PUBLIC JOINT STOCK COMPANY AEROFLOT – RUSSIAN AIRLINES

IFRS Consolidated Financial Statements for the year ended 31 December 2020

Contents

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

Management is responsible for the preparation of Consolidated Financial Statements that present fairly the consolidated financial position of the Group as at 31 December 2020, and the financial results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

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

- selecting appropriate accounting principles and applying them consistently;
- making reasonable judgments and estimates;
- stating whether IFRS have been complied with, and disclosing any material departures from IFRS in the notes to the Consolidated Financial Statements; and
- preparing the Consolidated 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, as well as on the financial results of its operations and cash flows at any point in time and that enables to ensure that the Groups's Consolidated Financial Statements are compliant with IFRS;
- 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 Consolidated Financial Statements of the Group as at and for the year ended 31 December 2020 (presented on pages 7 to 75) were approved on 10 March 2021 and signed on behalf of management by:

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

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Independent Auditor's Report

To the Shareholders and Board of Directors of PJSC Aeroflot:

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of PJSC Aeroflot and its subsidiaries (together – the "Group") as at 31 December 2020, and Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of profit or loss for the year 2020;
- the consolidated statement of comprehensive income for the year 2020;
- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of cash flows for the year 2020;
- the consolidated statement of changes in equity for the year 2020;
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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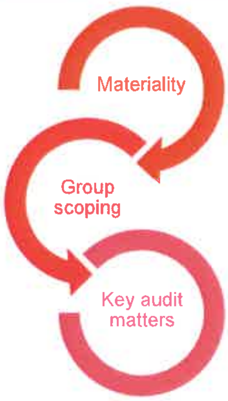
Our audit approach

Overview



Overall Group materiality: Russian Roubles ("RUB") 3,020 million, which represents 1% of the Group's revenue for the reporting year.

- We conducted our audit work at three companies of the Group: PJSC Aeroflot, JSC Rossiya Airlines and LLC Pobeda Airlines;
- In respect of the other Group companies, we performed analytical procedures;
- Our audit scope addressed 97% of the Group's revenues.

- Key audit matter: the impact of COVID-19 pandemic on management assessment of going concern, the carrying value of right-of-use assets, property, plant and equipment and goodwill, and hedge accounting.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	RUB 3,020 million
How we determined it	1% of the Group's revenue for the reporting year
Rationale for the materiality benchmark applied	We chose revenue as the materiality benchmark. Given the volatility of the Group's financial results, revenue represents a more appropriate measure of the size of the business and risks of misstatement than profit before tax. We chose 1% of the benchmark, which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impact of COVID-19 pandemic on management estimates for the following accounting areas: **Going concern** *Refer to Note 1 of the consolidated financial statements* Travel restrictions and social distancing measures introduced in the first quarter of 2020 in response to the spread of COVID-19 have had and continue to have a significant impact on airline traffic around the world. At this stage, management cannot reliably estimate the future pace of recovery, and believes that the measures taken will enable the Group to meet its financial liabilities for at least twelve months after reporting date. In these circumstances, these consolidated financial statements have been prepared on a going concern basis. We focused on this matter as going concern assumption was a basic principle for the preparation of the consolidated financial statements.	To confirm the Group's ability to prepare its consolidated financial statements on a going concern basis, we have performed the following audit procedures: • analysed that liquidity is sufficient for the Group to continue as a going concern for at least twelve months after the reporting date; • inquired management on the Group's ability to continue as going concern; • assessed events after the reporting date for existence of circumstances that may have a significant adverse effect on the financial position of the Group; • verified compliance with covenants stipulated in the credit contracts; • analysed the contractual terms and verified management's risk assessment of potential losses as a result of possible claims from lessors due to lease payments rescheduling; • analysed support received by the Group in 2020 for compliance with IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, and verified that the support received was appropriately reflected in the consolidated financial statements; • inspected on sample basis primary documents to confirm the amounts of government subsidies. We reviewed the respective disclosure of the preparation basis of consolidated financial statements for consistency with the requirements of IAS 1, *Presentation of Financial Statements*, and disclosures of government subsidies for consistency with the requirements of IAS 20, *Accounting for Government Grants and Disclosure of Government Assistance.*

Key audit matter	How our audit addressed the key audit matter
Carrying amounts of right-of-use assets, property, plant and equipment and goodwill. *Refer to Notes 3, 19, 20, 24 of the consolidated financial statements* In accordance with IAS 36, *Impairment of Assets*, management of the Group has assessed whether there are any indicators that assets may be impaired. The COVID-19 crisis and its significant impact on the airline industry is such a trigger event. Therefore, the Group has conducted the impairment test of right-of-use assets, property, plant and equipment, and goodwill for several cash generating units. The recoverable amounts of these assets were calculated on the basis of value in use by discounting the future cash flows to be generated as a result of cash generating units' operations. Cash flows were projected based on the Group's budget, approved by the Board of Directors, which considered the impact of COVID-19 pandemic in 2021 and subsequent return to pre-crisis performance. Subsidiaries of the Group were identified as cash generating units (hereinafter - "CGU") that represent the lowest level within the Group, at which impairment of right-of-use assets, property, plant and equipment and goodwill is monitored, and are not larger than an operating segment. As a result of the test performed, impairment of goodwill of RUB 6,502 million was identified in respect of JSC Rossiya Airlines CGU. The impairment loss was recognised in the consolidated statement of profit or loss within 'Other operating income/(expenses), net'. No impairment of right-of-use assets and property, plant and equipment was identified. We focused on this matter because calculation of recoverable amounts of the assets depends on judgements and estimates based on assumptions, which in turn affect their carrying amounts.	We have performed audit procedures to assess the financial models developed to determine recoverable amounts of the right-of-use assets and property, plant and equipment of PJSC Aeroflot and LLC Pobeda Airlines, as well as right-of-use assets, property, plant and equipment and goodwill of JSC Rossiya Airlines as at 31 December 2020: • verified that the method used to calculate the recoverable amount of right-of-use assets, property, plant and equipment and goodwill is in compliance with the requirements of IAS 36, *Impairment of Assets*, in particular justified that value-in-use is the most appropriate method to determine the recoverable amount of goodwill and CGUs; • assessed whether management's identification of CGUs is reasonable and in line with the requirements of IAS 36, *Impairment of Assets*; • reconciled actual and forecasted data with accounting registers and the budget; • performed comparison of macroeconomic forecasts to available independent market data; • on a sample basis, verified mathematical accuracy of the calculations; • performed sensitivity analysis of key assumptions. We also reviewed the disclosure of impairment analysis of the right-of-use assets, property, plant and equipment and goodwill for consistency with the requirements of IAS 36, *Impairment of Assets*.

Key audit matter	How our audit addressed the key audit matter
Hedge accounting *Refer to Note 27 of the consolidated financial statements* Due to COVID-19 impact and update of the forecasted US dollar revenue designated as a hedged item, the Group de-designated a part of its hedging relationships between revenue and lease liabilities. This has led to the partial reclassification of the reserve for hedging instruments directly to profit or loss. The resulting loss of RUB 7 237 million was recognised within 'Hedging result' in the consolidated statement of profit or loss for the year 2020. We focused on the hedge accounting matter as hedge transactions have a material impact on the consolidated financial statements of the Group.	We have performed the following procedures to ensure the correctness of hedge transactions: • verified consistency of methodology applied to accounting for revenue cash flow hedging with lease liabilities; • assessed reasonableness of US dollar revenue forecast, adjusted for the impact of COVID-19 pandemic, by reconciliation with budgeted figures; • assessed hedge effectiveness calculation by PJSC Aeroflot and sufficiency of the forecasted revenue; • reconciled actual US dollar revenue for the reporting period from the hedge effectiveness model with accounting registers; • on a sample basis, verified calculations for mathematical accuracy. We also reviewed the disclosure in the consolidated financial statements for consistency with the requirements of IFRS 7, *Financial Instruments: Disclosure*.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We identified the following significant components in respect of which we carried out the audit:

- PJSC Aeroflot;
- JSC Rossiya Airlines;
- LLC Pobeda Airlines.

The work in respect of material components was performed by us as the Group auditor.

We also performed analytical procedures for other Group companies that, in our opinion, individually had no material qualitative or quantitative effect on the Group's consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises PJSC Aeroflot's Annual Report for the year 2020 and Issuer's Report for the 1st Quarter 2021 (but does not include the consolidated financial statements and our auditor's report thereon). PJSC Aeroflot Annual Report for the year 2020 and Issuer's Report for the 1st Quarter 2021 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it is made available to us and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read PJSC Aeroflot's Annual Report for the year 2020 and Issuer's Report for the 1st Quarter 2021, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The certified auditor responsible for the audit resulting in this independent auditor's report is Alexey Fegetsyn.

AO PricewaterhouseCoopers Audit

10 March 2021

Moscow, Russian Federation

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

Audited entity: PJSC Aeroflot

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

Taxpayer Identification Number 7712040126

119019, Russian Federation, Moscow, 1 Arbat

Independent auditor: AO PricewaterhouseCoopers Audit

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

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

Taxpayer Identification Number 7705051102

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

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

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

	Note	2020	2019
Traffic revenue	5	270,476	613,852
Other revenue	6	31,706	64,029
Revenue		**302,182**	**677,881**
Operating costs, excluding staff costs, depreciation and amortisation	7	(222,070)	(434,606)
Staff costs	8	(65,445)	(92,413)
Depreciation and amortisation	19, 20, 23	(118,633)	(107,477)
Other operating income/(expenses), net	9	11,813	17,278
Operating costs		**(394,335)**	**(617,218)**
Operating (loss)/profit		**(92,153)**	**60,663**
(Loss)/gain from impairment and fair value changes of investments, net		(557)	357
Finance income	10	4,938	5,486
Finance costs	10	(47,252)	(52,050)
Hedging result	27	(13,254)	(2,368)
Share of results of associates		(143)	160
Result from disposal of subsidiaries	22	(5,066)	1,555
(Loss)/profit before income tax		**(153,487)**	**13,803**
Income tax	11	30,279	(291)
(LOSS)/PROFIT FOR THE YEAR		**(123,208)**	**13,512**
Attributable to:			
Shareholders of the Company		(117,613)	10,649
Non-controlling interest		(5,595)	2,863
(LOSS)/PROFIT FOR THE YEAR		**(123,208)**	**13,512**
Basic and diluted (loss)/profit per share (in Roubles per share)		**(87.4)**	**10.0**
Weighted average number of shares outstanding (millions)	31	**1,345.1**	**1,062.8**

Approved on 10 March 2021 and signed on behalf of management

M. I. Poluboyarinov
General Director

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

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

	Note	2020	2019
(Loss)/profit for the period		**(123,208)**	**13,512**
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Effect from hedging revenue with foreign currency liabilities	27	(85,632)	67,541
Deferred tax related to a result from cash-flow hedging instruments	11	17,126	(13,508)
Other comprehensive (loss)/income		**(68,506)**	**54,033**
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(191,714)**	**67,545**
Total comprehensive (loss)/income, attributable to:			
Shareholders of the Company		(186,119)	64,682
Non-controlling interest		(5,595)	2,863
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(191,714)**	**67,545**

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

	Note	31 December 2020	31 December 2019
ASSETS			
Current assets			
Cash and cash equivalents	12	88,944	12,883
Short-term financial investments	17	4,831	12,978
Accounts receivable and prepayments	14	67,051	96,467
Current income tax prepayment		469	2,878
Aircraft lease security deposits	13	2,739	2,242
Expendable spare parts and inventories	16	16,889	15,570
Current financial assets under lease agreements		4,159	3,834
Total current assets		**185,082**	**146,852**
Non-current assets			
Right-of-use assets	20	635,406	629,115
Property, plant and equipment	19	19,825	26,743
Prepayments for aircraft	15	27,275	20,745
Deferred tax assets	11	75,430	27,894
Goodwill	24	-	6,660
Long-term financial investments	17	5,464	5,856
Intangible assets	23	2,414	2,600
Non-current financial assets under lease agreements		18,606	18,356
Aircraft lease security deposits	13	1,867	2,099
Investments in associates		419	567
Other non-current assets	18	44,416	45,831
Total non-current assets		**831,122**	**786,466**
TOTAL ASSETS		**1,016,204**	**933,318**
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	21, 25	52,186	71,737
Unearned traffic revenue	25	44,622	53,399
Deferred revenue related to the frequent flyer programme	25	1,929	4,365
Provisions for liabilities	26	20,859	24,531
Lease liabilities	27	126,761	70,814
Short-term borrowings and current portion of long-term borrowings	28	34,924	12,568
Current income tax liabilities		4	4
Total current liabilities		**281,285**	**237,418**
Non-current liabilities			
Long-term borrowings	28	53,711	3,224
Lease liabilities	27	535,746	486,310
Provisions for liabilities	26	232,868	192,281
Deferred tax liabilities	11	77	467
Deferred revenue related to the frequent flyer programme	25	7,197	4,910
Other non-current liabilities	29	20,666	6,758
Total non-current liabilities		**850,265**	**693,950**
TOTAL LIABILITIES		**1,131,550**	**931,368**
Equity			
Share capital	31	2,693	1,359
Additional capital	31	78,701	-
Treasury shares reserve		(7,040)	(7,040)
Accumulated profit on disposal of treasury shares		7,864	7,864
Hedge reserve	27	(48,330)	20,176
Undistributed loss		(141,664)	(24,051)
Equity attributable to shareholders of the Company		**(107,776)**	**(1,692)**
Non-controlling interest		(7,570)	3,642
TOTAL EQUITY		**(115,346)**	**1,950**
TOTAL LIABILITIES AND EQUITY		**1,016,204**	**933,318**

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

	Note	2020	2019
Cash flows from operating activities:			
(Loss)/income before income tax		(153,487)	13,803
Adjustments for:			
Depreciation and amortisation	19, 20, 23	118,633	107,477
Change in expected credit losses and impairment of prepayments	9	665	(228)
Change in impairment provision for obsolete expendable spare parts and inventory		(7)	(54)
Change in impairment provision for property, plant and equipment and right-of-use assets	19, 20	41	77
Loss/(profit) on disposal of property, plant and equipment and intangible assets		280	(1,154)
Profit from disposal of assets classified as held for sale	9	-	(1,072)
Loss/(gain) from impairment and fair value changes of investments		557	(357)
Hedging result	27	13,254	2,368
Change in provisions for liabilities	9, 26	(6,211)	(2,351)
Interest expense	10	44,744	49,970
Interest income	10	(4,377)	(3,711)
Foreign exchange loss/(gain), net	10	2,022	(598)
Dividend income		(21)	(108)
Other finance expenses/(income), net		(75)	-
Revaluation/modification under lease contracts	9	(84)	(2,181)
Loss/(profit) from disposal of subsidiaries	22	5,066	(1,555)
Loss from change in the fair value of derivative financial instruments	10	-	2,067
Loss from goodwill write-off	24	6,502	-
Other operating (income)/expenses, net		(668)	161
Total operating cash flows before working capital changes		**26,834**	**162,554**
Decrease/(increase) in accounts receivable and prepayments		26,234	(688)
Increase in expendable spare parts and inventories		(2,314)	(1,205)
Decrease in accounts payable and accrued liabilities		(29,444)	(8,752)
Total operating cash flows after working capital changes		**21,310**	**151,909**
Change in restricted cash		1	220
Income tax paid		(824)	(3,738)
Income tax refunded		2,529	3,834
Net cash flows from operating activities		**23,016**	**152,225**

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

	Note	2020	2019
Cash flows from investing activities:			
Deposits repayment		28,216	16,791
Deposits placement		(21,783)	(23,969)
Proceeds from sale of property, plant and equipment		33	3,887
Proceeds from sale of assets held for sale		-	6,192
Interest received		1,853	1,803
Purchases of property, plant and equipment, right-of-use assets, intangible assets and capitalised repair expenses	19, 20, 23	(15,344)	(26,781)
Dividends received		38	224
Prepayments for aircraft		(8,726)	(28,592)
Refund of prepayments for aircraft		2,750	6,392
Payment for financial assets under aircraft lease contracts		(4,338)	(5,730)
Repayment of financial assets under aircraft lease contracts		5,431	3,598
Payment of lease security deposits	13	-	(395)
Return of lease security deposits	13	-	435
Proceeds from disposal of subsidiaries, net of disposed cash	22	(2,045)	-
Net cash flows used in investing activities		**(13,915)**	**(46,145)**
Cash flows from financing activities:			
Receipt of borrowings	28, 36	119,928	36,161
Repayment of borrowings	28, 36	(46,889)	(23,674)
Proceeds from issue of ordinary shares	31	80,035	-
Repayment of principal under lease liabilities	27	(48,160)	(78,694)
Interest paid except for interest under lease contracts		(3,836)	(407)
Interest paid under lease contracts		(33,693)	(45,586)
Dividends paid	36	(518)	(3,286)
Net cash flows from/(used in) financing activities		**66,867**	**(115,486)**
Effect of exchange rate fluctuations on cash and cash equivalents		93	(1,422)
Net increase/(decrease) in cash and cash equivalents		**76,061**	**(10,828)**
Cash and cash equivalents at the beginning of the period		12,883	23,711
Cash and cash equivalents at the end of the period		**88,944**	**12,883**
Non-cash transactions as part of the investing and financing activities:			
Right-of-use assets acquired under lease contracts		29,642	42,255

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

	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
		Equity attributable to shareholders of the Company							
1 January 2019		**1,359**	**-**	**824**	**(33,857)**	**(31,843)**	**(63,517)**	**1,896**	**(61,621)**
Profit for the year		**-**	**-**	**-**	**-**	**10,649**	**10,649**	**2,863**	**13,512**
Profit from hedging net of related deferred tax	27	-	-	-	54,033	-	54,033	-	54,033
Total other comprehensive income							**54,033**	**-**	**54,033**
Total comprehensive income							**64,682**	**2,863**	**67,545**
Dividends declared	32	-	-	-	-	(2,857)	(2,857)	(1,117)	(3,974)
31 December 2019		**1,359**	**-**	**824**	**20,176**	**(24,051)**	**(1,692)**	**3,642**	**1,950**
1 January 2020		**1,359**	**-**	**824**	**20,176**	**(24,051)**	**(1,692)**	**3,642**	**1,950**
Loss for the period		**-**	**-**	**-**	**-**	**(117,613)**	**(117,613)**	**(5,595)**	**(123,208)**
Loss from hedging net of related deferred tax	27	-	-	-	(68,506)	-	(68,506)	-	(68,506)
Total other comprehensive loss							**(68,506)**	**-**	**(68,506)**
Total comprehensive loss							**(186,119)**	**(5,595)**	**(191,714)**
Shares issued		1,334	78,701	-	-	-	80,035	-	80,035
Disposal of subsidiary	22	-	-	-	-	-	-	(5,605)	(5,605)
Dividends declared	32	-	-	-	-	-	-	(12)	(12)
31 December 2020		**2,693**	**78,701**	**824**	**(48,330)**	**(141,664)**	**(107,776)**	**(7,570)**	**(115,346)**

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to, and forms a part of, the Consolidated Financial Statements presented on pages 7 to 75

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

1. NATURE OF THE BUSINESS

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

The Company's principal activities are the provision of passenger and cargo air transportation services, both domestically and internationally, and other aviation services 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, as well as airline catering services.

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

As at 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 Group (31 December 2019: the Russian Federation represented by the Federal Agency for Management of State Property owned 51.17%). The Company's headquarters are located at 1 Arbat Street, 119019, Moscow, Russian Federation.

The principal subsidiaries are:

Company name	Registered address	Principal activity	31 December 2020	31 December 2019
JSC Rossiya airlines ("AK Rossiya") (Note 30)	St. Petersburg, RF	Airline	75% minus one share	75% minus one share
LLC Pobeda Airlines ("AK Pobeda")	Moscow, RF	Airline	100.00%	100.00%
JSC Aurora Airlines ("AK Aurora")	Yuzhno-Sakhalinsk, RF	Airline	-	51.00%
LLC Aeroflot-Finance ("Aeroflot-Finance")	Moscow, RF	Finance services	100.00%	100.00%
JSC Aeromar	Moscow Region, RF	Catering	51.00%	51.00%
JSC Sherotel	Moscow Region, RF	Hotel	100.00%	100.00%
LLC A-Technics	Moscow, RF	Technical maintenance	100.00%	100.00%
"Aeroflot Aviation School"	Moscow, RF	Education	100.00%	100.00%

The Group's major associate is:

Company name	Registered address	Principal activity	31 December 2020	31 December 2019
JSC Sheremetyevo Bezopasnost	Moscow Region, RF	Aviation security	45.00%	45.00%

Impact of COVID-19 pandemic

Travel restrictions and social distancing measures introduced in the first quarter 2020, in response to the spread of the new coronavirus infection COVID-19, continue to have a significant impact on airline traffic around the world.

1. NATURE OF THE BUSINESS (CONTINUED)

Impact of COVID-19 pandemic (continued)

As a result of decisions taken by the governments of most countries to temporarily suspend international flights, the Group's performance indicators on international routes were most severely affected. The termination of international flights also affected the performance of domestic lines due to the loss of domestic transfer passenger traffic. This effect was further impacted by the gradual introduction of additional requirements on self-isolation when moving within the country and growing concerns among passengers about flying.

In the first quarter of 2020, the Group began to optimise available capacities, comparing them with demand and the planned flight schedule. However, a slump in demand has affected the load and efficiency of aircraft fleet operations:

- In the 12 months 2020, the Group carried 30.2 million passengers, which is 50.3% lower than over the same period in 2019;
- The Group's passenger load factor decreased by 8.3 p.p. compared with the same period last year, falling to 73.6%;
- The Group's passenger turnover decreased by 56.5 % compared with the same period last year.

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

In 2020, the Group received government grants of RUB 9.1 billion as additional liquidity support. These grants are included in other operating income/(expenses) in the Consolidated Statement of Profit or Loss (Note 9) and in cash flows from operating activities in the Consolidated Statement of Cash Flows.

In June 2020, the Russian Government approved the provision of RUB 70 billion in state guarantees. On 30 June and 5 August, the Group signed two long-term loan agreements secured by government guarantees for RUB 31 billion and RUB 39 billion (Note 28).

In the fourth quarter of 2020, the Group raised RUB 80 billion via an additional issue of ordinary shares in order to improve its liquidity position (Note 31).

From the second half of May 2020, demand for air travel began to recover due to the partial lifting of travel restrictions and the summer vacation season. In August 2020 international flights to a limited number of destinations began to resume. Since September 2020 Group's domestic traffic volumes continued to recover, and international flights continued to restored. However, 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, in response, management has considered various 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 Consolidated 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.

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

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

1. NATURE OF THE BUSINESS (CONTINUED)

Aircraft fleet

The table below provides information on the Group's aircraft fleet as at 31 December 2020 (number of aircraft):

TYPE OF AIRCRAFT	OWNERSHIP	PJSC AEROFLOT	JSC AK ROSSIYA	LLC AK POBEDA	GROUP TOTAL
SSJ 100	Lease	51	10	-	61
Airbus A319	Lease	-	20	-	20
Airbus A320	Lease	73	6	-	79
Airbus A321	Lease	33	-	-	33
Airbus A330	Lease	17	-	-	17
Airbus A350	Lease	1	-	-	1
Boeing B737	Lease	47	12	34	93
Boeing B747	Lease	-	9	-	9
Boeing B777	Lease	19	10	-	29
Total fleet		**241**	**67**	**34**	**342**

2. BASIS AND ACCOUNTING POLICIES FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

Basis of presentation

The Group's Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and with the Federal Law No. 208 – FZ of 27 July 2010 "On Consolidated Financial Reporting". The Consolidated Financial Statements are presented in millions of Russian Roubles ("RUB million"), except where specifically noted otherwise.

These Consolidated Financial Statements have been prepared on the historical cost convention except for financial instruments, which are initially recognised at fair value and financial instruments measured at fair value through profit or loss. The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below.

All significant subsidiaries directly or indirectly controlled by the Group are included in these Consolidated Financial Statements. A list of the subsidiaries is set out in Note 1.

Going concern

Management prepared these Consolidated Financial Statements on a going concern basis. In making this judgement management considered the Group's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of financial market fluctuations on the Group's operations.

Functional and presentation currency

The functional currency of the Company and its subsidiaries is the Russian Rouble ("RUB" or "rouble"). The presentation currency of the Group's Consolidated Financial Statements is the Russian Rouble as well.

Consolidation

Subsidiaries represent investees, including structured entities, that the Group controls, as the Group:

(i) has the power to control significant operations that have a considerable impact on the investee's income,

(ii) carries the risks related to variable income from its involvement with the investee or is entitled to such income, and

(iii) is able to use its powers with regard to the investee in order to influence the amount of its income.

The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee.

Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee.

Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

Subsidiaries are included in the Consolidated Financial Statements at the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities received in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

2. BASIS AND ACCOUNTING POLICIES FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Consolidation (continued)

Goodwill is measured through the deduction of net assets of the acquired entity from the total of the following amounts: consideration transferred for the acquired entity, non-controlling share in the acquiree and fair value of the existing equity interest in the acquiree held by the Group immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt securities as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

The Group measures non-controlling interest that represents the ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at:

a) fair value, or

b) in proportion to the non-controlling share in the net assets of the acquiree.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated, unless the cost cannot be recovered. The Company and its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

Purchases of non-controlling interests

The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the transferred consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the Consolidated Statement of Changes in Equity.

Investments in associates

Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated impairment losses, if any. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in the Group's share of net assets of an associate are recognised as follows:

(i) the Group's share of profits or losses of associates is included in the Consolidated Statement of Profit or Loss for the year as a share of financial results of associates,

(ii) the Group's share in other comprehensive income is recorded as a separate line item in other comprehensive income,

2. BASIS AND ACCOUNTING POLICIES FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Investments in associates (continued)

(iii) all other changes in the Group's share of the carrying value of net assets of the associates are recorded in the Consolidated Statement of Profit or Loss within the share of financial results of equity accounted investments.

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the associate's assets.

Disposals of subsidiaries or associates

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss.

The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest in an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Goodwill

Goodwill is carried at cost less accumulated impairment losses, if any. The Group performs goodwill impairment testing at least on an annual basis and whenever there are indications that goodwill may be impaired. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently recovered. Goodwill is allocated to the cash generating units (namely, the Group's subsidiaries or business units). These units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.

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

2. BASIS AND ACCOUNTING POLICIES FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Foreign currency translation

Monetary assets and liabilities denominated in foreign currency are translated into each entity's functional currency at the official Russian Central Bank ("CBRF") exchange rate at the respective end of the reporting period. Transactions in foreign currencies are recorded at the rates of exchange on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of transactions in foreign currency and from the translation of monetary assets and liabilities denominated in foreign currency into each entity's functional currency at year-end official exchange rates of the CBRF are recognised in the Consolidated Statement of Profit or Loss for the year within finance income or costs except for foreign exchange differences arising on translation of hedge financial instruments. Foreign exchange differences on hedge instruments in relation to the effective part are recognised in other comprehensive income.

Translation at year-end rates does not apply to non-monetary items in the Consolidated Statement of Financial Position that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effect of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value revaluation gain or loss.

The table below presents US Dollar and Euro to Rouble exchange rates used for the translation of monetary assets and liabilities into foreign currencies:

	Official exchange rates	
	RUB / USD 1.00	**RUB / EUR 1.00**
As at 31 December 2020	73.88	90.68
Average rate for 2020	72.15	82.45
As at 31 December 2019	61.91	69.34
Average rate for 2019	64.74	72.50

Revenue recognition

Revenue is recognised at the moment or upon transfer of control over goods or services to the customer at the transaction price. The transaction price is the amount of compensation, the right to which the Group expects to receive in exchange for the transfer of the promised goods or services to customers. Revenue presents amounts for goods and services sold in the ordinary course of business, net of taxes accrued on the revenue.

Passenger flights: Revenue from the sale of tickets is recognised upon delivery of air-transport services. The price of tickets sold and valid, that have not been used at the reporting date, is recognised in the Group's Consolidated Statement of Financial Position (unearned transportation revenue) within current liabilities. The balance on this account is reduced as the Group continues to provide related transportation services, or when the passenger returns the ticket. The price of tickets that were sold but will not be used is recognised as sales revenue at the reporting date, in line with the analysis of historical data on income from unused tickets.

Revenue from the service for changes in bookings (service fees for changes in booking terms) is recognised when transportation services are provided. Where a passenger's itinerary consists of several segments and the transportation for such itinerary is formalised by a single agreement for air transportation, revenue for changes in booking terms is recognised when the first segment of the route is completed.

2. BASIS AND ACCOUNTING POLICIES FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Revenue recognition (continued)

Commission fees payable to agents for the sale of air tickets are recognised as sales and marketing expenses within operating expenses in the Consolidated Statement of Profit and Loss in the period of the sale of the tickets by agents, as according to current Group tariffs, the period for meeting obligations on passengers transportation does not exceed one year.

Revenue from passenger flights also includes revenue under codeshare agreements signed by the Group with certain airlines, whereby the Group and the airlines sell seats for each other's flights (hereinafter, "Codeshare Agreements"). Revenue from the sale of tickets for flights on other airlines under Codeshare Agreements is recognised when air transport services are provided and is included in net income within traffic revenue in the Group's Consolidated Statement of Profit and Loss. Revenue from the sale of seats on the Group's flights operated by other airlines is recognised when air transportation has been fully provided, in traffic revenue in the Group's Consolidated Statement of Profit and Loss.

Revenue from passenger flights includes revenue under interline agreements signed between the Group and other airlines, whereby the airlines use their tickets to document transportation on regular flights operated by its partner airlines. The airline can issue tickets for any flights whose entire itinerary or several segments of one itinerary will be carried out by another carrier. Revenue from any flights that were provided by a partner under an interline agreement, but were documented on the Group's blank forms is recognised when the air transport services have been rendered by the partner in the amount of net income, in traffic revenue, in the Group's Consolidated Statement of Profit and Loss.

The Group is entitled to receive commission fees when an interline agreement partner or codeshare agreement partner performs the flight and represents the basis for settlements with the partner under the agreement.

In cases when an agreement (ticket) with a passenger includes two or more flight segments (performance obligations) on mixed terms , i.e. the flights are to be performed by Group companies and by an interline or codeshare partner, the revenue is recognised when the air transport services are provided. The revenue is included in full amount for Group flights, or in net income for flights operated by interline or codeshare partners, in traffic revenue in the Group's Consolidated Statement of Profit and Loss.

Cargo flights: Revenue from cargo flights is recognised in traffic revenue when the aviation services are provided. The price of sold but not yet delivered cargo flight services is reported in the Group's Consolidated Statement of Financial Position as accounts payable and accrued liabilities.

Flight catering: Flight catering revenue is recognised when food is delivered to the board of the aircraft, as this represent the moment when control over the goods is transferred to customers.

Other revenue: Other revenue under bilateral agreements with airlines is recognised as the Group executes its performance obligations under the terms of each agreement. Revenue from accommodation services rendered by the Group's hotel is recognised upon service delivery. Revenue from the sale of goods is recognised upon the transfer of control over assets to the customer, which normally takes place on the date when the goods' are shipped to the customer. Revenue from rendering these services is recognised in the period when the services were rendered.

Financing component: Under customer contracts the period between the transfer of promised goods or services to the customer and payment by the customer for such goods or services does not exceed one year. Therefore, the Group does not adjust the promised amount of consideration for the effect of any significant financing component.

Group's companies have no significant assets under contracts with customers. At the time the unconditional right to income arises, the Group recognises accounts receivable. Group's contractual obligations include: unearned traffic revenue from passengers, liabilities under the frequent flyer programme as well as other advances from customers (Note 25).

2. BASIS AND ACCOUNTING POLICIES FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Segment information

The Group determines and presents operating segments based on internal information provided to the management of the Group, making operating decisions. Segments whose revenue, financial result or assets that represent at least than ten percent or more revenue, financial result or assets of all operating segments are reported separately.

Intangible assets

The Group's intangible assets other than goodwill have definite useful lives and primarily include capitalised computer software, which has a useful life 5 years. Intangible assets are amortised using the straight-line method over their useful lives. Acquired licences for computer software are capitalised on the basis of the costs incurred to acquire and bring them to use. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to disposal.

Property, plant and equipment

Property, plant and equipment are reported at cost, less accumulated depreciation and impairment losses (where appropriate). Depreciation is calculated in order to allocate the cost (less residual value where applicable) over the useful lives of the assets.

(a) Fleet

(i) *Owned aircraft and engines*: As at 31 December 2020 there are no own aircraft in the fleet, engines are represented by engines of both Russian and foreign-made.

(ii) *Depreciation of fleet:* The Group depreciates owned fleet assets on a straight-line basis to the end of their estimated useful life. The airframe, engines and interior of aircraft are depreciated separately over their respective estimated useful lives.

The Group's fleet and other fixed assets have the following useful lives:

Airframes of aircraft	20-32 years
Engines	8-10 years
Interiors	5 years
Buildings	15-50 years
Facilities and transport vehicles	3-5 years
Other non-current assets	1-5 years

(b) Land, buildings, constructions and other plant and equipment

Property, plant and equipment is stated at the historical US Dollar cost recalculated at the exchange rate on 1 January 2007, the date of the change of the functional currency of the Company and its major subsidiaries from the US Dollar to the Russian Rouble or at the historical cost if property, plant and equipment was acquired after the specified date. Depreciation is accrued based on the straight-line method on all property, plant and equipment based upon their expected useful lives. The useful lives of the Group's property, plant and equipment range from 1 to 50 years. Land is not depreciated.

(c) Construction in progress

Construction in progress represents costs related to the construction of property, plant and equipment, including related variable out-of-pocket expenses directly attributable to the cost of construction, as well the acquisition cost of other assets that require assembly or any other preparation. The carrying value of construction in progress is regularly analysed for potential accrual of the impairment provision.

2. BASIS AND ACCOUNTING POLICIES FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Right-of-use assets (RUA)

The Group leases various aircraft, aircraft engines, buildings, equipment and vehicles. Contracts may contain both lease and non-lease components. The Group has decided to apply practical expedients for accounting of underlying assets under lease contracts and, instead of separating non-lease components from lease components, to account for each lease component and any associated non-lease components as a single lease component.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability on a present value basis;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs;
- costs to restore the asset to the conditions required by lease agreements.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. For depreciation of right-of-use assets the Group separates aircraft fuselages and interiors from aircraft engines. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying assets' useful lives. Depreciation on the items of the right-of-use assets is calculated using the straight-line method over their estimated useful lives, but no more than:

Aircraft fuselage and interior	20 years
Engines	5-20 years
Buildings	50 years
Equipment and transport vehicles	5-10 years

Lease liabilities

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Extension and termination options are provided for in some of lease contracts for the Group's aircraft and other leases objects. These terms are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. Extension options (or period after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

2. BASIS AND ACCOUNTING POLICIES FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Lease liabilities (continued)

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Group's leases, then the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions.

Lease payments under some aircraft lease agreements include a floating interest rate component. For such liabilities at a floating interest rate, the Group periodically revalues cash flows in order to reflect the movement of market interest rates. Such revaluation results in a change in the effective interest rate under the agreement. At the same time, since a floating interest rate lease liability is initially recognised in the principal due upon maturity, the revaluation of future interest payments that are dependent on floating interest rate does not significantly affect the carrying amount of the liability.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance costs. The finance costs are charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture with value of RUB 300 thousand or less.

The Group does not provide residual value guarantees in relation to equipment leases for most contracts.

Accounting for costs of regular capital repairs and maintenance of aircraft

Under aircraft lease agreements the cost of regular capital repairs and maintenance works during the period of operation of the aircraft is capitalised into right-of-use assets and depreciated over the shorter of (i) the scheduled usage period to the next major inspection event or (ii) the remaining life of the asset or (iii) the remaining lease term. If the component of the previously capitalised expenses was not fully depreciated at the time of the major inspection, the carrying amount of such a component is written off and included in the expenses of the reporting period at the time of the next repair.

The Group also accrues a provision for restoring a leased asset (an aircraft) to the condition required by the terms and conditions of the lease before its return to a lessor. The provision is added to right-of-use assets as of commencement date in the amount of estimated of costs to be incurred in restoring the asset. The provision for repairs and maintenance works on the return of an aircraft to a lessor is regularly remeasured and any changes in the carrying amount of the provision, including changes from exchange rate fluctuations are recognised in relation to the relevant right-of-use asset. This provision is recorded at present value. The Group's discount rates are determined by reference to current market pre-tax rate and risks specific to the obligation, and calculated based on government bond rates taking into account the currency and the term of the liability for each type of repair. Right-of-use assets are depreciated on a straight-line basis over the lease term. Disposal of provision related to the change of schedule of the asset's usage and repairs is accounted for as revaluation of provision in correspondence with relevant right-of-use asset with remaining amount included within other operating income and expenses.

Accounting for payments to lessor's aircraft maintenance reserve

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

2. BASIS AND ACCOUNTING POLICIES FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Accounting for payments to lessor's aircraft maintenance reserve (continued)

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

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

1) Payments to the maintenance reserve that will be refunded for repair and maintenance performed during the lease period; and

2) Payments to the maintenance reserve, that are not expected to be returned in cash since the repair and maintenance will be performed by the lessor or another lessee after the lease term.

Upon initial recognition of payments to the maintenance reserve that will be used for repairs and maintenance performed during the lease term, the Group estimates (i) the amount of payments that are expected to be returned by the lessor; (ii) the amount of payments that will not be returned by the lessor. Refundable payments are recognized by the Group as financial assets under lease agreements. The difference between the initial fair value of the financial asset and the amount actually payable to form the recoverable contribution ("loss from occurrence") is the cost of the lease and is included in the lease liability. A financial asset is recognised when the respective payment to maintenance reserve is made and is initially measured at present value of future refund with application of the discount rate used to measure the lease liability. The financial asset is increased by interest over the life period of the asset using the effective interest method to the nominal amount to be returned by the lessor to the lessee. The financial assets are presented as the financial assets under lease agreements. The difference between the actual and the expected amounts of reimbursement from the maintenance reserve for "heavy forms of maintenance" is included within other operating income and expenses of the reporting period.

At the commencement date of the lease the Group determines the portion of the loss from occurrence which is the minimum fixed amount during the whole period of payments to the maintenance reserve (lease term). Present value of future payments defined as "loss from occurrence" is included in lease liability and the right-of-use asset as of the date the lease is recognised. Any further losses from the occurrence under the contract related to payments to the lessor's maintenance reserve are expensed as variable lease payments that do not depend on an index or rate.

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

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

Under certain lease agreements for aircraft payments for certain types of repairs of aircraft engines or engine auxiliary power units are made in proportion to their use directly to the organisation (contractor) that subsequently performs these repairs. Such payments are in essence advance payments for the corresponding types of repairs and recorded within "Other non-current assets" (Note 18). In such case, upon the completion of the repair, the advance payment is offset by the Group, taking into account an analysis of whether the repair performed is for the period of the aircraft operation and is subject to capitalisation as part of the right-of-use asset; or is related to repairs and maintenance works which are performed on return of the aircraft to the lessor in respect of which a provision for repairs and maintenance was created; or represents the current repair of the reporting period in which it was made.

2. BASIS AND ACCOUNTING POLICIES FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

Estimates of the cost of actual repairs are made by the Group's specialists and if the cost of repairs exceeds the accumulated amount of the advance payment at the reporting date, the Group recognises accounts payable to the supplier and records the subsequent payments to pay off these payables.

Gain or loss on disposal of property, plant and equipment

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Group's Consolidated Statement of Profit or Loss for year within operating income or expenses.

Non-current assets classified as held for sale

Non-current assets and disposal groups (which may include both non-current and current assets) are classified in the Consolidated Statement of Financial Position as "non-current assets held for sale" as part of current assets if their carrying amount will be recovered principally through a sale transaction (including loss of control of a subsidiary holding the assets) within twelve months after the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year; and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Non-current assets or disposal groups classified as held for sale in the current period's Consolidated Statement of Financial Position are not reclassified or re-presented in the comparative Consolidated Statement of Financial Position to reflect the classification at the end of the current period.

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs on disposal. Held for sale property, plant and equipment are not depreciated or amortised.

Liabilities directly associated with the disposal group that will be transferred in the disposal transaction are reclassified and presented separately in the Consolidated Statement of Financial Position.

Capitalisation of borrowing costs

Borrowing costs including interest accrued, foreign exchange difference and other costs directly attributable to the acquisition, construction or production of assets that are not carried at fair value and that necessarily take a substantial time to get ready for intended use or sale (the "qualifying assets") are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January 2009. The Group considers prepayments for aircraft as the qualifying asset with regard to which borrowing costs and lease liabilities are capitalised.

2. BASIS AND ACCOUNTING POLICIES FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Capitalisation of borrowing costs (continued)

Capitalisation starts when the Group:

(a) bears expenses related to the qualifying asset;

(b) bears borrowing costs; and

(c) takes measures to get the asset ready for intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs related to capital expenditure made on qualifying assets. Borrowing costs capitalised are calculated at the Group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

Impairment of property, plant and equipment and right-of-use assets

At each reporting date, management reviews its property, plant and equipment and right-of-use assets to determine whether there is any indication of impairment of those assets. If any such indication exists, the recoverable amount of the asset is estimated by management as the higher of: the asset's fair value less costs to sell and its value in use. The carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recorded within operating costs in the Group's Consolidated Statement of Profit or Loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Financial instruments – key measurement terms

Fair value – is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Financial instrument measured at fair value are analysed by levels of the fair value hierarchy as follows:

(i) level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,

(ii) level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and

(iii) level 3 measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs) (Note 37).

2. BASIS AND ACCOUNTING POLICIES FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Financial instruments – key measurement terms (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which a financial instrument is recognised at initial recognition less any principal repayments, plus accrued interest, and, for financial assets, less any allowance for expected credit losses ("ECL"). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Financial instruments – initial recognition

Financial instruments at fair value through profit and loss (FVTPL) are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at the trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets – classification and subsequent measurement – measurement categories

The Group classifies financial assets in the following measurement categories: FVTPL and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model

The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

2. BASIS AND ACCOUNTING POLICIES FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Financial assets – classification and subsequent measurement – business model (continued)

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed.

Financial assets – classification and subsequent measurement – cash flow characteristics

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest (“SPPI”). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Financial assets – reclassification

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Group did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL

On a forward-looking basis, the Group assesses the ECL for debt instruments measured at AC. The Group measures ECL and recognises net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions. Debt instruments measured at AC, trade and other accounts receivable and borrowings are presented in the consolidated statement of financial position net of the allowance for ECL.

Explanations regarding the Group's determination of impaired assets and default are provided in Note 35. This note also provides information on the source data, assumptions and calculation methods used in estimating expected credit losses, including an explanation of how the Group includes the forecast information in the expected credit loss models.

Financial assets – write-off

Financial assets are written-off, in whole or in part, when the Group has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, although, there is no reasonable expectation of recovery.

2. BASIS AND ACCOUNTING POLICIES FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Financial assets - derecognition

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial assets – modification

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering the following factors, among others: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to the cash flows from the original asset expire and the Group derecognises the original financial asset and recognises the new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a significant increase in credit risk has occurred (SICR). The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with the owners.

If the renegotiation was driven by a counterparty's financial difficulties and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assess whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets), and recognises a modification gain or loss in profit or loss.

Financial liabilities – measurement categories

The Group's financial liabilities are classified as subsequently measured at AC.

Financial liabilities – derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Substantial modifications of the terms and conditions of existing financial liabilities are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If the exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

2. BASIS AND ACCOUNTING POLICIES FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Financial liabilities – derecognition (continued)

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Offsetting financial instrument

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Aircraft lease security deposits

Aircraft lease security deposits represent amounts paid to the lessors of aircraft in accordance with the provisions of operating lease agreements. These security deposits are returned to the Group at the end of the lease period. Security deposits related to lease agreements are presented separately in the Consolidated Statement of Financial Position (aircraft lease security deposits) and initially recorded at fair value and then at amortized cost calculated using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and are subsequently carried at AC using the effective interest method.

Trade and other payables

Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at AC using the effective interest method.

Borrowings

Borrowings are initially recognised at fair value less transaction costs incurred and subsequently measured at amortised cost using the effective interest method.

Short-term borrowings comprise:

- interest bearing borrowings with a term shorter than one year;
- current portion of long-term borrowings.

Long-term borrowings include liabilities with the maturity exceeding one year.

Financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value. The method for recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges for a highly probable forecast transaction (cash flow hedge).

2. BASIS AND ACCOUNTING POLICIES FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Financial instruments and hedge accounting (continued)

At the inception of the transaction, the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Statement of Profit or Loss as a separate line below the Group's operating result.

Amounts accumulated in equity are reclassified to profit or loss (as profit or loss from financing activities) in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Consolidated Statement of Profit or Loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Consolidated Statement of Profit or Loss within gains and losses from financing activities as a separate line.

The hedging result in the Consolidated Statement of Profit or Loss is the change in the fair value of the hedging derivative financial instruments (realised hedging) and the multidirectional effect of the hedging risk impact on the related hedge transactions recorded in operating activities.

Prepayments

In these Consolidated Financial Statements, prepayments are carried at cost less the provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are included in the carrying amount of the asset once the Group has obtained control of the asset and it is high probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in the Group's Consolidated Statement of Profit or Loss for the year.

Expendable spare parts and inventories

Inventories, including aircraft expendable spare parts, are valued at cost or net realisable value, whichever is lower.

With the release of material values in production and other disposal the costs are determined as the actual acquisition cost of spare parts for aircraft maintenance and as the cost of other inventories on the first-in, first- out ("FIFO") basis.

The Group writes off the full amount of obsolete inventories which the Group does not plan to continue using in its operations.

2. BASIS AND ACCOUNTING POLICIES FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Value added taxes

Value added tax ("VAT") related the sale of goods or provision of services is recorded as a liability in the budget on an accruals basis. Domestic flights in general are subject to VAT at 10% and international flights are subject to VAT at 0%. Input VAT invoiced by domestic suppliers as well as VAT paid in respect of imported leased aircraft and spare parts may be recovered, subject to certain restrictions, against output VAT.

The recovery of input VAT is typically delayed by up to six months and sometimes longer due to compulsory tax audit requirements and other administrative matters. Input VAT claimed for recovery as at the date of the Consolidated Statement of Financial Position is presented net of the output VAT liability. Recoverable input VAT that is not claimed for recovery in the current period is recorded in the Consolidated Statement of Financial Position as VAT receivable. VAT receivable that is not expected to be recovered within the twelve months from the reporting date is classified as a non-current asset. Where provision has been made for uncollectible receivables, the bad debt expense is recorded at the gross amount of the account receivable, including VAT.

Frequent flyer programme

Since 1999, the Group has operated the Aeroflot Bonus frequent flyer programme. Subject to the programme terms, to increase customer loyalty to the Company's services, Aeroflot Bonus miles are awarded for the use of the Group's and its partners' services, and in the form of free promotional miles to incentivise participation in the programme. The miles earned entitle the participants to a number of benefits such as free flights, flight class upgrades and redeemable miles for special awards from programme partners if the additional conditions of the Programme are met.

Revenue for bonus miles is recognised when the programme participant receives the service through reducing the short-term deferred revenue and other current liabilities based on the estimated value of one bonus mile. The amount of deferred revenue is calculated through allocating the transaction price between performance obligations (ticket sold and bonus miles) pro rata to their relative price of a stand-alone selling price on the date when a ticket to a regular flight is sold to the passenger. On the date of a ticket sale, the Group has two performance obligations: to provide the passenger with a seat on the selected flight and to provide the passenger with the service in the future (flight class upgrades or other goods and services) for the amount of the accrued bonus miles.

The estimated value of miles earned, but not used by Aeroflot Bonus participants on the Group's own flights is recognised within short-term and long-term deferred revenue under the frequent flyer programme (Note 25) within current and non-current liabilities in the Group's Consolidated Statement of Financial Position.

The estimated value of bonus miles accumulated by Aerfolot Bonus participants for using the services provided by the partners of the programme is recognised as other accrued current and non-current liabilities under the frequent flyer programme (Notes 25) within accounts payable and accrued liabilities in the Group's Consolidated Statement of Financial Position.

The estimated value of bonus miles is the same for the miles accumulated by the participants during Group flights and for those miles accumulated by the participants for using the programme partner services.

Employee benefits

Wages, salaries, contributions to the Russian state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and etc.) are accrued in the year in which the associated services are rendered by the employees of the Group.

2. BASIS AND ACCOUNTING POLICIES FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Provisions for liabilities

Provisions for liabilities are recognised if, and only if, the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate (Note 26). Where the effect of the time value of money is significant, the amount of a provision is stated at the present value of the expenditures required to settle the obligation.

Income tax

Income taxes have been provided for in the Consolidated Financial Statements in accordance with legislation using tax rates and legislative regulations enacted or substantively enacted at the end of the reporting period. An income tax expense/benefit comprises current and deferred tax and is recognised in the Consolidated Statement of Profit or Loss for the year, unless it should be recorded within other comprehensive income or directly in equity since it relates to transactions that are also recognised within other comprehensive income or directly in equity in this or any other period.

Current tax is the amount expected to be paid to or recovered in respect of taxable profits or losses for current and prior periods. Taxable profits or losses are based on estimates if the Consolidated Financial Statements are authorised prior to filing the relevant tax returns. Other tax expenses, except from income tax, are recorded within other operating costs in the Group’s Consolidated Statement of Profit or Loss.

Deferred income tax is provided using the balance sheet liability method for tax losses carried forward and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Statement of Financial Position. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences arising on the initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on the initial recognition of goodwill, and subsequently for goodwill that is not deductible for tax purposes. Deferred tax assets and liabilities are measured at tax rates enacted or substantively enacted at the end of the reporting period and that are expected to apply to the period when the temporary differences will reverse or the tax losses carried forward will be utilised.

Deferred tax assets for deductible temporary differences and tax losses carried forward are recorded only to the extent that it is probable that recovery of temporary differences and future taxable profit will be available against which the deductions can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are netted only within the Group’s individual companies.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

2. BASIS AND ACCOUNTING POLICIES FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Uncertain income tax positions

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than income tax are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Pensions

The Group makes certain employee benefits payments related to retirement. Pension liabilities are liabilities for defined benefit plans. The amount of expenditures and obligations for such plans is estimated using the projected unit credit method. In this method, the costs of pension payments are reflected in the Consolidated Statement of Profit and Loss in order to evenly distribute the costs over the life of the employee. Gains and losses arising when actuarial calculations change are immediately allocated to other comprehensive income. Pension obligations to employees who have not reached retirement age are calculated on the basis of minimum annual payments and do not take into account the possible increase in management of the value of pensions in the future. If such pension payments to employees fall within a period of more than 12 months from the reporting date, they are discounted; a discount rate is applied, determined on the basis of the rate of return government bonds at the reporting date.

The Group also participates in a defined contribution plan, under which the Group has committed to make additional contributions as a percentage (20% in 2020) of the contribution made by employees choosing to participate in the plan. Contributions made by the Group on defined contribution plans are charged to expenses when incurred. Contributions are also made to the Government Pension fund at the statutory rates in force during the year. These contributions are expensed as incurred.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Treasury shares purchased

Where the Company or its subsidiaries purchase the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Company's owners until the equity instruments are cancelled, reissued or disposed of. The Company's shares, which are held as treasury stock or belong to the Company's subsidiaries, are reflected as a reduction of the Group's equity.

The sale or re-issue of such shares does not impact net profit for the current year and is recognised as a change in the shareholders' equity of the Group. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's shareholders.

Dividend distributions and payments by the Company are recorded net of the dividends related to treasury shares.

Dividends

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved by the shareholders at the General Shareholders' Meeting.

2. BASIS AND ACCOUNTING POLICIES FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Earnings/loss per share

Earnings/loss per share are determined by dividing the profit or loss attributable to the Company's shareholders by the weighted average number of participating shares outstanding during the reporting year. The calculation of diluted earnings per share includes shares planned to be used in the option programme when the average market price of ordinary shares for the period exceeds the exercise price of the options.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the amounts recognised in the Consolidated Financial Statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the Consolidated Financial Statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Useful lives and residual value of property, plant and equipment

The assessment of the useful lives of property, plant and equipment and their residual value are matters of management judgement based on the use of similar assets in prior periods. To determine the useful lives and residual value of property, plant and equipment, management considers the following factors: nature of the expected use, estimated technical obsolescence and physical wear. A change in each of the above conditions or estimates may require the adjustment of future depreciation expenses.

Value of tickets that were sold, but will not be used

The value of tickets that were sold, but will not be used is recognised as sales revenue at the reporting date estimated through analysing historical data on income from unused tickets. The assessment of the probability that the tickets will not be used is a matter of management judgement. A change in these estimates may require an adjustment to the revenue amount in the Consolidated Statement of Profit or Loss (Note 5) and to the transportation revenue not earned in the Consolidated Statement of Financial Position (Note 25).

Frequent flyer programme

The bonus miles provide customers with a substantial right that they would not qualify for unless they signed the agreement. The customer could use bonus miles to buy flight tickets in the future or to pay for services offered by other programme partners. Therefore, the promise to provide bonus miles to the customer is a separate performance obligation. The transaction price is allocated between the ticket for the Company's regular flight and accrued bonus miles on the basis of a relative stand-alone selling price on the date of executing the agreement.

The stand-alone selling price of a ticket for a regular flight is based on the tariff established by the Company for a specified itinerary at the time of the sale, regardless of whether the customer is a programme participant.

The stand-alone selling price of one separate bonus mile is a tool used to determine the cost of services to be provided in the future to a programme participant. The Company determines the price of the future service (or part of it) per bonus mile as equal to the Company's assessment of the estimated value of the service per mile.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Frequent flyer programme (continued)

At the reporting date, the Group assesses and recognises a performance obligation for the amount of accrued bonus miles accumulated by Aeroflot Bonus programme participants. The estimate is made based on the statistical information available to the Group and reflects the expected number of miles to be used after the reporting date multiplied by their estimated value. The assessment of the estimated value of a bonus mile, as well as management's expectations regarding the number of miles to be used by programme participants are a matter of management judgement. A change in these estimates may require an adjustment in deferred revenue, accounts payable and accrued liabilities (Note 21) and other non-current liabilities under the frequent flyer programme in the Consolidated Statement of Financial Position (Note 25) and revenue adjustment in the Consolidated Statement of Profit or Loss (Note 5, 6).

As for the Group's flight tickets sold to programme participants, the Group reallocates the transaction price under the contract (ticket) between the obligation to provide a seat for any selected flight and the provision of services in the future for the number of bonus miles accrued to programme participants in respect of the entire portfolio of contracts (tickets purchased by programme participants), as the contracts have similar characteristics. The Group believes that from the perspective of the financial statements, the results of applying a single value of transaction price allocation to the entire portfolio of contacts will not materially differ from the price allocation to each separate contract within the portfolio.

The obligation to the customer on bonus miles is fulfilled at the time when air transport services purchased for miles are provided to the customer, or when miles are used to purchase a programme partner's goods and services, and at the time of expiry of miles that were not used to buy flight tickets in accordance with programme rules.

Compliance with tax legislation

Compliance with tax legislation, particularly in Russia, is subject to a significant degree of interpretation and can be routinely challenged by the tax authorities. Management records a provision in respect of its best estimate of likely additional tax payments and related penalties that may be payable if the Group's tax compliance is challenged by the relevant tax authorities (Note 40).

Estimated impairment of goodwill

The Group tests goodwill for impairment at least annually. The recoverable amount of each cash generating unit was determined based on value-in-use calculations. These calculations require the use of estimates as further detailed in Note 24.

Estimated impairment of property, plant and equipment and RUA

The Group tests whether there is any indication of impairment at the end of each reporting date. If any indication of impairment are identified, the Group performs impairment testing. The recoverable amount of property, plant and equipment and right-of-use assets is determined based on value in use calculations. These calculations require the use of the estimates described in more detail in Notes 19, 20.

Deferred tax asset recognition

The recognised deferred tax assets represent income tax in respect of expenses or losses that may be set off against future taxable income or profit and are recorded in the Consolidated Statement of Financial Position. Deferred income tax assets are recognised to the extent that realisation of the related tax deduction is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on the medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management's expectations and believed to be reasonable under the circumstances. The calculation of the deferred tax asset is disclosed in Note 11.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

ECL measurement

Measurement of ECLs for all financial instruments at AC is a significant estimate that involves methodology, models and data inputs. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"). The Group regularly reviews and validates the models and inputs to the models to reduce any differences between the expected credit loss estimates and the actual credit loss experience. Taking into account the short term of assets, the forecasted macroeconomic indicators did not have a significant impact on the level of losses. Detailed information is provided in Note 35.

Assessment of lease periods

The possibility of extending and terminating the contracts is provided for in a number of lease agreements for the Group's aircraft, aircraft engines, buildings and equipment. This tool is used to maximise operational flexibility regarding the management of assets used by the Group. Most of the conditions regarding the possibility of extending and terminating of contracts can be used only by the Group and not by the lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not to exercise a termination option. Extension options (or periods after termination options) are only included in a lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of buildings and equipment, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate) the lease.
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate) the lease.

Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Extension and termination options in aircraft are provided for in a number of lease agreements for aircraft, aircraft engines and buildings. They are used to maximise operational flexibility regarding the management of assets used by the Group. Most extension and termination options can be used only by the Group and not by the lessor. The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs that affects this assessment, and that is within the control of the lessee.

As at 31 December 2020 and 31 December 2019 lease liability under most of the lease contracts (excluding aircraft lease agreements) included rent payments for the extension periods, as the Group was reasonably certain that the extension options would be exercised. The amount of potential future cash outflows not included in the lease liability due to the lack of sufficient confidence in the lease extension is disclosed in Note 27.

Discount rates

In case the interest rate implicit in the lease cannot be readily determined, the Group applies the incremental borrowing rate to discount the lease payments. To determine the incremental borrowing rate, the Group sends indicative rates requests to banks and makes adjustments specific to the lease, e.g. term, country, currency and collateral. The sensitivity of lease liabilities measurements to the change in the discount rates is disclosed in Note 27.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

Costs of regular capital repairs and maintenance of aircraft

The assessment of amount and timing of expected regular repairs and maintenance works are matters of management judgement. Provision for restoration obligation to bring leased assets to the condition, required by the lease terms is recognised as part of the cost of the right-of-use asset in the amount of estimated costs to restore the asset as of the date of initial recognition of the lease and then is depreciated over the lease terms. In determining whether the present obligation should be recognised in accordance with IAS 37 «Provisions, contingent liabilities and contingent assets» the Group applies a unified approach to accounting for all costs of repairs and maintenance before the return of the aircraft to the lessor, including repairs that depend on the intensity of use of the aircraft, since such repairs are an identifiable event and are planned by the Group in advance. As a rule, the Group has a pre-planned schedule for using the asset and its repairs, which are inevitable. Therefore, at the commencement date of the lease, the Group can reliably estimate the cost of future repairs required upon the return of the aircraft. Estimates of the expected costs are based on the most reliable data on the assessment date. This takes into account the terms of the lease agreements, the age and condition of the aircraft and aircraft engines, the market value of the fixtures, components and assemblies to be replaced and the cost of the work required.

Estimated fair value of financial investments

The Group estimates the fair value of financial investments in JSC MASH at each reporting date using the discounted cash flow method. This method requires the use of estimates further detailed in Note 17.

4. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

The following amendment to the standards became effective from 1 June 2020. The application of the amendment remains the lessee’s choice:

Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020). The amendment provides lessees with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease.

The Group chose not to use the practical expedient and, after making an assessment, account changes of conditions as modification of leases.

The following amended standards became effective from 1 January 2020, but did not have any material impact on the Group.

Adoption of other new standards

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

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

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

4. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS (CONTINUED)

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

New standards and interpretations effective from 1 January 2021 or later

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2021 or later, and which the Group has not early adopted:

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

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

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 – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022). These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument. The Group is currently assessing the impact of the amendments on its Consolidated Financial Statements.

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). The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance. The Group is currently assessing the impact of the amendments on its financial statements.

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).

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). The Group is currently assessing the impact of the amendments on its financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

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

5. TRAFFIC REVENUE

	2020	**2019**
Scheduled passenger flights	225,753	557,132
Charter passenger flights	17,955	37,438
Cargo flights	26,768	19,282
Total traffic revenue	**270,476**	**613,852**

6. OTHER REVENUE

	2020	**2019**
Airline agreements revenue	17,593	40,883
Revenue from partners under the frequent flyer programme	9,068	14,453
Sales of goods on board	448	1,505
In-flight catering services	571	1,583
Ground handling and maintenance	300	419
Hotel revenue	175	382
Other revenue	3,551	4,804
Total other revenue	**31,706**	**64,029**

7. OPERATING COSTS LESS STAFF COSTS, DEPRECIATION AND AMORTISATION

	2020	**2019**
Airport and en-route services	51,858	101,199
Aircraft maintenance	29,056	30,566
Administration and general expenses	16,381	19,527
Passenger services expenses	11,765	26,041
Communication and booking system expenses	9,266	18,551
Expenses related to variable lease payments not included in lease liabilities	6,801	5,854
Food cost for in-flight catering	5,460	14,361
Sales and marketing expenses	4,197	11,880
Insurance expenses	2,639	2,624
Short-term leases	1,481	2,245
Cost of goods sold on board	248	849
Other expenses	5,461	10,033
Operating costs less aircraft fuel, staff costs and depreciation and amortisation	**144,613**	**243,730**
Aircraft fuel	77,457	190,876
Total operating costs less staff costs, depreciation and amortisation	**222,070**	**434,606**

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

8. STAFF COSTS

	2020	2019
Wages and salaries	49,467	71,324
Pension costs	12,085	16,250
Social security costs	3,893	4,839
Total staff costs	**65,445**	**92,413**

Pension costs include:

- compulsory payments to the Russian 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 12 months 2020, 20% for 12 months 2019) of the transfers made personally by the employees participating in the programme, and
- an increase in the net present value of the future benefits which the Group expects to pay to its employees upon their retirement under defined benefit pension plans.

	2020	2019
Payments to the Russian Pension Fund	12,053	16,182
Change in pension plans liabilities	32	68
Total pension costs	**12,085**	**16,250**

9. OTHER OPERATING INCOME AND EXPENSES, NET

	2020	2019
Government grants	9,106	-
Recovery of provision for regular repair and maintenance (Note 26)	6,319	1,028
Reimbursement of fuel excise tax (Note 40)	5,887	9,635
Insurance compensation received	1,196	525
Gain on accounts payable write-off	1,131	445
Fines and penalties received from suppliers	638	833
Revaluation of lease obligations	84	2,181
Profit on disposal of assets classified as held for sale	-	1,072
Loss on accounts receivable write-off	(10)	(2)
(Accrual)/recovery of provision for other liabilities (Note 26)	(109)	1,323
(Loss)/gain on fixed assets disposal and impairment	(247)	1,128
(Accrual)/recovery of provision for ECL and impairment provision for prepayments (Note 14)	(665)	228
Loss on goodwill write-off	(6,502)	-
Other income/(expense), net	(5,015)	(1,118)
Total other operating income/(expenses), net	**11,813**	**17,278**

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

10. FINANCE INCOME AND COSTS

	2020	2019
Finance income:		
Interest income	4,377	3,711
Foreign exchange gain, net	-	598
Other finance income	561	1,177
Total finance income	**4,938**	**5,486**

	2020	2019
Finance costs:		
Loss on change in fair value of derivative financial instruments not subject to hedge accounting	-	(2,067)
Foreign exchange loss, net	(2,022)	-
Interest expense	(5,611)	(5,275)
Interest expense on lease	(39,133)	(44,695)
Other finance costs	(486)	(13)
Total finance costs	**(47,252)**	**(52,050)**

The loss on change in fair value of derivative financial instruments for the 12 months of 2019 relates to fuel option contracts signed in 2019 for the purpose of hedging a portion of aircraft fuel costs.

11. INCOME TAX

	2020	2019
Current income tax charge	(704)	(2,589)
Change in deferred income tax	30,983	2,298
Income tax	**30,279**	**(291)**

Reconciliation of the income tax estimated based on the applicable tax rate to the income tax is presented below:

	2020	2019
(Loss)/profit before income tax	(153,487)	13,803
Tax rate applicable in accordance with Russian legislation	20%	20%
Theoretical income tax expense at tax rate in accordance with Russian legislation	30,697	(2,761)
Tax effect of items which are not deductible or assessable for taxation purposes:		
Non-taxable income	813	695
Non-deductible expenses	(4,439)	(2,741)
Recognition of previously unrecognised deferred tax assets	3,193	-
Recognition of previously unrecognised tax losses	-	4,412
Prior years income tax adjustments	15	104
Income tax	**30,279**	**(291)**

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

11. INCOME TAX (CONTINUED)

	31 December 2020	Changes for the year	31 December 2019	Changes for the year	1 January 2019
Tax effect of temporary differences:					
Tax losses carried forward	28,380	24,592	3,788	3,339	449
Long-term financial investments	313	312	1	(13)	14
Accounts receivable	845	(55)	900	146	754
Property, plant and equipment	41	(28)	69	31	38
Lease liabilities	132,494	21,078	111,416	(21,011)	132,427
Accounts payable and provisions for liabilities	53,033	5,518	47,515	(1,817)	49,332
Deferred tax liabilities before tax set-off	**215,106**		**163,689**		**183,014**
Deferred tax set-off	(139,676)		(135,795)		(143,611)
Deferred tax assets after tax set-off	**75,430**		**27,894**		**39,403**
Property, plant and equipment	(641)	267	(908)	234	(1,142)
Right-of-use assets	(126,311)	(2,334)	(123,977)	9,772	(133,749)
Long-term financial investments	(546)	(33)	(513)	(406)	(107)
Accounts receivable	(4,925)	1,495	(6,420)	(1,254)	(5,166)
Accounts payable	(2,777)	(2,771)	(6)	(6)	-
Financial assets under lease agreements	(4,553)	(115)	(4,438)	(225)	(4,213)
Deferred tax liabilities before tax set-off	**(139,753)**		**(136,262)**		**(144,377)**
Deferred tax set-off	139,676		135,795		143,611
Deferred tax liabilities after tax set-off	**(77)**		**(467)**		**(766)**
Movements for the year, net		47,926		(11,210)	
Movements of deferred tax recognised directly in other comprehensive income		(17,126)		13,508	
Disposal of subsidiary		183		-	
Deferred tax for the year income		**30,983**		**2,298**	

As at 31 December 2020 the Group recognised deferred tax assets from tax losses in the amount of RUB 28,380 million (31 December 2019: RUB 3,788 million).

Limitations for the recognition of losses carried forward for the period from 2017 to 2020 have been introduced in Russian legislation. The amount of losses carried forward that can be used every year during this period is limited to 50% of annual profit. These changes will not have material impact for the Group's Consolidated Financial Statements.

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

12. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Bank deposits denominated with maturity of less than 90 days in Roubles	77,136	4,258
Bank deposits denominated with maturity of less than 90 days in US Dollars	1,108	557
Cash on hand and bank accounts denominated in Roubles	7,684	5,755
Cash on hand and bank accounts denominated in US Dollars	1,541	870
Cash on hand and bank accounts denominated in other currencies	1,083	801
Cash on hand and bank accounts denominated in Euro	198	301
Cash in transit	194	341
Total cash and cash equivalents	**88,944**	**12,883**

Information about the Group's exposure to interest rate risk, sensitivity analysis of financial assets as well as an assessment of impairment based on the risk of default assumption and expected loss ratios are disclosed in Note 35.

As at 31 December 2020 about 56% of the Group's funds are held in 2 highly reliable state-controlled Russian banks – VTB Bank (PJSC) with long-term credit rating of BBB- (S&P rating agency) and Bank GPB (JSC) with long-term credit rating of BB+ (S&P rating agency) (as at 31 December 2019 about 50% of Group's cash was held in government-related banks - Sberbank with long-term credit rating of BBB (Fitch rating agency) and VTB Bank (PJSC) with long-term credit rating of BBB- (S&P rating agency).

The remaining part of the Group's cash is also located primarily in the largest Russian banks with long-term credit ratings from international rating agencies.

As at 31 December 2020 the Group had restricted cash of RUB 237 million recorded as part of other non-current assets (31 December 2019: RUB 193 million recorded as part of other non-current assets) in the Group's Consolidated Statement of Financial Position.

13. AIRCRAFT LEASE SECURITY DEPOSITS

A security deposit is held with the lessor to secure the lessee's fulfilment of its obligations in full, on a timely basis and in good faith. The security deposit is transferred to the lessor in several instalments or in a single instalment. The security deposit is usually equal to two monthly lease payments. The lessee has the right to replace the security deposit, in full or in part, with a letter of credit. The security deposit can be offset against the last lease payment or any payment if there is any non-fulfilment of obligations by the lessee. The security deposit is returned subsequent to the lease agreement's termination/cancellation or the return of the aircraft immediately after the date the lease is terminated and lessee fulfils its obligations. The security deposits under aircraft lease agreements are recorded at amortised cost using discount rate of aircraft lease from 1% to 10% p.a. in 2020 depending on the currency of the security deposit (2019: from 1,9% to 10% p.a.).

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

13. AIRCRAFT LEASE SECURITY DEPOSITS (CONTINUED)

	Aircraft lease security deposits
1 January 2019	**4,815**
Payment of security deposits	395
Discount capitalised in right-of-use assets	(56)
Amortisation charge for the year	160
Provision for ECL	(12)
Return of security deposits during the year	(435)
Set-off against lease liabilities	(53)
Foreign exchange difference	(473)
31 December 2019	**4,341**
Amortisation charge for the year	124
Provision for ECL	7
Set-off against lease liabilities	(198)
Foreign exchange difference	726
Disposal of subsidiary	(394)
31 December 2020	**4,606**

As at 31 December 2020 and 31 December 2019, most of the security deposits were granted to large international leasing companies.

The Group's exposure to risks for security deposits under aircraft lease agreements and impairment assessment based on the risk of default assumption and expected loss ratios is disclosed in Note 35.

	31 December 2020	**31 December 2019**
Current portion of security deposits	2,739	2,242
Non-current portion of security deposits	1,867	2,099
Total aircraft lease security deposits	**4,606**	**4,341**

14. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31 December 2020	**31 December 2019**
Trade accounts receivable	17,563	35,110
Other financial receivables	8,795	8,666
Less provision for ECL	(11,290)	(10,949)
Total financial receivables	**15,068**	**32,827**
Prepayments to suppliers	9,306	11,681
VAT and other taxes recoverable	12,008	19,083
Prepayments for delivery of aircraft	30,175	28,995
Other receivables	1,053	4,425
Less impairment provision	(559)	(544)
Total accounts receivable and prepayments	**67,051**	**96,467**

As at 31 December 2020 provision for ECL of RUB 6,339 million (31 December 2019: RUB 6,351 million) related to accounts receivable from OJSC Transaero Airlines for passengers transportation, refuelling services, aircraft servicing and ground handling.

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

14. ACCOUNTS RECEIVABLE AND PREPAYMENTS (CONTINUED)

Accounts receivable and prepayments include prepayments for the acquisition of aircraft to be delivered within 12 months after the reporting date. Changes on the "Prepayments for aircraft" line item are due to the approaching aircraft delivery dates as well as the refund of prepayments related to the delivery of aircraft in the current period.

Financial receivables are analysed by currencies in Note 35. As at 31 December 2020 and 31 December 2019, the Group made sufficient provision for expected credit losses for accounts receivable and impairment provision for prepayments.

Financial receivables are analysed by credit quality in Note 35.

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

	31 December 2020		31 December 2019	
Type of aircraft	**Number of aircraft, units**	**Expected delivery date**	**Number of aircraft, units**	**Expected delivery date**
Boeing B777	3	2021	2	2020
Airbus A350	7	2021	11	2020

The movements in provision for ECL for accounts receivable and impairment provision for prepayments are as follows:

	Impairment provision
1 January 2019	**12,025**
Additional provision for impairment and ECL	704
Release of provision	(303)
Recovery of provision	(933)
31 December 2019	**11,493**
Disposal of subsidiary	(71)
Additional provision for impairment and ECL	1,158
Release of provision	(238)
Recovery of provision	(493)
31 December 2020	**11,849**

15. NON-CURRENT PORTION OF PREPAYMENTS FOR AIRCRAFT

As at 31 December 2020 and 31 December 2019, the non-current portions of prepayments for aircraft was RUB 27,275 million and RUB 20,745 million, respectively. Changes in the non-current portion of prepayments are due to the approaching aircraft delivery dates as well as new non-current prepayments.

Prepayments made to purchase aircraft expected to be delivered within 12 months after the reporting date are recorded within accounts receivable and prepayments (Note 14).

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

15. NON-CURRENT PORTION OF PREPAYMENTS FOR AIRCRAFT (CONTINUED)

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

	31 December 2020		31 December 2019	
Type of aircraft	**Number of aircraft, units**	**Expected delivery date**	**Number of aircraft, units**	**Expected delivery date**
Airbus A350	14	2022-2023	11	2021
Boeing B777	-	-	1	2021

16. EXPENDABLE SPARE PARTS AND INVENTORIES

	31 December 2020	31 December 2019
Expendable spare parts	14,516	12,521
Fuel	337	347
Other inventories	3,035	3,725
Total expendable spare parts and inventories, gross	**17,888**	**16,593**
Less: written-off obsolete expendable spare parts and inventories	(999)	(1,023)
Total expendable spare parts and inventories	**16,889**	**15,570**

17. FINANCIAL INVESTMENTS

	31 December 2020	31 December 2019
Long-term investments:		
Investments in equity securities measured at fair value through profit or loss	5,343	5,761
Debt securities accounted at amortised cost	121	95
Total long-term financial investments (before expected credit loss provision)	**5,464**	**5,856**

The Group's investment in government-related company JSC MASH, in which it holds a 2.428% share, is estimated at fair value through profit or loss according to the discounted cash flow model and is reflected in the Consolidated Statement of Financial Position in the amount of RUB 5,289 million as at 31 December 2020 (RUB 5,706 million as at 31 December 2019). To prepare a model related to the absence of quoted market prices, the following factors taken into account by the Group has the most significant impact on the assessment of fair value of this investment:

(a) the weighted average cost of capital equal to 13.7% as at 31 December 2020 (as at 31 December 2019:12.2%) based on public capital markets data, data about peer companies;

(b) forecasts for macro assumptions based on an HIS Markit data;

(c) passenger traffic in 2021 is planned at the level of 25 million passengers based on data from public sources. The growth rate of passenger traffic in 2022-2025 is distributed, taking into account the growth of up to 69 million passengers till 2025 and recovery to 2019 level in 2022.

The Group performed a sensitivity analysis of the key assumptions used in the financial model of JSC MASH. A reasonably possible change in the weighted average cost of capital and passenger traffic growth does not result in any significant change in fair value of the investments.

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

17. FINANCIAL INVESTMENTS (CONTINUED)

	31 December 2020	31 December 2019
Other short-term financial investments:		
Loans issued and promissory notes of third parties	9,867	9,723
Deposits placed in banks for more than 90 days	4,832	12,986
Other short-term investments	4	4
Total other short-term financial investments (before expected credit loss provision)	**14,703**	**22,713**
Less: provision for expected credit loss of short-term financial investments	(9,872)	(9,735)
Total short-term financial investments	**4,831**	**12,978**

All short-term investments are carried at amortized cost (Note 35).

The provision for impairment is primarily related to the accrual of a provision for impairment of loans issued by the Group companies in favor of OJSC Transaero Airlines during 2015.

As at 31 December 2020, deposits with maturity for more than 90 days are placed in the largest Russian commercial banks with long-term credit rating not lower than Ba1 according to Moody's credit rating agency.

18. OTHER NON-CURRENT ASSETS

	31 December 2020	31 December 2019
Prepaid expenses for aircraft repair service providers for PBH	37,121	37,058
Long-term prepaid expenses	2,154	5,963
Other non-current assets	5,141	2,810
Total other non-current assets	**44,416**	**45,831**

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

19. PROPERTY, PLANT AND EQUIPMENT

	Owned aircraft and engines	Land and buildings	Transport, equipment and other	Construction in progress	Total
Cost					
1 January 2019	**9,193**	**10,051**	**22,546**	**4,554**	**46,344**
Additions	657	73	1,603	4,021	**6,354**
Disposals	(128)	(59)	(4,686)	(734)	**(5,607)**
Transfers	345	449	2,756	(3,550)	**-**
31 December 2019	**10,067**	**10,514**	**22,219**	**4,291**	**47,091**
Additions	201	32	384	1,632	**2,249**
Disposals	(258)	(55)	(1,027)	(196)	**(1,536)**
Transfers	77	69	970	(1,116)	**-**
Disposal of subsidiary (Note 22)	(5,285)	(485)	(1,127)	(51)	**(6,948)**
31 December 2020	**4,802**	**10,075**	**21,419**	**4,560**	**40,856**
Accumulated depreciation and impairment					
1 January 2019	**(2,500)**	**(5,354)**	**(11,761)**	**(95)**	**(19,710)**
Charge for the year	(907)	(280)	(2,525)	-	**(3,712)**
Recovery/(accrual) of impairment provision	(28)	-	27	20	**19**
Disposals	119	21	2,915	-	**3,055**
31 December 2019	**(3,316)**	**(5,613)**	**(11,344)**	**(75)**	**(20,348)**
Charge for the year	(1,027)	(280)	(2,337)	-	**(3,644)**
Recovery/(accrual) of impairment provision	-	-	-	20	**20**
Disposals	234	16	785	-	**1,035**
Disposal of subsidiary (Note 22)	1,430	88	388	-	**1,906**
31 December 2020	**(2,679)**	**(5,789)**	**(12,508)**	**(55)**	**(21,031)**
Carrying amount					
1 January 2019	**6,693**	**4,697**	**10,785**	**4,459**	**26,634**
31 December 2019	**6,751**	**4,901**	**10,875**	**4,216**	**26,743**
31 December 2020	**2,123**	**4,286**	**8,911**	**4,505**	**19,825**

As at 31 December 2020 the cost of fully depreciated property, plant and equipment was RUB 6,716 million (31 December 2019: RUB 5,603 million).

In accordance with IAS 36 “Impairment of Assets”, at the end of each reporting period, an entity is required to assess whether there is any indication that assets may be impaired. The COVID-19 crisis and its impact on the airline industry has been such a trigger event. As a result, the Group has conducted the impairment test (Note 20).

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

20. RIGHT-OF-USE ASSETS

	Aircraft and engines	Land and buildings	Transport, equipment and other	Prepayments	Total
Cost					
1 January 2019	**925,769**	**17,068**	**8,361**	**3,526**	**954,724**
Additions	48,613	846	4,997	2,931	57,387
Capitalised expenditures	9,521	-	-	1,373	10,894
Disposals	(26,252)	(6,180)	(48)	(280)	(32,760)
Transfers from assets classified as held for sale	5,064	-	-	-	5,064
Transfers	3,175	86	-	(3,261)	-
Remeasurement/modification of right-of-use assets	(7,062)	180	609	-	(6,273)
31 December 2019	**958,828**	**12,000**	**13,919**	**4,289**	**989,036**
Additions	33,255	2,992	3,132	3,882	43,261
Capitalised expenditures	6,901	-	-	1,260	8,161
Disposals	(20,300)	(712)	(73)	(42)	(21,127)
Transfers	2,754	(2)	-	(2,752)	-
Disposal of subsidiary (Note 22)	(23,006)	(151)	(22)	-	(23,179)
Remeasurement/modification of right-of-use assets	74,411	645	(118)	-	74,938
31 December 2020	**1,032,843**	**14,772**	**16,838**	**6,637**	**1,071,090**
Accumulated depreciation and impairment					
1 January 2019	**(272,875)**	**(9,080)**	**(3,976)**	**-**	**(285,931)**
Charge for the year	(99,704)	(1,908)	(1,576)	-	(103,188)
Recovery/(accrual) of impairment provision	(96)	-	-	-	(96)
Disposals	24,576	6,180	48	-	30,804
Transfers from assets classified as held for sale	(2,485)	-	-	-	(2,485)
Modification of right-of-use assets	467	96	412	-	975
31 December 2019	**(350,117)**	**(4,712)**	**(5,092)**	**-**	**(359,921)**
Charge for the year	(110,420)	(2,357)	(1,688)	-	(114,465)
Recovery/(accrual) of impairment provision	(61)	-	-	-	(61)
Disposals	20,300	712	73	-	21,085
Disposal of subsidiary (Note 22)	17,233	99	16	-	17,348
Modification of right-of-use assets	307	23	-	-	330
31 December 2020	**(422,758)**	**(6,235)**	**(6,691)**	**-**	**(435,684)**
Carrying amount					
1 January 2019	**652,894**	**7,988**	**4,385**	**3,526**	**668,793**
31 December 2019	**608,711**	**7,288**	**8,827**	**4,289**	**629,115**
31 December 2020	**610,085**	**8,537**	**10,147**	**6,637**	**635,406**

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 the 12 months of 2020 amounted to RUB 1,260 million (12 months 2019: RUB 1,373 million). The capitalisation rate of interest expenses and translation differences for the period was 5% p.a. (12 months 2019: 5.9% p.a.).

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

20. RIGHT-OF-USE ASSETS (CONTINUED)

In 2019, three aircraft previously classified as assets held for sale were returned to right-of-use assets because of the decision of their sale and leaseback. This transaction resulted in loss of RUB 60 million. There were no similar transactions in 2020.

The main portion of the amount on the line "Remeasurement/modification of right-of-use assets" relates to revaluation of the provision for repairs before aircraft return: increase by RUB 59,032 million for 12 months 2020, decrease by RUB 7,295 million for 12 months 2019. This line also includes the effect of restructuring of lease liabilities, for a detailed description see Note 27.

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. 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. The cash flows were projected based on the Aeroflot Group's budget, approved by the Board of Directors, which considered the impact of COVID-19 pandemic in 2021 and subsequent return to pre-crisis performance based on the following assumptions:

(i) The economic situation in the Russian Federation: sustained medium-term growth of the economy, ongoing demand through savings, sustained supply on the scheduled passenger transportation market;

(ii) Domestic flights: recovery to 2019 level in 2021 due to the compensation for the shortfall in international flights as a result of the shift towards domestic tourism;

(iii) International flights: gradual recovery after easing of restrictions due to deferred demand and sustained business traffic;

(iv) Pre-crisis assumptions are adopted going forward from 2022.

The key assumptions for calculating the recoverable amounts

Change in the following factors has the most impact on the amount of discounted cash flows:

- *Growth rate.* The growth rate for the terminal value calculation was set at the level of Russia's long-term GDP growth rate of 2.7% p.a.
- *Passenger traffic and yields.* The projected volumes of passenger traffic and yields were determined in accordance with the budget parameters.
- *Discount rate.* The discount rate used was the Group's weighted average cost of capital (WACC); discount rates were in the range of 10.8% - 11.6% p.a. for the entire forecast period.

Based on the test results, no impairment was identified. The management of the Group conducted a sensitivity analysis of the results of the impairment test to changes in the discount rate and yields in the model, as the most sensitive assumptions. Sensitivity in the table below was determined as the percentage of change in relevant factors during the forecast and post-forecast periods at which the assets' recoverable amount (value in use) becomes equal to their carrying amount.

	Sensitivity, % of change	
	Discount rate	**Yield**
Aeroflot	+5.9 p.p.	-5.6 p.p.
AK Rossiya	0.0 p.p.	0.0 p.p.
AK Pobeda	+9.6 p.p.	-8.4 p.p.

The test results for AK Rossiya showed that the carrying amount of non-current assets excluding goodwill as at 31 December 2020 was equal to their recoverable amount, whereby the Group recognized an impairment loss for goodwill allocated to AK Rossiya (Note 24) in the Consolidated Statement of Profit or Loss.

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

21. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	31 December 2020	31 December 2019
Accounts payable	30,099	38,524
Other financial payables	2,924	2,951
Dividends payable	246	752
Total financial payables	**33,269**	**42,227**
Staff and social funds related liabilities	12,284	18,529
Advances received (other than unearned traffic revenue)	2,488	3,846
Other current liabilities related to the frequent flyer programme (Note 25)	2,413	4,254
Other taxes payable	1,086	1,638
Other payables	646	1,243
Total accounts payable and accrued liabilities	**52,186**	**71,737**

As at 31 December 2020, staff related liabilities primarily include salary payable, as well as social contribution liabilities of RUB 7,932 million (31 December 2019: RUB 9,869 million) and the unused vacation accrual of RUB 4,241 million (31 December 2019: RUB 8,558 million).

Financial payables by currency are analysed in Note 35.

22. DISPOSAL OF SUBSIDIARIES

In December 2020, the Group disposed of JSC AK Aurora that was included in segment Air transportation. The sale of shares of JSC AK Aurora to JSC Sakhalin Region Development Corporation is associated with project to create a united Far Eastern airline. The sale of JSC AK Aurora was approved by the Board of Directors of PJSC Aeroflot based on an independent assessment of the market value (Note 38).

Financial result from disposal in the amount of RUB 5,066 million was recognised in profit or loss for 12 months 2020.

Financial result from disposal of subsidiaries JSC AK Aurora and JSC Donavia in 2020 and 2019 includes the following components:

	2020	2019
	JSC AK Aurora	**JSC Donavia**
(Positive)/negative net assets of disposed company	(11,440)	2,517
Non-controlling interest share in positive net assets	(5,605)	
Group's share in net assets of disposed company	**(5,835)**	**2,517**
Goodwill	(158)	-
Effect from correction of increase of value aircraft when transferred between the subsidiaries of the Group	927	-
Intragroup liabilities, including:		
Accounts payable from disposed company to the Group	-	(168)
Loan issued by the Group to disposed company	-	(794)
(Loss)/profit from disposal	**(5,066)***	**1,555**

* Financial result from disposal includes proceeds of RUB 1

In December 2019, the Group disposed of JSC Donavia. Financial result from disposal in the amount of RUB 1,555 million was recognised in profit or loss for 12 months 2019. JSC Donavia did not conduct any significant operating activities in 2019.

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

22. DISPOSAL OF SUBSIDIARIES (CONTINUED)

The amount of assets and liabilities of JSC AK Aurora on date of disposal is presented on the table below:

	31 December 2020
Cash and cash equivalents	2,045
Short-term financial investments	3,677
Accounts receivable and prepayments	2,418
Expendable spare parts and inventories	1,000
Current financial assets under lease agreements	341
Other current assets	1
Aircraft lease security deposits	121
Right-of-use assets	5,831
Property, plant and equipment	5,970
Intangible assets	44
Deferred tax assets	2,401
Non-current financial assets under lease agreements	3,018
Other non-current assets	706
TOTAL ASSETS	**27,573**
Accounts payable and accrued liabilities	1,714
Short-term lease liabilities	1,727
Short-term provisions for liabilities	6,812
Short-term borrowings	458
Long-term lease liabilities	15
Long-term provisions for liabilities	1,630
Long-term borrowings	1,559
Deferred tax liabilities	2,218
TOTAL LIABILITIES	**16,133**

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

23. INTANGIBLE ASSETS

	Software	Licences	Investments in software and R&D	Trademark and client base	Other	Total
Cost						
1 January 2019	**4,548**	**134**	**957**	**1,630**	**132**	**7,401**
Additions	667	-	43	3	262	975
Disposals	(10)	-	(46)	(1)	(75)	(132)
31 December 2019	**5,205**	**134**	**954**	**1,632**	**319**	**8,244**
Disposal of subsidiary	(43)	-	-	(27)	(3)	(73)
Additions	347	-	33	1	12	393
Disposals	(185)	-	-	-	(3)	(188)
Transfer	-	-	(2)	-	2	-
31 December 2020	**5,324**	**134**	**985**	**1,606**	**327**	**8,376**
Accumulated amortisation and impairment						
1 January 2019	**(3,518)**	**(89)**	**(312)**	**(1,173)**	**(59)**	**(5,151)**
Charge for the year	(354)	-	(116)	(89)	(19)	(578)
Disposals	10	-	-	-	75	85
31 December 2019	**(3,862)**	**(89)**	**(428)**	**(1,262)**	**(3)**	**(5,644)**
Charge for the year	(373)	-	(93)	(32)	(26)	(524)
Disposals	174	-	-	-	3	177
Disposal of subsidiary	1	-	-	27	1	29
31 December 2020	**(4,060)**	**(89)**	**(521)**	**(1,267)**	**(25)**	**(5,962)**
Carrying amount						
1 January 2019	**1,030**	**45**	**645**	**457**	**73**	**2,250**
31 December 2019	**1,343**	**45**	**526**	**370**	**316**	**2,600**
31 December 2020	**1,264**	**45**	**464**	**339**	**302**	**2,414**

24. GOODWILL

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

Changes in carrying amount of goodwill for 2020 and 2019, allocated to the Group's entities, is presented in the table below:

		2020 г.		**2019 г.**	
	Note	**AK Rossiya**	**AK Aurora**	**AK Rossiya**	**AK Aurora**
Carrying amount at 1 January		6,502	158	6,502	158
Disposal of subsidiary	22	-	(158)	-	-
Impairment loss	9	(6,502)	-	-	-
Carrying amount at 31 December		**-**	**-**	**6,502**	**158**

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

24. GOODWILL (CONTINUED)

AK Aurora

As at 31 December 2020 the carrying amount of goodwill allocated to AK Aurora is nil due to the company's retirement from the Group (Note 22).

AK Rossiya

As at 31 December 2020 Group's management carried out next testing of goodwill allocated to AK Russiya of impairment under COVID-19 pandemic impact on the activities of the said asset of the Group (Note 1), as a result of which the following signs were identified:

- recession and slowdown in the recovery of the air transportation market due to the uncertainty associated with the COVID-19 pandemic, which has a significant negative impact on the company's future cash flow forecast;
- the decline in the company's charter business, which also puts additional pressure on the assessment of the economic benefit from using the asset.

The budget of Aeroflot Group approved by the Board of Directors for AK Rossiya's cash flow was adopted as a basis for the cash flow projections, taking into account the impact of the COVID-19 pandemic on air transportation in 2021 in accordance with the management's expectations, for the period from 2022 and after were adopted pre-crisis performance taking into account the decline of the aircraft fleet in accordance with the retirement schedule under lease agreements. Cash flows outside the 5-year period are based on the most recent forecast period and extrapolated using the growth rate.

Key assumptions applied to the calculation of value in use

Discounted cash flows are most sensitive to changes in the following factors:

- *The grow rate*. The growth rate for the terminal value calculation was set at the level of Russia's long-term GDP growth rate of 2.7% p.a. (2019: 2.7% p.a.).
- *Passenger traffic and yields*. Estimated volumes of passenger traffic and yields were determined in accordance with the budget parameters.
- *The discount rate*. The discount rate calculation is based on weighted average cost of capital (WACC) after taxes of AK Rossiya and amounts to 11.6% p.a. for the entire forecast period (31 December 2019: 12.6% p.a.).

The estimated recoverable amount of CGU of RUB 73,386 million was compared to the net book values of the cash-generating unit on the same date, resulting in an impairment loss of RUB 6,502 million, equivalent to the total amount of goodwill as at 31 December 2020. The total amount of impairment loss for this asset in the Air Transportation segment was recognised in the Consolidated Statement of Profit or Loss under "Other operating income/(expenses), net". There were no additional amounts of impairment that needed to be adjusted to other non-financial assets of Company.

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

25. LIABILITIES ARISING FROM CONTRACTS WITH CUSTOMERS

The Group has recognised the following liabilities arising from contracts with customers:

	Note	31 December 2020	31 December 2019
Unearned traffic revenue		44,622	53,399
Deferred revenue related to the frequent flyer programme, current		1,929	4,365
Other current liabilities related to the frequent flyer programme	21	2,413	4,254
Other short-term advances received under contracts with customers		143	141
Total current contract liabilities		**49,107**	**62,159**
Deferred revenue related to the frequent flyer programme, non-current		7,197	4,910
Other non-current liabilities related to the frequent flyer programme	29	6,219	2,435
Long-term advances received under contracts with customers		2,500	2,500
Total non-current contract liabilities		**15,916**	**9,845**

The principal amount of obligations to customers relates to the cost of tickets sold, but unused at the reporting date, as well as obligations under the Aeroflot Bonus frequent flyer programme.

The change in the amount of obligations for tickets sold but unused compared with 31 December 2019 was due to decrease in volume of services rendered as a result of spread of the new coronavirus infection COVID-19.

The reason of change in obligations under the frequent flyer programme is increase in volume of miles accumulated by members of the programme due to decrease in use of these miles in a pandemic.

In the current reporting period, revenue was recognised in the amount of RUB 34,496 million in relation to the obligations under the contracts as of 31 December 2019 (in 2019: RUB 58,357 million in relation to the obligations under the contracts as of 31 December 2018), of which RUB 29,851 million (in 2019: RUB 49,874 million) related to advances in the form of unearned transport revenue and RUB 4,645 million (in 2019: RUB 8,483 million) to the frequent flyer programme.

The majority of long-term performance obligations to customers is the sum of obligations under the Aeroflot Bonus frequent flyer programme, which is calculated on the basis of accumulated experience and statistics of previous years on the preferences of passengers in the use of accumulated bonus miles (Note 29).

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

26. PROVISIONS FOR LIABILITIES

	Repairs before aircraft return	Other provisions	Total provisions
1 January 2019	**226,595**	**1,654**	**228,249**
Charge of provision for the year	9,929	197	10,126
Use of provision for the year	(15,652)	(8)	(15,660)
Remeasurement of provision for the period	(8,181)	-	(8,181)
Release of provision for the year	(1,028)	(1,520)	(2,548)
Unwinding of the discount	4,830	-	4,830
Foreign exchange profit, net	-	(4)	(4)
31 December 2019	**216,493**	**319**	**216,812**
Charge of provision for the year	9,642	188	9,830
Use of provision for the year	(18,332)	(214)	(18,546)
Remeasurement of provison for period	58,693	-	58,693
Release of provision for the year	(6,319)	(80)	(6,399)
Unwinding of the discount	1,708	-	1,708
Disposal of subsidiary (Note 22)	(8,371)	-	(8,371)
31 December 2020	**253,514**	**213**	**253,727**

	31 December 2020	31 December 2019
Current liabilities	20,859	24,531
Non-current liabilities	232,868	192,281
Total provisions	**253,727**	**216,812**

Litigations

The Group is a defendant in legal claims of differing natures. Provisions for liabilities are included into other provisions and represent management's best estimate of probable losses on existing and potential lawsuits (Note 40).

27. LEASE LIABILITIES

The Group leases aircraft and engines, as well as other items (real estate, transport etc.) from third and related parties under lease agreements. The list of aircraft that the Group operated on a lease basis as at 31 December 2020 is disclosed in Note 1. According to the terms of the contracts, the aircraft lease term varies from 6 to 16 years with the possibility of extension. Leased assets whose carrying amounts are disclosed in Note 20 actually represent collateral for lease liabilities, since these assets are returned to the lessor if the lessee defaults on its obligations.

Since the interest rate implicit in the lease cannot be readily determined for the most Group's leases, the Group applies the incremental borrowing rate to discount the lease payments - it is the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, collateral and conditions. A 10 BPS increase or decrease in discount rate at 31 December 2020 would result in a decrease in lease liabilities of RUB 1,992 million or in an increase of RUB 2,004 million, respectively (31 December 2019: decrease of RUB 1,816 million or increase of RUB 1,827 million respectively).

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

27. LEASE LIABILITIES (CONTINUED)

Some leases for aircraft and aircraft engines contain variable payment terms that depend on flying hours, as well as terms related to compensation of taxes paid by the lessor on aircraft ownership. These payments are recognised in profit or loss as variable lease payments in the period in which a condition arises leading to such payments (Note 7). According to the best available estimates, the undiscounted amount of variable cash flows, not included in the assessment of lease liabilities, as at 31 December 2020 amounted to RUB 47,706 million (31 December 2019: RUB 45,246 million).

After the introduction of flight restrictions caused by COVID-19, the Group suspended payments to lessors and initiated negotiations to defer lease payments. As of the issuance date of these financial statements, the Group has signed amendments that provided for the deferral of lease payments and no penalties for most of its lease agreements. These changes to the terms are accounted for as lease modifications. Management plans to sign amendments to the remaining lease agreements on similar terms in the near future, and therefore has not made additional accruals in these financial statements.

The total amount of lease payments for the 12 months 2020 and 12 months 2019 is presented below:

	2020	2019
Repayment of the lease liabilities principal	48,160	78,694
Interest paid under lease contracts	33,693	45,586
Variable lease payments not included in lease liabilities	5,703	6,838
Payments for short-term leases	1,391	2,245
Total lease payments	**88,947**	**133,363**

As at 31 December 2020 and 31 December 2019, liabilities for aircraft leases did not include lease payments for renewal periods, as the Group was not reasonably certain that extension options would be exercised. The amount of potential future flows not included in the lease liability due to the lack of sufficient confidence in the extension of the lease term as at 31 December 2020 was RUB 115,577 million, as at 31 December 2019: RUB 100,475 million.

The Group has contractual lease liabilities, whose terms have not yet begun as at the reporting date. Future cash outflows under such lease agreements were not included in the assessment of the lease liability and as at 31 December 2020 their undiscounted amount was RUB 379,393 million (as at 31 December 2019: RUB 290,856 million).

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 a cash flow hedge accounting model to this hedging relationship, in accordance with IFRS 9 “Financial Instruments”.

Due to the update on forecasted US dollar revenue designated as a hedged item due to the COVID-19 impact, the Group had to de-designate a part of its hedging relationships between revenue and lease liabilities which led to the partial reclassification of the reserve for hedging instruments directly to profit or loss. The total loss amounting to RUB 7,237 million was recognised within “Hedging result” of the Consolidated Statement of Profit or Loss for the year ended 31 December 2020.

As at 31 December 2020 lease liabilities of RUB 591,964 million denominated in US dollars (31 December 2019: RUB 506,713 million) were designated as a hedging instrument for highly probable revenue forecasted for the period 2021 – 2032 in the same amount. The Group expects that this hedging relationship will be highly effective since the future cash outflows on the lease liabilities match the future cash inflows on the revenue being hedged. As at 31 December 2020, accumulated foreign currency loss of RUB 60,412 million (before deferred income tax) on the lease liabilities (31 December 2019: accumulated foreign exchange gain of RUB 25,220 million), representing an effective portion of the hedge, was recognised in the hedge reserve. The loss reclassified from the hedge reserve to profit or loss for 12 months 2020 was RUB 6,017 million (for 12 months 2019: RUB 2,368 million).

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

28. BORROWINGS

	31 December 2020	31 December 2019
Short-term borrowings:		
Short-term borrowings in Russian Roubles	34,924	12,568
Total short-term borrowings	**34,924**	**12,568**
Long-term borrowings:		
Long-term borrowings in Russian Roubles	53,200	2,800
Long-term borrowings in US Dollars	511	424
Total long-term borrowings	**53,711**	**3,224**

Main changes in borrowings during the reporting period

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

The Group received the loan tranches (floating interest rate) under the credit lines with PJSC Sovcombank in total amount of RUB 9,135 million. As at 31 December 2020 the loan tranches in amount of RUB 835 million were repaid. The loan tranches in amount of RUB 8,300 million were unsecured and issued for the period up to March 2021 - April 2024.

The Group received the loan tranches (fixed interest rate) under the credit line with JSC SMP Bank in total amount of RUB 7,100 million. As at 31 December 2020 total amount of the loan tranches was repaid in full.

The Group received the loan tranches (fixed interest rate) under the credit line with JSC Rosselkhozbank in total amount of RUB 10,100 million. As at 31 December 2020 total amount of the loan tranches was repaid in full.

The Group received the loan tranche (floating interest rate) under the credit line with Bank GPB (JSC) in total amount of RUB 5,000 million. As at 31 December 2020 total amount of the loan tranche was repaid in full.

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

The Group received the loan tranche (fixed interest rate) under the credit line with JSC Banca Intesa in total amount of RUB 1,000 million. As at 31 December 2020 total amount of the loan tranche was repaid in full.

The Group received the loan tranche (fixed interest rate) under the credit line with Bank “RRDB” (JSC) in total amount of RUB 6,000 million. As at 31 December 2020 total amount of the loan tranche was repaid in full.

The Group received the loan tranche (floating interest rate) under the credit line with Bank “RRDB” (JSC) in total amount of RUB 6,000 million. The loan tranche was unsecured and issued for the period up to December 2023.

The Group received the loan tranche (fixed interest rate) under the credit line with PJSC ROSBANK in total amount of RUB 3,800 million. As at 31 December 2020 total amount of the loan tranche was repaid in full.

The Group received the loan tranche (floating interest rate) under the credit line with Promsvyazbank PJSC in total amount of RUB 6,000 million. As at 31 December 2020 part of the tranche in amount of RUB 511 million was repaid. Part of the tranche in amount of RUB 5,489 million was unsecured and issued for the period up to February 2021.

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

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

28. BORROWINGS (CONTINUED)

Main changes in borrowings during the reporting period (continued)

The Group received the loan tranches (fixed interest rate) under the credit lines with Sberbank in total amount of RUB 54,673 million. The loan tranches in amount of RUB 20,000 million were unsecured and issued for the period up to April - December 2021. The loan tranches in amount of RUB 31,000 million were secured by government guarantee and issued for the period up to June 2025. The loan tranches in amount of RUB 3,673 million were secured by surety of State Development Corporation “VEB.RF” in favor of Sberbank and issued for the period up to June 2021.

As at 31 December 2020 and 31 December 2019 the Group had no assets transferred to secure received borrowings.

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

Exchange-traded bonds programme

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

Undrawn commitments

As at 31 December 2020, the Group was able to raise amount equivalent to RUB 142,750 million in cash (31 December 2019: RUB 100,971 million) available under existing credit lines granted to the Group by various lending institutions.

29. OTHER NON-CURRENT LIABILITIES

	31 December 2020	31 December 2019
Other non-current liabilities related to frequent flyer programme (Note 25)	6,219	2,435
Defined benefit pension obligation, non-current portion	792	784
Long-term liabilities on taxes and duties with payroll	5,051	-
Other non-current liabilities	8,604	3,539
Total other non-current liabilities	**20,666**	**6,758**

As part of supporting the most affected industries as a result of the spread of Covid-19, the Group in accordance with a Russian Federation Government Decree received a deferral of payments to state extra-budgetary funds, as at 31 December 2020 long-term accounts payable includes accruals in extra-budgetary funds in the amount of RUB 5,051 million, which led to a decrease in short-term accounts payable.

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

30. NON-CONTROLLING INTEREST

The following table provides information about the subsidiary AK Rossiya with non-controlling interest that is material to the Group:

	2020	2019
Portion of non-controlling interest's voting rights held	25% plus 1 share	25% plus 1 share
(Loss)/profit attributable to non-controlling interest for the year	(3,852)	2,039
Accumulated losses attributable to non-controlling interests in subsidiary	(9,393)	(5,541)

The summarised financial information for AK Rossiya is presented below:

	31 December 2020	31 December 2019
Current assets	14,875	15,348
Non-current assets	115,726	107,475
Current liabilities	52,278	42,116
Non-current liabilities	115,896	102,872

	2020	2019
Revenue	67,873	126,171
(Loss)/profit for the year	(15,408)	8,157
Comprehensive (loss)/income for the year	(15,408)	8,157

As at 31 December 2020 and 31 December 2019 there were no significant restrictions in gaining access to the subsidiary's assets or using them for settling the subsidiary's obligations.

31. SHARE CAPITAL

As at 31 December 2020 share capital was equal to RUB 2,693 million (as at 31 December 2019: RUB 1,359 million).

	Number of ordinary shares authorised and issued (shares)	Number of treasury shares (shares)	Number of ordinary shares outstanding (shares)
31 December 2019	1,110,616,299	(47,817,796)	1,062,798,503
31 December 2020	2,444,535,448	(47,817,796)	2,396,717,652

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

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

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

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

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

31. SHARE CAPITAL (CONTINUED)

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 2019: 250,000,000 shares) with par value of RUB 1 per share (31 December 2019: RUB 1 per share). Each ordinary share gives a right to one vote.

The Company's shares are listed on the Moscow Exchange ("MICEX"). As at 31 December 2020 and 31 December 2019, weighted average price was RUB 71.42 and RUB 103.88 per share, respectively.

The Company launched a Global Depositary Receipts (GDR) programme in December 2000. Since January 2014, one GDR equals five ordinary shares. As at 31 December 2020 and 31 December 2019, the Group's GDRs were traded on the Frankfurt Stock Exchange at EUR 4.36 per GDR and EUR 7.10 per GDR, respectively.

32. DIVIDENDS

No dividends were approved for 12 months 2020.

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

33. OPERATING SEGMENTS

The Group has a number of operating segments. Except for "Air Transportation", however, none meet the quantitative threshold for defining a 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 management. 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 Russian Federation.

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

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

33. OPERATING SEGMENTS (CONTINUED)

2020	**Note**	**Air transportation**	**Other**	**Inter-segment sales elimination**	**Total Group**
External sales		300,485	1,697	-	302,182
Inter-segment sales		477	12,504	(12,981)	-
Total revenue	5, 6	**300,962**	**14,201**	**(12,981)**	**302,182**
Operating loss		**(90,692)**	**(1,461)**	**-**	**(92,153)**
Loss from impairment and fair value changes of investments, net					(557)
Finance income	10				4,938
Finance costs	10				(47,252)
Hedging result	27				(13,254)
Share of financial results of associates					(143)
Subsidiaries disposal	22				(5,066)
Loss before income tax					**(153,487)**
Income tax	11				30,279
Loss for the year					**(123,208)**

	Air transportation	**Other**	**Inter-segment sales elimination**	**Total Group**
31 December 2020				
Segment assets	939,324	11,757	(11,195)	939,886
Investments in associates	-	419	-	419
Unallocated assets				75,899
Total assets				**1,016,204**
Segment liabilities	1,127,424	7,635	(3,590)	1,131,469
Unallocated liabilities				81
Total liabilities				**1,131,550**
2020				
Capital expenditures and PP&E additions (Note 19)	2,060	189	-	**2,249**
PP&E depreciation (Note 19)	2,895	749	-	**3,644**
Additions, capitalised expenditures and remeasurement/modification of RUA (Note 20)	125,194	1,166	-	**126,360**
RUA depreciation (Note 20)	113,712	423	-	**114,135**

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

33. OPERATING SEGMENTS (CONTINUED)

2019	**Note**	**Air transportation**	**Other**	**Inter-segment sales elimination**	**Total Group**
External sales		673,821	4,060	-	677,881
Inter-segment sales		725	26,734	(27,459)	-
Total revenue	5, 6	**674,546**	**30,794**	**(27,459)**	**677,881**
Operating profit		**58,874**	**1,789**	**-**	**60,663**
Gain from fair value changes of investments, net					357
Finance income	10				5,486
Finance costs	10				(52,050)
Hedging result	27				(2,368)
Share of financial results of associates					160
Subsidiaries disposal	22				1,555
Profit before income tax					**13,803**
Income tax	11				(291)
Profit for the year					**13,512**

	Air transportation	**Other**	**Inter-segment sales elimination**	**Total Group**
31 December 2019				
Segment assets	900,666	14,758	(13,445)	901,979
Investments in associates	-	567	-	567
Unallocated assets				30,772
Total assets				**933,318**
Segment liabilities	928,211	8,698	(6,013)	930,896
Unallocated liabilities				472
Total liabilities				**931,368**
2019				
Capital expenditures and PP&E additions (Note 19)	4,937	1,417	-	**6,354**
PP&E depreciation (Note 19)	3,053	659	-	**3,712**
Additions, capitalised expenditures and remeasurement/modification of RUA (Note 20)	61,772	236	-	**62,008**
RUA depreciation (Note 20)	101,834	379	-	**102,213**

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

33. OPERATING SEGMENTS (CONTINUED)

	2020	2019
Scheduled passenger flights		
International flights from Russia to:		
Europe	14,698	72,161
Asia	10,906	42,135
America	3,636	14,532
CIS	3,252	13,512
Middle East and Africa	7,071	16,648
Total scheduled passenger revenue from flights from Russia	**39,563**	**158,988**
International flights to Russia from:		
Europe	15,041	73,147
Asia	12,707	44,176
America	3,645	15,033
CIS	4,719	13,234
Middle East and Africa	7,203	17,178
Total scheduled passenger revenue from flights to Russia	**43,315**	**162,768**
Domestic scheduled passenger flights	142,588	234,801
Other international flights	287	575
Total scheduled passenger traffic revenue (Note 5)	**225,753**	**557,132**

34. PRESENTATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY

Financial assets and liabilities classified by measurement category as at 31 December 2020 are as follows:

	Note	Financial assets measured at amortised cost	Financial assets measured at fair value through profit or loss	Total
Cash and cash equivalents	12	88,944	-	**88,944**
Short-term financial investments	17	4,831	-	**4,831**
Financial receivables	14	15,068	-	**15,068**
Aircraft lease security deposits	13	4,606	-	**4,606**
Long-term financial investments	17	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**

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

34. PRESENTATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY (CONTINUED)

	Note	Financial liabilities measured at amortised cost	Total
Financial payables	21	33,269	**33,269**
Lease liabilities	27	662,507	**662,507**
Borrowings	28	88,635	**88,635**
Other non-current liabilities		1,625	**1,625**
Total financial liabilities		**786,036**	**786,036**

Financial assets and liabilities classified by measurement category as at 31 December 2019 were as follows:

	Note	Financial assets measured at amortised cost	Financial assets measured at fair value through profit or loss	Total
Cash and cash equivalents	12	12,883	-	**12,883**
Short-term financial investments	17	12,978	-	**12,978**
Financial receivables	14	32,827	-	**32,827**
Aircraft lease security deposits	13	4,341	-	**4,341**
Long-term financial investments	17	95	5,761	**5,856**
Financial assets under lease agreements		22,190	-	**22,190**
Other non-current assets		535	-	**535**
Total financial assets		**85,849**	**5,761**	**91,610**

	Note	Financial liabilities measured at amortised cost	Total
Financial payables	21	42,227	**42,227**
Lease liabilities	27	557,124	**557,124**
Borrowings	28	15,792	**15,792**
Other non-current liabilities		1,032	**1,032**
Total financial liabilities		**616,175**	**616,175**

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

35. RISKS CONNECTED WITH FINANCIAL INSTRUMENTS

The Group manages risks related to financial instruments, including market risk (currency risk, interest rate risk and aircraft fuel price risk), credit risk, liquidity risk and capital management risk.

Liquidity risk

The Group is exposed to liquidity risk, i.e. the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed financial conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group utilises a detailed budgeting and cash forecasting process to ensure its liquidity is maintained at appropriate level.

The following are the Group's financial liabilities as at 31 December 2020 and 31 December 2019 by contractual maturity (based on the remaining period from the reporting date to the contractual settlement date). The amounts in the table are contractual undiscounted cash flows (including future interest payments) as at respective reporting dates:

	Average interest rate						
31 December 2020	**Incremental borrowing rate**	**Effective rate**	**0–12 months**	**1–2 years**	**2–5 years**	**Over 5 years**	**Total**
Borrowings	1.5% - 6.5%	1.5% - 6.5%	39,335	14,184	48,195	532	102,246
Lease liabilities	4.3% - 9.3%	4.3% - 9.3%	156,179	118,863	290,230	228,478	793,750
Financial payables			33,269	1,625	-	-	34,894
Total future payments, including future interest payments			**228,783**	**134,672**	**338,425**	**229,010**	**930,890**

	Average interest rate						
31 December 2019	**Incremental borrowing rate**	**Effective rate**	**0–12 months**	**1–2 years**	**2–5 years**	**Over 5 years**	**Total**
Borrowings	3.5% - 6.8%	3.5% - 6.8%	13,009	2,978	-	470	16,457
Lease liabilities	4.8% - 9.7%	4.8% - 9.7%	106,223	101,829	266,971	248,969	723,992
Financial payables			42,227	1,032	-	-	43,259
Total future payments, including future interest payments			**161,459**	**105,839**	**266,971**	**249,439**	**783,708**

As at 31 December 2020, the Group has net short-term liabilities of RUB 96,203 million (as at 31 December 2019: RUB 90,566 million). In 2020, the Group received net loss of RUB (123,208) million (in 2019 profit: RUB 13,512 million). Travelling restrictions and social distance measures introduced since the first quarter 2020 resulted in a significant reduction in demand for air travel and created significant pressure on financial results. The cash flow from operating activities for 2020 year was positive and amounted to RUB 23,016 million (in 2019: RUB 152,225 million).

The Group Treasury provides flexibility of financing through available credit lines. As at 31 December 2020, within the credit lines provided by various credit organisations, the Group had the opportunity to raise additional funds of RUB 142,750 million for repayment of financial liabilities (31 December 2019: RUB 100,971). To improve liquidity the Group has agreed with a number of counterparties on deferral and/or restructuring of payments; negotiations are underway with lessors and aircraft manufacturers to delay the delivery of aircraft (Note 1, 27).

35. RISKS CONNECTED WITH FINANCIAL INSTRUMENTS (CONTINUED)

Currency risk

The Group is exposed to currency risk in relation to revenue as well as purchases and borrowings that are denominated in a currency other than Rouble. These transactions are primarily denominated in Euro and US Dollar. The Group analyses the exchange rate trends on a regular basis.

The Group uses long-term lease liabilities nominated in US Dollars as hedging instrument for risk of change in US Dollar exchange rate in relation to revenue (Note 27).

The Group's exposure to foreign currency risk was as follows based on notional amounts of financial instruments:

		31 December 2020				31 December 2019			
In millions of Russian Roubles	**Note**	**US Dollar**	**Euro**	**Other currencies***	**Total**	**US Dollar**	**Euro**	**Other currencies***	**Total**
Cash and cash equivalents	12	2,649	198	1,083	3,930	1,427	301	801	2,529
Financial receivables		7,680	846	2,265	10,791	18,117	3,321	3,182	24,620
Financial assets under lease agreements		22,765	-	-	22,765	22,190	-	-	22,190
Aircraft lease security deposits		4,199	-	-	4,199	3,929	-	-	3,929
Other non-current assets		145	88	4	237	121	68	3	192
Total assets		**37,438**	**1,132**	**3,352**	**41,922**	**45,784**	**3,690**	**3,986**	**53,460**
Financial payables		15,824	2,471	237	18,532	16,250	2,918	800	19,968
Lease liabilities		638,081	446	386	638,913	537,362	368	287	538,017
Long-term borrowings	28	511	-	-	511	424	-	-	424
Total liabilities		**654,416**	**2,917**	**623**	**657,956**	**554,036**	**3,286**	**1,087**	**558,409**
Total (liabilities)/ assets, net		**(616,978)**	**(1,785)**	**2,729**	**(616,034)**	**(508,252)**	**404**	**2,899**	**(504,949)**

*currencies other than functional currency of the Group

Strengthening or weakening of the currencies below against the rouble as at 31 December 2020 and 31 December 2019, would change profit after tax by the amounts shown below.

This analysis assumes that all other variables, in particular interest rates, remain constant:

	31 December 2020		31 December 2019	
	Percent of change in rate of currency versus rouble	**Effect on profit after tax ((increase)/ decrease)**	**Percent of change in rate of currency versus rouble**	**Effect on profit after tax ((increase)/ decrease)**
Decrease in the rate of currency versus rouble:				
US Dollar	20%	(4,002)	20%	(246)
Euro	20%	(286)	20%	65
Other currencies	20%	437	20%	464
Increase in the rate of currency versus rouble:				
US Dollar	20%	4,002	20%	246
Euro	20%	286	20%	(65)
Other currencies	20%	(437)	20%	(464)

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

35. RISKS CONNECTED WITH FINANCIAL INSTRUMENTS (CONTINUED)

Currency risk (continued)

As at 31 December 2020 the increase in the US dollar rate against rouble by 20% would have led to a reduction in the amount of the Group's equity by RUB 98,716 million. The change of other currencies would have no material impact on equity. As at 31 December 2019 the increase in the US dollar rate against rouble by 20% by would have led to a reduction in the amount of the Group's equity by RUB 81,320 million. Change in the value of other currencies would have no material impact on the value of the Group's equity.

Interest rate risk

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial results and cash flows. Changes in interest rates primarily lead to changes in the cost of borrowings (fixed interest rate borrowings) or future cash flows (variable interest rate borrowings). At the time of raising new borrowings, as well as lease management uses judgment to decide whether it believes that a fixed or variable interest rate would be more favourable to the Group over the expected period until maturity.

As at 31 December 2020 and 31 December 2019, the interest rate profiles of the Group's interest-bearing financial instruments were:

	Carrying amount	
	31 December 2020	**31 December 2019**
Fixed rate financial instruments:		
Financial assets	83,095	17,813
Financial liabilities	(470,705)	(290,901)
Total fixed rate financial instruments	**(387,610)**	**(273,088)**
Variable rate financial instruments:		
Financial liabilities	(280,437)	(282,015)
Variable rate financial liabilities	**(280,437)**	**(282,015)**

As at 31 December 2020 and 31 December 2019 the Group had bank loans and lease liabilities with variable interest rates. If the variable part of the interest rates as at 31 December 2020 and 31 December 2019 were 20% higher or lower than the actual variable part of the interest rates for the year, with all other variables held constant, interest expense would not have changed significantly.

Aircraft fuel price risk

If the price of Brent crude oil as at 31 December 2020 or 31 December 2019 were 10% higher or lower than the actual price, then, with all other variables held constant (including forecasts of future oil prices), the impact on the consolidated financial result and the amount of the Group's equity would be insignificant.

Capital management risk

The Group manages its capital to ensure its ability to continue as a going concern while maximising the return to the Company's shareholders through the optimisation of the Group's debt-to-equity ratio.

The Group manages its capital in comparison with rivals in the airline industry on basis of the following ratios:

- net debt to total capital,
- total debt to EBITDA, and
- net debt to EBITDA.

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

35. RISKS CONNECTED WITH FINANCIAL INSTRUMENTS (CONTINUED)

Capital management risk (continued)

Total debt consists of short-term and long-term borrowings (including the current portion) (Note 28), lease liabilities (Note 27) and the defined benefit pension obligation.

Net debt is defined as total debt, including lease liabilities and pension plans liabilities, less cash, cash equivalents and short-term financial investments. As at 31 December 2020 pension plans liabilities amounted to RUB 792 million (as at 31 December 2019: RUB 784 million).

Total capital consists of the equity attributable to the Company's shareholders and net debt.

EBITDA is calculated as operating profit before depreciation, amortisation and customs duties expenses.

The ratios are as follows:

	As at and for the year ended 31 December 2020	As at and for the year ended 31 December 2019
Total debt	751,934	573,700
Cash and cash equivalents and short-term financial investments	(93,775)	(25,861)
Net debt	658,159	547,839
Equity attributable to shareholders of the Company	(107,776)	(1,692)
Total capital	550,383	546,147
EBITDA	26,989	168,924
Net debt/Total capital	1.2	1.0
Total debt/EBITDA	27.9	3.4
Net debt/EBITDA	24.4	3.2

These ratios are analysed by Group's management over time without any limitations.

There were no changes in the Group's approach to capital management in 2020 or 2019.

The Group and its subsidiaries were not subject to externally imposed capital requirements in 2020 and 2019, except for minimal share capital according to Russian legislation.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents, financial receivables and investments in securities.

Provisions for impairment of financial assets are based on the probability of default and expected loss ratios. The group uses professional judgment when forming these assumptions and the choice of initial data for the calculation of impairment on the basis of the experience of the group in the past, current market conditions and future forecasts of the end of each reporting period.

35. RISKS CONNECTED WITH FINANCIAL INSTRUMENTS (CONTINUED)

Impairment of financial assets

A summary of the assumptions underpinning the Company's expected credit loss model is as follows:

Category	Company definition of category	Basis for recognition of expected credit loss provision
Performing asset	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Underperforming asset	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if the interest and/or principal repayments are 30 days past due (see above in more detail)	Lifetime expected losses
Non-performing asset	Principal and/or interest repayments are 90 days past due	Lifetime expected losses
Write-off	Assets that are not available for sale and for which all necessary procedures have been completed for full or partial recovery and the final amount of the loss has been determined. There is no reasonable expectation of recovery.	Asset is written off

Finance receivables

The Group uses categories (portfolios) of financial receivables that reflect the associated credit risk. The classification of portfolios is based on the category of clients and the similar term of debt.

The Group conducts transactions with the following major types of counterparties:

(i) The Group has credit risk associated with travel agents and industry organisations. A significant share of the Group's sales is made via travel agencies. Due to the fact that receivables from travel agents are diversified the overall credit risk related to travel agencies is assessed by management as low.

(ii) Receivables from other airlines and agencies are regulated through the IATA Clearing House, in particular for agency sales using BSP and CASS settlement systems, and ARC for some US agents. Regular settlements ensure that the exposure to credit risk is mitigated to the greatest extent possible.

(iii) Credit risk arising from dealing with government institutions and banks is assessed as low. Management actively monitors its investing performance and, in accordance to current policy, invests only in liquid securities with high credit ratings. Management does not expect any counterparty to fail to meet its obligations. When working with banks, a system of credit limits is implemented, taking into account that the credit risks that arise when working with banks are limited, and are assessed as low.

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

35. RISKS CONNECTED WITH FINANCIAL INSTRUMENTS (CONTINUED)

Finance receivables (continued)

During the period of trade receivables of less than 12 months, the Group measures its own credit risk through the accrual of provisions to cover expected credit losses. Calculating the level of expected credit losses, the Group considers information on the level of past losses for each category of customers. Given the short-term assets, the projected macroeconomic indicators do not have a significant impact on the level of losses. The indicators can be adjusted in response to adverse developments in the economy. For some categories of debtors (mainly agents), the fact that the Group receives financial security is taken into account when calculating the level of expected credit losses. The financial effect of collateral is insignificant.

The Group creates provisions to cover credit losses on customers and other trade receivables as follows:

	31 December 2020		
Expected credit losses category	**Basis for recognition of expected credit loss provision**	**Estimated gross carrying amount at default**	**Lifetime expected credit losses**
Performing asset	Expected credit losses for 12 months. Where the term of the asset is less than 12 months, the estimated credit losses are based on the term of the asset.	14,801	(66)
Underperforming asset	Lifetime expected losses	156	(9)
Non-performing asset	Lifetime expected losses	11,401	(11,215)
Total (Note 14)		**26,358**	**(11,290)**

	31 December 2019		
Expected credit losses category	**Basis for recognition of expected credit loss provision**	**Estimated gross carrying amount at default**	**Lifetime expected credit losses**
Performing asset	Expected credit losses for 12 months. Where the term of the asset is less than 12 months, the estimated credit losses are based on the term of the asset.	31,276	57
Underperforming asset	Lifetime expected losses	1,182	13
Non-performing asset	Lifetime expected losses	11,318	10,879
Total (Note 14)		**43,776**	**10,949**

No significant changes to estimation techniques or assumptions were made during the reporting period.

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

35. RISKS CONNECTED WITH FINANCIAL INSTRUMENTS (CONTINUED)

Finance receivables (continued)

The loss allowance for loans to customers as at 31 December 2020 and 31 December 2019 reconciles to the opening loss allowance for that provision as follows:

	Performing	Underperforming	Non-performing	Total
Opening loss allowance as at 1 January 2020	**57**	**13**	**10,879**	**10,949**
Individual financial assets transferred to non -performing (credit-impaired financial assets)	-	-	1	**1**
New financial assets originated or purchased	65	6	252	**323**
Changes in estimates and assumptions	-	-	340	**340**
Write-offs	-	-	(235)	**(235)**
Recoveries	(56)	(10)	(22)	**(88)**
Closing loss allowance as at 31 December 2020	**66**	**9**	**11,215**	**11,290**

	Performing	Underperforming	Non-performing	Total
Opening loss allowance as at 1 January 2019	**477**	**8**	**10,985**	**11,470**
Individual financial assets transferred to non -performing (credit-impaired financial assets)	-	-	301	**301**
New financial assets originated or purchased	57	13	133	**203**
Write-offs	-	-	(301)	**(301)**
Recoveries	(477)	(8)	(239)	**(724)**
Closing loss allowance as at 31 December 2019	**57**	**13**	**10,879**	**10,949**

Financial assets under lease agreements

A provision for expected credit loss is also created in respect of financial assets related to payments to aircraft maintenance reserves. Calculation of the Group's expected credit loss provision accounts for forecast macroeconomic information, including forecast country ratings issued by rating agencies.

Other assets at amortised cost

During the term of the assets, the Group reflects the debtor's own credit risk through the timely creation of adequate provisions to cover expected credit losses. When calculating the level of expected credit losses, the Group considers information on the level of losses that occurred in previous periods. Projected macroeconomic indicators do not have a significant impact on the level of losses. The indicators can be adjusted in response to adverse developments in the economy. Available observable market information on the credit risk of a financial instrument, including external credit ratings, is also considered.

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

35. RISKS CONNECTED WITH FINANCIAL INSTRUMENTS (CONTINUED)

Other assets at amortised cost (continued)

	31 December 2020				
Category	**Asset**	**Expected credit loss rate**	**Basis for recognition of expected credit loss provision**	**Gross carrying amount**	**Lifetime expected credit losses**
Performing asset	Cash and cash equivalents	0%	Expected credit losses for 12 months. In cases where the term of the asset is less than 12 months, the estimated losses are based on the term of the asset	88,944	-
	Financial assets under lease agreements	0.06%-12.69%		22,846	(81)
	Financial investments	0%		4,952	-
	Aircraft lease security deposits	0.2% -4.58%		4,621	(15)
Non-performing asset	Financial investments	100%	Lifetime expected losses	9,872	(9,872)
Total				**131,235**	**(9,968)**

	31 December 2019				
Category	**Asset**	**Expected credit loss rate**	**Basis for recognition of expected credit loss provision**	**Gross carrying amount**	**Lifetime expected credit losses**
Performing asset	Cash and cash equivalents	0%	Expected credit losses for 12 months. In cases where the term of the asset is less than 12 months, the estimated losses are based on the term of the asset	12,883	-
	Financial assets under lease agreements	0.02%-2.15%		22,312	(122)
	Financial investments	0.12% - 4.26%		13,080	(7)
	Aircraft lease security deposits	0.45% - 1.43%		4,365	(24)
Non-performing asset	Financial investments	100%	Lifetime expected losses	9,728	(9,728)
Total				**62,368**	**(9,881)**

Provisions for the impairment of financial investments in the category of non-performing assets include provisions for loans issued by companies of the Group in favor of JSC "Transaero".

There were no significant changes in calculation methods or assumptions during the reporting period.

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

35. RISKS CONNECTED WITH FINANCIAL INSTRUMENTS (CONTINUED)

Other assets at amortised cost (continued)

The maximum exposure to the credit risk net of impairment provision is set out in the table below:

	31 December 2020	31 December 2019
Cash and cash equivalents (excluding petty cash) (Note 12)	88,885	12,817
Financial receivables (Note 14)	15,068	32,831
Current financial assets under lease agreements	4,159	3,834
Non-current financial assets under lease agreements	18,606	18,356
Short-term financial investments (Note 17)	4,831	12,978
Long-term financial investments (Note 17)	121	93
Aircraft lease security deposits (Note 13)	4,606	4,341
Other non-current assets	237	193
Total financial assets exposed to credit risk	**136,513**	**85,443**

Other measures to manage credit risk in the Group are as follows:

- Applying a system of limits. The limits reflect the Group's willingness to bear the credit risk within reasonable limits in order to maintain competitiveness and achievement of business objectives. The limit can be set for any source of risk or an individual counterparty. Qualitative factors that take into account the ownership structure (including the presence of an external investment rating), the period of work with the Group, the existence of lawsuits and quantitative coefficients based on the reporting are applied to establish limits.
- Assessment of credit quality of counterparties (credit ratings). The Group applies the internal credit rating system primarily, but not limited to, for agents that sell passenger and freight traffic. The counterparty's credit rating is updated on a monthly basis and allows timely response to deteriorating credit quality of the counterparty. The credit rating affects the required amount of financial security under the contract, the recalculation of which also takes place on a monthly basis.
- Regular monitoring of credit risk indicators. Indicators of credit risks allow to reveal in advance the growth of the credit risk of an individual counterparty (a group of counterparties). As a result, the Group may take the necessary actions to prevent financial losses in the event of default of the counterparty. Indicators are applied at the ERP system level. When developing indicators, the company applies methods of quantitative statistical analysis, predictive models, as well as expert indicators.
- Regular reporting on credit risk. Providing regular reporting is an essential component that allows interested persons to observe the efficiency of risk reduction measures and the dynamics of its evaluation. The reporting is provided to the management of the Group, interested structural units, audit commissions, and also to the Board of Directors.

Credit risk concentration

As at 31 December 2020 and as at 31 December 2019, the placement of a large portion of cash in two banks led to a credit risk concentration for the Group (Note 12).

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

36. CHANGES IN LIABILITIES ARISING FROM FINANCIAL ACTIVITIES

The table below summarises the changes in the Group's liabilities arising from financial activities for each of the periods presented. Cash flows for these liabilities are reflected in the Statement of Cash Flows as part of financial activities:

	Borrowings	Lease liabilities	Other liabilities arising from financing activities	Total
1 January 2020	**15,792**	**557,124**	**752**	**573,668**
Cash repayment of liabilities	(50,725)	(81,853)	(518)	(133,096)
Cash inflows	119,928	-	-	119,928
Forex adjustments	82	105,793	-	105,875
Non-cash inflows of financial liabilities	-	44,850	12	44,862
Interest accrual	3,885	39,133	-	43,018
Other changes not related to cash flows	(327)	(2,540)	-	(2,867)
31 December 2020	**88,635**	**662,507**	**246**	**751,388**

	Borrowings	Lease liabilities	Other liabilities arising from financing activities	Total
1 January 2019	**3,486**	**655,931**	**64**	**659,481**
Cash repayment of liabilities	(24,081)	(124,280)	(3,286)	(151,647)
Cash inflows	36,161	-	-	36,161
Forex adjustments	(213)	(68,220)	-	(68,433)
Non-cash inflows of financial liabilities	-	42,212	3,974	46,186
Interest accrual	432	44,695	-	45,127
Other changes not related to cash flows	7	6,786	-	6,793
31 December 2019	**15,792**	**557,124**	**752**	**573,668**

Dividends paid in the amount of RUB 3,286 million are reflected in changes of other liabilities for 2019.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which a financial instrument can be exchanged during a current transaction between interested parties, except a forced sale or liquidation. The best confirmation of fair value is the price of a financial instrument quoted in an active market.

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

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

37. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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. Discount rates depend on the credit risk of the counterparty. Carrying amounts of financial receivables (Note 14), lease security deposits (Note 13), deposits placed for more than 90 days and other financial assets and loans granted (Note 17) are approximately equal to their fair value, which belongs to Level 2 in the fair value hierarchy. Cash and cash equivalents (Note 12), except for cash, belong to level 2 in the fair value hierarchy and are carried at amortised cost, which is approximately equal to their current fair value.

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 (Note 17).

Liabilities carried at amortised cost. The fair value of financial instruments is measured based on current market quotes, if any. The estimated fair value of unquoted fixed interest rate instruments with stated maturity was estimated based on the expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. As at 31 December 2020 and 31 December 2019, the fair value of financial payables (Note 21), borrowings (Note 28) were not materially different from their carrying amount. The fair value of financial payables and borrowings are categorised as Level 2.

38. 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 December 2020 and 31 December 2019, the outstanding balances with related parties and income and expense items with related parties for 12 months 2020 and 12 months 2019 are disclosed below.

Associates

As at 31 December 2020 and 31 December 2019, the outstanding balances with associates and income and expense items with associates for 12 months 2020 and 12 months 2019 were as follows:

	31 December 2020	31 December 2019
Assets		
Accounts receivable	36	-
Liabilities		
Accounts payable and accrued liabilities	102	197

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

38. RELATED-PARTY TRANSACTIONS (CONTINUED)

Associates (continued)

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

	31 December 2020	31 December 2019
Transactions		
Sales to associates	45	15
Purchase of goods and services from associates	1,683	3,212

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

Government-related entities

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

The Group 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 control, joint control or significant influence over such parties.

In December 2020, the Group disposed of subsidiary JSC AK Aurora by sale of controlling interest to related party (Note 22).

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

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

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

	31 December 2020	31 December 2019
Assets		
Cash	60,441	6,770

As at 31 December 2020 the share of financial assets under aircraft lease contracts signed by the Group with government-related entities was 50% (31 December 2019: 39%).

In 2020, the Group partially withdrew funds on credit lines provided by government-related entities amount of which is disclosed in Note 28, including credit lines secured by government guarantees (Note 1).

The amounts of the Group’s lease liabilities are disclosed in Note 27. As at 31 December 2020 the share of liabilities under lease agreements signed by the Group with government-related entities was about 62% (31 December 2019: share of liabilities under lease agreements: about 58%), the share of interest expenses on lease for 12 months 2020 was approximately 58% (for 12 months 2019: the share of interest expenses on lease: approximately 55%).

38. RELATED-PARTY TRANSACTIONS (CONTINUED)

Government-related entities (continued)

For 12 months 2020 the share of the Group's transactions with government-related entities was about 16% of operating costs, and about 5% of revenue (for 12 months 2019: about 22% and about 2%, respectively). These expenses primarily include the costs of motor fuels supplies, as well as the costs of air navigation and aircraft maintenance services in the airports.

As at 31 December 2020 the Russian Government owned a non-controlling interest in JSC Rossiya airlines. The accumulated loss of this subsidiary attributable to the non-controlling interest as at 31 December 2020 amounted to RUB 9,393 million (as at 31 December 2019, the accumulated profit attributable to the non-controlling interest owned by the Russian Government in the subsidiaries of the Group amounted to RUB 1,086 million).

Transactions with the Russian Government also include charges and settlements on taxes, levies, customs duties and reimbursement of fuel excise tax, which are disclosed in Notes 7, 8, 9, 11, 14, 21 and 40.

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 authority and responsibilities on key control and planning decisions of the Group), including constant and variable part of salary and bonuses as well as other compensations, amounted to RUB 1,318 million for 12 months 2020 (12 months 2019: RUB 2,138 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 bonus programmes for management

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 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 December 2020, 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 until the end of the programmes. Previously adopted programmes were terminated.

As at 31 December 2020, the outstanding amount of the liability under these programmes was RUB 134 million (31 December 2019: RUB 410 million). The decrease in the outstanding amount of the liability under the programmes as at 31 December 2020 compared to 31 December 2019 is attributable to the non-monetary revaluation of the liability as a result of partial cancellation of awards under the programmes, as well as the deferral of payment of awards to a later date in the future.

39. CAPITAL COMMITMENTS

As at 31 December 2020, the Group had non-cancellable agreements on future acquisition of property, plant and equipment with third parties amounted to RUB 225,365 million (31 December 2019: RUB 185,638 million). These commitments mainly relate to purchase 21 Airbus A350 (31 December 2019: 22 aircraft), 2 Boeing B777 (31 December 2019: 3 aircraft). Cash flows under concluded aircraft lease agreements are disclosed in Note 27. The Group expects to use these aircraft under lease agreements. Therefore, no cash outflow on the agreements is expected.

40. 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.

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

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

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 the management's current expectations and estimates could differ from actual results.

The Group continues to monitor the situation and implement a set of measures to minimise 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 that 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 regulatory authorities that 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 more tough stance in their interpretation and enforcement of tax legislation.

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

In accordance with amendments to the Russian Tax Code made in 2015, excise duties charged on the aviation fuel obtained by the Group's airlines are subject to deduction using the following special coefficients (2.08 for 2019, 2.08 for 2020). Also in accordance with the amendments to the Russian Tax Code adopted in 2019, starting from 1 September, 2019, excise duties charged on 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.

40. CONTINGENCIES (CONTINUED)

Tax contingencies (continued)

Since 1 January 2015, the Russian Tax Code has been supplemented with the concept of beneficial ownership of 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 be significant for 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 a significant increase in the Group's effective income tax rate.

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

Management will vigorously defend the Group's positions and interpretations that were applied in calculating taxes recognised in these Consolidated 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, risk of loss and damage (including aircraft), medical insurance.

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.

41. SUBSEQUENT EVENTS

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

In February 2021, the Group received a loan tranche under the credit line with Promsvyazbank PJSC (floating interest rate) in the amount of RUB 5,500 million RUB. The loan was issued up to August 2022.