

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

**Condensed Consolidated Interim Financial Statements
for the 3 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 3 months ended 31 March 2021 were approved on 31 May 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 31 March 2021 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

31 May 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

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PJSC AEROFLOT
Condensed Consolidated Interim Statement
of Profit or Loss for the 3 months 2021



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

	<u>Note</u>	<u>3m 2021</u>	<u>3m 2020</u>
Traffic revenue	4	68,266	111,412
Other revenue	5	7,232	12,482
Revenue		75,498	123,894
Operating costs, excluding staff costs, depreciation and amortisation	6	(53,631)	(92,873)
Staff costs	7	(14,761)	(21,124)
Depreciation and amortisation		(28,275)	(26,022)
Other operating income/(expenses), net		497	2,969
Operating costs		(96,170)	(137,050)
Operating loss		(20,672)	(13,156)
Loss from impairment and fair value changes of investments, net		(105)	(612)
Finance income	8	2,653	1,897
Finance costs	8	(9,828)	(11,842)
Hedging result	16	(2,414)	(7,360)
Share of financial results of associates		(76)	3
Loss before income tax		(30,442)	(31,070)
Income tax	9	5,299	8,586
LOSS FOR THE PERIOD		(25,143)	(22,484)
<i>Attributable to:</i>			
Shareholders of the Company		(24,738)	(19,861)
Non-controlling interest		(405)	(2,623)
LOSS FOR THE PERIOD		(25,143)	(22,484)
Basic and diluted loss per share (in Roubles per share)		(10.3)	(18.7)
Weighted average number of shares outstanding (millions)	18	2,396.7	1,062.8

Approved on 31 May 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 26

PJSC AEROFLOTCondensed Consolidated Interim Statement
of Comprehensive Income for the 3 months 2021*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)*

	<u>Note</u>	<u>3m 2021</u>	<u>3m 2020</u>
Loss for the period		(25,143)	(22,484)
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Effect from hedging revenue with foreign currency liabilities	16	(12,196)	(123,105)
Deferred tax related to a result from cash-flow hedging		2,439	24,621
Other comprehensive loss		<u>(9,757)</u>	<u>(98,484)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		<u>(34,900)</u>	<u>(120,968)</u>
<i>Comprehensive loss attributable to:</i>			
Shareholders of the Company		(34,495)	(118,345)
Non-controlling interest		<u>(405)</u>	<u>(2,623)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		<u>(34,900)</u>	<u>(120,968)</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 26

PJSC AEROFLOTCondensed Consolidated Interim Statement of Financial Position
as at 31 March 2021*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)*

	<u>Note</u>	<u>31 March 2021</u>	<u>31 December 2020</u>
ASSETS			
Current assets			
Cash and cash equivalents	20	68,577	88,944
Short-term financial investments	20	9,670	4,831
Accounts receivable and prepayments	10	76,283	67,051
Current income tax prepayment		153	469
Aircraft lease security deposits		2,995	2,739
Expendable spare parts and inventories		16,806	16,889
Current financial assets under lease agreements		3,772	4,159
Total current assets		<u>178,256</u>	<u>185,082</u>
Non-current assets			
Right-of-use assets	13	620,041	635,406
Property, plant and equipment	12	19,304	19,825
Prepayments for aircraft	11	20,659	27,275
Deferred tax assets		83,956	75,430
Long-term financial investments		5,397	5,464
Intangible assets		2,902	2,414
Non-current financial assets under lease agreements		22,893	18,606
Aircraft lease security deposits		1,753	1,867
Investments in associates		344	419
Other non-current assets		40,243	44,416
Total non-current assets		<u>817,492</u>	<u>831,122</u>
TOTAL ASSETS		<u>995,748</u>	<u>1,016,204</u>
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	14	54,434	52,186
Unearned traffic revenue		61,482	44,622
Deferred revenue related to the frequent flyer programme		1,951	1,929
Provisions for liabilities	15	28,006	20,859
Lease liabilities	16	129,130	126,761
Short-term borrowings and current portion of long-term borrowings	17	36,465	34,924
Current income tax liabilities		445	4
Total current liabilities		<u>311,913</u>	<u>281,285</u>
Non-current liabilities			
Long-term borrowings	17	52,225	53,711
Lease liabilities	16	535,109	535,746
Provisions for liabilities	15	221,363	232,868
Deferred tax liabilities		79	77
Deferred revenue related to the frequent flyer programme		7,280	7,197
Other non-current liabilities		18,025	20,666
Total non-current liabilities		<u>834,081</u>	<u>850,265</u>
TOTAL LIABILITIES		<u>1,145,994</u>	<u>1,131,550</u>
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	(58,087)	(48,330)
Undistributed loss		(166,402)	(141,664)
Equity attributable to shareholders of the Company		<u>(142,271)</u>	<u>(107,776)</u>
Non-controlling interest		(7,975)	(7,570)
TOTAL EQUITY		<u>(150,246)</u>	<u>(115,346)</u>
TOTAL LIABILITIES AND EQUITY		<u>995,748</u>	<u>1,016,204</u>

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 26

PJSC AEROFLOT
Condensed Consolidated Interim Statement
of Cash Flows for the 3 months 2021



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

	<u>Note</u>	<u>3m 2021</u>	<u>3m 2020</u>
Cash flows from operating activities:			
Loss before income tax		(30,442)	(31,070)
<i>Adjustments for:</i>			
Depreciation and amortisation		28,275	26,022
Change in expected credit losses and impairment of prepayments		69	193
Change in impairment provision for obsolete expendable spare parts and inventory		33	(1)
Change in impairment provision for property, plant and equipment and right-of-use assets	12, 13	-	114
Loss on disposal of property, plant and equipment and intangible assets		130	76
Loss from impairment and fair value changes of investments		105	612
Hedging result	16	2,414	7,360
Change in provisions for liabilities	15	(774)	(1,376)
Interest expense	8	9,722	11,126
Interest income	8	(2,154)	(701)
Foreign exchange gain, net	8	(362)	(736)
Dividend income		-	(16)
Revaluation/modification under lease contracts		68	164
Other finance (income)/expenses, net	8	(31)	256
Other operating (income)/expenses, net		(338)	(148)
Total operating cash flows before working capital changes		<u>6,715</u>	<u>11,875</u>
(Increase)/decrease in accounts receivable and prepayments		(5,267)	15,558
Decrease/(increase) in expendable spare parts and inventories		50	(1,356)
Increase/(decrease) in accounts payable and accrued liabilities		14,557	(12,629)
Total operating cash flows after working capital changes		<u>16,055</u>	<u>13,448</u>
Change in restricted cash		-	(2)
Income tax paid		(32)	(167)
Income tax refunded		1	539
Net cash flows from operating activities		<u>16,024</u>	<u>13,818</u>

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 26

PJSC AEROFLOTCondensed Consolidated Interim Statement
of Cash Flows for the 3 months 2021*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)*

	<u>Note</u>	<u>3m 2021</u>	<u>3m 2020</u>
<i>Cash flows from investing activities:</i>			
Deposits return		3,995	7,312
Deposits placement		(8,764)	(3,377)
Proceeds from sale of property, plant and equipment		9	5
Interest received		828	165
Purchases of property, plant and equipment, right-of-use assets, intangible assets and capitalized repair expenses		(3,572)	(7,016)
Dividends received		5	33
Prepayments for aircraft		(1,210)	(3,660)
Return of prepayments for aircraft		3,733	2,374
Payment for financial assets under aircraft lease contracts		(891)	(1,508)
Repayment of financial assets under aircraft lease contracts		2,332	2,051
Net cash flows used in investing activities		<u>(3,535)</u>	<u>(3,621)</u>
<i>Cash flows from financing activities:</i>			
Receipt of loans and borrowings	17	6,510	38,900
Repayment of loans and borrowings	17	(6,499)	(8,444)
Repayment of the lease liabilities principal		(19,889)	(16,705)
Interest paid except for interest under lease contracts		(1,390)	(284)
Interest paid under lease contracts		(11,839)	(9,059)
Dividends paid		-	(461)
Net cash flows (used in)/from financing activities		<u>(33,107)</u>	<u>3,947</u>
Effect of exchange rate fluctuations on cash and cash equivalents		251	(65)
Net (decrease)/increase in cash and cash equivalents		<u>(20,367)</u>	<u>14,079</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>68,577</u>	<u>26,962</u>
<i>Non-cash transactions as part of the investing and financing activities:</i>			
Right-of-use assets acquired under lease contracts		8,701	13,756

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 26

PJSC AEROFLOT

 Condensed Consolidated Interim Statement
 of Changes in Equity for the 3 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		-	-	-	-	(19,861)	(19,861)	(2,623)	(22,484)
Loss from hedging net of related deferred tax	16	-	-	-	(98,484)	-	(98,484)	-	(98,484)
Total other comprehensive loss		-	-	-	-	-	(98,484)	-	(98,484)
Total comprehensive loss		-	-	-	-	-	(118,345)	(2,623)	(120,968)
31 March 2020		1,359	-	824	(78,308)	(43,912)	(120,037)	1,019	(119,018)
1 January 2021		2,693	78,701	824	(48,330)	(141,664)	(107,776)	(7,570)	(115,346)
Loss for the period		-	-	-	-	(24,738)	(24,738)	(405)	(25,143)
Loss from hedging net of related deferred tax	16	-	-	-	(9,757)	-	(9,757)	-	(9,757)
Total other comprehensive loss		-	-	-	-	-	(9,757)	-	(9,757)
Total comprehensive loss		-	-	-	-	-	(34,495)	(405)	(34,900)
31 March 2021		2,693	78,701	824	(58,087)	(166,402)	(142,271)	(7,975)	(150,246)

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 26

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 31 March 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, however, the dynamics in demand and significant restrictions on flights associated with the spread of COVID-19 in the world has affected the operating results for three months of 2021:

- In 3 months 2021, the Group carried 7.4 million passengers, which is 32.5% lower than passengers carried over the same period in 2020*;
- The Group’s passenger load factor increased by 8.6 p.p.* compared with the same period last year, up to 80.1%;
- The Group’s passenger turnover decreased by 46.8% 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.

* 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 3 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 first 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 31 March 2021 (number of aircraft):

AIRCRAFT TYPE	AEROFLOT	AK ROSSIYA	AK POBEDA	GROUP TOTAL
SSJ 100	37	24	-	61
Airbus A319	-	20	-	20
Airbus A320	68	6	-	74
Airbus A321	33	-	-	33
Airbus A330	15	-	-	15
Airbus A350	1	-	-	1
Boeing B737	47	12	34	93
Boeing B747	-	9	-	9
Boeing B777	20	10	-	30
Total fleet	221	81	34	336

As at 31 March 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 31 March 2021	75.70	88.88
Average rate for 3 months 2021	74.34	89.70
As at 31 December 2020	73.88	90.68
Average rate for 3 months 2020	66.38	73.23

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.

A number of new standards and amendments to standards were not yet effective as at 31 March 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).

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).

PJSC AEROFLOT

Notes to the Condensed Consolidated Interim Financial Statements
for the 3 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)

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).

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 Consolidated Financial Statements and the timing of their application by the Group.

Critical accounting estimates and judgments

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

	3m 2021	3m 2020
Scheduled passenger flights	58,961	102,139
Cargo flights	7,959	4,804
Charter passenger flights	1,346	4,469
Total traffic revenue	68,266	111,412

5. OTHER REVENUE

	3m 2021	3m 2020
Airline agreements revenue	3,903	6,866
Revenue from partners under the frequent flyer programme	2,232	3,362
Sales of goods on board	110	268
In-flight catering services	85	259
Ground handling and maintenance	64	69
Hotel revenue	54	60
Other revenue	784	1,598
Total other revenue	7,232	12,482

PJSC AEROFLOTNotes to the Condensed Consolidated Interim Financial Statements
for the 3 months 2021*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)***6. OPERATING COSTS LESS STAFF COSTS, DEPRECIATION AND AMORTISATION**

	<u>3m 2021</u>	<u>3m 2020</u>
Airport and en-route services	12,706	22,791
Aircraft maintenance	5,455	9,225
Administration and general expenses	3,508	4,292
Communication and booking system expenses	3,244	3,776
Passenger services expenses	2,860	4,653
Expenses related to variable lease payments not included in lease liabilities	2,755	1,480
Expenses from operations under code-sharing agreements	2,524	-
Food cost for in-flight catering	1,054	2,719
Sales and marketing expenses	700	1,896
Insurance expenses	630	691
Short-term leases	123	560
Cost of goods sold on board	48	141
Other expenses	1,208	2,045
Operating costs less aircraft fuel, staff costs, depreciation and amortisation	<u>36,815</u>	<u>54,269</u>
Aircraft fuel	16,816	38,604
Total operating costs less staff costs, depreciation and amortisation	<u>53,631</u>	<u>92,873</u>

7. STAFF COSTS

	<u>3m 2021</u>	<u>3m 2020</u>
Wages and salaries	11,073	16,586
Pension costs	2,814	3,321
Social security costs	874	1,217
Total staff costs	<u>14,761</u>	<u>21,124</u>

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 2021, 20% for 3 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.

	<u>3m 2021</u>	<u>3m 2020</u>
Payments to the RF Pension Fund	2,791	3,298
Change in pension plans	23	23
Total pension costs	<u>2,814</u>	<u>3,321</u>

PJSC AEROFLOTNotes to the Condensed Consolidated Interim Financial Statements
for the 3 months 2021*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)***8. FINANCE INCOME AND COSTS**

	<u>3m 2021</u>	<u>3m 2020</u>
<i>Finance income:</i>		
Interest income	2,154	701
Gain on foreign exchange, net	362	736
Other finance income	137	460
Total finance income	<u>2,653</u>	<u>1,897</u>

	<u>3m 2021</u>	<u>3m 2020</u>
<i>Finance costs:</i>		
Interest expense	(1,829)	(1,283)
Interest expense on lease	(7,893)	(9,843)
Other finance costs	(106)	(716)
Total finance costs	<u>(9,828)</u>	<u>(11,842)</u>

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 3 months 2021 equalled to 20% (3 months 2020: 20 – 21%). Expected weighted average annual income tax rate applied to loss making Group's companies for the 3 months 2021 equalled to 2 – 29% (3 months 2020: 2 – 34%). Change in expected income tax rate is connected with the change in share of non-deductible expenses.

	<u>3m 2021</u>	<u>3m 2020</u>
Current income tax charge	(786)	(403)
Change in deferred income tax	6,085	8,989
Income tax	<u>5,299</u>	<u>8,586</u>

10. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	<u>31 March 2021</u>	<u>31 December 2020</u>
Trade accounts receivable	22,130	17,563
Other financial receivable	9,291	8,795
Less provision for expected credit losses	(11,388)	(11,290)
Total financial receivable	<u>20,033</u>	<u>15,068</u>
Prepayments to suppliers	8,986	9,306
VAT and other taxes recoverable	11,805	12,008
Prepayments for delivery of aircraft	34,781	30,175
Other receivable	1,188	1,053
Less impairment provision	(510)	(559)
Total accounts receivable and prepayments	<u>76,283</u>	<u>67,051</u>

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for the 3 months 2021*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)***10. ACCOUNTS RECEIVABLE AND PREPAYMENTS (CONTINUED)**

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

Type of aircraft	31 March 2021		31 December 2020	
	Number of aircraft, units	Expected delivery date	Number of aircraft, units	Expected delivery date
Boeing B777	2	2021	3	2021
Airbus A350	10	2021-2022	7	2021

11. NON-CURRENT PORTION OF PREPAYMENTS FOR AIRCRAFT

As at 31 March 2021 and 31 December 2020, the non-current portions of prepayments for aircraft was RUB 20,659 million and RUB 27,275 million, respectively. Changes in the non-current portion of prepayments are due to the approaching aircraft delivery dates.

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 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	31 March 2021		31 December 2020	
	Number of aircraft, units	Expected delivery date	Number of aircraft, units	Expected delivery date
Airbus A350	11	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	26	170	567	780
Disposals	-	(14)	(285)	(133)	(432)
Transfers	63	30	209	(302)	-
31 March 2020	10,147	10,556	22,313	4,423	47,439
1 January 2021	4,802	10,075	21,419	4,560	40,856
Additions	102	-	20	202	324
Disposals	-	-	(288)	-	(288)
Transfers	-	-	273	(273)	-
31 March 2021	4,904	10,075	21,424	4,489	40,892

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for the 3 months 2021*(All amounts are presented in millions of Russian Roubles, unless otherwise stated)***12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	Owned aircraft and engines	Land and buildings	Transport, equipment and other assets	Construction in progress	Total
<i>Accumulated depreciation and impairment</i>					
1 January 2020	(3,316)	(5,613)	(11,344)	(75)	(20,348)
Charge for the year	(241)	(72)	(619)	-	(932)
Disposals	-	4	215	-	219
31 March 2020	(3,557)	(5,681)	(11,748)	(75)	(21,061)
1 January 2021	(2,679)	(5,789)	(12,508)	(55)	(21,031)
Charge for the year	(128)	(64)	(603)	-	(795)
Disposals	-	-	238	-	238
31 March 2021	(2,807)	(5,853)	(12,873)	(55)	(21,588)
<i>Carrying amount</i>					
1 January 2021	2,123	4,286	8,911	4,505	19,825
31 March 2021	2,097	4,222	8,551	4,434	19,304

Management of the Group has assessed the financial performance indicators of its main cash generating units for the 3 months ended 31 March 2021 and considered that there was no need to revise the estimates made as of 31 December 2020 in relation to impairment of property, plant and equipment.

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	16,841	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
31 March 2020	1,043,194	13,620	13,936	5,019	1,075,769
1 January 2021	1,032,843	14,772	16,838	6,637	1,071,090
Additions	11,156	125	-	1,429	12,710
Capitalised expenditures	2,806	-	-	424	3,230
Disposals	(14,073)	(6)	(104)	(8)	(14,191)
Transfers	674	-	-	(674)	-
Remeasurement/modification of right-of-use assets	(4,800)	488	(128)	-	(4,440)
31 March 2021	1,028,606	15,379	16,606	7,808	1,068,399

13. RIGHT-OF-USE ASSETS (CONTINUED)

	Aircraft and engines	Land and buildings	Transport, equipment and other assets	Prepayments	Total
<i>Accumulated depreciation and impairment</i>					
1 January 2020	(350,117)	(4,712)	(5,092)	-	(359,921)
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
31 March 2020	(363,762)	(4,752)	(5,513)	-	(374,027)
1 January 2021	(422,758)	(6,235)	(6,691)	-	(435,684)
Charge for the period	(26,241)	(575)	(515)	-	(27,331)
Disposals	14,070	6	104	-	14,180
Modification of right-of-use assets	371	45	61	-	477
31 March 2021	(434,558)	(6,759)	(7,041)	-	(448,358)
Carrying amount					
1 January 2021	610,085	8,537	10,147	6,637	635,406
31 March 2021	594,048	8,620	9,565	7,808	620,041

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 3 months 2021 amounted to RUB 424 million (3 months 2020: RUB 514 million). The capitalisation rate of interest expenses for the period was 5.1% p.a. (3 months 2020: 5.5% p.a.).

The main portion of the amount on the line “Remeasurement/modification of right-of-use assets” – decrease by RUB 4,328 million for 3 months 2021, – relates to revaluation of the provision for repairs before aircraft return (increase by RUB 71,574 million for 3 months 2020 was primarily associated with the increase of USD exchange rate). This line also includes the effect of restructuring of lease liabilities, for a detailed description see Note 16.

Management of the Group has assessed the financial performance indicators of its main cash generating units for the 3 months ended 31 March 2021 and considered that there was no need to revise the estimates made as of 31 December 2020 in relation to impairment of right-of-use assets.

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	31 March 2021	31 December 2020
Accounts payable	31,004	30,099
Other financial payable	2,033	2,924
Dividends payable	246	246
Total financial payable	33,283	33,269
Staff and social funds related liabilities	12,225	12,284
Advances received (other than unearned traffic revenue)	4,614	2,488
Other current liabilities related to the frequent flyer programme	2,551	2,413
Other taxes payable	1,033	1,086
Other payable	728	646
Total accounts payable and accrued liabilities	54,434	52,186

15. PROVISIONS FOR LIABILITIES

	Regular repairs and maintenance works	Other provisions	Total provisions
1 January 2020	216,493	319	216,812
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
31 March 2020	288,161	299	288,460
1 January 2021	253,514	213	253,727
Charge of provision for the period	2,568	14	2,582
Use of provision for the period	(2,204)	(33)	(2,237)
Remeasurement of provision for period	(4,343)	-	(4,343)
Release of provision for the period	(712)	(76)	(788)
Unwinding of the discount	428	-	428
31 March 2021	249,251	118	249,369

	31 March 2021	31 December 2020
Current liabilities	28,006	20,859
Non-current liabilities	221,363	232,868
Total provisions	249,369	253,727

Litigations

The Group is a defendant in legal claims of a different nature. Other provisions represent management's best estimate of probable losses on existing and potential lawsuits (Note 23).

16. 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 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 assets, the carrying amount of which is disclosed in Note 13, actually represent a 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 deferral of lease payments and no penalties. These changes to the terms are accounted for as lease modifications. Management plans to sign amendments to the remaining lease agreements on similar terms in the near future, and therefore has not made additional accruals in these 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 31 March 2021 lease liabilities in the amount of RUB 600,075 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 31 March 2021, accumulated foreign currency loss of RUB 72,608 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 3 months 2021 was RUB 2,414 million (for 3 months 2020: RUB 650 million).

The «Hedging result» line item of profit or loss for the three months period ended 31 March 2020 also included RUB 6,710 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 USD dollar revenue considering COVID-19 pandemic impact. As at 31 March 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

	31 March 2021	31 December 2020
<i>Short-term borrowings:</i>		
Short-term borrowings in Russian Roubles	36,465	34,924
Total short-term borrowings	36,465	34,924
<i>Long-term borrowings:</i>		
Long-term borrowings in Russian Roubles	51,700	53,200
Long-term borrowings in US Dollars	525	511
Total long-term borrowings	52,225	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 1,010 million, received under the credit line with PJSC Sovcombank in December 2020.

The Group received the loan tranches (floating interest rate) under the credit line with PJSC Sovcombank in total amount of RUB 1,010 million. The loan tranches were unsecured and issued for the period up to May 2021.

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**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.

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

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

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. As of the date of these Condensed Consolidated Interim Financial Statements the question of bonds placement under this Programme is under discussion.

Undrawn commitments

As at 31 March 2021, the Group was able to raise amount equivalent to RUB 143,171 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 31 March 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
31 March 2021	2,444,535,448	(47,817,796)	2,396,717,652

As at 31 March 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 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 31 March 2021 and 31 December 2020, weighted average price was RUB 67.26 and RUB 71.42 per share, respectively.

The Company launched a Global Depositary Receipts (GDR) programme in December 2000. Since January 2014, one GDR equals five ordinary shares. As at 31 March 2021 and 31 December 2020, the Group's GDRs were traded on the Frankfurt Stock Exchange at EUR 4.04 per GDR and EUR 4.36 per GDR, respectively.

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**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 includes sales revenue from goods on board, in-flight catering services and ground handling.

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

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

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

	Note	Air transportation	Other	Inter-segment sales elimination	Total Group
Three months 2021					
External sales		75,113	385	-	75,498
Inter-segment sales		113	2,684	(2,797)	-
Total revenue	4, 5	75,226	3,069	(2,797)	75,498
Operating loss		(20,130)	(542)	-	(20,672)
Loss from impairment and fair value changes of investments, net					(105)
Finance income	8				2,653
Finance costs	8				(9,828)
Hedging result	16				(2,414)
Share of financial results of associates					(76)
Loss before income tax					(30,442)
Income tax	9				5,299
Loss for the period					(25,143)

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	Note	Air transportation	Other	Inter-segment sales elimination	Total Group
Three months 2020					
External sales		123,138	756	-	123,894
Inter-segment sales		144	5,380	(5,524)	-
Total revenue	4, 5	123,282	6,136	(5,524)	123,894
Operating loss		(12,953)	(203)	-	(13,156)
Loss from impairment and fair value changes of investments, net					(612)
Finance income	8				1,897
Finance costs	8				(11,842)
Hedging result	16				(7,360)
Share of financial results of associates					3
Loss before income tax					(31,070)
Income tax	9				8,586
Loss for the period					(22,484)

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 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 investment's cost belongs to Level 3 in the fair value hierarchy and is determined through a regular estimation of the expected discounted cash flows, where one or more of the significant inputs is not based on observable market data, including the following: (i) the discount rate determined using 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 2021 and 31 December 2020, the fair value of financial payables (Note 14), lease liabilities, loans and borrowings (Note 17) was not materially different from their carrying amounts. The fair value of financial payables, lease liabilities and loans and borrowings are categorised as Levels 2.

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During 3 months of 2021 and 3 months of 2020 there was no transfer between levels 1, 2 or 3 of the fair value hierarchy.

The classification of financial assets and liabilities as at 31 March 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		68,577	-	68,577
Short-term financial investments		9,670	-	9,670
Financial receivables	10	20,033	-	20,033
Aircraft lease security deposits		4,748	-	4,748
Long-term financial instruments		124	5,273	5,397
Financial assets under lease agreements		26,665	-	26,665
Other non-current assets		739	-	739
Total financial assets		130,556	5,273	135,829
			Financial liabilities measured at amortised cost	Total
	Note			
Financial payables	14		33,283	33,283
Lease liabilities			664,239	664,239
Borrowings	17		88,690	88,690
Other non-current liabilities			1,693	1,693
Total financial liabilities			787,905	787,905

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 receivables	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
	Note			
Financial payables	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

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**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 31 March 2021 and 31 December 2020, the outstanding balances with related parties and income and expense items with related parties for 3 months 2021 and 3 months 2020 were disclosed below.

Associates

As at 31 March 2021 and 31 December 2020, the outstanding balances with associates and income and expenses items with associates for 3 months 2021 and 3 months 2020 is presented below:

	31 March 2021	31 December 2020
Assets		
Accounts receivable	30	36
Liabilities		
Accounts payable and lease liabilities	169	102

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

	3m 2021	3m 2020
Transactions		
Sales to associates	23	-
Purchase of goods and services from associates	383	745

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

Government-related entities

As at 31 March 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.

21. 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;
- operations under code-sharing agreements;
- 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 2021</u>	<u>31 December 2020</u>
Assets		
<i>Cash</i>	33,440	60,441

As at 31 March 2021 the share of financial assets under aircraft lease contracts signed by the Group with government-related entities was 43% (31 December 2020: 50%).

During 3 months 2021 the Group has withdrawn credit lines provided by government-related entities, amount of the credit lines are disclosed in Note 17.

As at 31 March 2021 the share of lease liabilities to the government-related entities is approximately 63% (31 December 2020: 62%).

For 3 months 2021 the share of Group's transactions with government-related entities is about 17% of operating costs, and about 3% of revenue (3 months 2020: about 22% and about 2%, 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 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 346 million for 3 months 2021 (3 months 2020: RUB 303 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.

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

In 2019 the Company approved a 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's 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 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 31 March 2021, the outstanding amount of the liability under the programmes was RUB 162 million (31 December 2020: RUB 134 million).

22. CAPITAL COMMITMENTS

As at 31 March 2021, the Group had agreements on future acquisition of property, plant and equipment with third parties amounted to RUB 230,005 million (31 December 2020: RUB 225,365 million). These commitments mainly relate to purchase of 21 Airbus A-350 (31 December 2020: 21 aircraft), 2 Boeing B777 (31 December 2020: 2 aircraft) 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.

However, 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.

Tax contingencies

The Russian tax system continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear 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 power to impose severe fines and interest. Taxes paid for the reporting period remain open to review by the tax authorities for three subsequent calendar years. However, under certain circumstances, reviews may cover longer periods. Recent events in Russia suggest that the tax authorities are taking a tougher stance in their interpretation and enforcement of tax legislation.

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

These circumstances may create tax risks in Russia that are 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, the interpretations of these provisions by the relevant authorities could differ and this may significantly influence these Condensed Consolidated Interim Financial Statements, if the authorities are successful in enforcing their interpretations.

In accordance with amendments to the Russian Tax Code made in 2015, excise duties charged on the aviation fuel obtained by the Group's airlines are subject to deduction using the following special coefficients: 2.08 for 2020, 2.08 for 2021. 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 Russia (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), although it has certain unique features. This legislation provides for the possibility of additional tax assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's-length basis. Management has implemented internal controls to be in compliance with this transfer pricing legislation.

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

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

In addition to the above matters, as at 31 March 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 recognised 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.

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

The Group's Treasury provides flexibility of financing through available credit lines. As at 31 March 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 143,171 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 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.

24. SUBSEQUENT EVENTS

In April and May 2021, the Group received loan tranches under the credit line with PAO Sberbank (fixed interest rate) in the amount of RUB 15,000 million. The loan was issued up to July 2025.

In May 2021, the Group received loan tranche under the credit line with PJSC Sovcombank (float interest rate) in the amount of RUB 1,010 million. The loan was issued up to November 2022.