3,024	3,099	1,582	1,543
EBITDA	15,473	16,829	14,828	7,263	6,215
Change in Bad Debt Allowance	(132)	(20)	(965)	(24)	(33)
Change in legal provision	271	(127)	129	59	1
Adjusted EBITDA	15,334	16,976	15,664	7,228	6,247

OPERATING AND FINANCIAL REVIEW

The following discussion and analysis of the Group's results of operations and financial condition should be read in conjunction with the Group's Financial Statements. Prospective investors should read the following discussion together with the whole of this Prospectus, including "Risk Factors", "Presentation of Financial and Other Information", "Selected Consolidated Financial and Operating Information" and should not rely solely on the information set out in this section. This section contains forward-looking statements that involve risks and uncertainties. The Group's actual results may differ materially from those discussed in such forward-looking statements as a result of various factors, including those described under "Risk Factors" and "Forward-Looking Statements".

Overview

The Group owns and operates DME, the second largest airport in Eastern Europe in terms of passenger traffic according to FlightGlobal. Located 44.6 kilometres southeast of the centre of Moscow (22.7 kilometres away from the Moscow Ringway), DME served approximately 30.5 million passengers in 2015 and 12.6 million during six months ended 30 June 2016. As of 30 June 2016, DME served 61 airlines, including 40 foreign airlines (11 from the CIS states) and 21 Russian airlines. DME has a diversified Russian and international airline customer base, with two major clients, S7 and Ural Airlines, and is the hub in Russia for eight member airlines of the Star Alliance and five member airlines of the oneworld alliance. As of 30 June 2016, non-stop flights from DME serviced 190 domestic and international destinations, of which 75 destinations were exclusive to DME among MAH airports.

The Group provides a wide range of airport services, seeking to diversify sources of revenue with a particular focus on high-margin businesses and better serving the needs of its airline and other customers. The Group operates through three business segments:

- aviation services such as the use of terminal, take-off and landing and aviation security services;
- auxiliary aviation services such as ground handling and fuelling services, in-flight catering, cargo and mail handling; and
- commercial services, which include DME's retail concessions, advertising, car parking and an on-site hotel.

The MAH is a major international gateway to Russia and the CIS region. Moscow is one of the largest cities in the world by population and has one of the highest total passenger traffic through its airports in the world. According to the TCH, in 2015, 77.6 million passengers used MAH airports. Annual growth in air traffic in the MAH averaged 10.6 per cent. between 2000 and 2015, according to the TCH. DME's market share of total passenger traffic in the MAH has increased from 16.1 per cent. in 2000 to 39.3 per cent. in 2015.

For the six months ended 30 June 2016 and 2015, the Group's EBITDA⁶ amounted to RUB 6,215 million and RUB 7,263 million, respectively. For the years ended 31 December 2015,

⁶ This measure is an APM. EBITDA is calculated as the pre-taxation profit after adding back any amount of depreciation of tangible assets and amortisation of intangible assets before taking into account any amount of interest expense commission, fees, discounts, prepayment fees, impairment of restricted cash balances, premiums or charges and other finance payments, whether paid, payable or capitalised less interest income and before taking into account any items treated as exceptional or extraordinary items including, without limitation, any amount in relation to foreign exchange gain or loss or gains or losses on any derivative instrument and revaluation of an asset or any gain or loss of book value arising on the disposal of any asset.

2014 and 2013 the Group's EBITDA amounted to RUB 14,828 million, RUB 16,829 million and RUB 15,473 million, respectively. For the six months ended 30 June 2016 and 2015, the Group's Adjusted EBITDA⁷ amounted to RUB 6,247 million and RUB 7,228 million, respectively. For the years ended 31 December 2015, 2014 and 2013 the Group's Adjusted EBITDA amounted to RUB 15,664 million, RUB 16,976 million and RUB 15,334 million.

Significant Factors Affecting the Results of Operations

The Group's management believes that the following factors significantly affected the Group's results of operations from 1 January 2013 to 30 June 2016, and may continue to affect its results of operations in the future.

Economic Conditions

Economic conditions in Russia and globally have a significant impact on the level of air traffic and DME's performance. In addition, substantially all of the Group's assets are located in, have businesses related to, revenues derived from, and expenses incurred in, the Russian Federation. As of 30 June 2016, 21 out of 61 airlines that operated from DME were Russian airlines and all of the 113 concessionaries that leased commercial space from the Group were Russian companies. As a result, the Group's results of operations are closely linked to economic conditions in Russia.

The following table sets forth certain Russian economic indicators for the years ended 31 December 2013, 2014 and 2015 and for the six months ended 30 June 2016.

	For the years ended 31 December			For the six months ended 30 June	
	2013	2014	2015	2015	2016
Nominal GDP (in RUB billions)	71,016.7	77,945.1	80,804.3	37,493.8	38,540.7
Real GDP (in RUB billions)	682.2	N/A	759.4	350.4	369.9
Real GDP growth/(decline) (in percentages)	1.3	0.6	(3.7)	(4.5)	(0.6)
Surplus/(deficit) of the federal budget of the Russian Federation (in RUB)	(323.0)	(334.7)	(1,961.0)	(797.7)	(1,429.2)
Official reserves (in USD billions).	509.6	385.5	368.4	363.7	383.3
Inflation ⁽¹⁾ (in percentages)	6.5	11.4	12.9	8.5	3.3
Nominal appreciation/(depreciation) of the Rouble against the U.S. Dollar (in percentages)	(2.4)	(16.2)	(37.4)	(38.9)	(18.4)
Real appreciation/(depreciation) of the Rouble against the U.S. Dollar (in percentages)	2.7	(11.1)	(27.7)	(29.0)	(12.8)

Sources: Rosstat, CBR. Data from Rosstat's or CBR's websites

⁽¹⁾ Inflation is measured as change in the consumer price index.

The Russian economy is to a significant extent driven by exports of key commodities such as oil, gas, iron ore and other raw materials which makes it particularly vulnerable to global market downturns or slowdowns. Dramatic decreases in the prices of these commodities in the world market can lead to significant reductions in the Russian government's revenues and the revenues of private Russian companies operating in these sectors which, in turn can have a material negative impact on the overall Russian economy.

⁷ This measure is an APM. Adjusted EBITDA is calculated as operating profit plus depreciation and amortisation and adjusted for (i) changes in provision for impairment of receivables and advances to suppliers and (ii) changes in legal provision.

Throughout 2014, 2015 and the first half of 2016, commodity prices remained highly volatile. In 2014, oil prices dropped 48 per cent. which resulted in a significant depreciation of the Rouble against the U.S. dollar and the Euro. In February 2016, the global benchmark Brent crude oil fell to less than U.S.\$ 27/bbl from over U.S.\$ 110/bbl in June 2014, which resulted in continuing volatility of the Rouble.

The conditions and outlook for the Russian economy deteriorated significantly starting from 2014 throughout 2015 and the first half of 2016, further exacerbated by the geopolitical tensions around Ukraine and the resulting sanctions against the Russian Federation imposed by the United States, the European Union and certain other countries. See *"Risk Factors – Risks Relating to the Russian Federation – Political instability in Ukraine and other states and the imposition of various sanctions by the United States, the European Union and other countries against Russian, Ukrainian or other nations' individuals and legal entities may adversely affect the Group's operations"*.

According to Rosstat, Russia's GDP growth rate slowed from 1.3 per cent. in 2013 to 0.6 per cent. in 2014; in 2015, Russia's GDP contracted by 3.7 per cent in real terms; and the IMF in January 2016 predicted that Russia's GDP will contract by a further 1 per cent in 2016.

The rate of inflation grew from 6.5 per cent. in 2013 to 11.4 per cent. in 2014 and 12.9 per cent. in 2015. In 2014 and 2015, the Rouble depreciated substantially against all major currencies, including the U.S. dollar (from RUB 32.73 per U.S.\$ 1.00 as of 31 December 2013 to RUB 56.26 per U.S.\$ 1.00 as of 31 December 2014 (or by 41.8 per cent.) to RUB 72.88 per U.S.\$ 1.00 as of 31 December 2015 (or by a further 29.6 per cent.)). While in the first half of 2016, the Rouble appreciated by 11.8 per cent. to RUB 64.26 per U.S.\$ 1.00 as of 30 June 2016, exchange rates remained volatile and generally followed oil and gas price fluctuations.

The sanctions arising from the crisis in Ukraine also reduced, to a certain extent, the ability of Russian companies to raise new debt and/or refinance existing debt in international capital markets. While the Group's business focuses on the Russian market, the Group has historically tapped wholesale capital and loan markets for funding, including term loans from banks, issuance of debt securities and other borrowings. Investors' lack of confidence in the Russian economy has caused volatility in wholesale funding markets, leading to higher borrowing costs and restricting access to liquidity for Russian companies, including the Group.

Economic conditions may have a significant impact on the level of air traffic and DME's performance. Adverse changes in the general level of economic growth may result in a decline in levels of discretionary spending and general business expenditure, which in turn may reduce passenger and cargo traffic levels. This may further result in a decline in fees for various airport services (such as catering services) as well as rental income from the retail areas within the passenger terminals at DME as such income is tied to passenger numbers. Furthermore, a deterioration of the Russian economy may result in financial difficulties or insolvency (e.g. Transaero) of DME's airline customers. The above volatility had an impact on the Group's revenues that grew by 9.7 per cent. and 3.3 per cent. in 2013 and 2014, respectively, but decreased by 4.3 per cent. in 2015.

State Funding

The Group is directly affected by budgetary constraints on the spending power of the Russian government, as the Russian Federation provides financing for a variety of important infrastructure projects for the Group, including runways, ramps, air traffic control and transportation infrastructure between Moscow and DME.

As at the date of this Prospectus, the Russian government has allocated RUB 4,788.5 million in the FTIP to finance the construction of a new runway to replace the existing Runway 2. Furthermore, the FTPD envisages allocation of funds for the entire project of construction of the new runway and other key infrastructure in the amount of RUB 30,477.3 million, including federal budget funds of RUB 15,570.5 million and non-budget government funds of RUB 14,906.8 million (see *"Risk Factors—Risks Relating to the Group and Industry in which it operates—The Russian government may prioritise funding of SVO's, VKO's or ZIA's projects over DME's"*).

Other Factors Affecting Air Traffic

In addition to Russia's economic situation discussed above, several other factors affect air traffic movements, which in turn have affected the Group's results of operations from 1 January 2013 to 30 June 2016, and may continue to affect its results of operations in the future. See *"Risk Factors—Risks Relating to the Group and Industry in which it operates—The Group is highly dependent on air traffic levels"*.

Among these factors, the Group's revenue is strongly related to its ability to attract new airlines and retain existing airline customers. From 1 January 2010 to 30 June 2016, the Group attracted 51 airlines to DME, as compared to SVO and VKO, which attracted 8 and 17 airlines, respectively. According to the Company, new entrants in the Russian market tend to begin operations in the MAH with a relatively small number of flights, while airlines that move to DME from another MAH airport generally operate a larger number of flights quite quickly following their transfer of operations to DME. The increasing presence of airline alliances at DME also contributes to a growth in air traffic. From 1 January 2010 to 30 June 2016, the Group lost 35 airlines, mainly because of their bankruptcy (Transaero, Armavia, BMI, Czech Connect Airlines, Wind Jet, Eurocypria etc.) or termination of their activity in the Russian market (Cathay Pacific, United Airlines etc.). See *"Risk Factors—Risks Relating to the Group's Industry—The Group is highly dependent on air traffic levels"* and *"—The Group's business depends significantly on the actions and business of airlines"*.

Some of DME's airline customers partially offset the loss in air traffic by increasing their flights to and from DME, and the Group also had to take prompt action with an increased effort in marketing and in attracting new carriers, which helped to limit the Group's loss of market share in the MAH. See *"Risk Factors—Risks Relating to the Group's Industry—The Group is highly dependent on air traffic levels"* and *"—The Group's business depends significantly on the actions and business of airlines"*.

The Group's financial performance from 1 January 2013 to 30 June 2016 has also been affected by decreases in passenger traffic levels during certain periods due to adverse weather conditions, political unrest and other events that were beyond the Group's control. Specifically, following the downing of Metrojet Flight 9268 over Egypt on 31 October 2015 and the shooting down of the Russian Su-24m military aircraft over Syria by Turkey on 24 November 2015, the Russian authorities ceased flights to Egypt and Turkey, respectively. While, as of the date of this Prospectus, Russian airlines have since resumed flights to Turkey in July 2016, an overall ban continues to apply on flights to Egypt pending completion of the security checks by Russian aviation and security authorities. According to the Group's management estimates, these measures resulted in a loss of revenue of approximately RUB 213.8 million and RUB 83.3 million for the Group for the year ended 31 December 2015 and the six months ended 30 June 2016, respectively. The occurrence of events such as those described above may affect the financial performance of the Group. See *"Risk Factors—Risks Relating to the Group's Industry—The Group's operations may be impacted by accidents, adverse weather conditions, natural disasters, pandemics, war, civil unrest or other events outside of its control, which*

could have a material adverse effect on the Group's business, financial condition, results of operations and prospects".

Tariff Regulation

Prior to the deregulation of fees for the airport services provided at DME in February 2016, tariff levels set by the FAS or its predecessor FTS had a significant impact on the Group's revenue as the fees for takeoff, landing, aircraft parking, use of airport terminal, airport security, passenger servicing, aircraft fueling and storage of fuel were subject to a cap. While currently the relevant fees are determined by the Group at its discretion, and the Group has chosen to increase certain Rouble-denominated fees paid by its customers, the re-introduction of regulated tariffs would likely have a material effect on the Group's revenue.

For more information, see *"Risk Factors—Risks Relating to the Group's Industry—Tariffs for certain services provided by the Group have been in the past and may in the future be regulated by the Russian Federal Antimonopoly Service and, as a result, the tariffs charged for such services were, and may in the future be, subject to a maximum tariff rate"*.

Other Regulation

Regulation other than the tariff regulation also has a significant influence on the Group's activities and results of operations. The Group is subject to the regulatory decisions of Rosaviatsia, which regulates a range of technical aspects related to operations at DME such as aviation security, certification of various airport services, as well as approval of any investment programme involving state-owned infrastructure at DME. Certain decisions and orders from the Government or its agencies (including Rosaviatsia) have resulted in increased expenses for the Group. For example, following the 2004 bombings, the Group spent approximately RUB 361 million on security and detection equipment, which has been installed at the airport. In the aftermath of the January 2011 terrorist attack, the Group spent over RUB 4 billion to enhance security procedures at DME. The Group may incur additional costs related to enhanced security procedures in the future, but it expects to continue recovering the increased costs associated with heightened security at DME through an increase in aviation security tariffs. In addition, the Group's 2026 Masterplan and the revenue the Group expects to generate from the execution of the 2026 Masterplan depend on approvals and support from the Government and the Federal Air Transportation Agency.

The Group leases the runways, taxiways, aprons and other airfield infrastructure at DME from the Russian Federation under the 75-year Lease. The Group also leases the land beneath the runways, taxiways, aprons and some other components of the airport infrastructure from a municipal entity of the Moscow Region under a 49-year Lease. See *"Business—Airport Facilities, Real Estate and Infrastructure—Real Estate"* and *"Material Contracts and Related Party Transactions—Material Contracts—Other Agreements"*. As of the date of this Prospectus, rent under the 75-year Lease is approximately RUB 410.5 million per year and approximately RUB 50.1 million per year under the 49-year Lease, payable in quarterly instalments. Under the 75-year Lease rent amount of the lease is renegotiated every several years, with the next review date scheduled for 2017. The rent amount under the 49-year Lease is set out in respective decrees and, as a general rule, renegotiated annually. The increase in rent amount can be compensated by the increase in the tariffs, however, there exists a certain lag period between those increases. Apart from other factors the Group's profit depends on the Government not increasing the rent or amending the terms of the 75-year Lease or 49-year Lease in ways that are unfavourable to the Group. The following table sets out the rent payable from various dates with respect to 75-year Lease and 49-year Lease:

75-year Lease		49-year Lease	
Rent amount (in Roubles)	Date	Rent amount	Date
3,223,200	13 May 1998	U.S.\$ 57,939	25 May 1998
92,000,000	12 April 2007	U.S.\$ 58,702	27 April 1999
410,475,000	10 December 2012	Rent amount was set equal to the amount of the land tax for the relevant land category	4 February 2000
		RUB 659,981	12 March 2002
		RUB 1,187,966	16 April 2003
		RUB 1,554,691	21 January 2004
		RUB 1,630,353.04	24 January 2005
		RUB 33,870,164.90	27 February 2008
		Varies from RUB 232,367.85 to RUB 48,668,760 depending on the particular land plot	7 March 2012

In addition, the FAS may impose limits on charges for certain types of services if it determines that a company holds a dominant position in a market and is raising prices for services without providing sufficient justification.

For more information on the regulatory environment in which the Group operates, see *"Regulation of Airports in Russia" and "Risk Factors—Risks Relating to the Group and Industry in which It Operates—Tariffs for certain services provided by the Group have been in the past and may in the future be regulated by the Russian Federal Antimonopoly Service and, as a result, the tariffs charged for such services were, and may in the future be, subject to a maximum tariff rate"*.

Jet fuel sales and storage

Revenue from jet fuel sales varies depending on the airline customer. Airlines operating at DME can either purchase fuel from the Group or from other fuel suppliers, and airlines that purchase fuel from other suppliers are charged for fuel storage by the Group. Smaller airlines that do not require significant volumes of jet fuel tend to buy jet fuel from the Group as opposed to buying jet fuel from third party suppliers and then store it at the Group's facilities at DME. As larger airline customers require greater levels of fuel, such airlines tend not to buy jet fuel from the Group but rather store at DME jet fuel purchased from other providers. As a result, as the Group's airline customers grow, fuel sales by the Group tend to decline while revenue from jet fuel storage increases. Furthermore, due to high volatility of jet fuel prices, the Group has in recent periods focused more on fuel storage rather than jet fuel sales to avoid the impact of such volatility.

Seasonality

The Group experiences seasonal fluctuations in its operations, such as a significant increase in passenger traffic in the summer months and September, typically peaking in August, and a decrease in passenger traffic in the first three months of the year (excluding January public holidays), typically reaching the lowest point in February. Fluctuations in the levels of passenger traffic have a strong correlation with the Group's revenue and profitability. In addition, these fluctuations have an effect on trade and other receivables and cash and cash equivalents, with receivables decreasing in August to September and cash and cash equivalents simultaneously increasing, while the pattern is reversed in January to February when

receivables increase, while cash and cash equivalents decrease as airlines often experience shortage of cash to pay for services rendered during these months.

Currency fluctuations

Although the Group manages foreign currency exchange risk through, among other things, continuous monitoring market trends in order to appropriately adjust its contractual payment terms to take advantage of favourable changes in exchange rates, the Group does not use any formal hedging arrangements or derivatives to manage its foreign currency risk exposure. Accordingly, fluctuations in exchange rates have an impact in respect of revenues and debt denominated in currencies other than Roubles.

From 1 January 2014 to 30 June 2016, virtually all of the Group's costs were denominated in Roubles, while a significant proportion of the Group's revenue was denominated in currencies other than the Rouble, principally Euro (31 per cent. for the year ended 31 December 2015) and U.S. Dollars (19 per cent. of total revenue for the year ended 31 December 2015). Tariffs set for foreign carriers are denominated in U.S. Dollars, but are often paid in Euro, and most unregulated fees and charges that foreign carriers pay to the Group are denominated in Euro, with Euro denominated revenue significantly exceeding U.S. Dollar denominated revenue in the year ended 31 December 2015. From 1 January 2014 to 30 June 2016, the Rouble materially depreciated against the U.S. dollar and Euro and these movements in foreign exchange rates resulted in a net foreign exchange gain in the amount of RUB 896 million for the year ended 31 December 2014 and a net foreign exchange loss in the amount of RUB 1,545 million for the year ended 31 December 2015. See "*Disclosures about Market Risk–Foreign Currency Risk*" for information regarding measures aimed at mitigating the negative effect of currency fluctuations.

Payroll and Related Charges

Payroll and related charges represent a large proportion of the Group's net operating expenses, accounting for 39.1 per cent., 42.9 per cent. and 41.3 per cent. of net operating expenses for the years ended 31 December 2013, 2014 and 2015, respectively. Therefore, trends in payroll and related charges have a significant impact on the Group's overall performance.

Payroll and related charges depend on the number of the Group's employees and their average salaries.

Payroll represents a large proportion of the Group's net operating expenses, accounting for 31.2 per cent. in 2013, 34.6 per cent. in 2014, 32.5 per cent. in 2015 and 33.9 per cent. in the first half of 2016. Therefore, trends in payroll and related charges have a significant impact of the Group's overall performance.

Payroll and related charges depend on the number of the Group's employees and their average salaries. The Group's weighted average number of employees was 12,966 in the six months ended 30 June 2016 and 13,578 and 13,508 in the years ended 31 December 2015 and 2014, respectively. Salary and other average monthly compensation per employee (excluding social taxes) amounted to RUB 57,137 in the first half of 2016, compared to RUB 55,304 in 2015 and 58,508 in 2014.

Recent Developments

From July to October 2016, the Group provided additional loans to the parent entity of the Group in an aggregate principal amount of RUB 6,701 million with interest rates ranging from 0.5 per cent. per annum to 2.1 per cent. per annum and with maturity dates in 2019. These loans

may be reclassified into equity in the future. See "*Critical Accounting Estimates and Judgements– Reclassification of loans issued to the Group parent company*" below.

Results of Operations for the Six Months Ended 30 June 2015 and 2016

The following table sets out the Group's selected income statement data for the six months ended 30 June 2015 and 2016.

	Six months ended 30 June	
	2015	2016
	<i>(in RUB millions)</i>	
	<i>(unaudited)</i>	
Revenue	18,571	17,757
Operating expenses, net	(12,890)	(13,085)
Operating profit	5,681	4,672
Interest expense	(539)	(317)
Interest income	222	168
Foreign exchange loss, net	(1,041)	(69)
Profit before income tax	4,323	4,454
Income tax	(796)	(782)
Profit and comprehensive income for the reporting period	3,527	3,672
Profit attributable to:		
Owners of the Company ⁽¹⁾	3,520	3,649
Non-controlling interests	7	23

⁽¹⁾ As defined in the Group's Financial Statements

Revenue

The Group's revenue is derived from three principal sources: (i) revenue from aviation services, which includes revenue from airport and other related charges (use of terminal, aviation security, take-off and landing, VIP service areas; (ii) revenue from auxiliary aviation services, which includes revenue from in-flight catering services, jet fuelling services, jet fuel sales and storage, ground handling, cargo and mail handling; and (iii) revenue from commercial services, which includes rental income from leasing commercial and office space within the terminal area and advertising, parking fees and revenue from outsourced hotel operations.

The Group's revenue for the six months ended 30 June 2016 decreased by RUB 814 million, or 4.4 per cent., to RUB 17,757 million as compared to RUB 18,571 million for the six months ended 30 June 2015. The following table sets out the Group's revenue for the six months ended 30 June 2015 and 2016:

	Six months ended 30 June	
	2015	2016
	<i>(in RUB millions)</i>	
	<i>(unaudited)</i>	
Aviation services:		
Airport and other related charges, including:	5,082	5,055
Use of terminal	1,610	1,709
Aviation security	1,092	1,127

Take-off and landing	1,409	1,301
VIP service areas	252	212
Business service areas	231	338
Other	488	368
Rental income	12	14
Construction services	41	85
Handling	-	63
Other revenue from aviation services	48	64
Total Aviation services	5,183	5,281
Auxiliary aviation services:		
In-flight catering services	2,264	1,883
Jet fuel-related services, including:	3,541	3,330
Jet fuel sales	2,321	2,126
Jet fuelling and storage services.....	1,220	1,204
Ground handling and passenger services	3,282	3,173
Cargo and mail handling	1,061	1,180
Rental income	21	20
Other revenue from auxiliary aviation services	107	125
Total Auxiliary aviation services	10,276	9,711
Commercial services:		
Rental income, including:	2,700	2,392
Revenue from leasing of terminal space	2,064	1,867
Advertising revenue	58	68
Other	578	457
Parking fees	309	280
Other revenue from commercial services	103	93
Total Commercial services	3,112	2,765
Total revenue	18,571	17,757

The following table provides a description of the main components of the Group's revenue by category and status (regulated or unregulated) of the tariffs the Group charges.

Revenue category	Description
Aviation services:	
Use of terminal	Airlines are charged on a per passenger basis for both arriving and departing passengers for the use of the terminal. The tariff became unregulated in February 2016.
Aviation security	Airlines are charged on a per tonne of maximum take-off weight ("MTOW") basis (for Russian carriers and foreign freight carriers) or on a per departing passenger basis (for foreign passenger carriers) for aviation security, which includes services such as (i) the inspection/screening of passengers, crews, baggage, cargo and in-flight supplies, (ii) aircraft security (including guarding the aircraft in the airport) and pre-flight inspection and (iii) access control and security of the areas with restricted access. Tariffs became unregulated in February 2016.
Take-off and landing	Airlines are charged on a per tonne of MTOW basis for the use of airfield infrastructure for take-off and landing. The tariff became unregulated in February 2016.
VIP service areas	Airlines are charged for the use of VIP lounges. The tariff has always been unregulated.
Business service areas	Airlines are charged for the use of business lounges. The tariff is unregulated. In addition, if this service is not included in the price of the ticket by an airline, a passenger can pay for the use of a business lounge individually.

Other	Airlines are charged for other services such as aircraft parking (for aircraft parked at DME beyond the allowed limit after landing and extended aircraft parking), and fees charged for the fire fighting services, which, depending on their type either have always been unregulated or became unregulated in February 2016.
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Auxiliary aviation services:

In-flight catering services	Revenue from in-flight catering services to approximately 71 per cent. of the Group's Russian airline customers, 19 per cent. of its CIS airline customers and 13 per cent. of its other foreign airline customers. The tariff has always been unregulated.
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Jet fuel sales	Revenue from sales of jet fuel. The tariff has always been unregulated.
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Jet fuelling and storage services	Airlines purchasing fuel from other providers and storing fuel at DME are charged on a per tonne of jet fuel basis for fuel storage services. Tariffs are unregulated (for Russian customers, since February 2016).
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Ground handling and passenger services	Revenue from aircraft services, which include loading, unloading, catering, cleaning, plane towing and push-back and production of technical documentation, and revenue from passenger services, which include arrival, transfer, check-in, boarding and baggage handling. Tariffs are unregulated.
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Cargo and mail handling	Revenue from cargo and mail handling services. The tariff has always been unregulated.
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Commercial services:

Revenue from leasing of terminal space	Revenue from leasing of (i) commercial space to 60 retail shops (approximately 3,468 square metres) and 43 cafes and restaurants (approximately 6,397 square metres), (ii) commercial space for services such as vending machines, automatic payment terminals, automated teller machines (both Russian and foreign banks) and entertainment services (approximately 107 square metres), (iii) office space (7,308 square metres) to third parties, and (iv) warehousing space (722 square metres) as of 30 June 2016. Tariffs have always been unregulated.
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Advertising revenue	Revenue from leasing of advertising space at the passenger terminal and surrounding areas, including the portion of the highway, and/or advertising services rendered for the promotion of certain products or services. Tariffs have always been unregulated.
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Other	All rental income of Domodedovo Asset Management that is responsible for the operation of all car parks and lease of the Group's spaces. Parking fees from operating eight car parks with a total area of 151,189 square metres offering approximately 5,834 parking places as of 30 June 2016. Tariffs have always been unregulated.
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The decrease in the Group's revenue for the six months ended 30 June 2016 resulted primarily from a reduction in revenue from catering from RUB 2,264 million to RUB 1,883 million and rental income from RUB 2,733 million to RUB 2,426 million, which was primarily due to a decrease in passenger traffic by 8 per cent. mainly due to declining economic conditions in Russia, the insolvency of Transaero and bans on flights to Turkey and Egypt, which lead to (i) a decrease in the average amount of catering fees by 17 per cent. in the first half of 2016 compared to the first half of 2015 as airlines were either ordering less catering services or cutting costs and (ii) a decrease in rental income as a result of the adjustment of rents from concessions which vary according to levels of passenger traffic for any given period.

Aviation Services. Revenue of the Group's aviation services segment increased by RUB 98 million, or 1.9 per cent., from RUB 5,183 million for the six months ended 30 June 2015 to RUB 5,281 million for the six months ended 30 June 2016. This increase was primarily due to an increase in charges for aviation services for Russian carriers. However, aviation and other related charges depend on the passenger traffic and ATMs which decreased over the same period. The passenger traffic decreased by 8.3 per cent. to 12.6 million passengers as of 30 June 2016 from 13.7 million passengers as of 30 June 2015.

Auxiliary Aviation Services. Revenue of the Group's auxiliary aviation services segment decreased by RUB 565 million, or 5.5 per cent., from RUB 10,276 million for the six months ended 30 June 2015 to RUB 9,711 million for the six months ended 30 June 2016. This decrease was mainly attributable to: (i) a decrease in catering revenue to RUB 1,883 million for the six months ended 30 June 2016 from RUB 2,264 million for the six months ended 30 June 2015 as a result of a decrease in passenger traffic by 8 per cent. mainly due to declining economic conditions in Russia, the insolvency of Transaero and bans on flights to Turkey and Egypt, which lead to a decrease in the average amount of catering fees by 17 per cent. in the first half of 2016 compared to the first half of 2015 as airlines were either ordering less catering services or cutting costs; (ii) a decrease in jet-fuel related services to RUB 3,330 million for the six months ended 30 June 2016 from RUB 3,541 million for the six months ended 30 June 2015 due to the airlines' tendency to transition to storage services rather than fuel purchases.

Commercial Services. Revenue of the Group's commercial services segment decreased by RUB 347 million, or 11.2 per cent., from RUB 3,112 million for the six months ended 30 June 2015 to RUB 2,765 million for the six months ended 30 June 2016. This decrease was due to a decrease in rental income to RUB 2,392 million as compared to RUB 2,700 million for the six months ended 30 June 2015, which was due to a decrease in passenger traffic by 8 per cent. that led to a corresponding adjustment of rents from concessions.

The following table provides composition of the Group's Adjusted EBITDA⁸ by service segments for the six months ended 30 June 2015 and 2016.

	Six months ended 30 June			
	2015		2016	
	(in RUB millions except for percentage)			
	(unaudited)			
Adjusted EBITDA:				
Aviation Services	2,562	35.4%	2,026	32.4%
Auxiliary Aviation Services	2,905	40.2%	2,274	36.4%
Commercial Services	1,761	24.4%	1,947	31.2%
Total Adjusted EBITDA	7,228	100%	6,247	100%

Net Operating Expenses

The Group's net operating expenses increased by RUB 195 million, or 1.5 per cent., for the six months ended 30 June 2016 to RUB 13,085 million from RUB 12,890 million for the six months ended 30 June 2015. The following table sets out the principal components of the Group's net operating expenses, for the six months ended 30 June 2015 and 2016.

	Six months ended 30 June	
	2015	2016
	(in RUB millions)	
	(unaudited)	
Payroll and related charges:		
Wages and salaries	4,411	4,445
Social taxes.....	1,223	1,234

⁸ This measure is an APM. Adjusted EBITDA is calculated as operating profit plus depreciation and amortisation and adjusted for (i) changes in provision for impairment of receivables and advances to suppliers and (ii) changes in legal provision.

Cost of jet fuel	2,249	1,935
Depreciation and amortisation	1,582	1,543
Materials	838	815
Maintenance	780	780
Taxes other than income tax	466	664
Cleaning and waste management	386	386
Public utilities	241	289
Transport	192	251
Consulting, audit and other services	104	162
Rent	170	140
Passenger servicing	67	109
Staff development and training	139	103
Change in provision for impairment of receivables and advances to suppliers	24	33
Communication services expenses	24	19
Certification and licensing	8	16
Advertising expenses	7	9
Aircraft servicing	4	4
Charitable donations	91	-
Reimbursement of taxes relating to prior periods	(512)	-
Change in legal provision	(59)	(1)
Other expenses, net	455	149
Total operating expenses, net	12,890	13,085

The increase in the Group's net operating expenses for the six months ended 30 June 2016 compared to the six months ended 30 June 2015 was principally due to the income from one-off reimbursement of taxes relating to prior periods recognised in the six months ended 30 June 2015. See "*Critical Accounting Estimates and Judgements – Payments Made in Connection with Uncertain Tax Positions*".

Operating Profit

The Group's operating profit for the six months ended 30 June 2016 decreased by RUB 1,009 million, or 17.8 per cent., to RUB 4,672 million from RUB 5,681 million for the six months ended 30 June 2015 as a result of decrease in revenue accompanied by an increase in net operating expenses.

Interest Income

The Group's interest income for the six months ended 30 June 2016 decreased by RUB 54 million, or 24.3 per cent., which was primarily attributable to (i) the step-down of the interest rate under the long-term loan granted to the parent entity of the Group (see "*Related Party Transactions*"), such step-down being agreed in June 2016 with retroactive effect from the date of the loan agreement, and (ii) withdrawal of certain deposits prior to their maturity.

Interest Expense

The Group's interest expenses decreased by RUB 222 million, or 41.2 per cent., for the six months ended 30 June 2016 to RUB 317 million from RUB 539 million for the six months ended 30 June 2015, mainly due to a decrease in interest payable on bank loans and an increase in capitalised borrowing costs relating to construction works.

Net Foreign Exchange Loss

The Group incurred a net foreign exchange loss of RUB 69 million in the six months ended 30 June 2016, as compared to a net foreign exchange loss of RUB 1,041 million in the six months ended 30 June 2015. The Group's net foreign exchange loss in the six months ended 30 June 2016 was mainly due to the appreciation of the Rouble against both the U.S. Dollar and Euro over the period, while the net foreign exchange loss in the six months ended 30 June 2015 was due to higher currency volatility.

Profit before Income Tax

Profit before income tax increased by RUB 131 million, or 3.0 per cent., to RUB 4,454 million for the six months ended 30 June 2016 from RUB 4,323 million for the six months ended 30 June 2015. The higher profit before income tax for the six months ended 30 June 2016 was attributable to the factors discussed above.

Income Tax Expense

Income tax expense remained relatively stable and amounted to RUB 782 million for the six months ended 30 June 2016 as compared to RUB 796 million for the six months ended 30 June 2015.

Profit and Comprehensive Income for Six Months

For the reasons discussed above, the Group's profit and comprehensive income for the six months ended 30 June 2016 increased by RUB 145 million, or 4.1 per cent., to RUB 3,672 million from RUB 3,527 million for the six months ended 30 June 2015.

Results of Operations for the Years Ended 31 December 2013, 2014 and 2015

The following table sets out the Group's selected income statement data in the years ended 31 December 2013, 2014 and 2015.

	Year ended 31 December		
	2013	2014	2015
	<i>(in RUB millions)</i>		
Revenue	39,924	41,224	39,446
Operating expenses, net	(27,269)	(27,419)	(27,717)
Operating profit	12,655	13,805	11,729
Interest expense	(468)	(1,146)	(1,437)
Interest income	177	258	541
Loss on disposal of subsidiary	-	(2)	-
Impairment of restricted cash balances	-	(308)	(47)
Foreign exchange (loss)/gain, net	(848)	896	(1,545)
Profit before income tax	11,516	13,503	9,241
Income tax	(2,086)	(2,102)	(1,090)
Profit and comprehensive income for the year	9,430	11,401	8,151
Profit/(loss) attributable to:			
Owners of the Company ⁽¹⁾	9,431	11,316	8,149
Non-controlling interests	(1)	85	2
	9,430	11,401	8,151

(1) As defined in the Group's Financial Statements

Revenue

The Group's revenue decreased by RUB 1,778 million, or 4.3 per cent., for the year ended 31 December 2015 to RUB 39,446 million from RUB 41,224 million for the year ended 31 December 2014, which in turn represented a RUB 1,300 million, or 3.3 per cent. increase, from RUB 39,924 million for the year ended 31 December 2013. The following table sets out the Group's revenue for the years ended 31 December 2013, 2014 and 2015.

	Year ended 31 December		
	2013	2014	2015
	(in RUB millions)		
Aviation services:			
Airport and other related charges, including:	8,883	9,900	10,799
Use of terminal	3,101	3,389	3,595
Aviation security	1,938	2,142	2,393
Take-off and landing	2,408	2,853	2,939
VIP service areas	626	620	468
Business service areas	322	391	568
Other	488	505	836
Rental income	20	25	28
Construction services	178	218	122
Handling	-	-	-
Other revenue from aviation services	74	149	119
Total Aviation services	9,155	10,292	11,068
Auxiliary aviation services:			
In-flight catering services	5,191	5,423	4,604
Jet fuel-related services, including:	11,258	9,181	7,609
Jet fuel sales	8,568	6,019	5,098
Jet fuelling and storage services	2,690	3,162	2,511
Ground handling and passenger services	5,021	5,766	6,690
Cargo and mail handling	2,325	2,508	2,456
Rental income	34	41	43
Other revenue from auxiliary aviation services	92	192	248
Total Auxiliary aviation services	23,921	23,111	21,650
Commercial services:			
Rental income, including:	5,974	6,791	5,850
Revenue from leasing of terminal space	4,526	5,346	4,578
Advertising revenue	404	367	129
Other	1,044	1,078	1,143
Parking fees	728	750	670
Other revenue from commercial services	146	280	208
Total Commercial services	6,848	7,821	6,728
Total revenue	39,924	41,224	39,446

The reduction in the Group's revenue for the year ended 31 December 2015, compared to the year ended 31 December 2014, was primarily driven by a decrease in auxiliary aviation revenue

to RUB 21,650 million for the year ended 31 December 2015 from RUB 23,111 million for the year ended 31 December 2014, and in commercial services to RUB 6,728 million for the year ended 31 December 2015 from RUB 7,821 million for the year ended 31 December 2014 as described in more detail below.

The increase in the Group's revenue for the year ended 31 December 2014 resulted primarily from increases in service revenues related to ground handling, airport and other related charges, rental income and jet fuelling and storage services which were partially offset by a decrease of revenues from jet fuel sales as described in more detail below.

Aviation Services. For the year ended 31 December 2015, revenue of the Group's aviation services segment increased by RUB 776 million, or 7.5 per cent., from RUB 10,292 million in the year ended 31 December 2014 to RUB 11,068 million. This increase was principally the result of an increase in airport and other related charges, which were regulated during such period. For the year ended 31 December 2014, revenue of the Group's aviation services segment increased by RUB 1,137 million, or 12.4 per cent., from RUB 9,155 million for the year ended 31 December 2013 to RUB 10,292 million as a result of a RUB 1,017 million increase in airport and other related charges between the two periods, which largely reflected an increase in passenger traffic, number of ATMs and MTOW of arriving and departing aircraft between the two periods.

Auxiliary Aviation Services. For the year ended 31 December 2015, revenue of the Group's auxiliary aviation services segment decreased by RUB 1,461 million, or 6.3 per cent., from RUB 23,111 million for the year ended 31 December 2014 to RUB 21,650 million. This decrease was principally the result of a decrease in revenue from jet fuel-related services due to the airlines' tendency to transition to storage services rather than fuel purchases as well as a decrease of in-flight catering revenue resulting from a decrease in passenger traffic by 8 per cent., which led to a decrease in the average amount of catering receipt by 19 per cent. for the year ended 31 December 2015 compared to the year ended 31 December 2014. For the year ended 31 December 2014, revenue from the Group's auxiliary aviation services segment decreased by RUB 810 million, or 3.4 per cent., from RUB 23,921 million for the year ended 31 December 2013 to RUB 23,111 million. This decrease was principally due to a decrease in revenue from jet fuel-related services by RUB 2,077 million, or 18.4 per cent., from RUB 11,258 million for the year ended 31 December 2013 to RUB 9,181 million for the year ended 31 December 2014 due to the airlines' tendency to transition to storage services rather than fuel purchases.

Commercial Services. For the year ended 31 December 2015, revenue of the Group's commercial services segment decreased by RUB 1,093 million, or 14.0 per cent., from RUB 7,821 million for the year ended 31 December 2014 to RUB 6,728 million. This decrease was mainly due to the decrease in rental income resulting from the reduction in passenger traffic mentioned above, and consequently, the adjustment of rents from concessions according to levels of passenger traffic for the relevant period. For the year ended 31 December 2014, revenue of the Group's commercial services segment increased by RUB 973 million, or 14.2 per cent., from RUB 6,848 million for the year ended 31 December 2013 to RUB 7,821 million. This increase was principally the result of a RUB 817 million increase in rental income, in particular from leasing office space and commercial space to shops, cafes and restaurants. The increase in rental income was attributable to the increase of passenger traffic in 2014.

The following table provides composition of the Group's Adjusted EBITDA ⁹ by service segments for the year ended 31 December 2013, 2014 and 2015.

	Year ended 31 December					
	2013		2014		2015	
(in RUB millions except for percentage)						
Adjusted EBITDA:						
Aviation Services	3,801	24.8%	4,600	27.1%	5,529	35.3%
Auxiliary Aviation Services	7,349	47.9%	8,155	48.0%	6,238	39.8%
Commercial Services	4,184	27.3%	4,221	24.9%	3,897	24.9%
Total Adjusted EBITDA	15,334	100%	16,976	100%	15,664	100%

Net Total Operating Expenses

For the year ended 31 December 2015, the Group's net total operating expenses remained relatively stable and amounted to RUB 27,717 million, as compared with RUB 27,419 million and RUB 27,269 million in the years ended 31 December 2014 and 2013, respectively. The following table sets out the principal components of the Group's net operating expenses, for the years ended 31 December 2013, 2014 and 2015.

	Year ended 31 December		
	2013	2014	2015
<i>(in RUB millions)</i>			
Payroll and related charges:			
<i>Wages and salaries</i>	8,499	9,484	9,011
<i>Social taxes</i>	2,155	2,290	2,433
Cost of jet fuel	7,335	4,906	4,748
Depreciation and amortisation	2,818	3,024	3,099
Maintenance	1,148	1,488	1,751
Materials	1,770	1,760	1,703
Taxes other than income tax	860	1,147	1,029
Change in provision for impairment of receivables and advances to suppliers	132	20	965
Cleaning and waste management	543	717	736
Public utilities	473	443	497
Transport	232	336	404
Rent	374	290	320
Consulting, audit and other services	233	242	269
Staff development and training	197	285	266
Passenger servicing	108	152	177
Charitable donations	-	-	91
Communication services expense	80	61	47
Advertising expenses	43	52	27
Certification and licensing	18	57	16
Aircraft servicing	13	11	8

⁹ This measure is an APM. Adjusted EBITDA is calculated as operating profit plus depreciation and amortisation and adjusted for (i) changes in provision for impairment of receivables and advances to suppliers and (ii) changes in legal provision.

Change in legal provision	(271)	127	(129)
Tax refund relating to claimed tax benefit	-	-	(512)
Other expenses, net	509	527	761
Total operating expenses, net	27,269	27,419	27,717

For the year ended 31 December 2015, the individual components of net total operating expenses remained relatively stable as compared to the net total operating expenses for the year ended 31 December 2014, save for a RUB 945 million change in the provision for impairment of receivables and advances to suppliers which was caused primarily by the cessation of activity of Transaero, and a tax refund of RUB 512 million relating to over-payment of taxes in prior periods, which partially compensated for such change in the provision for the impairment of Transaero receivables. See "*Critical Accounting Estimates and Judgements – Payments Made in Connection with Uncertain Tax Positions*".

For the year ended 31 December 2014, the individual components of net total operating expenses remained relatively stable as compared to the net total operating expenses for the year ended 31 December 2013, save for a RUB 2,429 million, or 33.1 per cent., reduction in the cost of jet fuel (caused by the airlines' switching to storage of fuel instead of purchasing the same) and a RUB 985 million, or 11.6 per cent., increase in wages and salaries (caused by both an increase in headcount and payment of bonuses to top management) and a RUB 287 million, or 33.4 per cent., increase in taxes other than income tax (which was due to an increase in the volumes of non-refundable VAT).

Operating Profit

The Group's operating profit decreased by RUB 2,076 million, or 15.0 per cent., to RUB 11,729 million for the year ended 31 December 2015 from RUB 13,805 million for the year ended 31 December 2014 as a result of the reduction in revenue for the year ended 31 December 2015 while net operating expenses remained relatively flat. For the year ended 31 December 2014, the Group's operating profit increased by RUB 1,150 million, or 9.1 per cent., from RUB 12,655 million for the year ended 31 December 2013 as a result of a RUB 1,300 million increase in revenue for the year ended 31 December 2014 accompanied by an insignificant increase in net operating expenses in the same period compared to the year ended 31 December 2013.

Interest Income

For the year ended 31 December 2015, the Group's interest income increased by RUB 283 million, or 109.7 per cent., to RUB 541 million from RUB 258 million for the year ended 31 December 2014. For the year ended 31 December 2014, the Group's interest income increased by RUB 81 million, or 45.8 per cent., from RUB 177 million for the year ended 31 December 2013. The above increases were primarily due to an increase in interest income under the loan provided to the parent entity of the Group (see "*Related Party Transactions*").

Interest Expense

For the year ended 31 December 2015, the interest expense of the Group increased by Rub 291 million, or 25.4 per cent. to RUB 1,437 million from RUB 1,146 million for the year ended 31 December 2014 which, in turn, represented a RUB 678 million, or 144.9 per cent., increase from RUB 468 million for the year ended 31 December 2013. These changes were primarily due to the continued devaluation of the Rouble against the U.S. dollar in 2014 and 2015 and the impact thereof on the Rouble amount of interest paid on the U.S.\$ 300 million 6 per cent. loan participation notes due 2018 (the "**2018 LPNs**").

Net Foreign Exchange (Loss)/Gain

The Group incurred a net foreign exchange loss of RUB 1,545 million for the year ended 31 December 2015, as compared to a net foreign exchange gain of RUB 896 million for the year ended 31 December 2014 and a net foreign exchange loss of RUB 848 million for the year ended 31 December 2013. The net foreign exchange loss for the year ended 31 December 2015 was mainly a result of a significant Rouble devaluation and the general increase in U.S. Dollar and Euro exchange rates. The net foreign exchange gain for the year ended 31 December 2014 resulted from gain from investments, particularly a significant increase in deposits denominated in foreign currencies at the end of 2014.

Profit before Income Tax

Profit before income tax decreased by RUB 4,262 million, or 31.6 per cent., for the year ended 31 December 2015, to RUB 9,241 million from RUB 13,503 million for the year ended 31 December 2014 which in turn represented a RUB 1,987 million, or 17.3 per cent., increase from RUB 11,516 million for the year ended 31 December 2013. The reduction of profit before income tax for the year ended 31 December 2015 was primarily due to the incurrence of a RUB 1,545 million foreign exchange loss as a result of a significant Rouble devaluation and the general increase in exchange rates. The increase of profit before income tax for the year ended 31 December 2014 resulted from the realisation of a RUB 896 million foreign exchange gain following a gain from investments, particularly a significant increase in deposits denominated in foreign currencies at the end of 2014.

Income Tax Expense

For the year ended 31 December 2015, income tax expense decreased by RUB 1,012 million, or 48.1 per cent., to RUB 1,090 million from RUB 2,102 million for the year ended 31 December 2014, which represented a marginal increase compared to the income tax expense of RUB 2,086 million for the year ended 31 December 2013. A significant decrease in income tax expense for the year ended 31 December 2015 was due to the dividend distribution in 2014 which resulted in additional income tax expense.

Profit and Comprehensive Income for the Year

For the reasons discussed above, the Group's profit and comprehensive income for the year ended 31 December 2015 decreased by RUB 3,250 million, or 28.5 per cent., to RUB 8,151 million from RUB 11,401 million for the year ended 31 December 2014, which in turn represented a RUB 1,971 million, or 20.9 per cent., increase from RUB 9,430 million for the year ended 31 December 2013.

Liquidity and Capital Resources

During the periods under review, the Group funded its liquidity needs principally with net cash provided by operating activities, issuance of 2018 LPNs as well as short- and long-term bank borrowings. While the Group's management expects that net cash provided by operating activities and bank borrowings will continue to be important sources of cash in the future, it also wishes to diversify its sources of funding by tapping Russian and international capital markets.

The Group's liquidity needs arise principally from (i) the need to finance its working capital, (ii) the need to finance its investment programme intended, among other things, to allow the Group to maintain and expand its facilities and infrastructure according to the 2026 Masterplan, and (iii) payment of dividends to the parent entity in accordance with the Group's dividend policy.

Cash Flows

The following table sets out the Group's summary cash flow information for the six months ended 30 June 2015 and 2016.

	Six months ended 30 June	
	2015	2016
	<i>(in RUB millions)</i>	
	<i>(unaudited)</i>	
Net cash provided by operating activities	4,745	3,231
Net cash used in investing activities	(4,123)	7,140
Net cash used in financing activities	(3,715)	(5,602)

The following table sets out the Group's summary cash flow information for the years ended 31 December 2013, 2014, 2015.

	Year ended 31 December		
	2013	2014	2015
	<i>(in RUB millions)</i>		
Net cash provided by operating activities	12,167	15,023	11,211
Net cash used in investing activities	(3,637)	(17,391)	(5,910)
Net cash used in/provided by/(used in) financing activities	2,390	(9,941)	(5,567)

Cash Flows from Operating Activities

For the six months ended 30 June 2016, net cash provided by operating activities decreased by RUB 1,514 million, or 31.9 per cent. to RUB 3,231 million from RUB 4,745 million for the six months ended 30 June 2015. This reduction was principally due to (i) a RUB 98 million difference in prepayments and other current assets; (ii) a RUB 241 million difference in trade and other receivables; and (iii) a RUB 222 million decrease in interest expense.

For the year ended 31 December 2015, net cash provided by operating activities decreased by RUB 3,812 million, or 25.4 per cent., to RUB 11,211 million from RUB 15,023 million for the year ended 31 December 2014. This decrease largely resulted from (i) a RUB 4,262 million decrease of profit before income tax; (ii) a RUB 945 million increase in provision for impairment of accounts receivable and advances to suppliers (due to the cessation of activity of Transaero); and (iii) a RUB 2,441 million net foreign exchange loss, which were all partially offset by (a) a RUB 1,237 million difference in accrued expenses and other current liabilities; (b) a RUB 283 million increase in interest income; and (c) a RUB 256 million difference in change in legal provision due to the recovery of previously made legal provisions as a result of termination of certain legal cases in favour of the Company.

Changes in working capital consist of changes in provisions, changes in inventory, trade and other receivables, prepayments and other current assets, trade and other payables, taxes other than income tax payable and accrued expenses and other current liabilities. The most significant differences in the changes in working capital between the years ended 31 December 2015 and 2014 were the following: a RUB 1,826 million change in prepayments and other current assets which was primarily due to increased amounts placed under the letters of credit in favour of constructors as well as an increase in VAT receivable.

For the year ended 31 December 2014, net cash provided by operating activities increased by RUB 2,856 million, or 23.5 per cent., from RUB 12,167 million for the year ended 31 December 2013. This increase was principally due to (i) movements in working capital (a RUB

1,848 million increase for the year ended 31 December 2014 compared to RUB 790 million decrease for the year ended 31 December 2013); (ii) a RUB 925 million increase in interest paid (from RUB 359 million in the year ended 31 December 2013 to RUB 1,284 million for the year ended 31 December 2014) and (iii) a RUB 678 million difference in interest expense (from RUB 468 million for the year ended 31 December 2013 to RUB 1,146 million in the year ended 31 December 2014).

The most significant differences between the year ended 31 December 2014 and the year ended 31 December 2013 in the changes in working capital were the following: a RUB 1,311 million increase in accrued expenses and other current liabilities (RUB 1,150 million increase for the year ended 31 December 2014 as compared to RUB 161 million decrease for the year ended 31 December 2013). A significant increase in accrued expenses and other current liabilities for the year ended 31 December 2014 was due to bonuses under option contracts with key management personnel.

Cash Flows Provided by / Used in Investing Activities

For the six months ended 30 June 2016, net cash provided by investing activities amounted to RUB 7,140 million compared to RUB 4,123 million net cash used in investing activities in the six months ended 30 June 2015. The difference was mainly due to a RUB 14,874 million decrease in purchases of investments (RUB 985 million in the six months ended 30 June 2016 as compared to RUB 15,859 million in the six months ended 30 June 2015) which reflects a higher volume of net bank deposits withdrawals (being proceeds from investments less purchase of investments) in the first half of 2016 as opposed to the first half of 2015, and the provision by the Group of loans to the parent entity of the Group in the aggregate outstanding amount of RUB 6,197 million as at 30 June 2015, which was subsequently reclassified into equity (see "*Related Party Transactions*"), which was partially offset by a RUB 2,218 million increase in purchases of property, plant and equipment (RUB 4,782 million in the six months ended 30 June 2016 as compared to RUB 2,564 million in the six months ended 30 June 2015) which was mainly due to the construction of Terminal 2.

For the year ended 31 December 2015, net cash used in investing activities decreased by RUB 11,481 million, or 66.0 per cent., to RUB 5,910 million from RUB 17,391 million for the year ended 31 December 2014. This reduction was primarily due to a RUB 15,274 million increase in proceeds from a disposal of investments, which was partially offset by (a) a RUB 4,401 million increase in purchases of investments (which included loans in the aggregate outstanding amount of RUB 8,540 million as at 31 December 2015 provided to the parent entity of the Group, which were subsequently reclassified into equity (see "*Related Party Transactions*")); and (b) a RUB 2,450 million increase in purchases of property, plant and equipment.

For the year ended 31 December 2014, net cash used in investing activities increased by RUB 13,754 million, or 378.2 per cent., to RUB 17,391 million from RUB 3,637 million for the year ended 31 December 2013. The increase was principally attributable to (i) a RUB 13,220 million increase in purchases of investments, which included bank deposits; (ii) a RUB 2,168 million of restricted cash, i.e. bank deposits held with FBME bank LTD., Cyprus branch ("**FBME**"), which were previously recognised as short-term investments but which had to be reclassified into restricted cash due to the situation with FBME (see "*Critical Accounting Estimates and Judgements—Impairment of blocked cash balances*"); and (iii) a RUB 1,257 million increase in purchases of property, plant and equipment, which was partially offset by a RUB 3,619 million increase in proceeds from disposal of investments.

Cash used in investing activities was principally used for the expansion of Terminal 1 and multiple investment projects in the territory of DME as well as to provide the loan to the parent entity of the Group in 2015.

Cash Flows Used in Financing Activities

Six Months Ended 30 June 2016. Net cash used in financing activities for the six months ended 30 June 2016 was equal to RUB 5,602 million, which reflected the repayment of borrowings in the amount of RUB 4,103 million and a payment of dividends in the amount of RUB 2,343 million partially offset by the receipt of proceeds from new borrowings in the amount of RUB 858 million.

Six Months Ended 30 June 2015. Net cash used in financing activities for the six months ended 30 June 2015 was equal to RUB 3,715 million, which resulted from the payment of dividends in the amount of RUB 2,293 million and a repayment of borrowings in the amount of RUB 1,422 million.

Year Ended 31 December 2015. Net cash used in financing activities for the year ended 31 December 2015 was equal to RUB 5,567 million. This reflected the payment of dividends in the amount of RUB 3,624 million and a repayment of borrowings in the amount of RUB 2,911 million partially offset by the receipt of proceeds from new borrowings in the amount of RUB 968 million.

Year Ended 31 December 2014. Net cash used in financing activities for the year ended 31 December 2014 was equal to RUB 9,941 million. This reflected the payment of dividends in the amount of RUB 7,807 million and a repayment of borrowings in the amount of RUB 2,134 million. The Group continued to generate excess liquidity for the year ended 31 December 2014 which was used for repayment of outstanding borrowings and dividend payments.

Year Ended 31 December 2013. Net cash provided by financing activities for the year ended 31 December 2013 was equal to RUB 2,390 million. This reflected the proceeds from the placement of US\$ 300 million 6 per cent. notes due 2018 in the amount of RUB 9,720 million, which were partially offset by the payment of dividends in the amount of RUB 5,425 million, other cash distributions to shareholders in the amount of RUB 959 million and repayments of borrowings in the amount of RUB 946 million.

Indebtedness

The following table sets out the Group's total debt, the current portion of its long-term debt and long-term borrowings as of 31 December 2013, 2014 and 2015 and as of 30 June 2016.

	<u>Interest rate</u>	<u>As of 31 December</u>			<u>As of 30 June</u>
		<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
	%				
		(in RUB millions)			(unaudited)
US\$300 million loan participation notes	6	9,780	16,840	21,857	19,288
Syndicated bank loan ⁽¹⁾	3.98	6,436	6,767	4,407	-
Loan from Raiffeisen bank	5	-	-	848	1,565
Total indebtedness		<u>16,216</u>	<u>23,607</u>	<u>27,112</u>	<u>20,853</u>
Less: current portion due within twelve months and presented as short-term borrowings		<u>(2,151)</u>	<u>(3,304)</u>	<u>(3,924)</u>	<u>(205)</u>

Long-term borrowings	<u>14,065</u>	<u>20,303</u>	<u>23,188</u>	<u>20,648</u>
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⁽¹⁾ This syndicated bank loan was repaid in full in May 2016.

The following table sets out a breakdown of the principal amount payable in the periods set below.

	As of 31 December				
	2016	2017	2018	2019	2020
	<i>(in U.S.\$ thousands)</i>				
US\$ 300 million loan participation notes	-	-	300,000	-	-
Loan from Raiffeisen bank	-	6,492	12,984	12,984	9,738
Total outstanding balance	-	6,492	312,984	12,984	9,738

The Group's principal outstanding indebtedness as at 30 June 2016 comprised U.S.\$ loan participation notes and a loan from Raiffeisen bank.

In November 2013, the Issuer issued the 2018 LPNs. Net proceeds from the issuance, after the deduction of related offering costs, amounted to U.S.\$ 297 million (RUB 9,720 million at the CBR exchange rate as at the inception date). The annual coupon rate of the 2018 LPNs is 6 per cent. (with the effective interest rate, including the effect of amortizing the transaction costs, being 6.33% per annum) payable semi-annually. The Group used net proceeds from the issuance for implementation of the Group's current capital expenditure programme and for general corporate purposes.

In September 2015 the Group entered into a EUR-denominated five-year loan facility agreement for a total amount of EUR 38 million (RUB 2,914 million at the CBR exchange rate as at the inception date) provided by Raiffeisen Bank International AG. The purpose of the loan was the financing of design and construction works at a parking terminal PM-2.1 on the territory of Domodedovo Airport and refinancing the capital expenditure related to this project. The loan is guaranteed by certain Group companies. Pursuant to the terms of the facility agreement, in September - December 2015 the loan was drawn down in an amount of EUR 11 million at a nominal fixed rate of 5 per cent. per annum. Net proceeds from the borrowings, after the deduction of related commission costs, amounted to EUR 10,8 million (RUB 825 million at the CBR exchange rate as at the inception date). The effective interest rate, including the effect of amortising the transaction costs, is 6.34 per cent. per annum.

The Group's management considers the ratio of Net Debt¹⁰ to Adjusted EBITDA¹¹ as the principal statistic for evaluating the appropriateness of the total size of the Group's borrowings on its operations. As of 31 December 2013, 2014 and 2015 and 30 June 2016, the Group's Net Debt to Adjusted EBITDA ratio was 0.1, 0.1, 0.7 and 0.9, respectively. The Group's policy is to maintain this ratio below 3.0. See "*Selected Consolidated Financial and Operating Information*" for a discussion of the Group's calculation of EBITDA.

¹⁰ This measure is an APM. Net Debt is calculated as financial indebtedness of the Group less cash and cash equivalents. The Group defines financial indebtedness as a sum of long-term and short-term borrowings.

¹¹ This measure is an APM. Adjusted EBITDA is calculated as operating profit plus depreciation and amortisation and adjusted for (i) changes in provision for impairment of receivables and advances to suppliers and (ii) changes in legal provision.

Concession Agreement

In May 1998, the Group entered into a long-term concession arrangement with GUP "Administration of the Airport Domodedovo", a state-owned enterprise, in respect of the use of airfield and related equipment, with an effective interest rate of 10.6 per cent. The Group is required to make quarterly payments for the right to use the assets during the term of the agreement. The concession arrangement is an accounting description for the method of accounting used to account for the 75-year Lease described elsewhere in this Prospectus. Please refer to "*Business— Airport Facilities, Real Estate and Infrastructure—Real Estate*".

Capital Expenditures

The Group made capital expenditures, which consist of all additions to property, plant and equipment, of RUB 3,207 million, RUB 4,354 million and RUB 5,392 million in the years ended 31 December 2013, 2014 and 2015, respectively. The Group made capital expenditures of RUB 6,017 million and RUB 2,030 million in the six months ended 30 June 2016 and 2015, respectively. Capital expenditures from 1 January 2013 to 30 June 2016 included, among other things, expenditures for the expansion of Terminal 1, airfield area, cargo terminal, auxiliary buildings, baggage-processing systems, aircraft servicing equipment, tow trucks, passenger shuttles and other operating equipment. In addition, borrowing costs related to qualifying assets were capitalised. The Group funded its capital expenditures in 2013, 2014, 2015 and the first half of 2016 principally through net cash generated from operating activities and, to a lesser extent, from funds raised through the 2018 LPNs and bank borrowings.

In 2016, the Group's management currently plans to make capital expenditures of approximately RUB 3,346 million for expansion projects. See "*Business—Airport Development Masterplan*". From 2016 to 2026, for the projects of the 2026 Masterplan, the Group currently plans to make capital expenditures in the amount of approximately RUB 76,177.2 million. The amount ultimately spent on capital expenditures through 2026 will be highly dependent on market conditions, the Group's cash flow from operations and available financing at the time of the proposed expenditures. The Group's management currently expects to fund these capital expenditures from cash from operations and partly through the proceeds received from debt securities issues. See "*Liquidity and Capital Resources*".

Critical Accounting Estimates and Judgements

The Group's management makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgements are continually evaluated and are based on the experience of the Group's management and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group's management also makes certain judgements, apart from those involving estimations, in the process of applying accounting policies. Judgements that have the most significant effect on the amounts recognised in the combined financial information and estimates that could cause a significant adjustment to the carrying amount of assets and liabilities within the next financial period include the following:

Provision for Impairment of Receivables and Advances to Suppliers

The Group's management maintains a provision for impairment of short-term receivables and advances to suppliers in the form of an allowance account equal to estimated losses resulting from the inability of customers and other debtors to make required payments. When evaluating the adequacy of this allowance account, the Group's management bases its estimates on the ageing of accounts receivable balances and historical write-off experience, customer creditworthiness and changes in customer payment terms. If the financial condition of

customers were to deteriorate, actual write-offs might be higher than expected. As of 31 December 2013, 2014 and 2015 and 30 June 2016 provision for impairment of receivables and advances to suppliers was recognised in the amount of RUB 809 million, RUB 790 million, RUB 1,619 million and RUB 1,593 million, respectively. The significant increase of provision for impairment of receivables as of 31 December 2015 was due to the fact that in October 2015 several creditors of Transaero, a large Russian airline and one of the Group's largest customers at that time, filed motions to declare Transaero bankrupt. On 26 October 2015, the Russian Ministry of Transport revoked the certificate of Transaero for air transportation and the company terminated its operations. In December 2015, the arbitration court upheld a claim filed by Sberbank on declaring Transaero bankrupt and initiated a supervision procedure in respect thereof.

Depreciable Lives of Property, Plant and Equipment

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

Impairment of Property, Plant and Equipment

The Group reviews at each reporting date the carrying amounts of its property, plant and equipment to determine whether there is any indication that assets are impaired. This process involves judgment in evaluating the cause for any possible reduction in value, including a number of factors such as changes in current competitive conditions, expectations of growth in the industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate impairment exists. Whenever such indications exist, the Group's management makes an estimate of the asset's recoverable amount to ensure that it is not less than its carrying value. If the asset's fair value is not readily determinable or is less than asset's carrying value plus costs to sell, the Group's management necessarily applies its judgment in determining the appropriate cash generating unit to be evaluated, estimating the appropriate discount rate and the timing and value of the relevant cash flows for the value-in-use calculation.

Payments Made in Connection with Uncertain Tax Positions

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

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

Payments made by the Group with respect to such claims in the aggregate amount of RUB 614 million were recognised as an asset in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as at 31 December 2013. Most of the claims raised based on the results of the tax audits were ruled in favour of the Group during 2014-2015. During the

years ended 31 December 2015 and 31 December 2014 the amount of RUB 21 million and RUB 593 million, respectively, were returned to the Group by the tax authorities.

Impairment of blocked cash balances

The Group's management assesses a provision for impairment of other non-current assets, being the blocked cash held with FBME, and creates an allowance equal to the estimated losses resulting from or in connection with the recovery by the Group of the blocked funds. When evaluating the adequacy of this allowance, management bases its estimates on the expected timing of the blocked cash balance recovery and estimated charges and losses which could be incurred by the Group when recovering the blocked cash. If the recovery of funds is adversely affected and the expected timing of the recovery is extended or estimated charges and losses associated with the recovery are increased, the relevant actual losses might be significantly higher than currently estimated.

As at 31 December 2014 and 2015 and 30 June 2016 the Group assessed and recognised a provision for impairment of the blocked cash balances held with FBME in the amount of RUB 308 million, RUB 355 million, and RUB 346 million, respectively.

Reclassification of loans issued to the Group parent company

In June 2016, the Group retrospectively reduced the interest rate charged on the loan to the parent entity of the Group in the outstanding aggregate as at 31 December 2015 of RUB 8,540 million from 4.9 per cent. per annum to 2.1 per cent. per annum and changed the term of the loan from 5 to 3 years. Following these changes, the management of the Group reassessed the nature of the loans provided to the parent entity of the Group and reconsidered their classification in the consolidated financial statement of financial position as in-substance equity distribution. Based on this reassessment, as of 30 June 2016, the loans provided to the parent entity of the Group in the aggregate amount of RUB 8,542 million were reclassified from long-term investments into equity as a separate line-item "Loans to the owners of the Company".

From July to October 2016, the Group provided additional loans to the parent entity of the Group in the aggregate principal amount of RUB 6,701 million with interest rates ranging from 0.5 per cent. per annum to 2.1 per cent. per annum and with the maturity in 3 years after the receipt of the full amount of the loans. See "*Operating and Financial Review—Recent Developments*" and "*Related Party Transactions*". These loans may also be reclassified into equity in the future.

Recoverability of deferred tax assets

The Group's management believes that deferred tax assets recognised by the Group as of each reporting date will be fully realised. As of 31 December 2013, 2014 and 2015 the carrying value of deferred tax assets was recognised in the amount of RUB 825 million, RUB 1,621 million and RUB 1,444 million, respectively.

Disclosures about Market Risk

Interest Rate Risk

Interest rate risk is the risk that movement in interest rates for borrowed funds will have an adverse effect on the Group's financial performance. In general, the Group takes a conservative approach to the use of debt leverage and tends to finance its operations and expansion primarily through internally generated funds.

Management carefully monitors changes in interest rates and takes steps to mitigate interest rate risk through careful evaluation of contractual terms for new borrowings, as well as continued improvement of its existing debt portfolio. In assessing the quality of its debt portfolio, the Group aims to maintain an appropriate mix of floating and fixed interest rate instruments, and to ensure that contractual terms for the borrowings provide for minimal or no early repayment fees, an option to negotiate a decrease in interest rates and an inability of a credit institution to unilaterally increase interest rates without prior notification and granting an early repayment option at no additional charges.

As of 31 December 2013, 2014 and 2015 and 30 June 2016 the Group's borrowed funds consisted of the 2018 LPNs, long- and short-term borrowings and amounts due under a concession agreement. The Group has no significant exposure to interest rate risk as it has no borrowings at floating interest rates. The Group's liabilities under concession agreement bear an inherent interest rate, which is fixed for a period of three years. At the end of each three-year period payments under the agreement are revised, and any changes in the amount of future payments under the concession agreement may significantly influence the effective interest rate for the related liability, as well as the total amount of the interest expense.

Foreign Currency Risk

Foreign currency risk is the risk that the financial results of the Group will be adversely impacted by changes in foreign currency exchange rates to which the Group is exposed. The Group has export revenue, and purchases third-party services, which are denominated in foreign currencies. Certain receivable and payable balances, related primarily to settlements with customers and suppliers, are denominated in currencies other than the Rouble, the functional currency of the Group.

Foreign currency risk is regularly assessed and managed by the Group's financial assets management department. The Group's foreign currency position for net current assets is evaluated daily. The consolidated foreign currency position of all of the Group's assets and liabilities is assessed quarterly. The Group mitigates potential negative impact of foreign currency exchange rate movements primarily through aiming to maintain a balanced structure of foreign currency-denominated assets and liabilities. Available cash and cash equivalents are the key instrument used by management to correct an imbalanced foreign currency position. Management also continually monitors market trends in order to appropriately adjust the Group's contractual payment terms to take advantage of favourable changes in foreign currency exchange rates. The Group does not have or use any formal arrangements (such as derivatives) to manage foreign currency risk exposure.

The following table sets out carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as of 30 June 2016.

	As of 30 June 2016	
	U.S.\$	EUR
	<i>(in RUB millions)</i>	
	<i>(unaudited)</i>	
Assets		
Cash and cash equivalents	6,584	173
Amounts due from grantor under a concession agreement	–	387
Trade and other receivables	994	186
Other non-current assets	1,912	–
Total assets	9,490	746
Liabilities		

Short-term borrowings	205	–
Long-term borrowings	19,083	1,565
Trade and other payables	741	624
Total liabilities	20,029	2,189

Credit Risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group does not have or use any arrangements to hedge its credit risk.

The Group's exposure to credit risk arises primarily with respect to receivables in connection with aviation, ground handling and real estate activities. Credit exposure is managed by establishing credit terms for the most significant customers, the list of which is reviewed and approved by management, and crediting only to foreign customers and most significant customers located within CIS and the Russian Federation with a proven credit history. Sales to other customers are made on a prepayment basis. According to the Company, as of 30 June 2016, credit was offered to 42 per cent. of total customers, while the remaining 58 per cent. prepaid the services provided by the Group.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they fall due. The Group's liquidity position is monitored and managed by the treasury department. The management of the Group controls current liquidity based on expected cash flows and revenue through establishing and maintaining a cash fund sufficient to cover the Group's contractual obligations for the period from three to six upcoming months. Such funds are normally kept as highly liquid short-term bank deposits, and are available on demand.

In addition, the Group is focused on maintenance of a diversified portfolio of open credit lines with reputable banks, which serve to secure for the Group a stable ad hoc borrowing capability. The Group has both interest bearing and non-interest bearing financial liabilities. The interest bearing liabilities consist of amounts due under a concession agreement, borrowings and the 2018 LPNs. Non-interest bearing liabilities include trade and other payables, accrued expenses and other current liabilities.

BUSINESS

Overview

The Group owns and operates DME, the second largest airport in Eastern Europe in terms of passenger traffic according to FlightGlobal. Located 44.6 kilometres southeast of the centre of Moscow (22.7 kilometres away from the Moscow Ringway), DME served approximately 30.5 million passengers in 2015 and 12.6 million during six months ended 30 June 2016. As of 30 June 2016, DME served 61 airlines, including 40 foreign airlines (11 from the CIS states) and 21 Russian airlines. DME has a diversified Russian and international airline customer base, with two major clients, S7 and Ural Airlines, and is the hub in Russia for eight member airlines of the Star Alliance and five member airlines of the oneworld alliance. As of 30 June 2016, non-stop flights from DME serviced 190 domestic and international destinations, of which 75 destinations were exclusive to DME among MAH airports.

The Group provides a wide range of airport services, seeking to diversify sources of revenue with a particular focus on high-margin businesses and better serving the needs of its airline and other customers. The Group operates through three business segments: (i) aviation services such as the use of terminal, take-off and landing and aviation security services; (ii) auxiliary aviation services such as ground handling and fuelling services, in-flight catering, cargo and mail handling; and (iii) commercial services, which include DME's retail concessions, advertising, car parking and an on-site hotel. DME Limited, the holding company of the Group, is rated 'BB+' by Fitch and S&P, with the most recent confirmations announced in September 2016 and October 2016, respectively. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

The MAH is a major international gateway to Russia and the CIS region. Moscow is one of the largest cities in the world by population and has one of the highest total passenger traffic through its airports in the world. According to the TCH, in 2015, 77.6 million passengers used MAH airports. Annual growth in air traffic in the MAH averaged 10.6 per cent. between 2000 and 2015, according to the TCH. DME's market share of total passenger traffic in the MAH has increased from 16.1 per cent. in 2000 to 39.3 per cent. in 2015.

To capture this growth, the Group plans to expand DME's capacity and upgrade its infrastructure as part of its 2026 Masterplan, as described further below in "*Airport Development 2026 Masterplan*". The 2026 Masterplan includes, among other things, the construction by the Russian government of a new runway to replace the existing Runway 2 (which is already underway and expected to be completed in 2017), reconstruction of existing aprons and construction of new aprons, construction of Terminal 2 and additions to and renovations of existing facilities. The Group estimates that, upon the completion of these plans as currently contemplated, capacity at DME can be increased from approximately 423,000 ATMs in the year ended 31 December 2015 to up to approximately 474,034 ATMs per year with the construction of a new runway to replace the existing Runway 2. For the six months ended 30 June 2016, DME handled 105,235 ATMs.

For the six months ended 30 June 2016 and 2015, the Group's revenue amounted to RUB 17,757 million and RUB 18,571 million, respectively. For the years ended 31 December 2015, 2014 and 2013, the Group's revenue amounted to RUB 39,446 million, RUB 41,224 million and RUB 39,924 million, respectively. The Group's profit and comprehensive income for the six months ended 30 June 2016 and 2015 amounted to RUB 3,672 million and RUB 3,527 million, respectively. For the years ended 31 December 2015, 2014 and 2013, the Group's profit and comprehensive income for the year amounted to RUB 8,151 million, RUB 11,401

million and RUB 9,430 million, respectively. For a more detailed discussion of the Group's results of operations and financial condition, see "*Operating and Financial Review*".

The Company, or the Borrower, was incorporated in Cyprus on 20 January 1995. The Company's registered address is Michalaki Karaoli, 2, office 203, 1095, Nicosia, Cyprus and its registration number is HE 68181.

History and Development

The construction of DME was commissioned by resolution of the Council of Ministers of the USSR on 13 November 1954 in response to a need to handle the growth of long-distance domestic traffic in the Soviet Union. Unlike SVO, the development of which was linked to the state's military needs and VKO, which has historically been focused on servicing governmental flights, DME's development has been centred around the growth of civil aviation. Construction of DME began in January 1956. Commercial aircraft began operating at DME on 12 August 1963, and the first cargo flight departed from DME on 5 September of the same year. Passenger services from DME began on 25 March 1964 with a Tupolev Tu-104 departing from DME to Sverdlovsk (now Yekaterinburg). DME officially opened in May 1965.

A second runway, parallel to the first, was put into service in 1968. On 26 December 1975, DME was selected for the inaugural flight of Tupolev Tu-144 to Alma Ata (now Almaty) and DME hosted the first passenger flight of the aircraft on that route on 1 November 1977. DME was recognised as an international airport in 1992 by Government Order No. 1262-r of the Russian Federation and operated an international flight for the first time in 1993 on the DME-Ankara route.

Since 1998, DME has been managed by the Group, with the runways and the land beneath the airport infrastructure remaining in the control of, and the property of, the Russian Federation and a municipal entity of the Moscow Region. See "*—Airport Facilities, Real Estate and Infrastructure— Real Estate*" below. The Group was organised in 1993 as a freight business operating at DME, leasing cargo aircraft from Domodedovo Civil Aviation Enterprise, the state-owned entity then managing DME. At a time where the state did not have adequate funds to invest in DME, in 1997 the Group, through a series of joint ventures, made substantial investments in the reconstruction of DME's infrastructure and acquired the lease under 75-year Lease in 1998. The Group has since been investing heavily in the renovation and expansion of the airport, which the Group believes has been a key contributor to DME's ability to increase its traffic levels over the past decade. Government financing for the runways and the Government's investment in DME's connecting infrastructure has also contributed to DME's development. In 1995, DME opened its international air cargo facilities and an extensive refurbishment of Terminal 1 followed from 1999 to 2003. The Aeroexpress rail link opened in 2002, making DME more accessible to passengers travelling from the centre of Moscow. Improvements comprising of the reconstruction of Runway 1 that commenced in 2001 and the installation of new radio navigation and lighting equipment at Runway 2 in 2002 and 2003 allowed both runways to be certified to meet Category IIIA specifications of the International Civil Aviation Organisation ("**ICAO**") in 2007 and 2005, respectively. These developments and investments contributed to DME surpassing the other airports in the MAH in terms of passenger traffic in 2005. In 2009, DME became the first airport in Russia certified to service the Airbus A380 aircraft, and in 2012, the first airport in Russia to handle regular flights operated by Emirates on the Airbus A380 aircraft and by Japan Airlines (JAL) on the Boeing 787 aircraft.

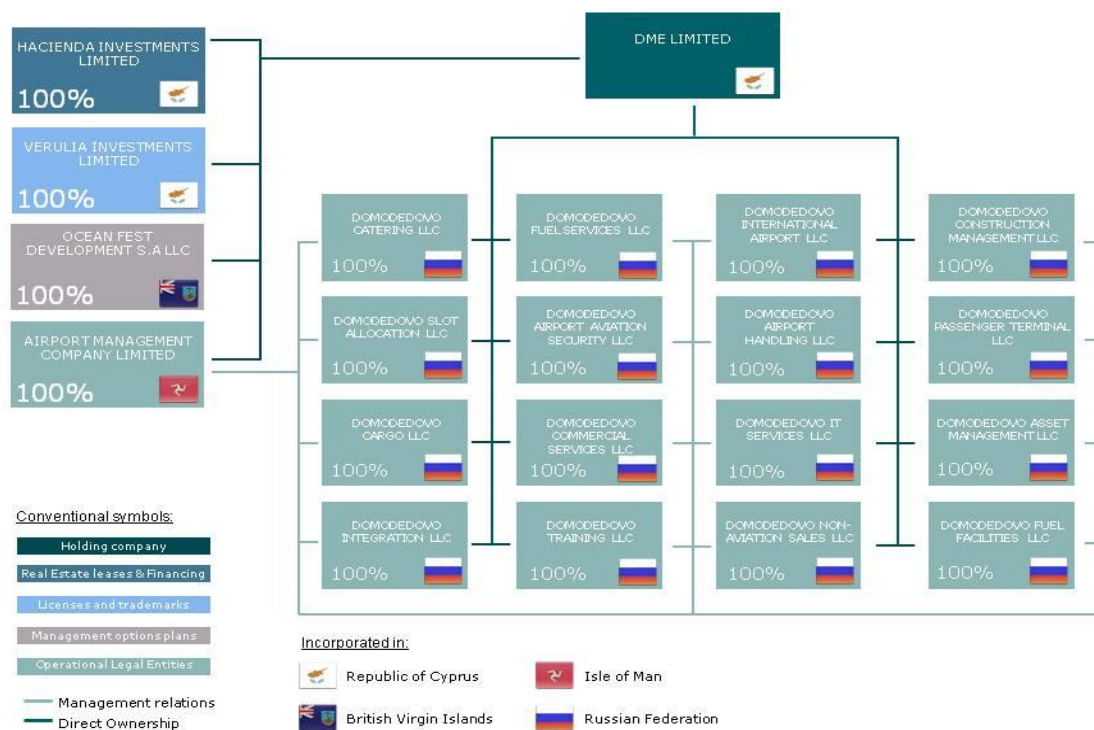
In 2014, DME commenced construction works to expand Terminal 1 by increasing its total area to 226,000 square meters, and the Russian government commenced construction works to build a new runway to replace the existing Runway 2. The construction of Terminal 2 for

international flights under one roof with Terminal 1 was commissioned in 2015. A new Aeroexpress rail platform adapted for double-decker trains is expected to be completed by the end of 2017 and a new multilevel parking with the capacity of approximately 1,500 cars is expected to be completed in 2017. The construction of Terminal 2 for international flights is expected to be completed by the 2018 FIFA World Cup in Russia.

The quality of the services provided by the Group at DME has been recognised by the achievement of an ISO 9001-2000 certification first obtained in 2003 and an award as the "best airport of the CIS countries" from the Airport Association of CIS Civil Aviation in 2008. DME was also named "best airport in Eastern Europe" by SKYTRAX in 2010 and March 2011 and "best Russian Airport" by "Travel.ru Star" in March 2011. DME earned "platinum" status from IATA in July 2010 for adopting bar coded boarding passes, allowing passengers to get their boarding passes online or at the common use self-service check-in kiosk at the airport, as opposed queuing at the check-in desks. In addition, in March 2011, IATA awarded DME the certification IATA Safety Audit for Ground Operations Certification (ISAGO), a global audit programme for ground handling companies at an airport. DME was the first airport in Russia to obtain this certification. In 2015, DME was named "best airport in Russia and the CIS" at World Airport Awards (Skytrax) and received a special award from passengers as the best airport in the MAH at the "Air Gateway to Russia" awards.

Organisational Structure

The Group operates through a number of subsidiaries, which provide certain services for its business and hold licences material to the Group's operations. In February 1999, in accordance with the decision of the shareholders of the Group's operating companies, Airport Management Company Limited ("**AMC**"), was designated the sole executive body for the Russian operating companies of the Group. In this capacity, AMC manages the operations of all Russian companies in the Group from its office at DME. Management services agreements were concluded between AMC and each of the Russian operating companies pursuant to which AMC appoints managing directors for each of the Group's principal businesses, who manage their day-to-day operations. AMC is also responsible for financial management, budgeting and management of legal, accounting, IFRS reporting and audit functions. For more information on the Group structure and the Group's subsidiaries, see "*Additional Information*".



Strengths

The Company believes that the Group benefits from the following key strengths:

Largest European Market with Strong Growth Potential. The Russian air travel market benefits from a significant population, with a low but steady propensity to fly, and an important and growing domestic market due to long distances between Russian cities, making air travel an increasingly competitive mode of domestic transport compared to rail travel. With a population of approximately 12 million people, Moscow is the largest city in Europe, and the MAH is the third largest European hub with the air traffic of 77.6 million passengers in 2015 (with London, Paris, Frankfurt and Amsterdam making up the rest of top-5 European hubs, with 153.5 million passengers, 99.8 million passengers, 63.7 million passengers, and 58.3 million passengers, respectively), according to ACI Europe and the TCH, and accounts for 77 per cent. of passenger traffic in Russia according to the TCH. The Moscow region is the major international gateway to Russia and the CIS and a large and growing market for air travel.

The Group's strategy is based on the expectation that an increasing propensity of Russians to fly, the economic pre-eminence of the Moscow area in the CIS and the dominant position of Moscow in trade and travel in Russia is expected to lead to further passenger traffic growth in Russia and DME in the future. In 2015, Russian air traffic reached 100.2 million passengers, out of which DME served approximately 30.5 million passengers, as compared to 106.2 million passengers of which DME served approximately 33.0 million passengers in 2014, according to the TCH. For the six months ended 30 June 2016, Russian air traffic reached 41.4 million passengers, out of which DME served approximately 12.6 million passengers, according to the TCH.

Second Largest Airport in Russia and Eastern Europe. DME is a key hub and the second largest airport in Russia and Eastern Europe in terms of passenger traffic, handling approximately 30.5 million passengers in 2015 and approximately 33.0 million passengers in 2014, according to the TCH. DME's strong position among the MAH airports is reflected by its share of air passenger traffic in the MAH which amounted to 39.3 per cent. and 37.4 per cent. in 2015 and the six months ended 30 June 2016, respectively. DME also holds the largest share of MAH domestic passenger traffic with a 41.7 per cent. and 39.4 per cent. share in 2015 and the six months ended 30 June 2016, respectively. Furthermore, DME is an important international gateway to Moscow, handling 42.0 per cent. and 34.9 per cent. of MAH international passenger traffic in 2015 and the six months ended 30 June 2016, respectively. DME serves the largest number of airlines on the most extensive route network in the MAH, with 61 airline customers (compared to 45 airline customers at SVO and 20 airline customers at VKO) operating 223 routes (compared to over 200 routes at SVO and 120 routes at VKO) as of 30 June 2016, according to annual reports and official estimates of the relevant airport authorities. The Group also believes that DME is well positioned to capture the expected incremental future growth in some of the most attractive segments of traffic such as transfer and international traffic, taking advantage of the following factors: (i) a single terminal layout, (ii) existing runway capacity with further additional capacity planned and (iii) the airport of choice for a number of foreign airlines which represent two of the three global airline alliances, namely the oneworld alliance and the Star Alliance.

Attractive Location and Best in Class Asset Infrastructure with Expansion Potential. DME's location outside Moscow provides an attractive location for development, by allowing for limited environmental impact of airport operations and featuring low population density

in the immediate surrounding area. DME has a single terminal building that is located and configured in a manner that will allow phased development. The location of DME's terminal between the runways expedites transfer of passengers, expanding DME's potential as a transit hub. DME is the only MAH airport with two parallel runways configured to permit simultaneous, independent operation. This, together with high speed taxiways and a sufficient number of parking slots, provides DME with the highest potential runway capacity among MAH airports (90 ATMs per hour) as compared to SVO (68 ATMs per hour) and VKO (61 ATMs per hour), according to ARUP report of 2010. Both of DME's runways are certified to meet ICAO Category IIIA specifications, qualifying the airport for landing operations under adverse weather conditions. Unlike VKO, which currently may not service ATMs from 3:00 a.m. to 6:00 a.m., DME does not have such restrictions on night flights. Access to DME is provided by a direct rail link from the centre of Moscow and by a dual carriageway dedicated to, and with its end point at DME. In addition, DME has potential for significant expansion and development, both for (i) additional runways, as well as for expansion of terminal and air traffic support capacity and (ii) related property and commercial development. DME's expansion goals include increasing terminals capacity to approximately 19,100 passengers per hour by 2018, as compared to 11,795 passengers per hour as of 30 June 2016, and commercial space to approximately 500,000 square metres by 2018, as compared to 225,000 square metres as of 30 June 2016.

Unique Integrated Business Model. The Group has a highly integrated operating model with a diverse product offering. The Group believes that it offers a breadth of services to its airline customers that few other airports can match. The Group essentially offers a "one-stop-shop" for airlines, covering a wide range of their needs relating to aviation services (terminal, take-off and landing services and security), auxiliary aviation services (including ground handling of passengers and aircraft, in-flight catering, fuelling services and storage, and cargo handling) and other services for its non-airline customers (for example, offering commercial space and parking for passengers) with a particular focus on high-margin business. The Group also strives to offer its airline customers unique tailored solutions through DCS, a centralised contact point for airline customers, a strategy which the Group believes has been instrumental in its ability to retain and attract airline customers.

Diversified and Growing High Quality Airline Customer Mix. The Group has a diversified airline customer base among the MAH airports and hosts a variety of leading Russian (including two out of the four largest airlines in Russia: S7 and Ural Airlines) and international carriers (including British Airways, Eithad Airways, Emirates, Lufthansa, Singapore Airlines, Swiss Air, Qatar Airways, Uzbekistan HJ and others) with S7 being the Group's major client. The Group services all types of airlines, from budget to premium quality airlines with a particular focus on top rated international carriers. The Group has more airlines offering flights than its MAH competitors (61 at DME as compared to 45 at SVO and 20 at VKO as of 30 June 2016) and believes it has significantly less airline customer concentration with S7 accounting for 39.3 per cent. of total scheduled seats for the six months ended 30 June 2016, as compared to SVO and VKO where Aeroflot accounted for 88 per cent. and UTair accounted for 41 per cent., respectively, of total scheduled seats for the same period, based on quarterly reports of the relevant airlines. DME also serves all three global airline alliances (eight members of the Star Alliance, five members of the oneworld alliance and one member of the Sky Team alliance currently operate at DME), with scope for future migration of alliance partners not currently using DME. Moreover, S7 (which is a member of the oneworld alliance) continues to consolidate its strong position in the Russian aviation

market and expand internationally through operating agreements with other oneworld airlines.

Strong Management Track Record. The Group has a strong, dynamic and experienced management team with nine key members of the Group's management team having an average of 11.5 years of experience in the Russian aviation sector. The management team has overseen the transformation of DME which has led to extensive growth over the past several years, during which time they have covered not only day-to-day management of operations but also construction and expansion of airport facilities, enabling DME to evolve as one of the largest airports in Moscow, the CIS and Eastern Europe in terms of passenger traffic volumes. As a result, the Group believes that it is well-equipped to operate DME and to oversee its continued expansion.

Strong Financial Position, Conservative Capital Structure and Financial Policy, and Track Record of Profitability. The Group has historically maintained a conservative debt policy which enables the Group to meet its obligations in a timely and comfortable fashion. Despite an active expansion policy, DME has consistently maintained a low-leverage position with Net Debt to Adjusted EBITDA ratio of 0.7 and 0.9 as of 31 December 2015 and 30 June 2016, respectively, Total Debt to Adjusted EBITDA ratio of 1.7 and 1.4 as of 31 December 2015 and 30 June 2016, respectively, and Debt to Equity ratio¹² of 49.7 per cent. and 42.1 per cent. as of 31 December 2015 and 30 June 2016, respectively, supported by free cash flow generation and significant revenue growth and margin improvement. The Group's policy is to maintain the leverage ratio, calculated as Net Debt to Adjusted EBITDA, below 3.0. See "*Selected Consolidated Financial Information and Operating Data - Additional (Non-IFRS) Financial Information*" for information on ratios calculation.

Strategy

The Group's goal is to maintain DME's position as one of the largest airports in Russia and Eastern Europe and continue business expansion while keeping a prudent capital structure and conservative debt policy, maintaining a strong balance sheet and robust cash flow generation by pursuing the following strategies:

Increase Passenger Traffic. The Group will seek to sustain its leading market positions and increase passenger traffic through continuing development of airport infrastructure, seeking to increase transfer traffic, maximising convenience of travel to and from DME and continuing its focus on its airline customers' needs. The Group's 2026 Masterplan contemplates increasing DME's passenger terminals capacity to up to 55.0 million passengers per annum by 2023 by (i) construction by the Russian government of a new runway to replace the existing Runway 2, and (ii) construction of Terminal 2 (adding a total of 319,023 square metres of new terminal area in several phases), as well as increasing cargo terminal capacity by 345,000 tonnes per year. See "*—Airport Development 2026 Masterplan*" below. The Group will seek to realise potential increases in transfer traffic by assisting airlines in developing route networks and technologies to service transfer flights, developing airport route networks through marketing and promotion of new routes to airlines, and developing transfer services technology at the airport to reduce passenger connecting times for both domestic and international flights. The Group will seek to enhance convenience of travel to

¹² This measure is an APM. The Group calculates Debt to Equity ratio as a sum of the long-term and short-term borrowings (Debt) divided by Total equity (Equity) as stated in the consolidated statement of financial position prepared in accordance with IFRS.

and from DME by working with applicable parties to transfer the rail link terminal to a more centralised point and increase train frequency from every 30 minutes to every 15 to 20 minutes by 2017. The Group also expects that the planned widening of the DME access road, to be financed by the federal and regional governments, will accommodate more traffic and facilitate access to DME.

Further Develop the Group's Integrated Business Model. The Group intends to enhance its integrated business model and "one-stop-shop" airline services concept to facilitate and to raise efficiency of client communications. Further, the Group will seek to introduce standardised contractual terms to increase transparency between DME and its clients. The Group also plans to seek to encourage customers and investors to develop their own businesses at DME. In 2013, the Group commissioned an in-flight catering facility with a capacity of up to 3,500 meals per day together with the catering network LSG Sky Chefs. A new Aeroexpress train terminal constructed by the operator of Aeroexpress and JSC Russian Railways is expected to be commissioned by the end of 2017.

Seek to Realise Revenue Growth Potential from Non-aeronautical Services. The Group intends to further increase the share of its revenue derived from non-aeronautical services through expanding retail concession areas in Terminal 1 and adding significant additional capacity in the planned construction of Terminal 2. As a part of its 2026 Masterplan, the Group also intends to develop the airport complex territory with projects such as "DME Aerotropolis". The first phase of "DME Aerotropolis" includes construction of an industrial park with an area of 900,000 square meters, a commercial unit with an area of 315,000 square meters, a hotel and leisure unit with an area of 275,000 square meters, and exposition village with an area of 370,000 square meters, an agricultural unit with an area of 1,000,000 square meters and a business unit with an area of 215,000 square meters.

Enhance Operational Efficiency. The Group intends to improve profitability by improving its technological processes and by fostering a more thorough process-based approach to business management. The Group focuses on increasing the overall level of automation across the entire spectrum of business processes and optimisation of various airport operations. In particular, the Group is developing an Airport Operations Control Centre (AOCC) based on the Airport Collaborative Decision Making (A-CDM) concept that will include all its aviation partners in a full-scale continuous joint decision-making process. As the next step, the Group intends to develop the Total Airport Management (TAM) concept by developing a more powerful AOCC extending its control functions to landside operations. The Group also intends to increase its efforts to provide appropriate personnel training through use of corporate training centres and improving results-oriented incentivisation schemes and loyalty programmes for personnel, in order to optimise staff headcount while decreasing employee turnover. In addition, the Group will seek to strengthen security systems through utilisation of advanced and automated technological systems. The Group also intends to focus on minimising the adverse impact of airport operations on the environment and on the population of the areas near DME. In particular, in 2014, the Group put into operation a noise monitoring system and built local waste and water treatment facilities and storage and disposal facilities used for de-icing fluids.

Airport Facilities, Real Estate and Infrastructure

Currently, DME has the largest air traffic capacity among the airports of the MAH, according to the TCH. It has two independent parallel runways, a single passenger terminal building for domestic and international flights designed to minimise connection time for passengers and

well-developed connecting infrastructure. DME also operates an extensive 17,380 square metre cargo storage facility, a cargo clients building, an aircraft maintenance hangar, fuelling, fuel storage and in-flight catering facilities, office and other buildings, utilities infrastructure and car parking.

Runways

DME's two parallel runways are positioned to allow independent take-off operations on each runway. DME is Russia's first airport to have two parallel runways operating simultaneously and as a result benefits from greater capacity than other airports in the MAH. See "*Competition*" below for more information on SVO and VKO's respective airfield infrastructure. DME's Runway 1 is 3,500 metres long and the existing Runway 2 is 3,794 metres long, though, as discussed below, the Russian government is constructing a new runway to replace the existing Runway 2 which is expected to be completed in 2017. DME can handle up to 90 ATMs per hour at peak levels, with Runway 1 and Runway 2 having a capacity of 47 and 43 ATMs per hour, respectively.

In 2001, the Group started the reconstruction of Runway 1 and Runway 2 (built in 1962 and 1968, respectively), with more funds invested in the reconstruction of Runway 1. During the first phase of the project, in 2002, new radio navigation and lighting equipment was installed at Runway 2, and this runway was certified to meet ICAO Category IIIA specifications, qualifying it for landing operations under adverse weather conditions. Although the top pavement layer of Runway 2 was repaired in 1981 and Runway 2 was refurbished in 2002-2003 and certified as a Category IIIA ICAO runway, it has not been reconstructed or repaved since it was built in 1968, which is the main reason for the reconstruction of Runway 2. During this period the main taxiway for Runway 1 was also re-equipped and certified as a temporary runway, which allowed DME to maintain the required handling capacity during the later reconstruction of Runway 1. The second phase of the project involved the reconstruction of Runway 1 and upgrading of the taxiways, as a result of which Runway 1 was certified to meet ICAO Category IIIA specifications. The configuration and the technologies used on Runway 1 allow an aircraft after landing to leave the runway and take the exit curve of the taxiway at a speed of up to 93 kilometres per hour on a wet surface. This minimises the time an aircraft remains on the runway, allowing for greater throughput capacity.

These improvements to Runway 1 and the upgrading of its taxiways allowed DME to significantly increase its runway capacity from 36 ATMs per hour at peak levels (capacity of 18 ATMs per hour for each of Runway 1 and Runway 2) prior to the reconstruction to 90 ATMs per hour at peak levels, with Runway 1 and Runway 2 having a capacity of 54 and 47 ATMs per hour, respectively as of 30 June 2016. Over the period of the reconstruction, the Group worked in collaboration with the MATCC and the State Scientific Research Institute of Air Navigation to update and increase the efficiency of organisation of air traffic, navigation equipment at DME and Runway 1 and its high-speed exit and main taxiways.

The new runway that the Russian government is building on the territory of DME to replace the existing Runway 2 is expected to be 3,800 metres long and to have a capacity of 45 ATMs per hour. The construction of the new runway is financed by the Russian government, which has allocated federal budget funds of RUB 15,570.5 million and non-budget government funds of RUB 14,906.8 million into the FTPD for this purpose. The commissioning of the new runway was initially scheduled for 2016 but due to a combination of factors (including complex technical terms, geological environment and adverse market

conditions in 2014 and 2015 affecting the financial condition of the contractors) has been postponed until 2017. As of the date of this Prospectus, DME has sufficient traffic capacity and does not expect the delay in commissioning of the new runway to affect its business. Upon commissioning of the new runway, the existing Runway 2 will be re-equipped into a major taxiway, which DME expects would reduce its operating expenses as the maintenance costs of the new runway will be lower than for the existing Runway 2.

By 2025, the Group hopes to have achieved a maximum capacity of 45 ATM per hour for each of Runway 1 and the replacement for Runway 2, bringing the total ATM capacity of DME to 90 ATMs per hour. See "*— Airport Development 2026 Masterplan*" below and "*Risk Factors—Risks Relating to the Group's Business—The 2026 Masterplan is dependent on third-party, including government financing, which may not be available in the future or on less favourable terms.*"

Passenger Terminals

DME's passenger Terminal 1 comprises approximately 184,254 square metres of gross floor area (as of 30 June 2016) with separate piers serving domestic and international flights. The single terminal area design allows for efficiency and flexibility primarily in terms of servicing transfer traffic. Located between DME's two runways, Terminal 1 was built in accordance with International Air Transportation Association ("**IATA**") Category C classifications and has been certified ISO-9001:2000 since 2003. Terminal 1 peer-finger design allows for short connection times, a pre-requisite for the development of transfer traffic and throughput, and phased expansion. Terminal 1 also benefits from a certification from the Transportation Security Administration enabling check-in of US-bound flights without further screening. As of 30 June 2016, Terminal 1 had 160 check-in counters, 22 gates connected to contact stands with air-jetty access directly from Terminal 1 and 22 gates with access to remote stands served by bus operations from and to Terminal 1. By the end of 2017, DME intends to expand its passenger terminals by constructing Terminal 2 increasing the passenger terminals' total area to 226,000 square meters and adding another 160 check-in counters, 24 jet bridges and 22 gates.

In 2014, DME's Terminal 1 had the capacity to handle approximately 8,581 passengers per hour on domestic and international flights. The passenger traffic at DME reached an historic high of 33 million passengers per year in 2014, and reduced to 30.5 million passengers per year in 2015.

As of 30 June 2016, as a result of the reconstruction and expansion of Terminal 1, the Group estimated Terminal 1 capacity to be approximately 12,080 passengers per hour. The passenger traffic for the six months ended 30 June 2016 was over 12.5 million passengers, according to the Group's estimates. The majority of the passenger traffic volume in DME is made up of passengers on domestic flights. During the six months ended 30 June 2016, domestic flights contributed to 59.6 per cent. of passenger traffic at DME. During the six months ended 30 June 2016, DME had 12.6 million passengers (7.5 million for domestic flights and 5.1 million for international flights). Approximately 18.7 per cent. of passenger traffic in the six months ended 30 June 2016 consisted of transfer passengers.

Terminal 1 offers a wide range of services to passengers, including shops, bars and restaurants. Terminal 1 has 10 business class departure lounges, five of which are maintained by individual international and domestic airlines and another five are operated by DME, and a VIP lounge, staffed with Group's personnel available to international and domestic airline

customers. The lounges typically include such amenities as Wi-Fi Internet access, food and drink, showers, cloakrooms and massage chairs.

In 2015, the Group commissioned the construction of Terminal 2 for international flights under one roof with Terminal 1. The construction of Terminal 2 is underway and the first phase of construction of Terminal 2 is expected to be completed by the beginning of the FIFA World Cup in Russia in 2018. The first phase of construction of Terminal 2 is expected to add approximately 235,475 square metres of terminal area to service international flights as well as additional 94 check-in counters, 12 jet bridges and 16 gates. The Group expects that, upon completion of the second phase of construction of Terminal 2 which is currently planned for 2023, DME's terminals will reach approximately 503,277 square metres from approximately 184,254 square metres as of 30 June 2016, which would increase the aggregate passenger capacity of Terminal 1 and Terminal 2 up to 55 million passengers per annum by 2023.

Airfield

DME serves the majority of types of domestic and international civil aircraft. DME is certified to receive and service more types of aircraft than any other airport in Russia. In addition, DME was the first airport in Russia, which was not only certified to receive and service the world's largest passenger airliner, the Airbus 380, but also to handle regular daily flights operated by Emirates Airlines on aircraft of this type. The airport apron is designed to park various types of aircraft, from Falcone 90 business aircraft to large passenger and cargo jets such as the Airbus A380, Antonov 124, An-124 Ruslan and Boeing 747. As of 30 June 2016, DME had 146 aircraft parking stands, including 24 contact stands with air-jetty access directly from Terminal 1, in addition to 122 remote aircraft parking stands where aircraft are served by bus operations from and to Terminal 1.

DME maintains the airfield's pavements and lighting facilities, provides ground rescue and fire fighting services, as well as ornithological security for the safe take-off and landing of aircraft. Air traffic control is provided by the MATCC, which is responsible for air traffic control in the MAH airports. The air traffic control system is owned by the Russian Federation, and the Group maintains some of the supporting air navigation equipment, including radio equipment, means of airborne communications and aeronautical fixed telecommunications, as well as emergency alert systems.

Real Estate

As of 30 June 2016, 1,267 hectares of land were occupied by the airport, of which 1,261 hectares were leased by the Group and 30 hectares were owned by the Group. The Group owns the buildings and facilities in the airport territory complex, which include the passenger terminals, cargo terminal, in-flight catering facility, office buildings, as well as warehouse facilities, hangars and garages, parking and aircraft hydrant fuelling system and utilities infrastructure (aircraft fuel storage tanks, boiler units, electricity transformer units, water-pumping stations, etc.).

The runways, aprons, aircraft parking space, taxi strips, radio beacons and transformer substations belong to the Russian Federation and have been leased to the Group by the Federal State Unitary Enterprise "The Administration of Domodedovo Airport" under the 75-year Lease since 13 May 1998. In accordance with the supplementary agreement No. 17 to the 75-year Lease dated 17 January 2013 the rent amount of the lease is renegotiated every several years, with the next review date scheduled for 2017. As of the date of this Prospectus,

the new supplementary agreement is under consideration by the Federal Agency for the State Property Management (Rosimushchestvo) and DME believes that the rent amount is likely to be decreased rather than increased. As of the date of this Prospectus, rent under the 75-year Lease is approximately RUB 410.5 million per year.

Since 25 May 1998, the Group has also leased under the 49-year Lease from a municipal entity of the Moscow Region the land underneath the runways, aprons, parking space, taxi strips, the terminal and other airfield infrastructure facilities, which represents an area of approximately 1,159 hectares. The rent amount under the 49-year Lease is set out in respective decrees and, as a general rule, is renegotiated annually. In 2012, the supplementary agreement No. 11 to the 49-year Lease dated 7 March 2012 was signed reflecting the transfer of title to the leased land, whereupon the Federal Agency for the State Property Management (Rosimushchestvo) acts as the owner of the federal lands and the Property Management Committee of the City District of Domodedovo acts as the owner of municipal lands. As of the date of this Prospectus, the rent under the 49-year Lease is approximately RUB 50.1 million per year, payable in quarterly instalments.

The table below sets out the changes in rent amounts under the 75-year Lease and the 49-year Lease.

75-year Lease		49-year Lease	
Rent amount, in Roubles	Date	Rent amount	Date
3,223,200	13 May 1998	U.S.\$ 57,939	25 May 1998
92,000,000	12 April 2007	U.S.\$ 58,702	27 April 1999
410,475,000	10 December 2012	Rent amount was set equal to the amount of the land tax for the relevant land category	4 February 2000
		RUB 659,981	12 March 2002
		RUB 1,187,966	16 April 2003
		RUB 1,554,691	21 January 2004
		RUB 1,630,353.04	24 January 2005
		RUB 33,870,164.90	27 February 2008
		Varies from	7 March 2012
		RUB 232,367.85 to	
		RUB 48,668,760	
		depending on the particular land plot	

For more detail on these leases, see "*Risk Factors—Risks Relating to the Group's Business—The Group's business depends on its lease of the runways and the land occupied by the airport from Governmental authorities.*"

Approximately 9,940 hectares of land adjacent to or close to the airport complex territory have been allocated for airport development by a decree issued by the Moscow Region government. Of the 9,940 hectares, the Group currently owns or leases 1,267 hectares of land which management estimates, as of the date of this Prospectus, will be sufficient for all aspects of the 2026 Masterplan. See "*Related Party Transactions*" and "*Risk Factors—Risks Relating to the Group's Business—The 2026 Masterplan depends on the availability of certain land plots that the Group does not currently own, and the Group's growth and success depends on obtaining these land plots on commercially reasonable terms or their*

being transferred to the Government in a timely manner". The land plots are located away from major housing areas and industrial zones and are suitable for commercial development. See "*Airport Development 2026 Masterplan*" below for more information on the Group's current expansion plans for DME.

Transportation Links To and From DME

Multiple ground transport links provide access to DME for passengers, cargo transporters and airport personnel:

- The key transportation link between DME and Moscow is A-105 highway that begins on the Moscow Ringway and ends at DME and has from two to four lanes in each direction. The junction between Kashirskoe highway and the Moscow Ringway has recently been renovated and new access and exit ways have been added. A-105 highway also has a multi-level junction with Kashirskoe highway and M4 Don highway. This junction is traffic-light free, which increases traffic capacity of the highway. Other projects aimed at increasing traffic capacity of roads leading to DME are also being implemented.
- Aeroexpress offers a non-stop rail service between DME's passenger terminal and the Paveletsky train station, located in the centre of Moscow. Trains leave every 30 minutes for a 45-minute journey to and from DME. Each Aeroexpress train has a capacity of approximately 1,100 passengers. Aeroexpress operates 36 trips from Moscow to DME and from DME to Moscow per day. DME also expects a new Aeroexpress rail platform adapted for double-deck trains to be built by the end of 2016 which should increase the rail service capacity and decrease the road traffic loads. The improvement of rail service between DME and Moscow is expected to reduce traffic pressure and decrease the time of a journey to and from DME to 30 minutes.
- A coach service offers regular passenger busses service between DME and Domodedovskaya underground station, located in the southern part of Moscow. The standard journey from DME to Domodedovskaya underground station takes approximately 25 to 30 minutes.
- The commissioning of a light rail between the south-eastern, south and south-western parts of the Moscow Region and the relevant parts of Moscow is expected in 2019. This light rail is expected to have passenger traffic of approximately 8,800 passengers per hour between Podolsk and Domodedovo and approximately 3,600 passengers per hour between Domodedovo and DME. A light rail platform is expected to be built within walking distance from Terminal 1.
- A high-speed rail between Moscow and Voronezh is expected to be build by 2024. This rail is expected to operate approximately 57 trips per day from Moscow to Voronezh and from Voronezh to Moscow. A high-speed rail platform is expected to be built within walking distance from Terminal 1.

Business Segments

The Group offers a range of services covering virtually all airline customers' needs, including certain services, such as in-flight catering, the sale of fuel and a hydrant fuelling system. The

Group's business activities fall within three business segments: aviation services, auxiliary aviation services and commercial services.

Aviation Services	Auxiliary Aviation Services	Commercial Services
Use of Terminal	Ground Handling	Retail concessions
Take-off and Landing	Fuelling Services	Offices
Aviation Security	In-flight Catering	Advertising
	Cargo Services	Car Parking
	Aircraft Maintenance and Repair	

In providing an integrated set of services, the Group essentially offers a "one-stop shop" to its airline customers. The Group's integrated operating model allows it to maximise revenue from its airline and other customers.

Aviation Services

Aviation services represent airport fees and other traffic charges paid by airlines to the Group for the use of Terminal 1, take-off and landing and aviation security services. During the six months ended 30 June 2016, aviation services comprised 29.7 per cent. of the Group's revenue.

Use of Terminal

Airlines are required to pay the Group fees for the use of terminal facilities by their passengers. The fee is structured on a per passenger basis for both arriving and departing passengers. Different fee levels apply to foreign carriers and Russian carriers, and to Russian carriers depending on whether they operate domestic or international flights. Following the removal of regulated tariffs in February 2016, as of 30 June 2016, the maximum fee charged by the Group to Russian carriers was RUB 65.00, or approximately U.S.\$ 1.01, per passenger for domestic flights and RUB 95.00, or approximately U.S.\$ 1.48, per passenger for international flights. The maximum fee for foreign carriers as of the same date was U.S.\$ 8.40 per passenger.

Take-off and Landing

The Group charges fees for services related to take-off and landing of aircraft, including the maintenance of runways, taxiways, aprons, illumination systems and other visual landing assistance services for aircraft use. These fees are calculated on a per tonne basis and are based on an aircraft's maximum take-off weight. Following the removal of regulated tariffs in February 2016, as of 30 June 2016, the maximum rates set by the Group were RUB 230.00, or approximately U.S.\$ 3.58, per tonne for Russian carriers and U.S.\$ 10.50 per tonne for foreign carriers.

The Group also charges an aircraft parking fee which relates to each aircraft's ground stay at the airport. The fee is charged per hour of parking and is calculated from the time an aircraft lands at DME to the time it takes off, less 15 minutes. No fees are charged for parking times of less than three hours (for passenger flights) or six hours (for cargo flights), or for the time an aircraft is delayed from departing from DME if the delay is attributable to the airport or air traffic control. Russian airlines may enter into an agreement with the Group for preferential rates. Fees for excess parking are linked with the take-off/landing fee. For international carriers the fees for excess parking amount to 10 per cent. of the fees for take-off and landing

per day. In relation to Russian carriers (i) if a Russian carrier has not entered into an agreement with DME, the fees for excess parking amount to 5 per cent. of the take-off and landing per each hour of excess parking; (ii) if a Russian carrier has entered into an agreement with DME, the fees are set in the agreement and are generally lower than the fees paid in the absence of such an agreement.

Aviation Security

Aviation security services provided by DME include the pre-flight inspection and screening of passengers, crews, baggage, cargo and in-flight supplies, aircraft security (including guarding of the aircraft while at the airport), access control and security of the areas with restricted access. The Group has introduced advanced security technology and implemented measures and procedures aimed at ensuring the safety of passengers and public. Among other equipment, gas analysers, a millimetre wave scanning system, devices analyzing the molecular structure of substances using x-ray diffraction, and stationary and portable equipment to identify explosives are used to ensure effective screening. In addition, the Group uses a multilevel hold baggage sorting and inspection system that automatically identifies objects and substances that are prohibited on board civil aircraft. Profiling methods are also widely used in conducting inspection procedures. The terminal building is patrolled by employees with dogs specially trained to detect explosives.

Governmental authorities and the Group's own security team work together to ensure security at DME with the division of responsibilities stipulated by various laws and regulations of the Russian Federation. The Group's security teams are responsible for ensuring compliance with security procedures promulgated by the Russian Federation legislation on security and transport. Guarding international airports and their infrastructure is the responsibility of the federal police.

Certain restricted areas of DME, however, are the responsibility of the Group's aviation security personnel: (i) the area beyond the security checkpoint and up to the departure gate, where only ticketed passengers may enter once they and their luggage have been screened, and up to the departure gate, (ii) the area designed for free access into the terminal building.

The boundaries of the unrestricted areas are defined by the Group's aviation security programme, which is subject to approval by the appropriate Governmental authorities. Further, the Group's aviation security teams do not possess the right to conduct law enforcement activities in the Russian Federation, therefore they are not authorised to search individuals or their belongings or check identification or other documents, or detain individuals in nonsecured areas (not included in the aviation security programme). All security equipment in DME's terminal, whether it is used by police authorities or members of the Group, is purchased, installed and maintained by the Group.

Audits are performed regularly by international airlines and governmental and other agencies to help maintain security at all facilities of DME. The latest audits were performed by the Federal Agency for Air Transport in 2015 and found DME to be in compliance with current regulations on aviation security. In addition, DME is required to hold and keep current licences and certificates relating to air safety, which are granted by the Government. See *"Regulation of Airports in Russia"*. Furthermore, aviation security employees undergo training in specialised training centres within the Russian Federation and abroad. The Group created an aviation training centre in 2003 and possesses a Certificate of Conformity from the Federal Transport Security Supervision Service. DME also has a rapid response mobile unit,

consisting of specially trained staff able to take prompt action in emergency or crisis situations.

Fees paid by airlines to the Group for aviation security services are calculated on a per tonne basis for Russian airlines and foreign freight airlines based on an aircraft's maximum take-off weight, and on a per departing passenger basis for foreign passenger airlines. Following the removal of regulated tariffs in February 2016, as of 30 June 2016, the maximum rate charged by the Group to Russian carriers was RUB 190.00, or approximately U.S.\$ 2.96, per tonne for both passenger and freight carriers, while foreign freight carriers paid a maximum of U.S.\$ 6.30 per passenger for the Group's security services. The increases in fees in 2014-2016 were driven, among other things, by stricter airport security standards imposed by state authorities in connection with the terrorist act of January 2011. See *"Risk Factors—Risks Relating to the Group's Industry—DME has been and may in the future be affected by acts of terrorism"*.

Auxiliary Aviation Services

Auxiliary aviation services include ground handling services, fuelling services, in-flight catering and cargo services and aircraft maintenance and repair. Auxiliary aviation services constitute the largest segment in terms of revenue, representing 54.7 per cent. of the Group's total revenue in the six months ended 30 June 2016. See *"Operating and Financial Review"*.

Ground Handling

Ground handling services include all the services required by an airline while its aircraft are on the ground at an airport. An airline can either provide these services itself, using its own staff, or use an external service provider. The Group provides a wide range of ground handling services at DME, some of which are typically outsourced at other airports. Ground handling services provided by the Group include (i) passenger services, which include check-in and boarding of passengers, ground transport and shuttle buses for crew and passengers, incoming passenger welcome and baggage claims, and (ii) aircraft services, which include loading, unloading, catering, cleaning, aircraft towing and push-back, departure control system, load control and communication, production of technical documentation, line maintenance, marshalling, de-icing, ground support equipment repairs and the leasing of equipment. DME uses modern equipment supplied by leading manufacturers with the aim of efficiently providing these services to airlines and maximising aircraft turnover at DME.

During six months ended 30 June 2016, the Group serviced a total of approximately 6.3 million inbound and 6.3 million outbound passengers, including 2.3 million transfer passengers. In this period, the Group handled approximately 33.8 thousand tonnes of inbound cargo and 30.2 thousand tonnes of outbound cargo. The Group serviced 105,235 ATMs during the same period.

During the year ended 31 December 2015, the Group serviced a total of approximately 15.3 million inbound and 15.2 million outbound passengers, including 5.3 million transfer passengers. In this period, the Group handled approximately 73.1 thousand tonnes of inbound cargo and 79.3 thousand tonnes of outbound cargo. The Group serviced 253,084 ATMs during the same period.

During the year ended 31 December 2014, the Group serviced a total of approximately 16.5 million inbound and 16.5 million outbound passengers, including 4.2 million transfer

passengers. In this period, the Group handled approximately 93.0 thousand tonnes of inbound cargo and 94.1 thousand tonnes of outbound cargo. The Group serviced 277,785 ATMs during the same period.

Fees charged by the Group are based on the number of departing passengers on board an aircraft. Connecting passengers are charged the same applicable rate as departing passengers. Following the removal of regulated tariffs in February 2016, as of 30 June 2016, the maximum fee charged by the Group to Russian airlines was RUB 180.00, or approximately U.S.\$ 2.80, per passenger for domestic flights and RUB 200.00, or approximately U.S.\$ 3.11, per passenger for international flights. Fees charged to foreign carriers generally vary between U.S.\$ 5.00 to U.S.\$ 6.00 per passenger and depend on the auxiliary aviation services requested by the relevant carrier for particular flights.

Fuelling Services

The Group provides three types of services related to fuelling of aircraft at DME: jet fuel sale, jet fuel storage and fuelling services to airlines. DME is one of the few airports in Russia to operate its own hydrant fuelling system to provide supply of aviation fuel to aircraft. The hydrant fuelling system has a capacity of 900 cubic metres per hour and a fuelling capacity of 37 aircraft per hour. It has a pumping station that maintains constant pressure. Filtration and water separation equipment installed in the pumping station allows high frequency of fuelling in accordance with American Petroleum Institute standards. The Group is the largest aircraft fuel operator in Russia in terms of the number of flights serviced, with up to 350 aircraft refuelled each day at DME, representing approximately 100 thousand tonnes of jet fuel monthly as of 30 June 2016.

DME has a modern fleet of fuelling vehicles, which includes high performance mobile fuelling units manufactured in accordance with European requirements (some of which are equipped with lifting platforms) and foreign-made fuel tankers with a capacity of 18 to 60 cubic metres, which are able to provide fuel to all types of domestic and foreign aircraft. Low-profile fuel tankers with a capacity of 18 cubic metres serve the wing fuelling of medium-haul Airbus A319 and Airbus A320 aircraft.

In addition, DME owns two warehouses, one for the receipt of fuel (the receiving warehouse) and the other for the storage and preparation of jet fuel before delivery to aircraft (the active warehouse). The receiving warehouse is comprised of three tanks with a total combined capacity of approximately 15,000 cubic metres, and the active warehouse can accommodate up to approximately 34,000 cubic metres of fuel. The receiving warehouse has a discharge jetty for receiving fuel that is delivered by rail, providing a pour-off front to up to 22 rail tank cars. Fuel is delivered to DME through pipelines and by railway. The Group performs regular quality control tests of aviation fuels, automotive fuels and special fluids at the entrance, receipt, storage and airfield level using its laboratory facilities. The Group's management believes that the current capacity of the Group's facilities, which is expected to be increased by 10,000 cubic metres, is sufficient to meet the current and growing demand in light of constant increase in traffic. The Group also intends to build a new warehouse for the storage of fuel, several new tanks and equip each aircraft parking place with an individual hydrant system.

Airlines operating at DME can either purchase fuel from the Group or from other fuel suppliers, and airlines that purchase fuel from other suppliers are charged for fuel storage by the Group. Smaller airlines that do not require significant volumes of jet fuel tend to buy jet

fuel from the Group as opposed to buying jet fuel from third party suppliers and then storing it at the Group's facilities at DME. As airline customers require greater levels of fuel, such airlines will tend not to buy jet fuel from the Group but rather store at DME jet fuel purchased from other providers. Furthermore, due to high volatility of jet fuel prices, the Group intends to focus on fuel storage rather than jet fuel sales. As of 30 June 2016, DME sold fuel to up to 10 per cent. of its airline customers (which proportion remained at the same level as compared to the six months ended 30 June 2015), but provided storage for all fuel stored at DME. For more information on the Group's fuel suppliers, see "*Suppliers*" below.

Fees for fuelling services are calculated on a per tonne basis based on consumption of aviation fuel. Following the removal of regulated tariffs in February 2016, as of 30 June 2016, the fee paid by Russian airlines for fuelling services was RUB 1,200, or approximately U.S.\$ 18.67, per tonne of aviation fuel. As of 30 June 2016, the fuel storage fee amounted to RUB 950, or approximately U.S.\$ 14.78, per tonne. Storage and fuelling services are provided on a prepayment basis.

In-flight Catering

DME provides in-flight catering services to its airline customers. As of 30 June 2016, the Group provided catering services to approximately 71 per cent. of its Russian airline customers, 19 per cent. of its CIS airline customers and approximately 13 per cent. of its other foreign airline customers (including British Airways, Emirates, JAL, Lufthansa, Iberia and Vietnam Airlines) and provided meals for approximately 60 per cent. of total passenger traffic at DME. As of 31 December 2015, the Group provided catering services to approximately 74 per cent. of its Russian airline customers, 22 per cent. of its CIS airline customers and approximately 40 per cent. of its other foreign airline customers and provided meals for approximately 63 per cent. of total passenger traffic at DME. As of 31 December 2014, the Group provided catering services to approximately 70 per cent. of its Russian airline customers, 26 per cent. of its CIS airline customers and approximately 28 per cent. of its other foreign airline customers and provided meals for approximately 60 per cent. of total passenger traffic at DME.

The Group offers a wide choice of hot meals, snacks, desserts and confectionery, including both the standard menu (hot, cold, canned, light meals) and special types of menu (among others, halal, healthy, vegetarian and baby) for passengers and crews. Menus are prepared for each airline according to its specifications. Ready-made food is placed in containers, which are checked by security and sealed before being loaded on board. The Group generates revenue from the sale of in-flight meals to airlines, the sale of goods supplied by third parties such as candy bars and beverages, the delivery of in-flight meals and goods on board an aircraft, and other services such as the renting of containers, storing and the disposal of goods for airlines.

The current catering facility occupies an area of 23,174 square metres and has capacity to produce 80,000 meals per day. For the preparation of hot food, cook and chill technology is used (heat treatment and shock cooling). This technology allows for the production of meals with a shelf life of up to 30 days. Cold meals are produced using extended shelf life technology, which allows for a shelf life of up to five days without any preservatives, while preserving the taste and quality of the food products. Regular tests and controls are conducted to ensure food quality and safety using the Hazard Analysis and Critical Control Points system.

In July 2013, the Group commissioned an LSG Sky Chefs in-flight catering facility which operates as a prepaid lease project with a capacity of 3,500 meals per day. Lufthansa Group uses the LSG facility for their in-flight catering needs instead of using the Group's in-flight catering services. In addition, the Group is diversifying its catering services into non-aviation catering (deliveries to petrol stations, vending machines etc.).

Cargo Services

DME has an air cargo storage facility that occupies an area of 17,380 square metres and has the capacity to handle up to 600 tonnes of cargo throughput per day. DME's air cargo terminal operates 24 hours a day, and is equipped with modern facilities for cargo ground handling, including container and pallet loaders, electric machines fitted with a video control system, tugs for container dollies, self propelled conveyor belts, lift tables, storage stands and weighing equipment. Dispatched cargo is received by using a system of dynamic measurement of a cargo's size and weight. Oversized and heavy cargo is stored in DME's large-tonnage loaders. The cargo terminal also has specialised areas for storing explosives and valuables, perishable cargo, fissile and radioactive materials. Registration and maintenance of dangerous cargo at the terminal is performed in accordance with the recommendations of the IATA by trained specialists with category 6 IATA certificates and certificates of training centres awarded by the Ministry of Transport of the Russian Federation. The Group plans to expand its cargo storage facility to approximately 24,900 square metres by the fourth quarter of 2017. For more information on the planned expansion of DME's cargo storage facility, see "*—Airport Development 2026 Masterplan*" below.

The Group earns revenue for cargo movements, including both freight cargo and mail cargo. Airlines are charged for the apron and warehouse handling of cargo, including the storage, processing of hazardous and special cargo and freight forwarding services. Additional sources of revenue for the Group include the leasing of warehouse space and equipment. Most of the cargo transported to and from DME is carried by passenger flights.

The Group ensures the transfer of goods passing through DME to other Russian and foreign airports. Agencies in the immediate vicinity of the airport cargo terminal also provide freight forwarding and brokerage services. In addition, DME has put in place safety and handling procedures for the transportation of valuable goods, which include priority for the loading and unloading of high-value cargo from the aircraft and transporting such cargo to and from the aircraft by a designated security unit. High-value cargo is also stored in a special fortified storage room that is equipped with video surveillance, alarm and fire suppression system, and temperature and humidity control. The Group offers customers the possibility of visually monitoring cargo handling.

As of 30 June 2016, the Group provided most cargo services at DME, except for the loading and unloading of cargo into a client's vehicle, which is handled by a third-party provider. The Group plans to encourage competition from third-party providers for cargo services at warehouse facilities in the near future. The Group believes that involving third-party operators will help to attract more cargo flow by increasing the number of cargo services available to airlines at DME.

Aircraft Servicing and Maintenance

The Group currently provides aircraft operating maintenance services to some of its airline customers. This type of servicing is performed during aircraft turnaround between two flights

on aircraft parking stands and includes a set of mandatory inspections not involving repair operations. Furthermore, DME has an aircraft maintenance hangar facility of 37,190 square metres with sufficient hangar capacity for heavy aircraft maintenance and repair. DME's maintenance hangar can accommodate up to ten Boeing 737 aircraft or up to four Class E (Boeing 747 and 777) aircraft. The Group makes such maintenance facilities available to S7 Engineering to perform aircraft maintenance and repair.

Commercial Services

Commercial services include the rental of retail concessions and office space, advertising, car parking facilities and an airport hotel. For the six months ended 30 June 2016, commercial services comprised 15.6 per cent. of the Group's revenue.

Retail Concessions, Offices and Advertising

Terminal 1 had approximately 49,401 square metres of commercial space as of 30 June 2016, which includes space dedicated to retail shops, bars and restaurants, office space and other commercial space leased by the Group.

Third parties operate all bars, restaurants, retail shops, duty free and other paid merchant services at DME under concessions granted by the Group. As of 30 June 2016, 90 per cent. of the space dedicated to retail concessions was leased, with the Group leasing commercial space within Terminal 1 area to 60 retail shops including five independent duty free operators (approximately 3,468 square metres or 0.7 per cent. of the total commercial space) and 43 cafes and restaurants (approximately 6,397 square metres or 12.9 per cent. of the total commercial space). Approximately 107 square metres of terminal space (or 0.2 per cent. of the total commercial space) were used for various services at DME, such as 70 vending machines, 28 automatic payment terminals, 9 automated teller machines (both Russian and foreign banks) and entertainment services as of 30 June 2016.

In addition to the 16,496 square metres of office space (or 33.0 per cent. of the commercial space) used by the Group's companies as office space, the Group leases a further 7,308 square metres (or 14.8 per cent. of the total commercial space) in the airport complex to third parties as office space, including 2,729 square metres to airline customers. The Group also leases approximately 722 square metres (or 1.5 per cent. of the total commercial space) for warehousing space.

The Group typically enters into concession agreements for a three-month term with automatic extensions, although some are on a month-to-month or annual basis. The lease can be terminated by either party with proper notice. Concession holders are typically chosen through competitive tenders based on price, type of concession, brand quality and potential for development. A base rate applicable to a given area for a given number of square metres is set as part of the auction process. Rent is determined on the basis of this base rate and adjusted according to levels of passenger traffic for any given period. Rental rates do not vary based on the revenue of the concession holder. In May 2009, the Group adopted a tender procedure for the selection of concession holders for a significant portion of the leased commercial space. The procedure includes choosing the most appropriate concession holder depending on the type of services it provides, setting requirements in respect of prior work experience, number of existing points-of-sale etc., due diligence of the existing candidates and a price tender. According to the Company, the implementation of the tender procedure has led to an increase in revenue from leasing commercial space. The Group believes that

retail premises are among the most attractive sales locations in Moscow, with rents higher than the average rates for the Moscow city centre. The retailing business division of DME is responsible for planning, constructing, supplying and managing the terminal area for retail uses.

In addition, the Group earns income from advertising space at the passenger terminal and surrounding areas, including the portion of the highway. The Group sells advertising space either directly or through advertising broker companies that perform the marketing and sale of advertising on behalf of the Group. Advertising revenue is generated from the advertising services rendered for the promotion of a given product or service and/or from the leasing of advertisement structures.

Car Parking

DME has eight open air car parks on a single level, representing a total area of approximately 151,189 square metres. As of 30 June 2016, DME offered 5,834 parking places, including spaces for passengers, businesses, hotel customers and employees. DME provides three different parking products to patrons: short-term parking (capacity of 1,937 cars), long-term parking (capacity of 3,897 cars) and VIP parking (capacity of 41 cars). The Group estimates that the car parking facilities' utilisation rate was approximately 51.4 per cent during 2015 and 49.5 per cent. during the six months ended 30 June 2016. Parking rates are determined by the managing director of Domodedovo Asset Management. DME expects to further increase the number of parking places by constructing a 1,500 space multi-level car park by 2017 and a further 2,000 space multi-level car park by 2020.

Hotel

The Group owns a modern 4-star hotel complex, which is located approximately 400 metres from the DME's terminal. The hotel offers 299 rooms, including 42 club category rooms, 3 luxury class, and 7 junior class, single and double rooms. It is used by both air crews and passengers. The complex has a business centre, a restaurant, a fitness centre and spa facilities. For the year ended 31 December 2015, the occupancy rate was 76 per cent. In October 2012, the Group outsourced the management of its hotel business to a hotel chain operator, which pays a fixed fee in the amount of 41 per cent. of revenues gained, but not less than U.S.\$ 272,437.36 per month (VAT exclusive).

Customers

Airline Customers

As of 30 June 2016, DME served 61 airlines, including 40 foreign airlines (11 from the CIS states) and 21 Russian airlines. The Group also deals with a wide spectrum of clients, including members of two global world alliances (the Star Alliance and the oneworld alliance), premium-class international airlines, leading Russian airlines, low-fare carriers, national airlines of CIS countries and Russian regional carriers operating small-capacity aircrafts. Non-stop flights from DME as of 30 June 2016 reached 190 domestic and international destinations, 75 of which were exclusive to DME among MAH airports.

The Group has developed strong relationships with two of the three largest airline alliances, Star Alliance and oneworld. This has resulted in DME becoming the largest Star Alliance- and oneworld-utilised airport in Russia and the CIS region by number of carriers (eight

members of Star Alliance and five members of oneworld alliance). As of 30 June 2016, members of oneworld and Star Alliance accounted for 42.1 per cent. and 5.8 per cent., respectively, of the total number of scheduled seats at DME. The Group believes that the importance of alliances in the airline industry will continue to increase due to various factors such as the consolidation of route network between the alliance members allowing for shorter flight connection times, the growth of transfer traffic due to increased cooperation between airlines, and higher standards of ground services due to tighter requirements set by airlines. It is becoming more common that alliance members are choosing to base their operations at key hubs along with their partner airlines, often with dedicated terminal areas enabling synergies for landside and airside activities.

As of 30 June 2016, S7 and Ural Airlines accounted for 39.3 per cent. and 14.5 per cent., respectively, of the total number of scheduled seats at DME. The following tables show passenger volumes (by number of scheduled seats) of the Group's 15 largest airline customers at DME for the periods indicated.

Airline Customer	Number of schedule seats for the six months ended 30 June		Share of scheduled seats at DME as of 30 June 2016 (%)
	2015	2016	
S7 Airlines ⁽¹⁾	5,591,634	5,982,781	39.3
Ural Airlines	1,672,145	2,204,591	14.5
VIM- Avia	901,874	804,922	5.3
Orenair	391,076	506,310	3.3
Nordstar	135,900	372,984	2.5
Belavia Belorussian Airlines	264,628	340,962	2.2
Red Wings	418,032	340,644	2.2
Uzbekistan Airways	332,770	335,522	2.2
Lufthansa ⁽²⁾	281,164	334,884	2.2
Yamal Airlines	226,610	275,128	1.8
Emirates	245,119	268,494	1.8
Swiss International Airlines ⁽²⁾	209,488	202,332	1.3
Rusline	261,430	194,740	1.3
British Airways ⁽²⁾	193,412	190,220	1.3
Air Moldova	176,130	184,440	1.2
Other	5,771,282 ⁽³⁾	2,675,839 ⁽⁴⁾	17.6
Total	17,072,694	15,214,793	100.0
Members of oneworld (total)	6,223,275	6,402,041	42.1
S7 Airlines	5,591,634	5,982,781	39.3
Other members of oneworld	631,641	419,260	2.8
Members of Star Alliance (total)	995,470	982,926	5.8

⁽¹⁾ oneworld member

⁽²⁾ Star Alliance member

⁽³⁾ Includes Transaero which ceased its business in October 2015. The share of scheduled seats attributable to Transaero for the six months ended 30 June 2015 was 14.9 per cent.

⁽⁴⁾ Includes a number of airlines such as Saratov Airlines, Nordavia, Singapore Airlines, EL AL Airlines, Azerbaijan Airlines and others.

Airline Customer	Number of schedule seats for the year ended 31 December			Share of scheduled seats at DME as of 31 December 2015 (%)
	2013	2014	2015	
S7 Airlines	9,920,289	11,190,735	11,711,173	32.5
Ural Airlines	2,260,215	3,043,410	3,863,749	10.7
VIM Airlines.....	1,422,924	2,001,734	1,996,938	5.5
Red Wings.....	63,000	1,134,000	1,019,253	2.8
Uzbekistan Airways	737,719	713,645	678,068	1.9
Lufthansa.....	733,605	731,632	617,776	1.7
Belavia Belorussian Airlines	352,470	408,896	584,480	1.6
Yamal Airlines.....	620,904	591,658	505,060	1.4
Rusline.....	392,030	567,702	504,930	1.4
Emirates Airlines	607,838	550,603	502,929	1.4
Saravia Airlines	313,826	450,570	450,666	1.3
Nordstar.....	282,956	267,067	449,544	1.3
Swiss International Airlines.....	502,032	472,310	393,248	1.1
British Airways.....	544,368	475,786	390,416	1.1
Air Moldova.....	209,340	347,150	382,152	1.1
Other.....	15,979,439 ⁽¹⁾	14,683,482 ⁽¹⁾	11,969,838 ⁽¹⁾	33.2
Total	34,942,955	37,630,380	36,020,220	100.0
Members of oneworld (total)	11,693,177	12,932,829	12,965,007	36.0
S7 Airlines	9,920,289	11,190,735	11,711,173	32.5
Other members of oneworld	1,772,888	1,742,094	1,253,834	3.5
Members of Star Alliance (total)	2,614,949	2,569,244	2,070,871	5.7

⁽¹⁾ Includes Transaero which ceased its business in October 2015. The share of scheduled seats attributable to Transaero for the years ended 31 December 2013, 2014 and 2015 was 19.7 per cent., 15.7 per cent. and 12.3 per cent., respectively.

As of 30 June 2016 the top six airlines carrying cargo accounted for 60 per cent. of cargo volumes handled at DME, as compared to 68 per cent. and 70 per cent. as of 31 December 2015 and 2014, respectively. Air Bridge Cargo and Asian Cargo are the two largest cargo airlines at DME that specialise in cargo transport, operating regular and charter cargo flights. In addition, Lufthansa Cargo has transferred its cargo flights from VKO to DME since October 2015.

S7 began operating flights to and from DME in 2002 as part of a strategy to concentrate operations in a single airport. S7 then transferred domestic flights that it operated from VKO and international flights that it operated from SVO to DME. From 2006 to 2015, S7 (including Globus) experienced an average annual increase in passenger traffic from DME of 10.1 per cent. S7 mainly operates domestic flights at DME, representing 44 per cent. of the domestic scheduled seats at DME, and flights to and from the CIS as of 30 June 2016. S7 joined the oneworld alliance in November 2010 and the Group believes that this helped S7 and DME to capture a larger proportion of the passenger traffic. As of 30 June 2016, S7 operated 52 aircraft at DME, including 50 aircraft for short- and mid-haul flights and two aircraft for long haul flights. As of the same date, S7 served 81 destinations from DME.

For the six months ended 30 June 2016, S7 was the most significant contributor of revenue for the Group, accounting for 15.5 per cent. of the Group's total revenue for the first half of 2016 and 12.3 per cent. and 12.0 per cent. of the Group's total revenue for the years ended

31 December 2015 and 2014, respectively. S7 was followed by Ural Airlines, Uzbekistan Airways and Emirates, which represented 5.4 per cent., 5.0 per cent. and 4.6 per cent., respectively, of the Group's total revenue in the first half of 2016. The following tables shows total revenue relating to the Group's ten largest airline customers and such revenue as a percentage of total revenue for the Group for the periods indicated.

	Revenue for the Group for the six months ended 30 June		Share of total revenue for the Group as of 30 June 2016
Airline Customer	2015	2016	
	(in RUB thousands)		
	(unaudited)		(%)
S7 (including Globus) ⁽¹⁾	2,365,960	2,748,916	15.5
Ural Airlines	698,422	950,676	5.4
Uzbekistan Airways	826,520	893,375	5.0
Emirates	358,244	819,520	4.6
VIM Airlines	582,350	605,846	3.4
Air Moldova	223,627	341,021	1.9
EL AL Israel Airlines Limited	275,449	305,510	1.7
Deutsche Lufthansa AG	163,524	298,363	1.7
Oren Air	149,519	293,442	1.7
AZUR AIR	123,300	258,457	1.5

⁽¹⁾ Transaero, which ceased its business in October 2015, had a share of 7.2 per cent. of the total revenue of the Group for the six months ended 30 June 2015.

	Revenue for the Group for the year ended 31 December			Share of total revenue for the Group as of 31 December 2015
Airline Customer	2013	2014	2015	
	<i>(in RUB thousands)</i>			<i>(%)</i>
S7 (including Globus) ⁽¹⁾	4,390,765	4,938,712	4,855,312	12.3
Transaero	4,117,338	3,565,094	2,746,849	7.0
Uzbekistan Airways	1,505,468	1,848,158	1,748,425	4.4
Ural Airlines.....	1,043,200	1,390,015	1,611,581	4.1
VIM Airlines	1,131,959	1,233,666	1,111,316	2.8
Emirates	545,959	717,087	941,892	2.4
EL AL Israel Airlines Limited	327,010	515,956	551,175	1.4
Air Moldova	164,556	386,726	494,643	1.3
Yamal Airway	1,433,612	1,031,417	440,226	1.1
Deutsche.Lufthansa AG	572,088	447,465	439,421	1.1

⁽¹⁾ Transaero, which ceased its business in October 2015, had a share of 10.3 per cent., 8.6 per cent. and 7.0 per cent. of the total revenue of the Group for the years ended 31 December 2013, 2014 and 2015, respectively.

Both network carriers and low-fare carriers operate flights at DME. Network carriers, as a general rule, provide a full range of services that are included in the price of the airline ticket. Low-fare carriers are a type of budget carriers that, while aiming to minimise costs by offering fares that are significantly lower than those charged by regular carriers, are distinguished from low-cost carriers by not seeking to save on every service but rather only on certain services at the airlines' discretion and by using airports with lower charges. As part of its business strategy with respect to budget airlines, the Group does not target low-cost

carriers, which typically demand reduced rates for all airport services, but rather focuses on low-fare carriers, which seek discounts only on certain services.

With the exception of three airlines, namely Air Astana, Georgian Airways and Armenia Aircompany, all CIS national carriers fly to DME. A number of leading Russian airlines, such as S7, Ural Airlines and VIM Airlines, also operate out of DME.

DME has a dedicated entity, DCS, to coordinate its relationships with airline customers. DCS assigns a dedicated account manager to each airline to address all of the airline's interests and needs, providing a single point of interaction between the airline and various airport services offered. DCS also assists airlines with developing route networks, serves as intermediary for airlines when signing interline agreements, conducts and shares with airline customers analyses on domestic and international market trends and coordinates the introduction of new services for key airlines according to their needs. The Group charges airlines either on an individual service basis or in the form of service packages, and may offer discounts depending on the volume of services demanded by airlines or for start-up airlines to allow these airlines to make up for their initial costs.

For a description of certain risks relating to the Group's airline customers, see "*Risk Factors—Risks Relating to the Group's Industry—The Group's business depends significantly on the actions and business of airlines*" and "*Risk Factors—Risks Relating to the Group's Business—A significant share of the Group's business is linked to the business of two airline customers, S7 Airlines and Ural Airlines*".

Retail Customers

As of 30 June 2016, the Group had entered into leases with 126 tenants. The longest standing tenant at DME is the duty-free shop operator, DuFry East, which has been occupying a space at Terminal 1 since 2000. The following table shows the ten largest retail customers of the Group by space occupied by each customer.

Retail Customer	Type of business activity	Space occupied as of 30 June 2016
		<i>(approximately, in square metres)</i>
Arial	Duty free, Catering, Retail	1,682.4
Business Lunch	Catering	917.0
Prokofiy.....	Catering	824.3
Burger RUS.....	Catering	680.4
DuFry East	Duty free	638.4
Restaurant Group	Catering	609.5
Travel Retail DME	Duty Free, Retail	594.7
Reststroy	Catering	547.3
Master Franchising Group	Catering	397.4
Rusaeropit.....	Catering	369.7

Competition

DME is the second largest airport in the MAH in terms of passenger traffic, with a market share of 39.3 per cent. with SVO and VKO having a market share of 40.3 per cent. and 20.4

per cent. in 2015, respectively, as compared to SVO, VKO and DME having respective shares of 63.4 per cent., 20.3 per cent. and 16.3 per cent., respectively, in 2000, in each case according to data from the TCH. DME competes with SVO on domestic, charter, short-haul and long-haul segments, with VKO focusing on operations on domestic, short-haul and charter segments.

SVO is located 29 kilometres northwest of Moscow. It is the largest airport in Russia in terms of passenger traffic. In 2015, SVO handled approximately 33.0 million passengers and 256,104 ATMs and 15.4 million passengers and 126,274 ATMs in the six months ended 30 June 2016. In February 2016, the Government transferred a 68 per cent. stake in SVO to TPS Avia under the condition that the latter would invest US\$ 840 million in upgrading and expanding of SVO's infrastructure. SVO is consequently no longer majority state-owned. SVO is the main hub for Aeroflot and has strong relationships with its SkyTeam partners, recently reinforced by the development of a dedicated terminal for Aeroflot and SkyTeam operations. Aeroflot represented 84 per cent. of passenger traffic at SVO in 2015 as compared to 88 per cent. in the six months ended 30 June 2016, according to SVO's reports, which makes SVO's relationship with a single carrier critical for its business and financial condition. SVO has four terminals (C,D,E,F) one of which (C) is located on the north side and the remaining three (D,E,F) on the south side of SVO's two runways. SVO's runways' lengths are 3,700 metres and 3,500 metres, respectively, and cannot be operated independently as they are located less than 300 metres from each other. Total capacity of the runways was 68 ATMs per hour in 2015 and in the six months ended 30 June 2016. In 2012, SVO began a programme of redevelopment that entails the construction of a third runway, the completion of which is scheduled for 2019. SVO's development plans also include additional terminal capacity to the north of the airfield (North Terminal Area) and a new cargo facility. However, due to the landscape limitations and presence of gas pipeline near SVO, it has a very limited portion of land available for future expansion. In addition, there is heavy vehicle traffic to and from SVO due to limited capacity of the highway to SVO.

VKO is located 28 kilometres from the centre of Moscow. It is the third largest airport in Russia in terms of passenger traffic. In 2015, VKO handled approximately 15.8 million passengers and 172,298 ATMs and 5.6 million passengers and 67,856 ATMs in the six months ended 30 June 2016. In March 2016, the Government and a group of private investors entered into a shareholder agreement in respect of VKO which, among other things, is intended to protect the interests of the Government which is expected to retain a 25.1 per cent. stake in VKO. VKO is the base for government flights. It is also used by smaller Russian and CIS airlines along with domestic and international charter airlines. The key customers for VKO are UTair, Pobeda and Rossiya airlines (with the latter two being part of the Aeroflot group of companies). VKO has three terminals. VKO's airfield has two intersecting runways of 3,500 metres and 3,060 metres that cannot be operated independently. Total capacity of the runways was 61 ATM per hour in 2015 and in the six months ended 30 June 2016. Similar to SVO, VKO is constrained by availability of land. Its proximity to residential areas also restricts air traffic movements during the night (from 3 am to 6 am).

In September 2016, a new passenger airport Zhukovsky (ZIA) started its operations in MAH. ZIA is located 40 km southeast of Moscow and has the world's second longest public-use runway of 5,402 metres. ZIA's airfield is part of the Flight Research Institute named after Gromov. It is also used by the Ministry of Emergency Situations and by cargo carriers. ZIA is owned by a joint venture Ramport Aero between Lithuania's Avia Solutions Group (75%)

and Russia's state corporation Rostec (25%). The owners expect to expand ZIA in three stages. The first stage involves the development of the existing infrastructure of the Ramenskoye airfield through the construction of a new 15,000 square metres passenger terminal. The new terminal will service up to 4 million passengers per year. In addition, the airport will receive a reconstructed highway as well as short-term and long-term car parking. The second and third stages involve construction of the second terminal and significant expansion of the first terminal of ZIA. The combined area of both terminals is expected to reach 60,000 square metres raising the airport's capacity to 12 million passengers per year. The development of ZIA is limited by the lack of infrastructure and the low transport accessibility (there is no direct rail link to ZIA and it is only accessible by car or by bus).

At a regional level, DME faces competition from methods of transportation other than air travel. Railways, in particular, are currently the most popular means of transport for Russian domestic travel and to the CIS. However, the Group believes that capacity issues in rail infrastructure and the limited availability of high speed rail network favour a trend towards air travel for longer journeys. Air travel competes with railways particularly on short distance travel, such as for the routes between Moscow and St. Petersburg and between Moscow and Nizhniy Novgorod, where a high speed railway is available.

DME competes with other airports outside of the MAH as a hub for transfer traffic to long haul destinations between the United States and Europe, on the one hand, and Asia and the Pacific region, on the other. The Group considers that DME's main competitors in this market are the major Asian hubs of Dubai, Doha, Istanbul, Singapore, Hong Kong, Bangkok and, to a lesser extent, from the European hubs of Frankfurt, Munich, Paris, Amsterdam, London and Helsinki. The Group believes that its success will be influenced by the individual strategies of DME's airline customers, including the strategic route decisions made by Russian and international carriers and airlines aligning their product offering for connecting passengers through alliances and coordinating timetables. The Group also believes that other factors have an impact on its ability to attract transfer traffic for long-haul destinations, such as: changes in regulation and liberalisation by the Russian Federation, including the abolishment of the current policy of charging fees to international airlines for entering Russian airspace; congestion at some competitor hubs (London Heathrow and Frankfurt); continued growth of Russian domestic air travel market; new routes and increased frequencies on existing routes; and improved efficiencies for connecting passengers as a result of the expansion and improvement plans at DME currently in progress.

The Group also competes with other providers of services at DME. For example, several operators offer fuel to airlines at DME. In July 2013, the Group commissioned an LSG Sky Chefs in-flight catering facility which operates as a prepaid lease project with a capacity of 3,500 meals per day. Lufthansa Group uses the LSG facility for their in-flight catering needs instead of using the Group's in-flight catering services. The Group further plans to seek to encourage customers and investors to develop their own businesses at DME on the basis of BOT (Build-Operate-Transfer) and BOOT (Build-Own-Operate-Transfer) concession agreements.

Government Services

The Russian Federation is responsible for a number of essential services at DME, notably:

- ***Air traffic control:*** Air traffic control is operated by the MATCC, which provides air traffic control in the MAH airports and operates the unified air traffic control system.

The MATCC works closely with the Group and airlines in determining the declaration of scheduling capacity having regard to the physical configuration of DME.

- ***Security operations and public order:*** The Russian Federation is responsible for certain aspects of air transport security at DME, such as background checks on persons authorised to enter restricted areas and the supervision and control of security operations carried out by airfield operators airlines and other service providers outside restricted areas, and for areas located inside and outside of the terminal, such as the entrance to the parking lot, the baggage claims area, the international arrivals hall, and other non-restricted areas. The personnel of the state agencies, including state police, are authorised to take actions that may restrict the rights and freedoms of citizens at DME in order to ensure public safety and secure operation of the airport, including identity and documentation verification, inspection of personal items and temporary detention. See also "*—Business Segments—Aviation Services—Aviation Security*" above and "*Risk Factors—Risks Relating to the Group's Industry—The Group has been and may in the future be affected by acts of terrorism.*"
- ***Custom and border controls:*** Border control in the Russian Federation is provided by the Federal Border Service, a division of the Federal Security Service of the Russian Federation. The Federal Migration Service of the Russian Federation is responsible for the control of persons, mainly as part of immigration controls, while the Federal Customs Service is responsible for the control of goods.

In specific areas, the Group cooperates closely with Russian Federation authorities with responsibilities being split between the relevant state agencies and the Group. In particular, aviation security is maintained by both the police and the DME aviation security department, with the former being primarily responsible for maintaining public safety and order in the unrestricted territory of DME terminal and the latter being responsible for safety within the restricted area.

Suppliers

The Group works with numerous external suppliers for the delivery of services relating to the day-to-day operation of DME, as well as for the construction of capital projects.

Mosenergosbyt OJSC provided all of the electrical power distribution for DME as of 30 June 2016. The Group has purchase and transmission agreements with OJSC Mosenergosbyt. Electricity is distributed through the electric power substations Yakovlevo and Vzlyotnaya of MOESK OJSC. See "*Risk Factors—Risks Relating to the Group's Industry—The Group's operations may be impacted by accidents, adverse weather conditions, war or natural or other events outside of its control, which could have a negative impact on the Group's business, financial condition, results of operations and prospects—Adverse Weather Conditions.*"

The Group has its own backup power supply facilities to ensure smooth operation of equipment involved in flight support (radio-technical support and lighting facilities) and other facilities of primary importance. The total number of diesel generator units (the "**DGUs**") is 34 with the total capacity of 11,170.5 kW. The Group also intends to install 19 DGUs with the aggregate capacity of 15,600 kW, with 5 DGUs (10 kV) having the total capacity of 8,000 kW and 14 DGUs (0.4 kV) having the total capacity of 7,600 kW to ensure reliable and smooth power supply for the facilities of primary importance in emergency situations.

The Group uses third-party providers for the supply of aviation fuel and de-icing liquid. As of 30 June 2016, the aggregate volume of fuel supplied was 564,250 tonnes. Lukoil-Aero was the largest supplier of aviation fuel to DME as of 30 June 2016 supplying 425,188 tonnes of aviation fuel, or 75.3 per cent. of all fuel supplied to DME. Other suppliers for the same period included Gazpromneft-Aero (20.3 per cent. of fuel supplied) and Rosneft-Aero (2.2 per cent. of fuel supplied). The remaining 2.2 per cent. of fuel was supplied by multiple suppliers, the portion of the fuel supplied by such other suppliers is not material for the Group. Fuel supplied to DME is transported either by railway or pipeline. The Group's main de-icing liquid supplier is JSC Octafluid.

The Group uses multiple suppliers for data transmission services, information technology services for its networks, international traffic, technical resources and maintenance of equipment. Due to the large number of providers servicing the Group, the Group believes that the loss of a particular supplier would not cause significant disruption to the Group's operations.

The Group does not rely on third-party suppliers for water supply and has its own water pumping stations, which provide drinking water for the entire complex. For a description of the risks related to third-party suppliers, see *"Risk Factors—Risks Relating to the Group's Business—The Group relies on third-party suppliers for the supply of certain services and products at DME"*.

Airport Development 2026 Masterplan

The Group's business plan through 2026 contains an extensive expansion plan for DME. In particular, it envisages the construction of Terminal 2, the construction of a new runway to replace the existing Runway 2 and the reequipping of the existing Runway 2 into a major taxiway, the construction of other key infrastructure and additional transportation links to DME. The total amount of forecasted capital expenditure required to carry out the 2026 Masterplan in its current form is approximately RUB 272.7 billion consisting of approximately RUB 76.2 billion from the Group's own funds, approximately RUB 196.5 billion from federal and Moscow Region budget funds as well as third-party funds, including roads and other public amenities. All descriptions of the 2026 Masterplan contained herein are based solely on the Group's internal assessments, are inherently speculative and are subject to change without notice. With respect to the projects listed below, as the timeframes for expected completion move further into the future, the less likely such projects are to be completed as and when planned. In particular, due to the later than anticipated completion dates, and the level of dependency of completion of earlier portions of the 2026 Masterplan, the projects identified for 2020-2026 are far less certain than earlier projects to be completed in the forms currently contemplated, on the dates currently anticipated, or at all. Furthermore, the capital expenditure estimates set out in this Prospectus are based on certain assumptions and costs estimates and may be substantially higher than the estimates set out herein. Investors are cautioned not to place undue reliance on the information contained herein relating to the 2026 Masterplan. For more information on the risks associated with the 2026 Masterplan, see *"Risk Factors—Risks Relating to the Group's Business-The 2026 Masterplan is critical to the Group's business strategy through 2020 and the Group may not realise all of the expected benefits of the 2026 Masterplan"*, *"—The 2026 Masterplan is dependent on the Group's own funds and third-party financing, including Government financing"*, *"—The 2026 Masterplan depends on the availability of certain land plots that the Group does not currently own, and the Group's growth and success depends on obtaining these land plots in a timely manner and on commercially reasonable terms"*, *"— The Group is dependent on the*

work of third-party contractors for the successful execution of the 2026 Masterplan and there may be delays and increased costs related to the 2026 Masterplan out of the Group's control" and "—The Group is exposed to certain risks inherent to the real estate development and rental business and the Group's exposure to these types of risk is expected to increase in the future".

Airport Development 2026 Masterplan Key Development Projects (2016-2026)

Action	Total (RUB million)	Source of funds	Completion date	Description
Passenger Terminal Expansion, total, including:	43,128.2	DME	2023	
Construction of the Passenger Terminal Phase 1	5,590.8	DME	2017	Phase 1 – reconstruction of Terminal 1 taking the total area in the terminal to 226,000 sq.m. and adding 160 check-in counters, 24 jet bridges and 22 gates
Construction of the Passenger Terminal Phase 2	37,537.4	DME	2023	Phase 2 – construction of Terminal 2 for international flights, adding 235,475 sq.m. of terminal area to service international flights and adding 94 check-in counters, 12 jet bridges and 16 gates
Airfield Facilities	4,021.3	DME	2026	Several electricity supply and engineering networks projects, including electricity supply for Terminal 2
Auxiliary Aviation Facilities	11,287.2	DME	2024	Includes expansion of the cargo terminal and building a centralised fuelling system and other projects aimed to renovate auxiliary aviation facilities, including IT-centre and maintenance and repair base
Service and Commercial Facilities	10,175.9	DME	2021	Construction of commercial and servicing facilities, including construction of a multi-level car park, reconstruction of intra-airport road, construction of administrative buildings
Equipment and Special Transport	7,564.5	DME	2026	Includes equipment and special vehicles to ensure aviation security, catering, cargo services and maintenance of the airport infrastructure
Airfield infrastructure, total, including:	18,270.5	Federal budget*		
New runway to replace the existing Runway 2	15,570.5 ⁽¹⁾	Federal budget	2017	Construction of a new runway (3,800 metres long, 60 metres wide) to replace the existing

Reconstruction of the second maneuvering area at DME. Reconstruction of existing aprons, construction of new aprons	2,700	Federal budget	2017	Runway 2 Reconstructing existing apron surfaces and building new apron surfaces
Access roads, total, including:	149,080			
Access road from M4-Don to Domodedovo Airport	15,500	Federal budget	2021	Expansion of the highway to 6 lanes
Construction of Aviazionny village detour road*	33,000	Moscow Region budget	2017	Construction of a section of the road (4 lanes), second stage (roundabout)
Construction of a section of the Central Ring Road	41,000	State Corporation Avtodor 2010-2020 Programme; Federal Target Programme for Development of the Transport System in Russia 2010-2020	2019	Construction of a section of the road (4 lanes, 36.6 km)
³ Construction and renovation of the road "Central Ring Road – DME" (via Lyamtsino)	5,000	-	2018	Construction of a section of the road (4 lanes, 6 km)
Construction of the road "Kashirskoe highway-Kiselikha"	3,780	Moscow Region Programme for Development of Road Transportation	2018	Construction of a section of the road (2 lanes, 5 km)
Reconstruction of the section of Kashirskoe highway between zero and 4.4 km	1,800	Moscow Region Programme for Development of Road Transportation	2022	Construction of a section of the road (6 lanes, 4.4 km)
Renovation and construction of the road "Podolsk-Domodedovo- detour	19,000 (1 stage: Podolsk-Domodedovo)	-	2020	Construction of a section of the road (6 lanes, 58.55 km)

Ramenskoye - the road P-105					
Access road from M4-Don to Domodedovo Airport	15,000	-	2020	Construction of a section of the road (4 lanes, 6.9 km)	
Construction of light rail transit Podolsk-Domodedovo-Ramenskoe	15,000 (1 stage: Podolsk-Domodedovo)	-	2022	Construction of a light rail (2 lanes, 65 km)	
Rail road access, total, including	29,200.6				
The 4th main track in the area from Paveletskaya station to "Domodedovo" station	27,350.3	Federal budget	2020	Construction of the 4 th main track, improvement of the Aeroexpress train frequency to 3 services per hour.	
2nd main track between stations Domodedovo - Aviational - Airport	700	Federal budget	2017	Construction of the 2 nd main track, Aeroexpress train travelling time to be reduced to 40 mins.	
Shed over two platforms (Airport Station), the front part of the platform with lifts and escalators	1,150.3	Third-party funds	2017	Construction of a new platform for Aeroexpress	
Total:	272,728.3				

⁽¹⁾ In addition, FTPD envisages allocation of RUB 14,906.8 million of non-budget government funds for the entire project of construction of the new runway and other key infrastructure.

The table below sets out a breakdown of the Group's capital expenditure programme for the periods indicated:

Project	2016	2017	2018	2019	2020	2021-2026	Total (2016-2026)
	<i>(in RUB million)</i>						
Passenger Terminal Expansion	2,280.3	11,619.7	7,011.2	5,017.2	9,450.6	7,749.2	43,128.2
Airfield Facilities	0.0	252.6	1,267.9	1,054.8	620.0	826.0	4,021.3
Auxiliary Aviation Facilities	360.2	1,288.2	992.5	3,411.9	3,087.9	2,146.5	11,287.2
Service and Commercial Facilities	428.2	2,040.0	1,209.1	2,155.1	2,502.3	1,841.2	10,175.9
Equipment and Special Transport	277.3	833.0	993.8	567.6	562.8	4,330.0	7,564.5
Total	3,346.0	16,033.5	11,474.5	12,206.6	16,223.6	16,892.9	76,177.2

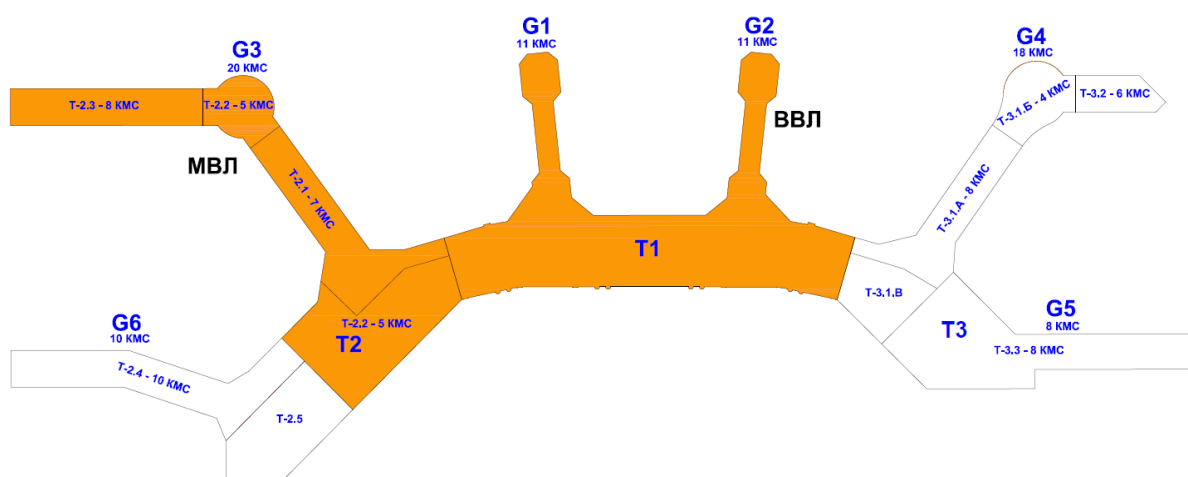
Key Expansion and Improvement Projects in the 2026 Masterplan

Runways

The Group expects that the Russian government will have built the new runway to replace the existing Runway 2 by the end of 2017. The new runway is expected to have a capacity of 45 ATMs per hour. The construction of the new runway is financed by the Russian government, which has allocated federal budget funds of RUB 15,570.5 million and non-budget government funds of RUB 14,906.8 million into the FTPD for this purpose. The commissioning of the new runway was initially scheduled for 2016 but due to a combination of factors (including complex technical terms, geological environment and adverse market conditions in 2014 and 2015 affecting the financial condition of the contractors) has been postponed until 2017. Upon commissioning of the new runway, the existing Runway 2 will be re-equipped into a major taxiway.

The Group will also consider the construction of Runway 3 if the passenger traffic at DME reaches 50-55 million passengers per year. As of the date of this Prospectus, the construction of Runway 3 and the related capital expenditures are not included in the 2026 Masterplan.

Terminal Expansion



In 2014, DME's Terminal 1 had the capacity to handle approximately 8,581 passengers per hour on domestic and international flights with the majority of the passenger traffic being attributable to domestic flights. The passenger traffic at DME reached an historic high of 33 million passengers per year in 2014, and reduced to 30.5 million passengers per year in 2015.

As of 30 June 2016, as a result of the reconstruction and expansion of Terminal 1, the Group estimated Terminal 1 capacity to be approximately 12,080 passengers per hour. The passenger traffic for the six months ended 30 June 2016 was over 12.5 million passengers, according to the Group's estimates. In conjunction with, and dependent upon, the increase in the number of passengers who are able to fly to and from DME as a result of the new and reconstructed runways as described above, the Group plans to add additional terminal capacity to its existing passenger terminal. The Group expects that, upon construction of Terminal 2, the terminals will reach approximately 503,277 square metres by 2023 from approximately 184,254 square metres as of 30 June 2016, which would increase the aggregate passenger capacity of Terminal 1 and Terminal 2 to 55 million passengers per annum by 2023. The terminals' expansion includes different phases for each terminal's

construction and development. All phases of the planned terminals expansion and improvement are planned to be financed by the Group using its own funds.

Phase 1 of the passenger terminals expansion is expected to be completed in 2017 and is expected to result in Terminal 1 encompassing approximately 256,000 square metres compared to approximately 184,254 square metres prior to completion. Phase 1 has already added a total of 160 check-in counters, 24 jet bridges and 22 gates. In addition, there have been several other improvements such as increasing the capacity of the passenger security inspection zones, expanding the drive-up zone near Terminal 1, expanding the passenger waiting areas and the opening of additional VIP lounges, increasing the number of business lounges, increasing the number of customs clearance facilities, introducing new baggage sorting facilities to reduce the risk of lost luggage and installing more automatic check-in counters and baggage drop-off stations.

Phase 2 of the passenger terminals expansion involves the construction of Terminal 2, a major addition to the north-east side of Terminal 1 to be used for international flights, and have been designed to meet the high standards of major international airlines. Phase 2 will be split into stages, with the aim of ensuring that the growth of the terminals capacity matches the forecasted growth of the passenger traffic. In addition, by adopting this phased approach to terminals expansion the Group is able to delay certain stages of the expansion if there are unforeseen delays in the runway improvements. The completion of the first stage of construction of Terminal 2 is planned for 2018 and the full completion of construction of Terminal 2 is currently scheduled for 2023. When fully realised, Phase 2 is expected to add a total of 277,303 square metres of terminal area to service international flights, 184 check-in counters and 20 jet bridges.

Connecting Infrastructure

There are several improvements planned for the existing connecting infrastructure at and around DME, such as movement of the existing railway track to facilitate the planned terminals expansion and the improvement of the DME federal access road. The Government is expected to finance the repavement and expansion of the DME federal access road to six lanes (from the current four lanes), a federal highway connecting DME to central Moscow, with the goal of easing traffic congestion. In addition, a new four-lane road connecting DME to the Moscow Small Ring and the M4 Don Federal Highway is expected to be constructed.

Other Key Projects

Cargo

As passenger traffic increases, a larger and more technologically advanced cargo handling facility will be required. The 2026 Masterplan contemplates reconstruction of the existing cargo terminal and construction of its fourth and fifth part to expand its total area from an area of 17,380 square metres as of 30 June 2016 to approximately 30,000 square metres by 2017. The larger and more technologically advanced cargo terminal is expected to have a throughput capacity of approximately 330,000 tonnes per year by 2026 compared to a throughput capacity of approximately 174,000 tonnes per year as of 30 June 2016. Financing for the reconstruction to the cargo terminal is intended to be provided from the Group's own funds.

Car Park

The Group expects to increase the number of parking facilities at DME in preparation for the expected increase in air traffic. The 2026 Masterplan includes plans to construct a 1,500 space multi-level car park by 2017 and a further 2,000 space multi-level car park by 2020, using both own funds and third-party funds for these projects.

Land for DME's Expansion and Key Projects of the 2026 Masterplan

Approximately 9,940 hectares of land adjacent to or close to the airport complex territory have been allocated for airport development by a decree issued by the Moscow Region government. Of the 9,940 hectares, the Group currently owns or leases 1,267 hectares of land which management estimates, as of the date of this Prospectus, will be sufficient for all aspects of the 2026 Masterplan. See "*—Airport Facilities, Real Estate and Infrastructure*" above. The Russian Civil Code and Land Code allow the Government to enforce the sale of land for government development projects. The land plots are located away from major housing areas and industrial zones and are suitable for commercial development.

Information Technology

The Group's information technology system is integrated with the information technology systems of the airlines that operate DME, as well as with the governmental agencies that perform functions such as air traffic control and security at DME. The Group's information technology systems are centralised and support the Group's business activities. Some of the Group's critical information technology systems include flight information processing and display systems, departure control systems, a ground aircraft servicing management system and an automated fuel and lubricants management system. The Group's information technology systems are subject to periodic maintenance and updates. In the event of a delay or failure in the delivery of data, the Group does not have an alternative server hosting provider to which it could transfer its data collection operations. See "*Risk Factors—Risks Relating to the Group's Business—The Group's day-to-day operations could be adversely affected by interruptions to, or the improper functioning of, its information technology systems.*"

Intellectual Property

The Group holds 24 domain names and nine trademarks that differentiate the various business activities of the Group. The main trademarks for DME are "Moscow Domodedovo Airport" and "ДОМОДЕДОВО МОСКОВСКИЙ АЭРОПОРТ". Other trademarks, such as IL, EL, МАД, МДА and ИСТ ЛАЙН have also been registered to promote the commercial services of the Group. The right to use a trademark in Russia is protected under Russian law upon the trademark's registration with the Federal Service on Intellectual Property, Patents and Trademarks. In addition, the Group owns licenses for use of third-party property rights for certain software. The Group closely monitors the validity of its intellectual property.

Insurance

The Group maintains insurance policies covering liability arising out of certain operations at DME including property damage, third-party liability, hazardous materials and operational risk. Insurances are maintained with reputable Russian insurance companies. As of 31 December 2015 and 30 June 2016, the Group's third party liability was insured to a total aggregate value of RUB 40,444 million and RUB 38,680 million, respectively. However, in part due to the relative underdevelopment of the Russian insurance market, the Group does

not carry all of the types of customary insurance coverage that are available in certain other countries for a business of DME's size and nature. Many forms of insurance protection available in more economically developed countries are not yet available in the Russian Federation on comparable terms to those available in Western Europe or the United States or at all.

In addition, the Group is not insured against consequential damages, environmental damage, aeronautical communications, loss of key management personnel and war-related events. See *"Risk Factors—Risks Relating to the Group's Business—The Group does not carry all of the types of insurance coverage customary in other countries for a business of DME's size and nature, and the Group's insurance policies may not cover all risks associated with the operation of the Group's business."*

Employees

As of 30 June 2016, the Group had 14,465 employees. The airport terminal functions that require the greatest number of personnel are security, cleaning and maintenance. The Group has no unionised employees.

The following table sets forth the number of persons employed by the Group as of the dates indicated.

	As of 31 December			As of 30 June	
	2013	2014	2015	2015	2016
Total	14,585	15,669	15,079	15,102	14,465

The Group takes certain measures in order to attract and retain qualified personnel, including bonus payment arrangements and continuous training programmes to its personnel. In addition, the Group provides educational programmes to students of chosen institutions with the view of offering subsequent employment. The Group does not maintain key-person life insurance on any of its executive officers.

As of 30 June 2016, the Group did not have any employee-related incentive plans except for the incentive plan for senior management and members of the board of directors. See *"Directors and Senior Management—Service Contracts and Compensation of Directors and Senior Managers."*

Environmental Matters

The Group is subject to, and is in all material respects in compliance with, environmental standards under Russian law and regulations. The Group also complies with the regulations set out by the ICAO regarding the International Standards and Recommended Practices for Environmental Protection.

DME's operations expose the Group to environmental risks, including, in particular, the operation of a hydrant fuelling system, fuel storage and the use of de-icing fluids. DME's fuelling system has been in operation since the 1960s, and its age exposes it to risks of corrosion and defects. Physical depreciation of the fuelling system and station could cause failure of core technological equipment, pipelines and valves. See *"Risk Factors—Risks Relating to the Group's Industry—The Group is subject to environmental and health and*

safety laws, and changes in these laws could require the Group to modify its existing business practices, incur increased costs and subject it to potential liabilities." In addition, DME's operations generate various types of waste, which are removed by third-party waste disposal contractors.

The Group regularly monitors DME for the treatment of waste water, air quality, noise, waste disposal, insects and animals carrying diseases, food sanitation and drinking water. It also conducts, or engages third parties to conduct, environmental quality inspections and examinations of DME and engages third parties to recommend preventive and corrective measures with regard to environmental impacts during construction and operation of our airports to ensure compliance with applicable environmental standards. Furthermore, the Group plans to implement measures to reduce the impact of its operations on the environment, such as installing a noise monitoring system, building local waste and water treatment facilities, and building storage and disposal facilities for used de-icing fluids.

The Group has not been involved in any material legal proceedings that are, or have been in the 12 months preceding the date of this Prospectus, related to environmental protection issues. The Group also believes that it is in compliance with all relevant environmental requirements.

Legal Proceedings

The Group has been, and will continue to be, subject to legal proceedings from time to time and in the ordinary course of business.

Save as described in *"Risk Factors—Risks Relating to the Group's Business— Some of the Group's former and current senior officers and its ultimate beneficial owner Mr. Kamenshchik, have been the subject of investigations in Russia"*, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened or of which the Company, any Initial Guarantor or the Group is aware), during the previous 12 months which may have, or have had in the recent past, significant effects on the Company, any Initial Guarantor and/or the Group's financial position or profitability.

DIRECTORS AND SENIOR MANAGEMENT

Board of Directors of the Company

As of the date of this Prospectus, the Board of Directors of the Company comprises of 2 members as listed below.

Name	Year of birth	Current position	Since
Chrystalla Pitsilli-Dekatris	1962	Director	1995
Anastasios Stylianou	1960	Director	2012

The business address of each of the directors of the Company is Michalaki Karaoli, 2, office 203, 1095, Nicosia, Cyprus. The biographies of each of the directors of the Company, as of the date of this Prospectus, are set out below:

Chrystalla Pitsilli-Dekatris is a director of the Company and has served in this capacity since January 1995. Ms. Pitsilli-Dekatris is a qualified lawyer and is a partner at a law firm in Cyprus. Ms. Pitsilli-Dekatris is a member of The Honourable Society of the Middle Temple, London, and the Senate of the Inns of Court and the Bar and Cyprus Bar Association as well as the International Bar Association (IBA) and the Young Lawyers' International Association (AIJA). Ms. Pitsilli-Dekatris graduated from University of Kent at Canterbury with a degree in law.

Anastasios Stylianou is a director of the Company and has served in this capacity since July 2012. Mr. Stylianou is a qualified lawyer and is a senior associate at a law firm in Cyprus. Mr. Stylianou is a member of Cyprus Bar Association. He graduated from University of Salonica, Law School with a degree in law.

Senior Management

The day-to-day management of the Group is conducted by the following senior managers ("Senior Managers").

Name	Year of birth	Position(s)	Since	Year Joined the Group
Ms. Elena Batsunova	1970	Chief Executive Officer	2016	1994
Mr. Denis Nuzhdin	1979	Deputy Chief Executive Officer, Director for External Relations	2016	2005
Ms. Natalia Adler	1973	Chief Financial Officer	2016	2005
Mr. Igor Borisov	1966	Director of the Domodedovo Airport Complex	2010	2004
Mr. Alexander Maksakov	1954	Chief Strategist	2007	1997
Mr. Alexei Raevskiy	1963	Director of Commercial Services	2009	1999

The biographies of the senior management of the Group, as of the date of this prospectus, are set out below:

Elena Batsunova is the chief executive officer and served in this capacity since September 2016. From April 2011 to September 2016 Ms Batsunova served as the director of Internal Audit and Management Standards. Ms. Batsunova joined the Group in 1994. She became an executive director in 2000 and took on the roles of administrative director in 2002 and

director for Strategic Development in 2006. From July 2008 to February 2011, Ms. Batsunova was the director of the Department of Systems Management and from February 2011 to April 2011 she acted as director for strategic development for the Group. Ms. Batsunova obtained a degree in Construction Engineering from the Moscow Engineering and Construction Institute in 1998. The business address of Ms. Batsunova is bldg. 3/1 Territory of Moscow Domodedovo Airport, Domodedovo District, Moscow Region, 142015, the Russian Federation.

Denis Nuzhdin is the deputy chief executive officer and the Director for External Relations and has served in this capacity since March 2016. Soon after joining the Group in December 2005, Mr. Nuzhdin was appointed the head of the legal department in May 2007 and then director of legal support in July 2008. From August through November 2010, Mr. Nuzhdin served as managing director of Domodedovo Development. Since November 2010 through July 2014 Denis Nuzhdin served as the chief executive officer. Subsequently, Mr. Nuzhdin was appointed as a managing director of Domodedovo Commercial Services and served in this capacity until March 2016. Prior to joining the Group, Mr. Nuzhdin was the head of litigation at CJSC Law Firm ANEKS and the head of the legal department at LLC TMK Innovatsiya. He obtained a law degree from the Military University of the Russian Federation Ministry of Defence in 2002 and a degree in Economics from the Russian Academy of Foreign Trade in 2008. The business address of Mr. Nuzhdin is bldg. 3/1 Territory of Moscow Domodedovo Airport, Domodedovo District, Moscow Region, 142015, the Russian Federation.

Natalia Adler is the chief financial officer and the head of the Finance Group and has served in this capacity since September 2016. Ms. Adler joined the Group in April 2005 and prior to her current position was the head of the Financial Management Group. Prior to joining the Group, Ms. Adler acted in various capacities for Prime Plus Ingredients Group, Uvis Trade Group, and Yaspis Trade Group. Ms. Adler obtained a degree in Accounting and Business Analysis from the Moscow Academy of Food Production in 1996. The business address of Ms. Adler is bldg. 3/1 Territory of Moscow Domodedovo Airport, Domodedovo District, Moscow Region, 142015, the Russian Federation.

Igor Borisov is the director of the Domodedovo Airport Complex and has served in this capacity since December 2010. Mr. Borisov joined the Group in 2004 as the head of the building operation department at Domodedovo Airport Terminal Complex. Mr. Borisov held the positions of the head of the Business and Engineering Service from January 2005 to October 2007 and director of the Corporate Property Department from October 2007 to October 2009, when he was appointed managing director of the Domodedovo Airport Terminal Complex. Prior to joining the Group, Mr. Borisov held various positions at companies such as CJSC Avtoimpex and CJSC Concern IceRoss. He obtained a degree in Radio Electronic Devices from Voronezh High School for Military Engineering in 1988. The business address of Mr. Borisov is bldg. 3/1 Territory of Moscow Domodedovo Airport, Domodedovo District, Moscow Region, 142015, the Russian Federation.

Alexander Maksakov serves as the Head of Strategy Unit since 2005 and the Chief Strategist of the Group since December 2010. Mr. Maksakov joined the Group in 1997 as an expert in the technological development department and has since held various supervisory positions. From 1994 to 1997, Mr. Maksakov was the head engineer at Domodedovsky Civil Aviation Enterprise. He obtained a degree in Computer Science and Technology from the Kiev Institute of Civil Aviation Engineers in 1976. The business address of Mr. Maksakov is bldg.

3/1 Territory of Moscow Domodedovo Airport, Domodedovo District, Moscow Region, 142015, the Russian Federation.

Alexei Raevskiy is the Deputy Director of Domodedovo Commercial Services and has served in this capacity since July 2014. From November 2009 to July 2014 Mr Raevskiy served as the Director of Domodedovo Commercial Services. Prior to joining the Group in January 1999, Mr. Raevskiy was a finance director at CJSC Unitire from July 1996 to August 1998 and at CJSC Polifarm from August to December 1998. In 2003, Mr. Raevskiy became the director of business development department at AMC. Mr. Raevskiy obtained a degree from the Moscow Lomonosov Institute of Fine Chemical Technology in 1986. The business address of Mr. Raevskiy is bldg. 3/1 Territory of Moscow Domodedovo Airport, Domodedovo District, Moscow Region, 142015, the Russian Federation.

Conflicts of Interest

There are no actual or potential conflicts of interest between any duties owed by members of the Company's Board of Directors or Senior Managers and their private interests and/or other duties.

None of the members of the Company's Board of Directors or Senior Managers is related to one another.

Litigation Statement about Members of the Board of Directors and the Senior Managers

At the date of this Prospectus, none of the members of the Company's Board of Directors and the Senior Managers has in the previous five years:

- had any convictions in relation to fraud offences; or
- been subject to official public incrimination or sanction by a statutory or regulatory authority (including a professional body) nor has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of a company.

Service Contracts and Compensation of Key Management Personnel

The Group's key management personnel (including three Senior Managers referred to above) comprised eight persons as of 30 June 2016 and nine persons as of 31 December 2015 and 2014. Total gross compensation (including unified social tax and before withholding or personal income tax) to those individuals included in payroll and related charges in the consolidated profit or loss amounted to RUB 308 million (including social insurance tax of RUB 32 million) for the six months ended 30 June 2016 and RUB 592 million (including social insurance tax of RUB 60 million) and RUB 977 million (including social insurance tax of RUB 40 million) for the years ended 31 December 2015 and 2014, respectively.

No director or senior manager of the Group is a party to any service contract with the Group where such contract provides for benefits upon termination of employment.

As of 30 June 2016, the Group did not have employee-related incentive plans except for the incentive plan for senior management and members of the board of directors. The respective

expenses and liabilities are recorded in the financial statements and included into key management remuneration specified in the previous paragraph.

SHAREHOLDER

As of the date of this Prospectus, the Company's authorised and issued share capital was EUR 17,100, comprised of 10,000 ordinary shares with a nominal value of EUR 1.71 each. DME Limited holds 100 per cent. of the Company's share capital. As of the date of this Prospectus, the Ultimate Beneficial Owner is the person controlling 100 per cent. of the ordinary shares in the Company.

The Company is a private limited liability company incorporated under Cypriot law. There are no special provisions in its articles of association which would restrict the control exercised by DME Limited on the Company. DME Limited is the sole shareholder and has the ability, subject to adhering to the procedural rules of Cyprus Companies Law Cap.113 and the Company's articles of association, to remove and appoint the members of the board of directors of the Company. There are no special provisions or measures adopted which could limit the power of DME Limited over the Company.

RELATED PARTY TRANSACTIONS

The Company is required to report all related party transactions, as defined in IAS 24 "Related Party Disclosures" in accordance with IFRS. In addition, the Company's Russian subsidiaries are required to comply with applicable Russian law with respect to related party transactions. All related parties with whom the Group entered into significant transactions during the six months ended 30 June 2016 and 2015 and the years ended 31 December 2015, 2014 and 2013 or had significant balances outstanding as of 30 June 2016 and 2015, 31 December 2015, 2014 and 2013, are considered to be entities under common control.

The following tables provide the total amount of transactions entered into with related parties during the six months ended 30 June 2016 and 2015 and the years ended 31 December 2015, 2014 and 2013 as well as period-end and year-end balances.

Six months ended 30 June				
	2016		2015	
	<i>(in RUB millions)</i>			
	<i>(unaudited)</i>			
	Amounts owed by related parties	Amounts owed to related parties	Amounts owed by related parties	Amounts owed to related parties
Parent entity ⁽¹⁾⁽²⁾	–	–	5,089	–
Entities under common control.....	581	23	573	98
Total.....	581	23	5,662	98

⁽¹⁾ During the year ended 31 December 2015 and the six months ended 30 June 2016, the Group provided loans to the parent entity of the Group the aggregate outstanding amount of which was RUB 8,540 million as at 31 December 2015 and 8,542 million as at 30 June 2016. These loans were stated to be repayable in 5 years after receipt of the full amount of the loans and had interest rates ranging from 0.5 per cent. per annum to 4.9 per cent. per annum (for the loans denominated in foreign currencies) and 15.5 per cent (for Rouble-denominated loans). In June 2016, the Group agreed to amend the loan agreement relating to the majority portion of these loans and to reduce the interest rate from 4.9 per cent. per annum to 2.1 per cent. per annum with effect from the date of the drawdown and to change the maturity of the loan. As a result, the management of the Group reassessed the nature and the substance of all the loans issued to the parent entity of the Group and, as of 30 June 2016, reclassified them into equity as a separate line item "Loans to the owners of the Company".

⁽²⁾ From July to October 2016, the Group provided additional loans to the parent entity of the Group in the aggregate principal amount of RUB 6,701 million with interest rates ranging from 0.5 per cent. per annum to 2.1 per cent. per annum and with the maturity dates in 2019. Going forward, these loans will be classified as equity. See "Operating and Financial Review—Recent Developments" and "Operating and Financial Review—Critical Accounting Estimates and Judgements—Reclassification of loans issued to the Group parent company".

Year ended 31 December					
	2015		2014		2013
	<i>(in RUB millions)</i>				
	Amounts owed by related parties	Amounts owed to related parties	Amounts owed by related parties	Amounts owed to related parties	Amounts owed by related parties
Parent entity	8,540 ⁽¹⁾	–	–	1,309	–
Entities under common control.....	645	109	777	180	612
Total.....	9,185	109	777	1,489	156

⁽¹⁾ During the year ended 31 December 2015 and the six months ended 30 June 2016, the Group provided loans to the parent entity of the Group the aggregate outstanding amount of which was RUB 8,540 million as at 31 December 2015 and 8,542 million as at 30 June 2016. These loans were stated to be repayable in 5 years after receipt of the full amount of the loans and had interest rates ranging from 0.5 per cent. per annum to 4.9 per cent. per annum (for the loans denominated in foreign currencies) and 15.5 per cent (for Rouble-denominated loans). In June 2016, the Group agreed to amend the loan agreement relating to the majority portion of these loans and to reduce the interest rate from 4.9 per cent. per annum to 2.1 per cent. per annum with effect from the date of the drawdown and to change the maturity of the loan. As a result, the management of the Group reassessed the nature and the substance of all the loans issued to the parent entity of the Group and, as of 30 June 2016, reclassified them into equity as a separate line item "Loans to the owners of the Company"

Six months ended 30 June						
<i>(in RUB millions)</i>						
<i>(unaudited)</i>						
	2016			2015		
	Sales to related parties	Purchases from related parties	Interest income	Sales to related parties	Purchases from related parties	Interest income
Parent entity	-	-	86	-	-	62
Entities under common control.....	27	81	-	19	40	-

Year ended 31 December								
<i>(in RUB millions)</i>								
	2015			2014			2013	
	Sales to related parties	Purchases from related parties	Interest income	Sales to related parties	Purchases from related parties	Interest income	Sales to related parties	Purchases from related parties
Parent entity	-	-	233	-	-	-	-	-
Entities under common control..	46	79	1	107	194	3	55	80

Compensation of key management personnel

Total gross compensation (including unified social insurance contributions and before withholding of personal income tax) to key management personnel included in payroll and related charges in the consolidated profit or loss as set out in the Group's Financial Statements amounted to RUB 308 million (including social insurance tax of RUB 32 million) and RUB 302 million (including social insurance tax of RUB 30 million) for the six months ended 30 June 2016 and 2015, respectively. The outstanding balances due to key management personnel amounted to RUB 950 million and RUB 708 million as at 30 June 2016 and 2015, respectively, and comprised accrued salaries, bonuses and accrual for unused vacation.

Total gross compensation (including unified social tax and before withholding of personal income tax) to key management personnel included in payroll and related charges in the consolidated profit or loss as set out in the Group's Financial Statements amounted to RUB 592 million (including social insurance tax of RUB 60 million), RUB 977 million (including social insurance tax of RUB 40 million) and RUB 461 million (including social insurance tax of RUB 47 million) for the years ended 31 December 2015, 2014 and 2013, respectively. The outstanding balances due to key management personnel amounted to

RUB 888 million, RUB 709 million and RUB 69 million as at 31 December 2015, 2014 and 2013, respectively, and comprised accrued salaries, bonuses and accrual for unused vacation.

THE ISSUER

The Issuer was incorporated in Ireland as a private limited company on 16 October 2013, registered number 534175, with the name DME Airport Limited, under the Companies Acts 1963-2012 (as amended) of Ireland. The Issuer was subsequently re-registered as a designated activity private limited company under the Companies Act 2014 (the "**Companies Act**") on 13 July 2016 where its name changed to DME Airport Designated Activity Company. The registered office of the Issuer is 2nd Floor, Palmerston House, Fenian Street, Dublin 2, Ireland, and its telephone number +353 1 905 8020.

The authorised share capital of the Issuer is EUR 100 divided into 1 ordinary shares of par value EUR 1 each (the "**Shares**"). The Issuer has issued one Share, which is fully paid and is held on trust by Cafico Trust Company Limited (the "**Share Trustee**") under the terms of a declaration of trust (the "**Declaration of Trust**") dated 18 October 2013, under which the Share Trustee holds the Shares on trust for charity. The Share Trustee has no beneficial interest in and derives no benefit (other than any fees for acting as Share Trustee) from its holding of the Shares. The Share Trustee will apply any income derived from the Issuer solely for the above purposes.

Cafico Corporate Services Limited (the "**Corporate Services Provider**"), an Irish company, acts as the corporate services provider for the Issuer. The office of the Corporate Services Provider serves as the general business office of the Issuer. Through the office and pursuant to the terms of the corporate services agreement entered into on 21 November 2013 between the Issuer and the Corporate Services Provider (the "**Corporate Services Agreement**"), the Corporate Services Provider performs various management functions on behalf of the Issuer, including the provision of certain clerical, reporting, accounting, administrative and other services until termination of the Corporate Services Agreement. In consideration of the foregoing, the Corporate Services Provider receives various fees and other charges payable by the Issuer at rates agreed upon from time to time plus expenses. The terms of the Corporate Services Agreement provide that either party may terminate the Corporate Services Agreement upon the occurrence of certain stated events, including any material breach by the other party of its obligations under the Corporate Services Agreement which is either incapable of remedy or which is not cured within 30 days from the date on which it was notified of such breach. In addition, either party may terminate the Corporate Services Agreement at any time by giving at least 90 days written notice to the other party.

The Corporate Services Provider's principal office is Palmerston House, Fenian Street, Dublin 2, Ireland.

Business

The principal objects of the Issuer are set forth in clause 3 of its Memorandum of Association (as currently in effect) and permit the Issuer, inter alia, to lend money and give credit, secured or unsecured, to issue debentures, enter into derivatives and otherwise to borrow or raise money and to grant security over its property for the performance of its obligations or the payment of money.

The Issuer is organised as a special purpose company. The Issuer was established to raise capital by the issue of debt securities and to use an amount equal to the proceeds of each such issuance to advance a loan to the Company.

On 25 November 2013, the Issuer issued the 2018 LPNs to finance a U.S.\$300,000,000 loan to the Borrower. The 2018 LPNs were listed on the Irish Stock Exchange and were admitted to trading on the Main Securities Market.

Since its incorporation the Issuer has not engaged in material activities other than issuing the 2018 LPNs and those related to the issue of the Notes. The Issuer has no employees.

Directors and Company Secretary

The Issuer's Articles of Association provide that the Board of Directors of the Issuer will consist of at least two Directors.

The Directors of the Issuer and their business addresses are as follows:

Rodney O'Rourke	2nd Floor, Palmerston House, Fenian Street, Dublin 2, Ireland
Yolanda Kelly	2nd Floor, Palmerston House, Fenian Street, Dublin 2, Ireland
George Mountis	2 Michalaki Karaoli Street, 1095 Nicosia, Cyprus

The Company Secretary is Cafico Secretaries Limited.

The Directors do not hold any direct, indirect, beneficial or economic interest in any of the Shares.

The directorship of Rodney O'Rourke and Yolanda Kelly is provided as part of the Corporate Services Provider's overall corporate administration services provided to the Issuer pursuant to the Corporate Services Agreement.

The Directors of the Issuer may engage in other activities and have other interests which may conflict with the interests of the Issuer.

Save as disclosed herein, there has been no material adverse change in the financial position or prospects of the Issuer since the date of its incorporation. Save for the issue of the 2018 LPNs and the issue of the Notes described above and their related arrangements, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

Financial Statements

The financial year of the Issuer ends on 31 December in each year. The Issuer has prepared financial statements for the years ended on 31 December 2015 and 2014. The Issuer will not prepare interim financial statements.

The profit and loss account and balance sheet can be obtained free of charge from the registered office of the Issuer.

The auditors of the Issuer are Deloitte Chartered Accountants of Deloitte & Touche House, Eastfort Terrace, Dublin 2, Ireland, who are chartered accountants and are members of the Institute of Chartered Accountants and registered auditors qualified to practise in Ireland.

THE BORROWER

Incorporation and Status

The Borrower was incorporated on 20 January 1995 as a private company limited by shares under the laws of the Republic of Cyprus. The registered office of the Borrower is Michalaki Karaoli 2, office 203, 1095 Nicosia, Cyprus and its telephone number is +357 22 777 000. The registration number of the Borrower is HE 68181.

Objects

The Borrower owns substantially all of the Group's real estate assets.

Share Capital

The authorised share capital of the Borrower is EUR 17,100 divided into 10,000 ordinary shares of nominal value EUR 1.71 each. There are 10,000 ordinary shares of EUR 1.71 each in issue at the date hereof.

Organisational Structure

The Borrower is a wholly owned subsidiary of DME Limited. The Borrower has no subsidiaries.

Management

The Borrower is managed by its board of directors. The directors of the Borrower and their business addresses are set out in the table below:

Name	Business address	Current position	Since
Chrystalla Pitstilli Dekatris	1 Lampousas Street, Nicosia 1095, Cyprus	Director	1995
Anastasios Stylianou	9 Grammou Street, Nicosia 2408, Cyprus	Director	2012

The directors are responsible for the day-to-day management of the Borrower. To the best of the knowledge and belief of each of the Borrower and Initial Guarantors, there are no potential or existing conflicts of interests between any of the duties of the directors of the Borrower and their private interests.

There has been no material adverse change in the prospects of the Borrower since the date of the Group's last audited consolidated financial statements dated 31 December 2015.

THE INITIAL GUARANTORS

For the twelve months ended 31 December 2015 and for the six months ended 30 June 2016, the Obligor EBITDA Cover Ratio¹³ was above 104.3 per cent. and 110.3 per cent., respectively. As of 31 December 2015 and 30 June 2016, the Obligor Total Assets Cover Ratio¹⁴ was above 90.1 per cent. and 87.1 per cent., respectively.

With the exception of the Initial Guarantors and any other subsidiaries of DME Limited which may become Guarantors in the future, DME Limited's subsidiaries have no obligation in respect of any amounts due under the Loan Agreement and neither the Issuer nor holders of Notes will have any direct or indirect claim on such non-Guarantor subsidiaries' cash flows or assets other than through DME Limited's shareholding in such entities. In most circumstances, the Issuer's rights to receive payments under the Loan Agreement and the Guarantees (and therefore its ability to make payments under the Notes as they fall due) are effectively subordinated to any liabilities of DME Limited's non-Guarantor subsidiaries. As of 30 June 2016, no portion of the Group's total debt (including amounts due to grantor under a concession agreement and guarantees in respect of Group borrowings and excluding intra-group borrowings) was held by the DME Limited's subsidiaries other than the Initial Guarantors and the Borrower. In the event of a bankruptcy, liquidation or reorganisation of a non-Guarantor subsidiary, holders of that subsidiary's indebtedness and trade and other creditors of that subsidiary will have a claim to the assets of that subsidiary that is senior to DME Limited's interest in those assets as a shareholder, except to the extent that DME Limited's is recognised as a creditor through intercompany claims or loans. Accordingly, the Notes are effectively subordinated to this debt. Moreover, the Issuer's rights to receive payments under the Loan Agreement and the Guarantees (and therefore its ability to make payments under the Notes as they fall due) are effectively subordinated to the secured liabilities of the Borrower and the Initial Guarantors. As of 30 June 2016, the Borrower and the Initial Guarantors had no outstanding secured borrowings.

Copies of the constitutional documents of the Company and each Initial Guarantor are available for inspection in physical format at the offices of the Principal Paying Agent in London and the registered office of the Issuer during usual business hours on any weekday (Saturdays and public holidays excepted) for so long as the Notes are listed on the Irish Stock Exchange.

DME Limited, is the holding company of the Group and each of its operational subsidiaries, and is dependent on the activities, financial performance and prospects of all the operational subsidiaries of the Group. The subsidiaries of DME Limited enter into various intra-group transactions in the ordinary course of their businesses, and, on this basis, are therefore interdependent with the other companies within the Group. This includes the Borrower depending in the other operational subsidiaries of the Group to be able to satisfy its obligations under the Loan. See "*Risk Factors—The Borrower's ability to pay under the Loan Agreement is dependent on other operational subsidiaries of the Group*". There are no

¹³ This measure is an APM. The Obligor EBITDA Cover Ratio is defined in the Loan Agreement and is a ratio which is used to determine whether any Further Guarantees (as defined in the Loan Agreement) are required.

¹⁴ This measure is an APM. The Obligor Total Assets Cover Ratio is defined in the Loan Agreement and is a ratio which is used to determine whether any Further Guarantees (as defined in the Loan Agreement) are required.

specific measures which would restrict the control exercised by DME Limited over its subsidiaries other than those specifically provided by applicable law.

Airport Management Company Limited

Incorporation and Status

Airport Management Company Limited was incorporated on 21 May 1996 as a private company limited by shares under the laws of the Isle of Man. The registered office of Airport Management Company Limited is 1 Castle Street, Castletown, Isle of Man, IM9 1LF and its telephone number is +44 1624 824011. The registration number of Airport Management Company Limited is 079155C.

Capacity

Airport Management Company Limited has the capacity and, subject to the law, the rights, powers and privileges of an individual.

Objects

Airport Management Company Limited is the management company for Russian subsidiaries of DME Limited.

Share Capital

The authorised share capital of Airport Management Company Limited is U.S.\$ 3,000 divided into 3,000 ordinary shares of U.S.\$ 1.00 each. There are 2 ordinary shares of U.S.\$ 1.00 each in issue at the date hereof.

Organisational Structure

Airport Management Company Limited is a wholly owned subsidiary of DME Limited. Airport Management Company Limited has no subsidiaries.

Management

Airport Management Company Limited is managed by its board of directors. The directors of Airport Management Company Limited and their business addresses are set out in the table below:

Name	Business address	Current position	Since
Shaun Fergusson Cairns	First Floor Exchange House 54-58 Athol Street Douglas, Isle of Man, IM1 1JD	Director	2004
Anna Rossides	1 Lampousas Street, Nicosia 1095, Cyprus	Director	2009
Sophia Andreou Birchall	First Floor Exchange House 54-58 Athol Street Douglas, Isle of Man, IM1 1JD	Director	2012

The directors are responsible for the day-to-day management of Airport Management Company Limited. To the best of the knowledge and belief of each of the Company and Initial Guarantors, there are no potential or existing conflicts of interests between any of the duties of the directors of Airport Management Company Limited and their private interests.

There has been no material adverse change in the prospects of Airport Management Company Limited since the date of the Group's last audited consolidated financial statements dated 31 December 2015.

DME Limited

Incorporation and Status

FML Limited, the predecessor of DME Limited, was founded on 28 February 2001 as a limited liability company under the laws of Isle of Man. FML Limited was redomiciled to Cyprus and renamed DME Limited on 10 February 2012. The registered office of DME Limited is 1, Lampousas street, Nicosia, 1095, Cyprus and its telephone number is +357 22 777 000. The registration number of DME Limited is HE 301153.

Objects

DME Limited is the holding company of the Group.

Share Capital

The authorised and issued share capital of DME Limited is EUR 304,831,519 divided into 304,831,519 shares of nominal value of Euro 1.00 each.

Management

DME Limited is managed by the board of directors. The directors of DME Limited and their business addresses are set out in the table below:

Name	Business address	Current position	Since
Chrystalla Pitsilli Dekatris	1 Lampousas Street, Nicosia 1095, Cyprus	Director	2012
Anastasios Stylianou	1 Lampousas Street, Nicosia 1095, Cyprus	Director	2012
Anna Rossides	1 Lampousas Street, Nicosia 1095, Cyprus	Director	2012

The directors are responsible for the day-to-day management of DME Limited. To the best of the knowledge and belief of each of the Company and Initial Guarantors, there are no potential or existing conflicts of interests between any of the duties of the directors of DME Limited and their private interests.

There has been no material adverse change in the prospects of DME Limited since the date of the Group's last audited consolidated financial statements dated 31 December 2015.

Domodedovo International Airport Limited Liability Company

Incorporation and Status

Domodedovo International Airport Limited Liability Company was founded on 15 April 1998 as a closed joint-stock company under the laws of the Russian Federation. Domodedovo International Airport Limited Liability Company was reorganised into a limited liability company under the laws of the Russian Federation on 5 February 2015. The registered office of Domodedovo International Airport Limited Liability Company is 9, territory "Aeroport

"Domodedovo", Domodedovo, Moscow region, 142015 and its telephone number is +7 495 363 3063. The main state registration number of Domodedovo International Airport Limited Liability Company is 1155009000387.

Objects

The principal objects of Domodedovo International Airport Limited Liability Company, as set out in its charter, are technical exploitation of the airfield, radiotechnical, lighting and navigational flight support, aviation security support and control, planning and coordination of flights.

Charter Capital

The charter capital of Domodedovo International Airport Limited Liability Company is RUB 10,000,000.

Organisational Structure

Domodedovo International Airport Limited Liability Company is a wholly owned subsidiary of DME Limited. Domodedovo International Airport Limited Liability Company has no subsidiaries.

Management

Domodedovo International Airport Limited Liability Company is managed by the sole participant, DME Limited, and the management company, Airport Management Company Limited. The sole participant is entitled to approve amendments to the charter of Domodedovo International Airport Limited Liability Company, vote for reorganisation or liquidation of Domodedovo International Airport Limited Liability Company, approve and receive dividends, increase or decrease the charter capital of Domodedovo International Airport Limited Liability Company, appoint auditors and adopt other corporate resolutions and decisions envisaged by the charter of Domodedovo International Airport Limited Liability Company and Russian law. The management company is responsible for the day-to-day management of Domodedovo International Airport Limited Liability Company.

To the best of the knowledge and belief of each of the Company and Initial Guarantors, there are no potential or existing conflicts of interests between any of the duties of DME Limited as the sole participant of Domodedovo International Airport Limited Liability Company, duties of Airport Management Company Limited as the management company of Domodedovo International Airport Limited Liability Company, and their private interests.

There has been no material adverse change in the prospects of Domodedovo International Airport Limited Liability Company since the date of the Group's last audited consolidated financial statements dated 31 December 2015.

"Domodedovo Airport Handling" Limited Liability Company

Incorporation and Status

"Domodedovo Airport Handling" Limited Liability Company was founded on 22 August 2005 as a closed joint-stock company under the laws of the Russian Federation. The registered office of "Domodedovo Airport Handling" Limited Liability Company is 1,

territory "Aeroport "Domodedovo", Domodedovo, Moscow region, 142015 and its telephone number is +7 495 363 6427. The main state registration number of Domodedovo Airport Handling Limited Liability Company is 1155009000167.

Objects

The principal objects of "Domodedovo Airport Handling" Limited Liability Company, as set out in its charter, are maintenance of the airfield; services on passenger, luggage, cargo and mail handling; provision of certain aviation engineering services and other services.

Charter Capital

The charter capital of "Domodedovo Airport Handling" Limited Liability Company is RUB10,000,000.

Organisational Structure

"Domodedovo Airport Handling" Limited Liability Company is a wholly owned subsidiary of DME Limited. "Domodedovo Airport Handling" Limited Liability Company has no subsidiaries.

Management

"Domodedovo Airport Handling" Limited Liability Company is managed by the sole participant, DME Limited, and the management company, Airport Management Company Limited. The sole participant is entitled to approve amendments to the charter of "Domodedovo Airport Handling" Limited Liability Company, vote for reorganisation or liquidation of "Domodedovo Airport Handling" Limited Liability Company, approve and receive dividends, increase or decrease the charter capital of "Domodedovo Airport Handling" Limited Liability Company, appoint auditors and adopt other corporate resolutions and decisions envisaged by the charter of "Domodedovo Airport Handling" Limited Liability Company and Russian law. The management company is responsible for the day-to-day management of "Domodedovo Airport Handling" Limited Liability Company.

To the best of the knowledge and belief of each of the Company and Initial Guarantors, there are no potential or existing conflicts of interests between any of the duties of DME Limited as the sole participant of "Domodedovo Airport Handling" Limited Liability Company, duties of Airport Management Company Limited as the management company of "Domodedovo Airport Handling" Limited Liability Company, and their private interests.

There has been no material adverse change in the prospects of "Domodedovo Airport Handling" Limited Liability Company since the date of the Group's last audited consolidated financial statements dated 31 December 2015.

Domodedovo Catering Limited Liability Company

Incorporation and Status

Domodedovo Catering Limited Liability Company was founded on 12 March 2001 as a closed joint-stock company under the laws of the Russian Federation. Domodedovo Catering Limited Liability Company was reorganised into a limited liability company under the laws of the Russian Federation on 5 February 2015. The registered office of Domodedovo

Catering Limited Liability Company is 2, territory "Aeroport "Domodedovo", Domodedovo, Moscow region, 142015 and its telephone number is +7 495 787 8650. The main state registration number of Domodedovo Catering Limited Liability Company is 1155009000343.

Objects

The principal object of Domodedovo Catering Limited Liability Company, as set out in its charter, is provision of catering services.

Charter Capital

The charter capital of Domodedovo Catering Limited Liability Company is RUB 15,558,000.

Organisational Structure

Domodedovo Catering Limited Liability Company is a wholly owned subsidiary of DME Limited. Domodedovo Catering Limited Liability Company has no subsidiaries.

Management

Domodedovo Catering Limited Liability Company is managed by the sole participant, DME Limited, and the management company, Airport Management Company Limited. The sole participant is entitled to approve amendments to the charter of Domodedovo Catering Limited Liability Company, vote for reorganisation or liquidation of Domodedovo Catering Limited Liability Company, approve and receive dividends, increase or decrease the charter capital of Domodedovo Catering Limited Liability Company, appoint auditors and adopt other corporate resolutions and decisions envisaged by the charter of Domodedovo Catering Limited Liability Company and Russian law. The management company is responsible for the day-to-day management of Domodedovo Catering Limited Liability Company.

To the best of the knowledge and belief of each of the Company and Initial Guarantors, there are no potential or existing conflicts of interests between any of the duties of DME Limited as the sole participant of Domodedovo Catering Limited Liability Company, duties of Airport Management Company Limited as the management company of Domodedovo Catering Limited Liability Company, and their private interests.

There has been no material adverse change in the prospects of Domodedovo Catering Limited Liability Company since the date of the Group's last audited consolidated financial statements dated 31 December 2015.

"Domodedovo Fuel Services" Limited Liability Company

Incorporation and Status

"Domodedovo Fuel Services" Limited Liability Company was founded on 22 December 2000 as a closed joint-stock company under the laws of the Russian Federation. "Domodedovo Fuel Services" Limited Liability Company was reorganised into a limited liability company under the laws of the Russian Federation on 14 January 2015. The registered office of "Domodedovo Fuel Services" Limited Liability Company is 22, territory "Aeroport "Domodedovo", Domodedovo, Moscow region, 142015 and its telephone number is +7 495 967 8974. The main state registration number of "Domodedovo Fuel Services" Limited Liability Company is 1155009000057.

Objects

The principal objects of "Domodedovo Fuel Services" Limited Liability Company, as set out in its charter, are provision of aircraft fuelling services; acquisition, storage and realisation of oil products.

Charter Capital

The charter capital of "Domodedovo Fuel Services" Limited Liability Company is RUB 20,853,000.

Organisational Structure

"Domodedovo Fuel Services" Limited Liability Company is a wholly owned subsidiary of DME Limited. "Domodedovo Fuel Services" Limited Liability Company has no subsidiaries.

Management

"Domodedovo Fuel Services" Limited Liability Company is managed by the sole participant, DME Limited, and the management company, Airport Management Company Limited. The sole participant is entitled to approve amendments to the charter of "Domodedovo Fuel Services" Limited Liability Company, vote for reorganisation or liquidation of "Domodedovo Fuel Services" Limited Liability Company, approve and receive dividends, increase or decrease the charter capital of "Domodedovo Fuel Services" Limited Liability Company, appoint auditors and adopt other corporate resolutions and decisions envisaged by the charter of "Domodedovo Fuel Services" Limited Liability Company and Russian law. The management company is responsible for the day-to-day management of "Domodedovo Fuel Services" Limited Liability Company.

To the best of the knowledge and belief of each of the Company and Initial Guarantors, there are no potential or existing conflicts of interests between any of the duties of DME Limited as the sole participant of "Domodedovo Fuel Services" Limited Liability Company, duties of Airport Management Company Limited as the management company of "Domodedovo Fuel Services" Limited Liability Company, and their private interests.

There has been no material adverse change in the prospects of "Domodedovo Fuel Services" Limited Liability Company since the date of the Group's last audited consolidated financial statements dated 31 December 2015.

Domodedovo Passenger Terminal Limited Liability Company

Incorporation and Status

Domodedovo Passenger Terminal Limited Liability Company was founded on 26 February 2001 as a closed joint-stock company under the laws of the Russian Federation. Domodedovo Passenger Terminal Limited Liability Company was reorganised into a limited liability company under the laws of the Russian Federation on 4 March 2015. The registered office of Domodedovo Passenger Terminal Limited Liability Company is 1, territory "Aeroport "Domodedovo", Domodedovo, Moscow region, 142015 and its telephone number is +7 495 504 0274. The main state registration number of Domodedovo Passenger Terminal Limited Liability Company is 1155009000827.

Objects

The principal object of Domodedovo Passenger Terminal Limited Liability Company, as set out in its charter, is providing services on passenger and luggage handling.

Charter Capital

The charter capital of Domodedovo Passenger Terminal Limited Liability Company is RUB 48,000,000.

Organisational Structure

Domodedovo Passenger Terminal Limited Liability Company is a wholly owned subsidiary of DME Limited. Domodedovo Passenger Terminal Limited Liability Company has no subsidiaries.

Management

Domodedovo Passenger Terminal Limited Liability Company is managed by the sole participant, DME Limited, and the management company, Airport Management Company Limited. The sole participant is entitled to approve amendments to the charter of Domodedovo Passenger Terminal Limited Liability Company, vote for reorganisation or liquidation of Domodedovo Passenger Terminal Limited Liability Company, approve and receive dividends, increase or decrease the charter capital of Domodedovo Passenger Terminal Limited Liability Company, appoint auditors and adopt other corporate resolutions and decisions envisaged by the charter of Domodedovo Passenger Terminal Limited Liability Company and Russian law. The management company is responsible for the day-to-day management of Domodedovo Passenger Terminal Limited Liability Company.

To the best of the knowledge and belief of each of the Company and Initial Guarantors, there are no potential or existing conflicts of interests between any of the duties of DME Limited as the sole participant of Domodedovo Passenger Terminal Limited Liability Company, duties of Airport Management Company Limited as the management company of Domodedovo Passenger Terminal Limited Liability Company, and their private interests.

There has been no material adverse change in the prospects of Domodedovo Passenger Terminal Limited Liability Company since the date of the Group's last audited consolidated financial statements dated 31 December 2015.

"Domodedovo Fuel Facilities" Limited Liability Company

Incorporation and Status

"Domodedovo Fuel Facilities" Limited Liability Company was founded on 16 June 2011 as a closed joint-stock company under the laws of the Russian Federation. "Domodedovo Fuel Facilities" Limited Liability Company was reorganised into a limited liability company under the laws of the Russian Federation on 11 February 2015. The registered office of "Domodedovo Fuel Facilities" Limited Liability Company is 22, territory "Aeroport "Domodedovo", Domodedovo, Moscow region, 142015 and its telephone number is +7 495 967 8974. The main state registration number of "Domodedovo Fuel Facilities" Limited Liability Company is 1155009000453.

Objects

The principal object of "Domodedovo Fuel Facilities" Limited Liability Company, as set out in its charter, is commercial activities relating to ownership and maintenance of fuel facilities and ensuring access thereto; provision of aircraft fuelling services; acquisition, storage and disposal of oil products.

Charter Capital

The charter capital of "Domodedovo Fuel Facilities" Limited Liability Company is RUB 5,040,000.

Organisational Structure

"Domodedovo Fuel Facilities" Limited Liability Company is a wholly owned subsidiary of DME Limited. "Domodedovo Fuel Facilities" Limited Liability Company has no subsidiaries.

Management

"Domodedovo Fuel Facilities" Limited Liability Company is managed by the sole participant, DME Limited, and the management company, Airport Management Company Limited. The sole participant is entitled to approve amendments to the charter of "Domodedovo Fuel Facilities" Limited Liability Company, vote for reorganisation or liquidation of "Domodedovo Fuel Facilities" Limited Liability Company, approve and receive dividends, increase or decrease the charter capital of "Domodedovo Fuel Facilities" Limited Liability Company, appoint auditors and adopt other corporate resolutions and decisions envisaged by the charter of "Domodedovo Fuel Facilities" Limited Liability Company and Russian law. The management company is responsible for the day-to-day management of "Domodedovo Fuel Facilities" Limited Liability Company.

To the best of the knowledge and belief of each of the Company and Initial Guarantors, there are no potential or existing conflicts of interests between any of the duties of DME Limited as the sole participant of "Domodedovo Fuel Facilities" Limited Liability Company, duties of Airport Management Company Limited as the management company of "Domodedovo Fuel Facilities" Limited Liability Company, and their private interests.

There has been no material adverse change in the prospects of "Domodedovo Fuel Facilities" Limited Liability Company since the date of the Group's last audited consolidated financial statements dated 31 December 2015.

Domodedovo Commercial Services Limited Liability Company

Incorporation and Status

Domodedovo Commercial Services Limited Liability Company was founded on 24 September 1996 as a closed joint-stock company under the laws of the Russian Federation. Domodedovo Commercial Services Limited Liability Company was reorganised into a limited liability company under the laws of the Russian Federation on 28 January 2015. The registered office of Domodedovo Commercial Services Limited Liability Company is 1, territory "Aeroport "Domodedovo", Domodedovo, Moscow region, 142015 and its telephone

number is +7 495 795 3489. The main state registration number of Domodedovo Commercial Services Limited Liability Company is 11550090002000.

Objects

The principal objects of Domodedovo Commercial Services Limited Liability Company, as set out in its charter, are organisation of airport activities connected with aircraft ground handling, operational management including coordination of various departments within the airport, freight forwarding and agency services, information services and others.

Charter Capital

The charter capital of Domodedovo Commercial Services Limited Liability Company is RUB 5,000,000.

Organisational Structure

Domodedovo Commercial Services Limited Liability Company is a wholly owned subsidiary of DME Limited. Domodedovo Commercial Services Limited Liability Company has no subsidiaries.

Management

Domodedovo Commercial Services Limited Liability Company is managed by the sole participant, DME Limited, and the management company, Airport Management Company Limited. The sole participant is entitled to approve amendments to the charter of Domodedovo Commercial Services Limited Liability Company, vote for reorganisation or liquidation of Domodedovo Commercial Services Limited Liability Company, approve and receive dividends, increase or decrease the charter capital of Domodedovo Commercial Services Limited Liability Company, appoint auditors and adopt other corporate resolutions and decisions envisaged by the charter of Domodedovo Commercial Services Limited Liability Company and Russian law. The management company is responsible for the day-to-day management of Domodedovo Commercial Services Limited Liability Company.

To the best of the knowledge and belief of each of the Company and Initial Guarantors, there are no potential or existing conflicts of interests between any of the duties of DME Limited as the sole participant of Domodedovo Commercial Services Limited Liability Company, duties of Airport Management Company Limited as the management company of Domodedovo Commercial Services Limited Liability Company, and their private interests.

There has been no material adverse change in the prospects of Domodedovo Commercial Services Limited Liability Company since the date of the Group's last audited consolidated financial statements dated 31 December 2015.

FORM OF THE LOAN AGREEMENT AND THE DEED OF GUARANTEE

The following is substantially all of the text of the Loan Agreement which has been entered into between the Borrower and the Issuer:

THIS AGREEMENT is made on 8 November 2016

BETWEEN:

- (1) **HACIENDA INVESTMENTS LIMITED** (the "**Borrower**"); and
- (2) **DME AIRPORT DESIGNATED ACTIVITY COMPANY** (the "**Lender**").

WHEREAS:

The Lender has at the request of the Borrower agreed to make available to the Borrower a loan facility in the amount of U.S.\$ 350,000,000 on the terms and subject to the conditions of this Agreement. The Loan is to be unconditionally and irrevocably and jointly and severally guaranteed by the Guarantors under the Deed of Guarantee (as defined herein). The Borrower may be obliged to procure Further Guarantees on the satisfaction of certain conditions set out in Clause 9.8.

NOW IT IS HEREBY AGREED as follows:

1. **DEFINITIONS AND INTERPRETATION**

1.1 **Definitions**

In this Agreement (including the recitals), the following terms shall have the meanings indicated:

"12-month Consolidated EBITDA" means the aggregate Consolidated EBITDA for the two most recent Measurement Periods preceding any date of determination;

"12-month EBITDA" means, in relation to any Guarantor, the EBITDA for the two most recent Measurement Periods preceding any date of determination;

"Account" means the account in the name of the Lender with the Account Bank, account number 1180188400;

"Account Bank" means The Bank of New York Mellon, London Branch;

"Advance" means the advance to be made under Clause 3 (less any deduction made pursuant to Clause 3.3);

"Affiliate" of any specified Person means: (i) any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person, or in relation to the Borrower and the Guarantors, any other Person who is an "affiliate" of such Person within the meaning of the Joint-Stock Company Law and the Competition Law; or (ii) any other Person who is a director or officer (a) of such specified Person, (b) of any Subsidiary of such specified Person, or (c) of any Person described in (a) or (b) above. For the purposes of this definition, **"control"** when used with respect to any Person means the power to direct the management and

policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing;

"**Agency**" means any agency, authority, central bank, department, committee, government, legislature, minister, ministry, official or public or statutory Person (whether autonomous or not) of, or of the government of, any state or supra-national body;

"**Agreement**" means this Agreement as originally executed or as it may be amended, restated or supplemented from time to time;

"**Airport Property Lease Agreement**" means the aerodrome property lease agreement No 1 dated 13 May 1998 between State Unitary Enterprise "Administratsiya Aeroporta Domodedovo" and Domodedovo International Airport Corporation (as amended, novated, supplemented, extended or restated from time to time);

"**Airport Terminal**" means Domodedovo airport terminal building located at Russia, Moscow region, Domodedovskij district, territory of "Airport "Domodedovo"", building 1 of the total area of 100,493.90 sq. m. (cadastral number 50-50-28/033/2007-084), which belongs to the Borrower on the right of ownership;

"**Airport Terminal Lease Contract**" means any lease agreement or other agreement of similar nature entered into by the Borrower or DME Limited with any member of the Group in relation to the Airport Terminal;

"**Asset Acquisition**" means (i) an Investment by the Borrower, DME Limited or any Subsidiary of DME Limited in any other Person pursuant to which such Person shall become a Subsidiary of DME Limited or shall be consolidated or merged with the Borrower, DME Limited or any Subsidiary of DME Limited or (ii) the acquisition by the Borrower, DME Limited or any Subsidiary of DME Limited of assets of any Person which constitute all or substantially all of the assets of such Person or which comprise a division or line of business of such Person;

"**Asset Sale**" means any lease, sale, sale and lease-back, transfer or other disposition either in one transaction or in a series of related transactions, by the Borrower, DME Limited or any Subsidiary of DME Limited to a Person that is not part of the Group, of any assets the value of which exceeds 5 per cent. of the Consolidated Total Assets in any 12-month period (determined in each case by reference to the most recent publicly available audited annual consolidated financial statements or reviewed interim consolidated financial statements of the Group prepared in accordance with IFRS); provided that "Asset Sale" shall not include sales or other dispositions of assets in the ordinary course of business;

"**Average Life**" means, as of the date of determination, with respect to any Financial Indebtedness, the quotient obtained by dividing (i) the sum of the products of (a) the numbers of years from the date of determination to the dates of each successive scheduled principal payment of such Financial Indebtedness and (b) the amount of each such payment by (ii) the sum of all such payments;

"Auditors" means the auditors from time to time of the Group's consolidated financial statements under IFRS or, if they are unable or unwilling to carry out any action requested of them under this Agreement, such other internationally recognised firm of accountants as may be nominated by the Borrower and approved in writing by the Lender for this purpose;

"Authorised Signatory" means, in relation to the Borrower, any Person who is duly authorised (in such manner as may be reasonably acceptable to the Lender) and in respect of whom the Lender has received a certificate signed by the chief executive officer or a Person who is duly authorised in any manner reasonably acceptable to the Lender or another Authorised Signatory of the Borrower setting out the name and signature of such Person and confirming such Person's authority to act;

"Board of Directors" means, as to any Person, the board of directors, management board or equivalent competent governing body of such Person, or any duly authorised committee thereof;

"Business Day" means a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for general business in Moscow, Nicosia, the Isle of Man, New York City and the city where the Specified Office (as defined in the Paying Agency Agreement) of the Principal Paying Agent is located, and in relation to any date for payment or purchase of a currency, the principal financial centre of the country of that currency;

"Capital Stock" of any Person means any and all shares, interests (including partnership interests), rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such Person, including any preferred stock of such Person, whether now outstanding or issued after the Closing Date, including without limitation, all series and classes of such Capital Stock but excluding any debt securities convertible into such equity;

"Cash" means at the date of determination the cash and cash equivalents (including any cash deposits with maturity of up to one year) of the Group on a consolidated basis as calculated on the basis of the latest consolidated financial statements of the Group prepared in accordance with IFRS, consistently applied;

"Change of Control" means the occurrence of one or more of the following events:

- (a) the Permitted Holders cease to own or control, directly or indirectly, in the aggregate of more than 50 per cent. of the total voting power of the Voting Stock of DME Limited (including a Successor, if applicable); or
- (b) the approval by the holders of Capital Stock of DME Limited of any plan or proposal for the liquidation or dissolution of DME Limited, other than in a transaction which is in compliance with the provisions of Clause 9.5; or
- (c) DME Limited consolidates with, or merges with or into, another Person, or sells, conveys, assigns, transfers, leases or otherwise disposes of all or substantially all of the assets of the Group to any Person other than a Permitted Holder, and in each case other than a transaction where immediately after such transaction the Permitted Holders own or control, directly or indirectly, in the

aggregate of more than 50 per cent. of the total voting power of the Voting Stock of the surviving or transferee Person.

"Change of Control Put Event" means the occurrence of a Change of Control;

"Change of Control Put Option" means the put option granted to Noteholders pursuant to the Conditions upon a Change of Control Put Event;

"Change of Control Put Period" has the meaning given to it in the Conditions;

"Change of Control Put Settlement Date" means the fifth Business Day after the expiration of the Change of Control Put Period;

"Closing Date" means 10 November 2016;

"Competition Law" means Federal Law No. 135-FZ "On Protection of Competition" of the Russian Federation dated 26 July 2006 (as amended and supplemented);

"Conditions" means the terms and conditions of the Notes as set out in Schedule 3 of the Trust Deed;

"Consolidated EBITDA" means, in relation to the Group and any relevant Measurement Period, the pre-taxation profit of the Group for that Measurement Period:

- (i) after adding back any amount of depreciation of tangible assets and amortisation of intangible assets;
- (ii) before taking into account any amount of interest expense commission, fees, discounts, prepayment fees, premiums or charges and other finance payments, whether paid, payable or capitalised less interest income; and
- (iii) before taking into account any items treated as exceptional or extraordinary items including, without limitation any amount in relation to:
 - (a) foreign exchange gain or loss or gains or losses on any derivative instruments;
 - (b) revaluation of an asset or any gain or loss of book value arising on the disposal of any asset by any member of the Group;
 - (c) the cumulative effect of changes in accounting principles; and
 - (d) any extraordinary items (net of taxes) including, without limitation, any loss or gain on impairment of fixed assets charged to the profit and loss account;

calculated on the basis of the latest consolidated financial statements of the Group prepared in accordance with IFRS, consistently applied;

"Consolidated Net Debt" means at any date of determination an amount equal to (a) the Consolidated Total Debt, less (b) Cash.

"Consolidated Total Assets" means at the date of determination the total assets of the Group on a consolidated basis as calculated by reference to the latest consolidated financial statements of the Group prepared in accordance with IFRS, consistently applied;

"Consolidated Total Debt" means at the date of determination the Financial Indebtedness of the Group on a consolidated basis as calculated on the basis of the latest consolidated financial statements of the Group prepared in accordance with IFRS, consistently applied;

"Currency Agreement" means any foreign exchange contract, currency swap agreement or other similar agreement with respect to currency values;

"Deed of Guarantee" means the deed of guarantee, substantially in the form set out in the Schedule hereto, containing the Guarantees and such term shall include any further deeds of guarantee substantially in the same form thereof entered into by any Further Guarantors pursuant to Clause 9.8;

"Definitive Certificate" means the definitive certificates in registered form representing the Notes, to be issued in limited circumstances pursuant to the Trust Deed;

"Disinterested Director" means, with respect to any transaction or series of related transactions, a member of the Board of Directors of the Borrower who does not have any material direct or indirect financial interest in or with respect to such transaction or series of related transactions. A person shall not be ineligible to constitute a Disinterested Director solely as a result of such person owning any equity interests of the Borrower, DME Limited or any Subsidiary of DME Limited or acting as an officer, director or employee of the Borrower, DME Limited or any Subsidiary of DME Limited;

"DME Limited" means the company of the same name limited by shares and incorporated under the laws of Cyprus with its registered office at 1, Lampousas street, Nicosia, 1095, Cyprus;

"Dollars", "U.S.\$" and "U.S. Dollars" means the lawful currency of the United States of America;

"EBITDA" means, in relation to any Guarantor and any relevant Measurement Period, the pre-taxation profit of the relevant Guarantor for that Measurement Period:

- (i) after adding back any amount of depreciation of tangible assets and amortisation of intangible assets;
- (ii) before taking into account any amount of interest expense commission, fees, discounts, prepayment fees, premiums or charges and other finance payments, whether paid, payable or capitalised less interest income; and
- (iii) before taking into account any items treated as exceptional or extraordinary items including, without limitation, any amount in relation to:

- (a) foreign exchange gain or loss or gains or losses on any derivative instrument;
- (b) revaluation of an asset or any gain or loss of book value arising on the disposal of any asset by that Guarantor,

calculated on the basis of the latest unconsolidated financial statements or management accounts (as applicable) of that Guarantor prepared in accordance with IFRS or, if not available, RAS or any other applicable accounting standards (as the case may be), consistently applied;

"Environment" means living organisms including the ecological systems of which they form part and the following media:

- (i) air (including air within natural or man-made structures, whether above or below ground);
- (ii) water (including territorial, coastal and inland waters, water under or within land and water in drains and sewers); and/or
- (iii) land (including land under water);

"Environmental Law" means all applicable laws and regulations of any jurisdiction in which any member of the Group conducts business which:

- (i) have as a purpose or effect the protection of, and/or prevention of harm or damage to, the Environment;
- (ii) provide remedies or compensation for harm or damage to the Environment; and
- (iii) relate to Hazardous Substances or health or safety matters;

"Environmental Licence" means any authorisation, consent, approval, resolution, licence, exemption, filing or registration required at any time under Environmental Law;

"Event of Default" has the meaning assigned to such term in sub-clause 10.1 hereof;

"Extraordinary Resolution" has the meaning set out in paragraph 7 of Schedule 6 of the Trust Deed;

"Facility" means the facility granted by the Lender to the Borrower, as specified in Clause 2;

"Fair Market Value" means the price that would be paid in an arm's length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the competent management body of the Borrower or the relevant competent management body of DME Limited or the relevant Subsidiary of DME Limited (including a majority of the Disinterested Directors, if applicable) whose

determination shall be conclusive if evidenced by a resolution of such relevant competent management body;

"Financial Indebtedness" means, without duplication, any indebtedness for or in respect of:

- (i) moneys borrowed and debit balances at banks or other financial institutions;
- (ii) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (iii) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (iv) any amount raised by the issue of redeemable (other than at the option of the issuer) preference share;
- (v) the amount of any liability arising from any agreement treated as a finance or capital lease in accordance with IFRS;
- (vi) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (vii) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (viii) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (ix) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, letter of credit or any other instrument issued by a bank or financial institution; and
- (x) (without double counting) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (i) to (ix) above;

"Further Guarantee" means any Guarantee executed in accordance with Clauses 9.8 and 9.9;

"Further Guarantor" means any Person who gives a Further Guarantee from time to time;

"Global Certificate" means the global note certificate representing the Notes to be issued pursuant to Clause 3.1 of the Trust Deed;

"Group" means DME Limited and its consolidated Subsidiaries from time to time taken as a whole;

"Guarantee" means the Initial Guarantees and any Further Guarantees;

"guarantee" means, in relation to any Financial Indebtedness of any Person, any obligation, contingent or otherwise, of another Person, directly or indirectly, to pay such Financial Indebtedness including (without limitation):

- (i) any obligation to purchase such Financial Indebtedness;
- (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Financial Indebtedness;
- (iii) any indemnity against the consequences of a default in the payment of such Financial Indebtedness; and
- (iv) any other agreement to be responsible for the payment of such Financial Indebtedness;

"Guarantors" means Airport Management Company Limited, DME Limited, DOMODEDOVO INTERNATIONAL AIRPORT Limited Liability Company, DOMODEDOVO COMMERCIAL SERVICES Limited Liability Company, DOMODEDOVO CATERING Limited Liability Company, "DOMODEDOVO FUEL SERVICES" Limited Liability Company, DOMODEDOVO PASSENGER TERMINAL Limited Liability Company, "DOMODEDOVO FUEL FACILITIES" Limited Liability Company and "DOMODEDOVO AIRPORT HANDLING" Limited Liability Company (being the **"Initial Guarantors"**) and any Further Guarantors, and **"Guarantor"** means any one of them;

"Hazardous Substance" means any waste, pollutant, contaminant or other substance (including any liquid, solid, gas, ion, living organism or noise) that may be harmful to human health or other life or the Environment or a nuisance to any person;

"Hedging Obligations", of any Person, means the obligations of such Person pursuant to any Currency Agreement or Interest Rate Agreement entered into in the ordinary course of business for the purposes of protection against or benefiting from fluctuations in the rates of exchange or interest rates and not for speculative purposes unrelated to transactions undertaken in the ordinary course of business;

"IFRS" means the International Financial Reporting Standards (formerly International Accounting Standards) issued by the International Accounting Standards Board (**"IASB"**) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re-issued from time to time);

"Incur", or any derivative thereof (including **"Incurrence"**), means issue, assume, guarantee, create, incur or otherwise become liable for; provided, however, that any Financial Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Subsidiary (whether by merger, consolidation, acquisition or otherwise) or is merged into a Subsidiary will be deemed to be Incurred by such Subsidiary at the time it becomes or is so merged into a Subsidiary;

"Initial Guarantees" means the unconditional and irrevocable and joint and several guarantees by the Initial Guarantors of the payment when due of all sums expressed to be payable by the Borrower under the Loan;

"Ineligible Guarantor" has the meaning set out in Clause 9.8;

"Interest Payment Date" means 11 May and 11 November of each year in which the Loan remains outstanding, commencing on 11 May 2017;

"Interest Rate Agreement" means any interest rate swap agreement, interest rate cap agreement or other financial agreement or arrangement with respect to exposure to interest rates;

"Investment" means, with respect to any person, directly or indirectly, any advance (other than advances to customers in the ordinary course of business), loan (including guarantees), or other extension of credit (including guarantees) or capital contribution to (by means of any transfer of cash) or other property to others or any payment for property or services for the account or use of others, or any purchase, acquisition or ownership by such person of any Capital Stock, bonds, notes, debentures, or other securities (including, without limitation, any interests in any partnership or joint venture) or evidence of indebtedness issued or owned by any person and all other items that would be classified as investments on a balance sheet prepared in accordance with IFRS, provided that:

- (i) Hedging Obligations entered into in compliance with this Agreement; and
- (ii) endorsements of negotiable instruments in the ordinary course of business,

shall in each case be deemed not to be an Investment;

"Joint-Stock Company Law" means Federal Law No. 208-FZ "On Joint-stock Companies" of the Russian Federation dated 26 December 1995 (as amended and supplemented);

"Land Lease Agreement" means the land lease agreement No 16-KIZ dated 25 May 1998 between Committee for Management of the Property of the Administration of the Domodedovo District and Domodedovo International Airport Corporation (as amended, novated, supplemented, extended or restated from time to time);

"Leverage Ratio" as of any date of determination means the ratio of Consolidated Net Debt to 12-month Consolidated EBITDA of the Group after giving effect on a *pro forma* basis to: (i) the incurrence of any Financial Indebtedness the permissibility of which is then being measured (provided that no effect shall be given to any Cash received by the Group as proceeds of such Financial Indebtedness), the incurrence or repayment of any other Financial Indebtedness on or after the first day of the Measurement Period relevant for such calculation and, in each case, the receipt and application of the proceeds therefrom, and (ii) the exclusion of Consolidated EBITDA associated with any Asset Sales or the inclusion of Consolidated EBITDA associated with any Asset Acquisitions (including, without limitation, any Asset Acquisition giving rise to the need to make such calculation as a result of the incurrence or assumption of Financial Indebtedness) on or after the first day of the Measurement

Period relevant for such calculation, provided, however, that any such *pro forma* Consolidated EBITDA in respect of an Asset Acquisition may (a) only be so included if such *pro forma* Consolidated EBITDA shall have been derived from financial statements of, or relating to or including, such acquired entity, that have been prepared in accordance with IFRS or (b) to the extent no such financial statements prepared in accordance with IFRS are available, such other financial statements and information of the acquired entity that the principal financial officer of the Borrower believes in good faith to present fairly the financial position of the acquired entity so as to permit such a *pro forma* Consolidated EBITDA to be prepared on the basis of reasonable assumptions and estimates. For the avoidance of doubt, any non-balance sheet financial information for a Measurement Period ending on 31 December of any year shall be calculated by subtracting (i) the relevant information for the Measurement Period ending on 30 June of that year from (ii) the equivalent information for the year ending on 31 December of such year;

"Lien" means any mortgage, pledge, encumbrance, easement, restriction, covenant, right-of-way, servitude, lien, charge or other security interest or adverse claim of any kind (including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction and any conditional sale or other title retention agreement or lease in the nature thereof, any sale with recourse against the seller or any Affiliate of the seller, or any agreement to give a security interest) securing an obligation of a Person;

"Loan" means, at any time, an amount equal to the aggregate principal amount of the Facility granted by the Lender pursuant to this Agreement, as reduced from time to time by repayment or prepayment;

"Material Adverse Effect" means a material adverse effect on (i) the business, results of operations, property, prospects or condition (financial or otherwise) of the Borrower or the Group taken as a whole, or, where relevant in the context that the term is used (ii) the Borrower's or a Guarantor's ability to perform or comply with its obligations under this Agreement or the Deed of Guarantee, as the case may be or (iii) the validity, legality or enforceability of this Agreement or the Deed of Guarantee;

"Material Commercial Authorisations and Contracts" means the Land Lease Agreement and the Airport Property Lease Agreement;

"Material Subsidiary" means (i) any Guarantor and (ii) any other Subsidiary of DME Limited which has assets and/or revenues representing 5 per cent. or more of the Consolidated Total Assets or 12-month Consolidated EBITDA of the Group, respectively;

"Measurement Period" means a period of six months ending on 30 June or 31 December for which consolidated financial statements of the Group (or the other relevant Person in respect of which the particular calculation is to be made, as the case may be) prepared in accordance with IFRS are available;

"Noteholder" means, in relation to a Note, the Person in whose name such Note is for the time being registered in the register of Noteholders (or, in the case of a joint holding, the first named holder thereof) and **"Noteholders"** shall be construed accordingly;

"Notes" means the U.S.\$ 350,000,000 5.875 per cent. loan participation notes due 2021 proposed to be issued by the Lender pursuant to the Trust Deed;

"Obligor" means each Guarantor and the Borrower;

"Obligor Cover Ratios" means the Obligor EBITDA Cover Ratio and the Obligor Total Assets Cover Ratio;

"Obligor EBITDA Cover Ratio" means at the date of determination the ratio (expressed as a percentage) of (i) the aggregate of the 12- month EBITDA of each Obligor (in each case excluding all intra-group items and taking no account of any negative EBITDA in respect of an Obligor) divided by (ii) the 12-month Consolidated EBITDA. For the purposes of calculating the Obligor EBITDA Cover Ratio, the term "Obligor" shall exclude any Ineligible Guarantor;

"Obligor Total Assets Cover Ratio" means at the date of determination the ratio (expressed as a percentage) of (i) the aggregate of the Total Assets of each Obligor (in each case excluding all intra-group items and taking no account of any negative value of the Total Assets of an Obligor) divided by (ii) the Consolidated Total Assets. For the purposes of calculating the Obligor Total Assets Cover Ratio, the term "Obligor" shall exclude any Ineligible Guarantor;

"Officers' Certificate" means a certificate signed by two authorised officers of the Borrower, at least one of whom shall be the principal executive officer, principal accounting officer or principal financial officer of the Borrower;

"Opinion of Counsel" means a written opinion from international legal counsel who is acceptable to the Lender and the Trustee;

"Paying Agency Agreement" means the paying agency agreement dated the date hereof, as amended, varied or supplemented relating to the Notes;

"Paying Agent" shall have the meaning attributed to it in the Paying Agency Agreement;

"Permitted Indebtedness" means:

- (i) Financial Indebtedness outstanding on the Closing Date;
- (ii) intercompany and intra-Group Financial Indebtedness owed to and held by the Borrower, DME Limited or a Subsidiary of DME Limited; provided, however, that any subsequent disposition, pledge or transfer of such Financial Indebtedness (other than to the Borrower, DME Limited or a Subsidiary of DME Limited) shall be deemed, in each case, to constitute the Incurrence of such Financial Indebtedness by the obligor thereof;
- (iii) Refinancing Indebtedness Incurred by the Borrower, DME Limited or a Subsidiary of DME Limited in respect of Financial Indebtedness Incurred by the Borrower, DME Limited or a Subsidiary of DME Limited pursuant to Clause 9.4.1 or pursuant to paragraphs (i) or (ii) of this definition;

- (iv) Financial Indebtedness in respect of workers' compensation claims or claims arising under similar legislation, or pursuant to self-insurance obligations and not in connection with the borrowing of money or the obtaining of advances or credit; and
- (v) any Further Guarantee;

"Permitted Holders" means Mr. Dmitry Kamenshchik, his spouse(s), heirs, descendants and legatees and legal representatives of any of the foregoing and any trust of which one or more of the foregoing are beneficiaries and any Person directly or indirectly controlling or controlled by or under direct or indirect common control with any of the foregoing (and each, a **"Permitted Holder"**);

"Permitted Liens" means:

- (i) Liens granted by the Borrower, DME Limited or any Subsidiary of DME Limited which are existing as at the date of this Agreement;
- (ii) Liens on any property, income or assets of a Person existing at the time that such Person is acquired, merged into or consolidated with the Borrower and/or DME Limited and/or any Subsidiary of DME Limited; provided that such Liens were not created in contemplation of such event and do not extend to any assets, income or property of the Borrower, DME Limited or any Subsidiary of DME Limited, other than the surviving Person and its Subsidiaries;
- (iii) Liens on assets, income or property acquired by the Borrower and/or DME Limited and/or any Subsidiary of DME Limited existing prior to such acquisition; provided that such Liens were not created in contemplation of such acquisition and do not extend to any other assets, income or property;
- (iv) any Lien on any property or assets of the Borrower, DME Limited, or any Subsidiary of DME Limited securing Financial Indebtedness incurred for the purpose of financing all or part of the acquisition, maintenance, repair, construction or development of such property or assets provided that (a) no such Lien shall extend to any other property or assets of the Borrower, DME Limited or any Subsidiary of DME Limited, (b) the aggregate principal amount of all Financial Indebtedness secured by Liens under this paragraph on such property or assets does not exceed the purchase price of such property or assets (including customs duties, transport, insurance, construction and installation costs and other incidental costs and expenses of purchase and any VAT or similar taxes thereon) and (c) such Lien attaches to such property or assets concurrently with the maintenance or repair thereof or within 90 days after the acquisition or commencement of construction thereof, as the case may be;
- (v) Liens incurred, or pledges and deposits in connection with workers' compensation, unemployment insurance and other social security

benefits, and leases, appeal bonds and other obligations of like nature in the ordinary course of business;

- (vi) any Liens arising by operation of law;
- (vii) Liens for *ad valorem*, income or property taxes or assessments and similar charges which either are not delinquent or are being contested in good faith by appropriate proceedings for which the Borrower, DME Limited or any Subsidiary of DME Limited has set aside in its books of account reserves to the extent required by IFRS, as consistently applied;
- (viii) easements, rights of way, restrictions (including municipal and zoning restrictions), utility agreements, reservations, permits, servitudes, minor defects or irregularities in title and other similar charges or encumbrances, and Liens arising under leases or subleases granted to others, in each case not interfering in any material respect with the business of the Group and existing, arising or incurred in the ordinary course of business;
- (ix) (a) bankers' Liens in respect of deposit accounts, (b) statutory landlords' Liens, (c) deposits to secure the performance of bids, trade contracts, government contracts, leases, statutory obligations, surety and appeal bonds, performance and return-of-money bonds or liabilities to insurance carriers under insurance or self-insurance arrangements and other obligations of like nature (so long as, (X) with respect to items described in (b) and (c) above of this sub-Clause (ix), such Liens do not secure obligations constituting Financial Indebtedness for borrowed money and (Y) with respect to items described in (a), (b) and (c) above of this sub-Clause (ix), such Liens are incurred in the ordinary course of business), and (d) Liens arising from any judgment, decree or other order which does not constitute an Event of Default;
- (x) Liens granted by any Subsidiary of DME Limited in favour of the Borrower or another Subsidiary of DME Limited or by the Borrower in favour DME Limited or any Subsidiary of DME Limited with respect to the property or assets, or any income or profits therefrom, of the Borrower, DME Limited or such Subsidiary, as the case may be;
- (xi) any Lien in respect of Hedging Obligations so long as the related Indebtedness is permitted to be incurred under these Conditions;
- (xii) a right of set-off, right to combine accounts or any analogous right which any bank or other financial institution may have relating to any credit balance of any member of the Group;
- (xiii) any extension, renewal of or substitution for any Lien permitted by any of the preceding sub-Clauses (i) through (xii); provided, however, that, such extension, renewal or replacement shall be no more restrictive in any material respect than the original Lien, with respect to Liens

incurred pursuant to this sub-Clause (xiii) the principal amount secured has not increased (other than any increase representing costs, fees, expenses or commission associated with such extension, renewal or substitution) and the Liens have not been extended to any additional property (other than proceeds of the property in question); and

- (xiv) any Lien on the property, income or assets of the Borrower, DME Limited or any Subsidiary of DME Limited securing Financial Indebtedness of the Borrower, DME Limited or such Subsidiaries incurred in an aggregate principal amount outstanding at any one time not to exceed 10 per cent. of the Consolidated Total Assets. For the avoidance of doubt this sub-Clause (xiv) does not include any Lien created in accordance with sub-Clauses (i) to (xiii) hereof;

"Person" means any individual, company, corporation, firm, partnership, joint venture, association, trust, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

"Potential Event of Default" means an event or circumstance which could with the giving of notice, the lapse of time, the issue of a certificate and/or the fulfilment of any other requirement provided for in Clause 10 become an Event of Default;

"Principal Paying Agent" means The Bank of New York Mellon, London Branch;

"RAS" means Russian Accounting Standards, being the accounting standards established by applicable Russian law from time to time;

"Rate of Interest" has the meaning assigned to such term in Clause 4.1;

"Refinance" means, in respect of any Financial Indebtedness, to refinance, extend, renew, refund, repay, prepay, purchase, redeem, defease or retire, or to issue other Financial Indebtedness in exchange or replacement for, such Financial Indebtedness; and **"Refinanced"** and **"Refinancing"** shall have correlative meanings;

"Refinancing Indebtedness" means Financial Indebtedness Incurred to Refinance any Financial Indebtedness of the Borrower, DME Limited or any Subsidiary of DME Limited existing on the Closing Date or incurred in compliance with this Agreement, including Financial Indebtedness that Refinances Refinancing Indebtedness; provided, however, that:

- (a) such Refinancing Indebtedness has a Stated Maturity no earlier than the Stated Maturity of the Financial Indebtedness being Refinanced, or earlier provided that the Stated Maturity is later than the Stated Maturity of the Loan;
- (b) such Refinancing Indebtedness has an Average Life at the time such Refinancing Indebtedness is incurred that is equal to or greater than the Average Life of the Financial Indebtedness that is being Refinanced, or less, provided that the Average Life is greater than the Average Life of the Loan;
- (c) such Refinancing Indebtedness has an aggregate principal amount (or if incurred with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if incurred with original issue

discount, the aggregate accreted value) then outstanding (plus fees and expenses, including any premium and defeasance costs) under the Financial Indebtedness being Refinanced; and

- (d) if the Financial Indebtedness being Refinanced is subordinated in right of payment to the Loan and the Guarantees, such Refinancing Indebtedness is subordinated in right of payment to the Loan and the Guarantees at least to the same extent as the Financial Indebtedness being Refinanced;

"Repayment Date" means 11 November 2021;

"Reserved Rights" has the meaning specified in the Trust Deed;

"Same-Day Funds" means Dollar funds settled through the New York Clearing House Interbank Payments System or such other funds for payment in Dollars as the Lender may at any time determine to be customary for the settlement of international transactions in New York City of the type contemplated hereby;

"Securities Act" means the U.S. Securities Act of 1933;

"Stated Maturity" means, with respect to any Financial Indebtedness, the date specified in such Financial Indebtedness as the fixed date on which the final payment of principal of such Financial Indebtedness is due and payable, including pursuant to any mandatory redemption provision (but excluding any provision providing for the repurchase or redemption of such Financial Indebtedness at the option of the holder or lender thereof upon the happening of any contingency unless such contingency has occurred);

"Subscription Agreement" means the agreement dated the date hereof providing for the issuance and subscription of the Notes;

"Subsidiary" of any specified Person means any corporation, partnership, joint venture, association or other business or entity, whether now existing or hereafter organised or acquired, (i) in the case of a corporation, of which more than 50 per cent. of the total voting power of the Voting Stock is held by such first-named Person and/or any of its Subsidiaries and such first-named Person or any of its Subsidiaries has the power to direct the management, policies and affairs thereof; or (ii) in the case of a partnership, joint venture, association, or other business or entity, with respect to which such first-named Person or any of its Subsidiaries has the power to direct or cause the direction of the management and policies of such entity by contract or otherwise if (in each case) in accordance with IFRS, as consistently applied, such entity would be consolidated with the first-named Person for financial statement purposes;

"Successor" means, in the case of a merger, consolidation or combination of a Person, or the sale, assignment, transfer, conveyance or other disposal of all or substantially all of a Person's assets, the corporation formed by or resulting from such consolidation or merger or which shall have received such assets;

"Tax Credit" means a credit against, relief or remission for, or repayment of any Tax;

"Taxes" means any present or future taxes, levies, imposts or duties (including interest or penalties thereon) imposed, assessed, charged, collected, demanded, withheld or claimed by the Russian Federation, Cyprus, Luxembourg, Belgium, United Kingdom, Ireland, the Isle of Man or any tax authority thereof or therein provided, however, that for the purposes of this definition the references to Ireland shall, upon the occurrence of a Relevant Event (as this term is defined in the Trust Deed), be deemed to be references to the jurisdiction in which the Trustee is domiciled for tax purposes; and the term **"Taxation"** shall be construed accordingly;

"Total Assets" means, in relation to any Guarantor, the total assets of that Guarantor as calculated by reference to the latest unconsolidated financial statements or management accounts (as applicable) of that Guarantor prepared in accordance with IFRS or, if not available, RAS or any other applicable accounting standards (as the case may be), consistently applied;

"Trust Deed" means the trust deed between the Lender and the Trustee as amended, varied or supplemented from time to time;

"Trustee" means BNY Mellon Corporate Trustee Services Limited, as trustee under the Trust Deed and any successor thereto as provided thereunder;

"U.S. Dollar Equivalent" means with respect to any amount denominated in a currency other than U.S. Dollars, at any time for the determination thereof, the amount of U.S. Dollars obtained by converting such other currency involved into U.S. Dollars at the spot rate for the purchase of U.S. Dollars with such other currency as most recently published under "Currency Rates" in the section of the Financial Times entitled "Currencies, Bonds & Interest Rates"; and

"Voting Stock" means, in relation to any Person, Capital Stock entitled (without the need for the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof.

1.2 **Other Definitions**

Unless the context otherwise requires, terms used in this Agreement which are not defined in this Agreement but which are defined in the Trust Deed, the Notes, the Paying Agency Agreement or the Subscription Agreement shall have the meanings assigned to such terms therein.

1.3 **Interpretation**

Unless the context or the express provisions of this Agreement otherwise require, the following shall govern the interpretation of this Agreement:

- 1.3.1 all references to "Clause" or "sub-clause" are references to a Clause or sub-clause of this Agreement.
- 1.3.2 all references to a "day" shall be to a calendar day unless otherwise specified.
- 1.3.3 the terms "hereof", "herein" and "hereunder" and other words of similar import shall mean this Agreement as a whole and not any particular part hereof.

- 1.3.4 words importing the singular number include the plural and vice versa.
- 1.3.5 the table of contents and the headings are for convenience only and shall not affect the construction hereof.
- 1.3.6 a reference to "this agreement" or to any other agreement or document referred to in this agreement is a reference to this agreement or such other document or agreement as varied or novated (in each case, other than in breach of the provisions of this agreement) from time to time.
- 1.3.7 a reference to a statute or statutory provision shall include all subordinate legislation under that statute or statutory provision, or replacement or substitution of such legislation, made from time to time.

2. FACILITY

2.1 Facility

On the terms and subject to the conditions set forth herein, the Lender hereby agrees to lend to the Borrower, and the Borrower hereby agrees to borrow from the Lender, U.S.\$ 350,000,000.

2.2 Purpose

The proceeds of the Advance will be used by the Borrower for general corporate purposes, but the Lender shall not be concerned with the application thereof.

2.3 Facility Fee

The Borrower shall pay a fee to the Lender in connection with the arrangement of the Facility in the amount set out in the Fees Side Letter (the "**Facility Fee**").

3. DRAWDOWN

3.1 Drawdown

On the terms and subject to the conditions set forth herein, on the Closing Date the Lender shall make the Advance to the Borrower and the Borrower shall make a single drawing in the full amount of the Facility (less any amount to be deducted (if any) in accordance with sub-clause 3.2).

3.2 Payment of the Facility Fee

The Borrower agrees to pay the Facility Fee to the Lender in Same-Day Funds one Business Day prior to the Closing Date to the account in the name of the Lender with the Account Bank, account number 1181028400. In the event that the Lender has not received from the Borrower by 10.00 a.m. (London time) on the day prior to the Closing Date an amount in respect of the Facility Fee, the Borrower agrees that an amount equal to such amount of the Facility Fee that has not been paid, may be deducted from the amount of the Advance.

3.3 **Disbursement**

Subject to the conditions set forth herein, on the Closing Date the Lender shall transfer the amount of the Advance (less any amount to be deducted (if any) in accordance with sub-clause 3.2 above) to the Borrower's account (details of which to be provided by the Borrower before the Closing Date).

3.4 **Ongoing Fees and Expenses**

In consideration of the Lender (i) making available the Loan to the Borrower; and (ii) supporting such a continuing facility, the Borrower shall pay by way of an additional facility fee in one or more instalments on demand to the Lender each year an additional fee equating to all duly documented and properly incurred ongoing fees, taxes and documented expenses of the Lender (including, without limitation, any corporate service provider fees, stock exchange fees, listing fees, audit fees, legal fees and the anticipated winding-up expenses of the Lender) as set forth in an invoice from the Lender to the Borrower accompanied by such documentary evidence as may be reasonably required by the Borrower, and providing, in reasonable detail, the nature and calculation of the relevant payment or expense.

4. **INTEREST**

4.1 **Rate of Interest**

The Borrower will pay interest in U.S. Dollars to the Lender on the outstanding principal amount of the Loan from time to time hereunder at the rate of 5.875 per cent. per annum (the "**Rate of Interest**").

4.2 **Payment of Interest**

Interest at the Rate of Interest shall accrue from day to day, starting from (and including) the Closing Date and shall be paid in arrear not later than 10.00 a.m. (London time) one Business Day prior to each Interest Payment Date to the Account. Interest on the Loan will cease to accrue from the due date for repayment thereof (or on any date upon which the Loan is prepaid in accordance with this Agreement) unless payment of principal due on such date is improperly withheld or refused, in which event interest will continue to accrue (before or after any judgment) at the Rate of Interest to but excluding the date on which payment in full of the principal thereof is made.

4.3 **Calculation of Interest**

The amount of interest payable in respect of the Loan for any Interest Period other than the First Interest Period shall be calculated by applying the Rate of Interest to the outstanding principal amount of the Loan, dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). Where interest is required to be calculated for the First Interest Period or any other period other than an Interest Period, it will be calculated on the basis of a 360 day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of actual days elapsed.

"Interest Period" means each period beginning on (and including) any Interest Payment Date and ending on (but excluding) the next Interest Payment Date and **"First Interest Period"** means the period beginning on (and including) the Closing Date and ending on (but excluding) the Interest Payment Date on 11 May 2017.

5. **REPAYMENT AND PREPAYMENT**

5.1 **Repayment**

Except as otherwise provided herein, the Borrower shall repay the Loan not later than 10.00 a.m. (London time) one Business Day prior to the Repayment Date.

5.2 **Special Prepayment**

If, (i) either (a) as a result of the application of any amendments to or change in the double tax treaty between Cyprus and Ireland or the laws or regulations of Cyprus or Ireland or of any political sub-division thereof or any authority having power to tax therein (including as a result of a judgment of a court of competent jurisdiction) or a change in, or clarification of, the application or official interpretation of such laws or regulations which change or amendment becomes effective on or after the date of this Agreement or (b) as a result of the enforcement of the security provided for in the Trust Deed, the Borrower would thereby be required to make or increase any payment due hereunder as provided in sub-clauses 6.2 or 6.3, or (ii) (for whatever reason) the Borrower would have to or has been required to pay additional amounts pursuant to Clause 8, then the Borrower may at any time (without premium or penalty), upon not less than 30 days' notice to the Lender, copied to the Trustee (which notice shall be irrevocable), prepay the Loan in whole (but not in part).

5.3 **Illegality**

If, at any time, by reason of the introduction of any change after the date of this Agreement in any applicable law, regulation, regulatory requirement or directive of any agency of any state the Lender reasonably determines (setting out in reasonable detail the nature and extent of the relevant circumstances) (following receipt of such determination the Borrower may request from the Lender an Opinion of Counsel with the cost of such Opinion of Counsel being borne solely by the Borrower) that it is or would be unlawful or contrary to such applicable law, regulation, regulatory requirement or directive for the Lender to allow all or part of the Loan or the Notes to remain outstanding or for the Lender to maintain or give effect to any of its obligations in connection with this Agreement or the Notes and/or to charge or receive or to be paid interest at the rate then applicable to the Loan or the Notes, then upon notice by the Lender to the Borrower in writing (setting out in reasonable detail the nature and extent of the relevant circumstances), the Borrower and the Lender shall consult in good faith as to a basis which eliminates the application of such circumstances; provided, however, that the Lender shall be under no obligation to continue such consultation if a basis has not been determined within 30 days of the date on which it so notified the Borrower. If such a basis has not been determined within the 30 days, then upon notice in writing by the Lender to the Borrower, copied to the Trustee, the Borrower shall prepay the Loan (without penalty or premium) in whole (but not in part) on the next Interest Payment Date or on such earlier date as the

Lender shall certify on not less than 15 days notice to be necessary to comply with such requirements.

5.4 **Prepayment of Loan Upon Redemption and Cancellation of Notes**

The Borrower or any member of the Group may from time to time, in accordance with the terms and conditions of the Notes, purchase Notes in the open market or by tender or by a private agreement at any price. The Borrower or any such member of the Group may, at its option, hold, reissue, resell or from time to time deliver to the Lender Definitive Certificates, having an aggregate principal value of at least U.S.\$1,000,000, together with a request (a "**Request**") for the Lender to present such Definitive Certificates to the Registrar for cancellation or from time to time procure the delivery to the Registrar of instructions ("**Instructions**") to redeem and thereafter cancel a specified aggregate principal amount of Notes (being at least U.S.\$1,000,000) represented by the Global Certificate in each case upon not less than 30 days' notice. Any Instructions shall be accompanied by evidence satisfactory to the Registrar that the Borrower, DME Limited or any such Subsidiary of DME Limited is entitled to give such Instructions (which, for the avoidance of doubt, will be satisfied by the provision of copies of account entries in the records of a clearing system and associated nominees (if relevant) reflecting the Borrower's, DME Limited's or such Subsidiary of DME Limited's beneficial interest in such part of the Global Certificate). Upon receipt of a Request the Lender shall request and the Borrower shall procure that the relevant clearing system requests the Registrar to cancel such Notes on the date specified in the Request and the Borrower shall promptly procure that the account entries in the records of the relevant clearing system reflecting the Borrower's, DME Limited's or such Subsidiary of DME Limited's beneficial interest in such part of the Global Certificate are updated to reflect such cancellation. On the date specified in any Request or, as the case may be, Instructions, the Loan shall be deemed to be prepaid in an amount as corresponds to the aggregate principal amount of Notes presented with a Request or specified in Instructions, together with accrued interest (if any) thereon and no further payments shall be made or required to be made by the Borrower or any Guarantor in respect of such amounts.

5.5 **Prepayment upon Change of Control Put Event**

5.5.1 Promptly, and in any event within 30 calendar days after becoming aware of the occurrence of any Change of Control Put Event, the Borrower shall deliver to the Lender and the Trustee a written notice in the form of an Officers' Certificate (upon which the Lender and the Trustee may rely absolutely and without liability to any Person), which notice shall be irrevocable, stating that a Change of Control Put Event has occurred and stating the circumstances and relevant facts giving rise to such Change of Control Put Event.

5.5.2 If, following a Change of Control Put Event, any Noteholder has exercised its Change of Control Put Option, the Borrower shall on the Business Day prior to the Change of Control Put Settlement Date, prepay the principal amount of the Loan in an amount which is equal to the aggregate principal amount of the Notes (as notified to the Borrower by the Paying Agents and(or) by the Lender) in relation to which the Change of Control Put Option has been duly exercised by the Noteholders in accordance with the Conditions together with

interest accrued (if any) in respect thereof to (and excluding) the Change of Control Put Settlement Date.

5.6 Payment

If the Loan is to be prepaid by the Borrower pursuant to any of the provisions of Clauses 5.2 or 5.3:

5.6.1 one Business Day prior to the due date for such prepayment, the Borrower shall deposit in the Account an amount in cash equal to the amount required to be paid on such due date; and

5.6.2 the Borrower shall, simultaneously with such prepayment or reduction, pay to the Lender accrued but unpaid interest thereon to the date of such prepayment and all other sums payable by the Borrower pursuant to this Agreement in relation to the amount to be prepaid.

5.7 Provisions Exclusive

The Borrower may not voluntarily prepay the Loan except in accordance with the express terms of this Agreement. Any amount prepaid may not be reborrowed.

6. PAYMENTS

6.1 Making of Payments

All payments of principal and interest and other amounts payable under Clause 6.2 hereof (other than those in respect of Reserved Rights) to be made by the Borrower under this Agreement shall be made unconditionally by credit transfer to the Lender not later than 10.00 a.m. (London time) one Business Day prior to each Interest Payment Date or the Repayment Date or any other due date for redemption (as the case may be) in Same-Day Funds to the Account, or as the Trustee may otherwise direct following the occurrence of an Event of Default, Potential Event of Default or a Relevant Event (as defined in the Trust Deed).

The Borrower shall, before 10.00 a.m. (London time) on the second Business Day prior to each Interest Payment Date or the Repayment Date or such other date (as the case may be), procure that the bank effecting such payments on its behalf confirms to the Principal Paying Agent by authenticated SWIFT the payment instructions relating to such payment.

The Lender agrees with the Borrower that the Lender will not deposit any other monies into the Account and that no withdrawals shall be made from the Account other than for payments to be made in accordance with the Trust Deed and Paying Agency Agreement.

If, at any time, it shall become impracticable, by reason of any action of any governmental authority or any change of law, exchange control regulations or any similar event, for the Borrower to make any payments hereunder in the manner specified in this Clause 6.1, then the Borrower may agree with the Lender alternative arrangements for such payments to be made (provided that the Lender shall not agree any such alternative arrangements without the consent of the Principal Paying Agent).

6.2 No Set-Off, Counterclaim or Withholding; Gross-Up

All payments to be made by the Borrower under this Agreement (including any amounts payable under Clause 6.3) shall be made in full without set-off or counterclaim and (except to the extent required by law) free and clear of and without deduction or withholding for or on account of any Taxes. If the Borrower shall be required by applicable law to make any deduction or withholding from any payment under this Agreement for or on account of any such Taxes, it shall, on the due date of such payment, increase any payment due hereunder to such amount as may be necessary to ensure that the Lender receives a net amount in Dollars equal to the full amount which it would have received had payment not been made subject to such Taxes, it shall account to the relevant authorities for the relevant amount of such Taxes so withheld or deducted within the time allowed for such payment under the applicable law and shall deliver to the Lender without undue delay evidence satisfactory to the Lender of such deduction or withholding and of the accounting therefor to the relevant taxing authority. If the Lender pays any amount in respect of any Taxes, including penalties or interest, the Borrower shall reimburse the Lender in Dollars, for such payment on demand. If the Borrower pays any amount in respect of any Taxes, including penalties or interest, and the Lender determines that: (i) a Tax Credit is attributable (a) to an increased payment of which that payment in respect of Taxes forms part, (b) to such payment or (c) to a deduction in Taxes of which that payment was required; and (ii) the Lender has obtained and utilised that Tax Credit, the Lender shall pay an amount to the Borrower which the Lender determines will leave it (after that payment) in the same after-Tax position as it would have been in had the payment in respect of Taxes not been required to be made by the Borrower. For the avoidance of doubt, this Clause 6.2 is without prejudice to the obligation of the Lender to obtain a certificate from the competent Irish authorities pursuant to Clause 6.6.

Any notification by the Lender to the Borrower in connection with this Clause 6.2 shall be given as soon as reasonably practicable after the Lender becomes aware of any obligation on it to make any such withholding or deduction or pay any Taxes. The Lender shall, as soon as reasonably practicable following request by the Borrower, provide the Borrower (at the Borrower's expense) with reasonable detail in writing as to the reasons for such withholding or deduction or payment of Taxes. Nothing in this paragraph shall prejudice in any way the obligation to gross up contained in this Clause 6.2.

6.3 Withholding on the Notes

If the Lender notifies the Borrower (no less than five Business Days prior to the relevant payment date, and setting out in reasonable detail the nature and extent of the obligation and providing, upon the request of the Borrower, an Opinion of Counsel in respect of the existence of such obligation, with the cost of such Opinion of Counsel to be borne solely by the Borrower) that the Lender has become obliged to make any withholding or deduction for or on account of any Taxes imposed or levied, collected, withheld or assessed by or on behalf of Ireland or any political subdivision or any authority thereof or therein having the power to tax from any payment which it is obliged to make, or would otherwise be obliged to make but for the imposition of any such withholding or deduction for or on account of any such Taxes, under or in respect of the Notes, the Borrower agrees to pay into the Account for the benefit of

the Lender, not later than 10.00 a.m. (London time) one Business Day prior to the date on which payment is due to the Noteholders in Same-Day Funds, such additional amounts as are equal to the said additional amounts which the Lender would be required to pay in order that the net amounts received by the Noteholders after such withholding or deduction will equal the respective amounts which would have been received by the Noteholders in the absence of such withholding or deduction; provided, however, that the Lender shall immediately upon receipt from any Paying Agent of the reimbursement of any sums paid pursuant to this provision, to the extent that the Noteholders, as the case may be, are not entitled to such additional amounts pursuant to the terms and conditions of the Notes, pay such additional amounts to the Borrower (it being understood that neither the Lender, nor the Principal Paying Agent nor any Paying Agent shall have any obligation to determine whether any Noteholder is entitled to such additional amounts).

6.4 Reimbursement

To the extent that the Lender subsequently obtains and uses any tax credit or allowance or obtains any other reimbursements or refunds relating to a deduction or withholding or payment of Taxes with respect to which the Borrower has made a payment pursuant to this Clause 6, the Lender shall promptly pay to the Borrower so much of the benefit or refund it received as will leave the Lender substantially in the same position as it would have been had no additional amount been required to be paid by the Borrower pursuant to this Clause 6; provided, however, that the question of whether any such benefit or refund has been received, and accordingly, whether any payment should be made to the Borrower, the amount of any such payment and the timing of any such payment, shall be determined reasonably by the Lender, provided that the Lender shall notify the Borrower promptly upon determination that it has received any such benefit or refund.

6.5 Mitigation

If at any time either party hereto becomes aware of circumstances which would or might, then or thereafter, give rise to an obligation on the part of the Borrower to make any deduction, withholding or payment as described in sub-clauses 6.2 or 6.3, then, without in any way limiting, reducing or otherwise qualifying the Lender's rights, or the Borrower's obligations, under such sub-clauses, such party shall as soon as reasonably practicable upon becoming aware of such circumstances notify the other party, and, thereupon the parties shall consider and consult with each other in good faith with a view to finding, agreeing upon and implementing a method or methods by which any such obligation may be avoided or mitigated and, to the extent that both parties can do so without taking any action which in the reasonable opinion of such party is prejudicial to its own position, take such reasonable steps as may be available to it to avoid such obligation or mitigate the effect of such circumstances. The Borrower agrees to reimburse the Lender for all properly incurred costs and expenses (including but not limited to legal fees) incurred by the Lender in connection with this sub-clause.

6.6 Tax Treaty Relief

6.6.1 The Lender shall once in each calendar year prior to the first Interest Payment Date in that calendar year, use its best efforts to provide the Borrower, at the

expense of the Borrower, no later than 15 Business Days prior to such Interest Payment Date with a tax residency certificate issued or certified by (as applicable) the competent authorities of Ireland confirming that the Lender is resident for tax purposes in Ireland in the calendar year of such Interest Payment Date. At the cost of the Borrower, the residency certificate shall be apostilled at the Irish Department of Foreign Affairs. The Lender shall not be responsible for any failure to provide, or any delays in providing, such tax residency certificate as a result of any action or inaction of any authority of Ireland (provided that such residency certificate has been properly requested by the Lender and reasonably sufficient time has been allowed for the authorities in Ireland to issue such certificate), but shall notify the Borrower as soon as practicable about any such failure or delay with an indication of the actions taken by the Lender to obtain such tax residency certificate.

- 6.6.2 If Cypriot legislation regulating the procedures for obtaining an exemption from Cypriot withholding tax on income changes, the Lender shall and at the cost and upon the instructions of the Borrower use its reasonable and timely efforts to assist the Borrower to obtain relief from such tax pursuant to the double taxation treaty between the Cyprus and Ireland.
- 6.6.3 Notwithstanding Clause 6.4, if the Borrower makes a withholding or deduction for or on account of Taxes from a payment under or in respect of this Agreement, the Borrower may apply on behalf of the Lender to the relevant taxing authority of Cyprus (the "**Cypriot Taxing Authority**") for a payment to be made by such authority to the Lender with respect to such Tax. If, whether following a claim made on its behalf by the Borrower or otherwise, the Lender receives such a payment ("**Cypriot Tax Payment**") from the Cypriot Taxing Authority with respect to such Taxes, it will as soon as reasonably possible notify the Borrower that it has received that payment (and the amount of such payment); whereupon, provided that the Borrower has notified the Lender in writing of the details of an account (the "**Borrower Account**") to which a payment or transfer should be made, and that the Lender is able to make a payment or transfer under applicable laws and regulations, without worsening the position it would have been in had such Cypriot Tax Payment not been paid, the Lender will pay or transfer an amount equal to the Cypriot Tax Payment to the Borrower Account.
- 6.6.4 The Lender agrees promptly, upon becoming aware thereof, to notify the Borrower if it ceases to be resident in Ireland for tax purposes.
- 6.6.5 Subject to Clauses 6.5 and 8.2, the Lender agrees that it shall maintain its residency for tax purposes only in Ireland.

7. **CONDITIONS PRECEDENT**

The obligation of the Lender to make the Advance (less any deduction (if any) in accordance with sub-clause 3.2) shall be subject to the further conditions precedent that as of the Closing Date (a) no Potential Event of Default or Event of Default shall have occurred and be continuing, (b) the Borrower shall not be in breach of any of the terms, conditions and provisions of this Agreement, (c) the Subscription Agreement, the Trust Deed and the Paying Agency Agreement shall have been executed and

delivered, (d) the Lender shall have received the proceeds of the issue of the Notes pursuant to the Subscription Agreement and (e) the Lender shall have received the Facility Fee or shall have agreed with the Borrower to deduct such amount from the Advance.

8. CHANGE IN LAW; INCREASE IN COST

8.1 Compensation

In the event that after the date of this Agreement there is any change in or introduction of any tax, law, regulation, regulatory requirement or official directive (whether or not having the force of law but, if not having the force of law, the observance of which is in accordance with the generally accepted financial practice of financial institutions in the country concerned) or in the interpretation or application thereof by any Person charged with the administration thereof and/or any compliance by the Lender in respect of the Loan or the Facility with any request, policy or guideline (whether or not having the force of law but, if not having the force of law, the observances of which is in accordance with the generally accepted financial practice of financial institutions in the country concerned) from or of any central bank or other fiscal, monetary or other authority, agency or any official of any such authority, which:

8.1.1 subjects or will subject the Lender to any Taxes with respect to payments of principal of or interest on the Loan or any other amount payable under this Agreement (other than any Taxes payable by the Lender on its overall net income, except to the extent that the Lender is unable to obtain a deduction for tax purposes on payments to the Noteholders which offsets any tax liability on equivalent amounts received under this Agreement, or any Taxes referred to in sub-clauses 6.2 or 6.3); or

8.1.2 increases or will increase the taxation of or changes or will change the basis of taxation of payments to the Lender of principal of or interest on the Loan or any other amount payable under this Agreement (other than any such increase or change which arises by reason of any increase in the rate of tax payable by the Lender on its overall net income, except to the extent that the Lender is unable to obtain a deduction for tax purposes on payments to the Noteholders which offsets any tax liability on equivalent amounts received under this Agreement, or as a result of any Taxes referred to in sub-clauses 6.2 or 6.3); or

8.1.3 imposes or will impose on the Lender any other condition affecting this Agreement, the Facility or the Loan,

and if as a result of any of the foregoing:

(i) the cost to the Lender of making, funding or maintaining the Loan or the Facility is increased; or

(ii) the amount of principal, interest or other amount payable to or received by the Lender hereunder is reduced; or

(iii) the Lender makes any payment or foregoes any interest or other return on or calculated by reference to the gross amount of any sum

receivable by it from the Borrower hereunder or makes any payment or foregoes any interest or other return on or calculated by reference to the gross amount of the Loan,

then subject to the following, and in each such case:

- (a) the Lender shall, as soon as practicable after becoming aware of such increased cost, reduced amount or payment made or foregone, give written notice to the Borrower, together with a certificate signed by one authorised attorney of the Lender describing in reasonable detail the introduction or change or request which has occurred and the country or jurisdiction concerned and the nature and date thereof and demonstrating the connection between such introduction, change or request and such increased cost, reduced amount or payment made or foregone, and setting out in reasonable detail the basis on which such amount has been calculated, and all relevant supporting documents evidencing the matters set out in such certificate; and
- (b) the Borrower, in the case of sub-clauses (i) and (iii) above, shall on demand by the Lender, pay to the Lender such additional amount as shall be necessary to compensate the Lender for such increased cost, and, in the case of sub-clause (ii) above, at the time the amount so reduced would otherwise have been payable, pay to the Lender such additional amount as shall be necessary to compensate the Lender for such reduction, payment or foregone interest or other return; provided, however, the amount of such increased cost, reduced amount or payment made or foregone shall be deemed not to exceed an amount equal to the proportion thereof which is directly attributable to this Agreement,

provided that this sub-clause 8.1 will not apply to or in respect of any matter for which the Lender has already been compensated under sub-clauses 6.2 or 6.3.

8.2 Mitigation

In the event that the Lender becomes entitled to make a claim pursuant to Clause 8.1, and without prejudice to the right of the Lender to make a claim under Clause 8.1, the Lender shall consult in good faith with the Borrower and shall use reasonable efforts (based on the Lender's reasonable interpretation of any relevant tax, law, regulation, requirement, official directive, request, policy or guideline) to reduce, in whole or in part, the Borrower's obligations to pay any additional amount pursuant to such sub-clause, except that nothing in this sub-clause 8.2 shall obligate the Lender to incur any costs or expenses in taking any action which, in the reasonable opinion of the Lender, is prejudicial to its interests.

9. COVENANTS

The covenants in this Clause 9 shall remain in force from the date of this Agreement for so long as the Loan or any part of it is outstanding.

9.1 **Negative Pledge**

The Borrower shall not, and shall procure that each of DME Limited and the Material Subsidiaries shall not, directly or indirectly, create, incur, assume or suffer to exist any Liens, other than Permitted Liens, on any of its or their property or assets, now owned or hereafter acquired, or any revenues, income or profits therefrom, securing any Financial Indebtedness, unless, at the same time or prior thereto, the Loan is secured equally and rateably with such other Indebtedness or has the benefit of such other security or other arrangements as the Trustee in its absolute discretion shall deem to be not materially less prejudicial to the Noteholders or it shall be approved by an Extraordinary Resolution (as defined in the Trust Deed).

9.2 **Maintenance of Authorisations**

The Borrower shall, and shall procure that each of DME Limited and the Material Subsidiaries shall, take all necessary action to obtain and do or cause to be done all things necessary, in the opinion of the Borrower, DME Limited or the relevant Material Subsidiary, to ensure the continuance of its corporate existence, its business and intellectual property relating to its business but only in such case where the failure to take any such action to obtain and do or cause to be done any such things would have a Material Adverse Effect, and the Borrower shall take all necessary action to obtain, and do or cause to be done all things necessary to ensure the continuance of, all consents, licences, approvals and authorisations, and make or cause to be made all registrations, recordings and filings, which may at any time be required to be obtained or made in Cyprus (or the relevant jurisdiction of incorporation of a Material Subsidiary) for the execution, delivery or performance of this Agreement or for the validity or enforceability thereof and provided that, in any case if the Borrower, and/or DME Limited and/or the relevant Material Subsidiary, as the case may be, can remedy any failure to comply with this Clause 9.2 within 90 days of such failure or of the occurrence of such event, that this covenant shall be deemed not to have been breached.

9.3 **Claims *Pari Passu***

The Borrower shall ensure that at all times the claims of the Lender against it under this Agreement rank at least *pari passu* with the claims of all its other present and future unsecured creditors of the Borrower, save for those claims that are preferred by any bankruptcy, insolvency, liquidation or similar laws of general application or any other mandatory provisions of applicable law.

9.4 **Limitation on Financial Indebtedness**

9.4.1 The Borrower shall not cause, and shall procure that each of DME Limited and the Material Subsidiaries shall not Incur, directly or indirectly, contingently or otherwise, any Financial Indebtedness except that the Borrower, DME Limited and any Material Subsidiary may incur Financial Indebtedness if (i) no Potential Event of Default nor Event of Default has occurred and is continuing at the time, or would occur as a consequence of the incurrence of such Financial Indebtedness; and (ii) the Leverage Ratio is 3:1 or lower.

9.4.2 Notwithstanding any of the foregoing the Borrower, DME Limited and any Material Subsidiary will be entitled to Incur Financial Indebtedness if it is Permitted Indebtedness.

9.5 Mergers

The Borrower: (i) shall not, without the prior written consent of the Lender and the Trustee, enter into any reorganisation (by way of a merger, accession, division, separation or transformation, or other bases or procedures for reorganisation contemplated or as may be contemplated from time to time by Russian legislation, as these terms are construed by applicable Russian legislation); and (ii) shall procure that, without the prior written consent of the Lender and the Trustee, neither DME Limited nor any Material Subsidiary (a) enters into any reorganisation (whether by way of a merger, amalgamation, division, spin-off or transformation as these terms are construed by applicable Russian legislation), or (b) in the case of DME Limited or a Material Subsidiary incorporated in a jurisdiction other than the Russian Federation participates in any type of corporate reconstruction or other analogous event (as determined under the legislation of the relevant jurisdiction); if in the case of (i) or (ii) above, any such reorganisation or other type of corporate reconstruction could result in a Material Adverse Effect.

Clause 9.5 (ii) above shall not apply to any merger (sliyaniye), amalgamation (prisoedineniye), division (razdeleniye), spin-off (vydeleniye) or transformation (preobrazovaniye) (as such terms defined in the Russian Civil Code) or similar reorganisation procedures under Russian law of any Guarantor, provided that in case of any such procedure involving the Guarantors or a Guarantor and a Subsidiary of DME Limited, the surviving entity shall become, or continue to be, as the case may be, a Guarantor upon the completion of the relevant procedure.

9.6 Disposals

The Borrower shall not, and shall procure that each of DME Limited and the Material Subsidiaries shall not, consummate any Asset Sale, unless the proceeds received by the Borrower, DME Limited or such Material Subsidiary, as the case may be, are at least equal to the Fair Market Value of the assets sold or disposed of.

9.7 Transactions with Affiliates

The Borrower shall not, and shall procure that none of DME Limited and its Subsidiaries shall not, directly or indirectly, will, conduct any business, enter into or permit to exist any transaction or series of related transactions (including, without limitation, the purchase, sale, transfer, assignment, lease, conveyance or exchange of any property or the rendering of any) with, or for the benefit of, any Affiliate (an "**Affiliate Transaction**") including, without limitation, intercompany loans, unless the terms of such Affiliate Transaction are no less favourable to the Borrower, DME Limited or such Subsidiary, as the case may be, than those that could be obtained (at the time of such transaction or, if such transaction is pursuant to a written agreement, at the time of the execution of the agreement providing therefore) in a comparable arm's-length transaction with a Person that is not an Affiliate of the Borrower, DME Limited or such Subsidiary.

This Clause 9.7 does not apply to: (i) any Affiliate Transaction between DME Limited and any Subsidiary of DME Limited or between any Subsidiaries of DME Limited ; (ii) compensation of employee benefit arrangements with any officer or director of the Borrower, DME Limited or any Subsidiary of DME Limited arising as a result of their employment contract; or (iii) any other Affiliate Transaction at Fair Market Value.

9.8 Procurement of Further Guarantees

9.8.1 The Borrower may elect to procure that any Subsidiary of DME Limited becomes a Guarantor provided that such Subsidiary executes and delivers to the Lender and subject to the conditions set out in Clause 9.9 being complied with by the Borrower and the proposed Guarantor (and also executed by the Trustee solely for the purposes of taking the benefit thereof) a Guarantee, in the form set out in the Schedule hereto, pursuant to which such Subsidiary will unconditionally and irrevocably guarantee the payment of all money payable under this Agreement and will become vested with all the duties and obligations of a Guarantor as if originally named as such.

9.8.2 In the event that one or both of the Obligor Cover Ratios is less than 85 per cent., the Borrower will procure sufficient of DME Limited's Subsidiaries to execute and deliver to the Lender, as soon as practicable, but in any event no later than 90 days after the date:

- (i) of the then most recently published consolidated financial statements of the Group; or
- (ii) on which it is or becomes unlawful for a Guarantor to perform or comply with any or all of its obligations under the Deed of Guarantee or any of such obligations are not, or cease to be, legal, valid, binding and enforceable or a Guarantor contests the validity thereof or repudiates (or purports to repudiate) them (such Guarantor, an "**Ineligible Guarantor**"),

a Guarantee, substantively in the form set out in the Schedule hereto (and such other documents as may be required by such Guarantee), pursuant to which such Subsidiaries will unconditionally and irrevocably guarantee the payment of all moneys payable under this Agreement and become vested with all duties and obligations of a Guarantor as if originally named a Guarantor, such that both of the Obligor Cover Ratios equals or exceeds 85 per cent.

9.9 General Provisions Applicable to Further Guarantees

9.9.1 The Borrower shall give the Lender and the Trustee no less than seven Business Days' prior written notice of a subsidiary of DME Limited to enter into a Guarantee in the form set out in the Schedule hereto, together with such details on the purported Guarantor and such documents as the Trustee or the Lender may require.

9.9.2 So long as the Notes are listed on the Irish Stock Exchange and/or any other stock exchange on which the Notes may be listed or quoted from time to time (such other stock exchange being a recognised stock exchange for the

purposes of Section 64 of the Irish Taxes Consolidation Act 1997), the Borrower shall comply with any applicable rules of the Irish Stock Exchange and/or such other exchange (including, if required by such rules, preparation of a supplemental prospectus or announcement) in relation thereto.

- 9.9.3 The Borrower shall also procure that the following opinion is delivered to the Lender and the Trustee on the date of the execution of the Further Guarantees: an Opinion of Counsel reasonably acceptable to the Lender and the Trustee, in form and substance reasonably satisfactory to the Lender and the Trustee, stating that each Further Guarantee, as the case may be, constitutes legal, valid and binding obligations of the respective Further Guarantor, as the case may be, enforceable in accordance with its terms, subject to customary exceptions, qualifications and limitations.

9.10 Maintenance of Property

The Borrower shall, and shall ensure that DME Limited and each of the Material Subsidiaries will, cause all property that is used in the conduct of its or their business to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and shall cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as, in the judgment of the Borrower, DME Limited or such Material Subsidiary, may be reasonably necessary so that the business carried on in connection therewith may be properly conducted at all times, provided that if any failure would not have a Material Adverse Effect, this covenant shall be deemed not to have been breached.

9.11 Payment of Taxes and Other Claims

The Borrower shall, and shall ensure that DME Limited and each of the Material Subsidiaries will, pay or discharge or cause to be paid or discharged, before the same shall become overdue and without incurring penalties (i) all taxes, assessments and governmental charges levied or imposed upon, or upon the income, profits or property of the Borrower, DME Limited and each of the Material Subsidiaries and (ii) all lawful claims for labour, materials and supplies which, if unpaid, might by law become a Lien (other than a Permitted Lien) upon the property of the Borrower, DME Limited or the Material Subsidiaries; **provided that** none of the Borrower, DME Limited nor any Material Subsidiary shall be in breach of this Clause 9.12 if the Borrower, DME Limited or any Material Subsidiary has failed to pay or discharge or cause to be paid or discharged any tax, assessment, charge or claim (x) if such amount or the applicability or validity of such tax, assessment, charge or claim is contested in good faith by appropriate proceedings and for which adequate reserves in accordance with IFRS or other appropriate provision has been made and, where after such proceedings, any amount is found to be due, such amount is paid promptly; or (y) whose amount, together with all such other unpaid or undischarged taxes, assessments, charges and claims, does not in the aggregate exceed U.S.\$50 million.

9.12 Withholding Tax Exemption

The Borrower shall give to the Lender all assistance it reasonably requires to ensure that, prior to the first interest payment and at the beginning of each calendar year, the Lender can provide the Borrower with the documents required under Cypriot laws for

the relief of the Lender from Cypriot withholding tax in respect of payments hereunder.

9.13 Maintenance of Insurance

So long as any amount remains outstanding under this Agreement, the Borrower shall, and shall ensure that each of DME Limited and the Material Subsidiaries obtain and maintain insurance with an insurer or insurers of sufficient standing against such losses and risks and in such amounts as is required by applicable law, provided that if any failure to do so would not have a Material Adverse Effect, this covenant shall be deemed not to have been breached.

9.14 Environmental Compliance

The Borrower shall and shall ensure that each of DME Limited and its Subsidiaries will, comply in all respects with all Environmental Laws and obtain and maintain any Environmental Licence and take all reasonable steps in anticipation of known or expected future changes to or obligations under the same, provided that if any failure to do so would not have a Material Adverse Effect, this covenant shall be deemed not to have been breached.

9.15 Financial and Other Information

9.15.1 The Borrower hereby undertakes that so long as the Loan or the Notes or any other sum owing hereunder remains outstanding it shall deliver to the Lender and the Trustee as soon as they become available, but in any event within 150 days after the end of each of its financial years, copies of the Group's consolidated financial statements for such financial year, in each case audited by the Auditors and prepared in accordance with IFRS consistently applied with the corresponding financial statements for the preceding period.

9.15.2 The Borrower shall as soon as the same become available, but in any event within 120 days after the end of each half of each of its financial years, deliver to the Lender and the Trustee the Group's consolidated financial statements for such period.

9.15.3 The Borrower hereby undertakes that it will deliver to the Lender and the Trustee, without undue delay, such additional information regarding the financial position or the business of the Group's as the Lender or the Trustee may reasonably request including providing certification to the Trustee in accordance with the Trust Deed.

9.15.4 The Borrower shall ensure that each set of consolidated financial statements delivered by it pursuant to this Clause 9.15 is:

- (i) prepared in accordance with IFRS consistently applied;
- (ii) in the case of the statements provided pursuant to sub-Clause 9.15.1, accompanied by a report thereon of the Auditors referred to in sub-Clause 9.15.1 (including opinions or review reports as the case may be of such Auditors with accompanying notes and annexes); and

- (iii) in the case of the statements provided pursuant to sub-Clause 9.15.2, certified by an Authorised Signatory of the Borrower as giving a true and fair view of the Group's consolidated financial condition as at the end of the period to which those consolidated financial statements relate and of the results of the Group's operations during such period.

9.15.5 The Borrower undertakes to furnish to the Lender such information as the Irish Stock Exchange (or any other or further stock exchange or stock exchanges or any relevant authority or authorities on which the Notes may, from time to time, be listed or admitted to trading) may require as necessary in connection with the listing or admission to trading on such stock exchange or relevant authority of the Notes.

9.15.6 The Borrower undertakes to deliver to the Lender and the Trustee, without undue delay, a notification whenever it or any member of the Group purchases and retains Notes for its own account.

9.16 Officers' Certificates

9.16.1 On each Interest Payment Date and within 14 Business Days of any request, the Borrower shall deliver to the Lender and to the Trustee written notice in the form of an Officers' Certificate stating whether any Potential Event of Default or Event of Default has occurred and, if it has occurred and shall be continuing, what action the Borrower is taking or proposes to take with respect thereto.

9.16.2 The Borrower will at the same time as delivering the Group's audited annual financial statements pursuant to sub-Clause 9.15.1 and within 30 days of a request from the Lender or the Trustee, deliver to the Lender copied to the Trustee an Officers' Certificate specifying those Subsidiaries of DME Limited which were at a date no more than 20 days before the date of such Officers' Certificate, Material Subsidiaries.

9.16.3 Following the occurrence of any matter or event specified in this Agreement where this Agreement provides for a determination of whether such matter or event has or will have a Material Adverse Effect, the Borrower shall provide the Lender (with a copy to the Trustee) with an Officers' Certificate certifying whether such matter or event has or will have a Material Adverse Effect and setting out such additional information as may reasonably be required to support such determination. The Lender and the Trustee shall each be entitled to rely solely on an Officers' Certificate from the Borrower, certifying whether or not such matter has or will have a Material Adverse Effect.

9.16.4 Upon being so requested in writing by the Lender, the Borrower shall deliver to the Lender (copied to the Trustee) an Officers' Certificate of the Borrower setting out the total principal amount of Notes which, at the date of such certificate, are held by the Borrower (or any Subsidiary of DME Limited) and have not been cancelled and are retained by it for its own account or for the account of any other company.

9.17 Status Verification

Neither the Lender nor the Trustee shall be under any obligation to verify the authenticity of any Officers' Certificate or any other certificate received by it or to approve the selection of any Auditors or be responsible for determining the existence of any Potential Event of Default or any Event of Default. The Lender and the Trustee shall each be at liberty to accept any aforementioned Officers' Certificate as sufficient evidence of any fact or matter stated in any such Officers' Certificate and neither the Lender nor the Trustee shall be bound to call for further evidence or be responsible for any loss that may be occasioned by acting on, such Officers' Certificate or selection or failure to determine the existence of any Event of Default or Potential Event of Default or whether any matter shall have a Material Adverse Effect.

9.18 Tax Reporting Compliance

The Borrower will provide the Lender with sufficient information, provide all reasonable assistance necessary, and pay any costs associated with, compliance by the Lender with (i) Section 1471(b) of the US Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Section 1471 through 1474 of the Code and any regulations or agreements thereunder or official interpretations thereof, and (ii) any other tax reporting or automatic exchange of information regime which the Lender is subject to.

10. EVENTS OF DEFAULT

10.1 Events of Default

If one or more of the following events of default (each, an "**Event of Default**") shall occur (and is continuing), the Lender shall be entitled to the remedies set forth in sub-clause 10.3:

10.1.1 ***Failure to Pay***: the Borrower fails to pay any amount of interest or other amounts payable hereunder within five Business Days of the due date for payment thereof in the currency and in the manner specified herein,

10.1.2 ***Obligations***: the Borrower or any of the Guarantors, as the case may be, defaults in the performance or observance of any of their respective other obligations under this Agreement or in the Deed of Guarantee, as the case may be, and except where, in the opinion of the Trustee, such default is not capable of remedy, such default remains unremedied for 30 days after written notice thereof, addressed to the Borrower or the relevant Guarantor, as the case may be, by the Trustee, has been delivered to the Borrower or such Guarantor, as the case may be; or

10.1.3 ***Cross Default***:

- (i) any present or future Financial Indebtedness of the Borrower, DME Limited or any Material Subsidiary is not paid upon the later of (a) when due or payable or (b) if there is an originally applicable grace period in respect of such Financial Indebtedness at final maturity, upon the expiration of such originally applicable grace period; or

- (ii) any such Financial Indebtedness becomes due and payable prior to its Stated Maturity otherwise than at the option of the Borrower, DME Limited or (as the case may be) any Material Subsidiaries or (provided that no event of default, howsoever described, has occurred) any Person entitled to such Financial Indebtedness;

provided that the amount of Financial Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above individually or in the aggregate exceeds U.S.\$25 million (or its U.S. Dollar Equivalent); or

- 10.1.4 **Judgments:** the amount of unsatisfied judgments, decrees or orders of courts or dispute resolution bodies of competent jurisdiction for the payment of money against the Borrower, DME Limited and any of the Material Subsidiaries in the aggregate at any given moment of time exceeds U.S.\$25 million (or its U.S. Dollar Equivalent), except in circumstances where such judgment, decree or order, as the case may be, is being contested or appealed by the Borrower, DME Limited and/or the relevant Material Subsidiary or Material Subsidiaries in good faith or is discharged within 60 days of being made; or
- 10.1.5 **Execution of Process:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or a material part of the property, assets or revenues of the Borrower, DME Limited or any Material Subsidiary and such action is not removed, stayed, or discharged within 60 days after such action is commenced, unless such distress, attachment execution or other legal process is being contested in good faith; or
- 10.1.6 **Appropriation:** any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Borrower, DME Limited or any of its Subsidiaries in respect of the whole or any material part of the property, undertaking, revenues or assets of the Borrower, DME Limited and any of its Subsidiaries) becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator, manager or other similar person) and such action is not removed, stayed, or discharged within 60 days after such possession or appointment is commenced; or
- 10.1.7 **Bankruptcy and Insolvency:** the occurrence of any of the following events:
 - (i) the Borrower, DME Limited or any of the Material Subsidiaries is unable or admits inability to pay its debts as they fall due, generally suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations generally with its creditors with a view to readjusting or rescheduling any of its Financial Indebtedness; the value of the assets of any of the Borrower, DME Limited or any of the Material Subsidiaries is less than its liabilities; and/or a moratorium is declared in respect of any Financial Indebtedness of any of the Borrower, DME Limited or any of the Material Subsidiaries; or

- (ii) any of the Borrower, DME Limited or any Material Subsidiary ceases to have corporate existence or is seeking or consenting to proceedings for its liquidation or the appointment of a liquidator or liquidation commissioner (*likvidatsionnaya komissiya*) or a similar officer of the Borrower, DME Limited or any of the Material Subsidiaries, as the case may be, or a petition in relation to the Borrower, DME Limited or any of the Material Subsidiaries for winding up (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent if permitted pursuant to Clause 9.5);
- (iii) the presentation or filing of a petition in respect of any of the Borrower, DME Limited or any of the Material Subsidiaries (in any court of competent jurisdiction, arbitration court or before any competent agency alleging, or for, the bankruptcy, insolvency, examinership, dissolution, administration, reorganisation or liquidation (or any analogous proceedings) including in the case of any entity in the Russian Federation the institution of supervision (*nablyudeniye*), financial rehabilitation (*finansovoye otdorovleniye*), external management (*vneshneye upravleniye*) or bankruptcy management (*konkursnoye proizvodstvo*) as such terms are defined in the Federal Law of the Russian Federation No. 127-FZ "On Insolvency (Bankruptcy)" dated 26 October 2002 (as amended or replaced from time to time) (the "**Insolvency Law**") of any such entity (ignoring any petition that is not accepted by such court or competent agency for review on its merits or is found to be without merit) and otherwise than for the purposes of or pursuant to an amalgamation, transformation, reorganisation or restructuring whilst solvent if permitted pursuant to Clause 9.5, and where such petition is presented or filed by a person that is not the Borrower, DME Limited or any of the Material Subsidiaries, either (a) such petition remains undischarged for at least 60 calendar days excluding in counting such period any days during which the court or competent agency has suspended the proceedings in respect of the petition on account of the petition not being in a form prescribed by law and/or while awaiting further documentation from the petitioner), or (b) if earlier, a court or competent agency institutes bankruptcy, insolvency, examinership, dissolution, administration, reorganisation or liquidation (or any analogous proceedings) including in the case of any entity in the Russian Federation the institution of supervision (*nablyudeniye*), financial rehabilitation (*finansovoye otdorovleniye*), external management (*vneshneye upravleniye*) or bankruptcy management (*konkursnoye proizvodstvo*) over the Borrower, DME Limited or any of the Material Subsidiaries or the Borrower, DME Limited or any of the Material Subsidiaries enters into, or agrees to enter into any amicable settlement which, in the case of any entity in the Russian Federation and without limitation, shall include amicable settlement (*mirovoye soglasheniye*) with its creditors (as defined in the Insolvency Law);
- (iv) any judicial liquidation in respect of the Borrower, DME Limited or any of the Material Subsidiaries; or

- (v) an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Borrower, DME Limited or any of the Material Subsidiaries (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent if permitted pursuant to Clause 9.5) and such order or resolution is not discharged within 60 days of being made; or
- 10.1.8 **Business:** a substantial change is made to the general nature of the business of the Group taken as a whole from that carried on at the date of this Agreement; or
- 10.1.9 **Commercial Contracts:**
- (i) any of the Material Commercial Authorisations and Contracts is terminated, lost, suspended, revoked, or amended in a detrimental way, which individually or in the aggregate has a Material Adverse Effect,
 - (ii) any of the Airport Terminal Lease Contracts is terminated or suspended where such termination or suspension has individually or in the aggregate a Material Adverse Effect, or
 - (iii) any of the Airport Terminal Lease Contracts is amended, where the relevant amendments have or would reasonably be expected to have a Material Adverse Effect; or
- 10.1.10 **Government or Court Action:** (i) all or any substantial part of the undertaking, assets and revenues of the Borrower, DME Limited or any of the Material Subsidiaries is condemned, seized or otherwise appropriated by any Person acting under the authority and on behalf of any national, regional or local government or (ii) the Borrower, DME Limited or any of the Material Subsidiaries is prevented by any such Person from exercising normal control over all or any substantial part of its undertaking, assets and revenues, and such action is not removed, stayed or discharged within 60 days unless such action is being contested in good faith; or
- 10.1.11 **Validity and Legality:** at any time it is or becomes unlawful for the Borrower or a Guarantor to perform or comply with any or all of its obligations under this Agreement or the Deed of Guarantee or any of such obligations are not, or cease to be, legal, valid, binding and enforceable or the Borrower or a Guarantor contests the validity thereof or repudiates (or purports to repudiate) them, provided that, in the case of a Guarantor and/or a Deed of Guarantee only, such default results in either of the Obligor Cover Ratios being less than 85 per cent. and the Borrower has not, pursuant to Clause 9.8, procured Further Guarantors such that both of the Obligor Cover Ratios equals or exceeds 85 per cent. within the time period provided therein (unless it is not possible within such time period specified in Clause 9.8 for the Borrower to remedy the default by procuring Further Guarantors such that both of the Obligor Cover Ratios equals or exceeds 85 per cent, such circumstances constituting an Event of Default); or

10.1.12 ***Authorisations:***

- (i) any regulation, decree, consent, approval, licence, governmental or other Agency authorisation or other authority necessary for the Borrower or a Guarantor to enter into or perform its obligations under this Agreement or the Deed of Guarantee, as the case may be, fails to be in full force and effect and such failure has not been remedied within 90 days after the occurrence thereof; or
- (ii) any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Borrower or a Guarantor lawfully to enter into and perform and comply with its obligations under and in respect of this Agreement or the Deed of Guarantee, as the case may be, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make admissible in evidence in an arbitration court in London is not taken, fulfilled or done, and such failure is not remedied within 90 days after the occurrence thereof; or

10.1.13 ***The Borrower ceases to be a Subsidiary of DME Limited:*** the Borrower ceases to be a Subsidiary of DME Limited.

10.1.14 ***Analogous Events:*** any event occurs which under the laws of any relevant jurisdiction has an effect analogous to any of the events referred to in any of the foregoing paragraphs.

10.2 **Notice of Default**

The Borrower shall deliver to the Lender and the Trustee, immediately after the occurrence thereof, written notice in the form of an Officers' Certificate of any event which is an Event of Default, or a Potential Event of Default, its status and what action the Borrower and/or DME Limited and/or the relevant Guarantor or Subsidiary of DME Limited is taking or proposes to take with respect thereto.

10.3 **Default Remedies**

If any Event of Default shall occur and be continuing, the Lender and/or the Trustee, as applicable, in accordance with the Trust Deed, may, by notice in writing to the Borrower, (i) declare the obligations of the Lender hereunder to be immediately terminated, whereupon such obligations shall terminate, and (ii) declare all amounts payable hereunder by the Borrower that would otherwise be due after the date of such termination to be immediately due and payable, whereupon all such amounts shall become immediately due and payable, all without diligence, presentment, demand of payment, protest or notice of any kind, which are expressly waived by the Borrower; provided, however, that if any event of any kind referred to in Clause 10.1.7 occurs, the obligations of the Lender hereunder shall immediately terminate, and all amounts payable hereunder by the Borrower that would otherwise be due after the occurrence of such event shall become immediately due and payable, all without diligence, presentment, demand of payment, protest or notice of any kind, which are expressly waived by the Borrower.

10.4 **Rights Not Exclusive**

The rights provided for herein are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law.

10.5 **Right of Set-off**

If any amount payable by the Borrower hereunder is not paid as and when due, the Borrower authorises the Lender to proceed, to the fullest extent permitted by applicable law, without prior notice, by right of set-off, banker's lien, counterclaim or otherwise, against any assets of the Borrower in any currency that may at any time be in the possession of the Lender, at any branch or office, to the full extent of all amounts payable to the Lender hereunder.

11. **INDEMNITY**

11.1 **Indemnification**

The Borrower undertakes to the Lender, that if the Lender or any of its Affiliates, or any director, officer, employee or agent of the Lender or any such Affiliate and each Person controlling the Lender within the meaning of the United States securities laws (each an "**indemnified party**") incurs any loss, liability, cost, claim, demand or damage, charge or expense (including without limitation taxes and legal fees, costs and expenses) (a "**Loss**") as a result of or in connection with the Loan, this Agreement or the Deed of Guarantee (or enforcement thereof) (excluding a Loss that is the subject of the undertakings contained in Clauses 6.2, 6.3, 8 and 12.8 of this Agreement (it being understood that the Lender may not recover twice in respect of the same Loss)), and/or the issue, constitution, sale, listing and/or enforcement of the Notes and/or the Notes being outstanding, the Borrower shall pay to the Lender on demand an amount equal to such Loss and all costs, charges and expenses which it or any indemnified party may pay or incur in connection with investigating, disputing or defending any such action or claim as such costs, charges and expenses are incurred unless such Loss was either caused by such indemnified party's negligence, default, bad faith or wilful misconduct or arises out of a breach of the representations and warranties of the Lender contained in this Agreement. The Lender shall not have any duty or obligation whether as fiduciary or trustee for any indemnified party or otherwise, to recover any such payment or to account to any other Person for any amounts paid to it under this Clause.

11.2 **Independent Obligation**

Sub-clause 11.1 constitutes a separate and independent obligation of the Borrower from its other obligations under or in connection with this Agreement and shall not affect, or be construed to affect, any other provision of this Agreement.

11.3 **Evidence of Loss**

A certificate of the Lender setting forth the amount of Loss described in Clause 11.1 and specifying in full detail the basis therefor shall, in the absence of manifest error, be *prima facie* evidence of the amount of such losses, expenses and liabilities.

11.4 Survival

The obligations of the Borrower pursuant to Clauses 6.2, 6.3, 8, 11.1, 12.2, 12.8 and 12.9 shall survive the execution and delivery of this Agreement, the drawdown of the Facility and the repayment of the Loan, in each case by the Borrower.

12. GENERAL

12.1 Evidence of Debt

The entries made by the Lender in the accounts maintained by the Lender in accordance with its usual practice and evidencing the amounts from time to time lent by and owing to it hereunder shall, in the absence of manifest error, be *prima facie* evidence of the existence and amounts of the Borrower's obligations recorded herein.

12.2 Stamp Duties

12.2.1 The Borrower shall pay all stamp, registration and documentary taxes or duties (if any) imposed on or payable by the Borrower or the Lender in the United Kingdom, the Russian Federation, Cyprus, the Isle of Man, Luxembourg, Belgium or Ireland which may be payable or determined to be payable in connection with the execution, delivery, performance, enforcement or admissibility in evidence of this Agreement and shall indemnify the Lender against any and all costs and expenses which may be incurred or suffered by the Lender with respect to, or resulting from, delay or failure by the Borrower to pay such taxes or similar charges.

12.2.2 The Borrower agrees that if the Lender incurs a liability to pay any stamp, registration and documentary taxes or similar charges (if any) imposed by any Person in the United Kingdom, Cyprus, the Isle of Man, the Russian Federation, Luxembourg, Belgium or Ireland (or, in relation to any such taxes or charges incurred in respect of enforcement or admissibility into evidence of this Agreement, in any jurisdiction) which may be payable or determined to be payable in connection with the execution, delivery, performance, enforcement, or admissibility into evidence of this Agreement, the Borrower shall reimburse the Lender on demand an amount equal to such stamp or other documentary taxes or duties and shall indemnify the Lender against any and all costs and expenses which may be incurred or suffered by the Lender with respect to, or resulting from, delay or failure by the Borrower to procure the payment of such taxes or similar charges.

12.3 VAT

Where a sum is payable under this Agreement to the Lender, the Borrower will, in addition, pay in respect of VAT:

12.3.1 where the payment (or any part of it) constitutes the consideration (or any part thereof) for any supply of services made to the Borrower, such amounts as equal any VAT properly chargeable thereon by the Lender (not being VAT for which the Borrower has to account for on its own account to the relevant taxing authority) on receipt of a valid VAT invoice;

12.3.2 where the payment is to reimburse or indemnify the Lender for any cost, charge or expense incurred by it (except where the payment falls within sub-clause 12.3.3 below), such amount as equals any VAT, which the Lender represents in good faith is not recoverable by it or by the representative member of any VAT group of which it is a member, charged to or incurred by the Lender in respect of any cost, charge or expense which gives rise to or is reflected in the payment on production of relevant invoices or equivalent evidence of such payment having been made; and

12.3.3 where the payment is in respect of costs or expenses incurred by the Lender as agent for the Borrower and except where section 47(3) of the United Kingdom Value Added Tax Act 1994 (or any equivalent legislation in a jurisdiction outside the United Kingdom) applies, such amount as equals the amount included in the costs or expenses in respect of VAT and in such case the Lender shall use reasonable efforts to procure that the actual supplier of goods or services which the Lender received as agent issues a valid VAT invoice directly to the Borrower in respect of the relevant supply.

12.4 Payment Gross-Up

Where any payment is made under this Agreement to the Lender pursuant to an indemnity, compensation or reimbursement provision, the sum payable shall be increased or decreased (as the case may be) so as to take into account (i) any charge to Taxation in the hands of the Lender in respect of such payment and (ii) any tax relief available to the Lender in respect of the matter giving rise to the payment and which may be offset against the charge to Taxation, such that the Lender shall be left with a sum equal to the sum that it would have retained in the absence of such a charge to Taxation and such tax relief.

12.5 Waivers

No failure to exercise and no delay in exercising, on the part of the Lender or the Borrower, any right, power or privilege hereunder and no course of dealing between the Borrower and the Lender shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof, or the exercise of any other right, power or privilege. The rights and remedies herein provided are cumulative and not exclusive of any rights, or remedies provided by applicable law.

12.6 Notices

12.6.1 Method

Each communication under this Agreement shall be made by fax or otherwise in writing. Each communication or document to be delivered to any party under this Agreement shall be sent to that party at the fax number or postal address and marked for the attention of the person (if any), from time to time designated by that party to each other party for the purpose of this Agreement. The initial telephone number, fax number, postal address and person so designated by the parties under this Agreement are set out below:

if to the Borrower:

Address: 2, Michalaki Karaoli Street
1095 Nicosia
Cyprus

Fax: +357 22779939

Attention: The Board of Directors

and, in all cases, a copy of such communication must be sent by both email and post to the following address:

Address: Territory Airport "Domodedovo", bld.3/1
Domodedovsky District
Moscow Region, 142015
Russian Federation

Email: info@chrysostomides.com.cy, amc@dme.ru,
WladimirPopov@dme.ru

Attention: Airport Management Company Limited

if to the Lender:

Address: 2nd Floor, Palmerston House
Fenian Street
Dublin 2
Ireland

Fax: +353 (1) 905 8029

Tel: +353 (1) 905 8020

Attention: The Directors

or to such other address or fax number as any party may hereafter specify in writing to the other.

12.6.2 ***Deemed Receipt***

Any communication from any party to any other under this Agreement shall be effective, (if by fax) when the relevant delivery receipt is received by the sender, (if in writing) when delivered; provided that any communication which is received (or deemed to take effect in accordance with the foregoing) outside business hours or on a non-Business Day in the place of receipt shall be deemed to take effect at the opening of business on the next following Business Day in such place. Any communication delivered to any party under this Agreement which is to be sent by fax will be written legal evidence.

12.7 Assignment

- 12.7.1 Subject to Clause 12.7.2, this Agreement shall inure to the benefit of and be binding upon the parties, their respective successors and any permitted assignee or transferee of some or all of a party's rights under this Agreement. Any reference in this Agreement to any party shall be construed accordingly and, in particular, references to the exercise of any rights, benefits and discretions or the making of any determination (including forming an opinion) by, and the delivery of notices, certificates and information to, the Lender, shall include references to the exercise of any such rights, benefits or discretions by or the making of such determination (including forming an opinion) by the Trustee (as Trustee). Notwithstanding the foregoing, the Trustee shall not be entitled to participate in any determinations by, and the delivery of notices, certificates and information to, the Lender or any discussions between the Lender and the Borrower or any agreements of the Lender or the Borrower, pursuant to Clauses 6.4, 6.5 or 8.
- 12.7.2 The Borrower shall not assign or transfer all or any part of its rights or obligations hereunder to any other party or person.
- 12.7.3 Subject to the provisions of Clause 17 of the Trust Deed, the Lender may not assign or transfer, in whole or in part, any of its rights, obligations and benefits under this Agreement except that the Lender may charge by way of first fixed charge in favour of the Trustee (as Trustee) of certain of the Lender's rights and benefits under this Agreement and assign absolutely to the Trustee certain rights, interests and benefits under this Agreement, in each case, as set out in Clause 4 of the Trust Deed.

12.8 Currency Indemnity

To the fullest extent permitted by law, the obligation of the Borrower in respect of any amount due in Dollars under this Agreement shall, notwithstanding any payment in any other currency (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in Dollars that the Lender may, in accordance with normal banking procedures, purchase with the sum paid in such other currency (after any premium and costs of exchange) on the Business Day immediately following the day on which the Lender receives such payment. If the amount in Dollars that may be so purchased for any reason falls short of the amount originally due (the "**Due Amount**"), the Borrower hereby agrees to indemnify and hold harmless the Lender against any deficiency in Dollars. Any obligation of the Borrower not discharged by payment in Dollars shall, to the fullest extent permitted by applicable law, be due as a separate and independent obligation and, until discharged as provided herein, shall continue in full force and effect. If the amount in Dollars that may be purchased exceeds that Due Amount the Lender shall promptly pay the amount of the excess to the Borrower.

12.9 Contracts (Rights of Third Parties) Act 1999

Except as otherwise specifically provided herein, a Person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement except that the Trustee may enforce and rely on

any provision of this Agreement to the same extent as if it were a party hereto. This Agreement may be terminated and any term may be amended or waived without the consent of any such Person so expressly provided for under this Agreement.

12.10 Governing Law

This Agreement and any non-contractual obligations arising out of or in connection with it will be governed by and construed in accordance with English law.

12.11 Jurisdiction

The parties irrevocably agree that any dispute arising out of or in connection with this Agreement and any non-contractual obligations arising therefrom, including a dispute as to the validity, existence or termination of this Agreement or the consequences of its nullity and/or this Clause 12.11 (a "**Dispute**") shall be resolved by arbitration in London, England conducted in the English language by three arbitrators pursuant to the LCIA rules (the "**Rules**"), which Rules are deemed incorporated by reference into this Clause, save that, unless the parties agree otherwise, the third arbitrator, who shall act as presiding arbitrator of the tribunal, shall be nominated by the two arbitrators nominated by or on behalf of the parties . If not so nominated within 30 days of the date of nomination of the later of the two party-nominated arbitrators to be nominated, the third arbitrator shall be chosen by the LCIA.

12.12 Waiver of Immunity

To the extent that the Borrower or the Lender may now or hereafter be entitled, in any jurisdiction in which any legal action or proceeding may at any time be commenced with respect to this Agreement, to claim for itself or any of its undertaking, properties, assets or revenues present or future any immunity (sovereign or otherwise) from suit, jurisdiction of any court, attachment prior to judgment, attachment in aid of execution of a judgment, execution of a judgment or award or from set-off, banker's lien, counterclaim or any other legal process or remedy with respect to its obligations under this Agreement and/or to the extent that in any such jurisdiction there may be attributed to the Borrower or the Lender any such immunity (whether or not claimed), the Borrower and the Lender hereby irrevocably agree not to claim, and hereby waive, any such immunity.

12.13 Severability

In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

12.14 Counterparts

This Agreement may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same agreement.

12.15 **Language**

The language which governs the interpretation of this Agreement is the English language.

12.16 **Amendments**

Except as otherwise provided by its terms, this Agreement may not be varied except by an agreement in writing signed by the parties.

12.17 **Partial Invalidity**

The illegality, invalidity or unenforceability to any extent of any provision of this Agreement under the law of any jurisdiction shall affect its legality, validity or enforceability in such jurisdiction to such extent only and shall not affect its legality, validity or enforceability under the law of any other jurisdiction, nor the legality, validity or enforceability of any other provision.

12.18 **Prescription**

In the event that the Notes become void pursuant to Condition 10 of the Notes, the Lender shall forthwith repay to the Borrower the principal amount of such Note subject to the Lender having previously received from the Borrower, and being in possession of, a corresponding amount in respect of principal pursuant to this Agreement.

12.19 **Non Petition and Limited Recourse**

Neither the Borrower nor any other Person acting on its behalf shall be entitled at any time to institute against the Lender, or join in any institution against the Lender of, any bankruptcy, administration, moratorium, reorganisation, controlled management, arrangement, insolvency, examinership, winding-up or liquidation proceedings or similar insolvency proceedings under any applicable bankruptcy or similar law in connection with any obligation of the Lender under this Agreement, save for lodging a claim in the liquidation of the Lender which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Lender.

The Borrower hereby agrees that it shall have recourse in respect of any claim against the Lender only to sums in respect of principal, interest or other amounts (if any), as the case may be, received and retained (net of tax) by or for the account of the Lender pursuant to this Agreement (the "**Lender Assets**"), subject always to the Security Interests (as defined in the Trust Deed), and that any claim by the Borrower shall be reduced *pro rata* so that the total of all such claims does not exceed the aggregate value of the Lender Assets after meeting claims secured on them. Neither the Borrower nor any Person acting on its behalf shall be entitled to take any further steps against the Lender to recover any further sums and no debt shall be owned by the Lender to such Person in respect of any such further sum.

It is expressly agreed and understood that the entry into this Agreement constitutes a corporate obligation only of the Lender. No personal liability shall attach to or be incurred by any shareholder, member, equity holder, officer, agent, employee or director of the Lender in his capacity as such, under or by reason of any of the

obligations, covenants or agreements of such party as a result of entry into this Agreement or implied therefrom and any and all personal liability of every such shareholder, member, equity holder, officer, agent, employee or director for breaches by the Lender of any such obligations, covenants or agreements, either at law or by statute or constitution, is hereby expressly waived by the Borrower as a condition of and in consideration for the execution of this Agreement except to the extent that any such Person acts in bad faith or is negligent in the context of its obligations.

The provision of this Clause 12.19 shall survive the termination of this Agreement.

Schedule
Form of Deed of Guarantee

THIS DEED is made on 8 November 2016

BETWEEN:

- (1) **AIRPORT MANAGEMENT COMPANY LIMITED, DME LIMITED, DOMODEDOVO INTERNATIONAL AIRPORT LIMITED LIABILITY COMPANY, DOMODEDOVO COMMERCIAL SERVICES LIMITED LIABILITY COMPANY, DOMODEDOVO CATERING LIMITED LIABILITY COMPANY, "DOMODEDOVO FUEL SERVICES" LIMITED LIABILITY COMPANY, DOMODEDOVO PASSENGER TERMINAL LIMITED LIABILITY COMPANY, "DOMODEDOVO FUEL FACILITIES" LIMITED LIABILITY COMPANY AND "DOMODEDOVO AIRPORT HANDLING" LIMITED LIABILITY COMPANY** (the "**Initial Guarantors**"); and
- (2) **DME AIRPORT DESIGNATED ACTIVITY COMPANY** (the "**Issuer**").

Whereas:

- (A) The Issuer has agreed to make available the Loan to Hacienda Investments Limited (the "**Borrower**").
- (B) In consideration of the Issuer agreeing to make available the Loan to the Borrower, the Guarantors have agreed hereunder to unconditionally and irrevocably guarantee to the Issuer the performance of all payment and other obligations of the Borrower under the Loan.
- (C) It is intended that the Issuer will issue certain loan participation notes with payment obligations based on amounts payable by the Borrower under the Loan.

NOW IT IS HEREBY AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

Terms defined in the Loan Agreement dated 8 November 2016 (the "**Loan Agreement**") between the Issuer and the Borrower shall have the same meaning when used in this Deed, except where the context otherwise requires and except that, for the purposes of this Deed:

"Fees Letters" means the Fees Side Letter and the Trustee and Agents Fee Side Letter;

"Fees Side Letter" means the letter entered into between, *inter alios*, the Borrower, the Issuer, the Trustee and the Agents named therein dated 8 November 2016 relating, amongst other things, to the upfront remuneration of the various parties thereto;

"Guarantees" shall have the meaning given to it in Clause 2.1;

"Guarantor" means any of the Initial Guarantors and, to the extent that they have executed and delivered a deed of accession to this Deed in the form set out in the Schedule to this Deed, any Further Guarantor (and **"Guarantors"** means each of them);

"Tax Credit" means a credit against, relief or remission for, or repayment of any Tax;

"Taxes" means any present or future taxes, levies, imposts or duties (including interest or penalties thereon) imposed, assessed, charged, collected, demanded, withheld or claimed by the Russian Federation, Cyprus, Luxembourg, Belgium, United Kingdom, Ireland, the Isle of Man or any tax authority thereof or therein; and the terms **"Tax"** and **"Taxation"** shall be construed accordingly; and

"Trustee and Agents Fee Side Letter" means the letter dated 8 November 2016 from the Trustee and the Agents to the Issuer and the Borrower, relating, amongst other things, to the ongoing remuneration and indemnification of the Trustee and Agents.

1.2 Other Definitions

Unless the context otherwise requires, terms used in this Deed which are not defined in this Deed or the Loan Agreement but which are defined in the Trust Deed, the Notes or the Paying Agency Agreement shall have the meanings given to such terms therein.

1.3 Interpretation

Unless the context or the express provisions of this Deed otherwise require, the following shall govern the interpretation of this Deed.

1.3.1 All references to **"Clause"** or **"sub-Clause"** are, unless otherwise stated, references to a Clause or sub-Clause of this Deed.

1.3.2 The terms **"hereof"**, **"herein"** and **"hereunder"** and other words of similar import shall mean this Deed as a whole and not any particular part hereof.

1.3.3 Words importing the singular number include the plural and vice versa.

1.3.4 The table of contents and the headings are for convenience only and shall not affect the construction hereof.

1.3.5 All reference to **"this Deed"** means this Deed of Guarantee.

2. GUARANTEE

2.1 Guarantee

The Guarantors hereby unconditionally and irrevocably, jointly and severally, guarantee (the **"Guarantees"**) to the Issuer (i) the due and punctual payment by the Borrower of principal and/or interest on the Loan in full when and as the same shall become due and payable whether on the Repayment Date, by declaration of acceleration, in connection with prepayment, or otherwise; and (ii) the due and punctual performance of all other obligations of the Borrower under the Loan

Agreement and the Fees Letters, including without limitation, the payment of fees, expenses, indemnities or other amounts, all in accordance with the terms of the Loan Agreement. In case of the failure of the Borrower punctually to make any such principal and/or interest payment or any other payment or the failure of the Borrower to perform any such other obligation in accordance with the Loan Agreement or the Fees Letters, the Guarantors hereby agree to cause any such payment to be made punctually when and as the same shall become due and payable, whether on the Repayment Date, by declaration of acceleration, in connection with a prepayment or otherwise, and as if such payment were made by the Borrower, or to perform any such other obligation of the Borrower immediately. The Guarantors hereby further agree to pay any and all duly documented expenses (including legal counsel fees and expenses) incurred by the Issuer in enforcing any rights it has under the Guarantees given in this sub-Clause 2.1.

2.2 Guarantors as Principal Debtors

As between the Guarantors and the Issuer, but without affecting the Borrower's obligations under the Loan Agreement, the Guarantors shall be liable under the Guarantees as if each Guarantor were the sole principal debtor and not merely a surety. Accordingly, none of the Guarantors shall be discharged, nor shall the liability of any Guarantor be affected, by anything that would not discharge them or affect their liability if each were a sole principal debtor (including (1) any time, indulgence, waiver or consent at any time given to the Borrower or any other person; (2) any amendment to any other provisions of this Deed, the Loan Agreement or to any security or other guarantee or indemnity; (3) the making or absence of any demand on the Borrower or any other person for payment; (4) the enforcement or absence of enforcement of the Loan Agreement or of any security or other guarantee or indemnity; (5) the taking, existence or release of any security, guarantee or indemnity; (6) the winding-up, liquidation, bankruptcy, moratorium, administration, dissolution, amalgamation, reconstruction or reorganisation of the Borrower or any other person or analogous proceedings in any jurisdiction or any change in its status, function, control or ownership; or (7) the illegality, invalidity or unenforceability of or any defect in any provision of this Deed, the Loan Agreement or any of the Borrower's obligations under them).

2.3 Guarantors' Obligations Continuing

The Guarantors' obligations under this Deed are and shall remain in full force and effect by way of continuing security until no sum remains payable under the Loan Agreement. Furthermore, those obligations of the Guarantors are independent of, additional to, and not instead of, any security or other guarantee or indemnity at any time existing in favour of any person, whether from the Guarantors or otherwise and may be enforced without first having recourse to the Borrower, any other person, any security or any other guarantee or indemnity. Each Guarantor irrevocably waives all notices and demands of any kind.

2.4 Deferral of Guarantor's rights

So long as any sum remains payable under the Loan Agreement:

- 2.4.1 any right of any Guarantor, by reason of the performance of any of its obligations under this Clause 2, to be indemnified by the Borrower or to take the benefit of or to enforce any security or other guarantee or indemnity shall be exercised and enforced by such Guarantor only in such manner and on such terms as the Issuer may approve; and
- 2.4.2 any amount received or recovered by any Guarantor (a) as a result of any exercise of any such right under 2.4.1 above; or (b) in the winding-up, liquidation, bankruptcy, moratorium, administration, dissolution, amalgamation, reconstruction, reorganisation or analogous proceeding of the Borrower shall be held to the extent necessary to enable all amounts which may be or may become payable to the Issuer by the Borrower under the Loan Agreement to be repaid in full in trust for the Issuer and immediately paid in full to the Issuer or as it may direct.

2.5 Subrogation

Each Guarantor shall be subrogated to all rights of the Issuer against the Borrower and the other Guarantors in respect of any amounts paid by such Guarantor pursuant hereto; provided that such Guarantor shall not without the consent of the Issuer be entitled to enforce, or to receive any payments arising out of or based upon or prove in any winding-up, liquidation, bankruptcy, moratorium, administration, dissolution, amalgamation, reconstruction, reorganisation or analogous proceeding of the Borrower in respect of, such right of subrogation until such time as the principal or interest outstanding on the Loan Agreement and all other amounts due under this Deed and the Loan Agreement have been paid in full. Furthermore, until such time as aforesaid the Guarantors shall not take any security or counter-indemnity from the Borrower in respect of the Guarantors' obligations under this Clause 2.

2.6 Reinstatement

If any payment received by the Issuer pursuant to the provisions of this Deed shall, on the subsequent bankruptcy, insolvency, corporate reorganisation or other similar event affecting any Guarantor, be avoided, reduced, invalidated or set aside under any laws relating to bankruptcy, insolvency, corporate reorganisation or other similar events, such payment shall not be considered as discharging or diminishing the liability of any Guarantor whether as guarantor, principal debtor or indemnifier and the guarantee and indemnity contained in this Clause 2 shall continue to apply as if such payment had at all times remained owing by the Borrower and the Guarantors shall indemnify and keep indemnified the Issuer on the terms of the Guarantees and indemnity contained in this Clause 2.

2.7 Suspense Account

Any amount received or recovered by the Issuer from any Guarantor under this Deed (otherwise than as a result of a payment by the Borrower to the Issuer in accordance with the Loan Agreement in respect of any sum payable by the Borrower under the Loan Agreement) may be placed in a suspense account and kept there for so long as the Issuer thinks fit.

2.8 Avoidance of Payments

The Guarantors shall on demand indemnify the Issuer, on an after tax basis, against any duly documented cost, loss, expense or liability sustained or incurred by it as a result of it being required for any reason (including any winding-up, liquidation, bankruptcy, moratorium, administration, dissolution, amalgamation, reconstruction, reorganisation or similar law of any jurisdiction) to refund all or part of any amount received or recovered by it in respect of any sum payable by the Borrower under the Loan Agreement and shall in any event pay to it on demand the amount as refunded by it.

2.9 Indemnity

As separate, independent and alternative stipulations, each Guarantor unconditionally and irrevocably agrees for so long as any part of the Loan remains outstanding (1) that any sum that, although expressed to be payable by the Borrower under the Loan Agreement, is for any reason (whether or not now existing and whether or not now known or becoming known to the Borrower, any Guarantor or the Issuer) not recoverable from the Guarantors on the basis of the Guarantees shall nevertheless be recoverable from such Guarantor as if it were the sole principal debtor and shall be paid by it on demand to the Issuer or to the Issuer's order; and (2) as a primary obligation to indemnify the Issuer against any duly documented loss suffered by it as a result of any sum expressed to be payable by the Borrower under the Loan Agreement not being paid on the date and otherwise in the manner specified in the Loan Agreement or any payment obligation of the Borrower under the Loan Agreement being or becoming void, voidable or unenforceable for any reason (whether or not now existing and whether or not now known or becoming known to the Issuer), the amount of that loss being the amount expressed to be payable by the Borrower in respect of the relevant sum.

2.10 Further Assurances

In the event that any Guarantor is required to make any payment or to satisfy any other obligation under or in respect of the Guarantees, such Guarantor shall, at the time of making such payment or satisfying such obligation, obtain any consents, approvals, authorisations or licences issued by the government of the country in which such Guarantor is incorporated or any political subdivision thereof or therein or any bank in such country necessary to make any such payment or to satisfy any such obligation.

2.11 Pari Passu

Each of the Guarantors undertakes that its obligations hereunder will constitute direct, unconditional and (subject to Clause 9.1 of the Loan Agreement) unsecured obligations of such Guarantor which rank and will at all times rank at least *pari passu* with all other present and future outstanding unsecured and unsubordinated obligations of such Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

2.12 Guarantees Joint and Several

Each Guarantor acknowledges and agrees that all its obligations under or in relation to this Deed shall be joint and several with the obligations of all other Guarantors under this Deed.

2.13 Further Guarantors

The Guarantors and the Issuer acknowledge that pursuant to Clause 9.8 of the Loan Agreement, the Borrower has undertaken to procure, upon the satisfaction of certain conditions set out in Clauses 9.8 and 9.9 of the Loan Agreement, Further Guarantee(s) substantively in the form of this Deed and acknowledge that such Further Guarantee(s) may be procured pursuant to Clause 9.8 and 9.9 of the Loan Agreement by the execution of a deed of accession in the form set out in the Schedule to this Deed, subject to the satisfaction of such conditions set out in Clauses 9.8 and 9.9 of the Loan Agreement.

2.14 Officers' Certificates

Upon being so requested in writing by the Issuer, each Guarantor shall deliver to the Issuer and the Trustee an Officers' Certificate of the relevant Guarantor setting out the total principal amount of the Notes which, at the date of such certificate, are held by that Guarantor (or any Subsidiary of that Guarantor) and have not been cancelled and are retained by it for its own account or for the account of any other company. If so requested by the Issuer or the Trustee, each Guarantor also undertakes to provide certification to the Trustee in accordance with the Trust Deed.

3. NO SET-OFF, COUNTERCLAIM OR WITHHOLDING; GROSS-UP

- 3.1 Any payment to be made by any Guarantor under this Deed shall be made in full without set-off or counterclaim and (except to the extent required by law) free and clear of and without deduction or withholding whatsoever for or on account of any Taxes. If any Guarantor shall be required by applicable law to make any deduction or withholding from any payment under this Deed for or on account of any such Taxes, it shall (i) increase the payment due hereunder to such amount as may be necessary to ensure that the Issuer receives a net amount in U.S. Dollars equal to the full amount which it would have received had payment not been made subject to such Taxes; (ii) promptly account to the relevant authorities for the relevant amount of such Taxes so withheld or deducted and (iii) deliver to the Issuer without undue delay evidence satisfactory to the Issuer of such deduction or withholding and of the accounting therefor to the relevant taxing authority. If the Issuer pays any amount in respect of Taxes, penalties or interest, such Guarantor shall reimburse the Issuer in U.S. Dollars for such payment on demand.
- 3.2 If a Guarantor pays any amount in respect of any Taxes, in respect of this Deed, including penalties or interest, and the Issuer determines that: (i) a Tax Credit is attributable (a) to an increased payment of which that payment in respect of Taxes forms part, (b) to such payment or (c) to a deduction in Taxes of which that payment was required; and (ii) the Issuer has obtained and utilised that Tax Credit, the Issuer shall pay an amount to the relevant Guarantor which the Issuer determines will leave

it (after that payment) in the same after-Tax position as it would have been in had the payment in respect of Taxes not been required to be made by that Guarantor.

- 3.3 In the event that the Issuer becomes entitled to make a claim pursuant to Clause 3.1, and without prejudice to the right of the Issuer to make a claim under Clause 3.1, the Issuer shall consult in good faith with the relevant Guarantor and shall use reasonable efforts at the cost and upon the instruction of the Relevant Guarantor (based on the Issuer's reasonable interpretation of any relevant tax, law, regulation, requirement, official directive, request, policy or guideline) to reduce, in whole or in part, that Guarantor's obligations to pay any additional amount pursuant to such Clause, except that nothing in this Clause 3.3 shall obligate the Issuer to incur any costs or expenses in taking any action which, in the reasonable opinion of the Issuer, is prejudicial to its interests.

4. **GENERAL**

4.1 **Stamp Duties**

4.1.1 The Guarantors shall pay all stamp, registration and documentary taxes or similar charges (if any) imposed on or payable by any Guarantor in the Russian Federation, Cyprus, the United Kingdom, the Isle of Man, Luxembourg, Belgium or Ireland which may be payable or determined to be payable in connection with the execution, delivery, performance, enforcement, or admissibility into evidence of this Deed.

4.1.2 The Guarantors shall indemnify the Issuer against any and all costs and expenses which may be incurred or suffered by the Issuer with respect to, or resulting from, delay or failure by any Guarantor to comply with its obligation under Clause 4.1.1 to pay such taxes or similar charges and against all stamp, registration, documentary or other taxes which may be paid by the Issuer or the Trustee in any jurisdiction in connection with any action taken by or on behalf of the Issuer or the Trustee to enforce the obligations of the Borrower or any Guarantor under this Deed or in connection with the admissibility into evidence of this Deed.

4.2 **VAT**

Where a sum is payable under this Deed to the Issuer, the Guarantors will, in addition, pay in respect of VAT:

4.2.1 where the payment (or any part of it) constitutes the consideration (or any part thereof) for any supply of services made to the Guarantors, such amounts as equal any VAT properly chargeable thereon by the Issuer (not being VAT for which a Guarantor has to account for on its own account to the relevant taxing authority) on receipt of a valid VAT invoice; and

4.2.2 where the payment is to reimburse or indemnify the Issuer for any cost, charge or expense incurred by it (except where the payment falls within sub-clause 4.14.3 below or where such payment is in respect of fees, expenses, indemnities or other amounts under the Loan Agreement where VAT has already been taken into account and reflected in the value of such payment in

accordance with the terms of the Loan Agreement), such amount as equals any VAT, which the Issuer represents in good faith is not recoverable by it or by the representative member of any VAT group of which it is a member, charged to or incurred by the Issuer in respect of any cost, charge or expense which gives rise to or is reflected in the payment on production of relevant invoices or equivalent evidence of such payment having been made.

4.3 **Waivers**

No failure to exercise and no delay in exercising, on the part of the Issuer or any Guarantor, any right, power or privilege hereunder and no course of dealing between any Guarantor and the Issuer shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof, or the exercise of any other right, power or privilege. The rights and remedies herein provided are cumulative and not exclusive of any rights, or remedies provided by applicable law.

4.4 **Notices**

4.4.1 ***Method***

Each communication under this Deed shall be made by fax or otherwise in writing. Each communication or document to be delivered to any party under this Deed shall be sent to that party at the fax number or postal address and marked for the attention of the person (if any), from time to time designated by that party to each other party for the purpose of this Deed. The initial telephone number, fax number, postal address and person so designated by the parties under this Deed are set out below:

- (a) *Initial Guarantors*: if to any of the Initial Guarantors, to the following address:

Address: 1 Lampousas Street
1095 Nicosia
Cyprus

Fax: +357 22779939

Attention: The Board of Directors

and, in all cases, a copy of such communication must be sent by both email and post to the following address:

Address: Territory Airport "Domodedovo", bld.3/1
Domodedovsky District
Moscow Region, 142015
Russian Federation

Email: info@chrysostomides.com.cy, amc@dme.ru,
WladimirPopov@dme.ru

Attention: Airport Management Company Limited

(b) *Issuer*: if to the Issuer, to it at:

Address: 2nd Floor, Palmerston House~
Fenian Street
Dublin 2
Ireland

Fax: +353 (1) 905 8029

Attention: The Directors

or to such other address or fax number as any party may hereafter specify in writing to the other or, in the case of any of the Further Guarantors that accede to this Deed, to such address specified in the deed of accession under which such Further Guarantor has so acceded.

4.4.2 ***Deemed Receipt***

Any communication from any party to any other under this Deed shall be effective, (if by fax) when the relevant delivery receipt is received by the sender, (if in writing) when delivered; provided that any communication which is received (or deemed to take effect in accordance with the foregoing) after 4p.m. or on a non-business day in the place of receipt shall be deemed to take effect at the opening of business on the next following business day in such place. Any communication delivered to any party under this Deed which is to be sent by fax will be written legal evidence.

4.5 **Assignment**

4.5.1 Subject to Clause 4.5.2, this Deed shall inure to the benefit of and be binding upon the parties, their respective successors and any permitted assignee or transferee of some or all of a party's rights under this Deed. Any reference in this Deed to any party shall be construed accordingly and, in particular, references to the exercise of any rights, benefits and discretions or the making of any determination (including forming an opinion) by, and the delivery of notices, certificates and information to, the Issuer, shall include references to the exercise of any such rights, benefits or discretions by or the making of such determination (including forming an opinion) by the Trustee (as Trustee).

4.5.2 The Guarantors shall not assign or transfer all or any part of its rights or obligations hereunder to any other party or Person.

4.5.3 Subject to the provisions of Clause 17 of the Trust Deed, the Issuer may not assign or transfer, in whole or in part, any of its rights, benefits nor obligations under this Deed, other than the Reserved Rights, except that the Issuer may charge by way of fixed charge in favour of the Trustee (as Trustee) certain of the Issuer's rights and benefits under this Deed; and assign absolutely to the Trustee certain rights, interests and benefits under this Deed, in each case, as set out in to Clause 4 of the Trust Deed.

4.6 **Currency Indemnity**

Each reference in this Deed to U.S. Dollars is of the essence. To the fullest extent permitted by law, the obligation of the Guarantors in respect of any amount due in U.S. Dollars under this Deed shall, notwithstanding any payment in any other currency (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in U.S. Dollars that the Issuer may, in accordance with normal banking procedures, purchase with the sum paid in such other currency (after any premium and costs of exchange) on the Business Day immediately following the day on which the Issuer receives such payment. If the amount in U.S. Dollars that may be so purchased for any reason falls short of the amount originally due, each Guarantor hereby agrees to indemnify and hold harmless the Issuer against any deficiency in U.S. Dollars. Any obligation of the Guarantors not discharged by payment in U.S. Dollars shall, to the fullest extent permitted by applicable law, be due as a separate and independent obligation and, until discharged as provided herein, shall continue in full force and effect.

4.7 **Contracts (Rights of Third Parties) Act 1999**

Except as otherwise specifically provided herein, a person who is not a party to this Deed has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Deed except that the Trustee may enforce and rely on any provision of this Deed to the same extent as if it were a party hereto. This Deed may be terminated and any term may be amended or waived without the consent of any such Person so expressly provided for under this Deed.

4.8 **Governing Law**

This Deed and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

4.9 **Jurisdiction**

The parties irrevocably agree that any dispute arising out of or in connection with this Deed, including a dispute as to the validity, existence or termination of this Deed or the consequences of its nullity and/or this Clause 4.9 (a "**Dispute**"), shall be resolved by arbitration in London, England conducted in the English language by three arbitrators pursuant to the LCIA rules (the "**Rules**"), which Rules are deemed incorporated by reference into this Clause, save that, unless the parties agree otherwise, the third arbitrator, who shall act as presiding arbitrator of the tribunal, shall be nominated by the two arbitrators nominated by or on behalf of the parties. If not so nominated within 30 days of the date of nomination of the later of the two party-nominated arbitrators to be nominated, the third arbitrator shall be chosen by the LCIA.

4.10 **Waiver of Immunity**

To the extent any Guarantor may, in relation to any Dispute, claim in any jurisdiction, for itself or its assets or revenues, immunity from the jurisdiction of any court or tribunal, service of process, injunctive or other interim relief, or any process for

execution of any award or judgment against its property, such Guarantor irrevocably waives such immunity.

4.11 **Consent to Enforcement etc.**

Each Guarantor consents generally in respect of any arbitration or litigation proceedings to the giving of any relief or the issue of any process in connection with such proceedings including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgement which is made or given in such proceedings.

4.12 **Severability**

In case any provision in or obligation under this Deed shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

4.13 **Counterparts**

This Deed may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which when so executed shall constitute one and the same binding agreement between the parties hereto.

4.14 **No Recourse and Non Petition**

4.14.1 Neither the Guarantors nor any other Person acting on their behalf shall be entitled at any time to institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, administration, moratorium, reorganisation, controlled management, arrangement, insolvency, examinership, winding-up or liquidation proceedings or similar insolvency proceedings under any applicable bankruptcy or similar law in connection with any obligation of the Issuer under this Deed, save for lodging a claim in the liquidation of the Issuer which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Issuer.

4.14.2 Each Guarantor hereby agrees that it shall have recourse in respect of any claim against the Issuer only to sums in respect of principal, interest or other amounts (if any), as the case may be, received by or for the account of the Issuer pursuant to this Deed (the "**Issuer Assets**"), subject always to the Security Interests (as defined in the Trust Deed), and that any claim by such Guarantor shall be reduced *pro rata* so that the total of all such claims does not exceed the aggregate value of the Issuer Assets after meeting claims secured on them. Neither the Guarantors nor any Person acting on their behalf shall be entitled to take any further steps against the Issuer to recover any further sums and no debt shall be owned by the Issuer to such Person in respect of any such further sum.

- 4.14.3 It is expressly agreed and understood that the entry into this Deed constitutes a corporate obligation only of the Issuer. No personal liability shall attach to or be incurred by any shareholder, member, equity holder, officer, agent, employee or director of the Issuer in his capacity as such, under or by reason of any of the obligations, covenants or agreements of such party as a result of entry into this Deed or implied therefrom and any and all personal liability of every such shareholder, member, equity holder, officer, agent, employee or director for breaches by the Issuer of any such obligations, covenants or agreements, either at law or by statute or constitution, is hereby expressly waived by the Guarantors as a condition of and in consideration for the execution of this Deed except to the extent that any such Person acts in bad faith or is negligent in the context of its obligations.
- 4.14.4 This Clause 4.14 shall survive the termination of this Deed.

Schedule
Form of Guarantor Deed of Accession

To: **Hacienda Investments Limited**

From: [Name of Further Guarantor] (the "**Further Guarantor**")

Dated:

Dear Sirs,

U.S.\$ 350,000,000 5.875 per cent. Guaranteed Notes due 2021 (the "Notes") issued by DME Airport Designated Activity Company

We refer to the following documents:

"**Conditions**" mean the terms and conditions of the Notes.

"**Deed of Guarantee**" mean the deed of guarantee dated 8 November 2016 made between DME Airport Designated Activity Company (the "**Issuer**") and the Initial Guarantors named therein (and any other Guarantors that have subsequently acceded thereto);

"**Fees Letters**" means the Fees Side Letter and the Trustee and Agents Fee Side Letter;

"**Fees Side Letter**" means the letter entered into between, inter alia, the Borrower, the Issuer, the Trustee and the Agents named therein dated 8 November 2016 relating, amongst other things, to the upfront remuneration of the various parties thereto;

"**Guarantee**" shall have the meaning given to it in Clause 2.1 of the Deed of Guarantee; and

"**Trustee and Agents Fee Side Letter**" means the letter dated 8 November 2016 from the Trustee and the Agents to the Issuer and the Borrower, relating, amongst other things, to the ongoing remuneration and indemnification of the Trustee and Agents.

Terms defined in the Deed of Guarantee shall bear the same meaning herein.

The Further Guarantor wishes to become an Further Guarantor as envisaged by Clause 9.8 of the Loan Agreement.

The Further Guarantor is a [state type of company] duly organised under the laws of the [name of state in which company is incorporated].

The Further Guarantor confirms that it has received from the Issuer a true and up-to-date copy of the Deed of Guarantee, the Conditions, the Fee Letters and the Loan Agreement as at the date hereof.

The Further Guarantor undertakes, to perform and observe all the obligations expressed to be undertaken under the Deed of Guarantee, the Conditions, the Fee Letters and the Loan Agreement by a Guarantor and agrees that it shall be bound by the Deed of Guarantee, the Conditions, the Fee Letters and the Loan Agreement in all respects as if it had been an original party thereto.

The parties hereby agree that the Trustee is a party to this Guarantor Deed of Accession solely to take the benefit thereof and has no obligations or duties to the Further Guarantor, the Issuer, the Borrower or any other person in respect thereof.

The Further Guarantor administrative details are as follows:

Address:

Fax.:

Telephone:

Contact Name:

This Deed of Accession and any non-contractual obligations arising out of or in connection with it shall be governed by, and shall be construed in accordance with, English law. If any party considers that there is a dispute arising out of or in connection with this Deed of Accession, including a dispute as to the validity, existence or termination of this Deed of Accession or the consequences of its nullity (a "**Dispute**"), it may notify the other parties in writing of the existence of such Dispute (a "**Notice of Dispute**"). The parties irrevocably agree that any Dispute shall be resolved by arbitration in London, England conducted in the English language by three arbitrators pursuant to the LCIA rules (the "**Rules**"), which Rules are deemed incorporated by reference into this Clause, save that, unless the parties agree otherwise, the third arbitrator, who shall act as presiding arbitrator of the tribunal, shall be nominated by the two arbitrators nominated by or on behalf of the parties . If not so nominated within 30 days of the date of nomination of the later of the two party-nominated arbitrators to be nominated, the third arbitrator shall be chosen by the LCIA.

Executed as a deed by

FURTHER Guarantor

and signed and delivered as a deed

on its behalf in the presence of:

Witness:

Signature:

Name:

Address:

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes, which will be attached to the Notes in definitive form (if any) and (subject to the provisions thereof) will apply to the Global Certificates.

The U.S.\$ 350,000,000 5.875 per cent. Loan Participation Notes due 2021 (the "**Notes**" which expression includes any further Notes issued pursuant to Condition 15 and forming a single series herewith) of DME Airport Designated Activity Company (the "**Issuer**") are constituted by, are subject to, and have the benefit of a trust deed (the "**Trust Deed**", which expression includes such trust deed as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto, as from time to time so modified) dated 10 November 2016 and made between the Issuer and BNY Mellon Corporate Trustee Services Limited (the "**Trustee**", which expression shall include any successors) as trustee for the holders of the Notes (the "**Noteholders**").

The Issuer has authorised the creation, issue and sale of the Notes for the sole purpose of financing a U.S.\$ 350,000,000 loan (the "**Loan**") to Hacienda Investments Limited (the "**Borrower**"). The terms of the Loan are set forth in a loan agreement (the "**Loan Agreement**") dated 8 November 2016 between the Issuer and the Borrower. The Loan is unconditionally and irrevocably, and jointly and severally, guaranteed by Airport Management Company Limited, DME Limited, DOMODEDOVO INTERNATIONAL AIRPORT Limited Liability Company, DOMODEDOVO COMMERCIAL SERVICES Limited Liability Company, DOMODEDOVO CATERING Limited Liability Company, "DOMODEDOVO FUEL SERVICES" Limited Liability Company, DOMODEDOVO PASSENGER TERMINAL Limited Liability Company, "DOMODEDOVO FUEL FACILITIES" Limited Liability Company and "DOMODEDOVO AIRPORT HANDLING" Limited Liability Company (the "**Initial Guarantors**") under a deed of guarantee dated 8 November 2016 (the "**Deed of Guarantee**", which expression shall be taken to include any further deeds of guarantee entered into in connection with the Loan by any Further Guarantors (as defined below)) in favour of the Issuer as lender under the Loan Agreement (the "**Initial Guarantees**"). The Borrower may also be obligated to procure certain further guarantees from further guarantors ("**Further Guarantors**"), upon the satisfaction of certain conditions set out in Clauses 9.8 and 9.9 of the Loan Agreement, substantively in the form of the Deed of Guarantee (the "**Further Guarantees**"). The Initial Guarantees and any Further Guarantees are together referred to as the "**Guarantees**" and the Initial Guarantors and any Further Guarantors are together referred to as the "**Guarantors**".

In each case where amounts of principal, interest and additional amounts (if any) are stated herein or in the Trust Deed to be payable in respect of the Notes, the obligations of the Issuer to make any such payment shall constitute an obligation only to account to the Noteholders on each date upon which such amounts of principal, interest and additional amounts (if any), respectively are due in respect of the Notes, for an amount equivalent to sums of principal, interest and additional amounts (if any) actually received by or for the account of the Issuer pursuant to the Loan Agreement or the Deed of Guarantee, as the case may be, less any amounts in respect of the Reserved Rights (as defined in the Trust Deed). Noteholders must therefore rely solely and exclusively on the covenant to pay under the Loan Agreement and the Deed of Guarantee, the benefit of the Security Interests (as defined below) and the credit and financial standing of the Borrower and the Guarantors. Noteholders shall have no recourse (direct or indirect) to any other asset of the Issuer.

The Issuer has charged by way of first fixed charge in favour of the Trustee for the benefit of itself and the Noteholders certain of its rights and interests under the Deed of Guarantee and as lender under the Loan Agreement as security for its payment obligations in respect of the Notes and under the Trust Deed (the "**Charge**") and will so charge its rights, title, interest and benefit under any Further Guarantees and has assigned absolutely certain other rights under the Loan Agreement and the Deed of Guarantee to the Trustee (the "**Assigned Rights**" and, together with the Charge, the "**Security Interests**") and will so assign its rights, title, interest and benefit under any Further Guarantees, excluding the Reserved Rights.

In certain circumstances, the Trustee can (subject to its being indemnified and/or secured and/or prefunded to its satisfaction) be required by Noteholders holding in aggregate at least 25 per cent. of the principal amount of the Notes outstanding (as defined in the Trust Deed) or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders to exercise certain of its powers under the Trust Deed (including those arising under the Security Interests).

Payments in respect of the Notes will be made (subject to the receipt of the relevant funds from the Borrower or the Guarantors, as the case may be under the Loan Agreement or the Deed of Guarantee, as the case may be) pursuant to a paying agency agreement (the "**Paying Agency Agreement**") dated 8 November 2016 and made between the Issuer, the Borrower, The Bank of New York Mellon, London Branch, as the principal paying agent and a transfer agent (the "**Principal Paying Agent**" and a "**Transfer Agent**", which expressions shall include any successors), The Bank of New York Mellon (Luxembourg) S.A. as the registrar (the "**Registrar**", which expression shall include any successors) and as paying agent and a transfer agent (the "**Paying Agent**" and a "**Transfer Agent**", which expressions shall include any successors, and each Paying Agent and the Principal Paying Agent, together the "**Paying Agents**") and the Trustee. References herein to the "**Agents**" are to the Registrar, the Paying Agents and the Transfer Agents and any reference to an "**Agent**" is to any one of them.

Copies of the Trust Deed, the Loan Agreement, the Deed of Guarantee and the Paying Agency Agreement are available for inspection in physical format during normal business hours at (i) the registered office of the Issuer being, at the date hereof, 2nd Floor, Palmerston House, Fenian Street, Dublin 2, Ireland; and (ii) at the specified office of the Trustee being, as at the date hereof, One Canada Square, London E14 5AL, United Kingdom.

Certain provisions of these terms and conditions (the "**Conditions**") are summaries or restatements of, and are subject to, the detailed provisions of the Trust Deed, the Loan Agreement (the form of which is scheduled to and incorporated in the Trust Deed), the Deed of Guarantee and the Paying Agency Agreement. Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions thereof and are deemed to have notice of all the provisions of the Loan Agreement and the Deed of Guarantee that are applicable to them.

Unless otherwise stated, terms not defined herein shall have the same meanings given to them in the Trust Deed.

1. **STATUS**

The Notes are limited recourse secured obligations of the Issuer and rank *pari passu* and rateably without any preference amongst themselves.

The sole purpose of the issue of the Notes is to provide the funds for the Issuer to finance the Loan. The Notes constitute the obligation of the Issuer to apply the proceeds from the issue of the Notes solely for financing the Loan and to account to the Noteholders for an amount equivalent to sums of principal, interest and additional amounts (if any) actually received and retained by or for the account of the Issuer pursuant to the Loan Agreement and/or the Deed of Guarantee, as the case may be, less any amount in respect of the Reserved Rights.

The Trust Deed provides that payments in respect of the Notes equal to the sums actually received and retained by or for the account of the Issuer by way of principal, interest or additional amounts (if any) pursuant to the Loan Agreement and/or the Deed of Guarantee, less any amount in respect of the Reserved Rights, will be made *pro rata* among all Noteholders (subject to Condition 8), on the date of, and in the currency of, and subject to the conditions attaching to, the equivalent payment pursuant to the Loan Agreement. The Issuer shall not be liable to make any payment in respect of the Notes other than as expressly provided herein and in the Trust Deed. As provided therein, the Issuer shall be under no obligation to exercise in favour of the Noteholders any rights of set-off or to combine accounts or counterclaim that may arise out of other transactions between the Issuer and the Borrower or the Issuer and the Guarantors.

Noteholders have notice of, and have accepted, these Conditions and the contents of the Trust Deed, the Paying Agency Agreement, the Deed of Guarantee and the Loan Agreement. It is hereby expressly provided that, and Noteholders are deemed to have accepted that:

- (i) neither the Issuer nor the Trustee makes any representation or warranty in respect of, or shall at any time have any responsibility for, or, (in the case of the Issuer) save as otherwise expressly provided in the Trust Deed, in Condition 1(vi) below or in the Loan Agreement, any liability or obligation in respect of the performance and observance by the Borrower of its obligations under the Loan Agreement or the Guarantors under the Deed of Guarantee or the recoverability of any sum of principal or interest (or any additional amounts) due or to become due from the Borrower under the Loan Agreement or from the Guarantors under the Deed of Guarantee;
- (ii) neither the Issuer nor the Trustee shall at any time have any responsibility for, or obligation or liability in respect of, the condition (financial or otherwise), creditworthiness, affairs, status, nature or prospects of the Borrower or of the Guarantors;
- (iii) neither the Issuer nor the Trustee shall at any time be liable for any representation or warranty or any act, default or omission of the Borrower under or in respect of the Loan Agreement or of any Guarantor under or in respect of the Deed of Guarantee;
- (iv) neither the Issuer nor the Trustee shall at any time have any responsibility for, or liability or obligation in respect of, the performance and observance by the Agents of their respective obligations under the Paying Agency Agreement;

- (v) the payment of principal, interest and other amounts, if any, under, and performance of the terms, of the Notes depend solely and exclusively upon performance by the Borrower of its obligations under the Loan Agreement or by the Guarantors of their respective obligations under the Deed of Guarantee, and the Borrower's covenants to make payments under the Loan Agreement, the Guarantors' covenant to guarantee such payments under the Deed of Guarantee and the Borrower's and the Guarantors' credit and financial standing. The Borrower and the Guarantors have each represented and warranted to the Issuer that the Loan Agreement constitutes legal, valid and binding obligations of the Borrower and that the Guarantees constitute legal, valid and binding obligations of the Guarantors;
- (vi) the Issuer and the Trustee shall be entitled to rely on Officers' Certificates (as defined in the Trust Deed) and/or any other certificates (whether or not addressed to the Issuer or the Trustee) from the Borrower, any of the Guarantors, or procured by the Borrower or any of the Guarantors, as the case may be, as a means of monitoring whether the Borrower and the Guarantors are complying with their respective obligations under the Loan Agreement and the Deed of Guarantee or as to the identity of DME Limited's Material Subsidiaries (as defined in the Loan Agreement) and shall not otherwise be responsible for investigating any aspect of the Borrower's or any Guarantor's performance in relation thereto and, (in the case of the Issuer) subject as further provided in the Trust Deed, neither the Issuer under the Deed of Guarantee or the Loan Agreement, nor the Trustee will be liable for any failure to make any investigations which might be made by a lender or a security holder (as applicable) in relation to the property which is subject to the Security Interests and held by way of security for the Notes, and shall not be bound to enquire into or be liable for any defect or failure in the right or title of the Issuer to the property which is subject to the Security Interests whether such defect or failure was known to the Trustee or might have been discovered upon examination or enquiry or whether capable of remedy or not, nor will the Trustee have any liability for the enforceability of the security created by the Security Interests whether as a result of any failure, omission or defect in registering or filing or otherwise protecting or perfecting such security; the Trustee has no responsibility for the value of such security;
- (vii) neither the Trustee nor the Issuer shall at any time be required to expend or risk its own funds or otherwise incur any financial liability in the performance of its obligations or duties or the exercise of any right, power, authority or discretion pursuant to these Conditions until the Issuer, or the Trustee, as the case may be, has received an indemnity and/or security to its satisfaction and/or the funds that are necessary to cover the costs and expenses in connection with such performance or exercise, or has been (in its sole discretion) sufficiently assured that it will receive such funds; and

- (viii) the Issuer will not be liable to make any payments to compensate for any withholding or deduction required to be made by or on behalf of the Issuer in respect of any payment relating to the Notes, or for any payment for or on account of tax required to be made by the Issuer on or in relation to any sum received and retained by it under the Loan Agreement and/or under the Deed of Guarantee, as the case may be, which will or may affect payments made or to be made by the Borrower under the Loan Agreement and/or by the Guarantors under the Deed of Guarantee, save to the extent that it has received additional amounts under the Loan Agreement and/or under the Deed of Guarantee in respect of such withholding or deduction or payment, and the Issuer shall, furthermore, not be obliged to take any actions or measures as regards such deduction or withholding or payment, other than those set out in this context in the Loan Agreement and/or the Deed of Guarantee. The Trustee shall have no liability in respect of any such deduction, withholding or payment.

Under the Trust Deed, the obligations of the Issuer in respect of the Notes rank *pari passu* and rateably without any preference among themselves.

In the event that the payments under the Loan Agreement are made by the Borrower or payments under the Deed of Guarantee are made by the Guarantors to, or to the order of, the Trustee or (subject to the provisions of the Trust Deed) the Principal Paying Agent, they will *pro tanto*, to the extent of such payment, satisfy the obligations of the Issuer in respect of the Notes (unless, upon due presentation of a Note, payment is improperly withheld or refused or to the extent that there is failure in its subsequent payment to the Noteholders).

Save as otherwise expressly provided herein and in the Trust Deed, no proprietary or other direct interest in the Issuer's right under or in respect of the Loan Agreement, the Loan, the Deed of Guarantee, the Guarantees, the Account or the Charged Property (each as defined in the Trust Deed) exists for the benefit of the Noteholders. Subject to the terms of the Trust Deed, no Noteholder will have any entitlement to enforce the Loan Agreement or direct recourse to the Borrower, nor to enforce the Deed of Guarantee or have direct recourse to the Guarantors, except through action by the Trustee pursuant to the relevant Security Interests granted to the Trustee in the Trust Deed. Neither the Issuer nor, following the enforcement of the Security Interests created in the Trust Deed, the Trustee shall be required to take any steps, actions or proceedings to enforce payment under the Loan Agreement or the Deed of Guarantee unless it has been indemnified and/or secured and/or prefunded by the Noteholders to its satisfaction.

Notwithstanding any other provision hereof, the obligations of the Issuer under the Notes shall be solely to make payments of amounts in aggregate equal to each sum actually received and retained by or for the account of the Issuer (after deduction or withholding or payment of such taxes or duties as may be required to be made by the Issuer by law in respect of payments pursuant to such sum or in respect of the Notes and for which the Issuer has not received a corresponding payment (also after deduction or withholding or payment of such taxes or duties as may be required to be made by the Issuer in respect thereof) pursuant to the Loan Agreement or the Deed of Guarantee, as the case may be) from the Borrower or the Guarantors, as the case may

be, in respect of principal, interest or, as the case may be, other amounts relating to the Loan pursuant to the Loan Agreement and amounts relating to the Guarantees pursuant to the Deed of Guarantee (less in each case any amounts in respect of the Reserved Rights), the right to receive which will, *inter alia*, be assigned to the Trustee as security for the Issuer's payment obligations in respect of the Notes. Accordingly, all payments to be made by the Issuer under the Notes will be made only from and to the extent of such sums received and retained or recovered by or on behalf of the Issuer or the Trustee (following a Relevant Event or (if applicable) an Event of Default). Noteholders shall look solely to such sums for payments to be made by the Issuer under the Notes, the obligation of the Issuer to make payments in respect of the Notes will be limited to such sums and Noteholders will have no further recourse to the Issuer or any of the Issuer's other assets in respect thereof. In the event that the amount due and payable by the Issuer under the Notes exceeds the sums so received or recovered, the right of any person to claim payment of any amount exceeding such sums shall be extinguished, and Noteholders may take no further action to recover such amounts.

None of the Noteholders or the other creditors (nor any other person acting on behalf of any of them) shall be entitled at any time to institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, administration, moratorium, reorganisation, controlled management, arrangement, insolvency, examinership, winding-up or liquidation proceedings or similar insolvency proceedings under any applicable bankruptcy or similar law in connection with any obligation of the Issuer relating to the Notes or otherwise owed to the creditors, save for lodging a claim in the liquidation of the Issuer which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Issuer.

No Noteholder shall have any recourse against any director, shareholder, or officer of the Issuer in respect of any obligations, covenants or agreement entered into or made by the Issuer in respect of the Notes, other than in the case of fraud.

2. GUARANTORS

The Initial Guarantors have guaranteed and any Further Guarantors will guarantee in the Deed of Guarantee (or, in the case of Further Guarantors, may alternatively guarantee in a deed of guarantee substantially in the form of the Deed of Guarantee) unconditionally, irrevocably and jointly and severally (with each other Guarantor (present or future)) in favour of the Issuer (as lender under the Loan Agreement), the payment when due of all sums expressed to be payable by the Borrower under the Loan Agreement. The Initial Guarantors' obligations and any Further Guarantors' obligations (as applicable) are set forth in detail in the Deed of Guarantee.

3. FORM, DENOMINATION, REGISTER AND TRANSFERS

- 3.1 Form and denomination:** Notes are in registered form, in the denominations of U.S.\$200,000 or integral multiples of U.S.\$1,000 in excess thereof (an "Authorised Holding").

3.2 **Register, Title and Transfers:**

(a) ***Register***

The Registrar will maintain a register (the "**Register**") in respect of the Notes in accordance with the provisions of the Paying Agency Agreement. In these Conditions the "**holder**" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly. A certificate (a "**Certificate**") will be issued to each Noteholder in respect of its registered holding of Notes.

(b) ***Title***

Title to the Notes will pass by and upon registration in the Register. The holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such holder.

(c) ***Transfers***

Subject to paragraph (e) of this Condition 3.2, a Note may be transferred upon surrender of the relevant Certificate, with the endorsed form of transfer duly completed, at the specified office of the Registrar or at the specified office of the Transfer Agent, together with such evidence as the Registrar or the Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided however, that a Note may not be transferred unless the principal amount of the Notes transferred and (where not all of the Notes held by a holder are being transferred) the principal amount of the balance of the Notes not transferred are Authorised Holdings. Where not all the Notes represented by the surrendered Certificates are the subject of the transfer, a new Certificate in respect of the balance of the Notes not transferred will be issued to the transferor.

(d) ***Registration and delivery of Definitive Notes***

Subject to paragraph (e) of this Condition 3.2, within five business days of the surrender of a Certificate in accordance with the immediately preceding paragraph above, the Registrar will register the transfer in question and deliver a new Certificate to each relevant holder at its specified office or (at the request and risk of such relevant holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant holder. In this paragraph, "**business day**" means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city where the Registrar has its specified office. In the case of the transfer of only a part of the Notes, a new Certificate in respect of the balance of the Notes not transferred will be so delivered or (at the risk and, if mailed at the request of

the transferor otherwise than by ordinary uninsured mail, at the expense of the transferor) sent by mail to the transferor.

The transfer of Notes will be effected without charge but against such indemnity as the Registrar or the Transfer Agent, as applicable, may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

(e) ***Regulations concerning Transfers and Registration***

All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Paying Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholders who requests in writing a copy of such regulations.

4. **RESTRICTIVE COVENANT**

As provided in the Trust Deed, so long as any of the Notes remains outstanding (as defined in the Trust Deed), the Issuer will not, without the prior written consent of the Trustee, agree to any amendment to or any modification or waiver of, or authorise any breach or proposed breach of, the terms of the Loan Agreement or the Deed of Guarantee and will act at all times in accordance with any instructions of the Trustee from time to time with respect to the Loan Agreement and the Deed of Guarantee, except as otherwise expressly provided in the Trust Deed, Loan Agreement or the Deed of Guarantee, as the case may be. Any such amendment, modification, waiver or authorisation made with the consent of the Trustee shall be binding on the Noteholders and any such amendment or modification shall be notified by the Issuer to the Noteholders in accordance with Condition 14.

Save as provided above, so long as any Note remains outstanding, the Issuer, without the prior written consent of the Trustee, shall not, *inter alia*, incur any other indebtedness for borrowed moneys other than the issue of notes on a limited recourse basis for the sole purpose of making loans to the Borrower or any Guarantor, engage in any business (other than entering into any agreements related to the Notes or any other issue of notes as aforesaid (including derivative transactions on a limited recourse basis associated with the issue of such notes) and performing any acts incidental to or necessary in connection with the Notes or such related agreements (including the holding of any security in connection therewith), making the Loan to the Borrower pursuant to the Loan Agreement or any future loans to the Borrower or any Guarantor in connection with the issue of notes as aforesaid and performing any act incidental to or necessary in connection therewith), declare any dividends, have any subsidiaries or employees (save for its directors), purchase, own, lease or otherwise acquire any real property (including office premises or like facilities), consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entity (to the extent the same is within control of the Issuer)

to any person (otherwise than as contemplated in these Conditions and the Trust Deed), issue any further shares (except that the Issuer may issue shares to the extent necessary to convert the status of the Issuer to that of a public limited company) or make any distribution to its shareholders, give any guarantee or assume any other liability, or, subject to the laws of Ireland, petition for any winding-up or bankruptcy.

5. **INTEREST**

On each Interest Payment Date (or, if later, one Business Day following such date as amounts equivalent to amounts of interest are received) the Issuer shall account to the Noteholders for an amount equal to the amount of interest actually received and retained by or for the account of the Issuer pursuant to the Loan Agreement and/or the Deed of Guarantee, as the case may be, which interest under the Loan is payable at a rate of 5.875 per cent. per annum as set out in Clause 4 of the Loan Agreement.

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall accrue (after as well as before judgment) at the rate of interest set out in Clause 4 of the Loan Agreement.

In these Conditions, "**Interest Payment Date**" means 11 May and 11 November of each year commencing on 11 May 2017.

6. **REDEMPTION AND PURCHASE**

(a) **Final Redemption**

Unless previously prepaid or repaid pursuant to Clauses 5.2, 5.3, 5.4, 5.5, 5.6 or 10 of the Loan Agreement, the Borrower, failing whom the Guarantors, will be required to repay the Loan not later than 10:00 a.m. (London time) one Business Day prior to the Repayment Date and, subject to such repayment, as set forth in the Loan Agreement, all the Notes then remaining outstanding will on 11 November 2021 (the "**Repayment Date**") (or, if later, one Business Day following the date on which such repayment is made by the Borrower or the Guarantors, as applicable) be redeemed or repaid by the Issuer at 100 per cent. of the principal amount thereof together with accrued interest.

(b) **Early Redemption**

Under the Loan Agreement:

- (i) the Borrower may, in the circumstances set out in Clause 5.2 of the Loan Agreement repay the Loan in whole but not in part; or
- (ii) the Issuer may require the Borrower to prepay the Loan in whole but not in part in the circumstances set out in Clause 5.3 of the Loan Agreement.

If the Loan should become repayable (and be repaid) prior to the Repayment Date pursuant to Clauses 5.2, 5.3 or 10 of the Loan Agreement, all Notes then remaining outstanding will thereupon become due and redeemable or repayable at 100 per cent. of the principal amount together with accrued

interest and (subject to the Loan being repaid together with accrued interest or equivalent amounts being paid under the Guarantee) shall be redeemed or repaid by the Issuer and the Issuer will endeavour to give not less than 14 days' notice thereof to the Trustee and the Noteholders in accordance with Condition 14.

(c) **Change of control**

If a Change of Control Put Event (shall have occurred, the holder of a Note will have the option (the "**Change of Control Put Option**") to require the Issuer to redeem such Note on the Change of Control Put Settlement Date (as defined below) its principal amount together with accrued interest (if any) to (and excluding) the Change of Control Put Settlement Date.

Promptly upon the Issuer becoming aware (either by receiving written notice from the Borrower or otherwise) that a Change of Control Put Event has occurred, the Issuer shall give notice (a "**Change of Control Put Event Notice**") to the Noteholders in accordance with Condition 14, specifying the details relating to the occurrence of the Change of Control Put Event and the procedure for exercising the Change of Control Put Option.

In order to exercise the Change of Control Put Option, the holder of a Note must deliver no later than 30 days after the Change of Control Put Event Notice is given (the "**Change of Control Put Period**"), to the Specified Office of the Principal Paying Agent, evidence satisfactory to the Principal Paying Agent of such holder's entitlement to such Note and a duly completed put option exercise notice (a "**Change of Control Put Option Notice**") specifying the principal amount of the Notes in respect of which the Change of Control Put Option is exercised, in the form obtainable from the Principal Paying Agent. The Principal Paying Agent will provide such Noteholder with a non-transferable receipt. On the Business Day following the end of the Change of Control Put Period, the Principal Paying Agent shall notify in writing the Issuer and the Borrower of the exercise of the Change of Control Put Option specifying the aggregate principal amount of the Notes to be redeemed in accordance with the Change of Control Put Option. Provided that the Notes that are the subject of any such Change of Control Put Option Notice have been delivered to the Principal Paying Agent prior to the expiry of the Change of Control Put Period, then the Issuer shall (subject to the receipt of sufficient funds to do so from the Borrower under the Loan Agreement) redeem all such Notes on the date falling five Business Days from the last day of the Change of Control Put Period (the "**Change of Control Put Settlement Date**"). No Change of Control Put Option Notice, once delivered in accordance with this Condition 6(c), may be withdrawn.

"**Change of Control Put Event**" means the occurrence of a Change of Control (as defined in the Loan Agreement).

(d) **Purchases**

Clause 5.4 of the Loan Agreement provides that the Borrower or any member of the Group (as defined in the Loan Agreement) may, among other things,

purchase Notes from time to time having an aggregate principal value of at least U.S.\$1,000,000, in the open market or by tender or by private agreement at any price. Such Notes may be held, reissued, resold or, at the option of the Borrower or any such member of the Group, delivered to the Issuer together with a request for the Issuer to redeem and thereafter cancel such Notes, whereupon the Issuer shall, pursuant to the Paying Agency Agreement, instruct the Principal Paying Agent to cancel such Notes. Upon the cancellation of such Notes, the Loan shall be treated as prepaid by the Borrower in an amount corresponding to the aggregate principal amount of the Notes surrendered for cancellation, together with accrued interest (if any) thereon and no further payment shall be made in respect of such Notes.

7. PAYMENTS

(a) Principal

Payments of principal shall be made by U.S. Dollar cheque drawn on, or, upon request by the holder of a Note to the specified office of the Principal Paying Agent, by transfer to a U.S. Dollar account maintained by the payee with, a bank in New York City upon surrender (or, in the case of a partial payment, endorsement) of the relevant Certificates at the specified office of the Principal Paying Agent or at the specified office of the Transfer Agent.

(b) Interest

Payments of interest shall be made by U.S. Dollar cheque drawn on, or by transfer to, a U.S. Dollar account maintained by the payee with a bank in New York City and (in the case of interest payable on redemption) upon surrender (or, in the case of a partial payment, endorsement) of the relevant Certificates at the specified office of the Principal Paying Agent or at the specified office of the Transfer Agent.

(c) Payments subject to fiscal law

All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof or (without prejudice to the provisions of Condition 8) any law implementing any intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(d) Payments on business day

A Note may only be presented for payment on a day which is a business day in the place of presentation. If the due date for payment of interest or principal is not a business day, the holder of a Note shall not be entitled to payment of the amount due until the next following business day and shall not be entitled to

any further interest or other payment in respect of any such delay. In this paragraph, "**business day**" means a day on which, if on that day a payment is to be made hereunder, commercial banks generally are open for business in New York City, Moscow and in the city where the specified office of the Principal Paying Agent is located.

(e) **Record Date**

Each payment in respect of a Note will be made to the person shown as the holder in the Register at the opening of business (in the place of the Registrar's specified office) on the fifteenth day before the due date for each payment (the "**Record Date**"). Where payment in respect of a Note is to be made by cheque, the cheque will be, at the expense of the Issuer provided it has received funds from the Borrower, mailed to the address shown as the address of the Noteholder in the Register at the opening of business on the relevant Record Date.

(f) **Agents**

The Paying Agency Agreement provides that the Issuer may at any time, with the prior written approval of the Trustee, appoint a successor Registrar or Principal Paying Agent and/or additional or successor paying agents or transfer agents provided that for so long as the Notes are listed and/or admitted to trading on any stock exchange, the Issuer will at all times maintain (i) a Principal Paying Agent, (ii) a Registrar having a specified office outside the United Kingdom, (iii) a Transfer Agent, and (iv) such other agents as may be required by any stock exchange on which the Notes may be listed, in each case, as approved by the Trustee. Notice of any such change will be provided to Noteholders as described in Condition 14.

In acting under the Paying Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

(g) **Accrued Interest**

In addition, if the due date for redemption or repayment of a Note is not an Interest Payment Date, interest accrued from the preceding Interest Payment Date or, as the case may be, from the date of issuance of the Notes, shall be payable only as and when actually received and retained by or for the account of the Issuer pursuant to the Loan Agreement or the Deed of Guarantee, as the case may be.

(h) **Payments by the Borrower**

Save as directed by the Trustee at any time after the Security Interests created in the Trust Deed become enforceable, the Issuer will require the Borrower to make all payments of principal, interest and any additional amounts to be made pursuant to the Loan Agreement, or require the Guarantors to make all payments which may become due under the Deed of Guarantee, to the

Principal Paying Agent to an account in the name of the Issuer with the Account Bank. Pursuant to the Charge, the Issuer will charge by way of first fixed charge, all its rights, title and interest in and to all sums of money (with the exception of sums relating to the Reserved Rights) then or in the future so deposited in such account and the debts represented thereby to the Trustee for the benefit of the Trustee and the Noteholders.

(i) **Currency other than U.S. Dollars**

In respect of the Issuer's obligations under Conditions 5, 6 and 8, and subject to the following sentence, if the Issuer receives any amount under the Loan Agreement or Deed of Guarantee in a currency other than U.S. Dollars, the Issuer's obligation under the relevant Condition shall be fully satisfied by paying such sum (after deducting any costs of exchange) as the Issuer receives upon conversion of such sum into U.S. Dollars in accordance with customary banking practice in the spot market on the business day immediately following the day on which such sum is received and retained by the Issuer, provided that the Issuer shall use its best efforts to procure any payments due from the Borrower pursuant to Clause 12.8 of the Loan Agreement. If the Issuer receives any payment from the Borrower pursuant to Clause 12.8 of the Loan Agreement with respect to amounts due under the Notes, the Issuer shall pay such sum to the Noteholders in accordance with this Condition 7.

8. **TAXATION**

All payments in respect of the Notes by or on behalf of the Issuer shall be made free and clear of and without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied, collected, withheld or assessed by or on behalf of Ireland or any political subdivision or any authority thereof or therein having the power to tax, unless the deduction or withholding of such taxes, duties, assessments or governmental charges is required by law.

In such event, the Issuer shall make such additional payments as shall result in the receipt by the Noteholders of such amount as would have been received by them if no such withholding or deduction had been required. However, the Issuer shall only be required to make such additional payments to the extent and at such time as it shall receive equivalent sums from the Borrower under the Loan Agreement and/or from the Guarantors under the Deed of Guarantee. To the extent that the Issuer does not receive any such equivalent sum, the Issuer shall account to the relevant Noteholder for an additional amount equivalent to a *pro rata* proportion of such additional amount (if any) as is actually received and retained by, or for the account of, the Issuer pursuant to the provisions of the Loan Agreement and/or the Deed of Guarantee on the date of, in the currency of, and subject to any conditions attaching to the payment of such additional amount to the Issuer provided that no such additional amount will be payable:

- (i) to a Noteholder (a) who is liable for such taxes or duties by reason of his having some connection with Ireland other than the mere holding of such Notes or the receipt of payments in respect thereof or (b) is able to avoid such deduction or withholding by satisfying any statutory

requirements or by making a declaration of non-residence or other claim for exception to the relevant tax authority; or

- (ii) in respect of a Note presented for payment of principal or interest on redemption more than 30 days after the Relevant Date except to the extent that such additional payment would have been payable if such Note had been presented for payment on such thirtieth day.

As used herein, "**Relevant Date**" means the later of (i) the date on which the equivalent payment under the Loan Agreement first becomes due and (ii) if the full amount payable by the Borrower (or the Guarantors, as the case may be) corresponding to such payment has not been received by, or for the account of, the Issuer pursuant to the Loan Agreement (or pursuant to the Deed of Guarantee, as the case may be) on or prior to such date, it means the date on which such full amount shall have been so received and notice to that effect shall have been duly given to the Noteholders by or on behalf of the Issuer in accordance with Condition 14.

Any reference herein or in the Trust Deed to payments in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable in accordance with the Trust Deed and this Condition 8 or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed. If the Issuer becomes subject to any taxing jurisdiction other than or in addition to Ireland, references in these Conditions to Ireland shall be construed as references to Ireland and/or such other jurisdiction.

9. **ENFORCEMENT**

The Trust Deed provides that only the Trustee (subject to Condition 1) may pursue the remedies under the general law, the Trust Deed, the Loan Agreement, the Deed of Guarantee or the Notes to enforce the rights of the Noteholders and no Noteholder will be entitled to pursue such remedies unless the Trustee (having become bound to do so in accordance with the terms of the Trust Deed) fails to do so within a reasonable period and such failure is continuing.

The Trust Deed also provides that, in the case of an Event of Default (as defined in the Loan Agreement), or of a Relevant Event (as defined in the Trust Deed), the Trustee may, and shall, if requested in writing to do so by Noteholders holding at least 25 per cent. in principal amount of the Notes outstanding, or if directed to do so by an Extraordinary Resolution, and, in any such case, subject in each case to its being secured and/or indemnified and/or prefunded to its satisfaction, institute such steps, actions or proceedings as it may think fit to enforce the rights of the Noteholders and the provisions of the Trust Deed, including to declare all amounts payable under the Loan Agreement by the Borrower and/or the Guarantors under the Deed of Guarantee, as the case may be, to be immediately due and payable (in the case of an Event of Default), or exercise any rights under the Security Interests created in the Trust Deed in favour of the Trustee (in the case of a Relevant Event). Upon repayment of the Loan (or an equivalent amount under the Guarantee) following an Event of Default and a declaration as provided herein, the Notes will be redeemed or repaid at their principal amount together with accrued interest thereon and thereupon shall cease to be outstanding.

10. **MEETINGS OF NOTEHOLDERS; MODIFICATION OF NOTES, TRUST DEED, LOAN AGREEMENT AND DEED OF GUARANTEE; WAIVER; SUBSTITUTION OF THE ISSUER**

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including any modification of, or any arrangement in respect of, the Notes, the Loan Agreement, the Deed of Guarantee or the Trust Deed. Noteholders will be entitled to one vote per U.S.\$1,000 in principal amount of Notes held by them. Such a meeting may be convened by the Issuer, the Borrower or the Trustee and shall be convened by the Trustee, subject to its being indemnified and/or secured and/or prefunded to its satisfaction, upon the request in writing of holders of the Notes holding not less than one tenth of the aggregate principal amount of the outstanding Notes. The Trust Deed provides that special quorum provisions apply for meetings of Noteholders convened for the purpose of amending certain terms concerning, *inter alia*, the amount payable on, and the currency of payment in respect of, the Notes and the amounts payable and currency of payment under the Loan Agreement. Under the terms of the Trust Deed, an Extraordinary Resolution means a resolution passed at a meeting of the Noteholders duly convened and held in accordance with the provisions contained therein by the affirmative vote of holders of outstanding (as defined in the Trust Deed) Notes present in person or represented by proxy or representative owning in the aggregate not less than 75 per cent. in principal amount of the Notes outstanding owned by the Noteholders who are so present or represented at the meeting. Any resolution duly passed at a meeting of Noteholders will be binding on all the Noteholders, whether present or not.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

The Trustee may agree, without the consent of the Noteholders, to any modification of the Notes and the Trust Deed, the Agency Agreement, the Account Bank Agreement or, following the creation of any Security Interests, the Loan Agreement or the Deed of Guarantee which, in each case following, in the opinion of the Trustee is of a formal, minor or technical nature, is made to correct a manifest error or in the opinion of the Trustee (except as mentioned in the Trust Deed) is not materially prejudicial to the interests of the Noteholders.

The Trustee may also, without the consent of the Noteholders, waive or authorise or agree to the waiving or authorising of any breach or proposed breach by the Issuer of the Conditions or the Trust Deed or, following the creation of the Security Interests, by the Borrower of the terms of the Loan Agreement or by the Guarantors of the terms of the Deed of Guarantee, or determine that any event which would or might otherwise give rise to a right of acceleration under the Loan Agreement or any Relevant Event shall not be treated as such, if in the opinion of the Trustee, to do so would not be materially prejudicial to the interests of the Noteholders, provided always that the Trustee may not exercise such power of waiver in contravention of a written request given by holders of 25 per cent. in aggregate principal amount of the

Notes then outstanding or any express direction by Extraordinary Resolution. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Trustee agrees otherwise, shall be promptly notified to the Noteholders in accordance with Condition 14.

The Trust Deed contains provisions to the effect that the Borrower or the Issuer may, provided certain conditions have been met (as further set out in the Trust Deed), and subject to having complied with the requirements set out in the Trust Deed and such requirements as the Trustee may direct in the interest of Noteholders, substitute any entity in place of the Issuer as creditor under the Loan Agreement, as issuer and principal obligor in respect of the Notes and as obligor under the Trust Deed and as beneficiary under the Deed of Guarantee, subject to the substitute's rights under the Loan Agreement and the Deed of Guarantee being charged and assigned to the Trustee as security for the payment obligations of the substitute obligor under the Trust Deed and the Notes. Not later than 14 days after compliance with the aforementioned requirements, notice thereof shall be given by the Issuer to the Noteholders in accordance with Condition 14, failing which the Issuer shall use its best endeavours to ensure that the substitute obligor does so.

In connection with the exercise of any of its powers, trusts, authorities or discretions, the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, shall not have regard to the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. No Noteholder is entitled to claim from the Issuer or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

11. PRESCRIPTION

Notes will become void unless presented for payment within 10 years (in the case of principal) or five years (in the case of interest) from the due date for payment in respect thereof.

12. INDEMNIFICATION OF TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances, including provisions relieving it from taking steps, actions or proceedings to enforce payment unless indemnified and/or secured and/or prefunded to its satisfaction, and to be paid its costs and expenses in priority to any claims of Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and/or the Borrower and/or the Guarantors and any entity relating to the Issuer and/or the Borrower and/or the Guarantors without accounting for any profit.

The Trustee's responsibilities are solely those of trustee for the Noteholders on the terms of the Trust Deed. Accordingly, the Trustee makes no representations and assumes no responsibility for the validity or enforceability of the Loan Agreement or the Deed of Guarantee or the security created in respect thereof or for the performance by the Issuer of its obligations under or in respect of the Notes and the Trust Deed or by the Borrower in respect of the Loan Agreement or by the Guarantors in respect of

the Deed of Guarantee. The Trustee is entitled to assume that the Borrower is performing all of its obligations pursuant to the Loan Agreement, that the Guarantors are performing their obligations under the Deed of Guarantee and that the Issuer is performing its obligations under the Notes, the Loan Agreement and the Trust Deed (and shall have no liability for doing so) until it has actual knowledge to the contrary.

The Trustee shall have no liability to any Noteholder or any other person for any shortfall it may suffer if it is liable for tax in respect of any payments received by it or as a result of the Security Interests being enforced by it.

13. REPLACEMENT OF NOTES

If a Certificate shall become mutilated, defaced, lost, stolen or destroyed it may, subject to all applicable laws and regulations and requirements of any stock exchange on which the Notes are from time to time listed or quoted, be replaced at the specified offices of the Registrar and the Transfer Agents (or any other place of which notice shall have been given to the Noteholders in accordance with Condition 14) on payment of such costs, expenses, taxes and duties as may be incurred in connection therewith and on such terms as to evidence, security and indemnity and otherwise as may reasonably be required by or on behalf of the Issuer and/or the Transfer Agents. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

14. NOTICES

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing. The Issuer shall also ensure that all notices are duly published (if such publication is required) in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed and/or admitted to trading. Any such notice shall be deemed to have been given on the date of such notice.

In case by reason of any other cause it shall be impracticable to publish any notice to holders of Notes as provided above, then such notification to such holders as shall be given with the approval of the Trustee in accordance with the rules of the stock exchange or other relevant authority on which the Notes are for the time being listed and/or admitted to trading shall constitute sufficient notice to such holders for every purpose hereunder.

15. FURTHER ISSUES

The Issuer may from time to time, with the consent of the Borrower but without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further notes or bonds having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) so as to be consolidated and form a single series with the Notes. Such further notes shall be issued under a deed supplemental to the Trust Deed containing such provisions as the Trustee may require. In relation to any further issue which is to be consolidated and form a single series with the Notes, the Issuer will enter into a loan agreement with

the Borrower on substantially the same terms as the Loan Agreement and supplemental to the Loan Agreement, or may amend and restate the same with the Borrower on substantially the same terms as the Loan Agreement and will advance the proceeds of such further issue pursuant to such supplemented or amended loan agreement and procure the initial Guarantees required by the provisions thereof. The Issuer will provide a first fixed charge in favour of the Trustee in respect of certain of its rights and interests under such loan agreement and any further deed of guarantee and will assign absolutely to the Trustee certain of its rights under such loan agreement and any further deed of guarantee, which will secure both the Notes and such further notes and which will supplement the Security Interests in relation to the existing Notes and/or may amend and supplement the Security Interests for such purpose. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides. Application will be made for such further notes or bonds to be listed and admitted to trading on the stock exchange on which the Notes are from time to time listed or quoted.

16. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

17. GOVERNING LAW

The Notes, these Conditions, the Trust Deed, the Loan Agreement, the Deed of Guarantee and any non-contractual obligations arising out of or in connection with them shall be governed by and construed in accordance with English law. The Issuer has submitted in the Trust Deed to the jurisdiction of the courts of England and has appointed an agent for the service of process in England.

Without prejudice to the foregoing provisions, (i) the Issuer has in the Loan Agreement and the Deed of Guarantee, (ii) the Borrower has in the Loan Agreement and (iii) the Guarantors have in the Deed of Guarantee, agreed that any disputes which may arise out of or in connection with the Loan Agreement or the Deed of Guarantee (as the case may be), including any questions regarding their existence, validity or termination may be referred to and finally resolved by arbitration under the LCIA rules.

SUMMARY OF THE PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Global Certificate

The Notes will be evidenced on issue by the Global Certificate registered in the name of a nominee for, and deposited with a common depository on behalf of, Euroclear and Clearstream, Luxembourg. Beneficial interests in the Global Certificate may be held only through Euroclear or Clearstream, Luxembourg at any time. See "*Clearing and Settlement*".

Except in the limited circumstances described below, owners of beneficial interests in the Global Certificate will not be entitled to receive physical delivery of Definitive Certificates. The Notes are not issuable in bearer form.

Exchange for Definitive Certificates

Exchange

Subject to receipt by the Issuer of the funds necessary to cover the cost from the Borrower, the Global Certificate will be exchangeable, free of charge to the holder, on or after its Exchange Date (as defined below), in whole but not in part, for Notes in definitive form if: (i) Euroclear or Clearstream, Luxembourg, as the case may be, is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, by the holder giving notice to the Registrar or any Transfer Agent and the Issuer or (ii) the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 8 which would not be suffered were the Notes in definitive form and a note to such effect signed by the requisite number of signatories of the Issuer is delivered to the Trustee, by the Issuer giving notice to the Registrar or any Transfer Agent and the Noteholders of its intention to exchange the Global Certificate for Definitive Certificates on or after the Exchange Date (as defined below) specified in the notice or (iii) the Trustee has instituted or has been directed to institute any judicial proceeding in a court to enforce the rights of the Noteholders under the Notes and the Trustee has been advised by counsel that in connection with such proceeding it is necessary or appropriate for the Trustee to obtain possession of the Definitive Certificates, by the Trustee giving notice to the Registrar or any Transfer Agent and the Noteholders.

The Registrar will not register the transfer of, or exchange of interests in, the Global Certificate for Definitive Certificates for a period of 15 calendar days ending on the date for any payment of principal or interest in respect of the Notes.

"Exchange Date" means a day falling not later than 90 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar and any Transfer Agent is located.

Delivery

In such circumstances, the Global Certificate shall be exchanged in full for Definitive Certificates and the Issuer will, at the cost of the Issuer (and against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause

sufficient Definitive Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in the Global Certificate must provide the Registrar with (a) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Definitive Certificate.

In addition, the Global Certificate will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Notes evidenced by the Global Certificate. The following is a summary of these provisions:

Payments

Payments of principal and interest in respect of Notes evidenced by the Global Certificate shall be made to the person who appears at the relevant time on the register of Noteholders as holder of the Global Certificate against presentation and (if no further payment falls to be made on it) surrender thereof to or to the order of the Principal Paying Agent (or to or to the order of such other Paying Agent as shall have been notified to the Noteholders for this purpose) which shall endorse such payment or cause such payment to be endorsed in Schedule A to the Global Certificate (such endorsement being *prima facie* evidence that the payment in question has been made). No person shall however be entitled to receive any payment on the Global Certificate falling due after the Exchange Date, unless the exchange of the Global Certificate for Definitive Certificates is improperly withheld or refused by or on behalf of the Issuer.

Notices

Notwithstanding Condition 14, so long as the Global Certificate is held by or on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**"), notices to Noteholders represented by the Global Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System provided that for so long as the Notes are listed, notices will also be published in accordance with the rules of the relevant stock exchange.

Payment

All payments in respect of Notes represented by the Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means a day when Euroclear or Clearstream Luxembourg is open for business.

Meetings

The holder of the Global Certificate will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and in any such meeting as having one vote in respect of each U.S.\$1,000 in principal amount of Notes represented by the Global Certificate.

Trustee's Powers

In considering the interests of Noteholders whilst the Global Certificate is held on behalf of a clearing system, the Trustee, to the extent it considers it appropriate to do so in the

circumstances, may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Certificate and may consider such interests as if such accountholders were the holders of the Global Certificate.

Cancellation

Cancellation of any Note required by the Terms and Conditions of the Notes to be cancelled will be effected by reduction in the principal amount of the Global Certificate by a record made in the Register.

Prescription

Claims in respect of principal, interest and other amounts payable in respect of the Global Certificate will become void unless they are presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest or any other amounts) from the due date for payment in respect thereof.

Redemption at the Option of Noteholders

The option of the Noteholders provided for in Condition 6(c) may be exercised by the holder of the Global Certificate giving notice to the Principal Paying Agent within the time limits relating to the deposit of Notes as set out in Condition 6(c), substantially in the form of the Change of Control Put Exercise Notice available from the Principal Paying Agent and stating the principal amount of the Notes in respect of which the option is exercised and at the same time presenting the Global Certificate to the Principal Paying Agent for annotation.

Without prejudice to the above provisions, for so long as all of the Notes are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, the option of the Noteholders provided for in Condition 6(c) may be exercised by an accountholder giving notice to the Principal Paying Agent in accordance with the standard procedure of Euroclear or Clearstream, Luxembourg, as the case may be, (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg, as the case may be, or any common depositary or custodian for it to the Principal Paying Agent by electronic means) and in a form acceptable to Euroclear or Clearstream, Luxembourg, as the case may be, of the principal amount of the Notes in respect of which such option is exercised and at the same time presenting or procuring the presentation of the Global Certificate to the Principal Paying Agent for notation accordingly within the time limits set forth in that Condition.

Enforcement

For the purposes of enforcement of the provisions of the Trust Deed against the Trustee, the persons named in a certificate of the holder of the Notes in respect of which the Global Certificate is issued shall be recognised as the beneficiaries of the trusts set out in the Trust Deed to the extent of the principal amount of their interest in the Notes set out in the certificate of the holder as if they were themselves the holders of Notes in such principal amounts.

Benefit of the Conditions

Unless the Global Certificate has been exchanged or cancelled the holder hereof shall, except as provided in the Global Certificate, be entitled to the same rights and benefits and subject to the Conditions as if such holder were the holder of the Definitive Certificates for which the Global Certificate may be exchanged.

The Global Certificate shall not be valid or become obligatory for any purpose until authenticated by or on behalf of the Registrar.

The Global Certificate and any non-contractual obligations arising out of or in connection with them shall be governed by and construed in accordance with English law.

TRANSFER RESTRICTIONS

Each purchaser of Notes, by accepting delivery of this Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

2. It is, or at the time Notes are purchased will be, the beneficial owner of such Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer, the Borrower or a person acting on behalf of such an affiliate.
3. It understands that the Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the "distribution compliance period" (as such term is defined in Rule 902 of Regulation S), it will not offer, sell, pledge or otherwise transfer such Notes except in an offshore transaction to a person that is not a U.S. person in accordance with Rule 903 or Rule 904 of Regulation S and in accordance with any applicable securities laws of any state of the United States.
4. It understands and acknowledges that its purchase and holding of such Notes constitutes a representation and agreement by it that, by its purchase and holding of such Notes or any interest therein, the purchaser and/or holder thereof and each transferee will be deemed to have represented and warranted at the time of its purchase and throughout the period that it holds such Note or any interest therein, that (1) it is not and is not using assets of a Benefit Plan Investor (as defined in Section 3(42) of the United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**")), (2) if it is a governmental, church or non-U.S. plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code or any entity whose assets are treated as assets of any such plan, the purchase and holding of the Notes or any interest therein does not violate any statute, regulation, administrative decision, policy or any other legal authority applicable to such plan, and (3) it will not sell or otherwise transfer any such note or interest to any person without first obtaining these same foregoing representations and warranties. "Benefit Plan Investors" include (1) any employee benefit plan (as defined in Section 3(3) of ERISA), that is subject to Part 4 of Title I of ERISA, (2) any plan to which Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "**Code**") applies, including, without limitation, individual retirement accounts and Keogh plans (each of (1) and (2) a "**Plan**"), and (3) any entity whose underlying assets include plan assets by reason of a Plan's investment in the entity pursuant to the Plan Asset Regulation issued by the United States Department of Labor, 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (including, for this purpose, the general account of an insurance company, any of the underlying assets of which constitute "plan assets" under section 401(c) of ERISA, or a wholly owned subsidiary thereof). It acknowledges that the Issuer, the Borrower, the Guarantors, the Registrar, the Joint Lead Managers and their affiliates and others will rely upon the truth and accuracy of the above acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Notes is no longer accurate, it shall promptly notify the Issuer, the Borrower, the Guarantors and the Joint Lead Managers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each of those accounts and that it has

full power to make the above acknowledgements, representations and agreements on behalf of each account.

CLEARING AND SETTLEMENT

The Global Certificate will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depository on behalf of, Euroclear and Clearstream, Luxembourg.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in the Global Certificate directly through Euroclear or Clearstream, Luxembourg if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and together with Direct Participants, "**Participants**") through organisations which are accountholders therein. The address of Euroclear is 1 Boulevard du Roi Albert 11, B-1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L-1855, Luxembourg.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note evidenced by the Global Certificate must look solely to Euroclear, or Clearstream, Luxembourg for his share of each payment made by the Issuer to the holder of the Global Certificate and in relation to all other rights arising under the Global Certificate, subject to and in accordance with the respective rules and procedures of Euroclear or Clearstream, Luxembourg. The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by the Global Certificate, the common depository by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the Global Certificate as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in the Global Certificate held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by the Global Certificate and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of the Global Certificate in respect of each amount so paid. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the Direct Participants' or Indirect Participants' records (as the case may be).

Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant (as the case may be) through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be affected by entries made on the books of Direct Participants or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in the Global Certificate held within a clearing system are exchanged for Definitive Certificates.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants or Indirect Participants (as the case may be) to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in the Global Certificate to such persons may be limited.

Trading between Euroclear and/or Clearstream, Luxembourg Participants

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Pre-issue Trades Settlement

It is expected that delivery of Notes will be made against payment therefor on the Closing Date, which could be more than three business days following the date of pricing. Settlement procedures in different countries will vary. Purchasers of Notes may be affected by such local settlement practices, and purchasers of Notes between the relevant date of pricing and the Closing Date should consult their own advisors.

SUBSCRIPTION AND SALE

Each of ING Bank N.V., London Branch, Société Générale and UBS Limited (together the "**Joint Lead Managers**") and each a "**Joint Lead Manager**") have, in a subscription agreement dated 8 November 2016 (the "**Subscription Agreement**") among the Issuer, the Borrower, the Guarantors and the Joint Lead Managers upon the terms and subject to the conditions contained therein, jointly and severally, agreed to subscribe and pay for the Notes at their issue price of 100 per cent. of their principal amount.

The Joint Lead Managers are entitled to commissions and reimbursement of certain expenses pursuant to the Subscription Agreement. The Joint Lead Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

Priority Allocation in the New Notes

A holder of 2018 LPNs that wishes to subscribe for the Notes can receive priority in the allocation of the Notes (subject to the completion of the Tender Offer), by tendering its 2018 LPNs in the Tender Offer. Such priority will be given for an aggregate principal amount of the Notes not exceeding the aggregate principal amount of 2018 LPNs validly tendered by such holder and accepted for purchase pursuant to the Tender Offer (the "**Priority Allocation Amount**") and will be given in preference to any investor who is applying for purchase of the Notes without having 2018 LPNs accepted in the Tender Offer.

The denominations of the Notes will be U.S.\$200,000 (and integral multiples of U.S.\$1,000 thereafter). Accordingly, in order for any priority in the allocation of the Notes to be effective, holders of 2018 LPNs will need to have a minimum of U.S.\$200,000 in aggregate principal amount of 2018 LPNs accepted for purchase pursuant to the Tender Offer.

Please refer to the tender offer memorandum published in connection with the Tender Offer for further detail, including as to procedures for obtaining a Priority code in conjunction with any tender of 2018 LPNs in the Tender Offer ("**Priority Code**"). The receipt by any holder of 2018 LPNs of a Priority Code is not an allocation of the Notes. In order to apply for the purchase of the Notes from the Issuer in the Offering, the relevant holder of the 2018 LPNs must make a separate application in respect of the Notes for the purchase of such Notes. The Issuer and DME (acting jointly) may, in their sole and absolute discretion, decline to accept an application quoting the Priority Code in the event that the Noteholder specifies a wrong Priority Code or in the case there is any other defect related to the Priority Code. The Issuer and DME (acting jointly) reserve the right to waive any such defect and to allocate the relevant Priority Allocation Amount that would be applicable but for the defect to the relevant Noteholder. The effectiveness of the Priority Allocation Amount is subject to the restrictions set out below.

United States of America

The Securities have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Securities (i) as part of their distribution at any time or

(ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons.

The Securities are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Securities, an offer or sale of Securities within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

Terms in this section have the meanings given to them by Regulation S

United Kingdom

Each Joint Lead Manager has severally represented, warranted and agreed that:

1. it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
2. it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Russian Federation

Each Joint Lead Manager has severally represented, warranted and agreed that the Notes will not be offered, transferred or sold as part of their initial distribution or at any time thereafter to or for the benefit of any persons (including legal entities) resident, incorporated, established or having their usual residence in the Russian Federation or to any person located within the territory of the Russian Federation unless and to the extent otherwise permitted under Russian Law.

Ireland

Each Joint Lead Manager has severally represented, warranted and agreed that:

- (a) it will not underwrite the issue of, or place the Notes, otherwise than in conformity than with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) (as amended, the "**MiFID Regulations**"), including, without limitation, Regulations 7 (Authorisation) and 152 (Restrictions on advertising) thereof and any codes of conduct made under the MiFID Regulations, and the provisions of the Investor Compensation Act 1998 (as amended);

- (b) it will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Companies Act 2014 (as amended, the "**Companies Act**"), the Central Bank Acts 1942-2015 (as amended) and any codes of conduct rules made under Section 117(1) of the Central Bank Act 1989 (as amended);
- (c) it will not underwrite the issue of, or place, or do anything in Ireland in respect of, the Notes otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) and any rules issued by the Central Bank of Ireland (the "**Central Bank**") under Section 1363 of the Companies Act; and
- (d) it will not underwrite the issue of, place or otherwise act in Ireland in respect of, the Notes, otherwise than in conformity with the provisions of the Market Abuse Regulation (EU 596/2014) (as amended) and any rules and guidance issued by the Central Bank under Section 1370 of the Companies Act.

Isle of Man

Each Joint Lead Manager has severally and not jointly nor jointly and severally represented, warranted and undertaken that the Notes will not be offered to any person in the Isle of Man other than in compliance with the licensing requirements of the Isle of Man Financial Services Act 2008 or in accordance with any relevant exclusion contained in the Isle of Man Regulated Activities Order 2011 or exemption contained in the Isle of Man Financial Services (Exemptions) Regulations 2011.

Cyprus

Each Joint Lead Manager has represented, warranted and agreed that (a) the Notes have not been offered, marketed or sold and will not be offered, marketed or sold, and (b) copies of this Prospectus or any offering material relating to the Notes will not be circulated or distributed or caused to be circulated or distributed, directly or indirectly, in Cyprus in contravention of the Public Offering and Prospectus Law (Law No. 114(I) of 2005) as amended (the "**Cyprus Prospectus Law**").

As the denomination of the Notes will be more than €100,000 and as the Notes will not be offered for sale in Cyprus, there is no obligation under the Prospectus Directive and the Cyprus Prospectus Law to file or register a Prospectus with any competent authority in Cyprus.

Each Joint Lead Manager has represented, warranted and agreed that it has not and will not provide any "Investment Services" or "Ancillary Services" or perform any "Investment Activities" (as such terms are defined in the Cyprus law on Investment Services and Activities and Regulated Markets Law, L. 144(I) of 2007, (as amended) (the "**ISARM Law**")) from or within Cyprus in relation to the Notes, and has not and will not provide any Investment Services or Ancillary Services to residents or persons domiciled in Cyprus, in each case in contravention of the ISARM Law and/or any applicable regulations adopted pursuant thereto or in relation thereto.

General

Each Joint Lead Manager has severally and not jointly nor jointly and severally agreed that it has in all material respects (to the best of its knowledge and belief) complied and will comply

with applicable laws and regulations in each jurisdiction in which it offers, sells or delivers Notes and it has not taken, nor will it take, any action in any jurisdiction that would, or is intended to, permit a public offering of the Notes, or possession or distribution of any offering materials (in preliminary, proof or final form) in relation thereto, in any country or jurisdiction where action for that purpose is required.

Accordingly, each Joint Lead Manager has severally and not jointly nor jointly and severally undertaken to the Issuer and the Borrower that it will use its reasonable efforts not to, directly or indirectly, offer or sell any Notes in any country or jurisdiction except under circumstances that will (to the best of its knowledge and belief) result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

These selling restrictions may be modified by the agreement of the Issuer, the Borrower and the Joint Lead Managers following a change in a relevant law, regulation or directive.

TAXATION

The following is a general description of certain tax laws relating to the Notes and does not purport to be a comprehensive discussion of the tax treatment of the Notes. Prospective investors in the Notes should consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of the Notes in light of their particular circumstances, including but not limited to the consequences of receipt of interest and sale or redemption of the Notes.

The Russian Federation

Taxation of the Notes

General

The following is an overview of certain Russian tax considerations relevant to the purchase, ownership and disposal of the Notes as well as the taxation of interest income on the Loan. This overview is based on the laws of the Russian Federation in effect on the date of this Prospectus, which are subject to potential change (possibly with retroactive effect). This overview does not seek to address the applicability of, or procedures in relation to, taxes levied by regions, municipalities or other non-federal level authorities of the Russian Federation, nor does it seek to address the availability of double tax treaty relief in respect of income payable on the Notes, or practical difficulties connected with claiming such double tax treaty relief.

Prospective investors should consult their own advisers regarding the tax consequences of investing in the Notes that may arise in their own particular circumstances. No representations with respect to the Russian tax consequences of purchasing, owning or disposing of the Notes to any particular Noteholder is made hereby.

Many aspects of the Russian tax laws are subject to significant uncertainty and lack of interpretive guidance, resulting in inconsistent interpretations and application thereof. Further, provisions of the Russian Tax Code applicable to financial instruments and the interpretation and application of those provisions by the Russian tax authorities may be subject to more rapid and unpredictable changes (possibly with retroactive effect) and inconsistent interpretation than in jurisdictions with more developed capital markets or more developed taxation systems. In particular, the interpretation and application of such provisions will in practice rest substantially with local tax inspectorates and relevant interpretations may constantly change.

In practice, interpretation by different tax inspectorates may be inconsistent or contradictory and may constitute the imposition of conditions, requirements or restrictions that are not explicitly stated in the Russian Tax Code. Similarly, in the absence of binding precedents court rulings on tax or related matters taken by different Russian courts relating to the same or similar circumstances may also be inconsistent or contradictory.

For the purposes of this overview, the term "Resident Noteholder" means:

- (i) a Noteholder which is:
 - a Russian legal entity;

- a foreign legal entity or organization recognized as a Russian tax resident based on Russian domestic law (if the Russian Federation is recognised as the place of management of such legal entity or organization as determined in the Russian Tax Code unless otherwise envisaged by an applicable double tax treaty);
 - a foreign legal entity or organization which holds and/or disposes of the Notes through its permanent establishment in the Russian Federation (a "**Resident Noteholder - Legal Entity**"), or
- (ii) a Noteholder who is an individual and is actually present in Russia in total for 183 calendar days or more in any period comprised of 12 consecutive months (a "**Resident Noteholder - Individual**").

Presence in the Russian Federation is not considered interrupted if an individual departs for short periods (less than six months) from the Russian Federation for medical treatment or education purposes as well as for employment or other duties related to the performance of works (services) on offshore hydrocarbons fields. The interpretation of this definition by the Ministry of Finance of the Russian Federation states that, for tax withholding purposes, an individual's tax residence status should be determined on the date of the income payment (based on the number of days spent in the Russian Federation in the 12-month period preceding the date of the payment). An individual's final tax liability in the Russian Federation for any reporting calendar year should be determined based on the number of days spent in the Russian Federation in such calendar year.

For the purposes of this overview, the term "**Non-Resident Noteholder**" means any Noteholder (including any individual (a "**Non-Resident Noteholder - Individual**") and any legal entity or an organisation (a "**Non-Resident Noteholder - Legal Entity**")) that does not qualify as a Resident Noteholder.

The Russian tax treatment of interest payments made by the Company to the Issuer under the Loan Agreement may affect the holders of the Notes. See "*Taxation of Interest Income on the Loan*" below. Noteholders should seek professional advice on their tax status in Russia.

Non-Resident Noteholders

Legal entities and organisations

Acquisition of the Notes

The acquisition of the Notes by a Non-Resident Noteholder - Legal Entity (whether upon issuance or in the secondary market) should not trigger any Russian tax implications for a Non-Resident Noteholder - Legal Entity.

Interest and repayment of principal on the Notes

Non-Resident Noteholders - Legal Entities generally should not be subject to any Russian taxes in respect of interest payments and repayments of principal on the Notes received from the Issuer.

Disposal of the Notes

Non-Resident Noteholders - Legal Entities should not be subject to any Russian taxes in respect of gain or other income realised on sale, redemption or a disposal of the Notes, provided that no portion of proceeds from such sale, redemption or other disposal of the Notes is received from a source within the Russian Federation or from Russian tax resident which is a legal entity and no portion thereof is attributable to accrued interest. However, there is a risk that any portion of such proceeds received from either a source within the Russian Federation or from a Russian tax resident which is a legal entity attributable to accrued interest may be subject to Russian withholding tax at a rate of 20 per cent. subject to any available double tax treaty relief and subject to applicability of such double tax treaty relief, even if the sale, redemption or disposal itself results in a capital loss. See "*Double Tax Treaty Relief*" below.

Up to date there are certain court cases where the Russian tax authorities successfully challenged exemption from Russian withholding tax of the interest portion included into the purchase price of notes disposed by Non-resident Noteholders, which are legal entities or organizations, to Russian tax residents. Under these cases, the Russian tax authorities applied withholding tax with respect to portion of purchase price attributable to such accrued interest. Simultaneously, the Ministry of Finance of the Russian Federation issued Letter № 03-08-13/45866 of 4 August 2016, which states that such interest portion should not be subject to Russian withholding tax as such interest portion should not be treated as a Russian source income for the Russian tax purposes.

Taking into account the above, currently there is uncertainty in the interpretation of the provision of the Russian Tax Code in respect of the interest portion included in the purchase price of the notes disposed by Non-resident Noteholders, which are legal entities or organizations, to Russian tax residents and there could be no assurance that such income would not be subject to Russian withholding tax subject to any available double tax treaty relief and compliance with the applicable provisions of the Russian Tax Code (i.e the "beneficial ownership" concept and the concept of "tax residency").

Non-Resident Noteholders - Legal Entities should consult their own tax advisers with respect to the tax consequences of the acquisition and disposal of the Notes and the tax consequences of the receipt of proceeds from a source within the Russian Federation in respect of a sale, redemption or other disposal of the Notes and applicability of double tax treaty relief.

Individuals

Acquisition of the Notes

Under the Russian tax laws, the taxation of income of Non-Resident Noteholders - Individuals will depend on whether the income would be characterised as received from a Russian or non-Russian source. In certain circumstances, the acquisition of the Notes by Non-Resident Noteholders - Individuals (either at original issuance if the Notes are not issued at par or in the secondary market) may constitute a taxable event for Russian personal income tax purposes. In particular, if Non-Resident Noteholders - Individuals acquire the Notes in the Russian Federation or from a Russian tax resident which is a legal entity and the acquisition price of the Notes is below fair market value (calculated under a specific procedure for the determination of market prices of securities for Russian personal income tax purposes), this may constitute a taxable event pursuant to the provisions of the Russian Tax Code relating to material benefit (deemed income) received by individuals as a result of acquiring securities. Although the Russian Tax Code does not contain any provisions as to how the source of the

related material benefit should be determined, in practice the Russian tax authorities may infer that such income should be considered as Russian source income if the Notes are purchased "in the Russian Federation". In the absence of any additional guidance as to what should be considered as a purchase of securities in the Russian Federation, the Russian tax authorities may apply various criteria, including looking at the place of conclusion of the acquisition transaction, the location of the seller, or other similar criteria. In such a case, the Non-Resident Noteholders - Individuals may be subject to the Russian personal income tax at a rate of 30 per cent. on an amount equal to the difference between the fair market value (calculated under the Russian Tax Code) and the purchase price of the Notes.

The tax may be withheld at source of payment or, if the tax is not withheld, the Non-Resident Noteholder - Individual may be required to declare this income in the Russian Federation by filing a tax return and paying the tax.

Interest and repayment of principal on the Notes

Non-Resident Noteholders - Individuals generally should not be subject to any Russian taxes in respect of interest payments and repayments of principal on the Notes received from the Issuer.

Disposal of the Notes

Individual Non-Resident Noteholder generally should not be subject to any Russian taxes in respect of gain or other income realized on a redemption, sale or disposal of the Notes outside the Russian Federation, provided that the proceeds of such sale, redemption, or other disposal of the Notes are not received from either a source within the Russian Federation or from a Russian tax resident, which is a legal entity.

If proceeds from the sale, redemption or other disposal of the Notes, including any portion of such proceeds attributable to accrued interest income under the Notes, are received either from a Russian source or from a Russian tax resident, which is a legal entity, Non-Resident Noteholder - Individual will generally be subject to Russian personal income tax at a rate of 30 per cent., subject to any available double tax treaty relief (as discussed below in "*Double Tax Treaty Relief*"), in respect of the gross proceeds from such sale, redemption or other disposal less any available cost deduction (which includes the purchase price of the Notes).

Under the Russian tax laws, income received from a sale, redemption or disposal of securities should be treated as having been received from a Russian source if such sale, redemption or disposal occurs in the Russian Federation. In absence of any guidance as to what should be considered as a sale, redemption or other disposal of securities "in the Russian Federation", the Russian tax authorities may apply various criteria in order to determine the source of the sale, redemption or other disposal, including looking at the place of conclusion of the transaction, the location of the buyer, or other similar criteria. There is no assurance, therefore, that proceeds received by Non-Resident Noteholders - Individuals from a sale, redemption or disposal of the Notes will not become subject to tax in the Russian Federation.

Further, there is a risk that, if the documentation supporting the cost deductions (which includes the purchase price of the Notes) is deemed insufficient by the Russian tax authorities or by the person remitting the proceeds to a Non-Resident Noteholder - Individual (where such person is considered the tax agent, obliged to calculate and withhold Russian personal

income tax and remit it to the Russian budget), the cost deductions may be disallowed and the tax will apply to the gross amount of the sales, redemption or disposal proceeds.

In certain circumstances, if the sales, redemptions or disposal proceeds (including accrued interest on the Notes) are paid to a Non-Resident Noteholder - Individual by, *inter alia*, a licensed broker or an asset manager, who carries out operations in the Russian Federation in the interest of a Non-Resident Noteholder - Individual under an asset management agreement, a brokerage service agreement, an agency agreement or a commission agreement, the applicable Russian personal income tax at the rate of 30 per cent. (or such other tax rate as may be effective at the time of payment) should be withheld at source by such person who will be considered as the tax agent. The withholding tax rate should be applied to the difference between the proceeds paid to the Non-Resident Noteholder - Individual and the amount of duly documented deductions relating to the original purchase cost and related expenses on the purchase, holding and sale of the Notes to the extent that such deductions and expenses can be determined by the entity making the payment. The entity making the payment would be required to report to the Russian tax authorities the income received by the Non-Resident Noteholder - Individual and tax withheld upon the sale, redemption or other disposal of the Notes.

If a Russian personal income tax arises as a result of the sale, redemption or other disposal of the Notes but the tax has not been withheld in the absence of a tax agent, a Non-Resident Noteholder - Individual is required to file a personal income tax return in the Russian Federation to report the amount of income received to the Russian tax authorities and apply for a deduction in the amount of the acquisition cost and other expenses related to the acquisition, holding, sale or other disposal of the Notes, based on the provision of supporting documentation. The applicable personal income tax will then have to be paid by the individual on the basis of the filed personal income tax return.

If a Russian personal income tax obligation arises as a result of the sale, redemption or other disposal of the Notes but the tax agent was not able to withhold the tax and reported this fact to the Russian tax authorities, the tax is payable by the Non-Resident Noteholder - Individual based on a tax assessment issued by the Russian tax authorities.

Under certain circumstances, gains received and losses incurred by a Non-Resident Noteholder - Individual as a result of the sale, redemption or other disposal of the Notes and other securities of the same category (i.e., securities qualified as traded or non-traded for Russian personal income tax purposes) occurring within the same tax year may be aggregated for Russian personal income tax purposes, which would affect the total amount of personal income of a Non-Resident Noteholder - Individual subject to taxation in the Russian Federation.

Since the sale, redemption or other disposal proceeds and deductible expenses for Russian tax purposes are calculated in Roubles, the taxable base may be affected by fluctuations in the exchange rates between the currency in which the Notes were acquired, the currency in which the Notes were sold and Roubles, i.e. there could be a loss or no gain in the currency of the Notes but a gain in Roubles which could be potentially subject to taxation and vice versa.

Non-resident Noteholders - Individuals should consult their own tax advisers with respect to the tax consequences of the purchase, ownership and disposal of the Notes and the tax consequences of the receipt of proceeds from a source within the Russian Federation in respect of a sale, redemption or other disposal of the Notes.

Resident Noteholders

A Resident Noteholder will generally be subject to all applicable Russian taxes and responsible for complying with any documentation requirements that may be established by law or practice in respect of gain from the sale, redemption or other disposal of the Notes and interest income received on the Notes.

Legal entities and organisations

A Resident Noteholder - Legal Entity should, *prima facie*, be subject to Russian profits tax at the rate of up to 20 per cent. on interest (coupon) income on the Notes as well as on the capital gain from the sales, a redemption or other disposal of the Notes. Generally, Resident Noteholders - Legal Entities are required to submit Russian profits tax returns, and assess and pay tax on capital gains and interest (coupon) income (including such income received by the Non-Resident Noteholders - Legal Entities which are recognised as controlled by such Resident Noteholders - Legal Entities under the Russian CFC rules).

Resident Noteholders - Legal Entities should consult their own tax advisors with respect to the effect that the acquisition, holding and disposal of the Notes may have on their tax position.

Individuals

A Resident Noteholder - Individual should generally be subject to personal income tax at a rate of 13 per cent. on (i) deemed income resulting from the acquisition of the Notes at a price below fair market value, (ii) interest (coupon) income on the Notes and (iii) income received from the sale, redemption or other disposal of the Notes (including such income received by the Non-Resident Noteholders - Legal Entities which are recognised as controlled by such Resident Noteholders - Individuals under the Russian CFC rules). If such income is paid to a Resident Noteholder - Individual by a tax agent, the applicable Russian personal income tax of 13 per cent. (or such other tax rate as may be effective at the time of payment) should be withheld at source by such person. For the purposes of interest (coupon) income and proceeds received from sale, redemption and/or other disposal of the Notes, a tax agent definition includes a licensed broker or an asset manager who carries out operations in the interest of a Resident Noteholder - Individual under an asset management agreement, a brokerage service agreement, an agency agreement or a commission agreement. If the Russian personal income tax has not been withheld (if there was no tax agent) Resident Noteholders - Individuals are required to submit annual personal income tax returns, assess and pay the tax. If the tax agent in Russia was not able to withhold the tax and reported this fact to the Russian tax authorities, the tax is payable by the Non-Resident Noteholder - Individual based on a tax assessment issued by the Russian tax authorities.

Resident Noteholders, which are individuals, should consult their own tax advisers with respect to their tax position regarding the Notes.

Double Tax Treaty Relief

The Russian Federation has double tax treaties concluded with a number of countries. These double tax treaties may contain provisions that allow for the reduction or elimination of Russian withholding taxes with respect to income or proceeds received by Non-Resident Noteholders from a source within Russia, including income or proceeds from the sale,

redemption or other disposal of the Notes. To the extent double tax treaty relief is available and the Russian Tax Code requirements are met (i.e. the "beneficial ownership" concept and the concept of the "tax residency"), a Non-Resident Noteholder must comply with the information, documentation and reporting requirements which are then in force in the Russian Federation in order to obtain such relief.

A Non-Resident Noteholder - Legal Entity, which is the beneficial owner of income or proceeds in terms of an applicable double tax treaty and the Russian Tax Code would need to provide the payer of the income or proceeds with a certificate of tax residence issued by the competent tax authority of the relevant treaty country in advance of payment of income or proceeds in order to obtain a relief from Russian withholding taxes under a double tax treaty. This certificate should confirm that the respective Non-Resident Noteholder - Legal Entity is a tax resident of the relevant double tax treaty country in the particular calendar year during which the income or proceeds is paid. This certificate should be apostilled or legalised and needs to be renewed on an annual basis. A notarised Russian translation of the certificate may be required. However, the payer of the income or proceeds in practice may request additional documents confirming the eligibility of the Non-Resident Noteholder - Legal Entity for the benefits of the double tax treaty (including the documents confirming that such Non-Resident Noteholder - Legal Entity is the beneficial owner of the respective Russian source income or proceeds). There can be no assurance, however, that the advance double tax treaty relief will be available in practice.

Currently, in order to obtain a full or partial exemption from taxation in Russia under an applicable double tax treaty at source, a Non-Resident Noteholder - Individual should confirm to a tax agent that they are tax residents in a relevant foreign jurisdiction having a double tax treaty with the Russian Federation by providing the tax agent with (i) a passport of a foreign resident, or (ii) another document envisaged by an applicable federal law or recognised as a personal identity document of a foreign resident in accordance with an international treaty, and (iii) if such passport/document does not confirm tax resident status in a foreign country, upon request of the tax agent, an official confirmation issued by the competent authorities evidencing his or her status of a tax resident in the respective country. A notarised Russian translation of such official confirmation is required. The above provisions are intended to provide a tax agent with the opportunity of applying reduced (or zero) withholding tax rates under an applicable double tax treaty at source.

In addition, in order to enjoy benefits under an applicable double tax treaty, the person, which is either a legal entity, or individual, claiming such benefits must be the beneficial owner of the relevant income or proceeds. In addition to a certificate of tax residency, the Russian Tax Code allows and starting from 1 January 2017 will oblige the tax agent to require a confirmation from a Non-Resident Noteholder - Legal Entity that it is the beneficial owner of the relevant income or proceeds. As of the date of this Prospectus, there has been no guidance on the form of such confirmation and it is at the moment unclear how these measures will be applied in practice. Due to introduction of these changes, there can be no assurance that the treaty relief at source will be available in practice.

Non-Resident Noteholders should consult their own tax advisers with respect to the applicability of any double tax treaty relief and the relevant procedures required in Russia.

Refund of Tax Withheld

If (i) Russian withholding tax on income or proceeds derived from either Russian sources or from a Russian tax resident which is a legal entity by a Non-Resident Noteholder has been withheld at source or (ii) tax on such income or proceeds has been paid by a Non-Resident Noteholder on the basis of a tax return, and such Non-Resident Noteholder is entitled to relief from tax on such income or proceeds under an applicable double tax treaty allowing it not to pay the tax or to pay the tax at a reduced rate, a claim for a refund of such tax that was excessively withheld at source or paid by the Non-Resident Noteholder can be filed within three years from the end of the tax period in which the tax was withheld or paid (subject to limitations described below).

In order to obtain a refund, a Non-Resident Noteholder - Legal Entity would need to file with the Russian tax authorities a duly notarised, apostilled and translated certificate of tax residence issued by the competent tax authority of the relevant double tax treaty country and other documents confirming the right for a refund under the Russian Tax Code (including the above Russian Tax Code requirements under the "beneficial ownership" concept).

If a Non-Resident Noteholder - Individual wishes to obtain a refund, they should provide a claim for a refund of the tax withheld and documents confirming the right for a refund to the tax agent (if the tax was withheld by the agent). If there is no tax agent, on the date of receipt by the individual of confirmation of its tax residence status in a relevant foreign jurisdiction having an applicable double tax treaty with the Russian Federation, the individual can file a claim for a refund and documents confirming the right for a refund directly with the Russian tax authorities.

Obtaining a refund of Russian taxes withheld may be a time-consuming process and can involve considerable practical difficulties, including the possibility that a tax refund may be denied for various reasons. Non-Resident Noteholders should consult their own tax advisors regarding the procedures required to be fulfilled in order to obtain a refund of Russian income tax which was excessively withheld at source.

Taxation of Interest Income on the Loan

In general, interest payments on borrowed funds made by a Russian legal entity or permanent establishment to a non-resident legal entity or organisation having no permanent establishment in the Russian Federation are subject to Russian withholding income tax at a rate of 20 per cent. (or 30 per cent. in respect of non-resident individuals), subject to reduction or elimination pursuant to the terms of an applicable double tax treaty and applicable provisions of the Russian Tax Code (i.e. the "beneficial ownership" concept and the concept of "tax residency").

However, the Russian Tax Code provides an exemption from the obligation to withhold tax from interest paid with respect to "quoted bonds" (as defined below). In particular, Russian borrowers are exempted from the obligation to withhold Russian withholding tax from interest payments made to foreign companies on debt obligations arising in connection with placement by these foreign companies of quoted bonds, provided that: (1) there is a double tax treaty between the Russian Federation and the jurisdiction of tax residence of the issuer; and (2) the issuer duly confirms its tax residence. According to the Tax Code, the above exemption established for the interest payments is also applicable to (i) income payable by a Russian legal entity in connection with a guarantee, surety or other security granted by such Russian organisation with respect to a debt obligation to a foreign organization and/ or with respect to quoted bonds; and (ii) to other income payable by a Russian organisation providing

that the payment of such income is established by the provisions of the respective debt obligation or such income is paid due to a change in the terms and conditions of the respective quoted bonds and/or debt obligations including the cases of their early repurchase or redemption. This exemption is also applicable to the foreign organizations, which are either recognised as Russian tax residents, or as those organizations, which activities are leading to recognition of a permanent establishment in Russia.

If the Company's Russian representative office is recognized as a permanent establishment for tax purposes and the payments under the Loan Agreement transferred to and made by this representative office are associated with its activities in the Russian Federation, the above tax exemption should be applicable to the Company.

However, if the Company's representative office is not recognized as a permanent establishment for tax purposes in the Russian Federation, the above tax exemption related to "quoted bonds" could not apply to the Company. In this situation, notwithstanding the fact that the foreign organizations, which do not have a permanent establishment in the Russian Federation, should not be obligated to withhold Russian withholding tax from their interest payments on borrowed funds, there is a risk that interest payments made by the Company to the Issuer under the Loan Agreement could be recognized as Russian source income and subject to Russian withholding tax at a rate of 20 per cent with respect to Non-Resident Noteholders - Legal Entities (or, potentially, 30 per cent. in respect of non-resident individual Noteholders).

For the purpose of the above exemption, the term "quoted bonds" mean bonds and other debt obligations which (1) passed the listing procedure and/or (2) were admitted to circulation on one or more foreign stock exchanges and/or (3) rights to which are recorded by a foreign depositary clearing organisation, provided such foreign stock exchanges and depositary clearing organisations are specified in the list of foreign financial intermediaries (the "**List**"). The List, which became effective on 30 December 2012, includes the Irish Stock Exchange amongst the recognised foreign stock exchanges and Euroclear Bank SA/NV ("**Euroclear**") and Clearstream amongst the recognised foreign depositary-clearing organisations. While Clearstream is mentioned in the List, the List does not explicitly mention Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). According to the shareholding structure of Clearstream group, Clearstream, Luxembourg is a member entity of Clearstream group and, therefore, Clearstream, Luxembourg is a part of Clearstream. However, there is a residual risk that the Russian tax authorities may apply a formalistic approach and take a position that Clearstream, Luxembourg is not included in the List based on the fact that it is not explicitly mentioned in the List.

Criteria (1) and (2) should be satisfied in this case as the Notes will be listed on the Irish Stock Exchange. The Notes should also satisfy criterion (3) because the rights to the Notes will be held in Euroclear and Clearstream, Luxembourg, which for the purposes of the Russian Tax Code essentially should mean that the rights to the Notes are "recorded" with one of the above foreign depositary-clearing organisations. According to the Russian Tax Code, in order to be treated as "quoted bonds" fulfilment of one of the above criteria is sufficient. Therefore, the Notes should be recognized as "quoted bonds" for purposes of the Russian Tax Code.

The Company, based on professional advice received, believes that its Russian representative office (recognized as a permanent establishment for tax purposes) should not be obligated to withhold Russian withholding tax from interest payments made to the Issuer under the Loan

Agreement because: (i) the Notes should be considered "quoted bonds" as described above; and (ii) the Loan is financed from the funds received from the issue of the Notes; provided the Issuer duly confirms its Irish tax residence.

If the Notes are (i) delisted from the Irish Stock Exchange and (ii) exchanged for duly executed and authenticated registered Notes in definitive form in the limited circumstances specified in the Global Certificate, the above exemption will not apply and the Company will be required to withhold Russian withholding income tax from interest payments made by the Company to the Issuer. In addition, if the Notes are delisted from the Irish Stock Exchange and deposited with a common depository for, and registered in the name of a nominee of, Clearstream, Luxembourg and/ or DTC only, then the Notes may potentially not fall within the definition of quoted bonds under the Russian Tax Code (as Clearstream, Luxembourg is not explicitly mentioned in the List), and therefore, there is a residual risk that the Company may potentially be required to withhold Russian withholding tax from interest payments made by the Company to the Issuer.

Release from the tax agent duty effectively means that, in practice, income tax on interest payments under the Loan should not arise in the Russian Federation, because currently there is no mechanism or requirement for foreign income recipients that are legal entities to self-assess and pay the tax. However, there can be no assurance that such mechanism will not be introduced in the future or that the Russian tax authorities would not seek to collect tax from foreign income recipients.

In addition, assuming that (a) until 31 December 2016 interest paid to the Issuer under the Loan Agreement and any other loans extended by the Issuer to fund other loan participation notes represent less than 90 per cent. of the total income of the Issuer and (b) starting from 1 January 2017, the Issuer's interest expenses on the Notes (and on any other "quoted bonds" issued by the Issuer) represent less than 90 per cent. of the total expense of the Issuer in any financial year, there is a risk that tax residence rules established by the Russian Tax Code may be applied to the Issuer and the Issuer may be treated as a tax resident of the Russian Federation for Russian tax law purposes in case the Issuer is recognized as managed from the Russian Federation under applicable Russian tax law. In that case, payments of interest under the Notes made by the Issuer to the Noteholders could be recognised by Russian tax authorities as subject to Russian withholding tax at a rate of 20 per cent. (or 30 per cent. with respect to Non-Resident Noteholders - Individuals). However, the Russian Tax Code provides an exemption from the obligation to withhold tax from interest paid by a Russian organization under "quoted bonds" issued in accordance with the legislation of the foreign jurisdiction (this exemption is also applicable to the foreign organizations, which are either recognized as Russian tax residents, or as those organisations, which activities are leading to creation of a permanent establishment in Russia). Based on the above, the Issuer should be released from the obligation to withhold Russian withholding tax from interest payments made to the Noteholders under the Notes provided that the Notes continue to be recognised as "quoted bonds" for the purposes of the Russian Tax Code as outlined above.

If the Notes cease to fall within the above definition established for "quoted bonds" and the above assumptions for the Issuer are not fulfilled and the Issuer is recognized as a Russian tax resident under the respective Russian tax law requirements, payments of interest under the Notes made by the Issuer to the Noteholders could be recognized by Russian tax authorities as subject to Russian withholding tax at a rate of 20 per cent with respect to Non-Resident Noteholders - Legal Entities with respect to Non-Resident Noteholders-Legal Entities (or 30 per cent. with respect to Non-Resident Noteholders - Individuals).

If the Company is not recognised as a Russian tax resident under the respective Russian tax law requirements, the Company's indebtedness under the Loan should not be recognised as "controlled debt" for the purposes of the Russian Tax Code.

Should the Company be recognized as a Russian tax resident, there is a risk that under the Russian thin capitalisation rules in certain circumstances where parties related to the Company (i.e. any foreign corporate shareholder of the Company owning directly or indirectly more than 20 per cent. share in the Company's charter capital and, potentially, affiliates of such foreign corporate shareholder, collectively the "Related Parties") hold Notes and/or the Loan is secured or guaranteed by Related Parties, part or all of the interest to be paid by the Company under the Loan could be reclassified as dividends for Russian tax purposes. This would occur if the overall amount of the "controlled debt" of the Company (including the aggregate indebtedness under the Loan), calculated on an individual related party basis, exceeded three times the "own capital" ("sobstvenniy capital") of the Company, calculated in accordance with the requirements of the Russian Tax Code. There is a risk that the "controlled debt" of the Company may include all or part of the Loan, to the extent that any Related Parties acquire any portion of the Notes.

Such reclassification of all or a portion of interest under the Loan as dividends could potentially lead to the imposition of Russian withholding tax on such reclassified interest at the rate of 15 per cent. and non-deductibility of such interest for Russian profit tax purposes by the Company. Also, such withholding on dividends would trigger the gross up obligation of the Company as discussed above.

It should be noted that pursuant to the amendments to the Russian Tax Code introduced by Federal Law No. 25-FZ of 15 February 2016, starting from 1 January 2017 indebtedness arising from "quoted bonds" should not be recognised as "controlled debt" for the purposes of the Russian Tax Code.

If the payments under the Loan are subject to Russian withholding tax for any reason (as a result of which the Issuer may reduce payments made under the Notes by the amount of such withholding taxes), the Company is required (subject to certain conditions) to increase payments under the Loan Agreement as may be necessary so that the Issuer (or the Noteholders, as applicable) receive a net amount equal to the full amount they would have received in the absence of such withholding.

It should be noted, however, that it is currently unclear whether the provisions obliging the Company to gross up interest payments under the Loan will be enforceable in the Russian Federation. There is a risk that a gross-up for withholding tax will not take place and that the interest payments made by the Company under the Loan Agreement will be reduced by the amount of the Russian income tax withheld by the Company, at the rate of 20 per cent. (or such other rate as may be in force at the time of payment) or, potentially, with respect to Non-Resident Noteholders-Individuals Russian personal income tax at a rate of 30 per cent. (or such other rate as may be in force at the time of payment). If the Company is obliged to increase payments under the Loan Agreement, it may (without premium or penalty), subject to certain conditions, prepay the Loan in full. In such case, all outstanding Notes would be redeemable at par together with accrued and unpaid interest and additional amounts, if any, to the date of the redemption.

Taxation of Payments under the Guarantees

Non-Resident Noteholders

Payments following enforcement of the Guarantee to be made by the Initial Guarantors being Russian legal entities or Russian permanent establishment of foreign organizations to the non-resident to Noteholders relating to interest on the Notes are likely to be characterised as Russian source income. Accordingly, there is a risk that such payments may be subject to withholding tax at a rate of 20 per cent. in the event that a payment under the Guarantee is made to a non-resident Noteholder that is a legal entity or organisation which in each case is not organised under Russian law and which holds the Notes otherwise than through a permanent establishment in the Russian Federation, subject to the provisions outlined in Section "*Double Tax Treaty Relief*" above. In the event a payment under the Guarantees is made to an Individual Non Resident Noteholder, such payment may be subject to withholding tax at a rate of 30 per cent., subject to the provisions outlined in Section "*Double Tax Treaty Relief*" above.

The Issuer and the Initial Guarantors cannot offer any assurance that: (i) the exemption established for "quoted bonds" (as described above) or double tax treaty advance relief (or a refund of any taxes withheld) will be available to a Non Resident Noteholder with respect to payments under the Guarantees or (ii) that such withholding tax would not be imposed upon the entire payment under the Guarantees, including with respect to the principal amount of the Notes. The imposition or the possibility of the imposition of this withholding tax could adversely affect the value of the Notes.

If the payments under the Guarantees are subject to any withholding taxes for any reason (as a result of which the Initial Guarantors would be obligated to reduce the payments to be made under the Guarantees by the amount of such taxes to be withheld), the Initial Guarantors is required to increase the payments as may be necessary so that the net amounts received in respect of such payments after such withholding or deduction will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction. It is currently unclear whether the provisions obliging the Initial Guarantors to gross-up payments will be enforceable in the Russian Federation. There is a risk that the tax gross-up for withholding tax will not take place and that the full amount of the payments made by the Initial Guarantors will be subject to reduction by the Russian income tax at a rate of 20 per cent. (or 30 per cent. in respect of Individual Non-Resident Noteholders).

Non-Resident Noteholders should consult their tax advisors with respect to the tax consequences of the receipt of payments under the Guarantees, including applicability of any available double tax treaty relief.

Resident Noteholders

A Resident Noteholder is subject to all applicable Russian taxes and responsible for complying with any documentation requirements that may be established by law or practice in respect of payments to be received by such Noteholder under the Guarantees.

Resident Noteholders should consult their tax advisers with respect to the tax consequences of the receipt of payments under the Guarantees.

Russian VAT

Payments under the Guarantees attributable to the principal amount or interest under the Notes and the additional tax gross-up amounts, should not be subject to Russian VAT. The payments under the Guarantees attributable to compensation of other expenses (if any) could be subject to Russian VAT.

All payments made by the Initial Guarantors with respect to the Guarantees will, except in certain limited circumstances, be made free and clear of and without withholding or deduction for, or on account of, any present or future taxes unless the withholding or deduction for, or on account of, such taxes is then required by law. In the event of such a deduction or withholding, the Initial Guarantors, as applicable, will pay such additional amounts as may be necessary in order that the net amounts received in respect of such payments after such withholding or deduction will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding or deduction. While the Prospectus provides for the Initial Guarantors to pay such corresponding amounts in these circumstances, it is unclear whether a tax gross-up clause such as that contained in the Prospectus is enforceable in the Russian Federation. There is a risk that the tax gross-up for VAT will not take place and that the portion of the payments under the Guarantees attributable to compensation of other expenses (if any) made by the Initial Guarantors, which is a Russian legal entity, will be reduced by Russian VAT at a rate of 18 per cent.

Noteholders should consult their tax advisers with respect to the Russian VAT consequences of the receipt of payments under the Guarantees.

Ireland

The following is a summary of the principal Irish tax consequences for individuals and companies of ownership of the Notes based on the laws and practice of the Irish Revenue Commissioners currently in force in Ireland and may be subject to change. It deals with Noteholders who beneficially own their Notes as an investment. Particular rules not discussed below may apply to certain classes of taxpayers holding Notes, such as dealers in securities, trusts, etc. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.

Withholding Tax

In general, tax at the standard rate of income tax (currently 20 per cent.) is required to be withheld from payments of Irish source interest which should include interest payable on the Notes. The Issuer will not be obliged to make a withholding or deduction for or on account of Irish income tax from a payment of interest on a Note where:

- (a) the Notes are Quoted Eurobonds, i.e. securities which are issued by a company (such as the Issuer), which are listed on a recognised stock exchange (such as the Irish Stock Exchange) and which carry a right to interest; and

(b) the person by or through whom the payment is made is not in Ireland, or if such person is in Ireland, either:

(i) the Notes are held in a clearing system recognised by the Irish Revenue Commissioners; (DTC, Euroclear and Clearstream, Luxembourg are, amongst others, so recognised); or

(ii) the person who is the beneficial owner of the Notes is not resident in Ireland and has made a declaration to a relevant person (such as a paying agent located in Ireland) in the prescribed form; and

(c) one of the following conditions is satisfied:

(iii) the Noteholder is resident for tax purposes in Ireland or, if not so resident, is otherwise within the charge to corporation tax in Ireland in respect of the interest; or

(iv) the interest is subject, under the laws of a relevant territory, without any reduction computed by reference to the amount of such interest or other distribution, to a tax in a Relevant Territory which corresponds to income tax or corporation tax in Ireland and which generally applies to profits, income or gains received in that territory, by persons, from sources outside that territory; or

(v) the Noteholder is not a company which, directly or indirectly, controls the Issuer, is controlled by the Issuer, or is controlled by a third company which also directly or indirectly controls the Issuer, and neither the Noteholder, nor any person connected with the Noteholder, is a person or persons:

i. from whom the Issuer has acquired assets;

ii. to whom the Issuer has made loans or advances; or

iii. with whom the Issuer has entered into a Swap Agreement,

where the aggregate value of such assets, loans, advances or Swap Agreements represents not less than 75 per cent. of the aggregate value of the assets of the Issuer, or

(vi) the Issuer is not aware at the time of the issue of any Notes that any Noteholder of those Notes is (i) a person of the type described in (c)(iii) above AND (ii) is not subject, without any reduction computed by reference to the amount of such interest or other distribution, to a tax in a Relevant Territory which generally applies to profits, income or gains received in that territory, by persons, from sources outside that territory,

where for these purposes, the term

"Relevant Territory" means a member state of the European Union (other than Ireland) or a country with which Ireland has signed a double tax treaty; and

"Swap Agreement" means any agreement, arrangement or understanding that –

(i) provides for the exchange, on a fixed or contingent basis, of one or more payments based on the value, rate or amount of one or more interest or other rates, currencies, commodities, securities, instruments of indebtedness, indices, quantitative measures, or other financial or economic interests or property of any kind, or any interest therein or based on the value thereof, and

(ii) transfers to a person who is a party to the agreement, arrangement or undertaking, or to a person connected with that person, in whole or in part, the financial risk associated with a future change in any such value, rate or amount without also conveying a current or future direct or indirect ownership interest in the asset (including any enterprise or investment pool) or liability that incorporates the financial risk so transferred.

Thus, so long as the Notes continue to be quoted on the Irish Stock Exchange are held in a clearing system recognised by the Irish Revenue Commissioners; (DTC, Euroclear and Clearstream, Luxembourg are, amongst others, so recognised), and one of the conditions set out in paragraph (c) above is satisfied, interest on the Notes can be paid by any Paying Agent acting on behalf of the Issuer free of any withholding or deduction for or on account of Irish income tax. If the Notes continue to be quoted but cease to be held in a recognised clearing system, interest on the Notes may be paid without any withholding or deduction for or on account of Irish income tax provided such payment is made through a Paying Agent outside Ireland, and one of the conditions set out in paragraph (c) above is satisfied.

Encashment Tax

In certain circumstances, Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent.) from interest on any Note, where such interest is collected or realised by a bank or encashment agent in Ireland on behalf of any Noteholder. There is an exemption from encashment tax where the beneficial owner of the interest is not resident in Ireland and has made a declaration to this effect in the prescribed form to the encashment agent or bank.

Income Tax, PRSI and Universal Social Charge

Notwithstanding that a Noteholder may receive interest on the Notes free of withholding tax, the Noteholder may still be liable to pay Irish tax with respect to such interest. Noteholders resident or ordinarily resident in Ireland who are individuals may be liable to pay Irish income tax, social insurance (PRSI) contributions and the universal social charge in respect of interest they receive on the Notes.

Interest paid on the Notes may have an Irish source and therefore may be within the charge to Irish income tax, notwithstanding that the Noteholder is not resident in Ireland. In the case of Noteholders who are non-resident individuals such Noteholders may also be liable to pay the universal social charge in respect of interest they receive on the Notes.

Ireland operates a self-assessment system in respect of tax and any person, including a person who is neither resident nor ordinarily resident in Ireland, with Irish source income comes within its scope.

There are a number of exemptions from Irish income tax available to certain non-residents. Firstly, interest payments made by the Issuer are exempt from income tax so long as the

Issuer is a qualifying company for the purposes of Section 110 of the TCA, the recipient is not resident in Ireland and is resident in a Relevant Territory and, the interest is paid out of the assets of the Issuer. Secondly, interest payments made by the Issuer in the ordinary course of its trade or business to a company are exempt from income tax provided the recipient company is not resident in Ireland and is a company which is either resident for tax purposes in a Relevant Territory which imposes a tax that generally applies to interest receivable in that Relevant Territory by companies from sources outside that Relevant Territory and which tax corresponds to income tax or corporation tax in Ireland or, in respect of the interest is exempted from the charge to Irish income tax under the terms of a double tax agreement which is either in force or which is not yet in force but which will come into force once all ratification procedures have been completed. Thirdly, interest paid by the Issuer free of withholding tax under the quoted Eurobond exemption is exempt from income tax, where the recipient is a person not resident in Ireland and resident in a Relevant Territory or is a company not resident in Ireland which is under the control, whether directly or indirectly, of person(s) who by virtue of the law of a Relevant Territory are resident for the purpose of tax in a Relevant Territory and are not under the control of person(s) who are not so resident or is a company not resident in Ireland where the principal class of shares of the company or its 75% parent is substantially and regularly traded on a recognised stock exchange. For the purposes of these exemptions and where not specified otherwise, residence is determined under the terms of the relevant double taxation agreement or in any other case, the law of the country in which the recipient claims to be resident. Interest falling within the above exemptions is also exempt from the universal social charge.

Notwithstanding these exemptions from income tax, a corporate recipient that carries on a trade in Ireland through a branch or agency in respect of which the Notes are held or attributed, may have a liability to Irish corporation tax on the interest.

Relief from Irish income tax may also be available under the specific provisions of a double tax treaty between Ireland and the country of residence of the recipient.

Interest on the Notes which does not fall within the above exemptions is within the charge to income tax, and, in the case of Noteholders who are individuals, is subject to the universal social charge. In the past the Irish Revenue Commissioners have not pursued liability to income tax in respect of persons who are not regarded as being resident in Ireland except where such persons have a taxable presence of some sort in Ireland or seek to claim any relief or repayment in respect of Irish tax. However, there can be no assurance that the Irish Revenue Commissioners will apply this treatment in the case of any Noteholder.

Capital Gains Tax

A Noteholder will not be subject to Irish tax on capital gains on a disposal of Notes unless such holder is either resident or ordinarily resident in Ireland or carries on a trade or business in Ireland through a branch or agency in respect of which the Notes were used or held.

Capital Acquisitions Tax

A gift or inheritance comprising of Notes will be within the charge to capital acquisitions tax (which subject to available exemptions and reliefs, will be levied at 33 per cent.) if either (i) the donor or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the donor is domiciled in Ireland irrespective of his residence or that of the donee/successor) on the relevant date or (ii)

if the Notes are regarded as property situate in Ireland (i.e. if the Notes are physically located in Ireland or if the register of the Notes is maintained in Ireland)).

Stamp Duty

No stamp duty or similar tax is imposed in Ireland (on the basis of an exemption provided for in Section 85(2)(c) of the Stamp Duties Consolidation Act, 1999 so long as the Issuer is a qualifying company for the purposes of Section 110 of the TCA and the proceeds of the Notes are used in the course of the Issuer's business), on the issue, transfer or redemption of the Notes.

Isle of Man

The following is a summary based on the laws and practices currently in force in the Isle of Man regarding taxation and should be treated with appropriate caution. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.

The Isle of Man operates a zero rate of tax for most corporate taxpayers. This will include Airport Management Company Limited (the "**Isle of Man Guarantor**"). Under the regime, the Isle of Man Guarantor will technically be subject to taxation on income in the Isle of Man, but the rate of tax will be zero; there will be no withholding to be made by the Isle of Man Guarantor on account of Isle of Man tax in respect of payments made by the Isle of Man Guarantor under the Deed of Guarantee.

The Isle of Man Guarantor is resident for taxation purposes in the Isle of Man by virtue of being incorporated in the Isle of Man.

Holders of the Notes resident in the Isle of Man will, depending upon their particular circumstances, be liable to Manx income tax on principal, premium (if any) and interest in respect of the Notes.

The EU Savings Tax Directive (2003/48/EC) came into force on July 1, 2005. The Isle of Man has entered into bilateral agreements with the EU Member States which effectively require the Isle of Man to comply with the requirements of the directive.

There is no capital gains tax, inheritance tax, stamp duty or stamp duty reserve tax in the Isle of Man. A probate fee may be payable in respect of the estate of a deceased holder of the Notes, up to a current maximum of £8,000.

Republic of Cyprus

The following is a summary based on the laws and practices currently in force in Cyprus regarding the tax position of investors beneficially owning their Notes and should be treated with appropriate caution. Particular rules may apply to certain classes of taxpayers holding Notes. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.

Tax residency and tax basis

Individuals

An individual is considered to be a tax-resident of Cyprus if he or she is physically present in Cyprus for an aggregate total of more than 183 days in one year.

Companies

A company is considered to be tax resident in Cyprus if its management and control is exercised in Cyprus. There is no definition in the Cyprus Income tax laws as to what constitutes "management and control". In practice, the OECD model convention definition of "resident of a contracting state" is followed by the Cyprus tax authorities. "Resident of a contracting state" is defined as "any person who, under the laws of that state, is liable to tax therein by reason of his domicile, residence, place of management or any other criterion of a similar nature" and "where a person other than an individual is a resident of both contracting states, it shall be deemed to be a resident of that state in which its place of effective management is situated". The OECD's commentary regarding the model convention states: "The place of effective management is the place where key management and commercial decisions that are necessary for the conduct of the entity's business are in substance made. The place of effective management will ordinarily be the place where the most senior person or group of persons (for example a board of directors) makes its decisions, the place where the actions to be taken by the entity as a whole are determined; however, no definitive rule can be given and all relevant facts and circumstances must be examined to determine the place of effective management. An entity may have more than one place of management, but it can have only one place of effective management at any one time".

A company is regarded as having a "permanent establishment" in Cyprus if it has a fixed place of business through which the trade of the business is carried out fully or partially, and including a management base, a branch or an office.

Tax basis

All Cyprus tax residents are taxed on their worldwide income. Non-Cyprus tax residents are taxed on income derived from sources in Cyprus or from a business activity which is carried out through a permanent establishment in Cyprus.

Interest Payments

Residents/Permanent Establishments. Interest payments made to residents of Cyprus may be subject to special defense contribution taxes in Cyprus at a rate of 30 per cent, if such interest is characterised as "passive" income. If the interest is characterised as "active" income, it is

not subject to any special defence contribution taxes. "Active" income is the income accrued from activities directly related to or closely connected with the ordinary course of business. "Passive" income is the income directly or indirectly from activities that generate investment income.

Taxation of Interest Income

Resident Individuals

Interest income received by a resident individual is wholly exempt from income tax. However, such interest income is subject to a special defence contribution tax at the rate of 30 per cent.

Resident Legal Entities/Permanent Establishments

Any interest received that is deemed to be of an "active" nature will be subject to corporation income tax in Cyprus at a rate of 12.5 per cent. (after deduction of expenses wholly and exclusively incurred for the production of income) and will be exempt from the special defence contribution tax.

Any interest received that is deemed to be of a "passive" nature will be subject to a 30 per cent. special defence contribution tax on the total amount.

Other taxes

Profits realised from the sale of the Notes are exempt from taxation in Cyprus. Interest income is, however, subject to the treatment discussed directly above.

Taxation of Interest on the Loan

Payments, including interest and principal amount payments, made by a Cypriot legal entity in relation to a loan obtained from a non-Cypriot legal entity are made without any withholding taxes imposed in Cyprus.

Stamp duty

Cyprus levies stamp duty on every instrument (agreement or document) if:

- it relates to any property situated in Cyprus; or
- it relates to any matter or thing which is performed or done in Cyprus.

There are instruments (agreements or documents) which are subject to stamp duty in Cyprus at a fixed fee (ranging from EUR 1.00 to EUR 35.00) and instruments which are subject to stamp duty based on the value of the instrument as follows:

- For instruments with a value of EUR 1.00 up to EUR 5,000 there is no stamp duty payable.
- For instruments with a value between EUR 5,000 up to EUR 170,000 the stamp duty payable is of EUR 1.50 for every EURO 1,000 or a part of the EUR 1,000.
- For contracts with a value over EUR 170,000 the stamp duty payable is EUR 2.00 for every EUR 1,000 or a part of the EUR 1,000 with a maximum stamp duty (*i.e.* cap) of EUR 20,000.

Where more than one documents/agreements are used in the same transaction, only the main document will usually attract stamp duty calculated on the basis of the above formula and the remaining documents may be considered as ancillary documents on which a nominal amount of stamp duty at the rate of Euro 2,00 per document will be levied.

The obligation to pay stamp duty arises irrespective of whether the instrument is executed in Cyprus or abroad.

On the basis of the previous practice of the Cyprus Stamp Duty Commissionaire, it is expected that the Loan Agreement will attract stamp duty calculated on the basis of the above formula (calculated on the basis of the value of the facility) and the remaining documents of the transaction will be subject to the nominal value of Euro 2,00 per document.

U.S. Foreign Account Tax Compliance Withholding

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS PROSPECTUS IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY ANY PERSON FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON SUCH PERSON UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) PROSPECTIVE PURCHASERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

The foreign account tax compliance provisions of the Hiring Incentives to Restore Employment Act of 2010 ("**FATCA**") impose a withholding tax of 30% on (i) certain U.S. source payments, (ii) payments of gross proceeds from the disposition of assets that produce U.S. source interest or dividends and (iii) certain non-U.S. source payments from non-U.S. financial institutions ("**foreign passthru payments**") made to persons that fail to meet certain certification or reporting requirements. In order to avoid becoming subject to this withholding tax, non-U.S. financial institutions must enter into agreements with the IRS ("**IRS Agreements**") (as described below) or otherwise be exempt from the requirements of FATCA. Non-U.S. financial institutions that enter into IRS Agreements or become subject to provisions of local law ("**IGA legislation**") intended to implement an intergovernmental agreement entered into pursuant to FATCA ("**IGAs**"), may be required to identify "financial accounts" held by U.S. persons or entities with substantial U.S. ownership, as well as accounts of other financial institutions that are not themselves participating in (or otherwise exempt from) the FATCA reporting regime. In addition, in order (a) to obtain an exemption from FATCA withholding on payments it receives and/or (b) to comply with any applicable IGA legislation, a financial institution that enters into an IRS Agreement or is subject to IGA legislation may be required to (i) report certain information on its U.S. account holders to the government of the United States or another relevant jurisdiction and (ii) withhold 30 per cent. from all, or a portion of, certain payments made to persons that fail to provide the financial institution information, consents and forms or other documentation that may be necessary for such financial institution to determine whether such person is compliant with FATCA or otherwise exempt from FATCA withholding.

Under FATCA, withholding is required with respect to payments to persons that are not compliant with FATCA or that do not provide the necessary information, consents or

documentation made on or after (i) July 1, 2014 in respect of certain US source payments, (ii) 1 January 2017, in respect of payments of gross proceeds (including principal repayments) on certain assets that produce US source interest or dividends and (iii) January 1, 2017 (at the earliest) in respect of foreign passthru payments. FATCA withholding does not apply to payments on Notes that are issued prior to 1 July 2014 (or if later, the date that is six months after the date on which the final regulations that define "passthru payments" are published) unless the Notes are materially modified or characterized as equity for U.S. federal income tax purposes.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes and the information reporting obligations of the Issuer and other entities in the payment chain is still developing. In particular, a number of jurisdictions (including Ireland) have entered into, or have announced their intention to enter into, intergovernmental agreements (or similar mutual understandings) with the United States, which modify the way in which FATCA applies in their jurisdictions. The full impact of such agreements (and the laws implementing such agreements in such jurisdictions) on reporting and withholding responsibilities under FATCA is unclear. The Issuer and other entities in the payment chain may be required to report certain information on their U.S. account holders to government authorities in their respective jurisdictions or the United States in order (i) to obtain an exemption from FATCA withholding on payments they receive and/or (ii) to comply with applicable law in their jurisdiction. It is not yet certain how the United States and the jurisdictions which enter into intergovernmental agreements will address withholding on "foreign passthru payments" (which may include payments on the Notes) or if such withholding will be required at all.

Whilst the Notes are in global form and held within Euroclear Bank SA/NV or Clearstream Banking, *société anonyme* (together, the "ICSDs"), it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the Common Depositary/Common Safekeeper, given that each of the entities in the payment chain from (but excluding) the Issuer to (but including) the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA-compliant holder could be subject to withholding. However, definitive Notes will only be printed in remote circumstances.

If an amount in respect of U.S. withholding tax were to be deducted or withheld from interest, principal or other payments on the Notes as a result of FATCA, none of the Issuer, any paying agent or any other person would, pursuant to the Terms and Conditions of the Notes be required to pay additional amounts as a result of the deduction or withholding. As a result, investors may receive less interest or principal than expected.

The application of FATCA to Notes issued or materially modified on or after the later of (a) July 1, 2014, and (b) the date that is six months after the date on which the final regulations applicable to foreign passthru payments are filed in the Federal Register, (or whenever issued, in the case of Notes treated as equity for U.S. federal tax purposes) may be addressed in the relevant Final Terms or a supplement to this Prospectus, as applicable.

FATCA IS PARTICULARLY COMPLEX AND ITS APPLICATION TO THE ISSUER, THE NOTES AND THE HOLDERS IS SUBJECT TO CHANGE. EACH HOLDER OF

NOTES SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO LEARN HOW FATCA MIGHT AFFECT EACH HOLDER IN ITS PARTICULAR CIRCUMSTANCE.

GENERAL INFORMATION

1. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN numbers and the Common Code for the Notes are XS1516324321 and 151632432, respectively. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L-1855 Luxembourg.
2. The Company has its registered offices at Michalaki Karaoli, 2, office 203, 1095, Nicosia, Cyprus, telephone + 357 22 777 000.
3. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and to trading on the Main Securities Market through Arthur Cox Listing Services Limited. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List or to trading on the regulated market of the Irish Stock Exchange for the purposes of the Prospectus Directive.
4. Copies of the following documents may be inspected in physical format at the offices of the Principal Paying Agent in London and the registered office of the Issuer during usual business hours on any weekday (Saturdays and public holidays excepted) for so long as the Notes are listed on the Irish Stock Exchange:
 - (a) a copy of this Prospectus, together with any supplement to this Prospectus;
 - (b) the constitution of the Issuer;
 - (c) the memorandum and articles of association of the Company and each Initial Guarantor;
 - (d) the Group's Financial Statements;
 - (e) the Loan Agreement;
 - (f) the Deed of Guarantee;
 - (g) the Paying Agency Agreement; and
 - (h) the Trust Deed, which includes the form of the Global Certificate and the Definitive Certificates.

The Prospectus will be available in hard copy at the offices of the Issuer, the Company and the Paying Agents.

5. The Loan Agreement has been authorised by a decision of the Board of Directors of the Company, dated 24 October 2016. The issue of the Notes and the granting of the Loan was authorised by a decision of the Board of Directors of the Issuer on 24 October 2016. The Guarantees were approved by the relevant Initial Guarantor by a decision of the general meeting of the shareholders and/or of the board of directors, as applicable, of each Initial Guarantor on 26 October 2016.

6. No consents, approvals, authorisations or orders of any regulatory authorities other than as disclosed in the Prospectus are required by the Issuer under the laws of Ireland for maintaining the Loan or the Guarantees or for issuing the Notes.
7. Since 31 December 2015, there has been no material adverse change in the financial position or prospects of the Issuer and no significant change in the financial or trading position of the Issuer. The Issuer has no subsidiaries.
8. There has been no significant change in the financial or trading position of the Company, the Initial Guarantors or of the Group since the six months ended 30 June 2016 and no material adverse change in the financial position or prospects of the Company, the Initial Guarantors or of the Group since 31 December 2015.
9. Save for the fees payable to the Joint Lead Managers, the Trustee and the Agents, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest that is material to the issue of the Notes.
10. There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which any of the Issuer, the Company or the Initial Guarantors is aware), during the previous 12 months in relation to the Issuer, the Company or the Initial Guarantors, which may have, or have had in the recent past, significant effects on the Issuer's, the Company's, the Initial Guarantors' and/or the Group's financial position or profitability.
11. The Trust Deed provides, *inter alia*, that the Trustee may rely on any certificate or report prepared by accountants pursuant to the Trust Deed (whether or not addressed to the Trustee), notwithstanding whether or not the accountants' liability in respect thereof is limited by a monetary cap or otherwise.
12. The Company has obtained all necessary consents, approvals and authorisations in the Republic of Cyprus in connection with its entry into, and performance of its obligations under, the Loan Agreement.
13. The Initial Guarantors have obtained all necessary consents, approvals and authorisations in the Russian Federation / Cyprus / Isle of Man, as applicable, in connection with their entry into, and performance of their obligations under, the Deed of Guarantee.
14. The Bank of New York Mellon (Luxembourg) S.A. will act as Registrar in relation to the Notes.
15. The loan to value ratio of the Notes is 100 per cent.
16. BNY Mellon Corporate Trustee Services Limited is a professional trustee company, which is providing its services in relation to the Notes on an arm's length basis in consideration of a fee. Under the terms of the Trust Deed, the power of appointing new trustees is vested in the Issuer but a trustee so appointed must in the first place be approved by an Extraordinary Resolution of Noteholders. The Noteholders have the power, exercisable by Extraordinary Resolution, to remove any trustee or trustees. The removal of any trustee is only effective if following the removal there remains a trustee (being a trust corporation) in office after such removal. In addition, BNY

Mellon Corporate Trustee Services Limited, or any other trustee duly appointed, may retire at any time upon giving not less than three months notice in writing to the Issuer (copied to the Company). The retirement of any trustee is only effective if, following the retirement, there remains a trustee (being a trust corporation) in office after such retirement. If the trustee has given notice of its desire to retire and the Issuer is unable to procure a new trustee to be appointed and the Issuer has not by the expiry of such notice appointed a new trustee, the trustee shall have the power of appointing new trustee(s).

17. The expenses in connection with the admission of the Notes to the Official List and to trading on the Main Securities Market are expected to amount to approximately EUR 7,000.

INDUSTRY REGULATION

REGULATION OF AIRPORTS IN RUSSIA

Set forth below are certain key provisions of Russian legislation relating to airport operation, which apply to the Group's business activities. However, this description is not comprehensive and is qualified in its entirety by reference to applicable Russian law.

OVERVIEW OF THE APPLICABLE LEGISLATION

The regulation of airport operation in Russia is primarily based on the following laws and regulations:

- Transport Strategy of the Russian Federation approved by Government executive order No.1734-r dated 22 November 2008 (the "**Transport Strategy**");

The Transport Strategy regulates the main problems arising in the transportation sector of the Russian economy and establishes direction for its development.

- Air Code of the Russian Federation No. 60-FZ dated 19 March 1997, as amended (the "**Air Code**");

The Air Code sets the principles for usage of airspace of the Russian Federation and for the aviation-related activities. The Air Code provides both general fundamental regulation of operations in civil aviation, state defence and flight security assurance, ecological safety and specific regulation of airport activities, including rules concerning issues of admission to airport operations.

- Civil Code of the Russian Federation (as adopted in four Federal Laws No.51-FZ dated 30 November 1994, No.14-FZ dated 26 January 1996, No.146-FZ dated 26 November 2001 and No.230-FZ dated 18 December 2006), as amended:

The Civil Code regulates proprietary and certain non-proprietary relations between many types of parties, including individuals and legal entities. In particular, the Civil Code establishes: (i) the rules for obtaining and transferring ownership of movable and immovable property; (ii) the basic rules for concluding, amending, performing and terminating contracts; and (iii) the material terms and conditions of a number of contracts (including, but not limited to, forwarding contracts, transportation (carriage) agreements, service agreements, lease agreements, loan and credit agreements).

- Federal Law "On Natural Monopolies" No 147-FZ dated 17 August 1995, as amended (the "**Natural Monopolies Law**");

The Natural Monopolies Law defines the legal basis for the federal policy with respect to natural monopolies in the Russian Federation and aims at achieving a balance of interests of consumers and natural monopolies. In accordance with this law, the services within transport terminals and airports are classified as belonging to the natural monopoly sector and the prices (tariffs) charged by airports, such as DME, for such services are regulated by the state.

- Federal Law "On Licensing of Certain Types of Activities" No. 99-FZ dated 4 May 2011, as amended (the "**Licensing Law**");

The Licensing Law provides for the list of licensing activities in Russia, as well as establishes legislative framework with respect to such activities.

- Federal Law "On Transport Security" No.16-FZ dated 9 February 2007, as amended (the "**Transport Security Law**");

The Transport Security Law provides a legislative framework for aviation and airport security in the context of general provision of security by the State to the Russian Federation and, until 22 October 2013, requires the Russian Ministry of Transport to establish transportation security requirements for various categories of transportation infrastructure facilities. Since 22 October 2013, the Russian government is required to establish such rules. However, until this is done, the rules adopted by the Russian Ministry of Transport remain in force.

- Ministry of Transport of the Russian Federation Order No. 40 dated 8 February 2011 ("**Order No. 40**");

Order No. 40 establishes transportation security requirements, detailing the duties of the owners of transportation infrastructure facilities based on the 4 categories of infrastructure facilities (determined according to the importance of the infrastructure facility and the significance of the effect of its loss, airports falling into Category 1) and, the present security level, as defined by Decree No. 940 described below.

- Ministry of Transport of the Russian Federation Order No. 23 dated 26 January 2011 ("**Order No. 23**")

Order No. 23 introduces level of security 2 in Moscow airports, international airports and airports of federal significance. It recommends to implement additional security measures by examining citizens when they enter an airport.

- Ministry of Transport of the Russian Federation Order No. 62 dated 21 February 2011 ("**Order No. 62**");

Order No. 62 provides for four transportation infrastructure objects and transportation vehicles categories depending on the level of threat of conducting an illegal act of intrusion into transportation infrastructure objects or transportation vehicles activity.

- Government Decree No. 897 dated 30 July 1994 ("**Decree No. 897**");

Decree No. 897 introduces the regulation on the federal system for ensuring security of the civil aviation activity from illegal intrusion together with norms, rules and procedures for aviation security. The main purpose of the system is to ensure life and health security of passengers, aircraft crew members, air companies' land personnel, security of aircraft and airport's facilities by way of implementing security measures against illegal intrusion. The rules set out certain security requirements for airports.

- Article 12 of the Russian Federation Law No. 3-FZ dated 7 February 2011, "On the Police" (the "**Police Law**");

The Police Law provides generally that maintaining public order and ensuring public safety are responsibilities of police; and in relevant part, Article 12 clause 1 item 32, specifies police participation within the boundaries of their competences, in the maintenance of civil aviation security.

- Government Decree No. 940 dated 10 December 2008, "On the Security Levels for Transportation Infrastructure Facilities and Transport Vehicles and the Procedures for Announcing (Setting) Security Levels" ("**Decree No. 940**"):

Decree No. 940 defines three security levels at an airport, 1, 2 and 3, corresponding to the degree of certainty of an existing threat to security. 1 is the default level of security. If the security level is elevated to 2 or 3, the relevant authority at the federal or airport level may decide to implement security screening of people and their belongings at the passenger terminal entrances, using inspection devices (Order No. 40 details the above and establishes the mandatory procedures that must be performed by the transportation infrastructure facility according to its category and the security level).

- Government Decree No. 42 dated 1 February 2011 "On Establishing Rules for Protection of Airports and Their Infrastructure Objects"

According to the rules, airports and their infrastructure objects' protection should be understood as a package of measures ensuring airports and their infrastructure objects security from illegal intrusion into civil aviation activity. Such measures provide for prevention of unauthorised passage of persons and transport vehicles, weapon bringing, explosive substance and other hazardous devices, items and substances on the airport territory.

- Order of the Federal Antimonopoly Service No. 1249/15 dated 11 December 2015 "On change of regulation of activity of subjects of natural monopoly in airports within Moscow and the Moscow district" ("**Order No. 1249/15**"):

Order No. 1249/15 introduces special regulation of airport services including passenger services, take-off, landing and parking, use of terminal, aviation security, fuel storage, fuelling services rendered in airports within Moscow and the Moscow district.

Furthermore, as required by various international and Russian Federation legislation and regulations governing aviation security, an Aviation Security Programme for Domodedovo International Airport was established by DME Aviation Security, approved by Order of Director of the Airport No. 0025/RASP--AMR/13 dated 31 May 2013 and endorsed by the Interregional Territorial Administration of Air Transport for Central Regions of the Federal Air Transport Agency under the Ministry of Transport of the Russian Federation (Letter No. 5.8.8-861 dated 28 June 2013). Its primary objective is to define the actions, duties and procedures required for ensuring aviation security of DME.

THE REGULATORY BODIES

At the federal level, regulatory authority over the Russian airport industry is divided between several federal ministries:

- **the Ministry of Transport** is responsible for the development of governmental policy and legal and regulatory standards in the transportation sector of the Russian economy, including, among others:
 - rules of passenger and cargo transportation;
 - rules of levying and application of tariffs and collection of fees;
 - rules governing civil liability for causing harm to third parties and aircraft;
 - rules of mandatory certification for legal entities providing services in the civil aviation and air navigation areas;
- **the Ministry of Economic Development** is responsible for the development of governmental policy and legal and regulatory standards relating to socioeconomic development and business activity. In the process of conducting its activities, the Ministry of Economic Development approves, *inter alia*: (i) strategic plans for social and economic development; (ii) the list and order of determination of the indexes of economic efficiency for federal/state unitary enterprises and open joint-stock companies, whose shares are owned by the Russian Federation; and (iii) opines on drafts of legal acts which regulate the relationships between business entities or their relationships with the Russian Federation, which also affect macroeconomic indicators of the Russian Federation; and
- **the Ministry of Finance** determines taxation policy, considers provision of subsidies for the development of aviation and other infrastructure and allocates subsidies to regional budgets.
- **The Ministry of Industry and Trade** issues licenses for repair works in relation to aviation equipment.

However, the above-described federal ministries in Russia do not have authority over compliance control or management of state property and provision of state services. These matters are under the jurisdiction of federal services and agencies. The federal services and agencies that regulate the Russian airport industry are as follows:

- **the Federal Antimonopoly Service** (the "FAS"), which performs a monitoring and supervising role over aviation transport companies, ensuring their compliance with the antimonopoly legislation of the Russian Federation, and exercises legal control over price and tariff regulation for natural monopolies, including airports;
- **the Federal Agency for Air Transport**, which provides state services and manages state property in the aviation sector of the Russian economy. Its functions include, *inter alia*:
 - entering into state contracts and managing state property in the aviation sector;
 - certifying organisations that provide aviation services, ground handling, security, and other aviation-related services; granting licenses for air traffic; certifying aviation personnel;

- registering airfields and airports for civil aviation; maintaining the State register of airfields for civil aviation of the Russian Federation and the State register of airports of the Russian Federation;
- registering aircraft for civil aviation (as air vehicles); maintaining the State register of aircraft for civil aviation of the Russian Federation;
- admitting foreign certified entities to aviation activities on the territory of the Russian Federation;
- providing air navigation services and organising the radio navigation system on the territory of the Russian Federation; maintaining the Unified air traffic management system of the Russian Federation; and
- approving airport and aircraft security plans and policies;
- **the Federal Transport Supervision Service**, which supervises usage of airspace of the Russian Federation, rendering of air navigation services and provision of transportation security. The Federal Transport Supervision Service performs, among others, the following functions:
 - supervision of compliance with legislation relating to the airport industry;
 - granting of licences to organisations providing aviation security services and road transport services (on vehicles equipped for transportation of more than eight persons); and
 - entering into contracts for rendering of services to the state.

The federal services and agencies listed above directly regulate and supervise the Russian aviation industry. There are certain other government bodies, which, together with their subdivisions, exercise general regulatory functions, in the spheres of emergency procedures, customs, taxation and others, and thereby may affect the Group's business.

LICENSING

DME is required to obtain licences, permits and authorisations from Russian governmental authorities to conduct its operations. The Licensing Law, as well as other laws and regulations, list activities which can only be performed with a licence issued by the relevant Russian authorities and establish procedures for issuing such licences. To conduct its principal operations, the Group requires the following licences:

- Licence for non-department (private) security activity;
- Licence for subsoil use with a view to extracting fresh water;
- Licence for performing activities and (or) services in the sphere of state secret protection;
- Licence for use of explosive/flammable and chemically dangerous industrial facilities of the first, second, and third security levels;

- Licence for performing of fire-fighting activities;
- Licence for performing assembly, maintenance and repair of fire safety devices designed for protection of buildings;
- Licence for use of radiation sources;
- Licence for loading and unloading activities;
- Licence for transportation of passengers in motor vehicles;
- Licence for medical activities;
- Licence for activities in the sphere of using ionizing radiation sources;
- Licence for training and education activities.

As of the date of this Prospectus, the Group has valid licences for the activities listed above.

A licence may be suspended if the licensee repeatedly breaches the terms and conditions of the licence in a material way. If a licensee fails to mitigate any breach of the licence granted to it within the period established by the licensing authority, the authority may apply to a court for the cancellation of the licence. A court may also cancel the licence in certain other cases (for example, if the breach of the terms and conditions of a licence by the licensee involves infringement of or harm to the rights, legal interests and health of individuals). Licensing regulations and the terms of its licences and permits require DME to comply with numerous standards, employ qualified personnel, maintain certain equipment and a system of quality controls, maintain insurance coverage, monitor operations, make appropriate filings and, upon request, submit specified information to the licensing authorities that control and inspect its activities.

Certificates

In addition to licences, to conduct its operations DME is required to obtain a number of mandatory compliance certificates (the "**Certificates**"). The most important ones include:

- Certificate of operability for the airport

A Certificate of operability for the airport indicates the airport's ability to perform activities relating to aircraft arrival and departure and air transit of goods. Obtaining such a certificate is a prerequisite for state registration of the airport with the State register of airfields for civil aviation of the Russian Federation and the State register of airports of the Russian Federation, which registrations are required for carrying out airport activities. A Certificate of Operability is granted by the Federal Agency for Air Transport upon expert investigation, and is valid for up to three years. DME currently operates under a certificate No. ФАБТ А.07.00750 granted on 20 April 2015, which is valid for two years.

- Certificates of compliance and operability for airport equipment, vehicles and special-purpose machinery

These certificates are granted by the Federal Agency for Air Transport. Some examples include certificates relating to fire safety devices and warehouses of temporary storage. Receipt of certificates for all facilities and equipment specific to airport activity are prerequisites for an airport to be granted a Certificate of Operability. The airport operator must maintain the due quality of the certified equipment and services during the term of the certificate. These certificates are renewed after the inspection held by the relevant authorities, which also specify the term of the certificate's validity. The certificates cannot be transferred to third parties.

In addition to the mandatory Certificates, DME obtains a number of voluntary Certificates to confirm high quality and safety standards of the services provided. These voluntary Certificates include:

- ISO 9001 Certificate of compliance (quality management system – ground handling of passengers and cargoes);
- ISO 9001 Certificate of compliance (quality management system - warehousing);
- Certificate of compliance with ISAGO standards (ground handling).

As of the date of this Prospectus, the Group has valid certificates for the activities and assets listed above.

REGULATION OF TARIFFS

Order No. 1249/15 stipulates that aviation services including passenger services, use of terminal, take-off, landing, parking rendered in airports within Moscow and the Moscow district are not subject to tariff regulation.

SECURITY REGULATION

The Air Code provides for general regulation of aviation security. Measures on assuring aviation security include:

- preventing unauthorised persons and vehicles from entering the controlled zone of the airport;
- safeguarding aircraft in the parking zone;
- preventing unauthorised persons from carrying weapons aboard the aircraft;
- pre-flight and post-flight inspections;
- protection of civil aviation operators from acts of unlawful interference.

Article 83 of the Air Code defines aviation security as a condition where aviation is protected from unlawful interference in aviation-related activities. Aviation security is provided by the on-site airfield/ airport security services, by units of the agency police under the federal government executive office responsible for transportation, as well as by internal affairs ministry agencies, aviation operators' corporate aviation security services, and other authorities duly empowered by federal law.

The Russian Federation Civil Aviation Security Programme was approved by Order No. 62 from the Ministry of Transport on 18 April 2008. This programme dictates that within each civil airport, a secure area must be established with access control and site regulation and such area is to be guarded against intruders using aviation security personnel and security devices and equipment. Aside from the secure areas, there are also unrestricted or un-secure areas within an airport, designated for free access by the general public. According to the Police Law, maintenance of public order and ensuring public safety in a public unrestricted area is within the realm of police duties, as specifically applied to the provision of aviation security by Article 12 Clause 1 item 32 of the Police Law. The boundaries of the restricted and unrestricted area are defined by each airport's aviation security programme.

According to the Federal Aviation Rules on Aviation Security in the Airports, approved by Order No. 142 of the Ministry of Transport on 28 November 2005 (as amended), airports develop programmes for security assurance and pass control on their territory, which are to be approved upon consent of the Federal Transport Supervision Service. The Aviation Security Programme for Domodedovo International Airport was developed and approved by all relevant authorities in 2009. The secure zone at DME, as defined by DME's Aviation Security Programme, constitutes the area between the security checkpoint and the departure gate. DME security personnel are responsible for provision of security within this secure area. On arrival, within the secure area (where access to general public remains restricted) between the arrival gate and the arrivals hall, DME security shares responsibility with the security force of those airports where passengers passing through this area originated and where they and their luggage had been inspected.

The Transport Security Law prescribes that Transportation infrastructure entities (legal entities and private individuals that are owners of transportation infrastructure facilities, such as the Group) are responsible for providing transportation security for transportation infrastructure facilities and transport vehicles. Further, pursuant to Article 8 of the Transport Security Law, until 22 October 2013, the Russian Ministry of Transport is required to establish transportation security requirements for various categories of transportation infrastructure facilities. Since 22 October 2013, the Russian government is required to establish such rules. However, until this is done, the rules adopted by the Russian Ministry of Transport remain in force. On 8 February 2011, the Ministry of Transport issued Order No. 40 (which took effect 27 March 2011), instituting detailed requirements of appropriate security procedures to be followed by a transportation infrastructure facility operator to ensure security of the facility. The instructions combine the importance of the particular transport facility and the significance of the effect of its loss, with the level of security at the time of the security services performed. There are five categories of facilities, subdivided into three security levels. The most important transportation infrastructure facilities, such as airports, normally fall in Category 1 under Order No. 62. The security levels are defined by Decree No. 940 and constitute the following:

- Security Level 1 – protection of a transportation facility from *potential* threats (consisting of all probable conditions and factors combining to create a certain risk of an act of unlawful interference)
- Security Level 2 – protection of a transportation facility from *impending* threats (consisting of all specific conditions and factors combining to create a certain risk of an act of unlawful interference)

- Security Level 3 – protection of a transportation facility from *immediate* threats (consisting of all conditions and factors combining to create a certain risk of an act of unlawful interference)

For MAH airports security level 2 for airport infrastructure was instituted by Order No. 23. During the institution of higher levels of security (2 or 3) than the default level, a Category 1 facility is required, by Order No. 40, to take additional measures to ensure security, such as arbitrarily searching persons located in the public access areas of the airport, for example. This new framework, however, does not change the division of responsibilities between the governmental authorities and airport security personnel when providing security services at an airport, including DME. The Russian Federation remains responsible for all areas outside of the secure zone described above, including the parking lot and the entrance to the terminal and conducts all the relevant security activities, such as for instance, searching and/or detaining of individuals. The Group's security teams also patrol outside of the secure zone but will continue to not have a right to demand identification or detain any person, having that power only within the secure area of the airport. All security equipment in the DME terminal, whether it is used by police authorities or members of the Group, is purchased and installed by the Group.

AMENDMENTS TO LEGISLATION FOLLOWING THE TERRORIST ATTACK AT DME IN JANUARY 2011

Draft law on Airports and Airport Activity

In March 2011, the draft law "On airports and activity on the airport territory in the Russian Federation" (the "**Draft Law**") was introduced in State Duma. Its main objective is to expand the Air Code's provisions on civil airport operations.

The Draft Law distinguishes aviation and non-aviation services. Aviation activity (aviation services) is the activity carried out by airport operators and relating to take-off, landing, taxing, parking of aircrafts, admission to air terminal and cargo terminal buildings, and ground handling. Entities carrying out aviation activity are treated as airport operators. Principal operators are subject to mandatory certification. Non-aviation services are rendered on a commercial basis and are not subject to specific state regulation.

The Draft Law expands the provisions relating to the activity of the main airport operator. The main airport operator is the entity, which holds the Certificate of Operability of the airport. In order to obtain the Certificate of Operability, the main airport operator must ensure that all aviation services are rendered in the airport (by its own means or by other airport operators, with which it has concluded servicing contracts).

The Draft Law provides specifics of leasing state and municipal property of airports.

The Draft Law contains new provisions on airport security. In particular, the Draft Law introduces the definition of the "controlled zone" ("clean zone"), which is controlled by airport security services. It also determines the circumstances, in which the additional safety measures are brought in.

As of the date of this Prospectus, the Draft Law has not passed the first hearing in State Duma.

Programme for Strengthening Aviation Security

As a result of the terrorist attack at DME, the President of the Russian Federation, on 29 January 2011, signed a list of instructions regarding measures to ensure the safety of people on modes of transport and in facilities of the transportation infrastructure and in other places. In particular, the Russian government was instructed to submit proposals for strengthening aviation security measures and measures for assuring security in the public places of the Russian transport system and for enforcing anti-terrorist protection of public facilities. Following the adoption of the list of instructions, several governmental regulations, including Order No. 40 and Order No. 62, were introduced. In addition, in execution of the prescriptions, a number of draft laws and regulations were prepared, such as the draft law amending the existing Federal Law "On department security service" and the draft regulation providing for responsibilities of departmental and private security services, which was adopted in February 2011. As of the date of this Prospectus the draft law has been published on the Ministry of Transport website but has not been introduced to State Duma yet. The programme also prescribes to intensify control of retail sale spots within the buildings of the Russian transport system.

Draft law on Disclosure of Ultimate Beneficial Owners

In September 2013, the Ministry of Economic Development of Russia prepared and initiated public discussion of a draft law which envisages the disclosure of the ultimate beneficial owners of companies owning significant transport infrastructure facilities, including international airports. The draft law defines an ultimate beneficial owner as a person that exercises control over such company. According to the draft law, any shareholder, that is a legal entity, should disclose their ultimate beneficial owners on a regular basis as well as upon the request of state authorities or the company. The ultimate beneficial owners should also be disclosed in case of acquisition of 1 per cent. or more of shares in the company owning the significant transport infrastructure. If the shareholder fails to disclose its ultimate beneficial owners, its voting rights may be restricted by court order and it may be subject to criminal and/or administrative liability. According to the draft law, the Federal Security Service is entitled to conduct investigations to find out who the ultimate beneficial owners of a company are and the results of which are admissible in evidence in court. As of the date of this Prospectus the draft law has not yet been submitted to State Duma and the timing and prospects of its adoption remain unclear.

Amendments to the Transport Security Law

On 3 February 2014, the Transport Security Law was amended to provide for an obligation of subjects of transportation infrastructure, including airports such as DME, and/or carriers to examine and inspect individuals, luggage, and cargo. Moreover, the amendment law envisages three examinations: an initial examination, a supplemental examination and a re-examination.

ENVIRONMENTAL REGULATION

DME is subject to laws, regulations and other legal requirements relating to the protection of the environment, including those governing the discharge of substances into the air and water, the management and disposal of hazardous substances and waste, the clean-up of contaminated sites, and protection of flora, fauna and other wildlife. Issues of environmental protection in Russia are regulated primarily by Federal Law No. 7-FZ "On Environmental

Protection" dated 10 January 2002, as amended (the "Environment Protection Law"), as well as by a number of other federal and local laws.

Ecological Approval

Any activities that may affect the environment are subject to state ecological approval by federal authorities in accordance with Federal Law No.174-FZ "On Ecological Expert Review" dated 23 November 1995, as amended. Conducting operations that may cause damage to the environment without state ecological approval may result in the adverse consequences described under "*— Environmental Liability*" below.

Enforcement Authorities

The Federal Service for the Supervision of the Use of Natural Resources, Rostekhnadzor, the Federal Service for Hydrometeorology, and other state authorities are involved in environmental regulation and implementation and enforcement of environmental laws and regulations. The Government of the Russian Federation and the Ministry of Natural Resources are responsible for coordinating the activities of the regulatory authorities in this area. Such regulatory authorities, along with other state authorities, individuals and public and non-governmental organisations, have the right to initiate lawsuits claiming compensation for damage caused to the environment. The statute of limitations for such lawsuits is 20 years.

Environment Liability

If the operations of a company violate environmental requirements or cause harm to the environment or to any individual or legal entity, environmental authorities may suspend such operations or a lawsuit may be brought to limit or ban such operations and require the company to remedy the effects of the violation. Any company or employees that fail to comply with environmental regulations may be subject to administrative and/or civil liability, and individuals may be held criminally liable. Courts may also impose clean-up obligations on violators in lieu of or in addition to fines.

PROPERTY RIGHTS

Land Use Rights

Russian legislation prohibits carrying out any commercial activity on a land plot without appropriate land use rights. Pursuant to the Land Code, companies generally have one of the following land rights in the Russian Federation: (i) ownership; (ii) lease; or (iii) right of free use.

The majority of land plots in the Russian Federation are owned by federal, regional or municipal authorities which, through public auctions or tenders or through private negotiations, can sell, lease or grant other land use rights to third parties.

DME generally has long-term lease rights in respect of its land plots. A lessee generally has a priority right to enter into a new land lease agreement with a lessor upon the expiration of a land lease. In order to renew a land lease agreement, the lessee must apply to the lessor (usually state or municipal authorities) for a renewal prior to the expiration of the agreement. Any lease agreement for a period of one year or more must be registered with the relevant state authorities.

In cases where buildings and facilities owned by a lessee are located on the leased land plot, the lessee has the exclusive right to lease that land plot. Should any disagreements arise between the owner of the land plot and the lessee, the relations between them will be determined by a court.

The land plots necessary for construction of airports, airfields, air terminal buildings, take-off runways, or other buildings for rendering aviation services form a category of land, referred to as transport lands. The majority of transport lands for aviation purposes is state-owned and was leased to airports before the demise of the Soviet Union. Such lands have limited transferability and may not be subject to private ownership. However, it does not prevent airports from acquiring other land plots for the purpose of airport development.

Other Property Rights

DME is recognised as an airport of federal importance, which means that facilities and equipment relating to take-off, landing, taxing, and parking of aircrafts can only be in federal ownership. Such facilities and equipment can be leased to private companies.

The DME complex also includes facilities and movable property not designated for the above mentioned activities (such as in-flight food kitchen, air hotel, administrative buildings). Such facilities can be owned by private companies.

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DME LIMITED **and subsidiaries**

Interim Condensed Consolidated Financial Information

For the Six-Month Period Ended
30 June 2016 (unaudited)

DME LIMITED AND SUBSIDIARIES

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DME LIMITED AND SUBSIDIARIES

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016

Management is responsible for the preparation of the interim condensed consolidated financial information that presents the financial position of DME Limited (the "Company") and its subsidiaries (the "Group") as of 30 June 2016 and the consolidated results of its operations, cash flows and changes in equity for the six-month period then ended, in compliance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

In preparing the interim condensed consolidated financial information, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

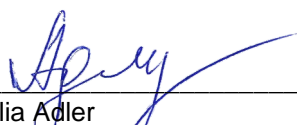
- Designing, implementing and maintaining an effective system of internal controls throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the interim condensed consolidated financial information of the Group complies with IAS 34;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the companies of the Group operate;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The interim condensed consolidated financial information for the six-month period ended 30 June 2016 was approved by management on 19 October 2016.

On behalf of management:



Elena Batsunova
Chief Executive Officer



Natalia Adler
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To: Shareholders and Board of Directors of DME Limited

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of DME Limited and its subsidiaries (collectively – the "Group") as of 30 June 2016 and the related interim condensed consolidated statements of comprehensive income, cash flows and changes in equity for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.



Moscow, Russia

19 October 2016

DME LIMITED AND SUBSIDIARIES


INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED)

(Amounts in millions of Russian Rubles, unless otherwise stated below)

	Notes	2016	2015
Revenue	6	17,757	18,571
Operating expenses, net	7	(13,085)	(12,890)
Operating profit		4,672	5,681
Interest expense	8	(317)	(539)
Interest income		168	222
Foreign exchange loss, net		(69)	(1,041)
Profit before income tax		4,454	4,323
Income tax	9	(782)	(796)
Profit and comprehensive income for the period		3,672	3,527
Profit and total comprehensive income attributable to:			
Owners of the Company		3,649	3,520
Non-controlling interests		23	7
		3,672	3,527

On behalf of management:


 Elena Batsunova
 Chief Executive Officer

19 October 2016


 Natalia Adler
 Chief Financial Officer

The accompanying notes form an integral part of this interim condensed consolidated financial information.

DME LIMITED AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2016 (UNAUDITED) (Amounts in millions of Russian Rubles)

	Notes	30 June 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	10	59,603	55,163
Investment property	10	557	561
Advances for acquisition of non-current assets	10	2,268	2,327
Intangible assets	11	4,986	5,019
Deferred tax asset		2,515	1,444
Amounts due from grantor under a concession agreement	13	387	576
Long-term finance lease receivable	14	276	294
Long-term investments	15	18	8,557
Other non-current assets	12	1,955	2,258
Total non-current assets		72,565	76,199
Current assets			
Inventory	17	1,196	1,223
Trade and other receivables	16	2,972	2,744
Prepayments and other current assets	18	3,994	3,294
Prepaid income tax		758	1,446
Short-term finance lease receivable	14	163	180
Short-term investments	15	31	11,916
Assets classified as held for sale		11	-
Cash and cash equivalents	19	7,474	4,783
Total current assets		16,599	25,586
TOTAL ASSETS		89,164	101,785
EQUITY AND LIABILITIES			
Capital			
Share capital	20	11,877	11,877
Retained earnings	20	46,208	42,573
Loans to the owners of the Company	20	(8,542)	-
Equity attributable to owners of the Company		49,543	54,450
Non-controlling interests		(26)	101
Total equity		49,517	54,551
Non-current liabilities			
Five-year USD loan participation notes, long-term portion	21	19,083	21,644
Deferred tax liability		6,822	6,658
Amounts due to grantor under a concession agreement, long-term portion	13	3,136	3,147
Borrowings	22	1,565	1,544
Total non-current liabilities		30,606	32,993
Current liabilities			
Trade and other payables	23	4,719	4,215
Accrued expenses and other current liabilities	25	2,333	2,135
Taxes other than income tax payable	24	1,440	1,133
Amounts due to grantor under a concession agreement, short-term portion	13	262	255
Five-year USD loan participation notes, short-term portion	21	205	213
Provisions	26	42	325
Income tax payable		40	61
Dividends payable		-	2,193
Borrowings	22	-	3,711
Total current liabilities		9,041	14,241
TOTAL EQUITY AND LIABILITIES		89,164	101,785

On behalf of management:


Elena Batsunova
Chief Executive Officer


Natalia Adler
Chief Financial Officer

19 October 2016

The accompanying notes form an integral part of this interim condensed consolidated financial information.

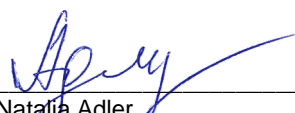
DME LIMITED AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED) (Amounts in millions of Russian Rubles)

	2016	2015
Cash flows from operating activities:		
Profit before income tax	4,454	4,323
Adjustments for:		
Depreciation and amortization	1,543	1,582
(Gain)/loss on disposal of property, plant and equipment	(8)	48
Loss on disposal of intangible assets	48	34
Change in provision for impairment of accounts receivable, advances to suppliers and advances for acquisition of non-current assets	33	24
Change in legal provision	(1)	(59)
Interest income	(168)	(222)
Interest expense	317	539
Foreign exchange loss, net	69	1,041
Other non-cash items, net	43	71
	6,330	7,381
Decrease in inventory	25	21
Increase in trade and other receivables	(460)	(701)
Increase in prepayments and other current assets	(702)	(604)
Decrease in trade and other payables	(217)	(70)
Increase in taxes other than income tax payable	307	217
Increase/(decrease) in accrued expenses and other current liabilities	158	(77)
Net cash from operating activities before income tax	5,441	6,167
Interest paid	(1,190)	(840)
Income tax paid	(1,020)	(582)
Cash provided by operating activities	3,231	4,745
Cash flows from investing activities:		
Purchases of property, plant and equipment	(4,782)	(2,564)
Purchases of intangible assets	(317)	(225)
Proceeds from disposal of property, plant and equipment	345	28
Purchases of investments	(985)	(15,859)
Proceeds from disposal of investments	12,646	14,053
Proceeds from grantor under a concession agreement	139	129
Interest received	94	315
Net cash from/(used in) investing activities	7,140	(4,123)
Cash flows from financing activities:		
Repayments of borrowings	(4,103)	(1,422)
Proceeds from borrowings	858	-
Dividends paid (Note 20)	(2,343)	(2,293)
Other distribution to shareholders	(14)	-
Net cash used in financing activities	(5,602)	(3,715)
Net increase/(decrease) in cash and cash equivalents	4,769	(3,093)
Cash and cash equivalents at the beginning of the period	4,783	4,112
Foreign exchange (gain)/loss on cash and cash equivalents	(2,078)	811
Cash and cash equivalents at the end of the period (Note 19)	7,474	1,830

On behalf of management:


Elena Batsunova
Chief Executive Officer


Natalia Adler
Chief Financial Officer

19 October 2016

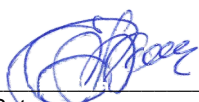
The accompanying notes form an integral part of this interim condensed consolidated financial information.

DME LIMITED AND SUBSIDIARIES

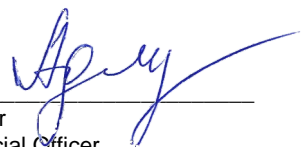
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED) (Amounts in millions of Russian Rubles)

	Share capital	Loans to the owners of the Company	Retained earnings	Equity attributable to the owners of the Company	Non- controlling interests	Total
Balance as of 1 January 2015	11,877	-	38,081	49,958	99	50,057
Profit and comprehensive income for the period	-	-	3,520	3,520	7	3,527
Dividends	-	-	(808)	(808)	-	(808)
Balance as of 30 June 2015	11,877	-	40,793	52,670	106	52,776
Balance as of 1 January 2016	11,877	-	42,573	54,450	101	54,551
Profit and comprehensive income for the period	-	-	3,649	3,649	23	3,672
Loans issued to shareholder (Note 20)	-	(8,542)	-	(8,542)	-	(8,542)
Dividends (Note 20)	-	-	-	-	(150)	(150)
Other distribution to shareholder	-	-	(14)	(14)	-	(14)
Balance as of 30 June 2016	11,877	(8,542)	46,208	49,543	(26)	49,517

On behalf of management:


Elena Batsunova
Chief Executive Officer

19 October 2016


Natalia Adler
Chief Financial Officer

The accompanying notes form an integral part of this interim condensed consolidated financial information.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

1. NATURE OF THE BUSINESS

DME Limited (previously FML Limited, hereinafter the “Company”), is a limited liability company incorporated under the laws of the Isle of Man in February of 2001. Immediately following the formation of the Company an entity under common control transferred to the Company a number of entities operating as a group since 1996. The assets and liabilities of the entities were transferred to the Company at their previous carrying amounts. In 2012 the Company transferred its registered office and place of domicile to the Republic of Cyprus.

The principal activities of the Company, together with its subsidiaries (collectively the “Group”) are the management, operation and development of Domodedovo airport, including servicing international and domestic passenger and cargo flights. The Group sells fuel and pre-packaged meals as well as provides airport-related commercial services comprising leasing of retail space, leasing of other commercial properties and fuelling services. The Group’s principal place of business is Domodedovo airport in the Moscow region, Russia.

The Group operates in three business segments: aviation services, auxiliary aviation services and commercial services.

The Company’s ownership interest in the controlled subsidiaries is as follow:

Company name	Place of incorporation	Principal activity	Percentage held as of	
			30 June 2016	31 December 2015
Domodedovo Passenger Terminal	Russia	Passenger terminal complex	100%	100%
Domodedovo Cargo	Russia	Cargo terminal complex	100%	100%
Domodedovo Catering	Russia	In-flight catering facility	100%	100%
Domodedovo Asset Management	Russia	Rent and parking services	100%	100%
Domodedovo Fuel Services	Russia	Fuel storage and supply facility	100%	100%
Domodedovo Security	Russia	Aviation security	100%	100%
Domodedovo Commercial Services	Russia	General agent for Group companies	100%	100%
Domodedovo International airport	Russia	Take-off and landing services	100%	100%
Domodedovo Slot Allocation	Russia	Aeronautical services	100%	100%
Domodedovo Construction Management	Russia	Capital development	100%	100%
Domodedovo Airport Handling	Russia	Ground handling	100%	100%
Domodedovo Information Technologies Services	Russia	IT services	100%	100%
Domodedovo Fuel Facilities	Russia	Jet fuelling and storage	100%	100%
Hacienda Investments Limited	Cyprus	Group property management	100%	100%
Verulia Investments Limited	Cyprus	Investing and financing activities	100%	100%
Airport Management Company Limited	Isle of Man	Group management company	100%	100%
Ocean Fest Development S.A	British Virgin Islands	Investing and financing activities	100%	100%
Domodedovo Training	Russia	Staff professional trainings and development	100%	100%
Domodedovo Integration	Russia	Software development	100%	100%
Domodedovo Non-aviation Sales	Russia	Rent and advertising services	100%	100%
DME Airport Limited	Ireland	Investing and financing activities	-	-
Domodedovo Parking	Russia	Management of car park facilities	100%	100%

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

The Russian Federation is the place of operation for all the companies listed above, except for Verulia Investments Limited for which the place of operation is Cyprus and DME Airport Limited for which the place of operation is Ireland.

Verulia Investments Limited acts as a major holder of the intangible assets owned by the Group and is involved into treasury activities of the Group, facilitating financing and investing transactions between the Group's individual companies, as well as between the Group and third parties.

DME Airport Limited is a company that acts as a corporate vehicle for USD loan participation notes issued on the Irish Stock Exchange.

The immediate parent entity of DME Limited is Alamo Limited, a company registered in the Republic of Malta.

The ultimate controlling party of the Group is Mr. Dmitry Kamenshchik.

The interim condensed consolidated financial information of the Group for the six-month period ended 30 June 2016 was authorized for issue by management on 19 October 2016.

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Statement of compliance

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards ("IFRS"). This interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting.

The consolidated statement of financial position as at 31 December 2015, included in this interim condensed consolidated financial information, has been derived from the audited consolidated financial statements of the Group for the year ended 31 December 2015. This interim condensed consolidated financial information should be read in conjunction with the audited annual consolidated financial statements.

This financial information is unaudited and does not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures which would substantially duplicate the information contained in its audited annual consolidated financial statements for 2015 prepared in accordance with IFRS, such as accounting policies and details of accounts which have not changed significantly in amount or composition. Additionally, the Group has provided disclosures where significant events have occurred subsequent to the issuance of the Company's annual consolidated financial statements for 2015 prepared in accordance with IFRS.

Exchange rates for the currencies in which the Group transacts were as follows:

	30 June 2016	31 December 2015
Closing exchange rates – RUB		
1 U.S. Dollar ("USD")	64.26	72.88
1 Euro	71.21	79.70
	30 June 2016	30 June 2015
Average exchange rates for the six months ended – RUB		
1 USD	70.10	57.20
1 Euro	78.25	63.99

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED) *(Amounts in millions of Russian Rubles, unless otherwise stated below)*

Seasonality

The business of the Group is subject to significant seasonal fluctuations in its operations, such as a significant increase in passenger traffic in the summer months and September, typically peaking in August, and a decrease in passenger traffic in the first three months of the calendar year, typically reaching the lowest point in February. Fluctuations in the levels of passenger traffic have a strong correlation with the Group's revenue from current operations. In addition, these fluctuations have an effect on trade and other receivables and cash and cash equivalents, with receivables decreasing in August to September and cash and cash equivalents simultaneously increasing, while the pattern is reversed in January to February when receivables increase, while cash and cash equivalents decrease as airlines often experience shortage of cash to pay for services rendered during these months. In addition, because of fluctuations in the levels of passenger traffic, increases in tariffs by the Federal Tariff Service ("FTS") have a larger impact on revenue when increases in tariffs occur prior to the peak months of the year in terms of passenger traffic (June through September). In accordance with IFRS, revenue and the related expenses are recognized in the period in which they are realized and incurred, respectively. The Group's results for the interim period do not necessarily reflect a continuing trend which will be reflected in the year-end results.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual financial statements as of 31 December 2015 and for the year then ended.

During the six-month period ended 30 June 2016 there were no changes in the accounting standards that had significant effect on the Group's financial position and performance arising from the adoption of new standards.

The Group did not early adopt any other standard, amendment or interpretation that has been issued and is not yet effective.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for 2015 prepared in accordance with IFRS.

In addition to those critical accounting judgements and key sources of estimation uncertainty the management of the Group made the following significant judgements:

Reclassification of loans issued to the Group parent company

In June 2016 the Group retrospectively reduced the interest rate stipulated in the main loan agreements with the Parent from 4.9% to 2.1% per annum and changed the term of the loan from 5 to 3 years. Following these changes the management of the Group reassessed the nature of all the loans issued to the parent entity of the Group and reconsidered their classification in the consolidated statement of financial position as in-substance equity distribution. Based on this reassessment as of 30 June 2016 the loans issued to the parent entity were reclassified from long-term investments (Note 15) into equity as a separate line-item "Loans to the owners of the Company".

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

4. RECLASSIFICATION

Certain information for the six-month period ended 30 June 2015 has been reclassified for consistency with the method of presentation of segment information (Note 5) adopted in the Group's condensed consolidated financial information for the six-month period ended 30 June 2016. The changes in classification are shown below:

Reclassification of segment information

	Before reclassification	After reclassification	Difference
Third-party revenue			
Aviation services	4,875	5,183	308
Auxiliary aviation services	9,852	10,276	424
Commercial services	3,844	3,112	(732)
			-

	Before reclassification	After reclassification	Difference
Operating profit			
Aviation services	1,505	1,813	308
Auxiliary aviation services	1,903	2,327	424
Commercial services	2,273	1,541	(732)
			-

5. SEGMENT INFORMATION

Information reported to the chief operating decision maker of the Group ("CODM") for the purposes of resource allocation and assessment of segment performance is focused on the nature of services provided.

The Group's reportable segments are as follows:

Aviation services segment – includes aviation services, such as use of terminal, take-off and landing, and aviation security. Such services are predominantly regulated by FTS.

Auxiliary aviation services segment – includes certain passenger-related services, ground handling, fuelling services, in-flight catering and cargo handling.

Commercial services segment – includes retail concessions and advertising, leasing of other commercial properties, car parking and hotel services.

Segment information is prepared based on IFRS principles.

The performance of each reportable segment is assessed by the CODM by reference to segment operating profit. Segment operating profit is calculated after headquarters expenses have been allocated between the reportable segments.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

The key financial information for the Group's segments for the six-month periods ended 30 June 2016 and 2015 is presented below:

		Aviation services	Auxiliary aviation services	Commercial services	Intersegment eliminations	Group
Third-party revenue	2016	5,281	9,711	2,765	-	17,757
	2015	5,183	10,276	3,112	-	18,571
Intersegment revenue	2016	715	104	704	(1,523)	-
	2015	753	88	305	(1,146)	-
Total revenue	2016	5,996	9,815	3,469	(1,523)	17,757
	2015	5,936	10,364	3,417	(1,146)	18,571
Operating profit	2016	1,289	1,733	1,650	-	4,672
	2015	1,813	2,327	1,541	-	5,681
Depreciation and amortization	2016	(736)	(588)	(219)	-	(1,543)
	2015	(754)	(602)	(226)	-	(1,582)
Change in provision for impairment of receivables and advances to suppliers	2016	(1)	46	(78)	-	(33)
	2015	(12)	(12)	-	-	(24)
Change in legal provision	2016	-	1	-	-	1
	2015	17	36	6	-	59

The following is the analysis of the Group's largest customers (10% or more of total revenue):

	Six months ended 30 June			
	2016		2015	
	Amount	%	Amount	%
S7 Group	2,749	15%	2,366	13%
Auxiliary aviation services segment	1,774		1,525	
Aviation services segment	887		694	
Commercial services segment	88		147	

Substantially all assets, management and administrative facilities of the Group are located in the Russian Federation and are not separately reported to the CODM. Furthermore, all revenue is earned within the Russian Federation. Accordingly, geographical revenue and asset information is not presented as part of segmental information.

6. REVENUE

	2016	2015
Service revenue		
Ground handling	4,416	4,343
Airport and other related charges	3,928	3,990
Rental income	2,426	2,733
Jet fuelling and storage services	1,204	1,220
Aviation security	1,127	1,092
Parking fees	280	309
Construction revenue	85	41
Other revenue	282	258
Total service revenue	13,748	13,986
Product revenue		
Jet fuel sales	2,126	2,321
Catering	1,883	2,264
Total product revenue	4,009	4,585
Total revenue	17,757	18,571

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

Rental income includes contingent rentals of RUR 1,818 million and RUR 2,009 million for the six-month periods ended 30 June 2016 and 2015, respectively, and rental income from investment property in the amount of RUR 147 million and RUR 344 million for the six-month periods ended 30 June 2016 and 2015, respectively.

7. OPERATING EXPENSES, NET

	2016	2015
Payroll and related charges:		
Wages and salaries	4,445	4,411
Social taxes	1,234	1,223
Cost of jet fuel	1,935	2,249
Depreciation and amortization	1,543	1,582
Materials	815	838
Maintenance	780	780
Taxes other than income tax	664	466
Cleaning and waste management	386	386
Public utilities	289	241
Transport	251	192
Consulting, audit and other services	162	104
Rent	140	170
Passenger servicing	109	67
Staff development and training	103	139
Change in provision for impairment of receivables, advances to suppliers and advances for acquisition of non-current assets	33	24
Communication services expense	19	24
Certification and licensing	16	8
Advertising expenses	9	7
Aircraft servicing	4	4
Charitable donations	-	91
Reimbursement of taxes relating to prior periods (i)	-	(512)
Change in legal provision	(1)	(59)
Other expenses, net	149	455
Total operating expenses, net	13,085	12,890

Reimbursement of taxes relating to prior periods (i)

Income from reimbursement of taxes relating to prior periods for 2015 represents a benefit from reduction of property tax charge for the years ended 31 December 2015, 2014 and 2013, which relates to a property tax exemption for prior periods claimed by the Group during the six-month period ended 30 June 2015.

Maintenance expenses include direct expenses arising from investment property in the amount of RUR 95 million and RUR 218 million for the six-month periods ended 30 June 2016 and 2015, respectively.

8. INTEREST EXPENSE

	2016	2015
Interest expense on five-year USD loan participation notes	638	529
Unwind of the discount relating to amounts due to grantor under a concession agreement	175	176
Interest expense on bank loans	64	127
	877	832
Less: capitalized borrowing cost (Note 10)	(560)	(293)
Total interest expense	317	539

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

9. INCOME TAX

Interim period income tax is accrued based on the estimated average annual effective income tax rate of 17.55% (2015: 15.78%).

	2016	2015
Current income tax expense	(1,687)	(934)
Deferred income tax benefit	905	138
Income tax	(782)	(796)

The increase in the annual effective tax rate in 2016 and in current tax expense during the six-month period ended 30 June 2016 is mostly attributable to lower amount of non-taxable forex differences recognized in the reporting period comparing to the six-month period ended 30 June 2015.

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and equipment	Other	CIP	Total
Cost					
1 January 2015	47,755	9,117	1,291	5,883	64,046
Additions	791	71	40	1,128	2,030
Transfers	333	283	26	(642)	-
Disposals	(2)	(69)	(65)	(75)	(211)
Reclassified from investment property	37	-	-	-	37
30 June 2015	48,914	9,402	1,292	6,294	65,902
Additions	890	142	47	2,283	3,362
Transfers	116	97	28	(241)	-
Disposals	(4)	(9)	(48)	(37)	(98)
Reclassified from investment property	1,357	-	-	-	37
31 December 2015	51,273	9,632	1,319	8,299	70,523
Additions	468	205	18	5,326	6,017
Transfers	630	257	31	(918)	-
Disposals	(6)	(57)	(56)	(331)	(450)
Reclassified to investment property	(5)	-	-	-	(5)
30 June 2016	52,360	10,037	1,312	12,376	76,085
Accumulated depreciation					
1 January 2015	(6,850)	(5,095)	(909)	-	(12,854)
Depreciation charge	(654)	(501)	(93)	-	(1,248)
Disposals	1	68	66	-	135
Reclassified from investment property	(5)	-	-	-	(5)
30 June 2015	(7,508)	(5,528)	(936)	-	(13,972)
Depreciation charge	(632)	(490)	(83)	-	(1,205)
Disposals	-	6	41	-	47
Reclassified from investment property	(230)	-	-	-	(230)
31 December 2015	(8,370)	(6,012)	(978)	-	(15,360)
Depreciation charge	(686)	(473)	(77)	-	(1,236)
Disposals	1	59	54	-	114
30 June 2016	(9,055)	(6,426)	(1,001)	-	(16,482)
Net book value					
30 June 2015	41,406	3,874	356	6,294	51,930
31 December 2015	42,903	3,620	341	8,299	55,163
30 June 2016	43,305	3,611	311	12,376	59,603

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

Buildings consist primarily of passenger and cargo terminals, catering facility, car park and auxiliary buildings.

Construction in-progress ("CIP") consists mainly of capital expenditures related to the construction of passenger terminals T-1 and T-2.

During the six-month periods ended 30 June 2016 and 2015 the Group capitalized borrowing costs in the amount of RUR 560 million and RUR 293 million, respectively.

The weighted average capitalization rate on borrowed funds was 5.8% and 6.6% per annum for the six-month periods ended 30 June 2016 and 2015, respectively.

As at 30 June 2016 there was no Group's property, plant and equipment amounts that was pledged as collateral for the Group's borrowings.

Investment property

The Group's investment property consists of administrative buildings, which are leased to several airlines, and a hotel building.

	30 June 2016	31 December 2015
Cost	716	711
Accumulated depreciation	(159)	(150)
Net book value	557	561

Fair value of the investment properties as at 30 June 2016 and 31 December 2015 was RUR 2,341 million and RUR 2,353 million, respectively, and has been arrived at on the basis of a valuation carried out at these dates by a professional appraiser with appropriate qualifications and recent experience in the valuation of properties in the relevant locations. Fair value measurement was categorized within Level 3 of the fair value hierarchy.

The valuation was arrived at by reference to the future cash flows, based on the market evidence for similar properties, discounted at an estimated relevant rate.

Advances for acquisition of non-current assets

As of 30 June 2016 and 31 December 2015 advances for acquisition of non-current assets in the amounts of RUR 2,268 million and RUR 2,327 million, respectively, consisted of amounts paid for construction of the passenger terminals and purchases of network servers and baggage-processing systems. The amount of impairment of advances for acquisition of non-current assets amounted to RUR 41 million as of 30 June 2016 and 31 December 2015.

11. INTANGIBLE ASSETS

	30 June 2016	31 December 2015
Concession arrangement (Note 13)	3,705	3,730
Other intangible assets	1,281	1,289
Intangible assets	4,986	5,019

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

12. OTHER NON-CURRENT ASSETS

	30 June 2016	31 December 2015
Restricted cash in FBME bank, net of impairment of RUR 346 million (31 December 2015: RUR 355 million)	1,912	2,168
Other non-current receivable	43	-
Other loans, net of allowance of RUR 152 million recognized as of 31 December 2015 (30 June 2016: nil)	-	90
Other non-current assets	1,955	2,258

Restricted cash in FBME bank represents cash balances held by the Group at FBME Bank Ltd., which may not be transferred outside of FBME Bank Ltd. at the discretion of the Group due to restrictions of operations imposed on FBME Bank Ltd. by the US and Cypriot governmental authorities.

There was no major developments in relation to the situation with FBME Bank Ltd. in addition to the information disclosed in the Group's annual consolidated financial statements for 2015. As of the date when this interim condensed consolidated financial information was authorized for issuance the bank was in the process of its liquidation by the Central Bank of Cyprus.

13. CONCESSION ARRANGEMENT

General

In May 1998 the Group entered into a concession arrangement with FGUP "Administration of the Airport Domodedovo" (a state-owned enterprise) for the use of the airfield and related equipment for a term of 75 years. The airfield includes runways, adjacent taxiways, apron and related navigation equipment. The Group is under obligation to repair and maintain the assets. The Group also has the right, but not the obligation, to incur capital expenditures or make improvements to the infrastructure. The grantor is obligated to compensate the Group for the amount of expenses, incurred in the course of making such improvements provided that they are approved by the grantor. At the end of the agreement the assets under the agreement (including the improvements made by the Group and certified by the grantor) revert to the grantor. The profit earned on the construction services (Note 6), related to the capital expenditures and improvements made to the assets, represents a market level margin.

The Group is required to make quarterly payments for the right to use the assets during the term of the agreement. Such payments are set to be revised on a regular basis. The most recent revision took place in December 2012, with the next revision expected in 2017. The effects and terms of the most recent revision are discussed further in this note.

Amounts due from grantor under a concession agreement

Financial asset related to amounts due from grantor under a concession agreement of RUR 387 million (2015: RUR 576 million) comprise the amount of receivables from grantor for the improvements made to the property used under the concession agreement. Such amounts are settled on demand, however, the Group does not expect that any significant settlement will be effected within 12 months from the reporting date. Accordingly, the amounts have been classified as non-current assets.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

Amounts due to grantor in relation to a concession agreement

Financial liability related to amounts due to grantor in relation to a concession agreement represents the present value of the contractual future payments, discounted at an annual interest rate of 10.6% . The most recent revision of contractual payment terms, which took place in December 2012, resulted in an increase of the future minimum payments and a revised discount rate. The cost of the intangible asset, corresponding to the net present value of the fees payable to the grantor under the arrangement, has been adjusted accordingly (see below). The next revision of contractual term is due in 2017.

The corrected contractual future payments are reconciled to their present value as at 30 June 2016 and 31 December 2015 as follows:

	Future payments		Present value of future payments	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Due within one year	276	269	262	255
Due after one year but not more than five years	1,392	1,404	1,044	1,055
Due after more than five years	18,089	18,263	2,092	2,092
	19,757	19,936	3,398	3,402
Less future finance charges	(16,359)	(16,534)	-	-
Present value of future payments	3,398	3,402	3,398	3,402

Intangible assets

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

	30 June 2016	31 December 2015
Cost at the beginning of the period	4,296	4,173
Other additions	84	123
Cost at the end of the period	4,380	4,296
Accumulated amortization at the beginning of the period	(566)	(357)
Amortization charge	(109)	(209)
Accumulated amortization at the end of the period	(675)	(566)
Net book value	3,705	3,730

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

14. FINANCE LEASE RECEIVABLE

Presented below is the reconciliation between the gross investment in the lease and the present value of minimum lease payments receivable at the end of the reporting period.

	30 June 2016		31 December 2015	
	Minimum lease payments receivable	Present value of minimum lease payments receivable	Minimum lease payments receivable	Present value of minimum lease payments receivable
Due within one year	206	163	231	180
Due after one year but not more than five years	825	236	923	253
Due after more than five years	963	40	1,193	41
Total gross / net investment in the lease	1,994	439	2,347	474
Less unearned finance income	(1,555)	-	(1,873)	-
Present value of minimum lease payments	439	439	474	474

15. INVESTMENTS

Long-term investments

	30 June 2016	31 December 2015
Other loans	18	18
Loans granted to Parent entity	-	8,539
Total long-term investments	18	8,557

Following the June 2016 retrospective reduction of the interest rate and the maturity period for the main loan issued to the parent entity, the Group reassessed the nature and substance of the loans issued to the parent entity and as of 30 June 2016 changed the classification of these loans from long-term investments to as in-substance equity distribution (Note 3, 20).

Short-term Investments

	30 June 2016	31 December 2015
Short-term USD-denominated bank deposits	-	11,031
Short-term EUR-denominated bank deposits	-	877
Other loans	31	8
Total short-term investments	31	11,916

As of 30 June 2016 the Group had no USD and EUR-denominated bank deposits. As of 31 December 2015 the Group had USD and EUR-denominated bank deposits placed with UBS AG and Nordea Bank AB Latvia branch with interest rates ranging from 0.14% to 0.26% per annum.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

16. TRADE AND OTHER RECEIVABLES

	30 June 2016	31 December 2015
Trade receivables, gross	3,693	3,536
Other receivables, gross	817	770
Provision for impairment	(1,538)	(1,562)
Total	2,972	2,744

17. INVENTORY

	30 June 2016	31 December 2015
Spare parts	485	456
Jet fuel	158	228
Supplies	226	163
Raw materials	87	158
Other inventory	240	218
Total inventory	1,196	1,223

18. PREPAYMENTS AND OTHER CURRENT ASSETS

	30 June 2016	31 December 2015
VAT receivable	2,317	1,846
Other restricted cash	1,000	-
Irrevocable letters of credit	236	939
Advances to suppliers	132	312
Other current assets	309	197
Total prepayments and other current assets	3,994	3,294

Other restricted cash represents cash funds of the Group, which were arrested by the court statement of the Moscow Basmany District Court dated 22 June 2016 as an interim measure under the criminal case against Mr. Dmitry Kamenshchik, the ultimate controlling party of the Group, one current and two former employees of the Group, who were accused under Article 238, p. 3 of the Criminal Code of Russian Federation "Providing services that do not meet the requirements of safety of life or health of consumers, which negligently caused death of two or more persons" in connection with the terrorist attack that took place in 2011 in Domodedovo airport.

On 21 September 2016 the court arrest in relation to cash funds of the Group included into other restricted cash was removed by the decision issued by the Investigating Committee of the Russian Federation. On the same date the criminal case, described above was discontinued by the decision issued by the Investigating committee of the Russian Federation.

19. CASH AND CASH EQUIVALENTS

	30 June 2016	31 December 2015
Russian Rouble denominated cash on hand and balances with banks	717	523
EUR denominated balances with banks	173	2,710
USD denominated balances with banks	6,584	1,550
Total cash and cash equivalents	7,474	4,783

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

20. EQUITY

Share capital and dividends

Authorized and issued capital as at 30 June 2016 and 31 December 2015 comprises 304,831,519 ordinary shares with par value EUR 1.

During six-month period ended 30 June 2016 dividends of RUR 2,193 million were paid to the shareholders of the Group (RUR 2,293 million for the six-month period ended 30 June 2015).

Dividends of RUR 150 million distributed and paid during the six-month period ended 30 June 2016 represented distribution to non-controlling shareholders of the Group subsidiaries.

Retained earnings

In accordance with statutory legislation, dividends may only be declared to the shareholders of the Group from accumulated undistributed and unreserved earnings as shown in the Group's individual companies' statutory financial statements. As at 30 June 2016 and 31 December 2015 such earnings amounted to RUR 34,375 million and RUR 34,925 million, respectively.

In June 2016 the Group agreed changes to agreement relating to the main loan issued to the parent entity of the Group for retrospective reduction of the interest rate from 4.9% to 2.1% per annum and change of the loan maturity. Based on this change of the main term of the loan agreement, the Management of the Group reassessed the nature and substance of all the loans issued to the parent entity of the Group and reconsidered their appropriate classification. Accordingly, as of 30 June 2016 the loans issued to the parent entity were reclassified from long-term investments (Note 15) into in-substance equity distribution as a separate line-item "Loans to the owners of the Company".

21. FIVE-YEAR USD LOAN PARTICIPATION NOTES

In November 2013 the Group issued non-convertible five-year loan participation notes ("LPN") for the total amount of USD 300 million (RUR 9,872 million at the Central Bank of Russia exchange rate as at the inception date) listed on the Irish Stock Exchange. The LPN are due in 2018. The annual coupon rate of the LPN is 6% with interest being paid semi-annually.

22. BORROWINGS

	Interest rate, %	30 June 2016	31 December 2015
Syndicated bank loan	3.98%	-	4,407
Loan from Raiffeisen bank	5%	1,565	848
Total		1,565	5,255
Less: current portion due within twelve months and presented as short-term borrowings		-	(3,711)
Total borrowings		1,565	1,544

During the six-month period ended 30 June 2016 the Group fully repaid the outstanding balance of syndicated loan.

During the six-month period ended 30 June 2016 the Group borrowed additional funds in amount of EUR 11.2 million (RUR 858 million at the Central Bank of Russia exchange rate as at the inception date) under loan facility agreement with Raiffeisen Bank International AG. The effective interest rate (including the effect of amortizing the transaction costs) is 6.34% per annum.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

Covenants

In accordance with the terms loan facility agreement Raiffeisen Bank International AG and previously the syndicated loan, the Group is subject to certain covenants, which are calculated on the basis of consolidated financial statements of the Group, prepared in accordance with IFRS. Such financial covenants mainly consist of limitations on the Consolidated Total Debt to Consolidated EBITDA ratio, Consolidated Equity to Consolidated Total Assets ratio, the Obligor Cover Ratios.

In the event of non-compliance with the specified requirements the Group may be required to repay the loans early. The total amount of liabilities to which financial covenants are attached as at 30 June 2016 is RUR 1,565 million (31 December 2015: RUR 5,255 million).

As of 30 June 2016 and 31 December 2015 the Group was in compliance with these covenants.

23. TRADE AND OTHER PAYABLES

	30 June 2016	31 December 2015
Amounts payable for the acquisition of property, plant and equipment	2,001	1,102
Advances received	1,080	1,474
Trade payables	959	871
Rent deposits received	679	768
Total trade and other payables	4,719	4,215

24. TAXES OTHER THAN INCOME TAX PAYABLE

	30 June 2016	31 December 2015
Value added tax	978	836
Social insurance tax	416	266
Property tax	16	18
Other taxes	30	13
Total taxes other than income tax payable	1,440	1,133

25. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	30 June 2016	31 December 2015
Accrued employee expenses	2,045	1,867
Other liabilities	288	268
Total accrued expenses and other current liabilities	2,333	2,135

Accrued employee expenses as of 30 June 2016 and 31 December 2015 comprised accrued salaries and bonuses of RUR 1,592 million and RUR 1,462 million, respectively, and an accrual for unused vacation of RUR 453 million and RUR 405 million, respectively.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

26. PROVISIONS

During the period ended 30 June 2016 the Group was involved in litigations with a number contractors.

Movement in legal provisions is as follows:

	30 June 2016	31 December 2015
Balance at the beginning of the year	325	205
Additional provision recognized in the current year	-	63
Reclassification of provision related to prepayments	-	261
Release of provision related to CIP	(276)	(192)
Use of provision	(7)	(12)
Balance at the end of the year	42	325

27. FAIR VALUES

The fair values of financial assets and financial liabilities are determined as described in the Group's annual consolidated financial statements for 2015.

Except as detailed in the following table management of the Group believes that the carrying value of financial instruments such as cash and cash equivalents, short-term receivables and payables, finance lease receivable, short- and long-term investments, liabilities under concession and borrowings represented by the loan from Raiffeisen bank, which are classified within Level 2 category of the fair value hierarchy, approximates their fair value. The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. Management has used all available market information in estimating the fair value of financial instruments.

Fair value of financial liabilities

	30 June 2016	31 December 2015
Five-year USD loan participation notes	17,450	18,769
Long-term borrowings (syndicated loan)	-	4,192
Total	17,450	22,961

28. TRANSACTIONS WITH RELATED PARTIES

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

All related parties, except for the parent company, with which the Group entered into significant transactions during the six-month periods ended 30 June 2016 and 2015 or had significant balances outstanding as of 30 June 2016 and 31 December 2015, are considered to be entities under common control.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

The following tables provide the total amount of transactions, which have been entered into with related parties during the six-month periods ended 30 June 2016 and 2015 as well as closing balances as at 30 June 2016 and 31 December 2015.

	30 June 2016		31 December 2015	
	Amounts owed by related parties	Amounts owed to related parties	Amounts owed by related parties	Amounts owed to related parties
Parent entity (Note 15)	-	-	8,540	-
Entities under common control	581	23	645	109
Total	581	23	9,185	109

As of 30 June 2016 the Group reclassified the loans issued to the parent entity from long-term investments (Note 15) into in-substance equity distribution (Note 20).

	2016			2015		
	Sales to related parties	Purchases from related parties	Interest income	Sales to related parties	Purchases from related parties	Interest income
Parent entity	-	-	86	-	-	62
Entities under common control	27	81	-	19	40	-

During the six-month period ended 30 June 2016 the Parent company purchased LPN issued by the Group (Note 21) in nominal amount of USD 2 million (RUR 137 million at the date of purchasing). Total LPN held by the Parent company as of 30 June 2016 amounted to USD 10 million.

Compensation of key management personnel

Key management comprised 9 persons as at 30 June 2016 and 31 December 2015. Total gross compensation (including social insurance tax and before withholding of personal income tax) to those individuals included in payroll and related charges in the consolidated profit or loss amounted to RUR 308 million (including social insurance tax of RUR 32 million) and RUR 302 million (including social insurance tax of RUR 30 million) for the six-month periods ended 30 June 2016 and 2015, respectively. The outstanding balances due to key management personnel amounted to RUR 950 million and RUR 888 million as at 30 June 2016 and 31 December 2015, respectively, and comprised accrued salaries, bonuses, accrual for unused vacation and other monetary benefits.

29. OPERATING LEASES ARRANGEMENTS

The Group as Lessee

The Group leases buildings, certain objects of movable property and land (including the land on which the airfield is located and which the Group leases from the Moscow Region government). The term of the lease of land is 49 years from the inception of lease agreement in May 1998. The amount of lease payments is fixed however it is adjusted by the lessor from time to time.

Future minimum lease payments under contracted operating leases are as follows:

	30 June 2016	31 December 2015
Within one year	172	215
In two to five years	476	486
After five years	3,266	3,392
Total minimum lease payments	3,914	4,093

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

Included in minimum lease payments within one year are amounts of RUR 46 million and RUR 84 million, which represent the value of lease payments under lease agreements automatically extended for an indefinite term in accordance with the provisions in these agreements as of 30 June 2016 and 31 December 2015, respectively. These agreements can be terminated by either lessor or lessee by notification of the other party one month before termination.

The Group as Lessor

Rental income earned by the Group is set out in Note 6.

The future minimum lease payments representing fixed part of the rentals under contracted operating leases for the year 2016 amount to RUR 1,296 million.

30. COMMITMENTS, CONTINGENCIES AND OPERATING RISKS

Capital commitments

The Group's contracted capital commitments related to construction of passenger and cargo terminals and modernization of existing assets as of 30 June 2016 and 31 December 2015 consisted of the following:

	30 June 2016	31 December 2015
Reconstruction and expansion of passenger terminal	30,298	34,884
Design of multilevel parking	2,131	2,137
Reconstruction and expansion of cargo terminal	1,795	1,909
Reconstruction of office buildings	633	648
Reconstruction of fuel storage facilities	61	68
Construction of aircraft maintenance hangar	48	4
Construction of warehousing facilities	32	155
Construction of electric power plant	15	21
Other	593	621
Total capital commitments	35,606	40,447

Due to the delay of the start of construction work on the reconstruction and expansion of the passenger terminal as of 30 June 2016 the Group retains significant capital commitments.

Operating environment of the Group

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

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

Starting from March 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies.

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

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED) *(Amounts in millions of Russian Rubles, unless otherwise stated below)*

The above mentioned events have led to reduced access of the Russian businesses to international capital markets, increased inflation, economic recession and other negative economic consequences. The impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

The government of the Russian Federation directly affects the Group's operations through regulation of airport charges and other operating activities of the airports in Russia. According to current Russian legislation, certain infrastructure items may not be privately owned and must remain federal property. With respect to the Group, which operates under a long-term concession arrangement (see Note 13), such infrastructure items include the airfield, runways, adjacent taxiways, apron and certain navigation equipment. The contractual agreement regulating the relationship between the government and operators of such infrastructure items in Russia may not be as detailed and comprehensive as the contractual agreements governing similar infrastructure assets in more developed countries. Terms of contractual agreements between the government and infrastructure operators are not standardized, and may vary substantially from one arrangement to another. As laws and regulations evolve, develop or otherwise change in the future, the lease agreement between the Group and the government may change significantly.

In addition, because of its importance to the public, the airport attracts a significant amount of political attention. The Group is subject to a high level of scrutiny from public officials and may from time to time be subject to government reviews, public commentary and investigations. Furthermore, the overall legal environment for private business in the Russian Federation is such that there exists a possibility that government bodies and regulatory agencies may take differing views on whether or not a given private business has complied with the relevant laws and regulations. Effects of such non-compliance may vary from administrative penalties and fines to criminal prosecution. The Group's management believes that it has properly complied with all relevant regulations and applicable laws.

Taxation

The government of the Russian Federation continues to reform the business and commercial infrastructure in its transition to a market economy. As a result, laws and regulations affecting business continue to change rapidly. These changes are characterized by unclear wording which leads to different interpretations and arbitrary application by the authorities. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. It is therefore possible that significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to tax audit by the authorities in respect of taxes for three calendar years proceeding the year of tax audit. Under certain circumstances reviews may cover longer periods. Management believes that it has accrued for all taxes that are applicable. Management believes that it has provided adequately for tax liabilities based on its interpretations of tax legislation. However, the relevant authorities may have differing interpretations, and the effects could be significant.

Russian transfer pricing legislation was amended starting from January 1, 2012 to introduce additional reporting and documentation requirements. The new legislation allows the tax authorities to impose additional tax liabilities in respect of certain transactions, including but not limited to transactions with related parties, if they consider transaction to be priced not at arm's length. As the practice of implementation of the new transfer pricing rules has not yet developed and wording of some clauses may have more than one interpretation, the impact of challenge of the Group's transfer pricing positions by the tax authorities cannot be reliably estimated.

In 2014, amendments were introduced into the Russian tax legislation in respect of taxation of profit of controlled foreign companies. According to these changes, the 2015 undistributed profits of the Group foreign subsidiaries, recognized as controlled foreign companies, may result in an increase of the tax base of the controlling entities in 2016. The Group is formulating its tax planning strategy with regard to the foreign subsidiaries.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2016 (UNAUDITED) (CONTINUED) *(Amounts in millions of Russian Rubles, unless otherwise stated below)*

Environmental matters

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

Legal proceedings

During the year, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which management believes could have a material effect on the result of operations or financial position of the Group, other than those for which provision has been made in these consolidated financial statements (Note 26).

31. SUBSEQUENT EVENTS

Update regarding criminal case over the ultimate controlling party of the Group – On 1 July 2016 Moscow court presidium canceled house arrest of Mr. Dmitry Kamenshchik, the ultimate controlling party of the Group. Mr. Dmitry Kamenshchik was put under house arrest on 18 February 2016 after he was accused together with one current and two former employees of the Group under Article 238, p. 3 of the Criminal Code of Russian Federation «Providing services that do not meet the requirements of safety of life or health of consumers, which negligently caused death of two or more persons» in connection with the terrorist attack that took place in 2011 in Domodedovo airport.

On 21 September 2016 the criminal case, described above was discontinued by the decision issued by the Investigating Committee of the Russian Federation.

Removal of arrest of the cash funds of the Group - On 21 September 2016 the court arrest in relation to cash funds of the Group (Note 18) was removed by the decision issued by the Investigating Committee of the Russian Federation.

Additional loans issued to the Group's Parent entity - In July through October 2016 the Group issued additional loans to the Parent entity in total amount of RUR 6,701 million with interest rates mostly ranging from 0.5% to 2.1% per annum. The loan is repayable in 3 years after receipt of the full amount of the loan.

DME LIMITED **and subsidiaries**

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

DME LIMITED AND SUBSIDIARIES

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DME LIMITED AND SUBSIDIARIES

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Management is responsible for the preparation of consolidated financial statements that present fairly the financial position of DME Limited (the "Company") and its subsidiaries (the "Group") as at 31 December 2015, and the consolidated results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2015 were approved by management on 17 May 2016.

On behalf of management:



Victor Ponomarenko
Chief Executive Officer

Olga Korochkina
Chief Financial Officer

17 May 2016

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of DME Limited:

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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



17 May 2016

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DME LIMITED AND SUBSIDIARIES


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

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

On behalf of management:


Victor Ponomarenko
Chief Executive Officer

17 May 2016


Olga Korochkina
Chief Financial Officer

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

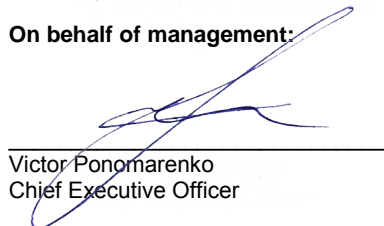
DME LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2015


(Amounts in millions of Russian Rubles)

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

On behalf of management:


Victor Ponomarenko
Chief Executive Officer

17 May 2016


Olga Korochkina
Chief Financial Officer

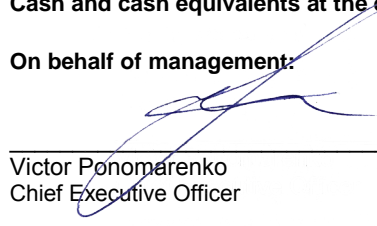
The accompanying notes form an integral part of these consolidated financial statements.

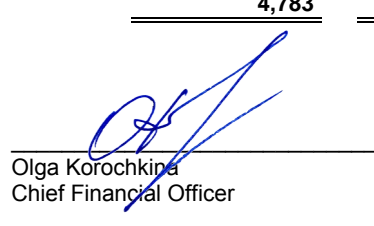
DME LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

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

On behalf of management:


Victor Ponomarenko
Chief Executive Officer


Olga Korochkina
Chief Financial Officer

17 May 2016

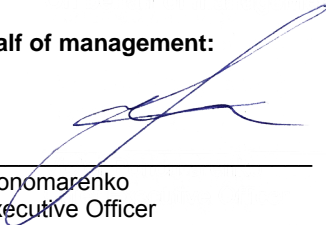
The accompanying notes form an integral part of these consolidated financial statements.


DME LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

	Share capital	Retained earnings	Equity attributable to the owners of the Company	Non- controlling interests	Total
Balance as of 1 January 2014	11,877	36,576	48,453	14	48,467
Profit and comprehensive income for the year	-	11,316	11,316	85	11,401
Dividends (Note 22)	-	(9,811)	(9,811)	-	(9,811)
Balance as of 31 December 2014	11,877	38,081	49,958	99	50,057
Profit and comprehensive income for the year	-	8,149	8,149	2	8,151
Dividends (Note 22)	-	(3,657)	(3,657)	-	(3,657)
Balance as of 31 December 2015	11,877	42,573	54,450	101	54,551

On behalf of management:


Victor Ponomarenko
Chief Executive Officer


Olga Korochkina
Chief Financial Officer

17 May 2016

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

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

1. NATURE OF THE BUSINESS

DME Limited (previously FML Limited, hereinafter the “Company”), is a limited liability company incorporated under the laws of the Isle of Man in February of 2001. Immediately following the formation of the Company an entity under common control transferred to the Company a number of entities operating as a group since 1996. The assets and liabilities of the entities were transferred to the Company at their previous carrying amounts. In 2012 the Company transferred its registered office and place of domicile to the Republic of Cyprus.

The principal activities of the Company, together with its subsidiaries (collectively the “Group”) are the management, operation and development of Domodedovo airport, including servicing international and domestic passenger and cargo flights. The Group sells fuel and pre-packaged meals as well as provides airport-related commercial services comprising leasing of retail space, leasing of other commercial properties and fuelling services. The Group’s principal place of business is Domodedovo airport in the Moscow region, Russia.

The Group operates in three business segments: aviation services, auxiliary aviation services and commercial services.

The Company’s ownership interest in the controlled subsidiaries is as follow:

Company name	Place of incorporation	Principal activity	Percentage held as of	
			31 December 2015	31 December 2014
Domodedovo Passenger Terminal	Russia	Passenger terminal complex	100%	100%
Domodedovo Cargo	Russia	Cargo terminal complex	100%	100%
Domodedovo Catering Service	Russia	In-flight catering facility	100%	100%
Domodedovo Asset Management	Russia	Rent and parking operator	100%	100%
Domodedovo Fuel Services	Russia	Fuel storage and supply facility	100%	100%
Domodedovo Security	Russia	Aviation security	100%	100%
Domodedovo Commercial Services	Russia	General agent for Group companies	100%	100%
Domodedovo International Airport	Russia	Take-off and landing services	100%	100%
Domodedovo Slot Allocation	Russia	Aeronautical services	100%	100%
Domodedovo Construction Management	Russia	Capital development	100%	100%
Domodedovo Airport Handling	Russia	Ground handling	100%	100%
Domodedovo Information Technologies Services	Russia	IT services	100%	100%
Domodedovo Fuel Facilities	Russia	Jet fuelling and storage	100%	100%
Hacienda Investments Limited	Cyprus	Group property management	100%	100%
Verulia Investments Limited	Cyprus	Investing and financing activities	100%	100%
Airport Management Company Limited	Isle of Man	Group management company	100%	100%
Ocean Fest Development SA	British Virgin Islands	Investing and financing activities	100%	100%
Domodedovo Training Corporation	Russia	Staff professional trainings and development	100%	100%
Domodedovo Integration	Russia	Software development	100%	100%
Domodedovo Parking	Russia	Management of car park facilities	100%	-
Domodedovo Non-aviation Sales	Russia	Rent and advertizing services	100%	100%
DME Airport Limited	Ireland	Investing and financing activities	-	-

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

The Russian Federation is the place of operation for all the companies listed above, except for Verulia Investments Limited for which the place of operation is Cyprus and DME Airport Limited for which the place of operation is Ireland. These entities are involved in treasury activities of the Group, facilitating financing and investing transactions between the Group's individual companies, as well as between the Group and third parties.

DME Airport Limited is a company that acts as a corporate vehicle for USD loan participation notes issued on the Irish Stock Exchange.

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

During the reporting period the Group established a new subsidiary, Domodedovo Parking, that was registered in the Russian Federation and manages the car parking facilities at Domodedovo airport.

The immediate parent entity of DME Limited is Alamo Limited, a company registered in the Republic of Mauritius. In December 2015 Alamo Limited changed its place of domicile to the Republic of Malta.

The ultimate controlling party of the Group is Mr. Dmitry Kamenshchik.

The consolidated financial statements of the Group for the year ended 31 December 2015 were authorized for issue by management on 29 April 2016.

2. PRESENTATION OF FINANCIAL STATEMENTS

Statement of compliance – These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of preparation – These consolidated financial statements are prepared on the basis of standalone financial statements of the Company and its subsidiaries. The entities of the Group maintain their accounting records in accordance with laws, accounting and reporting regulations of the jurisdictions in which they are incorporated and registered. The accompanying consolidated financial statements differ from the financial statements issued for statutory purposes in that they reflect certain adjustments, not recorded in the statutory books, which are appropriate to present the financial position, results of operations and cash flows of the Group in accordance with IFRS.

These consolidated financial statements are presented in millions of Russian Rubles (hereinafter "RUR million"), unless otherwise indicated.

The consolidated financial statements have been prepared using the historical cost convention, except for certain items of property, plant and equipment which were stated at deemed cost as of 1 January 2008 as part of the Group's adoption of IFRS. The deemed cost was equal to fair value as determined by an independent appraiser.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

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

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

Going concern – These consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future, which implies the realization of assets and settlement of liabilities in the normal course of business.

Offsetting – Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the consolidated statement of profit or loss and other comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies have been applied consistently by all consolidated operating entities.

Consolidation – The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) prepared through 31 December of each year.

Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceased. Intragroup balances and any unrealized gains and losses or income and expenses arising from intragroup transactions, are eliminated in full in preparing the consolidated financial statements.

Non-controlling interest in consolidated subsidiaries represents the equity in a subsidiary not attributable, directly or indirectly, to a parent and is identified separately from the Group's equity therein. Total comprehensive income / (loss) is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets, and liabilities of the subsidiary and any non-controlling interests.

Functional and presentation currency – The primary economic environment of the Group is the Russian Federation. Therefore, the Russian Ruble ("RUR") is the functional currency of the Company and all subsidiaries of the Group, as well as the Group's presentation currency.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency are initially recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the reporting date exchange rate.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Russian Ruble at foreign exchange rates ruling at the dates the fair value was determined. Exchange differences arising from such retranslation are included in the consolidated statement of profit or loss and other comprehensive income.

Revenue recognition – The Group's revenue is generated by the provision of services (airport services, parking fees, rental income, fuel storage services, and aircraft maintenance), and sale of products (jet fuel and in-flight meals). Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of sales related taxes, estimated rebates and discounts. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Airport and other related charges

Revenue from airport and other related charges mainly includes fees collected for aircraft landing, runway lighting, aircraft parking, and passenger-related charges for the use of terminal. Certain airport charges are regulated. This means, among other things, that the process of fixing the airport charge rates is periodically reviewed by the Federal Antimonopoly Service of the Russian Federation ("FAS"). Revenue from airport and other related charges is recognized in the accounting period in which the services are rendered.

Rental income

Rental income is generated principally from leasing trading space and office facilities located inside the airport terminal and adjacent buildings. Rental revenue is recognized on a straight-line basis during the term of rent agreements.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

Ground handling

Ground handling includes a wide range of services related to aircraft maintenance before take-off and after landing, including pre-flight aircraft preparation, towing, cleaning, required technical maintenance before and after flights, luggage handling, passenger check-in, boarding and transportation to and from aircraft. Revenue from ground handling services is recognized in the accounting period in which the services are rendered.

Jet fuelling and storage services

Jet fuelling and storage services include revenue from into-plane fuelling services and revenue from the storage of third-parties' jet fuel. Revenue from these services is recognized in the accounting period in which the services are rendered. Storage charge rates are regulated and periodically reviewed by the Federal Antimonopoly Service of the Russian Federation.

Aviation security

Aviation security services include services such as the inspection/screening of passengers, crews, baggage, cargo and in-flight supplies, aircraft security (including guarding the aircraft at the airport), pre-flight inspection and access control and security of areas with restricted access. Revenue from aviation security services is recognized in the accounting period in which the services are rendered.

Parking fees and other revenue

Parking fees consist of fees collected at the passenger terminal's car park. Other revenue consists of auxiliary services provided at the cargo and passenger terminals. Revenue from such services is recognized in the period in which the services are rendered.

Jet fuel sales

Jet fuel sales comprise the sales of jet petroleum, lubricants and other specialized liquids. Revenue from the sale is recognized when significant risks and rewards incidental to ownership are transferred to the customers.

Catering

Catering includes sales of pre-packaged in-flight meals. Revenue from catering is recognized when the meal packages are delivered to the aircraft, at which point the risks and rewards of ownership are transferred to the customers.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate.

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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Group as lessee

Assets under finance leases are recognized as assets at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Payments under operating leases are recognized in the consolidated profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as a liability and a reduction to expense on a straight-line basis. Contingent rentals under operating leases are recognized as an expense in the period in which they are incurred.

Borrowing costs – Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale, and amortized over the useful life of the asset. All other borrowing costs are recognized as an expense in the period in which they are incurred.

Income tax – Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred income tax are recognized in the consolidated profit or loss except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantially enacted by the reporting date. Provisions in respect of uncertain tax positions which relate to income tax are included in current income tax at an amount expected to be payable including penalties, if any.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts of tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Deferred tax assets and liabilities are not discounted.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

Employee benefits – Remuneration to employees in respect of services rendered during the reporting period is recognized as an expense in that reporting period.

The Group contributes to the Pension Fund of the Russian Federation, a defined contribution plan. The Group's only obligation is to pay contributions to the Fund as they fall due. As such, the Group has no legal obligation to pay and does not guarantee any future benefits to its Russian employees. The Group's contributions to the Russian Federation State Pension Fund are recorded as an expense over the reporting period based on the related employee service rendered. In 2015 and 2014 contributions for each employee vary from 10% to 22%, depending on the annual gross remuneration of each employee.

Property, plant and equipment – At the date of transition to IFRS (1 January 2008) the Group's property, plant and equipment were recognized in the consolidated financial statements at deemed cost.

Property, plant and equipment acquired by the Group subsequent to the date of transition to IFRS are recorded at purchase or construction cost, less accumulated depreciation and accumulated impairment, if any. The costs of day to day servicing of property, plant and equipment, including repairs and maintenance expenditure, are expensed as incurred.

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

Assets under construction

Assets under construction ("Construction In-Progress" or "CIP") are carried at cost, less any recognized impairment loss. Cost includes capital expenditures directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads including capitalized borrowing costs on qualifying assets. Depreciation of these assets, on the same basis as for other property assets, commences when the assets are ready for their intended use. Construction in-progress items are reviewed regularly to determine whether their carrying value is fairly stated.

Advance payments for assets under construction are shown separately in the consolidated statement of financial position and presented as non-current assets.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost. Subsequent measurement is at cost less accumulated depreciation and impairment losses (if any) under IAS 36 "Impairment of assets".

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated profit or loss in the period in which the property is derecognized.

Subsequent costs

The Group recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. The assets being replaced are written off immediately. All other costs are recognized in the consolidated profit or loss as an expense as incurred.

Depreciation

Depreciation is recognized in consolidated profit or loss so as to write off the cost of assets (other than land and CIP) less their estimated residual values over their economic useful lives, using the straight-line method. Owned land plots are not depreciated.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

The estimated useful economic lives for property, plant and equipment are as follows:

	<u>Number of years</u>
Buildings	10-50
Plant and equipment	5-20
Other	2-20

The assets' useful lives and methods are reviewed and adjusted as appropriate at each financial year-end.

Gain or loss on disposal

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Concession arrangements – Where the Group constructs airfield assets under its contract with FGUP “Administration of the Airport Domodedovo”, a Russian state-owned enterprise (the “grantor”), and the grantor controls a significant residual interest in the airfield infrastructure assets at the end of the contract, the Group applies IFRIC 12 “Service concession arrangements”. In the construction phase, the Group recognizes income by applying an attributable profit margin on the construction costs representing the fair value of construction services and records a receivable in accordance with IAS 39 “Financial instruments: recognition and measurement” or an intangible asset, depending on the nature by which the Group receives consideration from the grantor.

The Group recognizes an intangible asset related to the right to charge users of the public service instead of an unconditional right to receive cash when the amounts are contingent on the extent to which the public uses the service. The net present value of fees paid to the grantor under the arrangement is also recognized as part of the cost of the intangible asset at its inception, and any subsequent adjustment to the level of fees or the timing of contractual cash flows associated with such payments is reflected as an adjustment to the intangible asset. The intangible asset is amortized on a straight-line basis over the shorter of the contract term or the period for which the Group expects to receive a benefit.

Intangible assets – Intangible assets other than concession intangible assets represent mainly purchased software and licenses and are stated at cost less accumulated amortization and impairment losses.

Amortization is charged to the consolidated profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortized from the date they are available for use.

Useful lives and amortization methods for intangible assets are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for as changes in accounting estimates.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of non-current assets – At each reporting date, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

Recoverable amount is the higher of fair value less costs to sell and value in-use. In assessing value in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated profit or loss.

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

Financial assets – Financial assets are classified into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. As at the reporting date the Group had only financial assets classified as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Interest income is recognized by applying the effective interest rate except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets – Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account (provision for impairment of receivables).

If, in a subsequent period, the amount of the impairment loss for assets carried at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Effective interest method – The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount of initial recognition.

Inventory – Inventory is stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventory is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Cash and cash equivalents – Cash and cash equivalents comprise cash on hand, balances with banks, short-term interest-bearing deposits and short-term bank overdrafts with original maturities of not more than three months.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

Value added tax – Output value added tax (“VAT”) related to revenue is payable to tax authorities upon delivery of the goods or services to customers, as well as upon collection of prepayments from customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. Input VAT on capital expenditures can be reclaimed on receipt of VAT invoices for the particular stage of work performed or, if the construction project cannot be broken down into stages, on receipt of VAT invoices upon completion of the contracted work. The tax authorities permit the settlement of VAT on a net basis (except for input VAT related to export services provided which is reclaimable upon confirmation of export). VAT related to sales and purchases is recognized in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT. The related VAT deferred liability is maintained until the debtor is written off for tax purposes.

Accounts payable and other financial liabilities – Accounts payable and other financial liabilities are initially recognized at cost, which is the fair value of the consideration received, taking into account transaction costs. After initial recognition, financial liabilities are carried at amortized cost, using the effective interest method, with interest expense recognized on an effective yield basis. As normally the expected term of accounts payable is short, the value is stated at the nominal amount without discounting, which corresponds with fair value.

Provisions – Provisions are recognized when, and only when, the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is significant, the amount of a provision is the present value of the cash flows required to settle the obligation.

Share capital – Ordinary shares are classified as equity and are recorded at the par value of proceeds received, net of direct issue costs. Where shares are issued above par value, the proceeds in excess of par value are recorded in the share premium account.

Dividends – Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date by the shareholders at a general meeting. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorized for issue.

Contractual commitments – Contractual commitments comprise legally binding trading or purchase agreements with stated amount, price and date or dates in the future. The Group discloses significant contractual commitments in the notes to the consolidated financial statements.

Contingencies – Contingent liabilities are not recognized in the consolidated financial statements unless they arise as a result of a business combination. Contingences attributed to specific events are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

4. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS and IFRIC interpretations adopted in the current year

In the current year, the Group has adopted all new and revised standards and interpretations issued by the IASB and the IFRIC of the IASB that are mandatory for adoption in the annual periods beginning on or after 1 January 2015. The effect from their adoption has not resulted in any significant changes to the financial statements of the Group.

New and revised IFRS in issue but not yet effective

At the date of authorization of these consolidated financial statements, the following standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2016 or later periods and which the entity has not early adopted:

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

Also a number of standards and interpretations were amended by Annual Improvements to IFRSs 2012-2014 Cycle, which become effective for annual periods beginning on or after 1 January 2016. These amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in different standards.

The impact of adoption of these standards and interpretations in the preparation of the consolidated financial statements in future periods is currently being assessed by management. The new and revised standards which are likely to have an effect on the financial statements of the Group are described in more detail below:

- IFRS 9 “Financial instruments” – Amendments issued in November 2009 introduced new requirements for the classification and measurement of financial assets and liabilities. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. In July 2014 IASB issued a finalised version of IFRS 9 mainly introducing impairment requirements for financial assets and limited amendments to the classification and measurement requirements for financial assets. IFRS 9 is aiming at replacing IAS 39 Financial Instruments: Recognition and Measurement.
- IFRS 15 “Revenue from Contracts with Customers” – In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

The core principle of IFRS 15 is that an entity recognizes revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Specifically, the standard provides a single, principles based five-step model to be applied to all contracts with customers.

Under IFRS 15, an entity recognizes revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

- IFRS 16 "Leases" – brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Provision for impairment of receivables and advances to suppliers – Management maintains a provision for impairment of receivables and advances to suppliers in the form of an allowance account equal to estimated losses resulting from the inability of customers and other debtors to make required payments. When evaluating the adequacy of this allowance account, management bases its estimates on the ageing of accounts receivable balances and historical write-off experience, customer creditworthiness and changes in customer payment patterns. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected. As of 31 December 2015 and 2014 the provision for impairment of receivables and advances to suppliers was recognized in the amount of RUR 1,619 million and RUR 788 million, respectively (see Notes 12, 19, 20). The significant increase of provision for impairment of receivables as of 31 December 2015 related to the fact that in October 2015 several creditors of Transaero filed the lawsuits on bankruptcy of Transaero. On 26 October 2015 the Russian Ministry of Transport revoked the certificate of Transaero for air transportation and the airline company stopped its operations. In December the Arbitration court of St. Petersburg and Leningrad region sustained a claim from Sberbank on declaring bankruptcy of Transaero and initiated a supervision procedure over the aircompany.

Depreciable lives of property, plant and equipment – The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors". These estimates may have a material impact on the amount of the carrying values of property, plant and equipment and on depreciation expense for the period.

Impairment of non-current assets – The Group reviews at each reporting date the carrying amounts of non-current assets to determine whether there is any indication that assets are impaired. This process involves judgment in evaluating the cause for any possible reduction in value, including a number of factors such as changes in current competitive conditions, expectations of growth in the industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate impairment exists.

Whenever such indications exist management makes an estimate of the asset's recoverable amount to ensure that it is not less than its carrying value. If the asset's fair value is not readily determinable or is less than asset's carrying value plus costs to sell, management necessarily applies its judgment in determining the appropriate cash generating unit to be evaluated, estimating the appropriate discount rate and the timing and value of the relevant cash flows for the value in-use calculation.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

Impairment of restricted cash balances – Management assessed a provision for impairment of other non-current assets, represented by restricted cash held with FBME Bank LTD., Cyprus branch (hereinafter FBME bank Ltd.), in the form of an allowance account equal to estimated losses resulting from the assessing of the current fair value of the restricted cash balance to be recovered by the Group. When evaluating the adequacy of this allowance account, management bases its estimates on the expected timing of the restricted cash balance recovery and estimated charges and losses which could be incurred by the Group when recovering the restricted cash. If the current situation with FBME bank develops negatively and the expected timing of the recovery is prolonged or estimated charges and losses associated with the recovery are revised upwards, actual write-offs might be significantly higher than currently estimated.

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

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

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

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

6. SEGMENT INFORMATION

Information reported to the chief operating decision maker of the Group ("CODM") for the purposes of resource allocation and assessment of segment performance is focused on the nature of services provided.

The Group's reportable segments are as follows:

Aviation services segment – includes aviation services, such as use of terminal, take-off and landing, and aviation security. Such services are predominantly regulated by FAS.

Auxiliary aviation services segment – includes certain passenger-related services, ground handling, fuelling services, in-flight catering and cargo handling.

Commercial services segment – includes retail concessions and advertising, car parking and hotel services.

Accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3.

The performance of each reportable segment is assessed by the CODM by reference to segment operating profit. Segment operating profit is calculated after headquarters expenses have been allocated between the reportable segments.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

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

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

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

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

Substantially all assets, management and administrative facilities of the Group are located in the Russian Federation and are not reported to the CODM. Furthermore, all revenue is earned within the Russian Federation. Accordingly, revenue by geographic location and asset information is not presented as part of segment disclosure.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

7. REVENUE

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

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

8. OPERATING EXPENSES, NET

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

Tax refund relates to the property tax benefit claimed by one of the subsidiaries of the Group in 2015 in relation to certain airport assets held by this subsidiary.

Operating expenses include direct expenses arising from investment property in the amount of RUR 155 million and RUR 188 million for the years ended 31 December 2015 and 2014, respectively.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

9. INTEREST EXPENSE

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

10. INCOME TAX

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

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

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

Majority of the Group's operating activities are conducted in the Russian Federation. Therefore the reconciliation of the Group's profit before income tax to income tax charge is presented using the statutory income tax rate effective in Russia.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

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

	31 December 2015	Charged to profit or loss	31 December 2014
Tax losses carry forward	473	(119)	592
Property, plant and equipment	96	42	54
Trade and other receivables	210	-	210
Prepayments and other current assets	97	(19)	116
Trade and other payables	330	3	327
Accrued expenses and other current liabilities	222	(80)	302
Intangible assets	3	(1)	4
Other	13	(3)	16
Deferred tax asset, net	1,444		1,621
Property, plant and equipment	(5,466)	58	(5,524)
Trade and other receivables	(1)	35	(36)
Prepayments and other current assets	(23)	(18)	(5)
Amounts due to grantor under a concession agreement	681	(26)	707
Trade and other payables	(984)	267	(1,251)
Intangible assets	(759)	17	(776)
Other	(106)	(66)	(40)
Deferred tax liability, net	(6,658)		(6,925)
		90	
	31 December 2014	Charged to profit or loss	31 December 2013
Tax losses carry forward	592	339	253
Property, plant and equipment	54	(13)	67
Trade and other receivables	210	36	174
Prepayments and other current assets	116	13	103
Trade and other payables	327	228	99
Accrued expenses and other current liabilities	302	195	107
Intangible assets	4	(2)	6
Other	16	-	16
Deferred tax asset, net	1,621		825
Property, plant and equipment	(5,524)	(170)	(5,354)
Trade and other receivables	(36)	(23)	(13)
Prepayments and other current assets	(5)	2	(7)
Amounts due to grantor under a concession agreement	707	105	602
Trade and other payables	(1,251)	(1,237)	(14)
Intangible assets	(776)	(150)	(626)
Other	(40)	(40)	-
Deferred tax liability, net	(6,925)		(5,412)
		(717)	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

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

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

During 2015 Group's Russian subsidiary distributed dividends to the parent (DME Limited) for the amount of RUR 196 million. A related withholding tax liability in the amount of RUR 10 million was recognized as at 31 December 2015. The Group did not recognize a deferred tax liability related to the remaining undistributed earnings of its subsidiaries as it has not made any decisions regarding future distributions of retained earnings within the Group. Undistributed earnings, in relation to which deferred tax liability was not accrued, amounted to RUR 690 million and RUR 11,443 million as of 31 December 2015 and 2014, respectively.

11. DISPOSAL OF SUBSIDIARIES

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

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

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

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

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

Analysis of assets and liabilities disposed of

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

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

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

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and equipment	Other	CIP	Total
Cost					
1 January 2014	45,472	8,197	1,241	5,169	60,079
Additions	1,922	950	88	1,394	4,354
Transfers	386	191	50	(627)	-
Disposals	(25)	(221)	(88)	(53)	(387)
31 December 2014	47,755	9,117	1,291	5,883	64,046
Additions	1,681	213	87	3,411	5,392
Transfers	449	380	54	(883)	-
Disposals	(6)	(78)	(113)	(112)	(309)
Reclassified from investment property	1,394	-	-	-	1,394
31 December 2015	51,273	9,632	1,319	8,299	70,523
Accumulated depreciation					
1 January 2014	(5,626)	(4,234)	(822)	-	(10,682)
Depreciation charge	(1,231)	(1,047)	(172)	-	(2,450)
Disposals	7	186	85	-	278
31 December 2014	(6,850)	(5,095)	(909)	-	(12,854)
Depreciation charge	(1,286)	(991)	(176)	-	(2,453)
Disposals	1	74	107	-	182
Reclassified from investment property	(235)	-	-	-	(235)
31 December 2015	(8,370)	(6,012)	(978)	-	(15,360)
Net book value					
31 December 2014	40,905	4,022	382	5,883	51,192
31 December 2015	42,903	3,620	341	8,299	55,163

"Buildings" consist primarily of passenger and cargo terminals, catering facility, hotel building, car park and auxiliary buildings.

"Plant and equipment" mainly consists of baggage-processing systems, aircraft servicing equipment, tow tractors, passenger shuttles, parking equipment, machines for disposition of de-icing liquids, introsopes and other operating equipment.

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"Other" consists mainly of administrative equipment and vehicles.

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

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

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

As at 31 December 2015 and 2014 no property, plant and equipment was pledged as collateral for the Group's borrowings.

Investment property

The Group's investment property consists of administrative buildings, which are leased to several airlines, and a hotel building.

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

(i) In 2015 one of the buildings was transferred to own use by the Group.

Fair value of the investment properties as at 31 December 2015 was RUR 2,353 million (RUR 3,745 million as at 31 December 2014) and has been arrived at on the basis of a valuation carried out on this date by an internal professional appraiser with appropriate qualifications and recent experience in the valuation of properties in the relevant locations. Fair value of the investment properties was determined on the basis on Level 2 category for determining fair value (Note 2). The valuation was arrived at by reference to the future cash flows, based on the market evidence for similar properties, discounted at an estimated relevant rate.

Advances for acquisition of non-current assets

As of 31 December 2015 and 2014 advances for acquisition of non-current assets in the amounts of RUR 2,327 million and RUR 362 million, respectively, consisted of amounts paid for construction of the passenger and cargo terminals, multi-level parking and implementation of additional functionalities, modernization of planning and resource management system. The amount of impairment of advances for acquisition of non-current assets amounted to RUR 41 mln. as of 31 December 2015 (31 December 2014: 31 mln.).

13. INTANGIBLE ASSETS

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

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

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

14. OTHER NON-CURRENT ASSETS

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

Restricted cash represent cash balances held at FBME Bank Ltd. by Airport Management Company Ltd., a subsidiary of the Group, which may not be transferred outside of FBME Bank Ltd. at the discretion of the Group due to restrictions of operations imposed on FBME Bank Ltd. by the US and Cypriot governmental authorities.

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

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

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

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

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

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

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

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

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

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

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

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

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

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

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

As at 31 December 2015 the Management of the Group assessed and recognized a provision for impairment of the restricted cash balances held with FBME Bank in the amount of RUR 355 million. The provision was to take into account an estimated amount of potential losses and charges to be incurred by the Group in the process of recovery of the restricted cash balances from FBME Bank accounts.

15. CONCESSION ARRANGEMENT

General

In May 1998 the Group entered into a concession arrangement with FGUP "Administration of the Airport Domodedovo" (a state-owned enterprise) for the use of the airfield and related equipment for a term of 75 years. The airfield includes runways, adjacent taxiways, apron and related navigation equipment. The Group is under obligation to repair and maintain the assets. The Group also has the right, but not the obligation, to incur capital expenditures or make improvements to the infrastructure. The grantor is obligated to compensate the Group for the amount of expenses, incurred in the course of making such improvements provided that they are approved by the grantor. At the end of the agreement the assets under the agreement (including the improvements made by the Group and certified by the grantor) revert to the grantor. The profit earned on the construction services, related to the capital expenditures and improvements made to the assets, represents a market level margin.

The Group is required to make quarterly payments for the right to use the assets during the term of the agreement. Such payments are set to be revised on a regular basis. The most recent revision took place in December 2012, with the next revision due in 2017. The effects and terms of the most recent revision are discussed further in this note.

Amounts due from grantor under a concession agreement

Financial asset related to amounts due from grantor under a concession agreement of RUR 576 million (2014: RUR 785 million) comprise the amount of receivables from grantor for the improvements made to the property used under the concession agreement. Such amounts are settled on demand, however, the Group does not have any agreement on a schedule of future payments and does not expect that any significant settlement will be effected during 2016. Accordingly, the amounts have been classified as non-current assets.

Amounts due to grantor in relation to a concession agreement

Financial liability related to amounts due to grantor in relation to a concession agreement represents the present value of the contractual future payments, discounted at an annual interest rate of 10.6%. The most recent revision of contractual payment terms, which took place in December 2012, resulted in an increase of the future minimum payments and a revised discount rate. The cost of the intangible asset, corresponding to the net present value of the fees payable to the grantor under the arrangement, has been adjusted accordingly.

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

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

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

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

Intangible assets

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

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

16. FINANCE LEASE RECEIVABLE

During the period ended 31 December 2011 a 15-year finance lease agreement for the lease of one of the Group's hangars was concluded between a company of the Group, and LLC "ATB Domodedovo" and LLC "S7 Engineering" (previously LLC "Domodedovo Technique").

Presented below is the reconciliation between the gross investment in the lease and the present value of minimum lease payments receivable at the end of the reporting period.

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

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

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

17. INVESTMENTS

Long-term investments

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

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

Short-term Investments

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

As of 31 December 2015 the Group had USD and EUR-denominated bank deposits placed with UBS AG and Nordea Bank AB Latvia branch with interest rates ranging from 0.14% to 0.26% per annum.

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

18. INVENTORY

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

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

19. TRADE AND OTHER RECEIVABLES

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

The average credit period for the Group's receivables (other than sales carried out on a prepayment basis) is 29 days.

Included in the Group's total trade and other receivables are debtors with carrying amounts of RUR 750 million and RUR 624 million as of 31 December 2015 and 2014, respectively, which are past due at the respective reporting date and which the Group considers to be recoverable (i.e. not impaired). The Group does not hold any collateral over these outstanding balances.

The ageing of past due but not impaired trade and other receivables is as follows:

	31 December 2015	31 December 2014
30-90 days	91	33
90-180 days	96	149
more than 180 days	588	442
Total past due but not impaired	775	624

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

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

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

In determining the recoverability of trade and other receivables the Group considers any change in the credit quality of trade and other receivables from the date credit was initially granted up to the reporting date. Details about concentration of credit risk and related risk management activities are provided in Note 32.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

20. PREPAYMENTS AND OTHER CURRENT ASSETS

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

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

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

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

In determining the recoverability of advances to suppliers the Group considers any change in the credit quality of advances to suppliers from the date credit was initially granted up to the reporting date. Details about concentration of credit risk and related risk management activities are provided in Note 32.

21. CASH AND CASH EQUIVALENTS

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

As of 31 December 2015 the Group had a EUR-denominated short-term bank deposit with three month term placed with Nordea Bank AB Latvia branch with an annual interest rate of 0.06%.

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

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

22. EQUITY

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

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

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

Retained earnings – In accordance with statutory legislation, dividends may only be declared to the shareholders of the Group from accumulated undistributed and unreserved earnings as shown in the Group's individual companies' statutory financial statements. As at 31 December 2015 and 2014 such earnings amounted to RUR 14,693 million and RUR 2,860 million, respectively.

23. FIVE-YEAR USD LOAN PARTICIPATION NOTES

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

In November 2013 the Group issued non-convertible five-year loan participation notes ("LPN") for the total amount of USD 300 million (RUR 9,872 million at the Central Bank of Russia exchange rate as at the inception date) on the Irish Stock Exchange. Net proceeds from the issuance, after the deduction of related offering costs, amounted to USD 297 million (RUR 9,720 million at the Central Bank of Russia exchange rate as at the inception date). The annual coupon rate of the LPN is 6% with interest being paid semi-annually. The Group used net proceeds from the issuance for implementation of the Group's current capital expenditure program and for general corporate purposes. The LPN are guaranteed by certain entities of the Group.

The effective interest rate (including the effect of amortizing the transaction costs) is 6.33% per annum. The LPN mature in November 2018.

24. OTHER BORROWINGS

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

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

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

In September 2015 the Group entered into a EUR-denominated five-year loan facility agreement for a total amount of EUR 38 million (RUR 2,914 million at the Central Bank of Russia exchange rate as at the inception date) provided by Raiffeisen Bank International AG. The purpose of the loan is financing designing and construction of a parking terminal PM-2.1 in the district of Domodedovo Airport and refinancing the capital expenditure related to this project. The loan is guaranteed by certain Group companies. According to the agreement, in September - December 2015 the loan was drawn down in amount of 11 mln EUR at a nominal fixed rate of 5% per annum. Net proceeds from the borrowings, after the deduction of related commission costs, amounted to EUR 10,8 million (RUR 825 million at the Central Bank of Russia exchange rate as at the inception date). The effective interest rate (including the effect of amortizing the transaction costs) is 6.34% per annum.

Covenants

In accordance with the terms of the syndicated loan and loan received from Raiffeisen bank, the Group is subject to certain covenants, which are calculated on the basis of consolidated financial statements of the Group, prepared in accordance with IFRS. Such financial covenants mainly consist of limitations on the Consolidated Total Debt to Consolidated EBITDA ratio, Consolidated Equity to Consolidated Total Assets ratio and Obligor Cover ratios.

In the event of non-compliance with the specified requirements the Group may be required to repay the loans early. The total amount of liabilities to which the financial covenants are attached as at 31 December 2015 is RUR 5,255 million (31 December 2014: RUR 6,767 million).

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

25. TRADE AND OTHER PAYABLES

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

26. TAXES OTHER THAN INCOME TAX PAYABLE

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

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

27. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

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

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

28. PROVISIONS

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

Movement in legal provisions is as follows:

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

- (i) Included into this amount RUR 56 million recognized in finance cost, as it represents late interest charges claimed by plaintiff.

29. TRANSACTIONS WITH RELATED PARTIES

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

All related parties, with whom the Group entered into significant transactions during the years ended 31 December 2015 and 2014 or had significant balances outstanding as of 31 December 2015 and 2014, are considered to be either entities under common control or key management personnel.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

The following tables provide the total amount of transactions, which have been entered into with related parties during the years ended 31 December 2015 and 2014 as well as year-end balances.

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

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

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

Compensation of key management personnel

Key management comprised 9 persons as at 31 December 2015 and 2014, respectively. Total gross compensation (including mandatory pension and other payroll related contributions to state funds) and before withholding of personal income tax) to those individuals included in payroll and related charges in the consolidated profit or loss amounted to RUR 1,270 million (including social insurance tax of RUR 60 million) and RUR 1,069 million (including social insurance tax of RUR 40 million) for the years ended 31 December 2015 and 2014, respectively. The outstanding balances due to key management personnel amounted to RUR 888 million and RUR 709 million as at 31 December 2015 and 2014, respectively and comprised accrued salaries, bonuses and accrual for unused vacation.

30. OPERATING LEASES ARRANGEMENTS

The Group as Lessee

The Group leases buildings, certain objects of movable property and land (including the land on which the airfield is located and which the Group leases from the Moscow Region government). The term of the lease of land is 49 years from the inception of lease agreement in May 1998. The amount of lease payments is fixed, however they are adjusted by the lessor from time to time.

Future minimum lease payments under contracted operating leases are as follows:

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

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

Included in minimum lease payments within one year are amounts of RUR 84 million and RUR 104 million as of 31 December 2015 and 2014, respectively, which represent the value of lease payments under lease agreements automatically extended for an indefinite term in accordance with the provisions in these agreements. These agreements can be terminated by either lessor or lessee by notification of the other party one month before termination.

The Group as Lessor

Operating lease agreements consist mainly of short-term contracts for the lease of the Group's trading space and catering areas. The lease payments consist of a fixed amount, and a variable part that is contingent on sales levels and certain other performance indicators, achieved by the lessees. Lessees are selected based on the results of tenders. Contracts with the selected lessees are signed for a term of less than one year, and contain an automatic extension clause. The contracts are automatically extended for the subsequent period, unless one of the parties exercises, in due time, its option not to extend the rental period. The lessees do not have an option to purchase the property at the end of the lease period.

Rental income earned by the Group is set out in Note 7.

The future minimum lease payments representing fixed part of the rentals under contracted operating leases for the year 2016 amount to RUR 1,390 million.

31. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

The Group's contracted capital commitments, related to construction of passenger and cargo terminals and modernization of existing assets as of 31 December 2015 and 2014, consisted of the following:

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

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

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

Starting from 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies.

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

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 *(Amounts in millions of Russian Rubles)*

The above mentioned events have led to reduced access of the Russian businesses to international capital markets, increased inflation, economic recession and other negative economic consequences. The impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

The government of the Russian Federation directly affects the Group's operations through regulation of airport charges and other operating activities of the airports in Russia. According to current Russian legislation, certain infrastructure items may not be privately owned and must remain federal property. With respect to the Group, which operates under a long-term concession arrangement (see Note 15), such infrastructure items include the airfield, runways, adjacent taxiways, apron and certain navigation equipment. The contractual agreement regulating the relationship between the government and operators of such infrastructure items in Russia may not be as detailed and comprehensive as the contractual agreements governing similar infrastructure assets in more developed countries. Terms of contractual agreements between the government and infrastructure operators are not standardized, and may vary substantially from one arrangement to another. As laws and regulations evolve, develop or otherwise change in the future, the lease agreement between the Group and the government may change significantly.

In addition, because of its importance to the public, the airport attracts a significant amount of political attention. The Group is subject to a high level of scrutiny from public officials and may from time to time be subject to government reviews, public commentary and investigations. Furthermore, the overall legal environment for private business in the Russian Federation is such that there exists a possibility that government bodies and regulatory agencies may take differing views on whether or not a given private business has complied with the relevant laws and regulations. Effects of such non-compliance may vary from administrative penalties and fines to criminal prosecution. The Group's management believes that it has properly complied with all relevant regulations and applicable laws.

Taxation – The government of the Russian Federation continues to reform the business and commercial infrastructure in its transition to a market economy. As a result, laws and regulations affecting business continue to change rapidly. These changes are characterized by unclear wording which leads to different interpretations and arbitrary application by the authorities. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. It is therefore possible that significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to tax audit by the authorities in respect of taxes for three calendar years proceeding the year of tax audit. Under certain circumstances reviews may cover longer periods. Management believes that it has accrued for all taxes that are applicable. Management believes that it has provided adequately for tax liabilities based on its interpretations of tax legislation. However, the relevant authorities may have differing interpretations, and the effects could be significant.

Russian transfer pricing legislation was amended starting from January 1, 2012 to introduce additional reporting and documentation requirements. The new legislation allows the tax authorities to impose additional tax liabilities in respect of certain transactions, including but not limited to transactions with related parties, if they consider transaction to be priced not at arm's length. As the practice of implementation of the new transfer pricing rules has not yet developed and wording of some clauses may have more than one interpretation, the impact of challenge of the Group's transfer pricing positions by the tax authorities cannot be reliably estimated.

In 2014, amendments were introduced into the Russian tax legislation in respect of taxation of profit of controlled foreign companies. According to these changes, the 2015 undistributed profits of the Group foreign subsidiaries, recognized as controlled foreign companies, may result in an increase of the tax base of the controlling entities in 2016. The Group is formulating its tax planning strategy with regard to the foreign subsidiaries.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

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

Legal proceedings – During the year, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which management believes could have a material effect on the result of operations or financial position of the Group, other than those for which provision has been made in these consolidated financial statements (Note 28).

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

Property and civil liability of the Group are insured by well known Russian insurance companies. The full coverage insurance value of property is RUR 3,929 million. Third party liability of DME Limited and its subsidiaries is insured for the amount of RUR 40,444 million.

32. RISK MANAGEMENT ACTIVITIES

The Group's senior management oversees the risk management process and ensures that appropriate policies and procedures are designed and implemented, and that financial risks are timely identified, measured and managed in accordance with approved policies. Such policies are summarized below.

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to the equity holder through the optimization of the debt and equity balance. The capital structure of the Group consists of long-term borrowings, including bank loans, amounts due to grantor under a concession agreement and equity, consisting of share capital and retained earnings.

Management of the Group regularly reviews its gearing ratio, calculated as proportion of net debt to equity, to ensure that it is in line with the Group's adopted policy on debt management. The current policy assumes a conservative approach to debt leverage in favor of equity financing, and limits the highest acceptable gearing ratio to 40%. During 2015 the Group complied with all external capital requirements.

Major categories of financial instruments

The Group's financial assets include short- and long-term investments, amounts due from grantor under a concession agreement, lease receivable, trade and other receivables and cash and cash equivalents. All financial assets fall into loans and receivables and available-for-sale categories under IAS 39 "Financial instruments: recognition and measurement".

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

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

The Group's principal financial liabilities are trade and other payables, borrowings, the USD loan participation notes, accruals and amounts due to grantor under a concession agreement. All financial liabilities are carried at amortized cost.

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

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they fall due. The Group's liquidity position is carefully monitored and managed by the treasury function. Management controls current liquidity based on expected cash flows and revenue receipts through establishing and maintaining a cash fund sufficient to cover its contractual obligations for the period of three to six upcoming months. Such funds are normally kept as highly liquid short-term bank deposits, and are available on demand. In addition, the Group's policy is to continually maintain a diversified portfolio of open credit lines with reputable banks, which serve to secure for the Group a stable *ad hoc* borrowing capability.

The Group has both interest bearing and non-interest bearing financial liabilities. The interest bearing liabilities consist of amounts due to grantor under a concession agreement, borrowings and the USD loan participation notes. The non-interest bearing liabilities include trade and other payables, accrued expenses and other current liabilities.

The following tables detail the Group's remaining contractual maturity for financial liabilities. The tables have been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

	Effective interest rate, %	Less than 1 month	1-3 months	3 months- 1 year	1-5 years	Over 5 years	Total
31 December 2015							
Non-interest bearing liabilities		3,170	1,032	42	433	199	4,876
Loans and borrowings	4.6%-6.3%	1,140	6	4,384	26,204	-	31,734
Amounts due to grantor under a concession agreement	10.6%	92	-	177	1,404	18,263	19,936
Total		4,402	1,038	4,603	28,041	18,462	56,546
31 December 2014							
Non-interest bearing liabilities		2,847	1,268	78	149	239	4,581
Loans and borrowings	4.6%-6.3%	993	-	3,611	23,479	-	28,083
Amounts due to grantor under a concession agreement	10.6%	93	-	286	1,428	18,611	20,418
Total		3,933	1,268	3,975	25,056	18,850	53,082

The following tables detail the Group's expected maturity for its financial assets, except for cash and cash equivalents. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets, including interest that will be earned on those.

	Effective interest rate, %	Less than 1 month	1-3 months	3 months- 1 year	1-5 years	Over 5 years	Total
31 December 2015							
Accounts receivable		2,649	588	83	-	-	3,320
Investments	0.14-4.9%	4	11,035	877	10,209	-	22,125
Lease receivable	75%	19	38	173	924	1,193	2,347
Total		2,672	11,661	1,133	11,133	1,193	27,792
31 December 2014							
Accounts receivable		2,770	735	108	7	-	3,620
Investments	7-9.75%	8,484	3,801	4,661	2,878	-	19,824
Lease receivable	75%	18	37	165	880	1,355	2,455
Total		11,272	4,573	4,934	3,765	1,355	25,899

Currency Risk

Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group has export revenue and purchases third-party services, which are denominated in foreign currencies. Certain receivable and payable balances, related primarily to settlements with customers and suppliers and most of loans and borrowings of the Group are denominated in currencies other than the Russian Ruble, the functional currency of the Company and all subsidiaries of the Group.

Currency risk is regularly assessed and managed by Financial Assets Management department. The Group's foreign currency position for net current assets is evaluated daily. The consolidated foreign currency position of all of the Group's assets and liabilities is assessed quarterly. The Group mitigates potential negative impact of exchange rate movements primarily through aiming to maintain a balanced structure of foreign currency assets and liabilities. Available cash and cash equivalents are the key instrument used by management to correct an imbalanced foreign currency position. Management also continually monitors market trends in order to appropriately adjust the Group's contractual payment terms to take advantage of favorable changes in exchange rates.

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

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

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

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

The table below details the Group's sensitivity to strengthening of the Russian Ruble against the respective foreign currencies by 10%, all other variables being held constant. The analysis was applied to monetary items at the reporting dates denominated in respective currencies.

	USD – impact		EUR – impact	
	2015	2014	2015	2014
Loss / (gain)	(984)	(697)	1,067	774

The weakening of the Russian Ruble in relation to the same currencies by the same percentage will produce an equal and opposite effect on the consolidated financial statements of the Group to that shown above.

Interest rate risk

Interest rate risk is the risk that movement in interest rates for borrowed funds will have an adverse effect on the Group's financial performance. In general the Group takes a conservative approach to the use of debt leverage, and tends to finance its operations and expansion through internally generated funds.

Management carefully monitors changes in interest rates and takes steps to mitigate interest rate risk through careful evaluation of contractual terms for new borrowings, as well as continued improvement of its existing debt portfolio. In assessing the quality of its debt portfolio the Group aims to maintain an appropriate mix of floating and fixed interest rate instruments, and to ensure that contractual terms for the borrowings provide for minimal or no early repayment fees, an option to negotiate a decrease in interest rates and an inability of a credit institution to unilaterally increase interest rates without prior notification and granting an early repayment option at no additional charge.

As at 31 December 2015 and 2014 the Group's borrowed funds consisted of the USD loan participation notes, long- and short-term borrowings and amounts due to grantor under a concession agreement.

The Group has no significant exposure to interest rate risk as it has no borrowings at floating interest rates.

The Group's liabilities under concession agreement bear an inherent interest rate, which is fixed for a period of three years (see Note 15). At the end of each three-year period payments under the agreement are revised, and any changes in the amount of the future payments under the concession agreement may significantly influence the effective interest rate for the related liability, as well as the total amount of the interest expense.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group does not hedge its credit risk.

The Group's exposure to credit risk arises primarily with respect to amounts held with the banks, loans issued and receivables in connection with aviation, ground handling and real estate activities. Credit exposure is managed by establishing credit terms for the most significant customers that are reviewed and approved by management. Credit sales are offered only to foreign customers and most significant customers located within the Commonwealth of Independent States ("CIS") and the Russian Federation with proven credit history. Sales to other customers are made on a prepayment basis. The credit quality of the bank balances and loans issued can be assessed by reference to external credit rating if available or to the working history of the counterparty with the Group. These policies enable the Group to reduce its credit risk significantly.

The carrying amount of loans receivable, net of provision for impairment, represents the maximum amount exposed to credit risk (Note 18). Management believes that there is no significant risk of loss to the Group beyond the provision already recorded.

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

As of 31 December 2015, 44% of the total net amount of trade and other receivables and amounts due from grantor under a concession agreement related to the five largest counterparties of the Group (31 December 2014: 51%).

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

	31 December 2015		
	Outstanding balance, gross	Provision for impairment	Outstanding balance, net
Transaero	1,010	(1,010)	-
FGUP "Administration of the Airport Domodedovo"	576	-	576
S7	546	(1)	545
Forum-Invest	325	-	325
Quantico Limited	188	-	188
Mera-Invest	149	-	149
Lufthansa	132	-	132
Emirates	123	-	123
Total	3,049	(1,011)	2,038

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

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

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 (Amounts in millions of Russian Rubles)

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

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

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

Fair value of financial instruments

According to the accounting policy the Group uses the following hierarchy to determine and disclose fair value of financial instruments:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Except as detailed in the following table management of the Group believes that the carrying value of financial instruments such as cash and cash equivalents, short-term receivables and payables, lease receivable, short- and long-term investments, borrowings and liabilities under concession, which classified within Level 2 category of the above hierarchy, approximates their fair value. The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. Management has used all available market information in estimating the fair value of financial instruments. Certain financial instruments, such as available-for-sale bonds were excluded from fair value analysis either due to their insignificance or due to the fact that the assets were acquired or liabilities incurred close to the reporting dates and management believes that their carrying value either approximates their fair value, or may not significantly differ from each other.

Fair value of financial liabilities

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

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015 *(Amounts in millions of Russian Rubles)*

33. SUBSEQUENT EVENTS

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

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

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

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

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

DME LIMITED **and subsidiaries**

Consolidated Financial Statements
For the Year Ended 31 December 2014

DME LIMITED AND SUBSIDIARIES

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DME LIMITED AND SUBSIDIARIES

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Management is responsible for the preparation of consolidated financial statements that present fairly the financial position of DME Limited (the "Company") and its subsidiaries (the "Group") as of 31 December 2014, and the consolidated results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2014 were approved by management on 24 April 2015.

On behalf of management:



Alexander Mindrin
Chief Executive Officer



Olga Korochkina
Chief Financial Officer

24 April 2015

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of DME Limited:

We have audited the accompanying consolidated financial statements of DME Limited and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of 31 December 2014, and the consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity for the year ended 31 December 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



24 April 2015

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DME LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

	Notes	2014	2013
Revenue	8	41,224	39,924
Operating expenses, net	9	(27,419)	(27,269)
Operating profit		13,805	12,655
Interest expense	10	(1,146)	(468)
Interest income		258	177
Loss on disposal of subsidiary	12	(2)	-
Impairment of restricted cash balances		(308)	-
Foreign exchange gain/(loss), net		896	(848)
Profit before income tax		13,503	11,516
Income tax	11	(2,102)	(2,086)
Profit and comprehensive income for the year		11,401	9,430
Profit / (loss) attributable to:			
Owners of the Company		11,316	9,431
Non-controlling interests		85	(1)
		11,401	9,430

On behalf of management:



Alexander Mindrin
Chief Executive Officer



Olga Korochkina
Chief Financial Officer

24 April 2015

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

DME LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

	Notes	31 December 2014	31 December 2013
ASSETS			
Non-current assets			
Property, plant and equipment	13	51,192	49,397
Investment property	13	1,786	1,852
Advances for acquisition of non-current assets	13	362	456
Intangible assets	14	4,927	5,022
Other non-current assets	15	1,882	1
Deferred tax asset	11	1,621	825
Amounts due from grantor under a concession agreement	16	785	642
Long-term finance lease receivable	17	217	143
Total non-current assets		62,772	58,338
Current assets			
Inventory	19	1,214	862
Trade and other receivables	20	2,835	2,495
Prepayments and other current assets	21	2,274	2,493
Payments made in connection with uncertain tax positions	5	21	614
Prepaid income tax		1,505	554
Short-term finance lease receivable	17	164	108
Short-term investments	18	17,918	2,108
Cash and cash equivalents	22	4,112	12,210
Total current assets		30,043	21,444
TOTAL ASSETS		92,815	79,782
EQUITY AND LIABILITIES			
Capital			
Share capital	23	11,877	11,877
Retained earnings	23	38,081	36,576
Equity attributable to the owners of the Company		49,958	48,453
Non-controlling interests		99	14
Total equity		50,057	48,467
Non-current liabilities			
Five-year USD loan participation notes	24	16,707	9,720
Deferred tax liability	11	6,925	5,412
Amounts due to grantor under a concession agreement, long-term portion	16	3,169	3,189
Long-term borrowings	25	3,596	4,345
Total non-current liabilities		30,397	22,666
Current liabilities			
Trade and other payables	26	3,775	3,684
Income tax payable		37	292
Taxes other than income tax payable	27	1,169	1,142
Dividends payable	23	1,309	-
Amounts due to grantor under a concession agreement, short-term portion	16	364	318
Accrued expenses and other current liabilities	28	2,198	1,038
Five-year USD loan participation notes, short-term portion	24	133	60
Current portion of long-term borrowings	25	3,171	2,091
Provisions	29	205	24
Total current liabilities		12,361	8,649
TOTAL EQUITY AND LIABILITIES		92,815	79,782

On behalf of management:


Alexander Mindrin
Chief Executive Officer


Olga Korochkina
Chief Financial Officer

24 April 2015

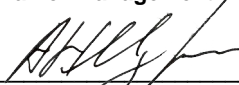
The accompanying notes form an integral part of these consolidated financial statements.

DME LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

	2014	2013
Cash flows from operating activities:		
Profit before income tax	13,503	11,516
Adjustments for:		
Depreciation and amortization	3,024	2,818
Gain on disposal of property, plant and equipment	(7)	(13)
Loss on disposal of intangible assets	39	-
Change in provision for impairment of accounts receivable and advances to suppliers	20	132
Change in legal provision	127	(271)
Loss from disposal of subsidiary	2	-
Interest income	(258)	(177)
Interest expense	1,146	468
Impairment of restricted cash balances	308	-
Foreign exchange (gain) / loss, net	(896)	848
Other non-cash items, net	41	125
	17,049	15,446
Increase in inventory	(361)	(57)
Decrease / (Increase) in trade and other receivables	135	(159)
Decrease / (Increase) in prepayments and other current assets	815	(952)
Increase in trade and other payables	82	398
Increase in taxes other than income tax payable	27	141
Increase / (decrease) in accrued expenses and other current liabilities	1,150	(161)
Net cash from operating activities before income tax	18,897	14,656
Interest paid	(1,284)	(359)
Income tax paid	(2,590)	(2,130)
Net cash provided by operating activities	15,023	12,167
Cash flows from investing activities:		
Purchases of property, plant and equipment	(4,038)	(2,781)
Purchases of intangible assets and other non-current assets	(592)	(875)
Proceeds from disposal of property, plant and equipment	118	92
Purchases of investments	(15,244)	(2,024)
Proceeds from disposal of investments	5,228	1,609
Net cash outflow on disposal of subsidiaries (Note 12)	(1,019)	-
Restricted cash	(2,168)	-
Proceeds from grantor under a concession agreement	141	177
Interest received	183	165
Net cash used in investing activities	(17,391)	(3,637)
Cash flows from financing activities:		
Proceeds from five-year USD loan participation notes	-	9,720
Repayments of borrowings	(2,134)	(946)
Dividends paid	(7,807)	(5,425)
Other distribution to shareholders	-	(959)
Net cash (used in) / provided by financing activities	(9,941)	2,390
Net (decrease) / increase in cash and cash equivalents	(12,309)	10,920
Cash and cash equivalents at the beginning of the year	12,210	1,406
Foreign exchange gain / (loss) on cash and cash equivalents	4,211	(116)
Cash and cash equivalents at the end of the year	4,112	12,210

On behalf of management:


Alexander Mindrin
Chief Executive Officer


Olga Korochkina
Chief Financial Officer

24 April 2015

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

DME LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

	Share capital	Retained earnings	Equity attributable to the owners of the Company	Non- controlling interests	Total
Balance as of 1 January 2013	11,877	31,227	43,104	15	43,119
Profit and comprehensive income for the year	-	9,431	9,431	(1)	9,430
Dividends (Note 23)	-	(3,123)	(3,123)	-	(3,123)
Other distribution to shareholders (Note 23)	-	(959)	(959)	-	(959)
Balance as of 31 December 2013	11,877	36,576	48,453	14	48,467
Profit and comprehensive income for the year	-	11,316	11,316	85	11,401
Dividends (Note 23)	-	(9,811)	(9,811)	-	(9,811)
Balance as of 31 December 2014	11,877	38,081	49,958	99	50,057

On behalf of management:



Alexander Mindrin
Chief Executive Officer



Olga Korochkina
Chief Financial Officer

24 April 2015

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

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

1. NATURE OF THE BUSINESS

DME Limited (previously FML Limited, hereinafter the “Company”), is a limited liability company incorporated under the laws of the Isle of Man in February of 2001. Immediately following the formation of the Company an entity under common control transferred to the Company a number of entities operating as a group since 1996. The assets and liabilities of the entities were transferred to the Company at their previous carrying amounts. In 2012 the Company transferred its registered office and place of domicile to the Republic of Cyprus.

The principal activities of the Company, together with its subsidiaries (collectively the “Group”) are the management, operation and development of Domodedovo airport, including servicing international and domestic passenger and cargo flights. The Group sells fuel and pre-packaged meals as well as provides airport-related commercial services comprising leasing of retail space, leasing of other commercial properties and fuelling services. The Group’s principal place of business is Domodedovo airport in the Moscow region, Russia.

The Group operates in three business segments: aviation services, auxiliary aviation services and commercial services.

The Company’s ownership interest in the controlled subsidiaries is as follow:

Company name	Place of incorporation	Principal activity	Percentage held as of	
			31 December 2014	31 December 2013
Domodedovo Passenger Terminal	Russia	Passenger terminal complex	100%	100%
Domodedovo Cargo	Russia	Cargo terminal complex	100%	100%
Domodedovo Catering Service	Russia	In-flight catering facility	100%	100%
Domodedovo Asset Management	Russia	Rent and parking operator	100%	100%
Domodedovo Fuel Services	Russia	Fuel storage and supply facility	100%	100%
Domodedovo Airport Aviation Security	Russia	Aviation security	100%	100%
Domodedovo Commercial Services	Russia	General agent for Group companies	100%	100%
Domodedovo International Airport	Russia	Take-off and landing services	100%	100%
Domodedovo Slot Allocation	Russia	Aeronautical services	100%	100%
Domodedovo Construction Management	Russia	Capital development	100%	100%
Domodedovo Airport Handling	Russia	Ground handling	100%	100%
Domodedovo Information Technologies Services	Russia	IT services	100%	100%
Domodedovo Fuel Facilities	Russia	Jet fuelling and storage	100%	100%
Hacienda Investments Limited	Cyprus	Group property management	100%	100%
Verulia Investments Limited	Cyprus	Investing and financing activities	100%	100%
Sortenia Ventures Limited	Cyprus	Investing and financing activities	-	100%
Airport Management Company Limited	Isle of Man	Group management company	100%	100%
Ocean Fest Development SA	British Virgin Islands	Investing and financing activities	100%	100%
Domodedovo Training Corporation	Russia	Staff professional trainings and development	100%	100%
Domodedovo Integration	Russia	Software development	100%	100%
Domodedovo Parking Services Limited	British Virgin Islands	Management of car park facilities	-	100%
Domodedovo Non-aviation Sales	Russia	Rent and advertizing services	100%	100%
DME Airport Limited	Ireland	Investing and financing activities	-	-

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

The Russian Federation is the place of operation for all the companies listed above, except for Verulia Investments Limited and Sortenia Ventures Limited for which the place of operation is Cyprus and DME Airport Limited for which the place of operation is Ireland. These entities are involved in treasury activities of the Group, facilitating financing and investing transactions between the Group's individual companies, as well as between the Group and third parties.

DME Airport Limited is a company that acts as a corporate vehicle for USD loan participation notes issued on the Irish Stock Exchange.

During the reporting period the Group disposed of its ownership interests in Sortenia Ventures Limited and Domodedovo Parking Services Limited (see Note 12 for more information on disposal).

The immediate parent entity of DME Limited is Alamo Limited, a company registered in the republic of Mauritius.

The ultimate controlling party of the Group is Mr. Dmitry Kamenshchik.

The consolidated financial statements of the Group for the year ended 31 December 2014 were authorized for issue by management on 24 April 2015.

2. PRESENTATION OF FINANCIAL STATEMENTS

Statement of compliance – These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of preparation – These consolidated financial statements are prepared on the basis of standalone financial statements of the Company and its subsidiaries. The entities of the Group maintain their accounting records in accordance with laws, accounting and reporting regulations of the jurisdictions in which they are incorporated and registered. The accompanying consolidated financial statements differ from the financial statements issued for statutory purposes in that they reflect certain adjustments, not recorded in the statutory books, which are appropriate to present the financial position, results of operations and cash flows of the Group in accordance with IFRS.

These consolidated financial statements are presented in millions of Russian Rubles (hereinafter "RUR million"), unless otherwise indicated.

The consolidated financial statements have been prepared using the historical cost convention, except for certain items of property, plant and equipment which were stated at deemed cost as of 1 January 2008 as part of the Group's adoption of IFRS. The deemed cost was equal to fair value as determined by an independent appraiser.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

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

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

Going concern – These consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future, which implies the realization of assets and settlement of liabilities in the normal course of business.

Offsetting. Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the consolidated statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies have been applied consistently by all consolidated operating entities.

Consolidation – The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) prepared through 31 December of each year.

Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceased. Intragroup balances and any unrealized gains and losses or income and expenses arising from intragroup transactions, are eliminated in full in preparing the consolidated financial statements.

Non-controlling interest in consolidated subsidiaries represents the equity in a subsidiary not attributable, directly or indirectly, to a parent and is identified separately from the Group's equity therein. Total comprehensive income / (loss) is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets, and liabilities of the subsidiary and any non-controlling interests.

Functional and presentation currency – The primary economic environment of the Group is the Russian Federation. Therefore, the Russian Ruble ("RUR") is the functional currency of the Company and all subsidiaries of the Group, as well as the Group's presentation currency.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency are initially recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the reporting date exchange rate.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Russian Ruble at foreign exchange rates ruling at the dates the fair value was determined. Exchange differences arising from such retranslation are included in the consolidated statement of profit or loss and other comprehensive income.

Revenue recognition – The Group's revenue is generated by the provision of services (airport services, parking fees, rental income, hotel revenue, fuel storage services, and aircraft maintenance), and sale of products (jet fuel and in-flight meals). Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of sales related taxes, estimated rebates and discounts. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Airport and other related charges

Revenue from airport and other related charges mainly includes fees collected for aircraft landing, runway lighting, aircraft parking, and passenger-related charges for the use of terminal. Certain airport charges are regulated. This means, among other things, that the process of fixing the airport charge rates is periodically reviewed by the Federal Tariff Service of the Russian Federation ("FTS"). Revenue from airport and other related charges is recognized in the accounting period in which the services are rendered.

Rental income

Rental income is generated principally from leasing trading space and office facilities located inside the airport terminal and adjacent buildings. Rental revenue is recognized on a straight-line basis during the term of rent agreements.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

Ground handling

Ground handling includes a wide range of services related to aircraft maintenance before take-off and after landing, including pre-flight aircraft preparation, towing, cleaning, required technical maintenance before and after flights, luggage handling, passenger check-in, boarding and transportation to and from aircraft. Revenue from ground handling services is recognized in the accounting period in which the services are rendered.

Jet fuelling and storage services

Jet fuelling and storage services include revenue from into-plane fuelling services and revenue from the storage of third-parties' jet fuel. Revenue from these services is recognized in the accounting period in which the services are rendered. Storage charge rates are regulated and periodically reviewed by the Federal Tariff Service of the Russian Federation.

Aviation security

Aviation security services include services such as the inspection/screening of passengers, crews, baggage, cargo and in-flight supplies, aircraft security (including guarding the aircraft at the airport), pre-flight inspection and access control and security of areas with restricted access. Revenue from aviation security services is recognized in the accounting period in which the services are rendered.

Parking fees and other revenue

Parking fees consist of fees collected at the passenger terminal's car park. Other revenue consists of auxiliary services provided at the cargo and passenger terminals. Revenue from such services is recognized in the period in which the services are rendered.

Jet fuel sales

Jet fuel sales comprise the sales of jet petroleum, lubricants and other specialized liquids. Revenue from the sale is recognized when significant risks and rewards incidental to ownership are transferred to the customers.

Catering

Catering includes sales of pre-packaged in-flight meals. Revenue from catering is recognized when the meal packages are delivered to the aircraft, at which point the risks and rewards of ownership are transferred to the customers.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate.

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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Group as lessee

Assets under finance leases are recognized as assets at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Payments under operating leases are recognized in the consolidated profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as a liability and a reduction to expense on a straight-line basis. Contingent rentals under operating leases are recognized as an expense in the period in which they are incurred.

Borrowing costs – Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale, and amortized over the useful life of the asset. All other borrowing costs are recognized as an expense in the period in which they are incurred.

Income tax – Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred income tax are recognized in the consolidated profit or loss except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantially enacted by the reporting date. Provisions in respect of uncertain tax positions which relate to income tax are included in current income tax at an amount expected to be payable including penalties, if any.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts of tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Deferred tax assets and liabilities are not discounted.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

Employee benefits – Remuneration to employees in respect of services rendered during the reporting period is recognized as an expense in that reporting period.

The Group contributes to the Pension Fund of the Russian Federation, a defined contribution plan. The Group's only obligation is to pay contributions to the Fund as they fall due. As such, the Group has no legal obligation to pay and does not guarantee any future benefits to its Russian employees. The Group's contributions to the Russian Federation State Pension Fund are recorded as an expense over the reporting period based on the related employee service rendered. In 2014 and 2013 contributions for each employee vary from 10% to 22%, depending on the annual gross remuneration of each employee.

Property, plant and equipment – At the date of transition to IFRS (1 January 2008) the Group's property, plant and equipment were recognized in the consolidated financial statements at deemed cost.

Property, plant and equipment acquired by the Group subsequent to the date of transition to IFRS are recorded at purchase or construction cost, less accumulated depreciation and accumulated impairment, if any. The costs of day to day servicing of property, plant and equipment, including repairs and maintenance expenditure, are expensed as incurred.

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

Assets under construction

Assets under construction ("Construction In-Progress" or "CIP") are carried at cost, less any recognized impairment loss. Cost includes capital expenditures directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads including capitalized borrowing costs on qualifying assets. Depreciation of these assets, on the same basis as for other property assets, commences when the assets are ready for their intended use. Construction in-progress items are reviewed regularly to determine whether their carrying value is fairly stated.

Advance payments for assets under construction are shown separately in the consolidated statement of financial position and presented as non-current assets.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost. Subsequent measurement is at cost less accumulated depreciation and impairment losses (if any) under IAS 36 "Impairment of assets".

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated profit or loss in the period in which the property is derecognized.

Subsequent costs

The Group recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. The assets being replaced are written off immediately. All other costs are recognized in the consolidated profit or loss as an expense as incurred.

Depreciation

Depreciation is recognized in consolidated profit or loss so as to write off the cost of assets (other than land and CIP) less their estimated residual values over their economic useful lives, using the straight-line method. Owned land plots are not depreciated.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

The estimated useful economic lives for property, plant and equipment are as follows:

	<u>Number of years</u>
Buildings	10-50
Plant and equipment	5-20
Other	2-20

The assets' useful lives and methods are reviewed and adjusted as appropriate at each financial year-end.

Gain or loss on disposal

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Concession arrangements – Where the Group constructs airfield assets under its contract with FGUP “Administration of the Airport Domodedovo”, a Russian state-owned enterprise (the “grantor”), and the grantor controls a significant residual interest in the airfield infrastructure assets at the end of the contract, the Group applies IFRIC 12 “Service concession arrangements”. In the construction phase, the Group recognizes income by applying an attributable profit margin on the construction costs representing the fair value of construction services and records a receivable in accordance with IAS 39 “Financial instruments: recognition and measurement” or an intangible asset, depending on the nature by which the Group receives consideration from the grantor.

The Group recognizes an intangible asset related to the right to charge users of the public service instead of an unconditional right to receive cash when the amounts are contingent on the extent to which the public uses the service. The net present value of fees paid to the grantor under the arrangement is also recognized as part of the cost of the intangible asset at its inception, and any subsequent adjustment to the level of fees or the timing of contractual cash flows associated with such payments is reflected as an adjustment to the intangible asset. The intangible asset is amortized on a straight-line basis over the shorter of the contract term or the period for which the Group expects to receive a benefit.

Intangible assets – Intangible assets other than concession intangible assets represent mainly purchased software and licenses and are stated at cost less accumulated amortization and impairment losses.

Amortization is charged to the consolidated profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortized from the date they are available for use.

Useful lives and amortization methods for intangible assets are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for as changes in accounting estimates.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of non-current assets – At each reporting date, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

Recoverable amount is the higher of fair value less costs to sell and value in-use. In assessing value in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated profit or loss.

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

Financial assets – Financial assets are classified into the following categories: financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. As at the reporting date the Group had only financial assets classified as loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Interest income is recognized by applying the effective interest rate except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale financial assets (AFS financial assets)

Available-for-sale financial assets are non-derivative financial assets that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets mainly consist of investments in publicly listed state and corporate bonds.

Listed bonds held by the Group that are traded in an active market are stated at their market value. Gains and losses arising from changes in fair value are recognized directly in other comprehensive income in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in the consolidated profit or loss. Where an investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investment revaluation reserve is included in the consolidated profit or loss for the period.

Impairment of financial assets – Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account (provision for impairment of receivables).

If, in a subsequent period, the amount of the impairment loss for assets carried at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

Effective interest method – The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount of initial recognition.

Inventory – Inventory is stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventory is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Cash and cash equivalents – Cash and cash equivalents comprise cash on hand, balances with banks, short-term interest-bearing deposits and short-term bank overdrafts with original maturities of not more than three months.

Value added tax – Output value added tax (“VAT”) related to revenue is payable to tax authorities upon delivery of the goods or services to customers, as well as upon collection of prepayments from customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. Input VAT on capital expenditures can be reclaimed on receipt of VAT invoices for the particular stage of work performed or, if the construction project cannot be broken down into stages, on receipt of VAT invoices upon completion of the contracted work. The tax authorities permit the settlement of VAT on a net basis (except for input VAT related to export services provided which is reclaimable upon confirmation of export). VAT related to sales and purchases is recognized in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT. The related VAT deferred liability is maintained until the debtor is written off for tax purposes.

Accounts payable and other financial liabilities – Accounts payable and other financial liabilities are initially recognized at cost, which is the fair value of the consideration received, taking into account transaction costs. After initial recognition, financial liabilities are carried at amortized cost, using the effective interest method, with interest expense recognized on an effective yield basis. As normally the expected term of accounts payable is short, the value is stated at the nominal amount without discounting, which corresponds with fair value.

Provisions – Provisions are recognized when, and only when, the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is significant, the amount of a provision is the present value of the cash flows required to settle the obligation.

Share capital – Ordinary shares are classified as equity and are recorded at the par value of proceeds received, net of direct issue costs. Where shares are issued above par value, the proceeds in excess of par value are recorded in the share premium account.

Dividends – Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date by the shareholders at a general meeting. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorized for issue.

Contractual commitments – Contractual commitments comprise legally binding trading or purchase agreements with stated amount, price and date or dates in the future. The Group discloses significant contractual commitments in the notes to the consolidated financial statements.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

Contingencies – Contingent liabilities are not recognized in the consolidated financial statements unless they arise as a result of a business combination. Contingences attributed to specific events are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

4. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS and IFRIC interpretations adopted in the current year

In the current year, the Group has adopted all new and revised standards and interpretations issued by the IASB and the IFRIC of the IASB that are mandatory for adoption in the annual periods beginning on or after 1 January 2014. The effect from their adoption has not resulted in any significant changes to the financial statements of the Group.

New and revised IFRS in issue but not yet effective

At the date of authorization of these consolidated financial statements, the following standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2015 or later periods and which the entity has not early adopted:

Standards and Interpretations	Effective for annual periods beginning on or after
IAS 19 – Defined Benefit Plans: Employee contributions (amended)	1 July 2014
IAS 16 Property, Plant and Equipment (amended)	1 January 2016
IAS 27 – Equity Method in Separate Financial Statements (amended)	1 January 2016
IAS 38 Intangible Assets (amended)	1 January 2016
IAS 41 Agriculture : Bearer Plants (amended)	1 January 2016
IFRS 10 Consolidated Financial Statements (amended)	1 January 2016
IFRS 11 – Accounting for Acquisition of Interests in Joint Operations (amended)	1 January 2016
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2017
IFRS 9 Financial Instruments	1 January 2018

Also a number of standards and interpretations were amended by Annual Improvements to IFRSs 2010–2012 Cycle and 2011–2013 Cycle, which become effective for annual periods beginning on or after 1 July 2014 and 2012–2014 Cycle, which become effective for annual periods beginning on or after 1 January 2016. These amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in different standards.

The impact of adoption of these standards and interpretations in the preparation of the consolidated financial statements in future periods is currently being assessed by management. The new and revised standards which are likely to have an effect on the financial statements of the Group are described in more detail below:

- IFRS 9 “Financial instruments” – Amendments issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. In July 2014 IASB issued a finalised version of IFRS 9 mainly introducing impairment requirements for financial assets and limited amendments to the classification and measurement requirements for financial assets. IFRS 9 is aiming at replacing IAS 39 Financial Instruments: Recognition and Measurement.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

- IFRS 15 “Revenue from Contracts with Customers” – In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity recognizes revenue when or as a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Specifically, the standard provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes revenue when or as a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Provision for impairment of receivables and advances to suppliers – Management maintains a provision for impairment of receivables and advances to suppliers in the form of an allowance account equal to estimated losses resulting from the inability of customers and other debtors to make required payments. When evaluating the adequacy of this allowance account, management bases its estimates on the ageing of accounts receivable balances and historical write-off experience, customer creditworthiness and changes in customer payment patterns. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected. As of 31 December 2014 and 2013 the provision for impairment of receivables and advances to suppliers was recognized in the amount of RUR 788 million and RUR 809 million, respectively (see Notes 20, 21).

Depreciable lives of property, plant and equipment – The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 “Accounting policies, changes in accounting estimates and errors”. These estimates may have a material impact on the amount of the carrying values of property, plant and equipment and on depreciation expense for the period.

Impairment of non-current assets – The Group reviews at each reporting date the carrying amounts of non-current assets to determine whether there is any indication that assets are impaired. This process involves judgment in evaluating the cause for any possible reduction in value, including a number of factors such as changes in current competitive conditions, expectations of growth in the industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of service, current replacement costs and other changes in circumstances that indicate impairment exists.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

Whenever such indications exist management makes an estimate of the asset's recoverable amount to ensure that it is not less than its carrying value. If the asset's fair value is not readily determinable or is less than asset's carrying value plus costs to sell, management necessarily applies its judgment in determining the appropriate cash generating unit to be evaluated, estimating the appropriate discount rate and the timing and value of the relevant cash flows for the value in-use calculation.

Impairment of restricted cash balances – Management assessed a provision for impairment of other non-current assets, represented by restricted cash held with FBME Bank LTD., Cyprus branch (hereinafter FBME bank), in the form of an allowance account equal to estimated losses resulting from the assessing of the current fair value of the restricted cash balance to be recovered by the Group. When evaluating the adequacy of this allowance account, management bases its estimates on the expected timing of the restricted cash balance recovery and estimated charges and losses which could be incurred by the Group when recovering the restricted cash. If the current situation with FBME bank develops negatively and the expected timing of the recovery is prolonged or estimated charges and losses associated with the recovery are revised upwards, actual write-offs might be significantly higher than currently estimated.

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

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

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

Recoverability of deferred tax assets – Management of the Group believe that no allowance should be made in respect of deferred tax assets as of the reporting date as it is probable that deferred tax assets will be fully realised. As at 31 December 2014 the carrying value of deferred tax assets was RUR 1,621 million (2013: RUR 825).

6. RECLASSIFICATION

Certain information for the year ended 31 December 2013 has been reclassified for consistency with the method of presentation adopted in the Group's consolidated financial statements for the year ended 31 December 2014. The changes in classification are shown below:

Reclassification of operating expenses

	Before reclassification	After reclassification	Difference
Depreciation and amortization	2,651	2,818	167
Cleaning and waste management	536	543	7
Taxes other than income tax	853	860	7
Certification and licensing	185	18	(167)
Maintenance	1,155	1,148	(7)
Other expenses, net	516	509	(7)
			-

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

Reclassification of other non-current assets

	Before reclassification	After reclassification	Difference
Other non-current assets	939	1	(938)
Other intangible assets (Note 14)	312	1,250	938
			-

Misclassification of property, plant and equipment

In process of preparation of 2014 consolidated financial statements the Group identified a misclassification of a certain class of transportation equipment between “Other” and “Plant and equipment” categories of property, plant and equipment. After the correction of misclassification the net book value of “Plant and equipment” as of 31 December 2013 decreased by RUR 92 million to RUR 3,963 million and net book value of “Other” increased by RUR 92 million to RUR 419 million.

Reclassification of Trade and other payables and Accrued expenses and other current liabilities

	Before reclassification	After reclassification	Difference
Amounts payable for the acquisition of property, plant and equipment	1,042	924	(118)
Advances received	1,082	1,281	199
Other liabilities	211	130	(81)
			-

Reclassification of segment information

	Before reclassification	After reclassification	Difference
Third-party revenue			
Aviation services	9,207	9,155	(52)
Auxiliary aviation services	23,907	23,921	14
Commercial services	6,810	6,848	38
			-
Total revenue			
Aviation services	10,399	10,347	(52)
Auxiliary aviation services	25,296	25,310	14
Commercial services	7,376	7,414	38
			-
Operating profit			
Aviation services	2,899	2,622	(277)
Auxiliary aviation services	6,573	6,359	(214)
Commercial services	3,183	3,674	491
Inter-segment eliminations			-
			-
Depreciation and amortization			
Aviation services	(939)	(1,226)	(287)
Auxiliary aviation services	(781)	(1,078)	(297)
Commercial services	(931)	(514)	417
			(167)

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

Misclassification of asset and liability in connection with concession arrangement

Under the terms of concession agreement revised in December 2012 the Group was to pay for the right of use of certain property facilities actually used by the Group only after official transfer of those facilities to the Group on the basis of a governmental decree. The payments for these facilities were supposed to be made in the three years following the issue of the governmental decree and to include charges for use of these facilities from the starting date of their actual use by the Group (most of the facilities – from November 2011). The governmental decree was issued in May 2014. Based on this fact the Group revised the payment schedule under the concession agreement to reflect the additional payments for the period from the start of the actual use of these facilities by the Group till December 2012. Accordingly, the present value of the contractual future payments from the date of adoption of revised payment terms in December 2012 was recalculated. The amount of additional intangible asset and financial liability recognized as at 31 December 2013 was RUR 55 million. As of 31 December 2013 the amount of the additional financial liability was divided into a short-term and a long-term portion (RUR 5 million and RUR 50 million, respectively).

After the correction net book value of intangible assets increased from RUR 4,029 million to RUR 4,084 million, amounts due to grantor under a concession agreement, long-term portion, increased from RUR 3,139 million to RUR 3,189 million and amounts due to grantor under a concession agreements, short-term portion, increased from RUR 313 million to RUR 318 million as of 31 December 2013. Effects on amortization charge and interest expense relating to 2013 were immaterial.

7. SEGMENT INFORMATION

Information reported to the chief operating decision maker of the Group (“CODM”) for the purposes of resource allocation and assessment of segment performance is focused on the nature of services provided.

The Group’s reportable segments are as follows:

Aviation services segment – includes aviation services, such as use of terminal, take-off and landing, and aviation security. Such services are predominantly regulated by FST.

Auxiliary aviation services segment – includes certain passenger-related services, ground handling, fuelling services, in-flight catering and cargo handling.

Commercial services segment – includes retail concessions and advertising, car parking and hotel services.

Accounting policies of the reportable segments are the same as the Group’s accounting policies described in Note 3.

The performance of each reportable segment is assessed by the CODM by reference to segment operating profit. Segment operating profit is calculated after headquarters expenses have been allocated between the reportable segments.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

The key financial information for the Group's segments for the years ended 31 December 2014 and 2013 is presented below:

		Aviation services	Auxiliary aviation services	Commercial services	Inter-segment eliminations	Group
Third-party revenue	2014	10,292	23,111	7,821	-	41,224
	2013	9,155	23,921	6,848	-	39,924
Intersegment revenue	2014	1,522	1,369	536	(3,427)	
	2013	1,192	1,389	566	(3,147)	-
Total revenue	2014	11,814	24,480	8,357	(3,427)	41,224
	2013	10,347	25,310	7,414	(3,147)	39,924
Operating profit	2014	3,147	6,912	3,746	-	13,805
	2013	2,622	6,359	3,674	-	12,655
Depreciation and amortization	2014	(1,415)	(1,145)	(464)	-	(3,024)
	2013	(1,226)	(1,078)	(514)	-	(2,818)
Change in provision for impairment of receivables and advances to suppliers	2014	(3)	(18)	1		(20)
	2013	(27)	(88)	(17)	-	(132)
Change in legal provision	2014	(35)	(80)	(12)	-	(127)
	2013	74	176	21	-	271

The following is the analysis of the Group's largest customers (comprising 10% or more of total revenue):

	2014		2013	
	Amount	%	Amount	%
S7 Group	4,939	12%	4,391	11%
Aviation services segment	1,777		1,642	
Auxiliary aviation services segment	2,896		2,525	
Commercial services segment	266		224	
AK Transaero	3,565	9%	4,117	10%
Aviation services segment	1,285		1,532	
Auxiliary aviation services segment	1,927		2,248	
Commercial services segment	353		337	

Substantially all assets, management and administrative facilities of the Group are located in the Russian Federation and are not reported to the CODM. Furthermore, all revenue is earned within the Russian Federation. Accordingly, revenue by geographic location and asset information is not presented as part of segment disclosure.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

8. REVENUE

	2014	2013
<i>Service revenue</i>		
Ground handling	8,274	7,346
Airport and other related charges	7,770	6,874
Rental income	6,857	6,028
Jet fuelling and storage services	3,162	2,690
Aviation security	2,142	1,938
Parking fees	750	728
Construction revenue	218	178
Other revenue	609	383
Total service revenue	29,782	26,165
<i>Product revenue</i>		
Jet fuel sales	6,019	8,568
Catering	5,423	5,191
Total product revenue	11,442	13,759
Total revenue	41,224	39,924

Rental income includes rentals contingent on passenger traffic volume (see Note 31) of RUR 5,469 million and RUR 4,721 million for the years ended 31 December 2014 and 2013, respectively, and rental income from investment property in the amount of RUR 1,093 million and RUR 649 million for the years ended 31 December 2014 and 2013, respectively.

9. OPERATING EXPENSES, NET

	2014	2013
Payroll and related charges:		
Wages and salaries	9,484	8,499
Social taxes	2,290	2,155
Cost of jet fuel	4,906	7,335
Depreciation and amortization	3,024	2,818
Materials	1,760	1,770
Maintenance	1,488	1,148
Taxes other than income tax	1,147	860
Cleaning and waste management	717	543
Public utilities	443	473
Transport	336	232
Rent	290	374
Staff development and training	285	197
Consulting, audit and other services	242	233
Passenger servicing	152	108
Change in legal provision	127	(271)
Communication services expense	61	80
Certification and licensing	57	18
Advertising expenses	52	43
Change in provision for impairment of receivables and advances to suppliers (Notes 18,19)	20	132
Aircraft servicing	11	13
Other expenses, net	527	509
Total operating expenses, net	27,419	27,269

The Group was involved in litigation with Vnukovo Airport (the “guarantor”), which guaranteed the Group’s receivables from several airlines comprising the Air Union alliance which is currently in bankruptcy. The guarantor previously settled the airlines’ receivable in cash for a total amount of RUR 805 million, but instigated legal proceedings to recover the entire amount from the Group. As at 31 December 2011 the Group recognized a provision for this amount.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

During 2013 the court decreed that an amount of RUR 352 million be repaid to the guarantor. Furthermore, management reassessed and reduced the amount of the initial claim by RUR 158 million. As a result the Group repaid a total of RUR 510 million to the guarantor. In October 2013 further legal proceeding with respect to the remaining provision in the amount of RUR 295 million has resulted in final court ruling in favor of the Group. Accordingly, the previously recognized provision of RUR 295 million has been released. The release in provision is shown as a change in legal provision as part of operating expenses in the consolidated profit and loss for the year ended 31 December 2013.

10. INTEREST EXPENSE

	2014	2013
Interest expense on five-year USD loan participation notes	723	60
Unwinding of discount related to amounts due to grantor under a concession agreement	353	347
Interest expense on bank loans	280	304
	1,356	711
Less: capitalized interest (Note 13)	(210)	(243)
Total interest expense	1,146	468

11. INCOME TAX

	2014	2013
Current income tax expense	(1,589)	(2,212)
Adjustments recognized in the current year in relation to the current tax of prior years	204	-
Deferred income tax (expense) / benefit	(717)	126
Income tax	(2,102)	(2,086)

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

	2014	2013
Profit before income tax	13,503	11,516
Theoretical tax charge at Russian statutory rate of 20%	(2,701)	(2,303)
Tax effect of items which are not deductible or assessable for taxation purposes:		
Non-taxable foreign exchange differences	2,599	211
Adjustments recognized in the current year in relation to the current tax of prior years	204	-
Non-deductible interest expenses	(278)	(111)
Tax rate differences relating to other jurisdictions	(295)	216
Other non-deductible items	(462)	(99)
Effect of withholding tax on dividends of subsidiaries	(1,169)	-
Income tax	(2,102)	(2,086)

Majority of the Group's operating activities are conducted in the Russian Federation. Therefore the reconciliation of the Group's profit before income tax to income tax charge is presented using the statutory income tax rate effective in Russia.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

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

	31 December 2014	Charged to profit or loss	31 December 2013
Tax losses carry forward	592	339	253
Property, plant and equipment	54	(13)	67
Trade and other receivables	210	36	174
Prepayments and other current assets	116	13	103
Trade and other payables	327	228	99
Accrued expenses and other current liabilities	302	195	107
Intangible assets	4	(2)	6
Other	16	-	16
Deferred tax asset, net	1,621		825
Property, plant and equipment	(5,524)	(170)	(5,354)
Trade and other receivables	(36)	(23)	(13)
Prepayments and other current assets	(5)	2	(7)
Amounts due to grantor under a concession agreement	707	105	602
Trade and other payables	(1,251)	(1,237)	(14)
Intangible assets	(776)	(150)	(626)
Other	(40)	(40)	-
Deferred tax liability, net	(6,925)		(5,412)
		(717)	
	31 December 2013	Charged to profit or loss	31 December 2012
Tax losses carry forward	253	196	57
Property, plant and equipment	67	53	14
Trade and other receivables	174	(203)	377
Prepayments and other current assets	103	(1)	104
Trade and other payables	99	123	(24)
Accrued expenses and other current liabilities	107	(108)	215
Intangible assets	6	6	
Other	16	51	(35)
Deferred tax asset, net	825		708
Property, plant and equipment	(5,354)	(22)	(5,332)
Trade and other receivables	(13)	37	(50)
Prepayments and other current assets	(7)	(17)	10
Amounts due to grantor under a concession agreement	602	(53)	655
Trade and other payables	(14)	(22)	8
Accrued expenses and other current liabilities	-	1	(1)
Intangible assets	(626)	85	(711)
Deferred tax liability, net	(5,412)		(5,421)
		126	

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

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

	2018	2019	2020	2021	2022	2023	Total
Tax losses carry forward	3	32	15	17	182	343	592

During 2014 a number of the Group's Russian subsidiaries distributed dividends to the parent (DME Limited) for the total amount of RUR 30,298 million. A related withholding tax liability in the amount of RUR 1,169 million was recognized as at 31 December 2014. The Group did not recognize a deferred tax liability related to the remaining undistributed earnings of its subsidiaries as it has not made any decisions regarding future distributions of retained earnings within the Group. Undistributed earnings, in relation to which deferred tax liability was not accrued, amounted to RUR 11,443 million and RUR 18,197 million as of 31 December 2014 and 2013, respectively.

12. DISPOSAL OF SUBSIDIARIES

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

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

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

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

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

Analysis of assets and liabilities disposed of

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

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

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

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

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and equipment	Other	CIP	Total
Cost					
1 January 2013	43,932	7,241	1,145	4,764	57,082
Additions	791	464	66	1,886	3,207
Transfers	792	533	110	(1,435)	-
Disposals	(34)	(41)	(80)	(46)	(201)
Reclassified as investment property	(9)	-	-	-	(9)
31 December 2013	45,472	8,197	1,241	5,169	60,079
Additions	1,922	950	88	1,394	4,354
Transfers	386	191	50	(627)	-
Disposals	(25)	(221)	(88)	(53)	(387)
31 December 2014	47,755	9,117	1,291	5,883	64,046
Accumulated depreciation					
1 January 2013	(4,453)	(3,278)	(742)	-	(8,473)
Depreciation charge	(1,187)	(991)	(153)	-	(2,331)
Disposals	14	35	73	-	122
31 December 2013	(5,626)	(4,234)	(822)	-	(10,682)
Depreciation charge	(1,231)	(1,047)	(172)	-	(2,450)
Disposals	7	186	85	-	278
31 December 2014	(6,850)	(5,095)	(909)	-	(12,854)
Net book value					
31 December 2013	39,846	3,963	419	5,169	49,397
31 December 2014	40,905	4,022	382	5,883	51,192

"Buildings" consist primarily of passenger and cargo terminals, catering facility, hotel building, car park and auxiliary buildings.

"Plant and equipment" mainly consists of baggage-processing systems, aircraft servicing equipment, tow tractors, passenger shuttles, parking equipment, machines for disposition of de-icing liquids, introsopes and other operating equipment.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

"Other" consists mainly of administrative equipment and vehicles.

Construction in-progress ("CIP") consists mainly of capital expenditures related to the construction of passenger terminal T-1 and T-2.

During the years ended 31 December 2014 and 2013 the Group capitalized borrowing costs in the amount of RUR 210 million and RUR 243 million, respectively.

The weighted average capitalization rate on borrowed funds was 7% and 6% per annum for the years ended 31 December 2014 and 2013, respectively.

As at 31 December 2014 and 2013 no property, plant and equipment was pledged as collateral for the Group's borrowings.

Investment property

The Group's investment property consists of administrative buildings, which are leased to several airlines, and a hotel building.

	2014	2013
Cost at the beginning of the year	2,105	2,096
Reclassified from property, plant and equipment (i)	-	9
Cost at the end of the year	2,105	2,105
Accumulated depreciation at the beginning of the year	(253)	(187)
Depreciation charge for the year	(66)	(66)
Accumulated depreciation at the end of the year	(319)	(253)
Net book value at the end of the year	1,786	1,852

- (i) In October 2013, hotel building owned by the Group was leased out to a third party operator, and was reclassified as an investment property.

Fair value of the investment properties as at 31 December 2014 was RUR 3,766 million and has been arrived at on the basis of a valuation carried out on this date by an internal professional appraiser with appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuation was arrived at by reference to the future cash flows, based on the market evidence for similar properties, discounted at an estimated relevant rate.

Advances for acquisition of non-current assets

As of 31 December 2014 and 2013 advances for acquisition of non-current assets in the amounts of RUR 362 million and RUR 456 million, respectively, consisted of amounts paid for construction of the passenger and cargo terminals and implementation of additional functionalities, modernization of planning and resource management system. The amount of impairment of advances for acquisition of non-current assets amounted to RUR 31 mln. as of 31 December 2014 (31 December 2013: nil).

14. INTANGIBLE ASSETS

	31 December 2014	31 December 2013
Concession arrangement (Note 16)	3,816	3,772
Other intangible assets	1,111	1,250
Intangible assets	4,927	5,022

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

Other intangible assets as of 31 December 2014 and 2013 are presented below:

	Software	Licences and other	Assets not ready for use	Total
Cost				
1 January 2013	961	529	78	1,568
Additions	9	-	684	693
Transfers	263	33	(296)	-
Disposals	(65)	-	(24)	(89)
31 December 2013	1,168	562	442	2,172
Additions	6	-	397	403
Transfers	227	7	(234)	-
Disposals	(98)	(42)	(159)	(299)
31 December 2014	1,303	527	446	2,276
Accumulated amortization				
1 January 2013	(464)	(191)	-	(655)
Amortization charge	(194)	(108)	-	(302)
Disposals	35	-	-	35
Transfer	7	(7)	-	-
31 December 2013	(616)	(306)	-	(922)
Amortization charge	(249)	(86)	-	(335)
Disposals	69	22	-	91
31 December 2014	(795)	(370)	-	(1,165)
Net book value				
31 December 2013	552	256	442	1,250
31 December 2014	508	157	446	1,111

15. OTHER NON-CURRENT ASSETS

	31 December 2014	31 December 2013
Restricted cash, net of impairment of RUR 308 million	1,860	-
Bank guarantees	22	-
Other	-	1
Other non-current assets	1,882	1

Restricted cash represent cash balances held at FBME Bank by Airport Management Company Ltd., a subsidiary of the Group, which may not be transferred outside of FBME Bank at the discretion of the Group due to restrictions of operations imposed on FBME Bank by the US and Cypriot governmental authorities.

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

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

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 *(Amounts in millions of Russian Rubles)*

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

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

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

As of the date when these financial statements were authorized for issue, FinCEN had not provided any formal response to the comments submitted by FBME Bank and had not lifted any of the restrictions imposed by the NPRM.

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

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

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

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

As at 31 December 2014 the Management of the Group assessed and recognized a provision for impairment of the restricted cash balances held with FBME Bank in the amount of RUR 308 million. The provision was to take into account an estimated amount of potential losses and charges to be incurred by the Group in the process of recovery of the restricted cash balances from FBME Bank accounts.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

16. CONCESSION ARRANGEMENT

General

In May 1998 the Group entered into a concession arrangement with FGUP "Administration of the Airport Domodedovo" (a state-owned enterprise) for the use of the airfield and related equipment for a term of 75 years. The airfield includes runways, adjacent taxiways, apron and related navigation equipment. The Group is under obligation to repair and maintain the assets. The Group also has the right, but not the obligation, to incur capital expenditures or make improvements to the infrastructure. The grantor is obligated to compensate the Group for the amount of expenses, incurred in the course of making such improvements provided that they are approved by the grantor. At the end of the agreement the assets under the agreement (including the improvements made by the Group and certified by the grantor) revert to the grantor. The profit earned on the construction services, related to the capital expenditures and improvements made to the assets, represents a market level margin.

The Group is required to make quarterly payments for the right to use the assets during the term of the agreement. Such payments are set to be revised every three years. The most recent revision took place in December 2012, with the next revision due in 2015. The effects and terms of the most recent revision are discussed further in this note.

Amounts due from grantor under a concession agreement

Financial asset related to amounts due from grantor under a concession agreement of RUR 785 million (2013: RUR 642 million) comprise the amount of receivables from grantor for the improvements made to the property used under the concession agreement. Such amounts are settled on demand, however, the Group does not have any agreement on a schedule of future payments and does not expect that any significant settlement will be effected during 2015. Accordingly, the amounts have been classified as non-current assets.

Amounts due to grantor in relation to a concession agreement

Financial liability related to amounts due to grantor in relation to a concession agreement represents the present value of the contractual future payments, discounted at an annual interest rate of 10.6%. The most recent revision of contractual payment terms, which took place in December 2012, resulted in an increase of the future minimum payments and a revised discount rate. The cost of the intangible asset, corresponding to the net present value of the fees payable to the grantor under the arrangement, has been adjusted accordingly.

In May 2014 the Russian Government issued a governmental decree formally transferring to the Group some property facilities relating to the concession agreement which were actually in use by the Group from earlier periods (most of the facilities – from November 2011). Based on this governmental decree and on the provisions of the concession arrangement the Group was obligated to pay for the right for use of these facilities for the period from the start of their actual use. Accordingly, as disclosed in Note 6, the Group revised the present value of the contractual future payments from the date of adoption of revised payment terms (December 2012). The amount of additional intangible asset and liability due to grantor under the concession agreement recognized as of 31 December 2013 was RUR 55 million.

The contractual future payments are reconciled to their present value as at 31 December 2014 and 2013 as follows:

	Future payments		Present value of future payments	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Due within one year	379	333	364	318
Due after one year but not more than five years	1,428	1,453	1,075	1,095
Due after more than five years	18,611	18,958	2,094	2,094
	20,418	20,744	3,533	3,507
Less future finance charges	(16,885)	(17,237)	-	-
Present value of future payments	3,533	3,507	3,533	3,507

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

Intangible assets

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

	2014	2013
Cost at the beginning of the year	3,955	3,778
Increase related to the change in fees payable to the grantor	-	-
Other additions	218	178
Cost at the end of the year	4,173	3,956
Accumulated amortization at the beginning of the year	(184)	(65)
Amortization charge	(173)	(119)
Accumulated amortization at the end of the year	(357)	(184)
Net book value	3,816	3,772

17. FINANCE LEASE RECEIVABLE

During the period ended 31 December 2011 a 15-year finance lease agreement for the lease of one of the Group's hangars was concluded between a company of the Group, and LLC "ATB Domodedovo" and LLC "S7 Engineering" (previously LLC "Domodedovo Technique").

Presented below is the reconciliation between the gross investment in the lease and the present value of minimum lease payments receivable at the end of the reporting period.

	31 December 2014		31 December 2013	
	Minimum lease payments receivable	Present value of minimum lease payments receivable	Minimum lease payments receivable	Present value of minimum lease payments receivable
Due within one year	220	164	145	108
Due after one year but not more than five years	880	195	579	128
Due after more than five years	1,356	22	1,038	15
Total gross / net investment in the lease	2,456	381	1,762	251
Less unearned finance income	(2,075)	-	(1,511)	-
Present value of minimum lease payments	381	381	251	251

	31 December 2014	31 December 2013
Long-term finance lease receivable	217	143
Short-term finance lease receivable	164	108
Total	381	251

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

18. SHORT-TERM INVESTMENTS

	31 December 2014	31 December 2013
Short-term USD-denominated bank deposits	8,473	1,146
Short-term EUR-denominated bank deposits	8,248	899
Available-for-sale debt securities	-	52
Other loans, net of allowance of RUR 83 million	1,197	11
Total short-term investments	17,918	2,108

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

As of 31 December 2013 the Group had USD and EUR-denominated bank deposits placed with FBME Bank Ltd for a period over three-month at an interest rate 0.75% per annum.

19. INVENTORY

	31 December 2014	31 December 2013
Jet fuel	369	311
Spare parts	366	204
Raw materials	157	133
Supplies	157	107
Other inventory	165	107
Total inventory	1,214	862

20. TRADE AND OTHER RECEIVABLES

	Outstanding balance, gross	Provision for impairment	Outstanding balance, net
31 December 2014			
Trade receivables	2,831	(671)	2,160
Other receivables	724	(49)	675
Total	3,555	(720)	2,835
31 December 2013			
Trade receivables	2,492	(708)	1,784
Other receivables	768	(57)	711
Total	3,260	(765)	2,495

The average credit period for the Group's receivables (other than sales carried out on a prepayment basis) is 24 days.

Included in the Group's total trade and other receivables are debtors with carrying amounts of RUR 624 million and RUR 754 million as of 31 December 2014 and 2013, respectively, which are past due at the respective reporting date and which the Group considers to be recoverable (i.e. not impaired). The Group does not hold any collateral over these outstanding balances.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

The ageing of past due but not impaired trade and other receivables is as follows:

	31 December 2014	31 December 2013
30-90 days	33	74
90-180 days	149	35
More than 180 days	442	645
Total past due but not impaired	624	754

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

	31 December 2014	31 December 2013
Balance at the beginning of the year	(765)	(1,006)
Additional provision recognized in the current year	(17)	(131)
Release of provision	23	9
Use of provision	39	363
Balance at the end of the year	(720)	(765)

As of 31 December 2014 and 2013, impairment provision for trade receivables of RUR 148 million relates to receivables from customers, which were declared bankrupt in September 2008. During 2013 a portion of such receivables in the amount of RUR 358 million was written off against the related provision, due to the expiration of the applicable statute of limitations.

In determining the recoverability of trade and other receivables the Group considers any change in the credit quality of trade and other receivables from the date credit was initially granted up to the reporting date. Details about concentration of credit risk and related risk management activities are provided in Note 33.

21. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2014	31 December 2013
VAT receivable	1,380	1,419
Irrevocable letters of credit	532	808
Advances to suppliers, net of impairment	199	114
Other current assets	163	152
Total prepayments and other current assets	2,274	2,493

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

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

	31 December 2014	31 December 2013
Balance at the beginning of the year	(44)	(34)
Additional provision recognized in the current year	(8)	(20)
Release of provision	13	10
Use of provision	-	-
Balance at the end of the year	(39)	(44)

In determining the recoverability of advances to suppliers the Group considers any change in the credit quality of advances to suppliers from the date credit was initially granted up to the reporting date. Details about concentration of credit risk and related risk management activities are provided in Note 33.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

22. CASH AND CASH EQUIVALENTS

	31 December 2014	31 December 2013
EUR-denominated short-term bank deposits	1,982	450
Other foreign currency denominated balances with banks	1,657	573
Russian Rouble denominated cash on hand and balances with banks	473	519
USD-denominated short-term bank deposits	-	9,655
AUD denominated short-term bank deposits	-	1,013
Total cash and cash equivalents	4,112	12,210

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

As of 31 December 2013 the Group had USD, EUR and AUD-denominated short-term bank deposits from 15 days to three months, with an annual interest rate of 0.5% to 1.75%.

23. EQUITY

Share capital and dividends – Authorized and issued capital as at 31 December 2014 comprises 304,779,519 ordinary shares (as at 31 December 2013: 304,831,519) with par value EUR 1.

During the period ended 31 December 2013 dividends of RUR 3,123 million were approved by and paid to the shareholders.

During the period ended 31 December 2014 dividends of RUR 10,770 million were approved by the shareholders for distribution, out of which an amount of RUR 959 million had already been distributed to shareholders during the year ended 31 December 2013 and reported as other distributions to shareholders at the respective year end.

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

Retained earnings – In accordance with statutory legislation, dividends may only be declared to the shareholders of the Group from accumulated undistributed and unreserved earnings as shown in the Group's individual companies' statutory financial statements. As at 31 December 2014 and 2013 such earnings amounted to RUR 2,860 million and RUR 22,396 million, respectively.

Other distribution to shareholders – During the year ended 31 December 2013 the Group made cash payment to its parent entity in the amount of RUR 959 million.

24. FIVE-YEAR USD LOAN PARTICIPATION NOTES

	Interest rate, %	31 December 2014	31 December 2013
Five-year USD loan participation notes	6%	16,840	9,780
Total		16,840	9,780
Less: current portion due within twelve months and presented as short-term portion		(133)	(60)
Long-term portion of five-year USD loan participation notes		16,707	9,720

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

In November 2013 the Group issued non-convertible five-year loan participation notes ("LPN") for the total amount of USD 300 million (RUR 9,872 million at the Central Bank of Russia exchange rate as at the inception date) on the Irish Stock Exchange. Net proceeds from the issuance, after the deduction of related offering costs, amounted to USD 297 million (RUR 9,720 million at the Central Bank of Russia exchange rate as at the inception date). The annual coupon rate of the LPN is 6% with interest being paid semi-annually. The Group used net proceeds from the issuance for implementation of the Group's current capital expenditure program and for general corporate purposes. The LPN are guaranteed by certain entities of the Group.

The effective interest rate (including the effect of amortizing the transaction costs) is 6.33% per annum. The LPN mature in November 2018.

25. OTHER BORROWINGS

	Interest rate, %	31 December 2014	31 December 2013
Syndicated bank loan	3.98%	6,767	6,436
Total		6,767	6,436
Less: current portion due within twelve months and presented as short-term borrowings		(3,171)	(2,091)
Long-term borrowings		3,596	4,345

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

Covenants

In accordance with the terms of the syndicated loan, the Group is subject to certain covenants, which are calculated on the basis of consolidated financial statements of the Group, prepared in accordance with IFRS. Such financial covenants mainly consist of limitations on the Consolidated Total Debt to Consolidated EBITDA ratio, Consolidated Equity to Consolidated Total Assets ratio and Obligor Cover ratios.

In the event of non-compliance with the specified requirements the Group may be required to repay the loans early. The total amount of liabilities to which the financial covenants are attached as at 31 December 2014 is RUR 6,780 million (31 December 2013: RUR 6,436 million).

As of 31 December 2014 and 2013 the Group was in compliance with these covenants.

26. TRADE AND OTHER PAYABLES

	31 December 2014	31 December 2013
Advances received	1,392	1,281
Amounts payable for the acquisition of property, plant and equipment	880	924
Trade payables	801	751
Rent deposits received	702	728
Total trade and other payables	3,775	3,684

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

27. TAXES OTHER THAN INCOME TAX PAYABLE

	31 December 2014	31 December 2013
Value added tax	851	796
Social insurance tax	256	263
Property tax	54	75
Other taxes	8	8
Total taxes other than income tax payable	1,169	1,142

28. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	31 December 2014	31 December 2013
Accrued employee expenses	1,658	908
Other liabilities	540	130
Total accrued expenses and other current liabilities	2,198	1,038

Accrued employee expenses as of 31 December 2014 and 2013 comprised accrued salaries and bonuses of RUR 1,280 million and RUR 534 million, respectively, and an accrual for unused vacation of RUR 378 million and RUR 374 million, respectively.

29. PROVISIONS

During the year ended 31 December 2014 the Group was involved in litigations with a number of contractors.

Movement in legal provisions is as follows:

	2014	2013
Balance at the beginning of the year	24	295
Additional provision recognized in the current year	151	24
Reclassification of provision related to prepayments	54	-
Release of provision	(24)	(295)
Use of provision	-	-
Balance at the end of the year	205	24

30. TRANSACTIONS WITH RELATED PARTIES

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

All related parties, with whom the Group entered into significant transactions during the years ended 31 December 2014 and 2013 or had significant balances outstanding as of 31 December 2014 and 2013, are considered to be either entities under common control or key management personnel.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

The following tables provide the total amount of transactions, which have been entered into with related parties during the years ended 31 December 2014 and 2013 as well as year-end balances.

	31 December 2014		31 December 2013	
	Amounts owed by related parties	Amounts owed to related parties	Amounts owed by related parties	Amounts owed to related parties
Parent entity	-	1,309	-	-
Entities under common control	777	180	612	156
Total	777	1,489	612	156

	2014			2013		
	Sales to related parties	Purchases from related parties	Interest income	Sales to related parties	Purchases from related parties	Interest income
Entities under common control	107	194	3	55	80	2

Compensation of key management personnel

Key management comprised 11 and 9 persons as at 31 December 2014 and 2013, respectively. Total gross compensation (including unified social tax and before withholding of personal income tax) to those individuals included in payroll and related charges in the consolidated profit or loss amounted to RUR 1,069 million (including social insurance tax of RUR 40 million) and RUR 461 million (including social insurance tax of RUR 47 million) for the years ended 31 December 2014 and 2013, respectively. The outstanding balances due to key management personnel amounted to RUR 709 million and RUR 69 million as at 31 December 2014 and 2013, respectively and comprised accrued salaries, bonuses and accrual for unused vacation.

31. OPERATING LEASES ARRANGEMENTS

The Group as Lessee

The Group leases buildings, certain objects of movable property and land (including the land on which the airfield is located and which the Group leases from the Moscow Region government). The term of the lease of land is 49 years from the inception of lease agreement in May 1998. The amount of lease payments is fixed, however they are adjusted by the lessor from time to time.

Future minimum lease payments under contracted operating leases are as follows:

	2014	2013
Within one year	228	216
In two to five years	486	463
After five years	3,517	3,455
Total minimum lease payments	4,231	4,134

Included in minimum lease payments within one year are amounts of RUR 104 million and RUR 80 million as of 31 December 2014 and 2013, respectively, which represent the value of lease payments under lease agreements automatically extended for an indefinite term in accordance with the provisions in these agreements. These agreements can be terminated by either lessor or lessee by notification of the other party one month before termination.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

The Group as Lessor

Operating lease agreements consist mainly of short-term contracts for the lease of the Group's trading space and catering areas. The lease payments consist of a fixed amount, and a variable part that is contingent on sales levels and certain other performance indicators, achieved by the lessees. Lessees are selected based on the results of tenders. Contracts with the selected lessees are signed for a term of less than one year, and contain an automatic extension clause. The contracts are automatically extended for the subsequent period, unless one of the parties exercises, in due time, its option not to extend the rental period. The lessees do not have an option to purchase the property at the end of the lease period.

Rental income earned by the Group is set out in Note 8.

The future minimum lease payments representing fixed part of the rentals under contracted operating leases for the year 2015 amount to RUR 2,154 million.

32. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

The Group's contracted capital commitments, related to construction of passenger and cargo terminals and modernization of existing assets as of 31 December 2014 and 2013, consisted of the following:

	31 December 2014	31 December 2013
Reconstruction and expansion of passenger terminal	7,792	6,289
Reconstruction and expansion of cargo terminal	532	496
Construction of warehousing facilities	140	224
Reconstruction of fuel storage facilities	85	275
Design of multilevel parking	39	124
Reconstruction of office buildings	20	204
Construction of aircraft maintenance hangar	4	18
Construction of electric power plant	-	1,188
Reconstruction of catering facilities	-	102
Other	510	342
Total capital commitments	9,122	9,262

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

Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market, which decreased significantly during 2014. Management is unable to reliably estimate the effects of any further price fluctuations on the Group's financial position.

Starting from March 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. International credit agencies downgraded Russia's long-term foreign currency sovereign rating with a negative outlook. In December 2014, the Central Bank of the Russian Federation significantly increased its key interest rate, which resulted in growth of interest rates on domestic borrowings. The exchange rate of the Russian Rouble depreciated significantly. These developments may result in reduced access of the Russian businesses to international capital and export markets, capital flight, further weakening of the Ruble and other negative economic consequences.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

The impact of further political and economic developments in Russia on future operations and financial position of the Group is at this stage difficult to determine.

The government of the Russian Federation directly affects the Group's operations through regulation of airport charges and other operating activities of the airports in Russia. According to current Russian legislation, certain infrastructure items may not be privately owned and must remain federal property. With respect to the Group, which operates under a long-term concession arrangement (see Note 16), such infrastructure items include the airfield, runways, adjacent taxiways, apron and certain navigation equipment. The contractual agreement regulating the relationship between the government and operators of such infrastructure items in Russia may not be as detailed and comprehensive as the contractual agreements governing similar infrastructure assets in more developed countries. Terms of contractual agreements between the government and infrastructure operators are not standardized, and may vary substantially from one arrangement to another. As laws and regulations evolve, develop or otherwise change in the future, the lease agreement between the Group and the government may change significantly.

In addition, because of its importance to the public, the airport attracts a significant amount of political attention. The Group is subject to a high level of scrutiny from public officials and may from time to time be subject to government reviews, public commentary and investigations. Furthermore, the overall legal environment for private business in the Russian Federation is such that there exists a possibility that government bodies and regulatory agencies may take differing views on whether or not a given private business has complied with the relevant laws and regulations. Effects of such non-compliance may vary from administrative penalties and fines to criminal prosecution. The Group's management believes that it has properly complied with all relevant regulations and applicable laws.

Taxation – The government of the Russian Federation continues to reform the business and commercial infrastructure in its transition to a market economy. As a result, laws and regulations affecting business continue to change rapidly. These changes are characterized by unclear wording which leads to different interpretations and arbitrary application by the authorities. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. It is therefore possible that significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to tax audit by the authorities in respect of taxes for three calendar years proceeding the year of tax audit. Under certain circumstances reviews may cover longer periods. Management believes that it has accrued for all taxes that are applicable. Management believes that it has provided adequately for tax liabilities based on its interpretations of tax legislation. However, the relevant authorities may have differing interpretations, and the effects could be significant.

Russian transfer pricing legislation was amended starting from January 1, 2012 to introduce additional reporting and documentation requirements. The new legislation allows the tax authorities to impose additional tax liabilities in respect of certain transactions, including but not limited to transactions with related parties, if they consider transaction to be priced not at arm's length. As the practice of implementation of the new transfer pricing rules has not yet developed and wording of some clauses may have more than one interpretation, the impact of challenge of the Group's transfer pricing positions by the tax authorities cannot be reliably estimated.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

Legal proceedings – During the year, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which management believes could have a material effect on the result of operations or financial position of the Group, other than those for which provision has been made in these consolidated financial statements (Note 29).

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

Property and civil liability of the Group are insured by well known Russian insurance companies. The full coverage insurance value of property is RUR 7,697 million. Third party liability of DME Limited and its subsidiaries is insured for the amount of RUR 50,263 million.

33. RISK MANAGEMENT ACTIVITIES

The Group's senior management oversees the risk management process and ensures that appropriate policies and procedures are designed and implemented, and that financial risks are timely identified, measured and managed in accordance with approved policies. Such policies are summarized below.

Capital Risk Management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to the equity holder through the optimization of the debt and equity balance. The capital structure of the Group consists of long-term borrowings, including bank loans, amounts due to grantor under a concession agreement and equity, consisting of share capital and retained earnings.

Management of the Group regularly reviews its gearing ratio, calculated as proportion of net debt to equity, to ensure that it is in line with the Group's adopted policy on debt management. The current policy assumes a conservative approach to debt leverage in favor of equity financing, and limits the highest acceptable gearing ratio to 40%. During 2014 the Group complied with all external capital requirements.

Major Categories of Financial Instruments

The Group's financial assets include short- and long-term investments, amounts due from grantor under a concession agreement, lease receivable, trade and other receivables and cash and cash equivalents. All financial assets fall into loans and receivables and available-for-sale categories under IAS 39 "Financial instruments: recognition and measurement".

	31 December 2014	31 December 2013
Financial assets		
Short-term investments	17,918	2,056
Cash and cash equivalents	4,112	12,210
Trade and other receivables	2,835	2,495
Amounts due from grantor under a concession agreement	785	642
Lease receivable	381	251
Other non-current assets	1,882	1
Available-for-sale securities	-	52
Total financial assets	27,913	17,707

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

The Group's principal financial liabilities are trade and other payables, borrowings, the USD loan participation notes, accruals and amounts due to grantor under a concession agreement. All financial liabilities are carried at amortized cost.

	31 December 2014	31 December 2013
Financial liabilities		
Five-year USD loan participation notes	16,840	9,780
Long-term borrowings	3,596	4,345
Amounts due to grantor under a concession agreement	3,533	3,452
Trade and other payables	2,383	2,521
Accrued expenses and other current liabilities	2,198	1,119
Short-term borrowings	3,171	2,091
Total financial liabilities	31,721	23,308

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they fall due. The Group's liquidity position is carefully monitored and managed by the treasury function. Management controls current liquidity based on expected cash flows and revenue receipts through establishing and maintaining a cash fund sufficient to cover its contractual obligations for the period of three to six upcoming months. Such funds are normally kept as highly liquid short-term bank deposits, and are available on demand. In addition, the Group's policy is to continually maintain a diversified portfolio of open credit lines with reputable banks, which serve to secure for the Group a stable *ad hoc* borrowing capability.

The Group has both interest bearing and non-interest bearing financial liabilities. The interest bearing liabilities consist of amounts due to grantor under a concession agreement, borrowings and the USD loan participation notes. The non-interest bearing liabilities include trade and other payables, accrued expenses and other current liabilities.

The following tables detail the Group's remaining contractual maturity for financial liabilities. The tables have been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Effective interest rate, %	Less than 1 month	1-3 months	3 months- 1 year	1-5 years	Over 5 years	Total
31 December 2014							
Non-interest bearing liabilities		2,847	1,268	78	149	239	4,581
Loans and borrowings	4.6%-6.3%	993	-	3,611	23,479	-	28,083
Amounts due to grantor under a concession agreement	10.6%	93	-	286	1,428	18,611	20,418
Total		3,933	1,268	3,975	25,056	18,850	53,082
31 December 2013							
Non-interest bearing liabilities	-	2,456	601	77	415	91	3,640
Loans and borrowings	4.6%-6.3%	679	-	1,728	14,319	-	16,726
Amounts due to grantor under a concession agreement	10.6%	7	-	321	1,391	18,958	20,677
Total		3,142	601	2,126	16,125	19,049	41,043

The following tables detail the Group's expected maturity for its financial assets, except for cash and cash equivalents. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets, including interest that will be earned on those.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

	Effective interest rate, %	Less than 1 month	1-3 months	3 months- 1 year	1-5 years	Over 5 years	Total
31 December 2014							
Accounts receivable		2,770	735	108	7	-	3,620
Investments	7-9.75%	8,484	3,801	4,661	2,878	-	19,824
Lease receivable	75%	18	37	165	880	1,355	2,455
Total		11,272	4,573	4,934	3,765	1,355	25,899
31 December 2013							
Accounts receivable	-	2,711	402	11	13	-	3,137
Investments	1.75-9.8%	1	-	2,112	1	-	2,114
Lease receivable	75%	12	24	109	579	1,038	1,762
Total		2,724	426	2,232	593	1,038	7,013

Currency Risk

Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group has export revenue and purchases third-party services, which are denominated in foreign currencies. Certain receivable and payable balances, related primarily to settlements with customers and suppliers and most of loans and borrowings of the Group are denominated in currencies other than the Russian Ruble, the functional currency of the Group.

Currency risk is regularly assessed and managed by Financial Assets Management department. The Group's foreign currency position for net current assets is evaluated daily. The consolidated foreign currency position of all of the Group's assets and liabilities is assessed quarterly. The Group mitigates potential negative impact of exchange rate movements primarily through aiming to maintain a balanced structure of foreign currency assets and liabilities. Available cash and cash equivalents are the key instrument used by management to correct an imbalanced foreign currency position. Management also continually monitors market trends in order to appropriately adjust the Group's contractual payment terms to take advantage of favorable changes in exchange rates.

For the year ended 31 December 2014 the Russian Ruble depreciated against the US Dollar, EURO, Australian Dollar by 72%, 52%, 59% , respectively (depreciated against the US Dollar, EURO by 8%, 12% and appreciated against Australian Dollar by 8% for the year ended 31 December 2013). The Group does not have or use any formal arrangements (i.e. derivatives) to manage foreign currency risk exposure.

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

	Denominated in AUD		Denominated in USD		Denominated in EUR	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Assets						
Cash and cash equivalents	-	1,022	310	9,789	3,351	880
Amounts due from grantor under a concession agreement	-	-	-	-	785	642
Trade and other receivables	-	-	127	115	708	555
Investments	-	-	9,552	1,146	8,166	899
Lease receivable	-	-	-	-	381	252
Other non-current assets	-	-	-	-	1,827	-
Total assets	-	1,022	9,989	11,050	15,218	3,228
Liabilities						
Loans and borrowings	-	-	16,840	9,780	6,768	6,436
Trade and other payables	-	-	115	71	713	780
Total liabilities	-	-	16,955	9,851	7,481	7,216

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

The table below details the Group's sensitivity to strengthening of the Russian Ruble against the respective foreign currencies by 10%, all other variables being held constant. The analysis was applied to monetary items at the reporting dates denominated in respective currencies.

	AUD – impact		USD – impact		EUR – impact	
	2014	2013	2014	2013	2014	2013
Loss / (gain)	-	102	(697)	120	774	(399)

The weakening of the Russian Ruble in relation to the same currencies by the same percentage will produce an equal and opposite effect on the consolidated financial statements of the Group to that shown above.

Interest rate risk

Interest rate risk is the risk that movement in interest rates for borrowed funds will have an adverse effect on the Group's financial performance. In general the Group takes a conservative approach to the use of debt leverage, and tends to finance its operations and expansion through internally generated funds.

Management carefully monitors changes in interest rates and takes steps to mitigate interest rate risk through careful evaluation of contractual terms for new borrowings, as well as continued improvement of its existing debt portfolio. In assessing the quality of its debt portfolio the Group aims to maintain an appropriate mix of floating and fixed interest rate instruments, and to ensure that contractual terms for the borrowings provide for minimal or no early repayment fees, an option to negotiate a decrease in interest rates and an inability of a credit institution to unilaterally increase interest rates without prior notification and granting an early repayment option at no additional charge.

As at 31 December 2014 and 2013 the Group's borrowed funds consisted of the USD loan participation notes, long- and short-term borrowings and amounts due to grantor under a concession agreement.

The Group has no significant exposure to interest rate risk as it has no borrowings at floating interest rates.

The Group's liabilities under concession agreement bear an inherent interest rate, which is fixed for a period of three years (see Note 16). At the end of each three-year period payments under the agreement are revised, and any changes in the amount of the future payments under the concession agreement may significantly influence the effective interest rate for the related liability, as well as the total amount of the interest expense.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group does not hedge its credit risk.

The Group's exposure to credit risk arises primarily with respect to amounts held with the banks and receivables in connection with aviation, ground handling and real estate activities. Credit exposure is managed by establishing credit terms for the most significant customers that are reviewed and approved by management. Credit sales are offered only to foreign customers and most significant customers located within the Commonwealth of Independent States ("CIS") and the Russian Federation with proven credit history. Sales to other customers are made on a prepayment basis. The credit quality of the bank balances can be assessed by reference to external credit rating if available or to the working history of the counterparty with the Group. These policies enable the Group to reduce its credit risk significantly.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

The carrying amount of accounts receivable, net of provision for impairment of receivables, 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 provision already recorded.

As of 31 December 2014, 51% of the total net amount of trade and other receivables and amounts due from grantor under a concession agreement related to the five largest counterparties of the Group (31 December 2013: 54%).

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

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

	31 December 2013		
	Outstanding balance, gross	Provision for impairment	Outstanding balance, net
FGUP "Administration of the Airport Domodedovo"	642	-	642
S7	536	(27)	509
Transaero	216	-	216
Mera-Invest	140	-	140
Emirates	51	-	51
Lufthansa	46	-	46
SINGAPORE AIRLINES LIMITED	47	-	47
Etihad Airways	21	-	21
Total	1,699	(27)	1,672

As of 31 December 2014, 93% of the total amount of amounts held with the banks related to three banks (31 December 2013: 94%).

Bank deposits and cash balances placed with the largest banks as of 31 December 2014 and 2013 are as follows:

	Credit rating	31 December 2014	31 December 2013
Raiffeisen Bank International AG Austria	A	18,675	5,728
Deutsche Bank AG London	A	1,370	-
FBME BANK LTD(i)	not rated	493	5,251
ING	A	-	2,455
Total		20,538	13,434

(i) Cash balance with FBME bank as of 31 December 2014 in amount of RUR 493 million was not included in Restricted cash because it was used by the Group in 2015 to repay to the parent company the dividend liabilities outstanding as of 31 December 2014. In addition, the amount of RUR 2,168 million held by the Group with FBME bank represented restricted cash and was classified as other non-current assets (Note 15) with the respective impairment allowance in the amount of RUR 308 million recognized as of 31 December 2014.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014 (Amounts in millions of Russian Rubles)

Fair value of financial instruments

According to the accounting policy the Group uses the following hierarchy to determine and disclose fair value of financial instruments:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Except as detailed in the following table management of the Group believes that the carrying value of financial instruments such as cash and cash equivalents, short-term receivables and payables, lease receivable, short- and long-term investments, and liabilities under concession, which classified within Level 2 category of the above hierarchy, approximates their fair value. The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. Management has used all available market information in estimating the fair value of financial instruments. Certain financial instruments, such as available-for-sale bonds were excluded from fair value analysis either due to their insignificance or due to the fact that the assets were acquired or liabilities incurred close to the reporting dates and management believes that their carrying value either approximates their fair value, or may not significantly differ from each other.

Fair value of financial liabilities

	31 December 2014
Five-year USD loan participation notes	12,475
Long-term borrowings	6,139
Total	18,614

34. SUBSEQUENT EVENTS

Dividends – The liability to the shareholders of the Group for dividends relating to 2014 which was outstanding as of 31 December 2014 in the amount of RUR 1,309 million were repaid by the Group in the first quarter of 2015.

Other distribution to shareholders – On 29 January 2015 the Group made cash payment to its parent entity in the amount of RUR 808 million.

Incorporation of new subsidiary – As of 17 March 2015 the Group established a new subsidiary, Domodedovo Parking. It was registered in the Russian Federation and will manage the car parking facilities at the Group.

Change of legal form – During the first quarter of 2015 13 of the Group's subsidiaries registered in Russia changed their legal forms from a Close Joint Stock Company to a Limited Liability Company.

Transfer of cash funds between the financial institutions – During the first quarter of 2015 Group transferred significant amount of short-term investments, cash and cash equivalents from Raiffeisen Bank International AG Austria to another bank, UBS AG. On 5 February 2015 the Group placed with UBS AG a deposit for amount of USD 151 million (RUR 9,883 million as of the date of placement) and on 6 March 2015 the Group placed with UBS a deposit for EUR 40 million (RUR 2,732 million as of the date of placement). The terms of the deposits are from three months to one year, with an annual interest rate ranging from 0% to 0.26%.

BORROWER

Hacienda Investments Limited
Michalaki Karaoli 2, office 203, 1095
Nicosia, Cyprus

ISSUER

DME Airport Designated Activity Company
2nd Floor, Palmerston House
Fenian Street, Dublin 2
Ireland

JOINT LEAD MANAGERS

ING Bank N.V., London Branch
8-10 Moorgate
London EC2R 6DA
United Kingdom

Société Générale
29, boulevard Haussmann
75009 Paris
France

UBS Limited
5 Broadgate
London EC2M 2QS
United Kingdom

LEGAL ADVISERS TO THE BORROWER

As to English law
Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ
United Kingdom

As to Russian law
Clifford Chance CIS Limited
6 Ulitsa Gasheka
Moscow 125047
Russian Federation

As to Cypriot law
Dr K. Chrysostomides & Co LLC
1, Lampousas Street
1095 Nicosia, Cyprus

As to Isle of Man law
Cains Advocates Limited
Fort Anne
Douglas
Isle of Man
IM1 5PD

LEGAL ADVISERS TO THE JOINT LEAD MANAGERS AND TRUSTEE

As to English law
Linklaters LLP
One Silk Street
London EC2Y 8HQ
United Kingdom

As to Russian law
Linklaters CIS
Paveletskaya Square 2/2
Moscow 115054
Russian Federation

LEGAL ADVISERS TO THE ISSUER

As to Irish law
Arthur Cox
Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland

LISTING AGENT
Arthur Cox Listing Services Limited
Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland

INDEPENDENT AUDITORS

ZAO Deloitte & Touche CIS
5 Lesnaya Street, Building B
Moscow 125047
Russian Federation

TRUSTEE	PRINCIPAL PAYING AGENT AND TRANSFER AGENT	PAYING AGENT AND TRANSFER AGENT AND REGISTRAR
BNY Mellon Corporate Trustee Services Limited	The Bank of New York, London Branch	The Bank of New York Mellon (Luxembourg)
One Canada Square London E14 5AL United Kingdom	One Canada Square London E14 5AL United Kingdom	S.A.Vertigo Building - Polaris 2-4 Rue Eugene Ruppert L-2453 Luxembourg