

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

**Condensed Consolidated Interim Financial Statements  
for the 3 months 2020**

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**PJSC AEROFLOT**

Statement of management's responsibilities for the preparation and approval of the Condensed Consolidated Interim Financial Statements for the 3 months 2020



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 Group'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 Group's assets; and
- preventing and detecting fraud and other irregularities.

The Condensed Consolidated Interim Financial Statements for 3 months ended 31 March 2020 were approved on 1 June 2020 by:

A handwritten signature in blue ink, appearing to be "V. G. Saveliev".

**V. G. Saveliev**  
General Director

A handwritten signature in blue ink, appearing to be "A. Y. Chikhanchin".

**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 31 March 2020 and the related condensed consolidated interim statements of profit or loss, comprehensive income, cash flows and changes in equity for the three-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*

1 June 2020  
Moscow, Russian Federation

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

Audited entity: PJSC Aeroflot

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

AO PricewaterhouseCoopers Audit

White Square Office Center 10 Butyrsky Val Moscow, Russian Federation, 125047

T: +7 (495) 967-6000, F: +7 (495) 967-6001, [www.pwc.ru](http://www.pwc.ru)

**PJSC AEROFLOT**  
**Condensed Consolidated Interim Statement**  
**of Profit or Loss for the 3 months 2020**



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

	<u>Note</u>	<u>3m 2020</u>	<u>3m 2019</u>
Traffic revenue	4	111,412	123,428
Other revenue	5	12,482	14,613
<b>Revenue</b>		<b>123,894</b>	<b>138,041</b>
Operating costs, excluding staff costs, depreciation and amortisation	6	(92,873)	(97,533)
Staff costs	7	(21,124)	(22,579)
Depreciation and amortisation		(26,022)	(27,074)
Other operating income/(expenses), net		2,969	3,246
<b>Operating costs</b>		<b>(137,050)</b>	<b>(143,940)</b>
<b>Operating loss</b>		<b>(13,156)</b>	<b>(5,899)</b>
(Loss)/gain from impairment and fair value changes of investments, net		(612)	227
Finance income	8	1,897	1,506
Finance costs	8	(11,842)	(14,547)
Hedging result	17	(7,360)	(1,017)
Share of results of associates		3	40
<b>Loss before income tax</b>		<b>(31,070)</b>	<b>(19,690)</b>
Income tax	9	8,586	3,944
<b>LOSS FOR THE PERIOD</b>		<b>(22,484)</b>	<b>(15,746)</b>
<i>Attributable to:</i>			
Shareholders of the Company		(19,861)	(16,870)
Non-controlling interest		(2,623)	1,124
<b>LOSS FOR THE PERIOD</b>		<b>(22,484)</b>	<b>(15,746)</b>
<b>Basic and diluted loss per share (in Roubles per share)</b>		<b>(18.7)</b>	<b>(15.9)</b>
<b>Weighted average number of shares outstanding (millions)</b>	19	<b>1,062.8</b>	<b>1,062.8</b>

Approved on 1 June 2020 and signed on behalf of management

**V. G. Saveliev**  
 General Director

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

**PJSC AEROFLOT**Condensed Consolidated Interim Statement  
of Comprehensive Income for the 3 months 2020*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)*

	<u>Note</u>	<u>3m 2020</u>	<u>3m 2019</u>
<b>Loss for the period</b>		(22,484)	(15,746)
<b>Other comprehensive (loss)/income:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Effect from hedging revenue with foreign currency liabilities	17	(123,105)	43,165
Deferred tax related to a result from cash-flow hedging	9	24,621	(8,633)
<b>Other comprehensive (loss)/income for the period</b>		<u>(98,484)</u>	<u>34,532</u>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>		<u>(120,968)</u>	<u>18,786</u>
<i>Total comprehensive (loss)/income attributable to:</i>			
Shareholders of the Company		(118,345)	17,662
Non-controlling interest		<u>(2,623)</u>	<u>1,124</u>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>		<u>(120,968)</u>	<u>18,786</u>

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 28

**PJSC AEROFLOT**Condensed Consolidated Interim Statement of Financial Position  
as at 31 March 2020*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)*

	<b>Note</b>	<b>31 March 2020</b>	<b>31 December 2019</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	21	26,962	12,883
Short-term financial investments	21	10,413	12,978
Accounts receivable and prepayments	10	89,829	96,467
Current income tax prepayment		2,106	2,878
Aircraft lease security deposits		2,878	2,242
Expendable spare parts and inventories		16,927	15,570
Current financial assets under lease agreements		3,819	3,834
<b>Total current assets</b>		<b>152,934</b>	<b>146,852</b>
<b>Non-current assets</b>			
Right-of-use assets	13	701,742	629,115
Property, plant and equipment	12	26,378	26,743
Prepayments for aircraft	11	14,417	20,745
Deferred tax assets		61,506	27,894
Goodwill	15	6,660	6,660
Long-term financial investments		5,597	5,856
Intangible assets		2,593	2,600
Non-current financial assets under lease agreements		24,123	18,356
Aircraft lease security deposits		2,493	2,099
Investments in associates		570	567
Other non-current assets		51,267	45,831
<b>Total non-current assets</b>		<b>897,346</b>	<b>786,466</b>
<b>TOTAL ASSETS</b>		<b>1,050,280</b>	<b>933,318</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	14	69,587	71,737
Unearned traffic revenue		46,775	53,399
Deferred revenue related to the frequent flyer programme		4,485	4,365
Provisions for liabilities	16	28,954	24,531
Lease liabilities	17	95,368	70,814
Short-term loans and borrowings and current portion of long-term loans and borrowings	18	41,463	12,568
Current income tax liabilities		7	4
<b>Total current liabilities</b>		<b>286,639</b>	<b>237,418</b>
<b>Non-current liabilities</b>			
Long-term loans and borrowings	18	4,934	3,224
Lease liabilities	17	603,611	486,310
Provisions for liabilities	16	259,506	192,281
Deferred tax liabilities		469	467
Deferred revenue related to the frequent flyer programme		5,046	4,910
Other non-current liabilities		9,093	6,758
<b>Total non-current liabilities</b>		<b>882,659</b>	<b>693,950</b>
<b>TOTAL LIABILITIES</b>		<b>1,169,298</b>	<b>931,368</b>
<b>Equity</b>			
Share capital	19	1,359	1,359
Treasury shares buyback reserve		(7,040)	(7,040)
Accumulated profit on disposal of treasury shares		7,864	7,864
Hedge reserve	17	(78,308)	20,176
Undistributed loss		(43,912)	(24,051)
<b>Equity attributable to shareholders of the Company</b>		<b>(120,037)</b>	<b>(1,692)</b>
Non-controlling interest		1,019	3,642
<b>TOTAL EQUITY</b>		<b>(119,018)</b>	<b>1,950</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,050,280</b>	<b>933,318</b>

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 28

**PJSC AEROFLOT**  
Condensed Consolidated Interim Statement  
of Cash Flows for the 3 months 2020



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

	<u>Note</u>	<u>3m 2020</u>	<u>3m 2019</u>
<b>Cash flows from operating activities:</b>			
Loss before income tax		(31,070)	(19,690)
<i>Adjustments for:</i>			
Depreciation and amortisation	12, 13	26,022	27,074
Change in expected credit losses and impairment of prepayments		193	(21)
Change in impairment provision for obsolete expendable spare parts and inventory		(1)	(110)
Change in impairment provision for property, plant and equipment and right-of-use assets	12, 13	114	8
Loss on disposal of property, plant and equipment and intangible assets		76	236
Loss/(gain) from impairment and fair value changes of investments, net		612	(227)
Hedging result	17	7,360	1,017
Change in provisions for liabilities	16	(1,376)	(1,449)
Interest expense	8	11,126	13,617
Interest income	8	(701)	(998)
Foreign exchange (gain)/loss, net	8	(736)	930
Dividend income		(16)	-
Revaluation/modification under lease contracts		164	-
Other finance (income)/expenses, net		256	508
Other operating (income)/expenses, net	8	(148)	(566)
<b>Total operating cash flows before working capital changes</b>		<b>11,875</b>	<b>20,329</b>
Decrease/(increase) in accounts receivable and prepayments		15,558	(6,901)
Increase in expendable spare parts and inventories		(1,356)	(525)
(Decrease)/increase in accounts payable and accrued liabilities		(12,629)	29,388
<b>Total operating cash flows after working capital changes</b>		<b>13,448</b>	<b>42,291</b>
Change in restricted cash	24	(2)	-
Income tax paid		(167)	(140)
Income tax refunded		539	993
<b>Net cash flows from operating activities</b>		<b>13,818</b>	<b>43,144</b>

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 28



**PJSC AEROFLOT**  
Condensed Consolidated Interim Statement  
of Cash Flows for the 3 months 2020



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

	<u>Note</u>	<u>3m 2020</u>	<u>3m 2019</u>
<b><i>Cash flows from investing activities:</i></b>			
Deposits return		7,312	2,933
Deposits placement		(3,377)	(2,574)
Proceeds from sale of property, plant and equipment		5	12
Proceeds from sale of assets held for sale		-	1,112
Interest received		165	237
Purchases of property, plant and equipment, right-of-use assets, intangible assets and capitalized repair expenses	12, 13	(7,016)	(4,251)
Dividends received		33	16
Prepayments for aircraft	10, 11	(3,660)	(5,048)
Return of prepayments for aircraft	10, 11	2,374	-
Payment for financial assets under aircraft lease contracts		(1,508)	(2,625)
Repayment of financial assets under aircraft lease contracts		2,051	655
Repayment of operating lease security deposits		-	(453)
<b>Net cash flows used in investing activities</b>		<b><u>(3,621)</u></b>	<b><u>(9,986)</u></b>
<b><i>Cash flows from financing activities:</i></b>			
Receipt of loans and borrowings	18	38,900	11,861
Repayment of loans and borrowings	18	(8,444)	(44)
Repayment of the lease liabilities principal	17	(16,705)	(15,755)
Interest paid except for interest under lease contracts		(284)	(109)
Interest paid under lease contracts		(9,059)	(11,176)
Dividends (paid)/returned		(461)	19
<b>Net cash from/(used in) financing activities</b>		<b><u>3,947</u></b>	<b><u>(15,204)</u></b>
Effect of exchange rate fluctuations on cash and cash equivalents		(65)	(523)
<b>Net increase in cash and cash equivalents</b>		<b><u>14,079</u></b>	<b><u>17,431</u></b>
Cash and cash equivalents at the beginning of the period		12,883	23,711
<b>Cash and cash equivalents at the end of the period</b>		<b><u>26,962</u></b>	<b><u>41,142</u></b>
<b><i>Non-cash transactions as part of the investing activities:</i></b>			
Right-of-use assets acquired under lease contracts		13,756	26,051

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 28

**PJSC AEROFLOT**

Condensed Consolidated Interim Statement  
of Changes in Equity for the 3 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 buyback reserve	Hedge reserve	Undistributed loss	Total	Non-controlling interest	Total equity
<b>1 January 2019</b>		<b>1,359</b>	<b>824</b>	<b>(33,857)</b>	<b>(31,843)</b>	<b>(63,517)</b>	<b>1,896</b>	<b>(61,621)</b>
<b>(Loss)/profit for the period</b>		-	-	-	<b>(16,870)</b>	<b>(16,870)</b>	<b>1,124</b>	<b>(15,746)</b>
Profit from hedging net of related deferred tax	17	-	-	34,532	-	34,532	-	34,532
<b>Total other comprehensive income</b>						<b>34,532</b>	-	<b>34,532</b>
<b>Total comprehensive income</b>						<b>17,662</b>	<b>1,124</b>	<b>18,786</b>
<b>31 March 2019</b>		<b>1,359</b>	<b>824</b>	<b>675</b>	<b>(48,713)</b>	<b>(45,855)</b>	<b>3,020</b>	<b>(42,835)</b>
<b>1 January 2020</b>		<b>1,359</b>	<b>824</b>	<b>20,176</b>	<b>(24,051)</b>	<b>(1,692)</b>	<b>3,642</b>	<b>1,950</b>
<b>Loss for the period</b>		-	-	-	<b>(19,861)</b>	<b>(19,861)</b>	<b>(2,623)</b>	<b>(22,484)</b>
Loss from hedging net of related deferred tax	17	-	-	(98,484)	-	(98,484)	-	(98,484)
<b>Total other comprehensive loss</b>						<b>(98,484)</b>	-	<b>(98,484)</b>
<b>Total comprehensive loss</b>						<b>(118,345)</b>	<b>(2,623)</b>	<b>(120,968)</b>
<b>31 March 2020</b>		<b>1,359</b>	<b>824</b>	<b>(78,308)</b>	<b>(43,912)</b>	<b>(120,037)</b>	<b>1,019</b>	<b>(119,018)</b>

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 28

**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 31 March 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, Russian Federation.

***Impact of Covid-19***

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, but the strongest decrease in demand has affected the load and efficiency of use of the aircraft fleet.

- Over the 3 months 2020, the Group carried 11.2 million passengers, which is 12.3% lower than the result of the same period in 2019, while the passenger turnover of the Group decreased by 13.4% compared to the same period last year.
- The passenger factor load of the Group decreased by 6.9 p.p. compared with the same period last year, accounting for 71.1%.

As a result of these factors, the Group’s management made a number of decisions, including reorienting aircraft for cargo flights, reducing costs, negotiating with lessors about deferring leasing payments, identifying additional opportunities to increase liquidity and postponing a number of planned internal projects for fulfilment current liabilities. To date, the Group has reached agreements 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 Government RF on possible measures to support the Group and the airline industry.

As of 18 May 2020, the Federal Air Transport Agency signed orders on the provision of subsidies to Group’s airlines in the amount of RUB 7.89 billion.

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. In connection with the commencement of the lifting of restrictive antiviral measures, LLC AK Pobeda is gradually resuming the programme of domestic flights from 1 June 2020.

## **PJSC AEROFLOT**

Notes to the Condensed Consolidated Interim Financial Statements  
for the 3 months 2020

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

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

#### ***Impact of Covid-19 (continued)***

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 fulfill 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.

Impact of the COVID-19 on individual lines of Financial Statements presented in respectively notes.

**PJSC AEROFLOT**

Notes to the Condensed Consolidated Interim Financial Statements  
for the 3 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 31 March 2020 (number of aircraft):

<b>TYPE OF AIRCRAFT</b>	<b>OWNERSHIP</b>	<b>PSJC AEROFLOT</b>	<b>JSC AK ROSSIYA</b>	<b>JSC AK AURORA</b>	<b>LLC AK POBEDA</b>	<b>GROUP TOTAL</b>
DHC 8-Q300	Owned	-	-	1	-	1
DHC 8-Q402	Owned	-	-	5	-	5
<b>Total owned aircraft</b>		<b>-</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>6</b>
SSJ 100	Lease	54	-	-	-	54
Airbus A319	Lease	-	20	10	-	30
Airbus A320	Lease	74	6	-	-	80
Airbus A321	Lease	33	-	-	-	33
Airbus A330	Lease	19	-	-	-	19
Airbus A350	Lease	1	-	-	-	1
Boeing B737	Lease	47	16	-	30	93
Boeing B747	Lease	-	9	-	-	9
Boeing B777	Lease	19	10	-	-	29
DHC 8-Q200	Lease	-	-	2	-	2
DHC 8-Q300	Lease	-	-	2	-	2
DHC 6-400	Lease	-	-	3	-	3
<b>Total aircraft under leases</b>		<b>247</b>	<b>61</b>	<b>17</b>	<b>30</b>	<b>355</b>
<b>Total fleet</b>		<b>247</b>	<b>61</b>	<b>23</b>	<b>30</b>	<b>361</b>

## 2. BASIS OF PREPARATION THE FINANCIAL STATEMENTS

### *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 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 31 March 2020	77.73	85.74
Average rate for 3 months 2020	66.38	73.23
As at 31 December 2019	61.91	69.34
Average rate for 3 months 2019	66.13	75.17

## 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 this date.

### *New standards and interpretations*

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).

These changes and improvements to the standards did not affect or have 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 31 March 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).

***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).

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.

**PJSC AEROFLOT**

Notes to the Condensed Consolidated Interim Financial Statements  
for the 3 months 2020

(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 2019, and as at this 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

	<u>3m 2020</u>	<u>3m 2019</u>
Scheduled passenger flights	102,139	113,391
Charter passenger flights	4,469	5,864
Cargo flights	4,804	4,173
<b>Total traffic revenue</b>	<b><u>111,412</u></b>	<b><u>123,428</u></b>

### 5. OTHER REVENUE

	<u>3m 2020</u>	<u>3m 2019</u>
Airline agreements revenue	6,866	9,116
Revenue from partners under the frequent flyer programme	3,362	3,552
Sales of goods on board	259	385
In-flight catering services	268	283
Ground handling and maintenance	69	115
Hotel revenue	60	88
Other revenue	1,598	1,074
<b>Total other revenue</b>	<b><u>12,482</u></b>	<b><u>14,613</u></b>

**PJSC AEROFLOT**Notes to the Condensed Consolidated Interim Financial Statements  
for the 3 months 2020*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)***6. OPERATING COSTS LESS STAFF COSTS AND DEPRECIATION AND AMORTISATION**

	<u>3m 2020</u>	<u>3m 2019</u>
Aircraft servicing	22,791	23,023
Aircraft maintenance	9,225	6,174
Passenger services expenses	4,653	5,848
Administration and general expenses	4,292	3,965
Communication expenses	3,776	5,065
Food cost for in-flight catering	2,719	2,891
Sales and marketing expenses	1,896	2,704
Expenses related to variable lease payments not included in lease liabilities	1,480	806
Insurance expenses	691	610
Short-term leases	560	368
Cost of goods sold on board	141	210
Other expenses	2,045	2,169
<b>Operating costs less aircraft fuel, staff costs and depreciation and amortisation</b>	<b><u>54,269</u></b>	<b><u>53,833</u></b>
Aircraft fuel	38,604	43,700
<b>Total operating costs less staff costs and depreciation and amortisation</b>	<b><u>92,873</u></b>	<b><u>97,533</u></b>

**7. STAFF COSTS**

	<u>3m 2020</u>	<u>3m 2019</u>
Wages and salaries	16,586	17,417
Pension costs	3,321	3,950
Social security costs	1,217	1,212
<b>Total staff costs</b>	<b><u>21,124</u></b>	<b><u>22,579</u></b>

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 3 months 2020, 20% for 3 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.

	<u>3m 2020</u>	<u>3m 2019</u>
Payments to the RF Pension Fund	3,298	3,906
Change in pension plans	23	44
<b>Total pension costs</b>	<b><u>3,321</u></b>	<b><u>3,950</u></b>



**PJSC AEROFLOT**Notes to the Condensed Consolidated Interim Financial Statements  
for the 3 months 2020*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)***8 FINANCE INCOME AND COSTS**

	<u>3m 2020</u>	<u>3m 2019</u>
<i>Finance income:</i>		
Interest income	701	998
Gain on foreign exchange, net	736	-
Other finance income	460	508
<b>Total finance income</b>	<b><u>1,897</u></b>	<b><u>1,506</u></b>

	<u>3m 2020</u>	<u>3m 2019</u>
<i>Finance costs:</i>		
Loss on foreign exchange, net	-	(930)
Interest expense	(1,283)	(1,498)
Interest expense on lease	(9,843)	(12,119)
Other finance costs	(716)	-
<b>Total finance costs</b>	<b><u>(11,842)</u></b>	<b><u>(14,547)</u></b>

**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's companies for the 3 months 2020 equaled to 20 – 21% (3 months 2019: 6 – 29 %). Expected weighted average annual income tax rate applied to loss making Group's companies for the 3 months 2020 equaled to 2 – 34% (3 months 2019: 21%). Change in expected income tax rate is connected with the change in share of non-deductible expenses.

	<u>3m 2020</u>	<u>3m 2019</u>
Current income tax charge	(403)	57
Change in deferred income tax	8,989	3,887
<b>Income tax</b>	<b><u>8,586</u></b>	<b><u>3,944</u></b>

**10. ACCOUNTS RECEIVABLE AND PREPAYMENTS**

	<u>31 March 2020</u>	<u>31 December 2019</u>
Trade accounts receivable	26,335	35,110
Other financial receivables	9,656	8,666
Less provision for expected credit losses	(11,123)	(10,949)
<b>Total financial receivables</b>	<b><u>24,868</u></b>	<b><u>32,827</u></b>
Prepayments to suppliers	10,951	11,681
VAT and other taxes recoverable	16,766	19,083
Prepayments for delivery of aircraft	36,781	28,995
Other receivables	1,009	4,425
Less impairment provision	(546)	(544)
<b>Total accounts receivable and prepayments</b>	<b><u>89,829</u></b>	<b><u>96,467</u></b>

**PJSC AEROFLOT**Notes to the Condensed Consolidated Interim Financial Statements  
for the 3 months 2020*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)***10. ACCOUNTS RECEIVABLE AND PREPAYMENTS (CONTINUED)**

As at 31 March 2020 and 31 December 2019, the current part of prepayments for aircraft includes prepayments for the acquisition of the following aircraft:

<b>Type of aircraft</b>	<b>31 March 2020</b>		<b>31 December 2019</b>	
	<b>Number of aircraft, units</b>	<b>Expected delivery date</b>	<b>Number of aircraft, units</b>	<b>Expected delivery date</b>
Boeing B777	3	2020-2021	2	2020
Airbus A350	13	2020-2021	11	2020

**11. NON-CURRENT PORTION OF PREPAYMENTS FOR AIRCRAFT**

As at 31 March 2020 and 31 December 2019, the non-current portions of prepayments for aircraft was RUB 14,417 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 and prepayments (Note 10).

As at 31 March 2020 and 31 December 2019, the non-current part of prepayments for aircraft include advance payments for the acquisition of the following aircraft:

<b>Type of aircraft</b>	<b>31 March 2020</b>		<b>31 December 2019</b>	
	<b>Number of aircraft, units</b>	<b>Expected delivery date</b>	<b>Number of aircraft, units</b>	<b>Expected delivery date</b>
Airbus A350	8	2021	11	2021
Boeing B777	-	-	1	2021

**12. PROPERTY, PLANT AND EQUIPMENT**

	<b>Owned aircraft and engines</b>	<b>Land and buildings</b>	<b>Transport, equipment and other</b>	<b>Construction in progress</b>	<b>Total</b>
<i>Cost</i>					
<b>1 January 2019</b>	<b>9,193</b>	<b>10,051</b>	<b>22,546</b>	<b>4,554</b>	<b>46,344</b>
Additions	20	-	147	982	1,149
Disposals	(15)	(17)	(197)	(30)	(259)
Transfers	168	-	476	(644)	-
<b>31 March 2019</b>	<b>9,366</b>	<b>10,034</b>	<b>22,972</b>	<b>4,862</b>	<b>47,234</b>
<b>1 January 2020</b>	<b>10,067</b>	<b>10,514</b>	<b>22,219</b>	<b>4,291</b>	<b>47,091</b>
Additions	17	26	170	567	780
Disposals	-	(14)	(285)	(133)	(432)
Transfers	63	30	209	(302)	-
<b>31 March 2020</b>	<b>10,147</b>	<b>10,556</b>	<b>22,313</b>	<b>4,423</b>	<b>47,439</b>

**PJSC AEROFLOT**Notes to the Condensed Consolidated Interim Financial Statements  
for the 3 months 2020*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)***12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	<b>Owned aircraft and engines</b>	<b>Land and buildings</b>	<b>Transport, equipment and other</b>	<b>Construction in progress</b>	<b>Total</b>
<i>Accumulated depreciation and impairment</i>					
<b>1 January 2019</b>	<b>(2,500)</b>	<b>(5,354)</b>	<b>(11,761)</b>	<b>(95)</b>	<b>(19,710)</b>
Charge for the year	(219)	(56)	(649)	-	(924)
Accrual of impairment provision	(8)	-	-	-	(8)
Disposals	15	5	162	-	182
<b>31 March 2019</b>	<b>(2,712)</b>	<b>(5,405)</b>	<b>(12,248)</b>	<b>(95)</b>	<b>(20,460)</b>
<b>1 January 2020</b>	<b>(3,316)</b>	<b>(5,613)</b>	<b>(11,344)</b>	<b>(75)</b>	<b>(20,348)</b>
Charge for the year	(241)	(72)	(619)	-	(932)
Disposals	-	4	215	-	219
<b>31 March 2020</b>	<b>(3,557)</b>	<b>(5,681)</b>	<b>(11,748)</b>	<b>(75)</b>	<b>(21,061)</b>
<i>Carrying amount</i>					
<b>1 January 2020</b>	<b>6,751</b>	<b>4,901</b>	<b>10,875</b>	<b>4,216</b>	<b>26,743</b>
<b>31 March 2020</b>	<b>6,590</b>	<b>4,875</b>	<b>10,565</b>	<b>4,348</b>	<b>26,378</b>

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 an asset 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 as 31 March 2020 (Note 13).

**PJSC AEROFLOT**Notes to the Condensed Consolidated Interim Financial Statements  
for the 3 months 2020*(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>					
<b>1 January 2019</b>	<b>925,769</b>	<b>17,068</b>	<b>8,361</b>	<b>3,526</b>	<b>954,724</b>
Additions	34,667	-	-	-	34,667
Capitalised expenditures	37	-	-	147	184
Disposals	(2,139)	-	-	(2)	(2,141)
Transfers	338	-	-	(338)	-
Remeasurement/modification of right-of-use assets	(6,297)	(4)	-	-	(6,301)
<b>31 March 2019</b>	<b>952,375</b>	<b>17,064</b>	<b>8,361</b>	<b>3,333</b>	<b>981,133</b>
<b>1 January 2020</b>	<b>958,828</b>	<b>12,000</b>	<b>13,919</b>	<b>4,289</b>	<b>989,036</b>
Additions	16,841	1,430	18	1,769	20,058
Capitalised expenditures	1,444	-	-	514	1,958
Disposals	(10,348)	(505)	(16)	(63)	(10,932)
Transfers	1,431	59	-	(1,490)	-
Remeasurement/modification of right-of-use assets	74,998	636	15	-	75,649
<b>31 March 2020</b>	<b>1,043,194</b>	<b>13,620</b>	<b>13,936</b>	<b>5,019</b>	<b>1,075,769</b>
<i>Accumulated depreciation and impairment</i>					
<b>1 January 2019</b>	<b>(272,875)</b>	<b>(9,080)</b>	<b>(3,976)</b>	-	<b>(285,931)</b>
Charge for the period	(25,179)	(558)	(269)	-	(26,006)
Disposals	1,867	-	-	-	1,867
<b>31 March 2019</b>	<b>(296,187)</b>	<b>(9,638)</b>	<b>(4,245)</b>	-	<b>(310,070)</b>
<b>1 January 2020</b>	<b>(350,117)</b>	<b>(4,712)</b>	<b>(5,092)</b>	-	<b>(359,921)</b>
Charge for the period	(23,973)	(545)	(437)	-	(24,955)
Accrual of impairment provision	(114)	-	-	-	(114)
Disposals	10,348	505	16	-	10,869
Modification of right-of-use assets	94	-	-	-	94
<b>31 March 2020</b>	<b>(363,762)</b>	<b>(4,752)</b>	<b>(5,513)</b>	-	<b>(374,027)</b>
<i>Carrying amount</i>					
<b>1 January 2020</b>	<b>608,711</b>	<b>7,288</b>	<b>8,827</b>	<b>4,289</b>	<b>629,115</b>
<b>31 March 2020</b>	<b>679,432</b>	<b>8,868</b>	<b>8,423</b>	<b>5,019</b>	<b>701,742</b>

Capitalised borrowing costs for 3 months 2020 amounted to RUB 514 million (3 months 2019: RUB 147 million). The capitalisation rate of interest expenses and translation differences for the period was 5.5% p.a. (3 months 2019: 4.0% p.a.).

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 an asset may be impaired. 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, representing the discounted cash flows resulted from the activities. Then, the recoverable amount was compared with the carrying amount of non-current assets engaged in generating of respective cash flows. To forecast cash flows, the Aeroflot Group business plan was adopted as the basis, considering the reduction in demand for air transportation in 2020-2021 in connection with a COVID-19 pandemic and return to pre-crisis performance after that with the following assumptions:

**PJSC AEROFLOT**

Notes to the Condensed Consolidated Interim Financial Statements  
for the 3 months 2020

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

**13. RIGHT-OF-USE ASSETS (CONTINUED)**

- (i) The economic situation in the Russian Federation: maintaining the medium-term growth rate of the economy, maintaining demand through savings, maintaining the supply volume on the scheduled passenger transportation market;
- (ii) Domestic flights: full recovery at the end of 2020 due to the compensation for the shortfall in international flights as a result of reorientation to the domestic tourism;
- (iii) International flights: after cancellation of restrictions will be 2-3 flights per week to the capitals of large countries. Recovery due to deferred demand and maintaining business traffic;
- (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 is within the range of 11.1% - 12.1% p.a. for the entire forecasting period.

Based on the aforementioned test, no impairment was recognised. 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 increased by 1.2 p.p., while all other variables remained unchanged, no impairment would be recognised. If yields were reduced by 1%, while all other variables would have remained unchanged, no impairment would be recognised as well.

**14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>31 March 2020</b>	<b>31 December 2019</b>
Accounts payable	40,886	38,524
Other financial payables	2,177	2,951
Dividends payable	291	752
<b>Total financial payables</b>	<b>43,354</b>	<b>42,227</b>
Staff and social funds related liabilities	16,488	18,529
Advances received (other than unearned traffic revenue)	3,372	3,846
Other current liabilities related to the frequent flyer programme	4,431	4,254
Other taxes payable	1,482	1,638
Other payables	460	1,243
<b>Total accounts payable and accrued liabilities</b>	<b>69,587</b>	<b>71,737</b>

**15 GOODWILL**

For the purposes of impairment testing, goodwill is allocated between the cash generating units (the "CGUs"), i.e. the Group subsidiaries and/or divisions of companies that 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.

The aggregate carrying amount of goodwill, allocated to the Groups' business-units as at 31 March 2020 and as at 31 December 2019 is presented in the table below:

<b>CGU name</b>	<b>31 March 2020</b>	<b>31 December 2019</b>
AK Rossiya	6,502	6,502
AK Aurora	158	158
<b>Total</b>	<b>6,660</b>	<b>6,660</b>

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.

**PJSC AEROFLOT**Notes to the Condensed Consolidated Interim Financial Statements  
for the 3 months 2020*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)***15 GOODWILL (CONTINUED)*****AK Rossiya***

The discount rate calculation is based on weighted average cost of capital (WACC) of AK Rossiya and amounts to 11.8% 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 GDP long-term growth rate of 2.7% p.a. (2019: 2.7% p.a.).

The business plan of Aeroflot Group in a part of AK Rossiya was adopted as a basis for forecasting the cash flows. The forecasted cash flows considered reduction in demand for air transportation in 2020-2021 due to COVID-19 with 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 1.2 p.p. while all other variables held constant, no goodwill impairment would be recognised. In case of decrease yields by 1% while all other variables held constant, no goodwill impairment would be recognised as well.

**16. PROVISIONS FOR LIABILITIES**

	<b>Regular repairs and maintenance works</b>	<b>Other provisions</b>	<b>Total provisions</b>
<b>1 January 2019</b>	<b>226,595</b>	<b>1,654</b>	<b>228,249</b>
Charge of provision for the period	5,888	48	5,936
Use of provision for the period	(6,632)	(4)	(6,636)
Remeasurement of provision for period	(8,290)	-	(8,290)
Release of provision for the period	(43)	(1,454)	(1,497)
Unwinding of the discount	1,431	-	1,431
<b>31 March 2019</b>	<b>218,949</b>	<b>244</b>	<b>219,193</b>
<b>1 January 2020</b>	<b>216,493</b>	<b>319</b>	<b>216,812</b>
Charge of provision for the period	4,593	75	4,668
Use of provision for the period	(4,093)	(45)	(4,138)
Remeasurement of provision for period	71,574	-	71,574
Release of provision for the period	(1,401)	(50)	(1,451)
Unwinding of the discount	995	-	995
<b>31 March 2020</b>	<b>288,161</b>	<b>299</b>	<b>288,460</b>
		<b>31 March 2020</b>	<b>31 December 2019</b>
Current liabilities		28,954	24,531
Non-current liabilities		259,506	192,281
<b>Total provisions</b>		<b>288,460</b>	<b>216,812</b>

***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 24).

**17. LEASE LIABILITIES**

The Group leases aircraft and 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 as at 31 March 2020 is disclosed in Note 1. According to the terms of the contracts, the aircraft lease term varies from 6 to 16 years with the possibility of extending this period. Leased assets, 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.

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 updated for COVID-19 impact forecasted US dollar revenue recognised as the hedged item, the Group terminated part of its hedging relationships. The termination led to the partial reclassification of the reserve for hedging instruments directly to profit or loss. The total non-monetary loss amounting to RUB 6,710 million is recognised within “Hedging result” of the Condensed Consolidated Interim Financial Statement of Profit or Loss for the three months period ended 31 March 2020.

As at 31 March 2020 lease liabilities in the amount of RUB 638,721 million denominated in US dollars (31 December 2019: RUB 506,713 million) were designated as a hedging instrument for 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 31 March 2020, accumulated foreign currency loss of RUB 97,885 million (before deferred income tax) on the lease liabilities (31 December 2019: accumulated foreign currency profit 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 3 months 2020 was RUB 650 million (for 3 months 2019: RUB 1,017 million).

**18. LOANS AND BORROWINGS**

	<b>31 March 2020</b>	<b>31 December 2019</b>
<i>Short-term loans and other borrowings:</i>		
Short-term loans in Russian Roubles	41,463	12,568
<b>Total short-term loans and borrowings</b>	<b>41,463</b>	<b>12,568</b>
<i>Long-term loans and other borrowings:</i>		
Long-term loans in Russian Roubles	4,400	2,800
Long-term loans and borrowings in US dollars	534	424
<b>Total long-term loans and borrowings</b>	<b>4,934</b>	<b>3,224</b>

***The main changes in loans and borrowings during reporting period***

The Group fully repaid a loan (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 loans (floating interest rate) under the credit lines with PJSC Sovcombank in total amount of RUB 2,700 million. Loans were unsecured and issued for the period up to March - September 2021.

The Group received a loan (fixed interest rate) under the credit line with JSC SMP Bank in total amount of RUB 2,300 million. As at 31 March 2020 total amount of loan was repaid in full.

The Group received a loan (fixed interest rate) under the credit line with JSC Rosselkhozbank in total amount of RUB 5,100 million. As at 31 March 2020 loan in amount of RUB 1,600 million was repaid in full. Loan in amount of RUB 3,500 million was unsecured and issued for the period up to April 2020.

The Group received a loan (floating interest rate) under the credit line with Bank GPB (JSC) in total amount of RUB 5,000 million. Loan was unsecured and issued for the period up to December 2020.



**18. LOANS AND BORROWINGS (CONTINUED)***The main changes in loans and borrowings during reporting period (continued)*

The Group received a loan (fixed interest rate) under the credit line with JSC “ALFA-BANK” in total amount of RUB 7,000 million. Loan was unsecured and issued for the period up to March 2021.

The Group received a loan (fixed interest rate) under the credit line with JSC Banca Intesa in total amount of RUB 1,000 million. Loan was unsecured and issued for the period up to March 2021.

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

The Group received a loan (fixed interest rate) under the credit line with PJSC ROSBANK in total amount of RUB 3,800 million. Loan was unsecured and issued for the period up to March 2021.

The Group received a loan (floating interest rate) under the credit line with PJSC Sviaz-bank in total amount of RUB 6,000 million. Loan was unsecured and issued for the period up to February 2021.

As at 31 March 2020 the Group had no secured loans and borrowings.

As at 31 March 2020 and 31 December 2019 the fair values of loans and borrowings were not materially different from their carrying amounts.

*Exchange 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 by PJSC Moskovskaya Birzha MMVB-RTS. The maximum amount of nominal values of exchange 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 volume of bonds placement as of the date of this Condensed Consolidated Interim Financial Statements are not determined.

**19. SHARE CAPITAL**

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

	<b>Number of ordinary shares authorised and issued (shares)</b>	<b>Number of treasury shares (shares)</b>	<b>Number of ordinary shares outstanding (shares)</b>
31 December 2019	1,110,616,299	(47,817,796)	1,062,798,503
31 March 2020	1,110,616,299	(47,817,796)	1,062,798,503

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

These ordinary 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 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 31 March 2020 and 31 December 2019, weighted average price was RUB 68.06 and RUB 103.88 per share, respectively.

The Company launched a Global Depository Receipts (GDR) programme in December 2000. Since January 2014, one GDR equals five ordinary shares. As at 31 March 2020 and 31 December 2019, the Group’s GDRs were traded on the Frankfurt Stock Exchange at EUR 4.64 per GDR and EUR 7.10 per GDR, respectively.



**PJSC AEROFLOT**

Notes to the Condensed Consolidated Interim Financial Statements  
for the 3 months 2020

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**20. OPERATING SEGMENTS**

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

The passenger traffic operational performance is measured based on internal management reports which are reviewed by the Group’s General Director. Passenger traffic revenue by flight routes is allocated based on the geographic destinations of flights. Passenger traffic 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.

	<u>Passenger traffic</u>	<u>Other</u>	<u>Inter-segment sales elimination</u>	<u>Total Group</u>
<b>Three months 2020</b>				
External sales	123,138	756	-	123,894
Inter-segment sales	144	5,380	(5,524)	-
<b>Total revenue</b>	<b>123,282</b>	<b>6,136</b>	<b>(5,524)</b>	<b>123,894</b>
<b>Operating loss</b>	<b>(12,953)</b>	<b>(203)</b>	-	<b>(13,156)</b>
Loss from impairment and fair value changes of investments, net				(612)
Finance income				1,897
Finance costs				(11,842)
Hedging result				(7,360)
Share of financial results of associates				3
<b>Loss before income tax</b>				<b>(31,070)</b>
Income tax				8,586
<b>Loss for the period</b>				<b>(22,484)</b>

	<u>Passenger traffic</u>	<u>Other</u>	<u>Inter-segment sales elimination</u>	<u>Total Group</u>
<b>Three months 2019</b>				
External sales	137,138	903	-	138,041
Inter-segment sales	181	5,634	(5,815)	-
<b>Total revenue</b>	<b>137,319</b>	<b>6,537</b>	<b>(5,815)</b>	<b>138,041</b>
<b>Operating (loss)/profit</b>	<b>(6,076)</b>	<b>177</b>	-	<b>(5,899)</b>
Gain from fair value changes of investments, net				227
Finance income				1,506
Finance costs				(14,547)
Hedging result				(1,017)
Share of financial results of associates				40
<b>Loss before income tax</b>				<b>(19,690)</b>
Income tax				3,944
<b>Loss for the period</b>				<b>(15,746)</b>

## 21. 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 necessarily 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 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.

***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 31 March 2020 and 31 December 2019, the fair values of financial payables (Note 14), lease liabilities (Note 17), loans and borrowings (Note 18) were not materially different from their carrying amounts. The fair values of financial payables, lease liabilities and loans and borrowings are categorised as Levels 2.

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

**PJSC AEROFLOT**Notes to the Condensed Consolidated Interim Financial Statements  
for the 3 months 2020*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)***21. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

The classification of financial assets and liabilities as at 31 March 2020 is stated below:

	<b>Note</b>	<b>Financial assets measured at amortised cost</b>	<b>Financial assets measured at fair value through profit or loss</b>	<b>Total</b>
Cash and cash equivalents		26,962	-	<b>26,962</b>
Short-term financial investments		10,413	-	<b>10,413</b>
Financial receivables	10	24,868	-	<b>24,868</b>
Aircraft lease security deposits		5,371	-	<b>5,371</b>
Long-term financial instruments		415	5,182	<b>5,597</b>
Financial assets under lease agreements		27,942	-	<b>27,942</b>
Other non-current assets		776	-	<b>776</b>
<b>Total financial assets</b>		<b>96,747</b>	<b>5,182</b>	<b>101,929</b>
			<b>Financial liabilities measured at amortised cost</b>	<b>Total</b>
	<b>Note</b>			
Financial payables	14		43,354	<b>43,354</b>
Lease liabilities	17		698,979	<b>698,979</b>
Loans and borrowings	18		46,397	<b>46,397</b>
Other non-current liabilities			1,394	<b>1,394</b>
<b>Total financial liabilities</b>			<b>790,124</b>	<b>790,124</b>

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

	<b>Note</b>	<b>Financial assets measured at amortised cost</b>	<b>Financial assets measured at fair value through profit or loss</b>	<b>Total</b>
Cash and cash equivalents		12,883	-	<b>12,883</b>
Short-term financial investments		12,978	-	<b>12,978</b>
Financial receivables	10	32,827	-	<b>32,827</b>
Aircraft lease security deposits		4,341	-	<b>4,341</b>
Long-term financial instruments		95	5,761	<b>5,856</b>
Financial assets under lease agreements		22,190	-	<b>22,190</b>
Other non-current assets		535	-	<b>535</b>
<b>Total financial assets</b>		<b>85,849</b>	<b>5,761</b>	<b>91,610</b>
			<b>Financial liabilities measured at amortised cost</b>	<b>Total</b>
	<b>Note</b>			
Financial payables	14		42,227	<b>42,227</b>
Lease liabilities	17		557,124	<b>557,124</b>
Loans and borrowings	18		15,792	<b>15,792</b>
Other non-current liabilities			1,032	<b>1,032</b>
<b>Total financial liabilities</b>			<b>616,175</b>	<b>616,175</b>

**PJSC AEROFLOT**

Notes to the Condensed Consolidated Interim Financial Statements  
for the 3 months 2020

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

**22. 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 31 March 2020 and 31 December 2019, the outstanding balances with related parties and income and expense items with related parties for 3 months 2020 and 3 months 2019 were disclosed below.

**Associates**

As at 31 March 2020 and 31 December 2019, the outstanding balances with associates and income and expense items with associates for 3 months 2020 and 3 months 2019 were as follows:

	<b>31 March 2020</b>	<b>31 December 2019</b>
<b>Assets</b>		
Accounts receivable	1	-
<b>Liabilities</b>		
Accounts payable and accrued liabilities	244	197

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

	<b>3m 2020</b>	<b>3m 2019</b>
<b>Transactions</b>		
Sales to associates	-	1
Purchase of goods and services from associates	745	750

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

**Government-related entities**

As at 31 March 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. As 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.

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

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>31 March 2020</u>	<u>31 December 2019</u>
<b>Assets</b>		
<i>Cash</i>	23,240	6,770

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

During 3 months 2020 the Group has withdrawn credit lines provided by government-related entities, amount of the credit lines are disclosed in Note 18.

As at 31 March 2020 the share of liabilities to the government-related entities is approximately 59% for lease (31 December 2019: 58%).

For 3 months 2020 the share of Group's transactions with government-related entities is about 22% of operating costs, and about 2% of revenue (3 months 2019: about 18% 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 taxes, levies and customs duties settlements and charges which are disclosed in Notes 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 as well as other compensations, amounted to RUB 303 million for 3 months 2020 (3 months 2019: RUB 429 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.

***Long-term incentive programmes***

In 2019 the Company approved long-term incentive programmes for its key management personnel and members of the Company's Board of Directors. The amounts of payments under the programmes 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 programmes as of 31 March 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.

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

As at 31 March 2020, the outstanding amount of the liability under the programmes was RUB 737 million (31 December 2019: RUB 410 million).

**23. CAPITAL COMMITMENTS**

As at 31 March 2020, the Group had non-cancellable agreements on future acquisition of property, plant and equipment with third parties amounted to RUB 220 299 million (31 December 2019: RUB 185,638 million). These commitments mainly relate to purchase of 21 Airbus A-350 (31 December 2019: 22 aircraft), 3 Boeing B777 (31 December 2019: 3 aircraft). The Group expects to use supplied aircraft under lease agreements, therefore no cash outflow on entered agreements is expected.

**24. 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;
- implementation of government support measures for the population and business related to the development of the COVID-19;
- decrease and high volatility of world oil prices;
- significant decrease in stock market indices and share prices;
- significant decrease of the Russian Rouble against major foreign currencies, high volatility in the foreign exchange market.

Though, ongoing political tension in the region and international sanctions against certain Russian companies and individuals have a negative impact on the Russian economy. 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 tougher stance in their interpretation and enforcement of tax legislation.



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

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 Interim 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 Interim Financial Statements, if the authorities were successful in enforcing their interpretations, could be significant.

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 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 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 31 March 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 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 programmes, including management's liability, Group's liability and risks of loss or damage of aircraft.

**24. CONTINGENCIES (CONTINUED)*****Liquidity management***

The Group's Treasury provides flexibility of financing through available credit lines. As at 31 March 2020, within the credit lines provided by various credit organizations, the Group had the opportunity to raise additional funds in the amount equivalent to RUB 81,283 million for repayment of financial liabilities (31 December 2019: RUB 100,971 million). In addition, to improve liquidity the Group conducts negotiations with lessors about deferment of lease payments.

***Litigations***

During the reporting period, the Group was involved (both as a plaintiff and as 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.

**25. SUBSEQUENT EVENTS**

In May 2020, the repayment term of the loan under a credit line with JSC "ALFA-BANK" (fixed interest rate) in the total amount of RUB 7,000 was moved to March 2022. Initially the loan repayment period was March 2021.

In April 2020, the Group received a loan under a credit line with PJSC Sovcombank (floating interest rate) in the amount of RUB 4,000 million. The loan was unsecured and issued for the period up to April 2021.

In April 2020, the Group received a loan under a credit line with JSC "ALFA-BANK" (fixed interest rate) in the amount of RUB 4,100 million. The loan was unsecured and issued for the period up to April 2022.

In May 2020 the Group received a loan under a credit line with PJSC Sberbank (fixed interest rate) in the amount of RUB 3,000 million. The loan was issued up to May 2021.

In April and May 2020, the Group received a loan under a credit line with PJSC Sovcombank (floating interest rate) in the amount of RUB 400 and 435 million respectively. The loans were unsecured and issued for the period up to October 2020 and November 2020 respectively.

In April and May 2020, the Group received loans under loan agreements (fixed interest rate) with PJSC Sberbank, JSC Rosselkhozbank and JSC SMP Bank in the total amount of RUB 24,800 million.