

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

**Condensed Consolidated Interim Financial Statements
for the 9 months 2021**

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

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

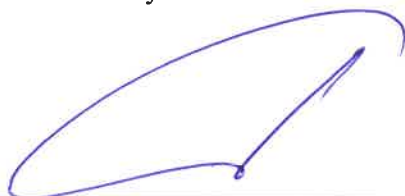
In preparing the Condensed Consolidated Interim Financial Statements, management is responsible for:

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

Management is also responsible for:

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

The Condensed Consolidated Interim Financial Statements for 9 months 2021 were approved on 29 November 2021 by:



M. I. Poluboyarinov
General Director



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



Report on Review of Condensed Consolidated Interim Financial Statements

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of PJSC «Aeroflot» and its subsidiaries (together - the "Group") as at 30 September 2021 and the related condensed consolidated interim statements of profit or loss and comprehensive income for the three-month and nine-month periods then ended, condensed consolidated interim statements of cash flows and changes in equity for the nine-month period then ended, and the related explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

AO PricewaterhouseCoopers Audit

29 November 2021
Moscow, Russian Federation

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

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

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

Taxpayer Identification Number 7712040126

119019, Russian Federation, Moscow, 1 Arbat

Independent auditor: AO PricewaterhouseCoopers Audit

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

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

Taxpayer Identification Number 7705051102

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

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

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

PJSC AEROFLOT

Condensed Consolidated Interim Statement

of Profit or Loss for the 3 and 9 months ended 30 September 2021

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

	Note	Three months ended		Nine months ended	
		30 September 2021	30 September 2020	30 September 2021	30 September 2020
Traffic revenue	4	157,922	78,835	337,359	210,708
Other revenue	5	9,150	6,026	24,861	23,505
Revenue		167,072	84,861	362,220	234,213
Operating costs, excluding staff costs, depreciation and amortisation	6	(99,930)	(53,784)	(227,949)	(170,104)
Staff costs	7	(17,868)	(15,734)	(49,004)	(50,354)
Depreciation and amortisation		(30,502)	(30,628)	(87,241)	(87,525)
Other operating income/(expenses), net		4,624	4,649	9,988	17,015
Operating costs		(143,676)	(95,497)	(354,206)	(290,968)
Operating profit/(loss)		23,396	(10,636)	8,014	(56,755)
(Loss)/gain from impairment and fair value changes of investments, net		157	(48)	(185)	(357)
Finance income	8	3,047	1,097	8,843	3,208
Finance costs	8	(10,617)	(13,238)	(30,428)	(36,374)
Hedging result	16	(1,069)	(2,775)	(4,920)	(10,332)
Share of results of associates		106	80	66	(100)
(Loss)/profit before income tax		15,020	(25,520)	(18,610)	(100,710)
Income tax	9	(3,385)	4,384	2,508	21,304
(LOSS)/PROFIT FOR THE PERIOD		11,635	(21,136)	(16,102)	(79,406)
<i>Attributable to:</i>					
Shareholders of the Company		11,474	(19,479)	(16,324)	(74,287)
Non-controlling interest		161	(1,657)	222	(5,119)
(LOSS)/PROFIT FOR THE PERIOD		11,635	(21,136)	(16,102)	(79,406)
Basic and diluted (loss)/profit per share (in Roubles per share)		4.8	(18.3)	(6.8)	(69.9)
Weighted average number of shares outstanding (millions)	18	2,396.7	1,062.8	2,396.7	1,062.8

Approved on 29 November 2021 and signed on behalf of management



M. I. Poluboyarinov
 General Director



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

The Condensed Consolidated Interim Statement of Profit or Loss is to be read in conjunction with the notes to, and forms a part of, the Condensed Consolidated Interim Financial Statements presented on pages 7 to 27

PJSC AEROFLOT

Condensed Consolidated Interim Statement

of Comprehensive Income for the 3 and 9 months ended 30 September 2021

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

	Note	Three months ended		Nine months ended	
		30 September 2021	30 September 2020	30 September 2021	30 September 2020
(Loss)/profit for the period		11,635	(21,136)	(16,102)	(79,406)
Other comprehensive income/(loss)					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Effect from hedging revenue with foreign currency liabilities	16	(2,488)	(76,029)	13,101	(135,291)
Deferred tax related to a result from cash-flow hedging instruments		498	15,206	(2,620)	27,058
Other comprehensive income/(loss)		(1,990)	(60,823)	10,481	(108,233)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		9,645	(81,959)	(5,621)	(187,639)
<i>Total comprehensive (loss)/income attributable to:</i>					
Shareholders of the Company		9,484	(80,302)	(5,843)	(182,520)
Non-controlling interest		161	(1,657)	222	(5,119)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		9,645	(81,959)	(5,621)	(187,639)

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 27

PJSC AEROFLOTCondensed Consolidated Interim Statement of Financial Position
as at 30 September 2021*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)*

	Note	30 September 2021	31 December 2020
ASSETS			
Current assets			
Cash and cash equivalents	20	70,700	88,944
Short-term financial investments	20	22,575	4,831
Accounts receivable and prepayments	10	72,770	67,051
Current income tax prepayment		388	469
Aircraft lease security deposits	20	3,134	2,739
Expendable spare parts and inventories		16,572	16,889
Current financial assets under lease agreements	20	3,219	4,159
Total current assets		189,358	185,082
Non-current assets			
Right-of-use assets	13	723,424	635,406
Property, plant and equipment	12	19,535	19,825
Prepayments for aircraft	11	17,201	27,275
Deferred tax assets		77,985	75,430
Long-term financial investments	20	5,388	5,464
Intangible assets		2,859	2,414
Non-current financial assets under lease agreements	20	24,258	18,606
Aircraft lease security deposits	20	1,707	1,867
Investments in associates		470	419
Other non-current assets		38,244	44,416
Total non-current assets		911,071	831,122
TOTAL ASSETS		1,100,429	1,016,204
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	14	63,596	52,186
Unearned traffic revenue		48,918	44,622
Deferred revenue related to the frequent flyer programme		2,037	1,929
Provisions for liabilities	15	22,029	20,859
Lease liabilities	16	112,854	126,761
Short-term borrowings and current portion of long-term borrowings	17	19,666	34,924
Current income tax liabilities		161	4
Total current liabilities		269,261	281,285
Non-current liabilities			
Long-term borrowings	17	87,456	53,711
Lease liabilities	16	563,107	535,746
Provisions for liabilities	15	276,854	232,868
Deferred tax liabilities		88	77
Deferred revenue related to the frequent flyer programme		7,602	7,197
Other non-current liabilities		17,041	20,666
Total non-current liabilities		952,148	850,265
TOTAL LIABILITIES		1,221,409	1,131,550
Equity			
Share capital	18	2,693	2,693
Additional capital		78,701	78,701
Treasury shares reserve		(7,040)	(7,040)
Accumulated profit on disposal of treasury shares		7,864	7,864
Hedge reserve	16	(37,849)	(48,330)
Undistributed loss		(157,988)	(141,664)
Equity attributable to shareholders of the Company		(113,619)	(107,776)
Non-controlling interest		(7,361)	(7,570)
TOTAL EQUITY		(120,980)	(115,346)
TOTAL LIABILITIES AND EQUITY		1,100,429	1,016,204

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 27

PJSC AEROFLOT
Condensed Consolidated Interim Statement
of Cash Flows for the 9 months 2021



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

	<u>Note</u>	<u>9 months 2021</u>	<u>9 months 2020</u>
<i>Cash flows from operating activities:</i>			
Loss before income tax		(18,610)	(100,710)
Adjustments for:			
Depreciation and amortisation		87,241	87,525
Loss on disposal of property, plant and equipment and intangible assets		325	252
Loss from impairment and fair value changes of investments		185	357
Hedging result	16	4,920	10,332
Change in provisions for liabilities	15	(3,110)	(4,483)
Interest expense	8	30,326	33,534
Interest income	8	(5,149)	(2,791)
Foreign exchange (gain)/loss, net	8	(3,451)	2,077
Other finance (income)/expenses, net	8	(141)	346
Gain from revaluation/modification under lease contracts		(35)	(103)
Other operating (income)/expenses, net		(3,783)	375
Total operating cash flows before working capital changes		88,718	26,711
(Increase)/decrease in accounts receivable and prepayments		(17,648)	27,803
Decrease/(increase) in expendable spare parts and inventories		281	(1,663)
Increase/(decrease) in accounts payable and accrued liabilities		6,770	(21,486)
Total operating cash flows after working capital changes		78,121	31,365
Change in restricted cash		3	2
Income tax paid		(2,504)	(470)
Income tax refunded		86	2,403
Net cash flows from operating activities		75,706	33,300

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 27

PJSC AEROFLOT
Condensed Consolidated Interim Statement
of Cash Flows for the 9 months 2021



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

	<u>Note</u>	<u>9 months 2021</u>	<u>9 months 2020</u>
<i>Cash flows from investing activities:</i>			
Deposits return		10,887	16,834
Deposits placement		(28,520)	(17,431)
Proceeds from sale of property, plant and equipment		48	23
Interest received		2,479	873
Purchases of property, plant and equipment, right-of-use assets, intangible assets and capitalized repair expenses		(11,209)	(12,078)
Dividends received		25	33
Prepayments for aircraft		(3,981)	(7,901)
Return of prepayments for aircraft		26,978	2,733
Payment for financial assets under aircraft lease contracts		(3,060)	(3,284)
Repayment of financial assets under aircraft lease contracts		3,986	4,189
Repayment of operating lease security deposits		(84)	-
Placement of borrowings		-	(2)
Return of borrowings		-	2
Net cash flows used in investing activities		<u>(2,451)</u>	<u>(16,009)</u>
<i>Cash flows from financing activities:</i>			
Receipt of borrowings	17	51,360	89,789
Repayment of borrowings	17	(29,703)	(40,054)
Repayment of the lease liabilities principal		(76,567)	(32,073)
Interest paid except for interest under lease contracts		(4,838)	(2,515)
Interest paid under lease contracts		(31,842)	(17,074)
Dividends paid		(14)	(474)
Net cash flows used in financing activities		<u>(91,604)</u>	<u>(2,401)</u>
Effect of exchange rate fluctuations on cash and cash equivalents		105	191
Net (decrease)/increase in cash and cash equivalents		<u>(18,244)</u>	<u>15,081</u>
Cash and cash equivalents at the beginning of the period		88,944	12,883
Cash and cash equivalents at the end of the period		<u>70,700</u>	<u>27,964</u>
<i>Non-cash transactions as part of the investing and financing activities:</i>			
Right-of-use assets acquired under lease contracts		99,726	15,332

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 27

PJSC AEROFLOT

 Condensed Consolidated Interim Statement
 of Changes in Equity for the 9 months 2021

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


Equity attributable to shareholders of the Company

	Note	Share capital	Additional capital	Accumulated profit on disposal of treasury shares and treasury shares reserve	Hedge reserve	Undistributed loss	Total	Non-controlling interest	Total equity
1 January 2020		1,359	-	824	20,176	(24,051)	(1,692)	3,642	1,950
Loss for the period		-	-	-	-	(74,287)	(74,287)	(5,119)	(79,406)
Loss from hedging net of related deferred tax	16	-	-	-	(108,233)	-	(108,233)	-	(108,233)
Total other comprehensive loss							(108,233)	-	(108,233)
Total comprehensive loss							(182,520)	(5,119)	(187,639)
Dividends declared		-	-	-	-	-	-	(12)	(12)
30 September 2020		1,359	-	824	(88,057)	(98,338)	(184,212)	(1,489)	(185,701)
1 January 2021		2,693	78,701	824	(48,330)	(141,664)	(107,776)	(7,570)	(115,346)
(Loss)/profit for the period		-	-	-	-	(16,324)	(16,324)	222	(16,102)
Profit from hedging net of related deferred tax	16	-	-	-	10,481	-	10,481	-	10,481
Total other comprehensive profit							10,481	-	10,481
Total comprehensive (loss)/profit							(5,843)	222	(5,621)
Dividends declared		-	-	-	-	-	-	(13)	(13)
30 September 2021		2,693	78,701	824	(37,849)	(157,988)	(113,619)	(7,361)	(120,980)

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 27

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 related to air transportation. The main base airport is the 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 supporting services.

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

As at 30 September 2021 and 31 December 2020, the Russian Federation represented by the Ministry of Finance of the Russian Federation and the Federal Agency for State Property Management owned 57.34% shares 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 end of the first quarter of 2020, caused by the spread of the new coronavirus infection COVID-19 continue to have a significant impact on air traffic around the world.

As a result of decisions taken by the Governments of most countries to temporarily suspend international air flights, the performance indicators of the Group on international routes were most severely affected. The suspension of international flights has also affected the performance of domestic routes due to the loss of internal transfer passenger traffic.

The Group continues to optimise available capacities, comparing them with demand and the planned flight schedule. In spite of gradual restoration of traffic volumes, the dynamics in demand and significant restrictions on flights associated with the spread of COVID-19 in the world continue to affect the operating results of the Group:

- In 9 months 2021, the Group carried 34.1 million passengers, which is 52% higher than passengers carried over the same period in 2020*;
- The Group’s passenger load factor increased by 7.3 p.p.* compared with the same period last year, up to 81.1%;
- The Group’s passenger turnover increased by 39.4%* compared with the same period last year.

In accordance with the Group’s management decisions taken since the beginning of the pandemic, the Group continues to implement the policy of reducing costs, negotiate restructuring of lease payments with lessors and takes other necessary measures. To date, the Group has agreed on deferring and/or restructuring lease payments as well as the postponement of delivery dates for a number of aircraft with a number of counterparties. In addition, the Group’s management is in ongoing negotiations with the Russian Government on possible additional measures to support the Group and the airline industry as a whole.

In the second quarter 2021, to improve its liquidity position the Group raised RUB 24.65 billion by issue of exchange-traded bonds.

* For comparison, the operating indicators for 2020 are used, excluding the operating indicators of AK Aurora, which left the Group in December 2020

PJSC AEROFLOT

Notes to the Condensed Consolidated Interim Financial Statements
for the 9 months 2021

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

**1. NATURE OF THE BUSINESS (CONTINUED)*****Impact of COVID-19 (continued)***

In the third quarter of 2021 Group's domestic traffic volumes continued to recover, and international flights continued to restore. In the first quarter of 2021 launching of a high-scale programme of public vaccination across the Russian Federation, as well as ongoing vaccination around the world, laid the necessary groundwork for further elimination of the epidemiological tension. However, both magnitude and duration of drop in demand associated with COVID-19 remains uncertain. Despite all the measures taken, the Group's financial results in future periods will continue to depend on the pace of recovery in demand for air travel in Russia and around the world.

At this stage, management cannot reliably estimate the future pace of recovery, therefore, management has considered various development scenarios to quickly adapt to changing needs and believes that the measures taken will enable the Group to fulfil its financial liabilities. In these circumstances, these Condensed Consolidated Interim Financial Statements have been prepared on a going concern basis. 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 management's current estimates and assumptions.

Aircraft fleet

The table below provides information on the Group's aircraft fleet as at 30 September 2021 (number of aircraft):

AIRCRAFT TYPE	AEROFLOT	AK ROSSIYA	AK POBEDA	GROUP TOTAL
SSJ 100	15	52	-	67
Airbus A319	-	20	-	20
Airbus A320	66	9	-	75
Airbus A321	36	-	-	36
Airbus A330	14	-	-	14
Airbus A350	6	-	-	6
Boeing B737	37	12	44	93
Boeing B747	-	9	-	9
Boeing B777	22	10	-	32
Total fleet	196	112	44	352

As at 30 September 2021, the Group's aircraft fleet consisted entirely of leased aircraft.

2. BASIS OF PREPARATION OF 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 2020, which have been prepared in accordance with IFRS.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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 September 2021	72.76	84.88
Average rate for 9 months 2021	74.01	88.57
As at 31 December 2020	73.88	90.68
Average rate for 9 months 2020	70.78	79.64

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 2020 and as at this date.

New standards and interpretations

The following amended standards and interpretations became effective from 1 January 2021:

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

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

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.

COVID-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021). The Group does not adopt these amendments.

A number of new standards and amendments to standards were not yet effective as at 30 September 2021 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).

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

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

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

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

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).

PJSC AEROFLOT

Notes to the Condensed Consolidated Interim Financial Statements
for the 9 months 2021

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



3. ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

New standards and interpretations (continued)

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).

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

Critical accounting estimates and judgments

In preparing these Condensed Consolidated Interim Financial Statements, the Group's management makes estimates, judgements and assumptions that affect the 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 2020, 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

	Three months ended		Nine months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
Scheduled passenger flights	141,942	64,852	300,380	179,355
Cargo flights	6,353	4,851	20,734	17,133
Charter passenger flights	9,627	9,132	16,245	14,220
Total traffic revenue	157,922	78,835	337,359	210,708

5. OTHER REVENUE

	Three months ended		Nine months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
Airline agreements revenue	3,699	3,005	11,362	13,049
Revenue from partners under the frequent flyer programme	3,587	2,036	8,867	6,716
In-flight catering services	220	150	490	467
Sales of goods on board	134	89	332	369
Ground handling and maintenance	53	77	197	182
Hotel revenue	76	53	195	132
Other revenue	1,381	616	3,418	2,590
Total other revenue	9,150	6,026	24,861	23,505

PJSC AEROFLOTNotes to the Condensed Consolidated Interim Financial Statements
for the 9 months 2021*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)***6. OPERATING COSTS LESS STAFF COSTS, DEPRECIATION AND AMORTISATION**

	Three months ended		Nine months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
Airport and en-route services	23,668	12,419	53,184	39,924
Aircraft maintenance	7,012	6,778	20,152	20,247
Passenger services expenses	5,850	3,484	12,967	8,916
Administration and general expenses	3,845	3,853	11,122	11,722
Communication and booking system expenses	3,833	2,215	10,532	6,647
Expenses from operations under code-sharing agreements	3,201	-	8,295	-
Expenses related to variable lease payments not included in lease liabilities	2,986	2,157	8,010	4,797
Food cost for in-flight catering	2,390	1,449	5,039	4,467
Sales and marketing expenses	1,397	823	3,257	3,433
Insurance expenses	772	801	2,062	2,116
Short-term leases	275	221	623	1,291
Cost of goods sold on board	68	46	169	203
Other expenses	1,793	1,461	4,686	4,335
Operating costs less aircraft fuel, staff costs, depreciation and amortisation	57,090	35,707	140,098	108,098
Aircraft fuel	42,840	18,077	87,851	62,006
Total operating costs less staff costs, depreciation and amortisation	99,930	53,784	227,949	170,104

7. STAFF COSTS

	Three months ended		Nine months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
Wages and salaries	13,229	11,681	36,798	37,954
Pension costs	3,598	2,950	9,379	9,383
Social security costs	1,041	1,103	2,827	3,017
Total staff costs	17,868	15,734	49,004	50,354

Pension costs include:

- compulsory payments to the Russian Federation Pension Fund,
- contributions to a non-government pension fund under a defined contribution pension plan under which the Group makes additional pension contributions as a fixed percentage (20% for 9 months 2021, 20% for 9 months 2020) 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.

PJSC AEROFLOTNotes to the Condensed Consolidated Interim Financial Statements
for the 9 months 2021*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)***7. STAFF COSTS (CONTINUED)**

	Three months ended		Nine months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
Payments to the Russian Federation Pension Fund	3,590	2,952	9,335	9,356
Change in pension plans liabilities	8	(2)	44	27
Total pension costs	3,598	2,950	9,379	9,383

8. FINANCE INCOME AND COSTS

	Three months ended		Nine months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
<i>Finance income:</i>				
Interest income	1,729	1,055	5,149	2,791
Gain on foreign exchange, net	1,268	-	3,451	-
Other finance income	50	42	243	417
Total finance income	3,047	1,097	8,843	3,208

	Three months ended		Nine months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
<i>Finance costs:</i>				
Loss on foreign exchange, net	-	(2,130)	-	(2,077)
Interest expense	(2,617)	(1,270)	(6,525)	(3,931)
Interest expense on lease	(8,000)	(9,829)	(23,801)	(29,603)
Other finance costs	-	(9)	(102)	(763)
Total finance costs	(10,617)	(13,238)	(30,428)	(36,374)

9. INCOME TAX

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

The expected weighted average annual income tax rate applied to profitable Group's companies for the 9 months 2021 equaled to 14 - 29% (9 months 2020: 20 - 67%). The expected weighted average annual income tax rate applied to loss making Group's companies for the 9 months 2021 equaled to 8 - 24% (9 months 2020: 6 - 22%). Change in expected rates are generally associated with a change in the share of non-deductible income and expenses.

	Three months ended		Nine months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
Current income tax charge	(1,304)	(843)	(2,656)	(906)
Change in deferred income tax	(2,081)	5,227	5,164	22,210
Income tax	(3,385)	4,384	2,508	21,304

PJSC AEROFLOTNotes to the Condensed Consolidated Interim Financial Statements
for the 9 months 2021*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)***10. ACCOUNTS RECEIVABLE AND PREPAYMENTS**

	30 September 2021	31 December 2020
Trade accounts receivable	26,776	17,563
Other financial receivable	9,261	8,795
Less provision for expected credit losses	(11,577)	(11,290)
Total financial receivable	24,460	15,068
Prepayments to suppliers	9,200	9,306
VAT and other taxes recoverable	19,025	12,008
Prepayments for delivery of aircraft	19,354	30,175
Other receivable	1,230	1,053
Less impairment provision	(499)	(559)
Total accounts receivable and prepayments	72,770	67,051

As at 30 September 2021 and 31 December 2020, the current part of prepayments for aircraft includes prepayments for the acquisition of the following aircraft:

Type of aircraft	30 September 2021		31 December 2020	
	Number of aircraft, units	Expected delivery date	Number of aircraft, units	Expected delivery date
Boeing B777	-	-	3	2021
Airbus A350	7	2021-2022	7	2021

11. NON-CURRENT PORTION OF PREPAYMENTS FOR AIRCRAFT

As at 30 September 2021 and 31 December 2020, the non-current portions of prepayments for aircraft were RUB 17,201 million and RUB 27,275 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 due to expectation of the prepayment return in cash from the aircraft supplier (Note 10).

As at 30 September 2021 and 31 December 2020, the non-current part of prepayments for aircraft include advance payments for the acquisition of the following aircraft:

Type of aircraft	30 September 2021		31 December 2020	
	Number of aircraft, units	Expected delivery date	Number of aircraft, units	Expected delivery date
Airbus A350	9	2022-2023	14	2022-2023

12. PROPERTY, PLANT AND EQUIPMENT

	Owned aircraft and engines	Land and buildings	Transport, equipment and other assets	Construction in progress	Total
<i>Cost</i>					
1 January 2020	10,067	10,514	22,219	4,291	47,091
Additions	17	31	211	895	1,154
Disposals	(203)	(54)	(925)	(186)	(1,368)
Transfers	76	35	601	(712)	-
30 September 2020	9,957	10,526	22,106	4,288	46,877
1 January 2021	4,802	10,075	21,419	4,560	40,856
Additions	764	4	581	1,121	2,470
Disposals	(71)	(91)	(988)	(55)	(1,205)
Transfers	-	2,440	482	(2,922)	-
Purchase of leased assets	-	-	2,484	-	2,484
30 September 2021	5,495	12,428	23,978	2,704	44,605
<i>Accumulated depreciation and impairment</i>					
1 January 2020	(3,316)	(5,613)	(11,344)	(75)	(20,348)
Charge for the period	(813)	(212)	(1,743)	-	(2,768)
Disposals	168	15	723	-	906
30 September 2020	(3,961)	(5,810)	(12,364)	(75)	(22,210)
1 January 2021	(2,679)	(5,789)	(12,508)	(55)	(21,031)
Charge for the period	(382)	(220)	(1,773)	-	(2,375)
Recovery/(accrual) of impairment provision	-	-	3	-	3
Disposals	71	-	746	-	817
Purchase of leased assets	-	-	(2,484)	-	(2,484)
30 September 2021	(2,990)	(6,009)	(16,016)	(55)	(25,070)
<i>Carrying amount</i>					
1 January 2021	2,123	4,286	8,911	4,505	19,825
30 September 2021	2,505	6,419	7,962	2,649	19,535

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

PJSC AEROFLOTNotes to the Condensed Consolidated Interim Financial Statements
for the 9 months 2021*(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 assets	Prepayments	Total
<i>Cost</i>					
1 January 2020	958,828	12,000	13,919	4,289	989,036
Additions	16,725	2,834	24	4,429	24,012
Capitalised expenditures	4,548	-	-	1,218	5,766
Disposals	(20,274)	(686)	(67)	(43)	(21,070)
Transfers	3,127	-	-	(3,127)	-
Remeasurement/modification of right-of-use assets	85,193	230	(135)	-	85,288
30 September 2020	1,048,147	14,378	13,741	6,766	1,083,032
1 January 2021	1,032,843	14,772	16,838	6,637	1,071,090
Additions	120,978	297	6	1,757	123,038
Capitalised expenditures	7,617	-	-	1,780	9,397
Disposals	(26,202)	(50)	(105)	(34)	(26,391)
Transfers	2,969	-	-	(2,969)	-
Purchase of leased assets	-	-	(2,484)	-	(2,484)
Remeasurement/modification of right-of-use assets	39,547	500	(1,353)	-	38,694
30 September 2021	1,177,752	15,519	12,902	7,171	1,213,344
<i>Accumulated depreciation and impairment</i>					
1 January 2020	(350,117)	(4,712)	(5,092)	-	(359,921)
Charge for the period	(81,427)	(1,758)	(1,197)	-	(84,382)
Recovery/(accrual) of impairment provision	(61)	-	-	-	(61)
Disposals	20,106	686	67	-	20,859
Modification of right-of-use assets	258	5	-	-	263
30 September 2020	(411,241)	(5,779)	(6,222)	-	(423,242)
1 January 2021	(422,758)	(6,235)	(6,691)	-	(435,684)
Charge for the period	(81,158)	(1,759)	(1,525)	-	(84,442)
Disposals	26,199	50	105	-	26,354
Purchase of leased assets	-	-	2,484	-	2,484
Modification of right-of-use assets	673	127	568	-	1,368
30 September 2021	(477,044)	(7,817)	(5,059)	-	(489,920)
<i>Carrying amount</i>					
1 January 2021	610,085	8,537	10,147	6,637	635,406
30 September 2021	700,708	7,702	7,843	7,171	723,424

Prepayments for right-of-use assets include the cost of spare parts, that will be installed on the aircraft, as well as amount of capitalised borrowing costs and discount on lease deposits related to aircraft, whose lease terms have yet to begin.

Capitalised borrowing costs for 9 months 2021 amounted to RUB 975 million (9 months 2020: RUB 1,218 million). The capitalisation rate of interest expenses for the period was 5% p.a. (9 months 2020: 5% p.a.).

13. RIGHT-OF-USE ASSETS (CONTINUED)

The main portion of the amount on the line “Remeasurement/modification of right-of-use assets” – increase by RUB 34,563 million for 9 months 2021, – relates to revaluation of the provision for repairs before aircraft return (9 months 2020: increase by RUB 81,729 million was primarily associated with the increase of USD exchange rate). This line also includes the increase of right-of-use assets, associated with restructuring of lease liabilities, for a detailed description see Note 16.

In accordance with IAS 36 “Impairment of Assets”, an entity is required to assess whether there is any indication that assets may be impaired at the end of each reporting period. The COVID-19 crisis and its continuing impact on the airline industry is such a trigger event. As a result, at the end of the second quarter of 2021 the Group has conducted the impairment test. The recoverable value has been determined by reference to the value in use by discounting future cash flows to be generated as a result of the activities. Then, the recoverable amount was compared with the carrying amount of non-current assets engaged in generating the respective cash flows. Cash flows were projected based on the Aeroflot Group’s forecast for 2021-2023, which considered the impact of COVID-19 pandemic and the following assumptions:

- (i) The economic situation in the Russian Federation: sustained medium-term growth of the economy, ongoing demand through savings, sustained supply on the scheduled passenger transportation market;
- (ii) Domestic flights: gradual recovery due to the compensation for the shortfall in international flights as a result of reorientation to the domestic tourism;
- (iii) International flights: gradual recovery after easing of restrictions due to deferred demand and in case of sustained business traffic;
- (iv) Pre-crisis assumptions are adopted going forward from 2024.

The key assumptions for calculating the recoverable amounts were related to the discount rate and yields. The discount rate used was the Group’s weighted average cost of capital (WACC), which was 11.6% p.a. for the entire forecasting period.

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

Management of the Group has assessed the financial performance indicators of its main cash generating units for the 3 months ended 30 September 2021 as well as other internal and external factors of the Group as of the specified date and considered that there was no need to revise the estimates made as of 30 June 2021 in relation to impairment of assets.

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	30 September 2021	31 December 2020
Accounts payable	39,468	30,099
Other financial payable	2,353	2,924
Dividends payable	245	246
Total financial payable	42,066	33,269
Staff and social funds related liabilities	12,426	12,284
Advances received (other than unearned traffic revenue)	4,640	2,488
Other current liabilities related to the frequent flyer programme	2,535	2,413
Other taxes payable	1,329	1,086
Other account payable	600	646
Total accounts payable and accrued liabilities	63,596	52,186

15. PROVISIONS FOR LIABILITIES

	Repairs before aircraft return	Other provisions	Total provisions
1 January 2020	216,493	319	216,812
Charge of provision for the period	4,181	75	4,256
Use of provision for the period	(11,813)	(43)	(11,856)
Remeasurement of provision for the period	81,636	-	81,636
Release of provision for the period	(4,488)	(70)	(4,558)
Unwinding of the discount on provision	1,388	-	1,388
30 September 2020	287,397	281	287,678
1 January 2021	253,514	213	253,727
Charge of provision for the period	21,214	11	21,225
Use of provision for the period	(8,703)	(118)	(8,821)
Remeasurement of provision for the period	34,262	-	34,262
Release of provision for the period	(3,043)	(78)	(3,121)
Unwinding of the discount on provision	1,611	-	1,611
30 September 2021	298,855	28	298,883

	30 September 2021	31 December 2020
Current liabilities	22,029	20,859
Non-current liabilities	276,854	232,868
Total provisions	298,883	253,727

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 23).

16. LEASE LIABILITIES

The Group leases aircraft and aircraft engines as well as other properties (real estate, vehicles, etc.) from third and related parties under lease agreements. List of aircraft of the Group operated on a lease basis as at 30 September 2021 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 aircraft and aircraft engines, the carrying amount of which is disclosed in Note 13, actually represent collateral for lease liabilities, since, in case of default by the lessee, these assets are returned to the lessor. After the introduction of flight restrictions caused by COVID-19, the Group initiated negotiations to defer lease payments. As of the date of issue of these Condensed Consolidated Interim Financial Statements, the Group signed amendments to most of its lease agreements that provided for the deferment of lease payments and no penalties. These changes to the terms are accounted for as lease modifications. Management plans to sign amendments to the remaining lease agreements on similar terms in the near future, and therefore has not made additional accruals in these Condensed Consolidated Interim Financial Statements.

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

As at 30 September 2021, lease liabilities in the amount of RUB 615,487 million denominated in US dollars (31 December 2020: RUB 591,964 million) were designated as a hedging instrument for revenue forecasted for the period 2021 – 2033 in the same amount. The Group expects that this hedging relationship will be highly effective since the future cash outflows on the lease liabilities match the future cash inflows on the revenue being hedged. As at 30 September 2021, accumulated foreign currency loss of RUB 47,310 million (before deferred income tax) on the lease liabilities (31 December 2020: accumulated foreign currency loss of RUB 60,412 million), representing an effective portion of the hedge, was recognised in the hedge reserve. The loss reclassified from the hedge reserve to profit or loss for 9 months 2021 was RUB 4,920 million (for 9 months 2020: loss in the amount RUB 3,095 million).

The «Hedging result» line item of profit or loss for 9 months 2020 also included RUB 7,237 million loss due to de-designation of a part of hedging relationships between revenue and lease liabilities as a result of the update on forecasted US dollar revenue considering COVID-19 pandemic impact. For 9 months 2021, no hedge ineffectiveness was recognised regarding hedging relationships between future revenue stream denominated in US dollars and lease liabilities denominated in the same currency.

17. BORROWINGS

	30 September 2021	31 December 2020
Short-term borrowings in Russian Roubles	19,587	34,924
Current portion of long-term bonds in Russian Roubles	79	-
Total short-term borrowings	19,666	34,924
Long-term borrowings in Russian Roubles	62,300	53,200
Long-term bonds in Russian Roubles	24,650	-
Long-term borrowings in US dollars	506	511
Total long-term borrowings	87,456	53,711

Main changes in borrowings during the reporting period

The Group fully repaid the loan tranches (floating interest rate) in total amount of RUB 5,200 million, received under the credit line with PJSC Sovcombank in December 2016 - December 2020.

The Group received the loan tranches (floating interest rate) under the credit line with PJSC Sovcombank in total amount of RUB 6,210 million. As at 30 September 2021 the loan tranches in amount of RUB 1,010 million were repaid. The loan tranches in amount of RUB 5,200 million were unsecured and issued for the period up to October 2022 - March 2023.

PJSC AEROFLOT

Notes to the Condensed Consolidated Interim Financial Statements
for the 9 months 2021

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



17. BORROWINGS (CONTINUED)

Main changes in borrowings during the reporting period (continued)

The Group fully repaid the loan tranche (floating interest rate) in total amount of RUB 5,489 million, received under the credit line with Promsvyazbank PJSC in March 2020.

The Group received the loan tranche (floating interest rate) under the credit line with Promsvyazbank PJSC in total amount of RUB 5,500 million. The loan tranche was unsecured and issued for the period up to August 2022.

The Group fully repaid the loan tranches (fixed interest rate) in total amount of RUB 18,000 million, received under the credit lines with Sberbank in April - May 2020.

The Group received the loan tranches (fixed interest rate) under the credit line with Sberbank in total amount of RUB 15,000 million. The loan tranches were secured by government guarantee and issued for the period up to July 2025.

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.

Under this Programme in the second quarter of 2021 the Group placed bonds with a maturity in June 2026 in total nominal value of RUB 24,650 million.

As at 30 September 2021 and 31 December 2020 the Group had no assets transferred to secure received borrowings.

As at 30 September 2021 and 31 December 2020 the fair value of borrowings was not materially different from their carrying amount.

Undrawn commitments

As at 30 September 2021, the Group was able to raise amount equivalent to RUB 151,458 million in cash (31 December 2020: RUB 142,750 million) available under existing credit lines granted to the Group by various lending institutions.

18. SHARE CAPITAL

As at 30 September 2021 and 31 December 2020, share capital was equal to RUB 2,693 million.

	Number of ordinary shares authorised and issued (shares)	Number of treasury shares (shares)	Number of ordinary shares outstanding (shares)
31 December 2020	2,444,535,448	(47,817,796)	2,396,717,652
30 September 2021	2,444,535,448	(47,817,796)	2,396,717,652

As at 30 September 2021 and 31 December 2020, the total number of treasury shares purchased by the Company from shareholders was 47,817,796.

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

All shares that have been placed are fully paid. In addition to the shares that have been placed the Company is entitled to place 616,080,851 ordinary registered shares (31 December 2020: 616,080,851 shares) with par value of RUB 1 per share (31 December 2020: RUB 1 per share). Each ordinary share gives a right to one vote.

The Company's shares are listed on the Moscow Exchange ("MICEX"). As at 30 September 2021 and 31 December 2020, weighted average price was RUB 70.3 and RUB 71.42 per share, respectively.

PJSC AEROFLOT

Notes to the Condensed Consolidated Interim Financial Statements
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**18. SHARE CAPITAL (CONTINUED)**

The Company launched a Global Depositary Receipts (GDR) programme in December 2000. Since January 2014, one GDR equals five ordinary shares. As at 30 September 2021 and 31 December 2020, the Group's GDRs were traded on the Frankfurt Stock Exchange at EUR 4.0 per GDR and EUR 4.36 per GDR, respectively.

19. OPERATING SEGMENTS

The Group has a number of operating segments. Except for "Air transportation", however, none meet the quantitative threshold for determining reportable segment. Flight routes information was aggregated in "Air transportation" segment as passenger flight services on different routes have similar economic characteristics and meet aggregation criteria.

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

The segment labelled "Other" mainly included sales revenue from goods on board, in-flight catering services and ground handling.

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

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

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

	<u>Note</u>	<u>Air transportation</u>	<u>Other</u>	<u>Inter-segment sales elimination</u>	<u>Total Group</u>
Nine months 2021					
External sales		360,810	1,410	-	362,220
Inter-segment sales		423	11,444	(11,867)	-
Total revenue	4,5	361,233	12,854	(11,867)	362,220
Operating profit/(loss)		8,286	(272)	-	8,014
Loss from impairment and fair value changes of investments, net					(185)
Finance income	8				8,843
Finance costs	8				(30,428)
Hedging result	16				(4,920)
Share of financial results of associates					66
Loss before income tax					(18,610)
Income tax	9				2,508
Loss for the period					(16,102)

PJSC AEROFLOTNotes to the Condensed Consolidated Interim Financial Statements
for the 9 months 2021*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)***19. OPERATING SEGMENTS (CONTINUED)**

	<u>Note</u>	<u>Air transportation</u>	<u>Other</u>	<u>Inter-segment sales elimination</u>	<u>Total Group</u>
Nine months 2020					
External sales		232,889	1,324	-	234,213
Inter-segment sales		343	10,023	(10,366)	-
Total revenue	4,5	233,232	11,347	(10,366)	234,213
Operating loss		(55,449)	(1,306)	-	(56,755)
Loss from impairment and fair value changes of investments, net					(357)
Finance income	8				3,208
Finance costs	8				(36,374)
Hedging result	16				(10,332)
Share of financial results of associates					(100)
Loss before income tax					(100,710)
Income tax	9				21,304
Loss for the period					(79,406)

	<u>Note</u>	<u>Air transportation</u>	<u>Other</u>	<u>Inter-segment sales elimination</u>	<u>Total Group</u>
Three months ended 30 September 2021					
External sales		166,486	586	-	167,072
Inter-segment sales		188	5,050	(5,238)	-
Total revenue	4,5	166,674	5,636	(5,238)	167,072
Operating profit		23,318	78	-	23,396
Gain from fair value changes of investments, net					157
Finance income	8				3,047
Finance costs	8				(10,617)
Hedging result	16				(1,069)
Share of financial results of associates					106
Profit before income tax					15,020
Income tax	9				(3,385)
Profit for the period					11,635

PJSC AEROFLOTNotes to the Condensed Consolidated Interim Financial Statements
for the 9 months 2021*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)***19. OPERATING SEGMENTS (CONTINUED)**

	<u>Note</u>	<u>Air transportation</u>	<u>Other</u>	<u>Inter-segment sales elimination</u>	<u>Total Group</u>
Three months ended					
30 September 2020					
External sales		84,451	410	-	84,861
Inter-segment sales		119	3,131	(3,250)	-
Total revenue	4,5	84,570	3,541	(3,250)	84,861
Operating loss		(10,441)	(195)	-	(10,636)
Loss from impairment and fair value changes of investments, net					(48)
Finance income	8				1,097
Finance costs	8				(13,238)
Hedging result	16				(2,775)
Share of financial results of associates					80
Loss before income tax					(25,520)
Income tax	9				4,384
Loss for the period					(21,136)

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of financial instruments has 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 receivable (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.

20. 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 September 2021 and 31 December 2020, the fair value of financial payable (Note 14) and borrowings (Note 17) was not materially different from their carrying amount. The fair value of financial payable and borrowings, other than bond borrowings, is categorised as Level 2. The fair value of bond borrowings is categorised as Level 1.

During 9 months of 2021 there was no transfer between levels 1, 2 or 3 of the fair value hierarchy.

The classification of financial assets and liabilities as at 30 September 2021 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		70,700	-	70,700
Short-term financial investments		22,575	-	22,575
Financial receivable	10	24,460	-	24,460
Aircraft lease security deposits		4,841	-	4,841
Long-term financial instruments		120	5,268	5,388
Financial assets under lease agreements		27,477	-	27,477
Other non-current assets		818	-	818
Total financial assets		150,991	5,268	156,259
			Financial liabilities measured at amortised cost	Total
Financial payable	14		42,066	42,066
Lease liabilities			675,961	675,961
Borrowings	17		107,122	107,122
Other non-current liabilities			1,787	1,787
Total financial liabilities			826,936	826,936

PJSC AEROFLOTNotes to the Condensed Consolidated Interim Financial Statements
for the 9 months 2021*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)***20. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

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

	Note	Financial assets measured at amortised cost	Financial assets measured at fair value through profit or loss	Total
Cash and cash equivalents		88,944	-	88,944
Short-term financial investments		4,831	-	4,831
Financial receivable	10	15,068	-	15,068
Aircraft lease security deposits		4,606	-	4,606
Long-term financial instruments		121	5,343	5,464
Financial assets under lease agreements		22,765	-	22,765
Other non-current assets		516	-	516
Total financial assets		136,851	5,343	142,194
			Financial liabilities measured at amortised cost	Total
Financial payable	14		33,269	33,269
Lease liabilities			662,507	662,507
Borrowings	17		88,635	88,635
Other non-current liabilities			1,625	1,625
Total financial liabilities			786,036	786,036

21. RELATED-PARTY TRANSACTIONS

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

As at 30 September 2021 and 31 December 2020, the outstanding balances with related parties and income and expense items with related parties for 9 months 2021 and 9 months 2020 are disclosed below.

Associates

As at 30 September 2021 and 31 December 2020, the outstanding balances with associates and income and expense items with associates for 9 months 2021 and 9 months 2020 are presented below:

	30 September 2021	31 December 2020
Assets		
Accounts receivable	39	36
Liabilities		
Accounts payable and accrued liabilities	333	102

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

	Three months ended		Nine months ended	
	30 September 2021	30 September 2020	30 September 2021	30 September 2020
Transactions				
Sales to associates	1	2	55	7
Purchase of goods and services from associates	862	422	1,847	1,323

PJSC AEROFLOT

Notes to the Condensed Consolidated Interim Financial Statements
for the 9 months 2021

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

**21. 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 September 2021 and 31 December 2020 the Russian Federation represented by the Ministry of Finance of the Russian Federation and the Federal Agency for State Property Management owned 57.34% shares of the Company. The Group operates in an economic environment where the entities and credit organizations are directly or indirectly controlled by the Russian Government 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;
- operations under code-sharing agreements;
- lease;
- purchase of aircraft fuel;
- purchase of air navigation and airport services;
- government subsidies including those provided for compensating of lost income from passenger flights in certain directions under government programmes; and
- income recognised in April 2021 related with implementing the requirements of the Government Decree No. 696 of 16 May 2020.

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

	30 September 2021	31 December 2020
Assets		
<i>Cash</i>	53,809	60,441

As at 30 September 2021 the share of financial assets under aircraft lease contracts signed by the Group with government-related entities was approximately 42% (31 December 2020: 50%).

During 9 months 2021 the Group has partly withdrawn credit lines provided by government-related entities, amount of the credit lines are disclosed in Note 17.

As at 30 September 2021 the share of lease liabilities to the government-related entities is approximately 59% (31 December 2020: approximately 62%).

For 9 months 2021 the share of Group's transactions with government-related entities is about 22% of operating costs, and about 3% of revenue (9 months 2020: about 16% and about 5% respectively). These expenses primarily include costs of motor fuels supplies, air navigation and aircraft maintenance services in the airports, as well as code-sharing expenses.

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

21. RELATED-PARTY TRANSACTIONS (CONTINUED)***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 996 million for 9 months 2021 (9 months 2020: RUB 980 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 new 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 30 September 2021, included in accounts payable, was determined based on the expected payment amount for the period from 1 January 2019 till 31 December 2019 and amount of payment deferred till the end of the programmes.

As at 30 September 2021, the outstanding amount of the liability under the programmes was RUB 221 million (31 December 2020: RUB 134 million).

22. CAPITAL COMMITMENTS

As at 30 September 2021, the Group had agreements on future acquisition of property, plant and equipment with third parties amounted to RUB 162,439 million (31 December 2020: RUB 225,365 million). These commitments mainly relate to purchase of 16 aircraft Airbus A350 (31 December 2020: 21 aircraft Airbus A350; 2 aircraft Boeing B777) and aircraft equipment. Aircraft for which a lease agreement has already concluded, but the actual delivery has not taken place, were not counted as part of the capital commitments. The Group expects to use these aircraft under lease agreements. Therefore, no cash outflow on the signed agreements is expected.

23. CONTINGENCIES***Operating Environment of the Group***

The Russian economy 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.

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

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

The Russian tax system continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which in some cases are unclear and contradictory and subject to varying interpretation and uncertainty regarding the tax consequences of their application for taxpayers.

Significant automation of many control functions allows the tax authorities to take a tougher stance in relation to the identification of violations in the tax scope and to impose additional taxes, fines and penalties to taxpayers.

Control activities and tax inspections can be completed by the territorial tax authorities and Federal tax service of Russia for not more than three years preceding the period in which such inspections are started. The period of inspection regarding taxpayers to whom the Tax Monitoring regime is applied ends before October 1 of the year following the reporting period.

These circumstances may create tax risks in Russia that may be substantially more significant than in other countries. Based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions, the Group's management believes that the tax liabilities are disclosed in an adequate amount in Condensed Consolidated Interim Financial Statements. However, with a different interpretation of tax legislation by the tax authorities, they will be able to change the calculation of tax liabilities and present these amounts payable and this may significantly influence these Condensed Consolidated Interim Financial Statements.

As at 30 September 2021 and 31 December 2020 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 recognized in these Condensed Consolidated Interim Financial Statements, if these are challenged by the tax authorities.

Insurance

The Group maintains risks insurance as both compulsory insurance in accordance with the legislation and voluntary insurance including civil liability risks, risks of loss and damage (including aircraft), medical insurance.

Liquidity management

The Group Treasury provides flexibility of financing through available credit lines. At 30 September 2021, within the credit lines provided by various credit organizations, the Group had the opportunity to raise additional funds in the amount equivalent to RUB 151,458 million for repayment of financial liabilities (31 December 2020: RUB 142,750 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 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.

24. SUBSEQUENT EVENTS

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

In October 2021, the Group received loan tranches under the credit line with PJSC Sovcombank (floating interest rate) in the amount of RUB 1,300 million. The loans were issued up to April 2023.