

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

**Condensed Consolidated Interim Financial Statements
for the 6 months 2019**

Contents

Statement of Management's Responsibilities for the Preparation and Approval of the Condensed Consolidated Interim Financial Statements for the 6 months 2019 Report on Review of Condensed Consolidated Interim Financial Statements

Condensed Consolidated Interim Statement of Profit or Loss	1
Condensed Consolidated Interim Statement of Comprehensive Income	2
Condensed Consolidated Interim Statement of Financial Position	3
Condensed Consolidated Interim Statement of Cash Flows	4
Condensed Consolidated Interim Statement of Changes in Equity.....	6

Notes to the Condensed Consolidated Interim Financial Statements

1. Nature of the business	7
2. Basis of preparation	9
3. Accounting policies and new accounting pronouncements	9
4. Traffic revenue	16
5. Other revenue	17
6. Operating costs less staff costs and depreciation and amortisation	17
7. Staff costs.....	17
8. Finance income and costs.....	18
9. Income tax.....	18
10. Accounts receivable and prepayments	19
11. Non-current portion of prepayments for aircraft.....	19
12. Property, plant and equipment	20
13. Right-of-use assets	21
14. Assets classified as held for sale	22
15. Accounts payable and accrued liabilities	22
16. Provisions for liabilities	22
17. Lease liabilities	23
18. Loans and borrowings.....	24
19. Share capital.....	24
20. Dividends	25
21. Operating segments.....	25
22. Fair value of financial instruments.....	27
23. Related-party transactions.....	29
24. Capital commitments	31
25. Contingencies.....	31

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 suitable accounting principles and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether International Financial Reporting Standards (IFRS) have been complied with, subject to any material departures that are properly disclosed and explained in the Condensed Consolidated Interim Financial Statements; and
- preparing the Condensed Consolidated Interim Financial Statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- designing, implementing and maintaining an effective system of internal controls, throughout the Group;
- maintaining an accounting system that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the Groups's Condensed Consolidated Interim Financial Statements are prepared in accordance with IAS 34 "Interim Financial Reporting";
- maintaining statutory accounting records in compliance with local legislation and accounting standards in RF;
- 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 6 months ended 30 June 2019 were approved on 29 August 2019 by:



V. G. Saveliev
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 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 June 2019 and the related condensed consolidated interim statements of profit or loss, comprehensive income for the three-month and six-month periods then ended, cash flows and changes in equity for the six-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".

AO PricewaterhouseCoopers Audit
29 August 2019
Moscow, Russian Federation

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

Audited entity: PJSC Aeroflot

Registered by the Government Agency Moscow Registration Chamber on 21 June 1994 under No. 032.175

Record made in the Unified State Register of Legal Entities on 02 August 2002 under State Registration Number 1027700092661

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

Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 11603050547

PJSC AEROFLOT**Condensed Consolidated Interim Statement
of Profit or Loss for the 3 and 6 months ended 30 June 2019***(All amounts are presented in millions of Russian Roubles, unless otherwise stated)*

	Note	Three months ended		Six months ended	
		30 June 2019	30 June 2018*	30 June 2019	30 June 2018*
Traffic revenue	4	157,015	139,856	280,443	240,530
Other revenue	5	16,384	14,024	30,997	25,292
Revenue		173,399	153,880	311,440	265,822
Operating costs, excluding staff costs, depreciation and amortisation	6	(109,940)	(94,508)	(207,473)	(170,970)
Staff costs	7	(22,215)	(20,080)	(44,794)	(41,298)
Depreciation and amortisation		(26,231)	(20,783)	(53,305)	(41,268)
Other operating income/(expenses), net		5,504	2,140	8,750	5,167
Operating costs		(152,882)	(133,231)	(296,822)	(248,369)
Operating profit		20,517	20,649	14,618	17,453
Gain/(loss) from impairment and fair value changes of investments, net		(80)	(108)	147	107
Finance income	8	2,378	2,020	3,246	3,127
Finance costs	8	(13,356)	(45,466)	(27,236)	(54,569)
Hedging result	17	(320)	(1,691)	(1,337)	(2,984)
Share of results of associates		56	45	96	43
(Loss)/profit before income tax		9,195	(24,551)	(10,466)	(36,823)
Income tax	9	(2,262)	4,588	1,682	6,444
(LOSS)/PROFIT FOR THE PERIOD*		6,933	(19,963)	(8,784)	(30,379)
<i>Attributable to:</i>					
Shareholders of the Company		5,533	(19,561)	(11,308)	(29,895)
Non-controlling interest		1,400	(402)	2,524	(484)
(LOSS)/PROFIT FOR THE PERIOD*		6,933	(19,963)	(8,784)	(30,379)
Basic and diluted (loss)/profit per share (in Roubles per share)		5.2	(17.6)	(10.6)	(26.9)
Weighted average number of shares outstanding (millions)	19	1,062.8	1,110.6	1,062.8	1,110.6

* Revised Condensed Consolidated Interim Financial Statements for the 3 and 6 months ended 30 June 2018 due to adoption of a new IFRS 16 "Leases" (see Note 3)

Approved on 29 August 2019 and signed on behalf of management



V. G. Saveliev
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 32

PJSC AEROFLOT

Condensed Consolidated Interim Statement

of Comprehensive Income for the 3 and 6 months ended 30 June 2019

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

	Note	Three months ended		Six months ended	
		30 June 2019	30 June 2018*	30 June 2019	30 June 2018*
(Loss)/profit for the period		6,933	(19,963)	(8,784)	(30,379)
Other comprehensive income/(loss)					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Effect from hedging revenue with foreign currency liabilities	17	14,383	(6,990)	57,548	(5,104)
Deferred tax related to a result from cash-flow hedging instruments	9	(2,877)	1,398	(11,510)	1,021
Other comprehensive income/(loss)		11,506	(5,592)	46,038	(4,083)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		18,439	(25,555)	37,254	(34,462)
<i>Total comprehensive income/(loss)</i>					
Shareholders of the Company		17,039	(25,192)	34,730	(33,978)
Non-controlling interest		1,400	(363)	2,524	(484)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		18,439	(25,555)	37,254	(34,462)

* Revised Condensed Consolidated Interim Financial Statements for the 3 and 6 months 2018 due to adoption of a new IFRS 16 "Leases" (see Note 3)

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 32

PJSC AEROFLOT

 Condensed Consolidated Interim Statement of Financial Position
 as at 30 June 2019

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



	Note	30 June 2019	31 December 2018*	1 January 2018*
ASSETS				
Current assets				
Cash and cash equivalents	22	40,262	23,711	45,978
Short-term financial investments	22	7,769	6,437	8,931
Accounts receivable and prepayments	10	84,432	78,223	85,096
Current income tax prepayment		3,716	5,488	3,580
Aircraft lease security deposits		2,015	532	423
Expendable spare parts and inventories		15,768	14,300	12,468
Assets classified as held for sale	14	4,702	6,483	2,969
Derivative financial instruments		2,194	-	-
Current financial assets under lease agreements	3	3,279	1,804	576
Other current assets		-	226	422
Total current assets		164,137	137,204	160,443
Non-current assets				
Right-of-use assets	13	659,012	668,793	536,678
Property, plant and equipment	12	26,675	26,634	23,355
Prepayments for aircraft	11	22,084	21,148	13,089
Deferred tax assets		30,247	39,403	22,114
Goodwill		6,660	6,660	6,660
Long-term financial investments		5,590	5,393	5,883
Intangible assets		2,142	2,250	2,054
Non-current financial assets under lease agreements	3	18,421	19,261	13,509
Aircraft lease security deposits		3,043	4,283	1,602
Investments in associates		517	545	329
Other non-current assets		38,353	36,246	27,782
Total non-current assets		812,744	830,616	653,055
TOTAL ASSETS		976,881	967,820	813,498
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	15	82,415	71,426	69,598
Unearned traffic revenue		83,898	49,874	44,006
Deferred revenue related to the frequent flyer programme		4,195	4,086	2,295
Provisions for liabilities	16	25,099	25,865	10,125
Lease liabilities	17	74,785	78,528	59,244
Short-term loans and borrowings and current portion of long-term loans and borrowings	18	131	175	-
Liabilities related to assets classified as held for sale	14	3,220	6,254	2,210
Current income tax liabilities		349	19	-
Total current liabilities		274,092	236,227	187,478
Non-current liabilities				
Long-term loans and borrowings	18	3,228	3,311	3,181
Lease liabilities	17	521,299	577,403	434,534
Provisions for liabilities	16	195,424	202,384	155,025
Deferred tax liabilities		791	766	294
Deferred revenue related to the frequent flyer programme		3,369	3,282	3,842
Other non-current liabilities		6,254	6,068	6,291
Total non-current liabilities		730,365	793,214	603,167
TOTAL LIABILITIES		1,004,457	1,029,441	790,645
Equity				
Share capital	19	1,359	1,359	1,359
Treasury shares buyback reserve		(7,040)	(7,040)	-
Accumulated profit on disposal of treasury shares		7,864	7,864	7,864
Hedge reserve	17	12,181	(33,857)	(25,159)
Retained (loss)/earnings		(46,008)	(31,843)	36,740
Equity attributable to shareholders of the Company		(31,644)	(63,517)	20,804
Non-controlling interest		4,068	1,896	2,049
TOTAL EQUITY		(27,576)	(61,621)	22,853
TOTAL LIABILITIES AND EQUITY		976,881	967,820	813,498

* Revised Consolidated Financial Statements for 2018 due to adoption of a new IFRS 16 "Leases" (see Note 3)

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 32

PJSC AEROFLOTCondensed Consolidated Interim Statement
of Cash Flows for the 6 months ended 30 June 2019*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)*

	<u>Note</u>	<u>6m 2019</u>	<u>6m 2018*</u>
<i>Cash flows from operating activities:</i>			
Loss before income tax		(10,466)	(36,823)
Adjustments for:			
Depreciation and amortisation		53,305	41,268
(Profit)/loss on disposal of property, plant and equipment and intangible assets		(834)	333
Profit from disposal of assets classified as held for sale	14	(606)	(408)
Change in cost of investments		(147)	(107)
Hedging result	17	1,337	2,984
Change in provisions for liabilities	16	(1,990)	140
Interest expense	8	26,843	21,308
Interest income	8	(2,110)	(2,652)
Foreign exchange loss, net	8	275	33,221
Revaluation/modification under lease contracts		(552)	559
Profit from change in the fair value of derivative financial	8	(126)	-
Other operating (income)/expenses, net		(341)	321
Total operating cash flows before working capital changes		<u>64,588</u>	<u>60,144</u>
Increase in accounts receivable and prepayments		(392)	(13,563)
Increase in expendable spare parts and inventories		(1,345)	(1,596)
Increase in accounts payable and accrued liabilities		32,244	39,123
Total operating cash flows after working capital changes		<u>95,095</u>	<u>84,108</u>
Change in restricted cash	25	221	(56)
Income tax paid		(348)	(644)
Income tax refunded		1,805	1,326
Net cash flows from operating activities		<u>96,773</u>	<u>84,734</u>

* Revised Interim Consolidated Financial Statements for the 6 months 2018 due to adoption of a new IFRS 16 "Leases" (see Note 3)

PJSC AEROFLOTCondensed Consolidated Interim Statement
of Cash Flows for the 6 months ended 30 June 2019*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)*

	<u>Note</u>	<u>6m 2019</u>	<u>6m 2018*</u>
<i>Cash flows from investing activities:</i>			
Deposits return		6,633	9,168
Deposits placement		(8,080)	(9,737)
Proceeds from sale of property, plant and equipment		20	25
Proceeds from sale of assets held for sale		3,744	3,095
Interest received		725	1,452
Purchases of property, plant and equipment and intangible assets and capitalized repair expenses		(9,436)	(12,100)
Dividends received		22	34
Prepayments for aircraft	11	(16,041)	(2,750)
Return of prepayments for aircraft	11	6,392	17,910
Payment for financial assets under aircraft lease contracts		(2,947)	(2,160)
Repayment of financial assets under aircraft lease contracts		1,694	894
Repayment of operating lease security deposits		(463)	(2,059)
Proceeds from sale of other investments		5	-
Placement of borrowings		(19)	-
Net cash flows from investing activities		<u>(17,751)</u>	<u>3,772</u>
<i>Cash flows from financing activities:</i>			
Receipt of loans and borrowings	18	11,861	350
Repayment of loans and borrowings	18	(11,787)	(44)
Repayment of the lease liabilities principal	17	(37,859)	(28,516)
Interest paid except for interest under lease contracts		(214)	(124)
Interest paid under lease contracts		(23,540)	(18,881)
Dividends paid		(26)	(12)
Net cash used in financing activities		<u>(61,565)</u>	<u>(47,227)</u>
Effect of exchange rate fluctuations on cash and cash equivalents		(906)	528
Net increase in cash and cash equivalents		<u>16,551</u>	<u>41,807</u>
Cash and cash equivalents at the beginning of the period		23,711	45,978
Cash and cash equivalents at the end of the period		<u>40,262</u>	<u>87,785</u>
<i>Non-cash transactions as part of the investing activities:</i>			
Right of use assets acquired under lease contracts		35,554	87,108

* Revised Interim Consolidated Financial Statements for the 6 months 2018 due to adoption of a new IFRS 16 "Leases" (see Note 3)

PJSC AEROFLOT

Condensed Consolidated Interim Statement
of Changes in Equity for the 6 months ended 30 June 2019

(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 buyback reserve	Hedge reserve	Retained earnings	Total	Non-controlling interest	Total equity
1 January 2018		1,359	7,864	(25,159)	82,591	66,655	1,746	68,401
The impact of the new standard (IFRS) 16	3	-	-	-	(45,851)	(45,851)	303	(45,548)
Total restated								
1 January 2018*		1,359	7,864	(25,159)	36,740	20,804	2,049	22,853
Loss for the period		-	-	-	(29,895)	(29,895)	(484)	(30,379)
Loss from hedging net of related deferred tax	17	-	-	(4,083)	-	(4,083)	-	(4,083)
Total other comprehensive loss						(4,083)	-	(4,083)
Total comprehensive loss						(33,978)	(484)	(34,462)
Treasury shares buyback reserve	19	-	(7,040)	-	-	(7,040)	-	(7,040)
Dividends declared	20	-	-	-	(14,222)	(14,222)	(284)	(14,506)
30 June 2018*		1,359	824	(29,242)	(7,377)	(34,436)	1,281	(33,155)
1 January 2019		1,359	824	(33,857)	74,958	43,284	2,051	45,335
The impact of the new standard (IFRS) 16	3	-	-	-	(106,801)	(106,801)	(155)	(106,956)
Total restated								
1 January 2019*		1,359	824	(33,857)	(31,843)	(63,517)	1,896	(61,621)
(Loss)/profit for the period		-	-	-	(11,308)	(11,308)	2,524	(8,784)
Profit from hedging net of related deferred tax	17	-	-	46,038	-	46,038	-	46,038
Total other comprehensive profit						46,038	-	46,038
Total comprehensive profit						34,730	2,524	37,254
Dividends declared	20	-	-	-	(2,857)	(2,857)	(352)	(3,209)
30 June 2019		1,359	824	12,181	(46,008)	(31,644)	4,068	(27,576)

* Revised Condensed Consolidated Interim Financial Statements for the 6 months 2018 due to adoption of a new IFRS 16 "Leases" (see Note 3)

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 32

PJSC AEROFLOT

Notes to the Condensed Consolidated Interim Financial Statements
for the 6 months ended 30 June 2019

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



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 (hereinafter, the “1992 Decree”). 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. Associated entities mainly comprise aviation security services and other ancillary 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 June 2019 and 31 December 2018, 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.

PJSC AEROFLOT

Notes to the Condensed Consolidated Interim Financial Statements
for the 6 months ended 30 June 2019

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

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

The table below provides information on the Group's aircraft fleet as at 30 June 2019 (number of aircraft):

<u>TYPE OF AIRCRAFT</u>	<u>OWNERSHIP</u>	<u>PSJC AEROFLOT</u>	<u>JSC AK ROSSIYA</u>	<u>JSC AK AURORA</u>	<u>LLC AK POBEDA</u>	<u>GROUP TOTAL</u>
DHC 8-Q300	Owned	-	-	1	-	1
DHC 8-Q402	Owned	-	-	5	-	5
Total owned aircraft		-	-	6	-	6
SSJ 100	Lease	49	-	-	-	49
Airbus A319	Lease	-	21	10	-	31
Airbus A320	Lease	78	6	-	-	84
Airbus A321	Lease	35	-	-	-	35
Boeing B737	Lease	47	16	-	30	93
Boeing B747	Lease	-	9	-	-	9
Boeing B777	Lease	19	10	-	-	29
Airbus A330	Lease	22	-	-	-	22
DHC 8-Q200	Lease	-	-	2	-	2
DHC 8-Q300	Lease	-	-	2	-	2
DHC 6-400	Lease	-	-	3	-	3
Total aircraft under leases		250	62	17	30	359
Total fleet		250	62	23	30	365

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 2018, which have been 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 transaction amounts and monetary assets and liabilities into foreign currencies:

	Official exchange rates	
	RUB / USD 1.00	RUB / EUR 1.00
As at 30 June 2019	63.08	71.82
Average rate for 6 months 2019	65.34	73.84
As at 31 December 2018	69.47	79.46
Average rate for 6 months 2018	59.35	71.82

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 2018 and as at this date, with the exception of changes related to adoption of a new IFRS 16 "Leases", effective since 1 January 2019.

Adoption of IFRS 16 "Leases"

The Group's accounting policies for leases were modified to comply with IFRS 16 "Leases", which replaces IAS 17 "Leases" and interpretations relating to leases.

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. According to this model, the Group recognizes in the financial statements: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the Condensed Consolidated Interim Statement of Profit or Loss.

The Group adopted the Standard effective January 1, 2019 using the full retrospective approach which requires each prior reporting period presented to be restated. Right-of-use assets are measured at transition as if the new rules had always been applied.

At transition to IFRS 16, the Group applied the following practical expedients:

- applied the requirements of clauses 22 to 49 of the standard for a short term leases or contracts for which the underlying asset has a low value (up to RUB 300 thousand or \$ 5,000) and recognized lease payments for such a lease as an expense of the reporting period using the line method every month during the lease term;
- applied single discount rate for a portfolio of leases with reasonably similar characteristics (for leases with a similar remaining lease term for a similar type of underlying assets in similar economic conditions and currency of contract).

**3. ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS
(CONTINUED)***Adoption of IFRS 16 “Leases” (continued)***The main changes in accounting policies since 1 January 2019 at transition to IFRS 16 “Leases”:***Accounting for right-of-use assets and liabilities*

Leases are recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group.

At the commencement date of the lease, the Group includes in the measurement of the lease liability the following lease payments: fixed payments (including in-substance fixed payments) less any lease incentive receivable; variable lease payments that are based on an index or a rate; amounts expected to be payable by the Group under residual value guarantees; the exercise price of a purchase option if the Group is reasonably certain to exercise that option; payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

At the commencement date, assets and liabilities arising from a lease are initially measured on a present value basis using the interest rate implicit in the lease, or if that rate cannot be readily determined, incremental borrowing rate.

Upon initial recognition, in addition to the amount of the initial measurement of the liability, the Group also includes in the cost of right-of-use asset lease payments paid at the commencement date or before such a date less any lease incentives received, initial direct costs, and measurement of the costs that the Group will incur in restoring the underlying asset to a condition that is required before returning it to the lessor in accordance with lease terms.

After the commencement date of the lease, the Group measures the right-of-use asset using the accounting model at cost less accumulated depreciation and accumulated impairment losses adjusted for the revaluation of the lease liability. The Group measures lease liability at cost by increasing the carrying amount by interest accrued and reducing the carrying amount by the lease payments made taking into account revaluation or modification of lease agreements. The interest on the lease liability is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Accounting for costs of regular capital repairs and maintenance of aircraft

Under aircraft lease agreements the cost of regular capital repairs and maintenance works during the period of operation of the aircraft is capitalized into right-of-use assets and amortized over the shorter of (i) the scheduled usage period to the next major inspection event or (ii) the remaining life of the asset or (iii) the remaining lease term. In case at the time of the major inspection the component of the previously capitalized expenses were not fully amortised, the carrying amount of such a component is written and included into expenses of the reporting period at the time of the next repair. Before transition to IFRS 16, such accounting treatment applied only to financial leases of aircraft.

The provision for repairs and maintenance works on return of aircraft to lessor is regularly remeasured and any changes in the carrying amount of the provision including changes from exchange rate fluctuations are recognized in correspondence with relevant right-of-use asset. This provision is recorded at present value. Right-of-use assets are amortized using the line method over the lease term.

Accounting for payments to aircraft maintenance reserve

According to certain aircraft lease agreements in addition to the lease payments the Group makes monthly payments to lessor’s aircraft maintenance reserve for “heavy forms of maintenance” specified in the lease agreement during the lease period.

3. ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Adoption of IFRS 16 “Leases” (continued)

After carrying out repairs that fall within the definition of an event that is reimbursed from a previously accumulated maintenance reserve in accordance with the terms of the lease agreement, the Group receives compensation from the lessor in the amount of the actual repair costs, but not more than the formed maintenance reserve. At the end of the lease period, any remaining balance in the reserve fund is not reimbursed.

To account for such payments the Group identifies the following types of payments to the lessor:

- 1) Payments to the maintenance reserve which will be refunded for repair and maintenance performed during the lease period; and
- 2) Payments to the maintenance reserve the return of which is not expected in cash since the repair and maintenance will be performed by the lessor or other leasee after the lease term.

Upon initial recognition of payments to the maintenance reserve, which will be used for repairs and maintenance performed during the lease term, the Group estimates (i) the amount of payments that are expected to be returned by lessor; (ii) the amount of payments that will not be returned by the lessor. Refundable payments are recognized by the Group as financial assets. The difference between the initial fair value of the financial asset and the amount actually payable to form the recoverable contribution (“loss from occurrence”) is the cost of the lease and is included in the lease liability. A financial asset is recognized when a respective payment to maintenance reserve is made and is initially measured at present value of future refund with application of the discount rate used to measure the lease liability (i.e. the interest rate implied in the lease agreement). The financial asset is increased by interest over the life period of the asset using the effective interest method to the nominal amount to be returned by the lessor to the lessee.

At the commencement date of the lease the Group determines the portion of the loss from occurrence which is the minimum fixed amount during the whole period of payments to the maintenance reserve (lease term). Discounted value of future payments defined as “loss from occurrence” is included in lease liability and the right-of-use asset as of the date the lease is recognized. Any further losses from the occurrence under the contract related to payments to the lessor’s maintenance reserve are expensed as variable lease payments that are independent of the index or rate.

Payments to maintenance reserve that are not expected to be repaid in cash are accounted for similar to other rent payments under IFRS 16. The Group determines whether these non-refundable payments are fixed or in-substance fixed, and then recognizes liability and right-of-use asset at the commencement date of the lease. If payments are recognized as variable (e.g. depending on flying hours) then such payments (less changes related to the estimates of refundable amount) are recognized within expenses of the reporting period as they arise as lease payments that do not depend on the index or rate.

Accounting for payments made to aircraft repair service providers under payment for flight hours scheme (PBH - Power-by-the-Hour)

Under certain lease agreements for aircraft payments for certain types of repairs of aircraft engines or engine auxiliary power unit are made in proportion to their use directly to the organization (contractor), which subsequently performs these repairs. Such payments are in essence advance payments for the corresponding types of repairs and recorded within “Other non-current assets”. In such case, upon the completion of the repair, the advance payment is set off by the Group taking into account the analysis of whether the repair performed is for the period of the aircraft operation and is subject to capitalization as part of the right-of-use asset; or is related to repairs and maintenance works which are performed on return of the aircraft to the lessor in respect of which a provision for repairs and maintenance works was created; or represents the current repair of the reporting period in which it was made.

3. ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Adoption of IFRS 16 “Leases” (continued)

Estimates of the cost of actual repairs are made by the Group’s specialists and if the amount of repairs exceeds the accumulated amount of the advance payment at the reporting date, the Group recognizes accounts payable to the supplier in the Condensed Consolidated Interim Financial Statements and records the subsequent payments to pay off these payables.

Hedge accounting

A significant part of the Group’s aircraft lease agreements are in US dollars. Due to recognition of lease obligations related to operating lease agreements for aircraft at transition to IFRS 16, the Group updated the approach to assessing the effectiveness of hedge and defined as a hedge object the future highly probable revenue equal to the amount of cash flows under lease agreements on a discounted basis. This change has a perspective effect from 1 January 2019.

IFRS 9 prohibits the retrospective adoption of hedging rules, and therefore the requirements of this standard at transition to IFRS 16 were applied prospectively from January 1, 2019. If the Group reflected the hedge accounting of leasing liabilities in US dollars of the future highly probable revenue in the same currency in respect of the liabilities recognized as a result of applying IFRS 16 from 1 January 2018, then a positive effect on the financial result for 6 months, ended 30 June 2018 would have amounted RUB 27.5 billion, reducing the loss for the period to RUB 2.9 billion.

The impact of adoption the IFRS 16 “Leases” on Statement of Financial Position is presented in the table below:

	31 December 2018			1 January 2018		
	Published financial statements	IFRS 16 impact	Restated financial statements	Published financial statements	IFRS 16 impact	Restated financial statements
ASSETS						
Current assets						
Accounts receivable and prepayments	87,868	(9,645)	78,223	92,749	(7,653)	85,096
Aircraft lease security deposits	525	7	532	423	-	423
Expendable spare parts and inventories	14,659	(359)	14,300	12,779	(311)	12,468
Assets classified as held for sale	6,404	79	6,483	3,125	(156)	2,969
Current financial assets under lease agreements	-	1,804	1,804	-	576	576
Non-current assets						
Right-of-use assets	-	668,793	668,793	-	536,678	536,678
Property, plant and equipment	90,964	(64,330)	26,634	97,932	(74,577)	23,355
Deferred tax assets	12,002	27,401	39,403	10,468	11,646	22,114
Non-current financial assets under lease agreements	-	19,261	19,261	-	13,509	13,509
Aircraft lease security deposits	4,356	(73)	4,283	1,602	-	1,602
Other non-current assets	27,990	8,256	36,246	19,728	8,054	27,782

PJSC AEROFLOT

Notes to the Condensed Consolidated Interim Financial Statements
for the 6 months ended 30 June 2019

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



3. ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Adoption of IFRS 16 “Leases” (continued)

	31 December 2018			1 January 2018		
	Published financial statements	IFRS 16 impact	Restated financial statements	Published financial statements	IFRS 16 impact	Restated financial statements
LIABILITIES AND EQUITY						
Current liabilities						
Accounts payable and accrued liabilities	69,346	2,080	71,426	68,367	1,231	69,598
Provisions for liabilities	11,393	17,334	28,727	9,433	692	10,125
Lease liabilities	15,219	63,309	78,528	16,015	43,229	59,244
Liabilities related to assets classified as held for sale	6,623	(369)	6,254	2,210	-	2,210
Non-current liabilities						
Lease liabilities	78,005	499,398	577,403	84,674	349,860	434,534
Provisions for liabilities	23,753	175,769	199,522	16,949	138,076	155,025
Deferred tax liabilities	137	629	766	68	226	294
Equity						
Retained (loss)/earnings	74,958	(106,801)	(31,843)	82,591	(45,851)	36,740
Equity attributable to shareholders of the Company	43,284	(106,801)	(63,517)	66,655	(45,851)	20,804
Non-controlling interest	2,051	(155)	1,896	1,746	303	2,049

PJSC AEROFLOTNotes to the Condensed Consolidated Interim Financial Statements
for the 6 months ended 30 June 2019*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)***3. ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS
(CONTINUED)***Adoption of IFRS 16 “Leases” (continued)*

The impact of adoption the IFRS 16 Leases on Statement of Profit or Loss is presented in the table below:

	Three months ended 30 June 2018			Six months ended 30 June 2018		
	Published financial statements	IFRS 16 impact	Restated financial statements	Published financial statements	IFRS 16 impact	Restated financial statements
Traffic revenue	139,856	-	139,856	240,530	-	240,530
Other revenue	14,024	-	14,024	25,292	-	25,292
Revenue	153,880	-	153,880	265,822	-	265,822
Operating costs, excluding staff costs, depreciation and	(120,587)	26,079	(94,508)	(219,345)	48,375	(170,970)
Staff costs	(20,255)	175	(20,080)	(41,659)	361	(41,298)
Depreciation and amortisation	(2,936)	(17,847)	(20,783)	(6,394)	(34,874)	(41,268)
Other operating income/(expenses), net	1,215	925	2,140	1,297	3,870	5,167
Operating costs	(142,563)	9,332	(133,231)	(266,101)	17,732	(248,369)
Operating (loss)/profit	11,317	9,332	20,649	(279)	17,732	17,453
(Loss)/gain from impairment and fair value changes of investments,	(108)	-	(108)	107	-	107
Finance income	1,242	778	2,020	2,124	1,003	3,127
Finance costs	(2,436)	(43,030)	(45,466)	(4,369)	(50,200)	(54,569)
Hedging result	(1,691)	-	(1,691)	(2,984)	-	(2,984)
Share of results of associates	45	-	45	43	-	43
(Loss)/profit before income tax	8,369	(32,920)	(24,551)	(5,358)	(31,465)	(36,823)
Income tax	(2,054)	6,642	4,588	130	6,314	6,444
(LOSS)/PROFIT FOR THE PERIOD	6,315	(26,278)	(19,963)	(5,228)	(25,151)	(30,379)
Attributable to:						
Shareholders of the Company	6,187	(25,748)	(19,561)	(5,011)	(24,884)	(29,895)
Non-controlling interest	128	(530)	(402)	(217)	(267)	(484)
(LOSS)/PROFIT FOR THE PERIOD	6,315	(26,278)	(19,963)	(5,228)	(25,151)	(30,379)
Basic and diluted (loss)/profit per share (in Roubles per share)	5.6		(17.6)	(4.5)		(26.9)
Weighted average number of shares outstanding (millions)	1,110.6		1,110.6	1,110.6		1,110.6

PJSC AEROFLOT

Notes to the Condensed Consolidated Interim Financial Statements
for the 6 months ended 30 June 2019

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



3. ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Adoption of IFRS 16 “Leases” (continued)

The impact of adoption the IFRS 16 Leases on Statement of Cash Flows is presented in the table below:

	Six months ended 30 June 2018		
	Published financial statements	IFRS 16 impact	Restated financial statements
Cash flows from operating activities:			
Loss before income tax	(5,358)	(31,465)	(36,823)
Adjustments for:	15,989	80,419	96,408
Total operating cash flows before working capital changes	10,631	48,954	59,585
Change in working capital	30,644	(6,121)	24,523
Total operating cash flows after working capital changes	41,275	42,833	84,108
Other changes from operation activities	626	-	626
Net cash flows from operating activities	41,901	42,833	84,734
Net cash flows from investing activities	11,388	(7,616)	3,772
Net cash used in financing activities	(12,010)	(35,217)	(47,227)
Effect of exchange rate fluctuations on cash and cash equivalents	528	-	528
Net increase in cash and cash equivalents	41,807	-	41,807
Cash and cash equivalents at the beginning of the period	45,978	-	45,978
Cash and cash equivalents at the beginning of the period	87,785	-	87,785

Adoption of other new standards

Other new amendments and improvements to standards set out below became effective since 1 January 2019 and did not have any impact or did not have a material impact on the Group’s consolidated condensed interim financial information:

- Annual improvements to IFRSs 2015-2017 cycle;
- IFRIC 23 “Uncertainly over Income Tax Treatments”;
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation;
- Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures;
- Amendments to IAS 19 – Plan Amendments, Curtailment or Settlement.

A number of new standards, amendments to standards and interpretations are not yet effective as at 30 June 2019, and have not been early adopted by the Group:

- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- IFRS 17 “Insurance contracts”;
- Amendments to the Conceptual Framework for Financial Reporting;
- Amendments to IAS 1 and IAS 8 – Definition of materiality;
- Amendments to IFRS 3 – Definition of a business.

Unless otherwise describe above, the new standards, amendments to standards and interpretation are expected to have no impact or to have a non-material impact on the Group’s consolidated condensed interim financial information.

PJSC AEROFLOT

Notes to the Condensed Consolidated Interim Financial Statements
for the 6 months ended 30 June 2019

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



3. ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

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 implementation of accounting policy and the reported amounts of assets, liabilities, gains and losses. Actual results may deviate from declared estimates. Judgements regarding the accounting policy provisions and valuation methods applied by management when preparing these Condensed Consolidated Interim Financial Statements correspond to those used when preparing Consolidated Financial Statements for the year ended 31 December 2018, and as at this date, except for changes in accounting estimates with respect to the amount of income tax expenses and approach for provisions for regular repairs of aircraft.

The costs of regular capital repairs and maintenance of aircraft

The costs of repair works and maintenance required to be performed before return of aircraft to the lessor in accordance with the lease agreement include:

- a) the costs before return of aircraft to the lessor, that are independent of intensity of use;
- b) the costs before return of aircraft to the lessor in accordance with the lease agreement, that are independent of intensity of use.

The group chose a unified approach to accounting for all costs of repairs and maintenance before returning to the lessor, including repairs that depend on the intensity of use of the aircraft, since such repairs are an identifiable event and are planned by the Group in advance. As a rule, the Group has a pre-planned schedule for using the asset and its repairs, which are inevitable. Therefore, at the commencement date of the lease, the Group can reliably estimate the cost of future repairs required upon return of aircraft.

Estimates of expected costs are based on the most reliable data at the assessment date. This takes into account the terms of the lease agreements, the age and condition of the aircraft and aircraft engines, the market value of the fixtures, components and assemblies to be replaced, as well as the cost of the work required.

Income tax expense

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

4. TRAFFIC REVENUE

	Three months ended		Six months ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Scheduled passenger flights	141,330	124,862	254,721	215,969
Charter passenger flights	11,126	10,594	16,990	16,383
Cargo flights	4,559	4,400	8,732	8,178
Total traffic revenue	157,015	139,856	280,443	240,530

PJSC AEROFLOTNotes to the Condensed Consolidated Interim Financial Statements
for the 6 months ended 30 June 2019*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)***5. OTHER REVENUE**

	Three months ended		Six months ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Airline agreements revenue	10,880	8,612	19,996	15,115
Revenue from partners under the frequent flyer programme	3,285	2,993	6,837	5,683
Sales of goods on board	392	420	777	797
In-flight catering services	389	439	672	706
Ground handling and maintenance	114	139	229	287
Hotel revenue	101	164	189	262
Other revenue	1,223	1,257	2,297	2,442
Total other revenue	16,384	14,024	30,997	25,292

6. OPERATING COSTS LESS STAFF COSTS AND DEPRECIATION AND AMORTISATION

	Three months ended		Six months ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Aircraft servicing	25,411	20,988	48,434	38,191
Aircraft maintenance	7,813	5,992	13,987	10,101
Passenger services expenses	6,883	5,737	12,731	10,442
Communication expenses	4,079	3,186	9,144	7,305
Short term rent	1,052	726	1,420	1,047
Administration and general expenses	4,669	4,006	8,634	8,127
Food cost for in-flight catering	3,492	2,743	6,383	5,184
Sales and marketing expenses	2,865	2,926	5,569	4,965
Expenses on variable rental payments not included in lease obligations	1,083	1,227	1,889	1,677
Insurance expenses	642	546	1,252	1,062
Cost of goods sold on board	221	329	431	531
Other expenses	2,722	2,259	4,891	4,453
Operating costs less aircraft fuel, staff costs and depreciation and amortisation	60,932	50,665	114,765	93,085
Aircraft fuel	49,008	43,843	92,708	77,885
Total operating costs less staff costs and depreciation and amortisation	109,940	94,508	207,473	170,970

7. STAFF COSTS

	Three months ended		Six months ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Wages and salaries	17,261	14,966	34,678	31,315
Pension costs	3,791	3,905	7,741	7,620
Social security costs	1,163	1,209	2,375	2,363
Total staff costs	22,215	20,080	44,794	41,298

PJSC AEROFLOT

Notes to the Condensed Consolidated Interim Financial Statements
for the 6 months ended 30 June 2019

(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 6 months 2019, 20% for 6 months 2018) 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		Six months ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Payments to the RF Pension Fund	3,779	3,891	7,685	7,591
Change in pension plans	12	14	56	29
Total pension costs	3,791	3,905	7,741	7,620

8 FINANCE INCOME AND COSTS

	Three months ended		Six months ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
<i>Finance income:</i>				
Interest income	1,112	1,527	2,110	2,652
Gain on foreign exchange, net	638	-	-	-
Profit from change in fair value of derivative financial instruments	126	-	126	-
Other finance income	502	493	1,010	475
Total finance income	2,378	2,020	3,246	3,127

	Three months ended		Six months ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
<i>Finance costs:</i>				
Loss on foreign exchange, net	-	(34,056)	(275)	(33,221)
Interest expense	(1,543)	(1,058)	(3,041)	(2,047)
Interest expense on lease	(11,683)	(10,320)	(23,802)	(19,261)
Other finance costs	(130)	(32)	(118)	(40)
Total finance costs	(13,356)	(45,466)	(27,236)	(54,569)

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 company separately.

The expected weighted average annual income tax rate applied to profitable Group companies for the 6 months 2019 equaled to 12 – 33% (6 months 2018: 20 – 56%). The expected weighted average annual income tax rate applied to loss making Group companies for the 6 months 2019 equaled to 22% (6 months 2018: 15 – 20%). Change in expected rates are generally associated with a change in the share of non-deductible expenses.

PJSC AEROFLOT

Notes to the Condensed Consolidated Interim Financial Statements
for the 6 months ended 30 June 2019

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

**9. INCOME TAX (CONTINUED)**

	Three months ended		Six months ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Current income tax charge	(702)	19	(645)	910
Change in deferred income tax	(1,560)	4,569	2,327	5,534
Income tax	(2,262)	4,588	1,682	6,444

10. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	30 June 2019	31 December 2018
Trade accounts receivable	40,904	39,911
Other financial receivables	11,129	12,401
Less provision for ECL	(11,491)	(11,470)
Total financial receivables	40,542	40,842
Prepayments to suppliers	9,180	11,810
VAT and other taxes recoverable	16,819	16,759
Prepayments for delivery of aircraft	15,104	5,770
Other receivables	3,322	3,597
Less impairment provision	(535)	(555)
Total accounts receivable and prepayments	84,432	78,223

As at 30 June 2019 and 31 December 2018, the current part of prepayments for aircraft includes prepayments for the acquisition of the following aircraft:

Type of aircraft	30 June 2019		31 December 2018	
	Number of aircraft, units	Expected delivery date	Number of aircraft, units	Expected delivery date
Boeing B777	2	2020	2	2019
Airbus A350	5	2020	-	-

11. NON-CURRENT PORTION OF PREPAYMENTS FOR AIRCRAFT

As at 30 June 2019 and 31 December 2018, the non-current portions of prepayments for aircraft was RUB 22,084 million and RUB 21,148 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 and prepayments (Note 10).

As at 30 June 2019 and 31 December 2018, the non-current part of prepayments for aircraft include advance payments for the acquisition of the following aircraft:

Type of aircraft	30 June 2019		31 December 2018	
	Number of aircraft, units	Expected delivery date	Number of aircraft, units	Expected delivery date
Airbus A350	17	2020-2022	22	2020-2023
Boeing B777	1	2021	3	2020-2021

PJSC AEROFLOTNotes to the Condensed Consolidated Interim Financial Statements
for the 6 months ended 30 June 2019*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)***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 2018	8,140	10,150	19,470	2,760	40,520
Additions	-	9	1,355	745	2,109
Capitalised expenditures	-	-	-	616	616
Disposals	(27)	-	(287)	(38)	(352)
Transfers	-	3	453	(456)	-
30 June 2018	8,113	10,162	20,991	3,627	42,893
1 January 2019	9,193	10,051	22,546	4,554	46,344
Additions	178	-	487	1,709	2,374
Disposals	(292)	(26)	(1,662)	(68)	(2,048)
Transfers	178	275	920	(1,373)	-
30 June 2019	9,257	10,300	22,291	4,822	46,670
<i>Accumulated depreciation</i>					
1 January 2018	(1,756)	(5,169)	(10,165)	(75)	(17,165)
Charge for the year	(335)	(135)	(1,139)	-	(1,609)
Accrual of impairment provision	(25)	-	-	-	(25)
Disposals	25	-	245	-	270
30 June 2018	(2,091)	(5,304)	(11,059)	(75)	(18,529)
1 January 2019	(2,500)	(5,354)	(11,761)	(95)	(19,710)
Charge for the year	(371)	(117)	(1,254)	-	(1,742)
Recovery/(accrual) of impairment provision	(8)	-	26	-	18
Disposals	284	9	1,146	-	1,439
30 June 2019	(2,595)	(5,462)	(11,843)	(95)	(19,995)
<i>Carrying amount</i>					
1 January 2018	6,384	4,981	9,305	2,685	23,355
31 December 2018	6,693	4,697	10,785	4,459	26,634
30 June 2019	6,662	4,838	10,448	4,727	26,675

PJSC AEROFLOT

 Notes to the Condensed Consolidated Interim Financial Statements
 for the 6 months ended 30 June 2019

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


13. RIGHT-OF-USE ASSETS

	Aircraft and engines	Land and buildings	Transport, equipment and other	Prepayments	Total
<i>Cost</i>					
1 January 2018	733,801	12,262	8,419	865	755,347
Additions	105,542	1,005	43	160	106,750
Capitalised expenditures	4,927	-	-	635	5,562
Disposals	(3,061)	-	-	-	(3,061)
Transfers from assets classified as held for sale (Note 14)	(14,954)	-	-	-	(14,954)
Transfers	819	-	-	(819)	-
Remeasurement/modification of right-of-use assets	14,960	(328)	1	-	14,633
30 June 2018	842,034	12,939	8,463	841	864,277
1 January 2019	928,234	17,068	8,361	1,061	954,724
Additions	41,454	349	2,453	-	44,256
Capitalised expenditures	4,190	-	-	351	4,541
Disposals	(10,579)	(349)	(11)	-	(10,939)
Transfers	689	-	-	(689)	-
Remeasurement/modification of right-of-use assets	(6,405)	(846)	(8)	-	(7,259)
30 June 2019	957,583	16,222	10,795	723	985,323
<i>Accumulated depreciation</i>					
1 January 2018	(208,956)	(6,896)	(2,817)	-	(218,669)
Charge for the year	(37,967)	(741)	(634)	-	(39,342)
Disposals	2,309	-	-	-	2,309
Transfers to assets classified as held for sale (Note 14)	7,108	-	-	-	7,108
30 June 2018	(237,506)	(7,637)	(3,451)	-	(248,594)
1 January 2019	(272,875)	(9,080)	(3,976)	-	(285,931)
Charge for the year	(49,336)	(1,218)	(718)	-	(51,272)
Disposals	10,195	348	-	-	10,543
Modification of right-of-use assets	270	79	-	-	349
30 June 2019	(311,746)	(9,871)	(4,694)	-	(326,311)
<i>Carrying amount</i>					
1 January 2018	524,845	5,366	5,602	865	536,678
31 December 2018	655,359	7,988	4,385	1,061	668,793
30 June 2019	645,837	6,351	6,101	723	659,012

Capitalised borrowing costs for 6 months 2019 amounted to RUB 351 million (6 months 2018: 635 RUB million). The capitalisation rate of interest expenses and translation differences for the period was 8.6% p.a. (6 months 2018: 6% p.a.).

PJSC AEROFLOT

Notes to the Condensed Consolidated Interim Financial Statements
for the 6 months ended 30 June 2019

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

**14. ASSETS CLASSIFIED AS HELD FOR SALE**

As at 30 June 2019, 5 aircraft (31 December 2018: 7 aircraft) Airbus A321 operated under lease agreements were targeted for disposal; therefore, at the end of the reporting period these assets and related liabilities were classified as held for sale.

As at 30 June 2019, the amount of net assets held for sale amounted to RUB 1,482 million (31 December 2018: 229 million).

During 6 months 2019 the Group disposed of 2 Airbus A321 aircraft (during 6 months 2018: 4 aircraft), profit from disposal amounted to RUB 606 million (during 6 months 2018: RUB 408 million).

15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	30 June 2019	31 December 2018
Accounts payable	47,089	40,585
Other financial payables	5,207	4,994
Dividends payable	3,247	64
Total financial payables	55,543	45,643
Staff and social funds related liabilities	16,925	16,387
Advances received (other than unearned traffic revenue)	3,341	3,343
Other current liabilities related to the frequent flyer programme	4,538	4,196
Other taxes payable	1,563	1,323
Other payables	505	534
Total accounts payable and accrued liabilities	82,415	71,426

16. PROVISIONS FOR LIABILITIES

	Regular repairs and maintenance works	Other provisions	Total provisions
1 January 2018	163,422	1,728	165,150
Charge of provision for the period	17,671	142	17,813
Use of provision for the period	(4,017)	(33)	(4,050)
Remeasurement of provision for the period	14,891	-	14,891
Release of provision for the period	(12)	(2)	(14)
Unwinding of the discount	2,093	-	2,093
Reclassification	-	(1,666)	(1,666)
30 June 2018	194,048	169	194,217
1 January 2019	226,595	1,654	228,249
Charge of provision for the period	7,102	59	7,161
Use of provision for the period	(8,875)	(6)	(8,881)
Remeasurement of provision for period	(6,800)	-	(6,800)
Release of provision for the period	(596)	(1,453)	(2,049)
Unwinding of the discount	2,843	-	2,843
30 June 2019	220,269	254	220,523

PJSC AEROFLOT

Notes to the Condensed Consolidated Interim Financial Statements
for the 6 months ended 30 June 2019

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

**16. PROVISIONS FOR LIABILITIES (CONTINUED)**

	30 June 2019	31 December 2018
Current liabilities	25,099	25,865
Non-current liabilities	195,424	202,384
Total provisions	220,523	228,249

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).

As at 30 June 2019, the previously accrued provision of RUB 1,666 million for obligations to pay capitalized social payments stipulated by the legislation of the Russian Federation in connection with the start of a bankruptcy proceedings against JSC Donavia was reclassified to accounts payable (31 December 2018: RUB 1,666 million).

Regular repairs and maintenance works

As at 30 June 2019, the Group made a provision of RUB 220,269 million (31 December 2018: RUB 226,595 million) for regular repairs and maintenance works of aircraft used under operating lease terms.

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. The list of aircraft that the Group has operated under lease agreements as at 30 June 2019 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 engines with the carrying amount disclosed in Note 13 are effectively pledged for lease liabilities as the rights to the leased asset revert to the lessor in the event of default.

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".

As at 30 June 2019, lease liabilities and liabilities related to assets held for sale in the amount of RUB 516,008 million denominated in US dollars (31 December 2018: RUB 93,816 million) were designated as a hedging instrument for highly probable revenue forecasted for the period 2019 – 2030 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 June 2019, accumulated foreign currency gain of RUB 15,226 million (before deferred income tax) on the lease liabilities (31 December 2018: accumulated foreign currency loss of RUB 42,321 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 6 months 2019 was RUB 1,337 million (for 6 months 2018: RUB 2,984 million).

PJSC AEROFLOT

Notes to the Condensed Consolidated Interim Financial Statements
for the 6 months ended 30 June 2019

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

**18. LOANS AND BORROWINGS**

	30 June 2019	31 December 2018
<i>Short-term loans and borrowings:</i>		
Short-term loans in Russian Roubles	131	175
Total short-term loans and borrowings	131	175
<i>Long-term loans and borrowings:</i>		
Long-term loans in Russian Roubles	2,800	2,844
Long-term loans and borrowings in US dollars	428	467
Total long-term loans and borrowings	3,228	3,311

The main changes in loans and borrowings during reporting period

The Group has withdrawn a credit line with PJSC Sovcombank (fixed interest rate) in the amount of USD 80 million. As at 30 June 2019, withdrawn part of credit line was fully paid.

The Group has withdrawn a credit line with PJSC Sviaz-bank (fixed interest rate) in the amount of USD 70 million. As at 30 June 2019, withdrawn part of credit line was fully paid.

The Group has withdrawn a credit line with PJSC Uralsib (fixed interest rate) in the amount of USD 30 million. As at 30 June 2019, withdrawn part of credit line was fully paid.

As at 30 June 2019, the Group did not have assets transferred to secure loans and borrowings.

As at 30 June 2019 and 31 December 2018, the fair value of loans and borrowings was not materially different from their carrying amount.

Undrawn commitments

As at 30 June 2019, the Group was able to attract additional funds in the amount of RUB 63,489 million (31 December 2018: RUB 84,183 million) available under existing credit lines granted to the Group by various credit institutions.

19. SHARE CAPITAL

As at 30 June 2019 and 31 December 2018, 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 2018	1,110,616,299	(47,817,796)	1,062,798,503
30 June 2019	1,110,616,299	(47,817,796)	1,062,798,503

On 25 June 2018, the General Meeting of Shareholders of the Company decided to make a material interested party transaction lease of fifty new MS-21-300 aircraft. Owners of voting shares who voted against this decision or did not participate in voting on this issue were entitled to claim the buyback by the Company of all or part of their shares. As at 30 June 2019 and 31 December 2018, 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 issued shares are fully paid. In addition to the shares that have been placed the Company is entitled to place 250,000,000 ordinary registered shares (31 December 2018: 250,000,000 shares) with par value of RUB 1 per share (31 December 2018: 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 June 2019 and 31 December 2018, weighted average price was RUB 101.64 and RUB 101.08 per share, respectively.

PJSC AEROFLOT

Notes to the Condensed Consolidated Interim Financial Statements
for the 6 months ended 30 June 2019

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

**19. SHARE CAPITAL (CONTINUED)**

The Company launched a Global Depository Receipts (GDR) programme in December 2000. Since January 2014, one GDR equals five ordinary shares. As at 30 June 2019 and 31 December 2018, the Group's GDRs were traded on the Frankfurt Stock Exchange at EUR 7.1 per GDR and EUR 6.56 per GDR, respectively.

20. DIVIDENDS

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.

At the annual shareholders' meeting held on 25 June 2018 the shareholders approved dividends in respect of 2017 in the amount of RUB 12.8053 per share totalling to RUB 14,222 million for the Company's total declared and placed shares. All dividends are declared and paid in Russian Roubles.

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. Air transportation revenue by flight routes is allocated based on the geographic destinations of flights. 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.

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

Group assets are located mainly in Russian Federation.

The realisation between the segments is carried out on market terms and is eliminated upon consolidation.

	Air	Other	Inter-segment sales elimination	Total Group
Six months 2019	transportation	Other	elimination	Total Group
External sales	309,498	1,942	-	311,440
Inter-segment sales	369	12,103	(12,472)	-
Total revenue	309,867	14,045	(12,472)	311,440
Operating profit	14,251	367	-	14,618
Gain/(loss) from impairment and fair value changes of investments, net				147
Finance income				3,246
Finance costs				(27,236)
Hedging result				(1,337)
Share of financial results of associates				96
Loss before income tax				(10,466)
Income tax				1,682
Loss for the period				(8,784)

PJSC AEROFLOTNotes to the Condensed Consolidated Interim Financial Statements
for the 6 months ended 30 June 2019*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)***21. OPERATING SEGMENTS (CONTINUED)**

Six months 2018	Air transportation	Other	Inter-segment sales elimination	Total Group
External sales	263,797	2,025	-	265,822
Inter-segment sales	335	9,976	(10,311)	-
Total revenue	264,132	12,001	(10,311)	265,822
Operating profit	16,740	713	-	17,453
Gain/(loss) from impairment and fair value changes of investments, net				107
Finance income				3,127
Finance costs				(54,569)
Hedging result				(2,984)
Share of financial results of associates				43
Loss before income tax				(36,823)
Income tax				6,444
Loss for the period				(30,379)

Three months ended 30 June 2019	Air transportation	Other	Inter-segment sales elimination	Total Group
External sales	172,360	1,039	-	173,399
Inter-segment sales	188	6,469	(6,657)	-
Total revenue	172,548	7,508	(6,657)	173,399
Operating profit	20,327	190	-	20,517
Gain/(loss) from impairment and fair value changes of investments, net				(80)
Finance income				2,378
Finance costs				(13,356)
Hedging result				(320)
Share of financial results of associates				56
Profit before income tax				9,195
Income tax				(2,262)
Profit for the period				6,933

PJSC AEROFLOT

Notes to the Condensed Consolidated Interim Financial Statements
for the 6 months ended 30 June 2019

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

**21. OPERATING SEGMENTS (CONTINUED)**

Three months ended 30 June 2018	Air transportation	Other	Inter-segment sales elimination	Total Group
External sales	152,724	1,156	-	153,880
Inter-segment sales	174	5,256	(5,430)	-
Total revenue	152,898	6,412	(5,430)	153,880
Operating profit	20,107	542	-	20,649
Gain/(loss) from impairment and fair value changes of investments, net				(108)
Finance income				2,020
Finance costs				(45,466)
Hedging result				(1,691)
Share of financial results of associates				45
Loss before income tax				(24,551)
Income tax				4,588
Loss for the period				(19,963)

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 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 and derivative financial instruments. The fair value measurement of JSC MASH cost belong to Level 3 in the fair value hierarchy and are 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 the 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.

The fair value measurement of derivative financial instruments belong to Level 3 in the fair value hierarchy and are determined through level 3 market inputs using the Monte Carlo method. The following inputs were used to assess the fair value of the options: (i) spot price for Brent crude oil observable in the information systems at the valuation date; (ii) forecast price for Brent crude oil determined based on the data provided by analysts for the term of the option; (iii) implied volatility; (iv) currency market rate MosPrime.

PJSC AEROFLOT

Notes to the Condensed Consolidated Interim Financial Statements
for the 6 months ended 30 June 2019

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

**22. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

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 June 2019 and 31 December 2018, the fair values of financial payables (Note 15), loans and borrowings (Note 18) were not materially different from their carrying amounts. The fair values of financial payables, and loans and borrowings are categorised as Levels 2.

During 6 months of 2019 and 6 months 2018 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 June 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		40,262	-	40,262
Short-term financial investments		7,769	-	7,769
Financial receivables	10	40,542	-	40,542
Aircraft lease security deposits		5,058	-	5,058
Long-term financial instruments		93	5,497	5,590
Financial assets under lease agreements	3	21,700	-	21,700
Derivative financial instruments		-	2,194	2,194
Other non-current assets		787	-	787
Total financial assets		116,211	7,691	123,902

	Note	Financial liabilities measured at amortised cost	Total
Financial payables	15	55,543	55,543
Lease liabilities	17	596,084	596,084
Loans and borrowings	18	3,359	3,359
Other non-current liabilities		189	189
Total financial liabilities		655,175	655,175

PJSC AEROFLOT

Notes to the Condensed Consolidated Interim Financial Statements
for the 6 months ended 30 June 2019

(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 2018 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		23,711	-	23,711
Short-term financial investments		6,437	-	6,437
Financial receivables	10	40,842	-	40,842
Aircraft lease security deposits		4,815	-	4,815
Long-term financial instruments		83	5,310	5,393
Financial assets under lease agreements	3	21,065	-	21,065
Other current assets		226	-	226
Other non-current assets		418	-	418
Total financial assets		97,597	5,310	102,907
			Financial liabilities measured at amortised cost	Total
Financial payables	15		45,643	45,643
Lease liabilities	17		655,931	655,931
Loans and borrowings	18		3,486	3,486
Other non-current liabilities			201	201
Total financial liabilities			705,261	705,261

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 June 2019 and 31 December 2018, the outstanding balances with related parties and income and expense items with related parties for 6 months 2019 and 6 months 2018 were disclosed below.

Associates

As at 30 June 2019 and 31 December 2018, the outstanding balances with associates and income and expense items with associates for 6 months 2019 and 6 months 2018 were as follows:

	30 June 2019	31 December 2018
Assets		
Accounts receivable	110	-
Liabilities		
Accounts payable and accrued liabilities	231	136

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

	Three months ended		Six months ended	
	30 June 2019	30 June 2018	30 June 2019	31 December 2018
Transactions				
Sales to associates	1	1	2	3
Purchase of goods and services from associates	838	667	1,588	1,249

PJSC AEROFLOT

Notes to the Condensed Consolidated Interim Financial Statements
for the 6 months ended 30 June 2019

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



23. RELATED-PARTY TRANSACTIONS (CONTINUED)

Associates (continued)

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

Government-related entities

As at 30 June 2019 and 31 December 2018, 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 parties that are related to the Company because the Government exercises 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 June 2019</u>	<u>31 December 2018</u>
Assets		
Cash	<u>15,276</u>	<u>15,649</u>

The amounts of the Group's lease liabilities (including liabilities related to assets held for sale) are disclosed in Notes 14, 17. The share of liabilities to the government-related entities is approximately 56% for lease (including liabilities related to assets held for sale) (31 December 2018: 55% respectively).

For 6 months 2019 the share of Group's transactions with government-related entities is about 23% of operating costs, and about 2% of revenue (6 months 2018: about 24% and about 1%, respectively). These expenses primarily include supplies of motor fuels and the cost of air navigation and aircraft maintenance services at airports.

Transactions with the Russian Government also include taxes, levies and customs duties settlements and charges which are disclosed in Notes 7, 9, 10 and 15.

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 764 million for 6 months 2019 (6 months 2018: RUB 748 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)***Bonus programme based on the results of the Group***

In June 2019 a new bonus programme for members of the Company's Board of Directors was approved. The amounts of payments under the program depend on the criteria of Group passenger traffic, share of international transit from total passenger traffic of the Group and transportation profitability. The fair value of the liabilities under the bonus programme as of 30 June 2019, included in accounts payable, was determined based on the expected payment amount for the reporting period from 1 January 2019 till 30 June 2019 and amount of payment deferred till the end of the programme. Previously adopted programme was terminated.

As at 30 June 2019, the outstanding amount of the liability under the new and previously adopted programmes was RUB 222 million (31 December 2018: RUB 220 million).

24. CAPITAL COMMITMENTS

As at 30 June 2019, the Group had non-cancellable agreements on future acquisition of property, plant and equipment with third parties amounted to RUB 196 489 million (31 December 2018: RUB 255,116 million). These commitments mainly relate to purchase 22 Airbus A-350 (31 December 2018: 22 aircraft), 3 Boeing B777 (31 December 2018: 5 aircraft). Group expects to use supplied aircraft under lease agreements, therefore no cash outflow on 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 RF continue to develop and are subject to frequent changes and varying interpretations. In early 2019, the Russian economy continued to show signs of recovery after overcoming the economic decline in previous years. Though, ongoing political tension in the region and international sanctions against certain Russian companies and individuals have a negative impact on the Russian economy. The financial markets continue to be volatile. This operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and 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.

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 authorities, which have the authority to impose severe fines and penalties charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. 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 more significant than in other countries. The Group's management believes that it has provided adequately for tax liabilities in these Condensed Consolidated Financial Statements based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of these provisions by the relevant authorities could differ and the effect on these Condensed Consolidated Statements, if the authorities were successful in enforcing their interpretations, could be significant.

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

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 2018, 2.08 for 2019.

Since 1 January 2015, the Russian Tax Code has been supplemented with the framework of beneficial ownership to the 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 have a significant impact on the Group.

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), but it is characterized by a certain specificity. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. 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 an increase in the Group's effective income tax rate.

In addition to the above matters, as at 30 June 2019 and 31 December 2018 management estimates that the Group has no possible obligations from exposure to other than remote tax risks.

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

Insurance

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

Liquidity management

The Group Treasury provides flexibility of financing through available credit lines. At 30 June 2019, within the credit lines provided by various credit organizations, the Group had the opportunity to raise additional funds in the amount of RUB 63,489 million for repayment of financial liabilities (31 December 2018: RUB 84,183). In addition to improve liquidity, the Group plans to increase the Group's operating efficiency and further increase cash flow from operating activities.

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.