

**PUBLIC JOINT STOCK COMPANY
AEROFLOT – RUSSIAN AIRLINES**

**Condensed Consolidated Interim Financial Statements
for the 9 months 2020**

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The following statement, which should be read in conjunction with the independent auditor's responsibilities, as stated in the report on the results of the Condensed Consolidated Interim Financial Statements review, is intended to distinguish between the respective responsibilities of management and the independent auditors in relation to the Condensed Consolidated Interim Financial Statements of Public Joint Stock Company Aeroflot-Russian Airlines and its subsidiaries (the "Group").

Management is responsible for the preparation of the Condensed Consolidated Interim Financial Statements in accordance with IAS 34 "Interim Financial Reporting".

In preparing the Condensed Consolidated Interim Financial Statements, management is responsible for:

- selecting appropriate accounting principles and applying them consistently;
- making reasonable judgments and estimates;
- stating whether International Financial Reporting Standards (IFRS) have been complied with, and disclosing any material departures from IFRS in the notes to the Condensed Consolidated Interim Financial Statements; and
- preparing the Condensed Consolidated Interim Financial Statements on a going concern basis, unless such assumption is inappropriate.


Management is also responsible for:

- designing, implementing and maintaining an effective system of internal controls, throughout the Group;
- maintaining an accounting system that allows for preparing reasonably accurate information on the Group's financial position at any point in time and enables to ensure that the Groups's Condensed Consolidated Interim Financial Statements are compliant with IAS 34 "Interim Financial Reporting";
- maintaining statutory accounting records in compliance with local legislation and accounting standards in Russian Federation;
- taking such steps as are reasonably available to them to safeguard the Groups's assets; and
- preventing and detecting fraud and other irregularities.

The Condensed Consolidated Interim Financial Statements for 9 months 2020 were approved on 30 November 2020 by:



M. I. Poluboyarinov
General Director



A. Y. Chikhanchin
Deputy General Director for Commerce
and Finance



Report on Review of Condensed Consolidated Interim Financial Statements

To the Shareholders and Board of Directors of Public Joint Stock Company «Aeroflot - Russian Airlines» (PJSC «Aeroflot»):

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of PJSC «Aeroflot» and its subsidiaries (together - the "Group") as at 30 September 2020 and the related condensed consolidated interim statements of profit or loss and comprehensive income for the three-month and nine-month periods then ended, condensed consolidated interim statements of cash flows and changes in equity for the nine-month period then ended, and the related explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed consolidated interim financial statements 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 condensed consolidated interim financial statements 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 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

30 November 2020
Moscow, Russian Federation

A.Ya. Fegetsyn, certified auditor (licence No. 03-001436), AO PricewaterhouseCoopers Audit

Audited entity: Public Joint Stock Company «Aeroflot - Russian Airlines»

Record made in the Unified State Register of Legal Entities on 2 August 2002 under State Registration Number 1027700092661

Taxpayer Identification Number 7712040126

119019, Russian Federation, Moscow, 1 Arbat

Independent auditor: AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

Taxpayer Identification Number 7705051102

Member of Self-regulatory organization of auditors Association «Sodruzhestvo»

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 12006020338

PJSC AEROFLOT
Condensed Consolidated Interim Statement
of Profit or Loss for the 3 and 9 months ended 30 September 2020
(All amounts are presented in millions of Russian Roubles, unless otherwise stated)


	Note	Three months ended		Nine months ended	
		30 September 2020	30 September 2019	30 September 2020	30 September 2019
Traffic revenue	4	78,835	195,204	210,708	475,647
Other revenue	5	6,026	17,339	23,505	48,336
Revenue		84,861	212,543	234,213	523,983
Operating costs, excluding staff costs, depreciation and amortisation	6	(53,784)	(121,415)	(170,104)	(328,888)
Staff costs	7	(15,734)	(22,065)	(50,354)	(66,859)
Depreciation and amortisation		(30,628)	(26,110)	(87,525)	(79,415)
Other operating income/(expenses), net		4,649	4,124	17,015	12,874
Operating costs		(95,497)	(165,466)	(290,968)	(462,288)
Operating (loss)/profit		(10,636)	47,077	(56,755)	61,695
(Loss)/gain from impairment and fair value changes of investments, net		(48)	211	(357)	358
Finance income	8	1,097	1,934	3,208	5,180
Finance costs	8	(13,238)	(14,295)	(36,374)	(41,531)
Hedging result	17	(2,775)	(965)	(10,332)	(2,302)
Share of financial results of associates		80	129	(100)	225
(Loss)/profit before income tax		(25,520)	34,091	(100,710)	23,625
Income tax	9	4,384	(5,002)	21,304	(3,320)
(LOSS)/PROFIT FOR THE PERIOD		(21,136)	29,089	(79,406)	20,305
<i>Attributable to:</i>					
Shareholders of the Company		(19,479)	28,636	(74,287)	17,328
Non-controlling interest		(1,657)	453	(5,119)	2,977
(LOSS)/PROFIT FOR THE PERIOD		(21,136)	29,089	(79,406)	20,305
Basic and diluted (loss)/profit per share (in Roubles per share)		(18.3)	26.9	(69.9)	16.3
Weighted average number of shares outstanding	19	1,062.8	1,062.8	1,062.8	1,062.8

Approved on 30 November 2020 and signed on behalf of management



M. I. Poluboyarinov
 General Director



A. Y. Chikhanchin
 Deputy General Director for Commerce and Finance

The Condensed Consolidated Interim Statement of Profit or Loss is to be read in conjunction with the notes to, and forms a part of, the Condensed Consolidated Interim Financial Statements presented on pages 7 to 30

PJSC AEROFLOT

Condensed Consolidated Interim Statement

of Comprehensive Income for the 3 and 9 months ended 30 September 2020

(All amounts are presented in millions of Russian Roubles, unless otherwise stated)

	Note	Three months ended		Nine months ended	
		30 September 2020	30 September 2019	30 September 2020	30 September 2019
(Loss)/profit for the period		(21,136)	29,089	(79,406)	20,305
Other comprehensive (loss)/income:					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Effect from hedging revenue with foreign currency liabilities	17	(76,029)	(10,813)	(135,291)	46,735
Deferred tax related to a result from cash-flow hedging instruments		15,206	2,163	27,058	(9,347)
Other comprehensive (loss)/income for the period		(60,823)	(8,650)	(108,233)	37,388
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		(81,959)	20,439	(187,639)	57,693
<i>Total comprehensive (loss)/income attributable to:</i>					
Shareholders of the Company		(80,302)	19,986	(182,520)	54,716
Non-controlling interest		(1,657)	453	(5,119)	2,977
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		(81,959)	20,439	(187,639)	57,693

The Condensed Consolidated Interim Statement of Comprehensive Income is to be read in conjunction with the notes to, and forms a part of, the Condensed Consolidated Interim Financial Statements presented on pages 7 to 30

PJSC AEROFLOTCondensed Consolidated Interim Statement of Financial Position
as at 30 September 2020*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)*

	Note	30 September 2020	31 December 2019
ASSETS			
Current assets			
Cash and cash equivalents	22	27,964	12,883
Short-term financial investments	22	15,124	12,978
Accounts receivable and prepayments	10	92,709	96,467
Current income tax prepayment		276	2,878
Aircraft lease security deposits		2,800	2,242
Expendable spare parts and inventories		17,217	15,570
Current financial assets under lease agreements	22	3,512	3,834
Total current assets		159,602	146,852
Non-current assets			
Right-of-use assets	13	659,790	629,115
Property, plant and equipment	12	24,667	26,743
Prepayments for aircraft	11	3,553	20,745
Deferred tax assets		76,966	27,894
Goodwill	15	6,660	6,660
Long-term financial investments		5,933	5,856
Intangible assets		2,491	2,600
Non-current financial assets under lease agreements	22	23,307	18,356
Aircraft lease security deposits		2,979	2,099
Investments in associates		461	567
Other non-current assets		47,934	45,831
Total non-current assets		854,741	786,466
TOTAL ASSETS		1,014,343	933,318
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	14	68,262	71,737
Unearned traffic revenue		45,614	53,399
Deferred revenue related to the frequent flyer programme		4,325	4,365
Provisions for liabilities	16	35,164	24,531
Lease liabilities	17	135,092	70,814
Short-term loans and borrowings and current portion of long-term loans and borrowings	18	42,316	12,568
Current income tax liabilities		241	4
Total current liabilities		331,014	237,418
Non-current liabilities			
Long-term loans and borrowings	18	23,451	3,224
Lease liabilities	17	578,903	486,310
Provisions for liabilities	16	252,514	192,281
Deferred tax liabilities		272	467
Deferred revenue related to the frequent flyer programme		4,866	4,910
Other non-current liabilities		9,024	6,758
Total non-current liabilities		869,030	693,950
TOTAL LIABILITIES		1,200,044	931,368
Equity			
Share capital	19	1,359	1,359
Treasury shares reserve		(7,040)	(7,040)
Accumulated profit on disposal of treasury shares		7,864	7,864
Hedge reserve	17	(88,057)	20,176
Undistributed loss		(98,338)	(24,051)
Equity attributable to shareholders of the Company		(184,212)	(1,692)
Non-controlling interest		(1,489)	3,642
TOTAL EQUITY		(185,701)	1,950
TOTAL LIABILITIES AND EQUITY		1,014,343	933,318

The Condensed Consolidated Interim Statement of Financial Position is to be read in conjunction with the notes to, and forms a part of, the Condensed Consolidated Interim Financial Statements presented on pages 7 to 30

PJSC AEROFLOT
Condensed Consolidated Interim Statement
of Cash Flows for the 9 months 2020



(All amounts are presented in millions of Russian Roubles, unless otherwise stated)

	<u>Note</u>	<u>9m 2020</u>	<u>9m 2019</u>
Cash flows from operating activities:			
(Loss)/income before income tax		(100,710)	23,625
Adjustments for:			
Depreciation and amortisation	12, 13	87,525	79,415
Change in expected credit losses and impairment of prepayments		314	(76)
Change in impairment provision for obsolete expendable spare parts and inventory		16	(112)
Change in impairment provision for property, plant and equipment and right-of-use assets	12, 13	61	(18)
Loss/(profit) on disposal of property, plant and equipment and intangible assets		252	(1,433)
Profit from disposal of assets classified as held for sale		-	(876)
Loss/(gain) from impairment and fair value changes of investments, net		357	(358)
Hedging result	17	10,332	2,302
Change in provisions for liabilities	16	(4,483)	(2,196)
Interest expense	8	33,534	39,031
Interest income	8	(2,791)	(3,001)
Foreign exchange loss/(gain), net	8	2,077	(296)
Dividend income		(16)	(92)
Other finance expenses/(income), net	8	346	-
Revaluation/modification under lease contracts		(103)	52
Loss from change in the fair value of derivative financial instruments	8	-	1,840
Other operating (income)/expenses, net		-	(426)
Total operating cash flows before working capital changes		26,711	137,381
Decrease/(increase) in accounts receivable and prepayments		27,803	(7,607)
Increase in expendable spare parts and inventories		(1,663)	(1,203)
Decrease in accounts payable and accrued liabilities		(21,486)	(4,506)
Total operating cash flows after working capital changes		31,365	124,065
Change in restricted cash		2	221
Income tax paid		(470)	(1,190)
Income tax refunded		2,403	3,636
Net cash flows from operating activities		33,300	126,732

The Condensed Consolidated Interim Statement of Cash Flows is to be read in conjunction with the notes to, and forms a part of, the Condensed Consolidated Interim Financial Statements presented on pages 7 to 30

PJSC AEROFLOT
Condensed Consolidated Interim Statement
of Cash Flows for the 9 months 2020



(All amounts are presented in millions of Russian Roubles, unless otherwise stated)

	<u>Note</u>	<u>9m 2020</u>	<u>9m 2019</u>
<i>Cash flows from investing activities:</i>			
Deposits repayment		16,834	9,137
Deposits placement		(17,431)	(17,797)
Proceeds from sale of property, plant and equipment		23	34
Proceeds from sale of assets held for sale		-	4,892
Interest received		873	1,015
Purchases of property, plant and equipment, right-of-use assets, intangible assets and capitalised repair expenses		(12,078)	(17,661)
Dividends received		33	224
Prepayments for aircraft	11, 10	(7,901)	(21,321)
Refund of prepayments for aircraft	11, 10	2,733	6,392
Payment for financial assets under aircraft lease contracts		(3,284)	(4,307)
Repayment of financial assets under aircraft lease contracts		4,189	1,120
Payment of operating lease security deposits		-	(505)
Placement of borrowings		(2)	(19)
Return of borrowings		2	-
Net cash flows used in investing activities		<u>(16,009)</u>	<u>(38,796)</u>
<i>Cash flows from financing activities:</i>			
Receipt of loans and borrowings	18	89,789	11,861
Repayment of loans and borrowings	18	(40,054)	(11,830)
Repayment of principal under lease liabilities	17	(32,073)	(57,522)
Interest paid except for interest under lease contracts		(2,515)	(274)
Interest paid under lease contracts		(17,074)	(34,736)
Dividends paid		(474)	(3,010)
Net cash flows used in financing activities		<u>(2,401)</u>	<u>(95,511)</u>
Effect of exchange rate fluctuations on cash and cash equivalents		191	(600)
Net increase/(decrease) in cash and cash equivalents		<u>15,081</u>	<u>(8,175)</u>
Cash and cash equivalents at the beginning of the period		12,883	23,711
Cash and cash equivalents at the end of the period		<u>27,964</u>	<u>15,536</u>
<i>Non-cash transactions as part of the investing and financing activities:</i>			
Right-of-use assets acquired under lease contracts		15,332	36,799

The Condensed Consolidated Interim Statement of Cash Flows is to be read in conjunction with the notes to, and forms a part of, the Condensed Consolidated Interim Financial Statements presented on pages 7 to 30

PJSC AEROFLOT

Condensed Consolidated Interim Statement
of Changes in Equity for the 9 months 2020

(All amounts are presented in millions of Russian Roubles, unless otherwise stated)



Equity attributable to shareholders of the Company

	Note	Share capital	Accumulated profit on disposal of treasury shares and treasury shares reserve	Hedge reserve	Undistributed loss	Total	Non-controlling interest	Total equity
1 January 2019		1,359	824	(33,857)	(31,843)	(63,517)	1,896	(61,621)
Profit for the period		-	-	-	17,328	17,328	2,977	20,305
Profit from hedging net of related deferred tax	17	-	-	37,388	-	37,388	-	37,388
Total other comprehensive income						37,388	-	37,388
Total comprehensive income						54,716	2,977	57,693
Dividends declared	20	-	-	-	(2,857)	(2,857)	(368)	(3,225)
30 September 2019		1,359	824	3,531	(17,372)	(11,658)	4,505	(7,153)
1 January 2020		1,359	824	20,176	(24,051)	(1,692)	3,642	1,950
Loss for the period		-	-	-	(74,287)	(74,287)	(5,119)	(79,406)
Loss from hedging net of related deferred tax	17	-	-	(108,233)	-	(108,233)	-	(108,233)
Total other comprehensive loss						(108,233)	-	(108,233)
Total comprehensive loss						(182,520)	(5,119)	(187,639)
Dividends declared		-	-	-	-	-	(12)	(12)
30 September 2020		1,359	824	(88,057)	(98,338)	(184,212)	(1,489)	(185,701)

The Condensed Consolidated Interim Statement of Changes in Equity is to be read in conjunction with the notes to, and forms a part of, the Condensed Consolidated Interim Financial Statements presented on pages 7 to 30

1. NATURE OF THE BUSINESS

Aeroflot-Russian Airlines (the “Company” or “Aeroflot”) was formed as an open joint stock company in accordance with a Russian Federation Government decree issued in 1992. The 1992 Decree conferred all the rights and obligations of Aeroflot-Soviet Airlines and its structural units upon the Company, including inter-governmental bilateral agreements and agreements signed with foreign airlines and civil aviation enterprises. Under Russian Federation Presidential Decree No. 1009 of 4 August 2004, the Company was included in the official List of Strategic Entities and Strategic Joint Stock Companies.

The Company’s principal activities are the provision of passenger and cargo air transportation services, both domestically and internationally, and other aviation services from Moscow Sheremetyevo Airport. The Company and its subsidiaries (the “Group”) are also involved in airline catering and hotel operations. An associate of the Group provides aviation security services, as well as airline catering services .

The Group's business activities in provision of international and domestic passenger and cargo air transportation services are subject to seasonal fluctuations, the peak of demand is in the second and third quarters of the year.

As at 30 September 2020 and 31 December 2019, the Government of the Russian Federation (the “RF”) represented by the Federal Agency for Management of State Property owned 51.17% of the Company. The Company's headquarters are located in Moscow at 1 Arbat Street, 119019, RF.

Impact of Covid-19 pandemic

Travelling restrictions and social distance measures introduced since the first quarter 2020, caused by the spread of the new coronavirus infection COVID-19, continue to have a significant impact on air flights around the world.

As a result of decisions taken by the Governments of most countries to temporarily suspend international flights, the performance indicators of the Group on international routes were most severely affected. The termination of international flights also affected the performance of domestic lines due to the loss of internal transfer passenger traffic. This effect was supplemented by the gradual introduction of additional requirements for self-isolation when moving within the country and the fears of passengers to fly.

Starting from the first quarter 2020, the Group has been optimizing available capacities, comparing them with demand and the planned flight schedule, however, a slump in demand has affected the load and efficiency of aircraft fleet operations:

- Over the 9 months 2020, the Group carried 23.1 million passengers, which is 50.7% lower than the result of the same period in 2019;
- The passenger load factor of the Group decreased by 9.4 p.p. compared with the same period last year, falling to 73.3%;
- The passenger turnover of the Group decreased by 55.3 % compared to the same period last year.

The Group’s management made a number of decisions, including reorienting aircraft for cargo flights, reducing costs, negotiating with lessors about leasing payments deferral, identifying additional opportunities to increase liquidity and postponing a number of planned internal projects for fulfilment current liabilities. To date, the Group has agreed with a number of counterparties on deferral and/or restructuring of payments; negotiations are underway with lessors and aircraft manufacturers to delay the delivery of aircraft. In addition, the management of the Group is in ongoing negotiations with the Russian Government on possible measures to support the Group and the airline industry as a whole.

In the second quarter 2020, the Group received a subsidy of RUB 7.9 billion from the Russian Government as additional liquidity support. This subsidy is included in other operating income/(expenses) in the Condensed Consolidated Interim Statement of Profit or Loss and in cash flows from operating activities in the Condensed Consolidated Interim Statement of Cash Flows.

In June 2020, the Government of the Russian Federation approved the provision of state guarantees in the amount of RUB 70 billion. On 30 June and 5 August, the Group entered into long-term loan agreements for RUB 31 billion and RUB 39 billion, respectively, secured by government guarantees.

1. NATURE OF THE BUSINESS (CONTINUED)

Impact of Covid-19 pandemic (continued)

In the fourth quarter 2020, to improve its liquidity position the Group raised RUB 80 billion by additional issue of ordinary shares.

Starting from the second half of May 2020, demand for air travel is recovering due to the partial lifting of travel restrictions and the summer vacation season, and in August 2020 international flights to a limited number of destinations began to resume. In September 2020 Group's domestic traffic volumes continued to recover, also the restoration of international flights has begun. However, the duration and extent of the COVID-19 demand reduction remains uncertain. Despite all the measures taken, the financial results of the Group in future periods will continue to depend on the pace of recovery in demand for air travel in Russia and in the world.

At this stage, management cannot reliably estimate the future pace of recovery, and therefore considers various development scenarios to quickly adapt to changing needs and believes that the measures taken will enable the Group to fulfil its financial liabilities. Moreover, given the unpredictability of the duration and magnitude of the COVID-19 pandemic in the world, its actual impact on the Group's future profitability, financial position and cash flows may differ from current estimates and assumptions of management. In these circumstances, these Condensed Consolidated Interim Financial Statements have been prepared on a going concern basis.

The impact of the COVID-19 on individual line items of these Financial Statements is disclosed in related notes.

PJSC AEROFLOT

Notes to the Condensed Consolidated Interim Financial Statements
for the 9 months 2020

(All amounts are presented in millions of Russian Roubles, unless otherwise stated)

**1. NATURE OF THE BUSINESS (CONTINUED)***Aircraft fleet*

The table below provides information on the Group's aircraft fleet as at 30 September 2020 (number of aircraft):

TYPE OF AIRCRAFT	OWNERSHIP	PSJC AEROFLOT	JSC AK ROSSIYA	JSC AK AURORA	LLC AK POBEDA	GROUP TOTAL
DHC 8-Q300	Owned	-	-	1	-	1
DHC 8-Q402	Owned	-	-	5	-	5
Total owned aircraft		-	-	6	-	6
SSJ 100	Lease	54	-	-	-	54
Airbus A319	Lease	-	20	10	-	30
Airbus A320	Lease	73	6	-	-	79
Airbus A321	Lease	33	-	-	-	33
Airbus A330	Lease	17	-	-	-	17
Airbus A350	Lease	1	-	-	-	1
Boeing B737	Lease	47	12	-	34	93
Boeing B747	Lease	-	9	-	-	9
Boeing B777	Lease	19	10	-	-	29
DHC 8-Q200	Lease	-	-	3	-	3
DHC 6-400	Lease	-	-	3	-	3
Total aircraft under leases		244	57	16	34	351
Total fleet		244	57	22	34	357

2. BASIS OF PREPARATION

Basis of preparation

The Group's Condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". These Condensed Consolidated Interim Financial Statements should be read in conjunction with the Group's Consolidated Financial Statements for the year ended 31 December 2019, which were prepared in accordance with IFRS.

Foreign currency translation

The table below presents the US dollar (USD) / Russian Rouble (RUB) and euro (EUR) / RUB exchange rates that were used for translating transactions and monetary assets and liabilities into foreign currencies:

	Official exchange rates	
	RUB / USD 1.00	RUB / EUR 1.00
As at 30 September 2020	79.68	93.02
Average rate for 9 months 2020	70.78	79.64
As at 31 December 2019	61.91	69.34
Average rate for 9 months 2019	65.08	73.16

3. ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS

In preparing the Condensed Consolidated Interim Financial Statements, the Group followed principal accounting policies that are consistent with those disclosed in the Consolidated Financial Statements for the year ended 31 December 2019 and as at that date.

New standards

The following amended standards and interpretations became effective from 1 January 2020:

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).

Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

The following amendment to standard became effective from 1 June 2020. Application of amendment remains the lessee's choice:

Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020).

These changes and improvements to the standards did not affect or had an insignificant effect on the Condensed Consolidated Interim Financial Statements of the Group.

A number of new standards and amendments to standards were not yet effective as at 30 September 2020 and were not early adopted by the Group:

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).

3. ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

New standards (continued)

Classification of Liabilities as Current or Non-Current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).

Proceeds before Intended Use, Onerous Contracts – Cost of Fulfilling a Contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

Classification of Liabilities as Current or Non-Current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023).

Interest rate benchmark (IBOR) reform – phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).

Amendments to IFRS 17 and an Amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).

The Group is currently evaluating the applicability of new standards or changes to International Financial Reporting Standards, their impact on the Consolidated Financial Statements and the timing of their application by the Group.

Critical accounting estimates and judgments

In preparing these Condensed Consolidated Interim Financial Statements, the Group's management makes estimates, judgements and assumptions that affect the applied accounting policies and the reported amounts of assets, liabilities, gains and losses. Actual results may differ from these estimates. Judgements regarding the accounting policy provisions and valuation methods applied by management when preparing these Condensed Consolidated Interim Financial Statements are in line with those used when preparing Consolidated Financial Statements for the year ended 31 December 2019, and as at that date, except for changes in accounting estimates with respect to the amount of income tax expenses.

Income tax expense

Income tax expenses are recognised in interim periods based on the best accounting estimate of the weighted average annual income tax rate expected for the full financial year.

4. TRAFFIC REVENUE

	Three months ended		Nine months ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Scheduled passenger flights	64,852	176,460	179,355	431,181
Cargo flights	4,851	4,881	17,133	13,613
Charter passenger flights	9,132	13,863	14,220	30,853
Total traffic revenue	78,835	195,204	210,708	475,647

PJSC AEROFLOTNotes to the Condensed Consolidated Interim Financial Statements
for the 9 months 2020*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)***5. OTHER REVENUE**

	Three months ended		Nine months ended	
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
Airline agreements revenue	3,005	11,054	13,049	31,050
Revenue from partners under the frequent flyer programme	2,036	3,835	6,716	10,672
In-flight catering services	150	525	467	1,197
Sales of goods on board	89	382	369	1,159
Ground handling and maintenance	77	106	182	335
Hotel revenue	53	110	132	299
Other revenue	616	1,327	2,590	3,624
Total other revenue	6,026	17,339	23,505	48,336

6. OPERATING COSTS LESS STAFF COSTS AND DEPRECIATION AND AMORTISATION

	Three months ended		Nine months ended	
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
Airport and en-route services	12,419	28,240	39,924	76,674
Aircraft maintenance	6,778	9,955	20,247	23,942
Administrative and general expenses	3,853	4,835	11,722	13,469
Passenger services expenses	3,484	7,488	8,916	20,219
Communications and booking system expenses	2,215	4,339	6,647	13,483
Food cost for in-flight catering	1,449	4,431	4,467	10,814
Expenses related to variable lease payments not included in lease liabilities	2,157	1,685	4,797	3,574
Sales and marketing expenses	823	3,443	3,433	9,012
Insurance expenses	801	703	2,116	1,955
Short-term leases	221	764	1,291	2,184
Cost of goods sold on board	46	222	203	653
Other expenses	1,461	2,449	4,335	7,340
Operating costs less aircraft fuel, staff costs and depreciation and amortisation	35,707	68,554	108,098	183,319
Aircraft fuel	18,077	52,861	62,006	145,569
Total operating costs less staff costs and depreciation and amortisation	53,784	121,415	170,104	328,888

7. STAFF COSTS

	Three months ended		Nine months ended	
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
Wages and salaries	11,681	17,141	37,954	51,819
Pension costs	2,950	3,802	9,383	11,543
Social security costs	1,103	1,122	3,017	3,497
Total staff costs	15,734	22,065	50,354	66,859

PJSC AEROFLOTNotes to the Condensed Consolidated Interim Financial Statements
for the 9 months 2020*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)***7. STAFF COSTS (CONTINUED)**

Pension costs include:

- compulsory payments to the RF Pension Fund,
- contributions to a non-government pension fund under a defined contribution pension plan under which the Group makes additional pension contributions as a fixed percentage (20% for 9 months 2020, 20% for 9 months 2019) of the transfers made personally by the employees participating in the programme, and
- an increase in the net present value of the future benefits which the Group expects to pay to its employees upon their retirement under defined benefit pension plans.

	Three months ended		Nine months ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Payments to the RF Pension Fund	2,952	3,789	9,356	11,474
Change in pension plans liabilities	(2)	13	27	69
Total pension costs	2,950	3,802	9,383	11,543

8. FINANCE INCOME AND COSTS

	Three months ended		Nine months ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
<i>Finance income:</i>				
Interest income	1,055	891	2,791	3,001
Foreign exchange gain, net	-	570	-	296
Other finance income	42	473	417	1,883
Total finance income	1,097	1,934	3,208	5,180

	Three months ended		Nine months ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
<i>Finance costs:</i>				
Loss on change in fair value of derivative financial instruments not subject to hedge accounting	-	(1,966)	-	(1,840)
Foreign exchange loss, net	(2,130)	-	(2,077)	-
Interest expense	(1,270)	(1,157)	(3,931)	(4,198)
Interest expense on lease	(9,829)	(11,031)	(29,603)	(34,833)
Other finance costs	(9)	(141)	(763)	(660)
Total finance costs	(13,238)	(14,295)	(36,374)	(41,531)

9. INCOME TAX

Income tax expense is recognised based on the management's best estimate of the weighted average annual effective income tax rate for each Group's company separately.

PJSC AEROFLOTNotes to the Condensed Consolidated Interim Financial Statements
for the 9 months 2020*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)***9. INCOME TAX (CONTINUED)**

The expected weighted average annual income tax rate applied to the Group's profitable companies for the 9 months 2020 equaled to 20 - 67% (9 months 2019: 1 - 30%). The expected weighted average annual income tax rate applied to loss making Group's companies for the 9 months 2020 equaled to 6 - 22% (9 months 2019: 0%). A change in expected rates is generally associated with a change in the share of non-deductible expenses.

	Three months ended		Nine months ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Current income tax charge	(843)	(2,078)	(906)	(2,723)
Change in deferred income tax	5,227	(2,924)	22,210	(597)
Income tax	4,384	(5,002)	21,304	(3,320)

10. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	30 September 2020	31 December 2019
Trade accounts receivable	20,504	35,110
Other financial receivables	9,990	8,666
Less provision for expected credit losses	(11,126)	(10,949)
Total financial receivables	19,368	32,827
Prepayments to suppliers	7,619	11,681
VAT and other taxes recoverable	11,920	19,083
Prepayments for delivery of aircraft	53,090	28,995
Other receivables	1,303	4,425
Less impairment provision	(591)	(544)
Total accounts receivable and prepayments	92,709	96,467

As at 30 September 2020 and 31 December 2019, the current portion of prepayments for aircraft includes prepayments for the acquisition of the following aircraft:

Type of aircraft	30 September 2020		31 December 2019	
	Number of aircraft, units	Expected delivery date	Number of aircraft, units	Expected delivery date
Boeing B777	3	2020-2021	2	2020
Airbus A350	19	2020-2021	11	2020

The Group is currently negotiating with the aircraft suppliers about the possibility of postponing deliveries to a later date.

11. NON-CURRENT PORTION OF PREPAYMENTS FOR AIRCRAFT

As at 30 September 2020 and 31 December 2019, the non-current portions of prepayments for aircraft were RUB 3,553 million and RUB 20,745 million, respectively. Changes in the non-current portion of prepayments are due to the approaching aircraft delivery dates as well as new non-current prepayments.

Prepayments made to purchase aircraft expected to be delivered within 12 months after the reporting date are recorded within accounts receivable because the prepayments are expected to be returned in cash by the aircraft supplier (Note 10).

PJSC AEROFLOTNotes to the Condensed Consolidated Interim Financial Statements
for the 9 months 2020*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)***11. NON-CURRENT PORTION OF PREPAYMENTS FOR AIRCRAFT (CONTINUED)**

As at 30 September 2020 and 31 December 2019, the non-current portion of prepayments for aircraft includes advance payments for the acquisition of the following aircraft:

Type of aircraft	30 September 2020		31 December 2019	
	Number of aircraft, units	Expected delivery date	Number of aircraft, units	Expected delivery date
Airbus A350	2	2021	11	2021
Boeing B777	-	-	1	2021

The Group is currently negotiating with the aircraft suppliers about the possibility of postponing deliveries to a later date.

12. PROPERTY, PLANT AND EQUIPMENT

	Owned aircraft and engines	Land and buildings	Transport, equipment and other	Construction in progress	Total
<i>Cost</i>					
1 January 2019	9,193	10,051	22,546	4,554	46,344
Additions	248	27	868	3,089	4,232
Disposals	-	(58)	(3,263)	(324)	(3,645)
Transfers	177	275	1,183	(1,635)	-
30 September 2019	9,618	10,295	21,334	5,684	46,931
1 January 2020	10,067	10,514	22,219	4,291	47,091
Additions	17	31	211	895	1,154
Disposals	(203)	(54)	(925)	(186)	(1,368)
Transfers	76	35	601	(712)	-
30 September 2020	9,957	10,526	22,106	4,288	46,877
<i>Accumulated depreciation and impairment</i>					
1 January 2019	(2,500)	(5,354)	(11,761)	(95)	(19,710)
Charge for the period	(677)	(205)	(1,873)	-	(2,755)
Recovery/(accrual) of impairment provision	(28)	-	26	20	18
Disposals	-	20	2,422	-	2,442
30 September 2019	(3,205)	(5,539)	(11,186)	(75)	(20,005)
1 January 2020	(3,316)	(5,613)	(11,344)	(75)	(20,348)
Charge for the period	(813)	(212)	(1,743)	-	(2,768)
Disposals	168	15	723	-	906
30 September 2020	(3,961)	(5,810)	(12,364)	(75)	(22,210)
<i>Carrying amount</i>					
1 January 2020	6,751	4,901	10,875	4,216	26,743
30 September 2020	5,996	4,716	9,742	4,213	24,667

In accordance with IAS 36 “Impairment of assets”, at the end of each reporting period, an entity is required to assess whether there is any indication that assets may be impaired. The impact of the health crisis related to COVID-19 on the airline industry is such a trigger event. Therefore, the Group has conducted the impairment test (please refer to Note 13 for details).

PJSC AEROFLOTNotes to the Condensed Consolidated Interim Financial Statements
for the 9 months 2020*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)***13. RIGHT-OF-USE ASSETS**

	<u>Aircraft and engines</u>	<u>Land and buildings</u>	<u>Transport, equipment and other</u>	<u>Prepayments</u>	<u>Total</u>
<i>Cost</i>					
1 January 2019	925,769	17,068	8,361	3,526	954,724
Additions	43,459	580	4,190	-	48,229
Capitalised expenditures	6,034	-	-	1,890	7,924
Disposals	(12,623)	(5,792)	(37)	-	(18,452)
Transfers	689	-	-	(689)	-
Remeasurement/modification of right-of-use assets	3,398	(629)	1,043	-	3,812
30 September 2019	966,726	11,227	13,557	4,727	996,237
1 January 2020	958,828	12,000	13,919	4,289	989,036
Additions	16,725	2,834	24	4,429	24,012
Capitalised expenditures	4,548	-	-	1,218	5,766
Disposals	(20,274)	(686)	(67)	(43)	(21,070)
Transfers	3,127	-	-	(3,127)	-
Remeasurement/modification of right-of-use assets	85,193	230	(135)	-	85,288
30 September 2020	1,048,147	14,378	13,741	6,766	1,083,032
<i>Accumulated depreciation and impairment</i>					
1 January 2019	(272,875)	(9,080)	(3,976)	-	(285,931)
Charge for the period	(73,681)	(1,440)	(1,100)	-	(76,221)
Recovery/(accrual) of impairment provision	(100)	-	-	-	(100)
Disposals	12,523	5,792	37	-	18,352
Modification of right-of-use assets	314	79	-	-	393
30 September 2019	(333,819)	(4,649)	(5,039)	-	(343,507)
1 January 2020	(350,117)	(4,712)	(5,092)	-	(359,921)
Charge for the period	(81,427)	(1,758)	(1,197)	-	(84,382)
Recovery/(accrual) of impairment provision	(61)	-	-	-	(61)
Disposals	20,106	686	67	-	20,859
Modification of right-of-use assets	258	5	-	-	263
30 September 2020	(411,241)	(5,779)	(6,222)	-	(423,242)
<i>Carrying amount</i>					
1 January 2020	608,711	7,288	8,827	4,289	629,115
30 September 2020	636,906	8,599	7,519	6,766	659,790

Prepayments for right-of-use assets include cost of spare parts, which will be installed on the aircraft, as well as capitalized borrowing costs and discount on lease deposits related to aircraft, lease term for which has not started.

Capitalised borrowing costs for 9 months 2020 amounted to RUB 1,218 million (9 months 2019: 745 RUB million). The capitalisation rate of interest expenses and translation differences for the period was 5% p.a. (9 months 2019: 6.5% p.a.).

The main part of the amount of the line "Remeasurement/modification of right-of-use assets" relates to revaluation of the provision for repairs before aircraft return (RUB 81,729 million for 9 months 2020, RUB 4,116 million for 9 months 2019). This line also includes the effect of restructuring of lease liabilities, for a detailed description see Note 17.

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Notes to the Condensed Consolidated Interim Financial Statements
for the 9 months 2020

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13. RIGHT-OF-USE ASSETS (CONTINUED)

In accordance with IAS 36 “Impairment of assets”, an entity is required to assess whether there is any indication that assets may be impaired at the end of each reporting period. The impact of COVID - 19 on the airline industry is such a trigger event. Therefore, the Group has conducted the impairment test. The recoverable value has been determined by reference to the value in use by discounting future cash flows to be generated as a result of the activities. Then, the recoverable amount was compared with the carrying amount of non-current assets engaged in generating of respective cash flows. Cash flows were projected based on the Aeroflot Group’s business plan, which considered the reduction in demand for air transportation in 2020-2021 in connection with the COVID-19 pandemic and subsequent return to pre-crisis performance based on the following assumptions:

- (i) The economic situation in the Russian Federation: sustained medium-term growth of the economy, ongoing demand through savings, sustained supply on the scheduled passenger transportation market;
- (ii) Domestic flights: recovery by the end of 2020 – beginning of 2021 due to the compensation for the shortfall in international flights as a result of reorientation to the domestic tourism;
- (iii) International flights: gradual recovery after easing of restrictions due to deferred demand and in case of sustained business traffic. Subsequently – 2-3 flights per week to the capitals of large countries;
- (iv) Pre-crisis assumptions are adopted going forward from 2022.

The key assumptions for calculating the recoverable amounts were related to the discount rate and yields. The discount rate used was the Group’s weighted average cost of capital (WACC), which was 10.8% p.a. for the entire forecasting period.

Based on the aforementioned test, no impairment was identified. Management of the Group conducted the sensitivity analysis of the results of the impairment test to changes of discount rate and yields in the model, as the most sensitive assumptions. If the discount rate was to increase by 1.1 p.p., while all other variables remained unchanged, no impairment would be recognised. If yields were to decrease by 1%, while all other variables remained unchanged, no impairment would be recognised as well.

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	30 September 2020	31 December 2019
Accounts payable	34,146	38,524
Other financial payables	2,946	2,951
Dividends payable	290	752
Total financial payables	37,382	42,227
Staff and social funds related liabilities	18,809	18,529
Advances received (other than unearned traffic revenue)	4,598	3,846
Other current liabilities related to the frequent flyer programme	5,224	4,254
Other taxes payable	1,599	1,638
Other payables	650	1,243
Total accounts payable and accrued liabilities	68,262	71,737

15. GOODWILL

For the purposes of impairment testing, goodwill is allocated between the cash generating units (the “CGUs”), i.e. the Group subsidiaries, which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and are not larger than an operating segment of the Group.

PJSC AEROFLOTNotes to the Condensed Consolidated Interim Financial Statements
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The aggregate carrying amount of goodwill, allocated to the Group's entities as at 30 September 2020 and as at 31 December 2019 is presented in the table below:

CGU name	30 September 2020	31 December 2019
AK Rossiya	6,502	6,502
AK Aurora	158	158
Total	6,660	6,660

The recoverable amount of CGU was calculated on the basis of value in use, which was determined by discounting the future cash flows to be generated as a result of the CGU's operations.

AK Rossiya

The discount rate calculation is based on weighted average cost of capital (WACC) of AK Rossiya and amounts to 10.8% p.a. for the entire forecast period (31 December 2019: 12.6% p.a.).

The growth rate for the terminal value calculation was set at the level of Russia's long-term GDP growth rate of 2.7% p.a. (2019: 2.7% p.a.).

The business plan of Aeroflot Group for AK Rossiya's cash flows was adopted as a basis for the cash flow projections. The business plan considered reduction in demand for air transportation in 2020-2021 due to the COVID-19 pandemic and the return to the pre-crisis performance going forward from 2022.

The Group's management has conducted a sensitivity analysis of the goodwill impairment test results to changes in discount rate and yields as the most sensitive indicators. In case of increase the discount rate by 1.1 p.p. with all other variables held constant, no goodwill impairment would be recognised. In case of decrease yields by 1% with all other variables held constant, no goodwill impairment would be recognised as well.

16. PROVISIONS FOR LIABILITIES

	Regular repairs and maintenance	Other provisions	Total provisions
1 January 2019	226,595	1,654	228,249
Charge of provision for the period	7,066	27	7,093
Use of provision for the period	(13,425)	(8)	(13,433)
Remeasurement of provision for the period	3,902	-	3,902
Release of provision for the period	(770)	(1,453)	(2,223)
Unwinding of the discount on provision	3,917	-	3,917
30 September 2019	227,285	220	227,505
1 January 2020	216,493	319	216,812
Charge of provision for the period	4,181	75	4,256
Use of provision for the period	(11,813)	(43)	(11,856)
Remeasurement of provision for period	81,636	-	81,636
Release of provision for the period	(4,488)	(70)	(4,558)
Unwinding of the discount on provision	1,388	-	1,388
30 September 2020	287,397	281	287,678

PJSC AEROFLOTNotes to the Condensed Consolidated Interim Financial Statements
for the 9 months 2020*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)***16. PROVISIONS FOR LIABILITIES (CONTINUED)**

	30 September 2020	31 December 2019
Current liabilities	35,164	24,531
Non-current liabilities	252,514	192,281
Total provisions for liabilities	287,678	216,812

Litigations

The Group is a defendant in legal claims of a different nature. Provisions for liabilities represent management's best estimate of probable losses on existing and potential lawsuits (Note 25).

17. LEASE LIABILITIES

The Group leases aircraft and aircraft engines as well as other properties (real estate, vehicles, etc.) from third and related parties under lease agreements. List of aircraft of the Group operated on a lease basis under lease agreements as at 30 September 2020 is disclosed in Note 1. According to the terms of the contracts the aircraft are leased for a period of 6 to 16 years with the possibility of extending this period. Leased aircraft and aircraft engines, the carrying amount of which is disclosed in Note 13, actually represent collateral for lease liabilities, since, in case of default by the lessee, these assets are returned to the lessor. After the introduction of flight restrictions caused by COVID-19, the Group suspended payments to lessors and initiated negotiations to defer lease payments. As of the date of issue of these financial statements, the Group signed amendments to most of its lease agreements that provided for the deferral of lease payments and no penalties. These changes to the terms are accounted for as lease modifications. Management plans to sign amendments to the remaining lease agreements on similar terms in the near future, and therefore has not made additional accruals in these financial statements.

The Group hedges foreign currency risk arising on a portion of the future revenue stream denominated in US dollars with the lease liabilities denominated in the same currency. The Group applies cash flow hedge accounting model to this hedging relationship, in accordance with IFRS 9 "Financial Instruments".

Due to the update on forecasted US dollar revenue designated as a hedged item on COVID-19 impact, the Group had to de-designate a part of its hedging relationships between revenue and lease liabilities which led to the partial reclassification of the reserve for hedging instruments directly to profit or loss. The total non-monetary loss amounting to RUB 7 237 million was recognised within "Hedging result" of the Condensed Consolidated Interim Financial Statement of Profit or Loss for the nine months period ended 30 September 2020.

As at 30 September 2020, lease liabilities in the amount of RUB 642 504 million denominated in US dollars (31 December 2019: RUB 506,713 million) were designated as a hedging instrument for highly probable US dollar revenue forecasted for the period 2020 – 2032 in the same amount. The Group expects that this hedging relationship will be highly effective since the future cash outflows on the lease liabilities match the future cash inflows on the revenue being hedged. As at 30 September 2020, accumulated foreign exchange loss of RUB 110 071 million (before deferred income tax) on the lease liabilities (31 December 2019: accumulated foreign exchange gain of RUB 25,220 million), representing an effective portion of the hedge, was recognised in the hedge reserve. The loss reclassified from the hedge reserve to profit or loss for 9 months 2020 was RUB 3 095 million (for 9 months 2019: RUB 2 302 million).

PJSC AEROFLOT

Notes to the Condensed Consolidated Interim Financial Statements
for the 9 months 2020

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**18. LOANS AND BORROWINGS**

	30 September 2020	31 December 2019
<i>Short-term loans and borrowings:</i>		
Short-term loans in Russian Roubles	42 316	12 568
Total short-term loans and borrowings	42 316	12 568
<i>Long-term loans and borrowings:</i>		
Long-term loans in Russian Roubles	22 900	2 800
Long-term loans and borrowings in US dollars	551	424
Total long-term loans and borrowings	23 451	3 224

The main changes in loans and borrowings during the reporting period

The Group fully repaid the loan tranche (fixed interest rate) in total amount of RUB 4,500 million, received under the credit line with PJSC Sovcombank in December 2019.

The Group received the loan tranches (floating interest rate) under the credit lines with PJSC Sovcombank in total amount of RUB 7,535 million. The loan tranches were unsecured and issued for the period up to October 2020 - September 2021.

The Group received the loan tranches (fixed interest rate) under the credit line with JSC SMP Bank in total amount of RUB 7,100 million. As at 30 September 2020 total amount of the loan tranches was repaid in full.

The Group received the loan tranches (fixed interest rate) under the credit line with JSC Rosselkhozbank in total amount of RUB 10,100 million. As at 30 September 2020 total amount of the loan tranches was repaid in full.

The Group received the loan tranche (floating interest rate) under the credit line with Bank GPB (JSC) in total amount of RUB 5,000 million. As at 30 September 2020 total amount of the loan tranche was repaid in full.

The Group received the loan tranches (fixed interest rate) under the credit lines with JSC "ALFA-BANK" in total amount of RUB 11,100 million. The loan tranches were unsecured and issued for the period up to March - April 2022.

The Group received the loan tranche (fixed interest rate) under the credit line with JSC Banca Intesa in total amount of RUB 1,000 million. As at 30 September 2020 total amount of the loan tranche was repaid in full.

The Group received the loan tranche (fixed interest rate) under the credit line with Bank "RRDB" (JSC) in total amount of RUB 6,000 million. The loan tranche was unsecured and issued for the period up to March 2021.

The Group received the loan tranche (fixed interest rate) under the credit line with PJSC ROSBANK in total amount of RUB 3,800 million. As at 30 September 2020 total amount of the loan tranche was repaid in full.

The Group received the loan tranche (floating interest rate) under the credit line with Promsvyazbank PJSC in total amount of RUB 6,000 million. As at 30 September 2020 part of the tranche in amount of RUB 511 million was repaid. Part of the tranche in amount of RUB 5,489 million was unsecured and issued for the period up to February 2021.

The Group fully repaid the loan tranches (fixed interest rate) in total amount of RUB 8,000 million, received under the credit line with Sberbank in November 2019.

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Notes to the Condensed Consolidated Interim Financial Statements
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18. LOANS AND BORROWINGS (CONTINUED)

The main changes in loans and borrowings during the reporting period (continued)

The Group received the loan tranches (fixed interest rate) under the credit lines with Sberbank in total amount of RUB 32,137 million. The loan tranches in amount of RUB 18,000 million were unsecured and issued for the period up to April - May 2021. The loan tranches in amount of RUB 11,000 million were secured by government guarantee and issued for the period up to June 2025. The loan tranches in amount of RUB 3,137 million were secured by surety of State Development Corporation "VEB.RF" in favor of Sberbank and issued for the period up to June 2021.

As at 30 September 2020 the Group had no assets transferred to secure received loans and borrowings.

As at 30 September 2020 and 31 December 2019 the fair value of loans and borrowings was not materially different from their carrying amount.

Exchange-traded bonds programme

In December 2017, the Board of Directors of PJSC Aeroflot approved the Programme of Exchange-Traded Bonds of the P01-BO series. At the end of January 2018 the Programme was registered with PJSC Moscow Exchange MMVB-RTS. The maximum amount of nominal values of exchange-traded bonds that can be placed under the programme is RUB 24,650 million with a maximum maturity of 3,640 days inclusive from the start date of placement. The expected dates and amounts of bonds placement as of the date of these Condensed Consolidated Interim Financial Statements are not determined.

19. SHARE CAPITAL

As at 30 September 2020 and 31 December 2019, share capital was equal to RUB 1,359 million.

	Number of ordinary shares authorised and issued (shares)	Number of treasury shares (shares)	Number of ordinary shares outstanding (shares)
31 December 2019	1,110,616,299	(47,817,796)	1,062,798,503
30 September 2020	1,110,616,299	(47,817,796)	1,062,798,503

As at 30 September 2020 and 31 December 2019, the total number of treasury shares purchased by the Company from shareholders was 47,817,796.

These treasury shares carry voting rights in the same proportion as other ordinary shares.

All shares that have been placed are fully paid. In addition to the shares that have been placed the Company is entitled to place 1 950,000,000 ordinary shares (31 December 2019: 250,000,000 shares) with par value of RUB 1 per share (31 December 2019: RUB 1 per share). Each ordinary share gives a right to one vote.

The Company's shares are listed on the Moscow Exchange ("MICEX"). As at 30 September 2020 and 31 December 2019, weighted average price was RUB 74.20 and RUB 103.88 per share, respectively.

The Company launched a Global Depositary Receipts (GDR) programme in December 2000.

Since January 2014, one GDR equals five ordinary shares. As at 30 September 2020 and 31 December 2019, the Group's GDRs were traded on the Frankfurt Stock Exchange at EUR 4.16 per GDR and EUR 7.10 per GDR, respectively.

20. DIVIDENDS

No dividends were approved during 9 months of 2020.

At the annual shareholders' meeting held on 25 June 2019 the shareholders approved dividends in respect of 2018 in the amount of RUB 2.6877 per share totalling to RUB 2,857 million for the Company's total declared and placed shares excluding treasury shares bought back from shareholders. All dividends are declared and paid in Russian Roubles.

PJSC AEROFLOTNotes to the Condensed Consolidated Interim Financial Statements
for the 9 months 2020*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)***21. OPERATING SEGMENTS**

The Group has a number of operating segments, but none of them, except for “Air Transportation”, meet the quantitative threshold for determining reportable segment. Flight routes information was aggregated in “Air Transportation” segment as passenger flight services on different routes have similar economic characteristics and meet aggregation criteria.

The air transportation operational performance is measured based on internal management reports which are reviewed by the Group’s General Director. The air transportation revenue by flight routes is allocated based on the geographic destinations of flights. The air transportation revenue by flight routes is used to measure performance as the Group believes that such information is the most material in evaluating the results.

The segment “Other” mainly includes sales revenue from goods on board, in-flight catering services and ground handling.

Segment information is presented based on financial information prepared in accordance with IFRS.

The Group’s assets are located mainly in Russian Federation.

The sales between the segments are carried out on market terms and are eliminated upon consolidation.

	<u>Note</u>	<u>Air Transportation</u>	<u>Other</u>	<u>Inter-segment sales elimination</u>	<u>Total Group</u>
Nine months 2020					
External sales		232,889	1,324	-	234,213
Inter-segment sales		343	10,023	(10,366)	-
Total revenue	4	<u>233,232</u>	<u>11,347</u>	<u>(10,366)</u>	<u>234,213</u>
Operating loss		(55,449)	(1,306)	-	(56,755)
Loss from impairment and fair value changes of investments, net					(357)
Finance income	8				3,208
Finance costs	8				(36,374)
Hedging result	17				(10,332)
Share of financial results of associates					(100)
Loss before income tax					(100,710)
Income tax	9				21,304
Loss for the period					<u>(79,406)</u>

PJSC AEROFLOTNotes to the Condensed Consolidated Interim Financial Statements
for the 9 months 2020*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)***21. OPERATING SEGMENTS (CONTINUED)**

	<u>Note</u>	<u>Air Transportation</u>	<u>Other</u>	<u>Inter-segment sales elimination</u>	<u>Total Group</u>
Nine months 2019					
External sales		520,879	3,104	-	523,983
Inter-segment sales		544	19,781	(20,325)	-
Total revenue	4	521,423	22,885	(20,325)	523,983
Operating profit		60,558	1,137	-	61,695
Gain from fair value changes of investments, net					358
Finance income	8				5,180
Finance costs	8				(41,531)
Hedging result	17				(2,302)
Share of financial results of associates					225
Profit before income tax					23,625
Income tax	9				(3,320)
Profit for the period					20,305
	<u>Note</u>	<u>Air Transportation</u>	<u>Other</u>	<u>Inter-segment sales elimination</u>	<u>Total Group</u>
Three months ended 30 September 2020					
External sales		84,451	410	-	84,861
Inter-segment sales		119	3,131	(3,250)	-
Total revenue	4	84,570	3,541	(3,250)	84,861
Operating loss		(10,441)	(195)	-	(10,636)
Loss from impairment and fair value changes of investments, net					(48)
Finance income	8				1,097
Finance costs	8				(13,238)
Hedging result	17				(2,775)
Share of financial results of associates					80
Loss before income tax					(25,520)
Income tax	9				4,384
Loss for the period					(21,136)

PJSC AEROFLOTNotes to the Condensed Consolidated Interim Financial Statements
for the 9 months 2020*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)***21. OPERATING SEGMENTS (CONTINUED)**

	<u>Note</u>	<u>Air Transportation</u>	<u>Other</u>	<u>Inter-segment sales elimination</u>	<u>Total Group</u>
Three months ended					
30 September 2019					
External sales		211,381	1,162	-	212,543
Inter-segment sales		175	7,678	(7,853)	-
Total revenue	4	211,556	8,840	(7,853)	212,543
Operating profit		46,307	770	-	47,077
Gain from fair value changes of investments, net					211
Finance income	8				1,934
Finance costs	8				(14,295)
Hedging result	17				(965)
Share of financial results of associates					129
Profit before income tax					34,091
Income tax	9				(5,002)
Profit for the period					29,089

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of financial instruments have been determined by the Group using available market information (if any exists) and appropriate valuation methodologies. However, judgment is required to interpret market data necessary to determine the estimated fair value. Management uses all available market information in estimating the fair value of financial instruments.

Financial assets carried at amortised cost. The fair value of instruments with a floating interest rate is normally equal to their carrying value. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates effective on debt capital markets for new instruments with similar credit risk and remaining maturity. Carrying amounts of cash and cash equivalents, financial receivables (Note 10), investments, lease security deposits, financial assets under aircraft lease agreements and other financial assets are approximately equal to their fair value, which belongs to Level 2 in the fair value hierarchy.

Financial assets measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are mainly represented by investments in JSC MASH that do not have market quotes. The fair value measurement of JSC MASH belongs to Level 3 in the fair value hierarchy and is determined through a regular estimation of the expected discounted cash flows, where one or more of the significant inputs is not based on observable market data, including the following: (i) the discount rate determined using CAPM; (ii) the forecast of passenger traffic and the number of take-off and landing operations based on the evaluation of historical data and public information; (iii) the growth rate of tariffs for ground handling and airport services; and (iv) the amount of capital investments estimated based on the forecast information published by JSC MASH.

Liabilities carried at amortised cost. The fair value of financial instruments is measured based on the current market quotes, if any. The estimated fair value of unquoted fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. As at 30 September 2020 and 31 December 2019, the fair value of financial payables (Note 14), lease liabilities (Note 17), loans and borrowings (Note 18) was not materially different from their carrying amount. The fair value of financial payables, and loans and borrowings is categorised as Level 2.

PJSC AEROFLOTNotes to the Condensed Consolidated Interim Financial Statements
for the 9 months 2020*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)***22. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

During 9 months of 2020 and 9 months 2019 there was no transfer between levels 1, 2 or 3 of the fair value hierarchy.

The classification of financial assets and liabilities as at 30 September 2020 is stated below:

	Note	Financial assets measured at amortised cost	Financial assets measured at fair value through profit or loss	Total
Cash and cash equivalents		27,964	-	27,964
Short-term financial investments		15,124	-	15,124
Financial receivables	10	19,368	-	19,368
Aircraft lease security deposits		5,779	-	5,779
Long-term financial investments		423	5,510	5,933
Financial assets under lease agreements		26,819	-	26,819
Other non-current assets		603	-	603
Total financial assets		96,080	5,510	101,590
			Financial liabilities measured at amortised cost	Total
Financial payables	14		37,382	37,382
Lease liabilities			713,995	713,995
Loans and borrowings	18		65,767	65,767
Other non-current liabilities			1,740	1,740
Total financial liabilities			818,884	818,884

PJSC AEROFLOTNotes to the Condensed Consolidated Interim Financial Statements
for the 9 months 2020*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)***22. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

The classification of financial assets and liabilities as at 31 December 2019 is stated below:

	Note	Financial assets measured at amortised cost	Financial assets measured at fair value through profit or loss	Total
Cash and cash equivalents		12,883	-	12,883
Short-term financial investments		12,978	-	12,978
Financial receivables	10	32,827	-	32,827
Aircraft lease security deposits		4,341	-	4,341
Long-term financial investments		95	5,761	5,856
Financial assets under lease agreements		22,190	-	22,190
Other non-current assets		535	-	535
Total financial assets		85,849	5,761	91,610
			Financial liabilities measured at amortised cost	Total
	Note			
Financial payables	14		42,227	42,227
Lease liabilities			557,124	557,124
Loans and borrowings	18		15,792	15,792
Other non-current liabilities			1,032	1,032
Total financial liabilities			616,175	616,175

23. RELATED-PARTY TRANSACTIONS

Parties are generally considered to be related if they are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship attention is directed to the economic substance of the relationship, not merely the legal form.

As at 30 September 2020 and 31 December 2019, the outstanding balances with related parties and income and expense items with related parties for 9 months 2020 and 9 months 2019 are disclosed below.

Associates

As at 30 September 2020 and 31 December 2019, the outstanding balances with associates and income and expense items with associates for 9 months 2020 and 9 months 2019 were as follows:

	30 September 2020	31 December 2019
Assets		
Accounts receivable	2	-
Liabilities		
Accounts payable and accrued liabilities	126	197

The amounts due to and from associates will be settled mainly in cash.

	Three months ended		Nine months ended	
	30 September 2020	30 September 2019	30 September 2020	31 December 2019
Transactions				
Sales to associates	2	1	7	3
Purchase of goods and services from associates	422	847	1,323	2,435

Purchases of goods and services from associates consist primarily of aviation security services.

23. RELATED-PARTY TRANSACTIONS (CONTINUED)***Government-related entities***

As at 30 September 2020 and 31 December 2019, the Government of the RF represented by the Federal Agency for Management of State Property owned 51.17% stake in the Company. The Group operates in an economic environment where the entities and credit organizations are directly or indirectly controlled by the Government of the RF through the relevant government authorities, agencies, affiliations and other organizations (government-related entities).

The Group has decided to apply the exemption from disclosure of individually insignificant transactions and balances with the Russian Government and its related parties because the Government has control, joint control or significant influence over such parties.

The Group has transactions with government-related entities, including but not limited to:

- banking services;
- investments in JSC MASH;
- lease;
- purchase of aircraft fuel;
- purchase of air navigation and airport services; and
- government subsidies including those provided for compensating of lost income from passenger flights in certain directions under government programmes.

Outstanding balances of cash at settlement, currency and deposit accounts in the government-related banks:

	<u>30 September 2020</u>	<u>31 December 2019</u>
Assets		
<i>Cash</i>	<u>7,256</u>	<u>6,770</u>

During 9 months 2020 the Group has partly drew down on its credit lines provided by government-related entities, the amounts of the credit lines are disclosed in Note 18.

As at 30 September 2020 the share of financial assets under aircraft lease contracts signed by the Group with government-related entities was 46% (31 December 2019: 39%).

As at 30 September 2020 the share of lease liabilities to the government-related entities is approximately 60% (31 December 2019: approximately 58%).

For 9 months 2020 the share of Group's transactions with government-related entities is about 16% of operating costs, and about 5% of revenue (9 months 2019: about 22% and about 2%, respectively). These expenses primarily include costs of motor fuels supplies, as well as air navigation and aircraft maintenance services in the airports.

Transactions with the Russian Government also include balances and movements in taxes, levies, customs duties and subsidies, which are disclosed in Notes 1, 7, 9, 10 and 14.

Compensation of key management personnel

The remuneration of key management personnel (the members of the Board of Directors and the Management Committee as well as key managers of flight and ground personnel who have significant power and responsibilities on key control and planning decisions of the Group), including salary and bonuses as well as other compensations, amounted to RUB 980 million for 9 months 2020 (9 months 2019: RUB 1,102 million).

These remunerations are mainly represented by short-term payments. Such amounts are stated before personal income tax but exclude mandatory insurance contributions to non-budgetary funds. According to Russian legislation, the Group makes contributions to the Russian State Pension Fund as part of compulsory social insurance contributions for all its employees, including key management personnel.

23. RELATED-PARTY TRANSACTIONS (CONTINUED)*Long-term incentive programmes*

In 2019 the Company approved new long-term incentive programmes for its key management personnel and members of the Company's Board of Directors. The amounts of payments under the new programmes depend on the criteria of Group's passenger traffic, share of international transit in the total passenger traffic of the Group and transportation profitability for Group. The fair value of the liabilities under the programmes as of 30 September 2020, included in accounts payable, was determined based on the expected payment amount for the reporting period from 1 January 2019 till 31 December 2019 and amount of payment deferred till the end of the programmes.

As at 30 September 2020, the outstanding amount of the liability under the programmes was RUB 107 million (31 December 2019: RUB 410 million). The decrease in the outstanding amount of the liability under the programmes as at 30 September 2020 compared to 31 December 2019 is attributable to the non-monetary revaluation of the liability as a result of partial cancellation of awards under the programmes, as well as the deferral of payment of awards to a later date in the future.

24. CAPITAL COMMITMENTS

As at 30 September 2020, the Group had agreements on future acquisition of property, plant and equipment with third parties for a total of RUB 246 629 million (31 December 2019: RUB 185,638 million). These commitments mainly relate to purchase of 21 Airbus A350 (31 December 2019: 22 aircraft) and 3 Boeing B777 (31 December 2019: 3 aircraft) and aircraft equipment. The Group expects to use the aircraft supplied under lease agreements, therefore no cash outflow on the entered agreements is expected.

25. CONTINGENCIES*Operating Environment of the Group*

The economy of the Russian Federation displays certain characteristics of an emerging market. It is particularly sensitive to oil and gas price fluctuations. The legal, tax and regulatory frameworks of the Russian Federation continue to develop and are subject to frequent changes and varying interpretations.

At the end of the first quarter 2020, significant changes happened in the economic environment:

- reduction of industrial production and activity in many sectors of the economy as a result of state restrictions related to the development of the COVID-19 pandemic;
- implementation of government support measures for the population and business related to the development of the COVID-19 pandemic;
- decrease and high volatility of the global oil prices;
- significant decrease in stock market indices and share prices;
- significant depreciation of the Russian Rouble against major foreign currencies, high volatility in the foreign exchange market.

Though, ongoing political tension in the region and continuing international sanctions against certain Russian companies and individuals have an additional negative impact on the Russian economy. This economic environment has a significant impact on the Group's operations and financial position. The management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and the management's current expectations and estimates could differ from actual results.

The Group continues to monitor the situation and implement a set of measures to minimize the impact of possible risks on the Group's operations and financial position.

25. CONTINGENCIES (CONTINUED)***Tax contingencies***

The taxation system in the RF continues to evolve and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are sometimes fuzzy and contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to audit and investigation by a number of regulatory authorities, which have the power to impose severe fines and interest. Taxes paid for the reporting period remain open to review by the tax authorities for three subsequent calendar years. However, under certain circumstances, reviews may cover longer periods. Recent events within the RF suggest that the tax authorities are taking a more tough stance in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the RF that are substantially higher than in other countries. Based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions, the Group's management believes that the tax liabilities are disclosed in adequate amount in these Condensed Interim Consolidated Financial Statements. However, the interpretations of these provisions by the relevant authorities could differ and this may significantly influence these Condensed Consolidated Interim Financial Statements, if the authorities are successful in enforcing their interpretations.

In accordance with amendments to the Russian Tax Code made in 2015, excise duties charged on the aviation fuel obtained by the Group's airlines are subject to deduction using the following special coefficients (2.08 for 2019, 2.08 for 2020). Also in accordance with the amendments to the Russian Tax Code adopted in 2019, since September 1, 2019, excise duties charged on the aviation fuel obtained by the Group's airlines are subject to deduction using the coefficient 2.08, increased by V_{AVIA} coefficient, determined in accordance with par. 21 of article 200 of the Russian Tax Code.

Since 1 January 2015, the Russian Tax Code has been supplemented with the concept of beneficial ownership of income paid from the RF (beneficial ownership framework) for the purposes of applying tax benefits under the Double Tax Treaties (DTT). Given the limited practice of the new rules application, it is impossible to reliably assess the potential outcome of any disputes with tax authorities over compliance with the beneficial ownership confirmation requirements, however they may be significant for the Group.

Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), although it has certain unique features. This legislation provides for the possibility of additional tax assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's-length basis. Management has implemented internal controls to be in compliance with this transfer pricing legislation.

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

Changes in tax legislation or its enforcement in relation to such issues as transfer pricing may lead to a significant increase in the Group's effective income tax rate.

In addition to the above matters, as at 30 September 2020 and 31 December 2019 management estimates that the Group has no possible liabilities related to tax risks, the probability of which is estimated as "more than insignificant".

Management will vigorously defend the Group's positions and interpretations that were applied in calculating taxes recognised in these Condensed Consolidated Interim Financial Statements, if these are challenged by the tax authorities.

25. CONTINGENCIES (CONTINUED)***Insurance***

The Group maintains insurance in accordance with the legislation. In addition, the Group insures risks under various voluntary insurance programmes, including management's liability, Group's liability and risks of loss or damage of leased aircraft.

Liquidity management

The Group Treasury provides flexibility of financing through available credit lines. At 30 September 2020, the Group had the opportunity to raise additional funds in the amount equivalent to RUB 148,043 million from credit lines provided by various credit organisations for the repayment of financial liabilities (31 December 2019: RUB 100,971 million). In addition, to improve liquidity the Group conducts negotiations with lessors about deferral of lease payments.

Litigations

During the reporting period the Group was involved (both as a plaintiff and a defendant) in a number of court proceedings arising in the ordinary course of business. Management believes that there are no current court proceedings or other claims outstanding which could have a material effect on the results of operations and financial position of the Group.

26. EVENTS AFTER THE REPORTING PERIOD

In September 2020, the Board of Directors of PJSC Aeroflot approved a Prospectus for ordinary shares of the Company with a nominal value of RUB 1 each, the number of securities - 1,700,000,000 shares through an open subscription.

In September 2020, an additional share issue was registered by the Central Bank of the Russian Federation. In October 2020, the actual placement of shares took place: the number shares was 1,333,919,149. Actual offer price was RUB 60 for each additionally issued share.

Following the placement of new ordinary shares, including an offer to institutional investors, the Group received RUB 80,035 million. As a result of the placement, the share of the Russian Federation in the authorized capital of the Company amounted to 57.34%.

The information about the most significant drawdown of credit facilities made after the reporting date is presented below:

In October 2020, the Group received a loan tranches under the credit line with PJSC Sberbank (fixed interest rate) in the amount of RUB 20,000 million, RUB 1,000 million and RUB 536 million. The loans were issued up to June 2025, October 2021 and June 2021, respectively.