

DME LIMITED **and subsidiaries**

Consolidated Financial Statements
For the Year Ended 31 December 2020
And Independent Auditor's Report

DME LIMITED AND SUBSIDIARIES

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DME LIMITED AND SUBSIDIARIES

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Management is responsible for the preparation of consolidated financial statements that present fairly the financial position of DME Limited (the "Company") and its subsidiaries (the "Group") as at 31 December 2020 and the consolidated 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:

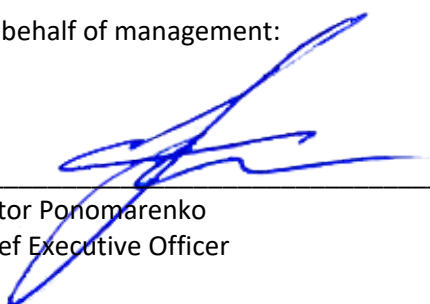
- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

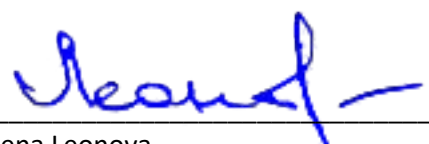
The consolidated financial statements of the Group for the year ended 31 December 2020 were approved by management on 28 May 2021.

On behalf of management:



Viktor Ponomarenko
Chief Executive Officer

28 May 2021



Elena Leonova
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of DME Limited:

Opinion

We have audited the consolidated financial statements of DME Limited and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing adopted in Cyprus ("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 are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Why the matter was determined to be a key audit matter**How the matter was addressed in the audit**

Revenue recognition

The most significant revenue streams of the Group relate to aviation services and auxiliary aviation services rendered to airlines.

The Group uses self-developed billing system for pricing its services and issuing invoices to customers. Due to the variety of services included in revenue streams and tariffs applied by the Group, we consider this area to be a key audit matter.

Refer to the Note 6 to the consolidated financial statements.

Our principal audit procedures included:

- Understanding the Group's key controls in respect of revenue recognition;
- Understanding the Group's IT environment and billing system;
- Assessing adequacy of the Group's revenue recognition policy;
- Assessing completeness of revenue by performing a reconciliation of a flights registration system to the billing system and the billing system to the general ledger;
- Analytical review per streams, including revenue trends, tariffs and changes analysis, including subsequent period;
- Reconciliation of records with confirmation letters from customers on a sample basis.

Going concern assumption

Continuing uncertainty in respect to the impact of COVID-19 can cause significant deterioration of the Group's financial position and performance, can affect its ongoing ability to comply with debt covenants and meet its obligations as they become due.

Management considered those negative factors and evaluated potential impact of continuing travel and other restrictions as well as ensuing economic downturn on Group's sales and results of operations, sufficiency of cash and other sources of liquidity.

Based on the analysis performed, management concluded that the going concern assumption remains appropriate and that no material uncertainty exists in this regard.

Due to the magnitude of impact of the current economic environment on the Group's future performance and compliance with debt covenants as well as the pervasive nature of the going concern assumption on the presentation

Our principal audit procedures included:

- Evaluating management's assessment of the Group's ability to continue as a going concern, including the analysis of consequences of possible non-compliance with debt covenants;
 - Examining management's forecasts and scenarios of operations and assessing the reasonableness of assumptions applied in preparing forecasts, including the expected recovery of international passenger flights and resumption of growth in domestic passenger traffic and comparing with industry peers, expert views and trends experienced in other countries;
 - Analyzing the Group current liquidity position and downside scenarios affecting the Group's ability to settle obligations, including the ability to generate a sufficient level of cash flows from operating activities to serve and settle its borrowings;
 - Analyzing the terms of debt agreements, in respect to the possible consequences of the non-compliance with the covenants including whether such possible breaches could result in significant portion of debt becoming due on demand;
-

Why the matter was determined to be a key audit matter**How the matter was addressed in the audit**

of consolidated financial statements, this area is determined a key audit matter.

Refer to Notes 2 and 28 of the consolidated financial statements.

- Making inquiries of the Group's in-house and external legal counsel about the interpretation of the terms of borrowing agreements;
- Analyzing compliance with debt covenants as of 31 December 2020 and discussing with management and examining available documentation on the status of negotiations with debt holders and other creditors as well as government officials on possible rescheduling of payments, amendment of financial covenants and availability of government support.
- Assessing the appropriateness of disclosure in the notes to the consolidated financial statements.

Recoverability of assets

Our principal audit procedures included:

COVID-19 has had an unprecedented impact on the aviation industry and economy as many countries and state authorities have taken preventing measures, including restrictions on travel and closure of borders. The duration and severity of the economic downturn is dependent on events which are beyond the control of the Group.

As a result, the estimates and assumptions used in assessment of the recoverability of non-current assets and financial assets require significant judgement.

These judgements require estimates to be made in preparation of financial models including those relating to future revenues (yield), passenger flow recover, operating costs, growth rates, and discount rates, as well as future taxable income and counterparties creditworthiness. Because of the inherent difficulties and limitations in obtaining audit evidence on an event that has recently surfaced and on which developments continue to be uncertain, this is a key area of focus for our audit.

Refer to Notes 10, 16, 17 and 27 of the consolidated financial statements.

- Examining management's information, such as financial models, forecasts and scenarios of operations and assessing the reasonableness of assumptions applied in preparing forecasts, including the expected recovery of passenger flows, growth and discount rates comparing with industry peers, expert views and publicly available aviation information.
- Making inquiries with management to understand the basis of the assumptions used in forming the estimates underpinning the assessment of the recoverable amount of the assets.
- Verifying actual and forecasted information with accounting registers and budget;
- Verifying the compliance of calculations used in assessment of the assets recoverability with the requirements of respective IFRSs;
- Making sensitivity analysis of key assumptions applied in financial models;
- Assessing the arithmetical accuracy of the computations used in financial models and forecasts;
- Making subsequent review analysis in respect to key assumptions applied by management and budget accuracy for 2021;
- Assessing counterparties creditworthiness and changes in customer payment patterns.

Why the matter was determined to be a key audit matter**How the matter was addressed in the audit**

- Understanding the Group's historical experience applied in respect to significant judgments and estimates.
 - Assessing the appropriateness of disclosures in the notes to the consolidated financial statements.
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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 IFRSs, 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 ISA 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 skepticism 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.

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, related safeguards.

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.



Alexander Dorofeyev
Engagement Partner


28 May 2021

DME LIMITED AND SUBSIDIARIES

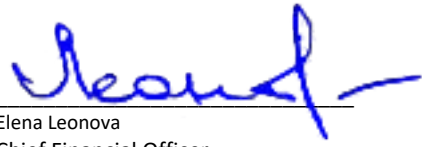
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020 (Amounts in millions of Russian Rubles)

	Notes	2020	2019
Revenue	6	20,796	37,500
Operating expenses	7	(19,332)	(28,308)
Operating profit		1,464	9,192
Interest expense	8	(3,309)	(2,602)
Interest income		240	313
Foreign exchange (loss)/gain, net		(7,289)	4,825
(Loss)/ profit before income tax		(8,894)	11,728
Income tax	9	(294)	(997)
(Loss)/profit and comprehensive (loss)/income for the year		(9,188)	10,731
(Loss)/profit and comprehensive (loss)/income for the year attributable to:			
Owners of the Company		(9,216)	10,742
Non-controlling interests		28	(11)
		(9,188)	10,731

On behalf of management:


Viktor Ponomarenko
Chief Executive Officer

28 May 2021


Elena Leonova
Chief Financial Officer

The accompanying notes form an integral part of these consolidated financial statements.

DME LIMITED AND SUBSIDIARIES

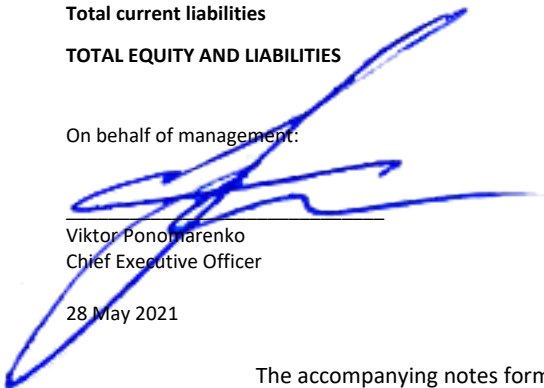
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2020

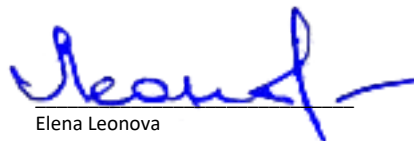
(Amounts in millions of Russian Rubles)

	Notes	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	10	101,201	102,635
Advances for acquisition of non-current assets	10	1,043	268
Investment property	11	686	569
Right-of-use assets		264	232
Intangible assets	12	1,421	1,750
Deferred tax asset	9	2,720	2,658
Loans issued		405	324
Finance lease receivable	14	299	254
Trade and other receivables	16	1,017	-
Other non-current assets	13	2,196	1,696
Total non-current assets		111,252	110,386
Current assets			
Inventory	15	1,985	2,070
Trade and other receivables	16	1,940	3,229
Prepayments and other current assets	17	2,386	3,602
Prepaid current income tax		316	1,041
Finance lease receivable	14	197	156
Short-term bank deposits and other financial instruments		55	1,287
Cash and cash equivalents	18	7,658	5,003
Total current assets		14,537	16,388
TOTAL ASSETS		125,789	126,774
EQUITY AND LIABILITIES			
Capital			
Share capital	19	11,877	11,877
Retained earnings	19	25,895	35,617
Equity attributable to the owners of the Company		37,772	47,494
Non-controlling interests		(138)	(166)
Total equity		37,634	47,328
Non-current liabilities			
Deferred tax liability	9	6,688	6,550
Lease liability		150	166
Debt securities	20	36,824	54,644
Loans and overdrafts	21	1,408	1,672
Trade and other payables	22	1,313	-
Total non-current liabilities		46,383	63,032
Current liabilities			
Trade and other payables	22	3,234	6,730
Current income tax payable		1,399	1,319
Taxes other than income tax payable	23	2,608	1,134
Dividends payable	19	2,634	3,169
Lease liability		133	77
Accrued expenses and other current liabilities	24	1,141	1,499
Loans and overdrafts	21	3,946	1,619
Debt securities	20	26,622	774
Provisions		55	93
Total current liabilities		41,772	16,414
TOTAL EQUITY AND LIABILITIES		125,789	126,774

On behalf of management:


Viktor Ponomarenko
Chief Executive Officer

28 May 2021


Elena Leonova
Chief Financial Officer

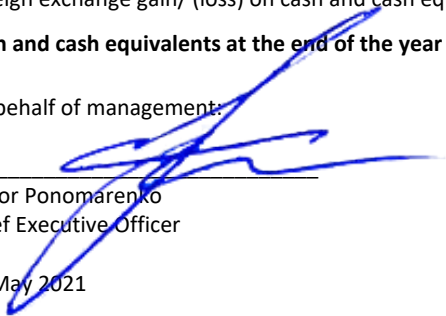
The accompanying notes form an integral part of these consolidated financial statements.

DME LIMITED AND SUBSIDIARIES

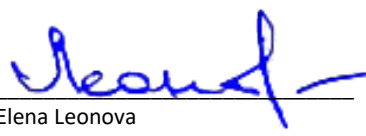
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020 (Amounts in millions of Russian Rubles)

	2020	2019
Cash flows from operating activities:		
(Loss)/profit before income tax	(8,894)	11,728
Adjustments for:		
Depreciation and amortization	5,287	4,652
Change in allowance for impairment of accounts receivable and advances to suppliers	467	(58)
Interest income	(240)	(313)
Interest expense	3,309	2,602
Foreign exchange loss/(gain), net	7,289	(4,825)
Other non-cash items	(25)	(663)
Net cash from operating activities before working capital changes	7,193	13,123
Decrease in inventory	62	299
Decrease /(increase) in trade and other receivables	21	(56)
Decrease in prepayments and other current assets	1,099	625
Decrease in trade and other payables	(71)	(760)
Decrease in provisions	(37)	-
Increase/ (decrease) in taxes other than income tax payable	1,504	(211)
Decrease in accrued expenses and other current liabilities	(338)	(4)
Net cash from operating activities before income tax	9,433	13,016
Income tax received/(paid)	560	(825)
Net cash provided by operating activities	9,993	12,191
Cash flows from investing activities:		
Purchases of property, plant and equipment	(5,045)	(4,912)
Purchases of intangible assets	(419)	(653)
Proceeds from disposal of property, plant and equipment	36	59
Loans issued	-	(99)
Placed on bank deposits	-	(5,273)
Cash received on expiry of bank deposits	1,573	3,869
Interest received	245	303
Net cash used in investing activities	(3,610)	(6,706)
Cash flows from financing activities:		
Proceeds from debt securities	-	4,714
Proceeds from loans and overdrafts	8,106	4,813
Repayments of loans and overdrafts	(7,006)	(6,023)
Repayments of lease liabilities	(57)	-
Interest paid	(4,004)	(3,451)
Dividends paid (Note 19)	(1,547)	(4,951)
Net cash used in financing activities	(4,508)	(4,898)
Net increase in cash and cash equivalents	1,875	587
Cash and cash equivalents at the beginning of the year	5,003	4,822
Allowance for expected credit losses	-	(4)
Foreign exchange gain/ (loss) on cash and cash equivalents	780	(402)
Cash and cash equivalents at the end of the year (Note 18)	7,658	5,003

On behalf of management:


Viktor Ponomarenko
Chief Executive Officer

28 May 2021


Elena Leonova
Chief Financial Officer


The accompanying notes form an integral part of these consolidated financial statements.

DME LIMITED AND SUBSIDIARIES

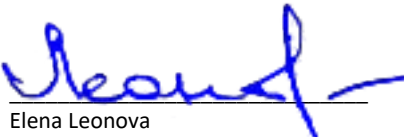
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020 (Amounts in millions of Russian Rubles)

	Share capital	Retained earnings	Equity attributable to the owners of the Company	Non-controlling interests	Total
Balance as of 1 January 2019	11,877	30,260	42,137	(89)	42,048
Total comprehensive income/(loss) for the year	-	10,742	10,742	(11)	10,731
Dividends (Note 19)	-	(5,385)	(5,385)	(66)	(5,451)
Balance as of 31 December 2019	11,877	35,617	47,494	(166)	47,328
Balance as of 1 January 2020	11,877	35,617	47,494	(166)	47,328
Total comprehensive (loss)/income for the year	-	(9,216)	(9,216)	28	(9,188)
Dividends (Note 19)	-	(506)	(506)	-	(506)
Balance as of 31 December 2020	11,877	25,895	37,772	(138)	37,634

On behalf of management:


Viktor Ponomarenko
Chief Executive Officer

28 May 2021


Elena Leonova
Chief Financial Officer

The accompanying notes form an integral part of these consolidated financial statements.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (Amounts in millions of Russian Rubles)

1. NATURE OF THE BUSINESS

DME Limited (previously FML Limited, hereinafter the “Company”), is a limited liability company incorporated under the laws of the Isle of Man in February 2001. Immediately following the formation of the Company an entity under common control transferred to the Company a number of entities operating as a group since 1996. The assets and liabilities of the entities were transferred to the Company at their previous carrying amounts. In 2012, the Company transferred its registered office and place of domicile to the Republic of Cyprus.

The principal activities of the Company, together with its subsidiaries (collectively the “Group”) are the operation and development of Domodedovo airport, including servicing international and domestic passenger and cargo flights. The Group also sells fuel and pre-packaged meals as well as provides airport-related commercial services comprising leasing of retail space, leasing of other commercial properties and fueling services. The Group’s principal place of business is Domodedovo airport in the Moscow region, Russia.

The Group operates in three business segments: aviation services, auxiliary aviation services and commercial services.

The Company’s ownership interest in the most significant controlled subsidiaries is as follows:

Company name	Place of incorporation	Principal activity	Percentage held as of	
			31 December 2020	31 December 2019
Domodedovo Passenger Terminal	Russia	Passenger terminal complex	100%	100%
Domodedovo Cargo	Russia	Cargo terminal complex	100%	100%
Domodedovo Catering Service	Russia	In-flight catering facility	100%	100%
Domodedovo Asset Management	Russia	Rent and parking operator	100%	100%
Domodedovo Fuel Services	Russia	Fuel storage and supply facility	100%	100%
Domodedovo Security	Russia	Aviation security	100%	100%
Domodedovo Commercial Services	Russia	General agent for Group companies	100%	100%
Domodedovo Airfield	Russia	Take-off and landing services	100%	100%
Domodedovo Construction Management	Russia	Capital development	100%	100%
Domodedovo Airport Handling	Russia	Ground handling	100%	100%
Domodedovo Information Technologies Services	Russia	IT services	100%	100%
Domodedovo Fuel Facilities	Russia	Jet fueling and storage	100%	100%
Hacienda Investments Limited	Cyprus	Group property management	100%	100%
Verulia Investments Limited	Cyprus	Investing and financing activities	100%	100%
Airport Management Company Limited	Isle of Man	Group management company	100%	100%
Domodedovo Training	Russia	Staff professional trainings and development	100%	100%
Domodedovo Non-aviation Sales	Russia	Rent and advertising services	100%	100%
DME Airport Designated Activity Company	Ireland	Investing and financing activities	-	-

The Russian Federation is the place of operation for all the companies listed above, except for Verulia Investments Limited for which the place of operation is Cyprus and DME Airport Designated Activity Company for which the place of operation is Ireland. Verulia Investments Limited acts as a major holder of the intangible assets owned by the Group.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts in millions of Russian Rubles)

The Group does not have any equity in DME Airport Designated Activity Company. It is a special purpose entity that was established with a sole purpose of serving as a vehicle for the Group to issue loan participation notes (“LPNs”) on the Irish Stock exchange and does not perform any other activities. The LPNs are guaranteed by several companies of the Group in the event of default. Accordingly, the Group concluded that it exercises control over the entity.

Starting from December 2016 DME Stichting Administratiekantoor (“DME Administrative Foundation”), a foundation organized and existing under the laws of the Netherlands, together with Atlant Foundation, a private foundation established and governed under the laws of Malta, collectively own 100% of the issued share capital of DME Limited.

The ultimate controlling party of the Group is Mr. Dmitry Kamenshchik.

The consolidated financial statements of the Group for the year ended 31 December 2020 were authorized for issue by management on 28 May 2021.

COVID-19

COVID-19 has had an unprecedented impact on the aviation industry as many countries and state authorities have taken preventing measures, including restrictions on travel and closure of borders. On 27 March 2020, the Russian Federation completely closed regular and charter international passenger flights. This resulted in total passenger traffic of Domodedovo airport from April to December reducing by more than 50% compared with the same period of the prior year, which reflects a reduction in international flights by more than 90% and a reduction in domestic flights of more than 40%.

From the start of the COVID-19 outbreak the Group has taken immediate steps to protect its liquidity position and enhance its overall resilience by taking measures to reduce its operating expenses, including but not limited to reducing bonus payments, granting voluntary leave or reduced working hours to employees, deferring or cancelling certain capital expenditure and engaging in negotiation with key suppliers and providers of finance on modification of contractual terms, relaxation of covenants and payment deferrals. Additionally, the Group is actively engaging with all levels of the Russian government (federal, regional and municipal) and applying for support, where available.

Under the Russian Government Resolution No. 813 for targeted support of the Russian airport operators, the Group became entitled for partial compensation of certain employee and other operating expenses incurred from April to July of 2020. Additionally in July 2020, the Group obtained short-term bank loans paying reduced rates of interest subsidized by the Russian government as part of COVID-19 support program (Note 21) for partial compensation of certain employee and other operating expenses. The difference between proceeds received and the fair value of the loan based on prevailing market interest rates was recognized as income. The total amount of government grants recognized as income during the year ended 31 December 2020 was 1,340 million Russian rubles (“RUB”) (2019 – nil) and presented as Government subsidy as part of operating expenses as disclosed in Note 7 and in cash flows from operating activities in the consolidated statement of cash flows. As a measure of additional support provided by the Russian government the Group applied for the postpone tax payments in average for the period 3-6 month (Note 23).

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 *(Amounts in millions of Russian Rubles)*

Starting from the second half of May 2020, demand for air travel is recovering due to the partial lifting of travel restrictions and the summer vacation season, and from August 2020 international flights to a limited number of destinations began to resume. Despite all the measures taken, the financial results of the Group in future periods will continue to depend on the duration of remaining travel restrictions and pace of recovery in demand for air travel in Russia and worldwide. Consequently, the assumptions underlying management estimates and judgements made in preparation of these consolidated financial statements may need to be changed or reversed in the subsequent reporting periods, resulting in material changes to the reported amounts of the Group's property, plant and equipment, deferred tax and other non-current assets as discussed further in Note 5.

2. PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

Statement of compliance – These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Basis of preparation – These consolidated financial statements are prepared on the basis of standalone financial statements of the Company and its subsidiaries. The entities of the Group maintain their accounting records in accordance with laws, accounting and reporting regulations of the jurisdictions in which they are incorporated and registered. The accompanying consolidated financial statements differ from the financial statements issued for statutory purposes in that they reflect certain adjustments, not recorded in the statutory books, which are appropriate to present the financial position, results of operations and cash flows of the Group in accordance with IFRS.

These consolidated financial statements are presented in millions of Russian Rubles (hereinafter “RUB million”), unless otherwise indicated.

The consolidated financial statements have been prepared using the historical cost convention, except for financial instruments recognized at fair value and certain items of property, plant and equipment which were stated at deemed cost as of 1 January 2008 as part of the Group's adoption of IFRS. The deemed cost was equal to fair value as determined by an independent appraiser.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 “Inventories” or value in use in IAS 36 “Impairment of assets”.

Going concern – These consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future, which implies the realization of assets and settlement of liabilities in the normal course of business.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 *(Amounts in millions of Russian Rubles)*

As of 31 December 2020 the current liabilities of the Group exceed its current assets by RUB 27,235 million, mainly because Five-year loan participation notes issued in 2016 became due payable within 12 months. In February 2021 the Group issued non-convertible seven-year loan participation notes (the "2028 LPNs") for the total amount of 453 million United States dollars ("USD") (RUB 34,025 million at the Central Bank of Russia exchange rate as at the inception date) on the Irish Stock Exchange. Net proceeds from the issuance were used to refinancing the Five-year loan participation notes issued in 2016 (Note 28) to cover the deficit.

Management has modelled future cash flows under various scenarios to include the impact of COVID-19 related disruption on the Group. The Group's latest base case scenario assumes continuing gradual improvement during 2021 and return to pre-COVID-19 traffic volumes after 2023. Having considered reasonability of assumptions used in the base case scenario and taking into account available cash and other liquid assets of the Group, remaining unused credit facilities, scheduled debt maturities and other short-term obligations, waivers procured from the lenders under some of the Group's credit facilities to avoid the relevant facilities being breached and the likelihood of such waivers being obtained in the future and the Group's ability to continue to access the debt markets, when required, management have concluded that the measures undertaken together with continuing focus on cost containment and safeguarding the Group's liquidity position would ensure the Group's operations as a going concern for a period not less than the next twelve months from the date of these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below.

Consolidation – The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) prepared through 31 December of each year.

Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 *(Amounts in millions of Russian Rubles)*

- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control is obtained until the date that control ceased. Intragroup balances and any unrealized gains and losses or income and expenses arising from intragroup transactions, are eliminated in full in preparing the consolidated financial statements.

Non-controlling interest in consolidated subsidiaries represents the equity in a subsidiary not attributable, directly or indirectly, to a parent and is identified separately from the Group's equity therein. Total comprehensive income / (loss) is attributed to non-controlling interests even if this results in the non-controlling interest having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets, and liabilities of the subsidiary and any non-controlling interests.

Functional and presentation currency – The primary economic environment of the Group is the Russian Federation. Therefore, the Russian Ruble ("RUB") is the functional currency of the Company and all subsidiaries of the Group as well as the Group's presentation currency.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency are initially recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the reporting date exchange rate.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Russian Ruble at foreign exchange rates ruling at the dates the fair value was determined. Exchange differences arising from such retranslation are included in the consolidated statement of profit or loss and other comprehensive income.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (Amounts in millions of Russian Rubles)

Below are exchange rates as at year end which were used by the Group for the purpose of these consolidated financial statements:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Russian Ruble/USD	73.8757	61.9057
Russian Ruble/EUR	90.6824	69.3406

Revenue recognition – The Group’s revenue is generated by the provision of services (airport services, rental income, fuel storage services and parking fees), and sale of products (jet fuel and in-flight meals). The Group recognizes revenue when or as a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. In general, control is transferred to the contractual counterparty and subsequently the Group’s performance obligations are met at the point in time of receipt of the services by the counterparty. The Group provides most services within one working day. Revenue is measured at the amount of transaction price received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of sales related taxes, estimated rebates and discounts. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Airport and other related charges

Revenue from airport and other related charges mainly includes fees collected for aircraft take-off and landing, runway lighting, aircraft parking, and passenger-related charges for the use of terminal. The Group typically satisfies its performance obligation as the service is provided. Revenue from airport and other related charges is recognized at the point in time at which the right to consideration becomes unconditional.

Rental income

Rental income is generated principally from leasing trading space and office facilities located inside the airport terminal and adjacent buildings. Rental revenue is recognized on a straight-line basis during the term of rent agreements.

In accordance with the rent agreements, which are classified as operating lease, rental revenue can be calculated based on the fixed monthly rental rates or the passenger traffic volume for the period.

Ground handling

Ground handling includes a wide range of services related to aircraft maintenance before take-off and after landing, including pre-flight aircraft preparation, towing, and cleaning, required technical maintenance before and after flights, luggage handling, passenger check-in, boarding and transportation to and from aircraft. The Group typically satisfies its performance obligation as the service is provided, therefore revenue from ground handling services is recognized at the point in time at which the right to consideration becomes unconditional.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 *(Amounts in millions of Russian Rubles)*

Jet fueling and storage services

Jet fueling and storage services include revenue from into-plane fueling services and revenue from the storage of third-parties' jet fuel. The Group typically satisfies its performance obligation as the service is provided. Revenue from these services is recognized at the point in time at which the right to consideration becomes unconditional. Storage charge rates are regulated for foreign airline customers and periodically reviewed by the Federal Antimonopoly Service of the Russian Federation.

Aviation security

Aviation security services include services such as the inspection/screening of passengers, crews, baggage, cargo and in-flight supplies, aircraft security (including guarding the aircraft at the airport), pre-flight inspection and access control and security of areas with restricted access. The Group typically satisfies its performance obligation as the service is provided. Revenue from aviation security services is recognized at the point in time at which the right to consideration becomes unconditional.

Parking fees and other revenue

Parking fees consist of fees collected at the passenger terminal's car park. The Group considers the performance obligation is satisfied by the provision of the car parking space for each day the car is parked, therefore the revenue from such services is recognized for each day the car is parked. Other revenue consists of auxiliary and aviation services and is recognized at the point in time at which the right to consideration becomes unconditional.

Jet fuel sales

Jet fuel sales comprise the sales of jet petroleum, lubricants and other specialized liquids. The Group considers the performance obligation is satisfied when control of the goods or services underlying the particular performance obligation is transferred to the customer, therefore revenue from the sale is recognized at the point in time at which the right to consideration becomes unconditional.

Catering

Catering includes sales of pre-packaged in-flight meals. The Group considers the performance obligation is satisfied when control of the goods or services underlying the particular performance obligation is transferred to the customer, therefore revenue from catering is recognized when the meal packages are delivered to the aircraft, at which point the risks and rewards of ownership are transferred to the customers.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (Amounts in millions of Russian Rubles)

Leases

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use assets and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. This expense is presented within operating expenses in the consolidated statement of profit and loss.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included as 'rent' in the statement of profit or loss and other comprehensive income (Note 7).

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented separately in the consolidated statement of financial position and split into short-term and long-term portions accordingly.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(Amounts in millions of Russian Rubles)

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

The Group as a lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognizing an allowance for expected credit losses on the lease receivables.

Borrowing costs – Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale, and amortized over the useful life of the asset. All other borrowing costs are recognized as an expense in the period in which they are incurred.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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(Amounts in millions of Russian Rubles)

Income tax – Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred income tax are recognized in the consolidated profit or loss except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantially enacted by the reporting date. Provisions in respect of uncertain tax positions which relate to income tax are included in current income tax at an amount expected to be payable including penalties, if any.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts of tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

At the end of each reporting period, an entity reassesses unrecognized deferred tax assets. The entity recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are not discounted.

Employee benefits – Remuneration to employees in respect of services rendered during the reporting period is recognized as an expense in that reporting period.

The Group contributes to the Pension Fund of the Russian Federation, a defined contribution plan. The Group's only obligation is to pay contributions to the Fund as they fall due. As such, the Group has no legal obligation to pay and does not guarantee any future benefits to its Russian employees. The Group's contributions to the Russian Federation State Pension Fund are recorded as an expense over the reporting period based on the related employee service rendered. In 2020 and 2019 contributions for each employee vary from 10% to 22%, depending on the annual gross remuneration of each employee.

Property, plant and equipment – At the date of transition to IFRS (1 January 2008) the Group's property, plant and equipment were recognized in the consolidated financial statements at deemed cost.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 *(Amounts in millions of Russian Rubles)*

Property, plant and equipment acquired by the Group subsequent to the date of transition to IFRS are recorded at purchase or construction cost, less accumulated depreciation and accumulated impairment, if any. The costs of day to day servicing of property, plant and equipment, including repairs and maintenance expenditure, are expensed as incurred. Major renewals and improvements are capitalized.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Assets under construction

Assets under construction ("Construction In-Progress" or "CIP") are carried at cost, less any recognized impairment loss. Cost includes capital expenditures directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads including capitalized borrowing costs on qualifying assets. Depreciation of these assets, on the same basis as for other property assets, commences when the assets are ready for their intended use.

Advance payments for assets under construction are shown separately in the consolidated statement of financial position and presented as non-current assets.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost. Subsequent measurement is at cost less accumulated depreciation and impairment losses (if any) under IAS 36 "Impairment of assets". Investment properties are amortized using straight-line method over their useful lives which are from 35 to 50 years.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated profit or loss in the period in which the property is derecognized.

Subsequent costs

The Group recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. The assets being replaced are written off immediately. All other costs are recognized in the consolidated profit or loss as an expense as incurred.

Depreciation

Depreciation is recognized in consolidated profit or loss so as to write off the cost of assets (other than land and CIP) less their estimated residual values over their economic useful lives, using the straight-line method. Owned land plots are not depreciated.

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The estimated useful economic lives for property, plant and equipment are as follows:

	<u>Number of years</u>
Buildings	10-50
Plant and equipment	5-20
Other	2-20

The assets' useful lives and methods are reviewed and adjusted as appropriate at each financial year-end.

Gain or loss on disposal

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets – Intangible assets represent mainly purchased software and licenses and are stated at cost less accumulated amortization and impairment losses.

The estimated useful economic lives for intangible assets are as follows:

	<u>Number of years</u>
Software	3-5
Licenses and other	1-10

Amortization is charged to the consolidated profit or loss on a straight-line basis over the estimated useful lives of intangible. Intangible assets are amortized from the date they are available for use.

Useful lives and amortization methods for intangible assets are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for as changes in accounting estimates.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

Impairment of non-current assets – The Group assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 *(Amounts in millions of Russian Rubles)*

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated profit or loss.

Financial instruments – Financial assets and financial liabilities are recognized in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets – Financial assets are classified into the following categories: cash and cash equivalents, bank deposits, restricted cash, loans and receivables, finance lease receivables and other financial assets. All financial assets are measured subsequently at amortized cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL). As of the reporting date the Group had financial assets measured at amortized cost only.

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 *(Amounts in millions of Russian Rubles)*

Impairment of financial assets

From 1 January 2019, the Group recognizes a loss allowance for expected credit losses ("ECL") on cash and cash equivalents, trade and other receivables, restricted cash and other financial assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial asset.

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

The Group assess expected credit loss of trade and other receivables on a collective basis where they possess shared credit risk characteristics and therefore group them based on the sector industry global default rates, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group assess expected credit loss of cash and cash equivalents based on the available credit ratings of financial institutions it uses for banking.

For all other financial assets, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 *(Amounts in millions of Russian Rubles)*

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower or debtor will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

If, in a subsequent period, the amount of the impairment loss for assets carried at amortized cost decreased and the decrease was related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss was reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment was reversed did not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balances with banks, short-term interest-bearing deposits and short-term bank overdrafts with original maturities of not more than three months.

Restricted cash

Cash and cash equivalents that can only be used for a specific purpose or where access is restricted.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 *(Amounts in millions of Russian Rubles)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets were carried at amortized cost using the effective interest rate method. Gains and losses were recognized in the consolidated profit or loss when the loans and receivables were derecognized or impaired, as well as through the amortization process. Interest income was recognized by applying the effective interest rate except for short-term receivables when the recognition of interest would be immaterial.

Financial liabilities

Financial liabilities are classified into the following categories: accounts payable and other financial liabilities. All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

As of the reporting date the Group had financial liabilities measured at amortized cost only.

Accounts payable and other financial liabilities

Accounts payable and other financial liabilities are initially recognized at cost, which is the fair value of the consideration received, taking into account transaction costs. After initial recognition, financial liabilities are carried at amortized cost, using the effective interest method, with interest expense recognized on an effective yield basis. As normally the expected term of accounts payable is short, the value is stated at the nominal amount without discounting, which corresponds with fair value.

Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method (see above).

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Offsetting

Financial assets and financial 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 recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the consolidated statement of profit or loss and other comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

(Amounts in millions of Russian Rubles)

Inventory

Inventory is stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventory is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Value added tax

Output value added tax ("VAT") related to revenue is payable to tax authorities upon delivery of the goods or services to customers, as well as upon collection of prepayments from customers. Input VAT is generally recoverable against output VAT upon receipt of the VAT invoice. Input VAT on capital expenditures can be reclaimed on receipt of VAT invoices for the particular stage of work performed or, if the construction project cannot be broken down into stages, on receipt of VAT invoices upon completion of the contracted work. The tax authorities permit the settlement of VAT on a net basis (except for input VAT related to export services provided which is reclaimable upon confirmation of export). VAT related to sales and purchases is recognized in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT. The related VAT deferred liability is maintained until the debtor is written off for tax purposes.

Provisions – Provisions are recognized when, and only when, 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. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time value of money is significant, the amount of a provision is the present value of the cash flows required to settle the obligation.

Share capital – Ordinary shares are classified as equity and are recorded at the par value of proceeds received, net of direct issue costs. Where shares are issued above par value, the proceeds in excess of par value are recorded in the share premium account.

Dividends – Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date by the shareholders at a general meeting. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorized for issue.

Contractual commitments – Contractual commitments comprise legally binding trading or purchase agreements with stated amount, price and date or dates in the future. The Group discloses significant contractual commitments in the notes to the consolidated financial statements.

Contingencies – Contingent liabilities are not recognized in the consolidated financial statements unless they arise as a result of a business combination. Contingences attributed to specific events are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (Amounts in millions of Russian Rubles)

Government grants – Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognized in profit or loss over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Government grants received to compensate certain expenses presented on the net basis within operating expenses in consolidated statement of profit or loss and other comprehensive income. The benefit of a government loan at a below market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Reclassification – Certain reclassifications have been made in respect of comparative information to conform to current year presentation of amounts in these financial statements. The reclassification has no impact on net profit, equity or cash flows as previously reported.

4. NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

IFRS and IFRIC interpretations adopted in the current year

In the current year, the Group has adopted all new and revised standards and interpretations issued by the IASB and the IFRIC of the IASB that are mandatory for adoption in the annual periods beginning on or after 1 January 2020 as described below.

Standards and Interpretations

Conceptual Framework – Amendments to References to the Conceptual Framework in IFRS Standards
IFRS 3 (amendments) – *Definition of a Business*
IAS 1 and IAS 8 – *Definition of Material*
IFRS 9, IAS39 and IFRS 7 – *Interest Rate Benchmark Reform and its Effects on Financial Reporting*
IFRS 16 (amendments) – *COVID-19-related Rent Concessions*

These changes and improvements to the standards have not resulted in any significant changes to the consolidated financial statements of the Group. The Group does not apply the exemptions allowed by COVID-19-related IFRS 16 amendments.

New and revised IFRS in issue but not yet effective

At the date of authorization of these consolidated financial statements, the following standards have been published, but which are no yet mandatory for adoption and which the Group has not early adopted:

Standards and Interpretations	Effective for annual periods beginning on or after
IAS 1 – Classification of Liabilities as Current or Non-Current	1 January 2022
IFRS 3 – Reference to the Conceptual Framework	1 January 2022
IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use	1 January 2022
IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
IFRS 1, IFRS 9, IFRS 16, and IAS 41 – Annual Improvements to IFRS Standards 2018-2020 Cycle	1 January 2022
IFRS 17 – “Insurance Contracts”	1 January 2023
IFRS 10 and IAS 28 (amendments) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (Amounts in millions of Russian Rubles)

The management does not expect that the adoption of the standards listed above will have a material impact on the consolidated financial statements of the Group in future periods.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of financial assets – Management assess expected credit loss on cash and cash equivalents, bank deposits, loans and receivables, finance lease receivables and other financial assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The management makes use of a simplified approach in accounting for impairment of trade and other receivables and recognizes the loss allowance for lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating this amount, the Group uses its historical experience, external indicators, customer creditworthiness and changes in customer payment patterns and other forward-looking information to calculate the expected credit losses.

As of 31 December 2020 and 2019 the expected credit loss of receivables was recognized in the amount of RUB 2,294 million and RUB 1,785 million, respectively (see Notes 16, 17). A significant portion of the expected credit loss for trade receivables as of 31 December 2020 and 2019 relates to two airlines that ceased their operations (Note 27).

Expected credit losses associated with restricted cash held with a Cyprus branch of Federal Bank of the Middle East Ltd. are disclosed in Note 13.

If the financial condition of the Groups customers and other debtors were to deteriorate, actual write-offs might be higher than expected.

Depreciable lives of property, plant and equipment – The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end. The key judgements inherent to the assessment of the remaining useful lives of the property, plant and equipment are comprised of the following:

- The expected usage of the asset whereby the usage is assessed by considering the expected capacity or output of the asset.
- The expected physical wear and tear, which will depend on the usage of the asset and the repair and maintenance programmes in place for the asset.
- The technical or commercial obsolescence arising from changes or improvements or a change in the market demand for the output of the asset.
- Legal or similar restrictions on the use of the asset.

If expectations differ from the previous estimates, the changes are recognized in the current reporting period as a change in an accounting estimate in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors" and could have a significant impact on the carrying values of property, plant and equipment and the related depreciation charges.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 *(Amounts in millions of Russian Rubles)*

Impairment of property, plant and equipment and other non-current assets – The Group reviews the carrying amount of property, plant and equipment and other non-current assets when events or circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the Group estimates the recoverable amount of the asset to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. The Group determines the recoverable amount as the higher of fair value less costs to sell and value-in-use. If the carrying amount is not recoverable, the Group records an impairment charge for the excess of the carrying amount over the recoverable amount of the asset (cash-generating unit). The Group determines value-in-use by discounting the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. This process requires the use of estimates and assumptions, which are subject to a high degree of judgment.

Recoverability of deferred tax assets – The Group completes a detailed analysis of its deferred income tax valuation allowances on an annual basis or more frequently if information comes to its attention that would indicate that a revision to its estimates is necessary. In evaluating the Group's ability to realize its deferred tax assets, management considers all available positive and negative evidence on an entity by entity basis, including past operating results and forecasts of future taxable income. In determining future taxable income, management makes assumptions to forecast operating income in each of the Group's entities, the reversal of temporary differences, and the implementation of any feasible and prudent tax planning strategies. These assumptions require significant judgment regarding the forecasts of the future taxable income in each entity and are consistent with the forecasts used to manage the Group's business.

As at 31 December 2020 the carrying value of deferred tax assets was RUB 2,720 million (2019: RUB 2,658 million) – Note 9.

Taxation provisions – In evaluating the Group's uncertain tax items, management considers all available positive and negative information, including the latest interpretation of tax legislation regarding arrangements entered into by the Group, tax courts outcomes and assessment of future legislation developing. These assumptions require significant judgment regarding the approach to the interpretation of tax legislation.

6. SEGMENT INFORMATION

Information reported to the chief operating decision maker of the Group ("CODM") for the purposes of resource allocation and assessment of segment performance is focused on the nature of services provided.

The Group's reportable segments are as follows:

Aviation services segment – includes aviation services, such as use of terminal, take-off and landing, and aviation security. Since legislations changes in 2016, Federal Antimonopoly Service of the Russian Federation ceased to regulate pricing areas of such services in Moscow region. As of 31 December 2020 there is no indications of re-introducing regulated tariffs.

Auxiliary aviation services segment – includes certain passenger-related services, ground handling, fueling services, in-flight catering and cargo handling.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (Amounts in millions of Russian Rubles)

Commercial services segment – includes retail concessions and advertising, car parking.

Accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3.

The performance of each reportable segment is assessed by the CODM by reference to segment operating profit. Segment operating profit is calculated after headquarters expenses have been allocated between the reportable segments and after elimination intra segment profits and losses.

The key financial information for the Group's segments for the year ended 31 December 2020 is presented below:

	Aviation services	Auxiliary aviation services	Commercial services	Inter-segment eliminations	Group
Ground handling	185	6,286	-	-	6,471
Airport and other related charges	4,236	-	-	-	4,236
Rental income	46	24	2,860	-	2,930
Jet fueling and storage services	-	1,914	-	-	1,914
Catering	-	1,880	-	-	1,880
Aviation security	1,455	-	-	-	1,455
Jet fuel sales	-	959	-	-	959
Parking fees	-	-	425	-	425
Other revenue	105	184	237	-	526
Third-party revenue	6,027	11,247	3,522	-	20,796
Intersegment revenue	2,091	369	1,394	(3,854)	-
Total revenue	8,118	11,616	4,916	(3,854)	20,796
Operating profit	(1,715)	1,823	1,356	-	1,464
Other segment information					
Depreciation and amortization	(2,811)	(1,666)	(810)	-	(5,287)

Below presented the reconciliation of the segments' operating profit to the Group's loss for the year:

Operating profit	1,464
Interest expense	(3,309)
Interest income	240
Foreign exchange (loss)/gain, net	(7,289)
Loss before tax	(8,894)
Income tax expense	(294)
Loss for the year	(9,188)

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (Amounts in millions of Russian Rubles)

The key financial information for the Group's segments for the year ended 31 December 2019 is presented below:

	Aviation services	Auxiliary aviation services	Commercial services	Inter-segment eliminations	Group
Ground handling	231	9,493	-	-	9,724
Airport and other related charges	8,161	-	-	-	8,161
Rental income	64	22	5,750	-	5,836
Catering	-	3,596	-	-	3,596
Jet fuel sales	-	3,587	-	-	3,587
Jet fueling and storage services	-	3,042	-	-	3,042
Aviation security	2,309	-	-	-	2,309
Parking fees	-	-	683	-	683
Other revenue	107	251	204	-	562
Third-party revenue	10,872	19,991	6,637	-	37,500
Intersegment revenue	2,900	372	1,830	(5,102)	-
Total revenue	13,772	20,363	8,467	(5,102)	37,500
Operating profit	1,153	4,328	3,711	-	9,192
Other segment information					
Depreciation and amortization	(2,291)	(1,642)	(719)	-	(4,652)

Below presented the reconciliation of the segments' operating profit to the Group's profit for the year:

Operating profit	9,192
Interest expense	(2,602)
Interest income	313
Foreign exchange (loss)/gain, net	4,825
Profit before tax	11,728
Income tax expense	(997)
Profit for the year	10,731

The following is the analysis of the Group's largest customers (comprising 10% or more of total revenue):

	2020		2019	
	Amount	% of total revenue	Amount	% of total revenue
S7 Group	6,902	33%	7,799	21%
Aviation services segment	2,109		2,548	
Auxiliary aviation services segment	4,366		4,931	
Commercial services segment	427		320	
URAL AIRLINES	2,105	10%	3,008	8%
Aviation services segment	836		1,242	
Auxiliary aviation services segment	1,246		1,753	
Commercial services segment	23		13	

Substantially all assets, management and administrative facilities of the Group are located in the Russian Federation and are not reported to the CODM. Furthermore, all revenue is earned within the Russian Federation. Accordingly, revenue by geographic location and asset information is not presented as part of segment disclosure.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (Amounts in millions of Russian Rubles)

7. OPERATING EXPENSES

	<u>2020</u>	<u>2019</u>
Payroll and related charges:		
Wages and salaries	6,326	8,875
Social taxes	1,741	2,619
Depreciation and amortization	5,287	4,652
Cost of jet fuel	1,180	3,597
Materials	1,344	2,063
Maintenance	912	2,017
Cleaning and waste management	579	1,042
Consulting, audit and other services	522	470
Change in allowance for impairment of receivables and advances to suppliers (Notes 5,10,16,17)	467	(58)
Public utilities	443	669
Rent	431	565
Transport	211	348
Taxes other than income tax	209	106
Charitable donations	92	145
Staff development and training	76	146
Certification and licensing	57	122
Communication services expense	51	48
Advertising expenses	23	63
Change in provision for legal risks	-	93
Government subsidy (Note 1)	(1,340)	-
Other expenses	721	726
Total operating expenses	<u>19,332</u>	<u>28,308</u>

Other expenses include direct expenses arising from investment property in the amount of RUB 26 million and 42 million for the years ended 31 December 2020 and 2019, respectively.

Payroll and related charges in amount of RUB 960 million were compensated by the Government subsidy.

8. INTEREST EXPENSE

	<u>2020</u>	<u>2019</u>
Interest expense on the 2021 LPNs (Note 20)	1,670	1,381
Interest expense on the 2023 LPNs (Note 20)	1,185	1,042
Interest expense on five-year RUB debt securities (Note 20)	816	814
Interest expense on three-year RUB debt securities (Note 20)	437	216
Interest expense on bank loans (Note 21)	244	186
Interest expense on lease liability (Note 14)	19	4
	<u>4,371</u>	<u>3,643</u>
Less: capitalized interest (Note 10)	(1,062)	(1,041)
Total interest expense	<u>3,309</u>	<u>2,602</u>

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (Amounts in millions of Russian Rubles)

9. INCOME TAX

	<u>2020</u>	<u>2019</u>
Current income tax expense	(327)	(1,228)
Adjustments recognized in the current year in relation to the current tax of prior years	109	190
Total current income tax expense	<u>(218)</u>	<u>(1,038)</u>
Origination and reversal of temporary differences	(76)	41
Total deferred income tax benefit	<u>(76)</u>	<u>41</u>
Total income tax benefit/ (expense)	<u>(294)</u>	<u>(997)</u>

Majority of the Group's operating activities are conducted in the Russian Federation. Therefore, the reconciliation of the Group's profit before income tax to income tax charge is presented using the statutory income tax rate effective in Russia:

	<u>2020</u>	<u>2019</u>
Profit before income tax	<u>(8,894)</u>	<u>11,728</u>
Theoretical tax charge at Russian statutory rate of 20%	(1,779)	2,346
Tax effect of items which are not deductible or assessable for taxation purposes:		
(Non-taxable) / non-deductible foreign exchange differences	1,391	(781)
Adjustments recognized in the current year in relation to the current tax of prior years	(109)	(190)
Tax rate differences relating to other jurisdictions	274	(295)
Tax incentives	-	(125)
Other non-deductible items	517	42
Income tax	<u>294</u>	<u>997</u>

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (Amounts in millions of Russian Rubles)

Total accumulated temporary differences that arise between the statutory tax base of assets and liabilities and their carrying amounts in the accompanying consolidated statements of financial position give rise to the following deferred tax effects:

	31 December 2020	Charged to profit or loss	31 December 2019
Tax losses carried forward	1,666	446	1,220
Property, plant and equipment	60	124	(64)
Trade and other receivables	290	32	258
Prepayments and other current assets	316	103	213
Trade and other payables	53	(551)	604
Accrued expenses and other current liabilities	273	(73)	346
Intangible assets	-	3	(3)
Short-term investments	(8)	3	(11)
Other	70	(25)	95
Deferred tax asset	2,720	62	2,658
Property, plant and equipment	(6,634)	(187)	(6,447)
Trade and other receivables	24	27	(3)
Prepayments and other current assets	3	7	(4)
Trade and other payables	(30)	17	(47)
Accrued expenses and other current liabilities	(46)	(40)	(6)
Intangible assets	(53)	8	(61)
Short-term investments	(10)	(10)	-
Other	58	40	18
Deferred tax liability	(6,688)	(138)	(6,550)

	31 December 2019	Charged to profit or loss	Application of IFRS 16	31 December 2018
Tax losses carried forward	1,220	(32)	-	1,252
Property, plant and equipment	(64)	(68)	-	4
Trade and other receivables	258	(6)	-	264
Prepayments and other current assets	213	(62)	-	275
Trade and other payables	604	225	-	379
Accrued expenses and other current liabilities	346	133	-	213
Intangible assets	(3)	19	-	(22)
Short-term investments	(11)	(11)	-	-
Other	95	71	-	24
Deferred tax asset	2,658	269	-	2,389
Property, plant and equipment	(6,447)	(83)	(43)	(6,321)
Trade and other receivables	(3)	(94)	-	91
Prepayments and other current assets	(4)	(13)	-	9
Amounts due to grantor under a concession agreement	-	(24)	(676)	700
Trade and other payables	(47)	(19)	-	(28)
Accrued expenses and other current liabilities	(6)	(15)	-	9
Intangible assets	(61)	(64)	701	(698)
Other	18	84	-	(66)
Deferred tax liability	(6,550)	(228)	(18)	(6,304)

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (Amounts in millions of Russian Rubles)

Unused tax losses for which no deferred tax asset was recognized amounted to RUB 1,275 million as of 31 December 2020. The Group did not recognize a deferred tax liability related to the remaining undistributed earnings of its subsidiaries as it has not made any decisions regarding future distributions of retained earnings within the Group. Undistributed earnings, in relation to which deferred tax liability was not accrued, amounted to RUB 17,154 million and RUB 18,358 million as of 31 December 2020 and 2019, respectively.

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and equipment	Other	CIP	Total
Cost					
1 January 2019	81,639	13,046	1,606	25,395	121,686
Additions	2,963	137	84	4,726	7,910
Transfers	4,717	489	34	(5,240)	-
Disposals	(42)	(181)	(151)	(22)	(396)
31 December 2019	89,277	13,491	1,573	24,859	129,200
Additions	1,011	52	20	2,123	3,206
Transfers	3,830	381	24	(4,235)	-
Disposals	(9)	(289)	(26)	(24)	(348)
Reclassified as investment property	(297)	-	-	-	(297)
31 December 2020	93,812	13,635	1,591	22,723	131,761
Accumulated depreciation					
1 January 2019	(13,168)	(8,609)	(1,238)	-	(23,015)
Depreciation charge	(2,542)	(1,195)	(142)	-	(3,879)
Disposals	11	169	149	-	329
31 December 2019	(15,699)	(9,635)	(1,231)	-	(26,565)
Depreciation charge	(3,135)	(1,173)	(138)	-	(4,446)
Disposals	3	278	24	-	305
Reclassified as investment property	146	-	-	-	146
31 December 2020	(18,685)	(10,530)	(1,345)	-	(30,560)
Net book value					
31 December 2019	73,578	3,856	342	24,859	102,635
31 December 2020	75,127	3,105	246	22,723	101,201

“Buildings” consist primarily of passenger and cargo terminals, catering facility, hotel building, car park and auxiliary buildings.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 *(Amounts in millions of Russian Rubles)*

“Plant and equipment” mainly consists of baggage-processing systems, aircraft servicing equipment, tow tractors, passenger shuttles, parking equipment, machines for disposition of de-icing liquids, introsopes and other operating equipment.

“Other” consists mainly of administrative equipment and vehicles.

“Construction in-progress” consists mainly of capital expenditures related to the extension of passenger terminal T-1, construction of passenger terminal T-2 and reconstruction and extension of cargo terminal.

During the years ended 31 December 2020 and 2019 the Group capitalized borrowing costs in the amount of RUB 1,062 million and RUB 1,041 million, respectively.

The weighted average capitalization rate on borrowed funds was 6.7% and 6.2% per annum for the years ended 31 December 2020 and 2019, respectively.

As at 31 December 2020 and 2019 no property, plant and equipment was pledged as collateral for the Group’s borrowings.

Impairment review of the Group’s property, plant and equipment and other non-current non-financial assets

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 Group determined that the impact of COVID-19 on the airline industry is such a trigger event and conducted the impairment test as of 31 December 2020. The recoverable value was determined by reference to the value in use, representing the discounted cash flows resulted from the Group’s revenue generating activities. This recoverable amount was compared with the carrying amount of non-current assets engaged in generating respective cash flows. The key assumptions for calculating the recoverable amounts are the discount rate and the passenger traffic recovery period. The discount rate used was the Group’s weighted average cost of capital (WACC), which equals 9.4% p.a. for the entire forecasting period. The recovery period of the passenger traffic (the period when passenger traffic will recover to the level of 2019) is set to 2023. Based on the review performed, no impairment charge was recognized.

Advances for acquisition of non-current assets

As of 31 December 2020 and 2019 advances for acquisition of non-current assets in the amounts of RUB 1,043 million and RUB 268 million, respectively, consisted of amounts paid for construction of the passenger and cargo terminals and implementation of additional functionalities, modernization of planning and resource management system and prepaid irrevocable letters of credit issued by the banks on behalf of the Group for settlements with suppliers of equipment and construction subcontractors. The amount of impairment of advances for acquisition of non-current assets amounted to RUB 27 million as of 31 December 2020 (31 December 2019: RUB 30 million).

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (Amounts in millions of Russian Rubles)

11. INVESTMENT PROPERTY

The Group's investment property consists of administrative buildings, which are leased to several airlines, and a hotel building.

	2020	2019
Cost at the beginning of the year	818	818
Reclassified from property, plant and equipment	297	-
Cost at the end of the year	1,115	818
Accumulated depreciation at the beginning of the year	(249)	(229)
Depreciation charge for the year	(34)	(20)
Reclassified from property, plant and equipment	(146)	-
Accumulated depreciation at the end of the year	(429)	(249)
Net book value at the end of the year	686	569

Fair value of the investment property as at 31 December 2020 was RUB 3,770 million (RUB 6,299 million as at 31 December 2019) and has been arrived at on the basis of a valuation carried out on this date by an internal professional appraiser with appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuation was arrived at by reference to the future cash flows, based on the market evidence for similar properties, discounted at an estimated relevant rate (Level 2 category for determining fair value).

12. INTANGIBLE ASSETS

	Software	Licenses and other	Software in development	Total
Cost				
1 January 2019	2,591	776	575	3,942
Additions	107	138	394	639
Transfers	239	229	(468)	-
Disposals	(10)	(306)	-	(316)
31 December 2019	2,927	837	501	4,265
Additions	56	161	199	416
Transfers	144	170	(314)	-
Disposals	(17)	(28)	-	(45)
31 December 2020	3,110	1,140	386	4,636
Accumulated amortization				
1 January 2019	(1,705)	(351)	-	(2,056)
Amortization charge	(423)	(323)	-	(746)
Disposals	10	277	-	287
31 December 2019	(2,118)	(397)	-	(2,515)
Amortization charge	(448)	(294)	-	(742)
Disposals	15	27	-	42
31 December 2020	(2,551)	(664)	-	(3,215)
Net book value				
31 December 2019	809	440	501	1,750
31 December 2020	559	476	386	1,421

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (Amounts in millions of Russian Rubles)

Software mainly comprises of internally generated intangible assets with net book value of RUB 505 million and RUB 715 million as at 31 December 2020 and 2019 respectively.

13. OTHER NON-CURRENT ASSETS

	<u>31 December 2020</u>	<u>31 December 2019</u>
Restricted cash in FBME, net of impairment loss recognized	2,150	1,649
Other non-current receivable	46	47
Other non-current assets	<u>2,196</u>	<u>1,696</u>

Restricted cash in FBME represents cash balances held by the Group at a Cyprus branch of Federal Bank of the Middle East Ltd. ("FBME"), registered in Tanzania, whose banking license was revoked by the Central Bank of Cyprus on 21 December 2015 after investigation of the U.S. Department of the Treasury's Financial Crimes Enforcement Network into money laundering.

The relevant authorities in Cyprus and Tanzania initiated liquidation process for the bank, however there is a continuing legal uncertainty as to the appropriate sequencing of the liquidation process that affects the timing of expected recovery of the Group's cash balances. The bank's liquidation process, which has not yet started, could take a minimum of one to two years to complete.

Based on the information available to the Group, it is believed that FBME has sufficient solvent funds to honor substantially all of the bank's obligations. The Group expects that once the legal position is finalized and an appropriate liquidator is established the bank's funds would be released, and the Group would recover most of its cash balances with FBME. The Group reassesses an impairment allowance it holds against these balances at each reporting date based on changes in the management's estimate of the likely amounts to be recovered and timing of their receipt. The total amount of lifetime expected credit losses recognized as at 31 December 2020 was RUB 717 million (as of 31 December 2019 – RUB 550 million). No interest income is accrued on these balances.

14. LEASES

The Group as a lessor

The Group leases out one of the Group's hangars under finance lease terms. The remaining lease term is 6 years. Present value of minimum lease payments is recognized as finance lease receivable.

Presented below is the reconciliation between the gross investment in the lease and the present value of minimum lease payments receivable at the end of the reporting period.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (Amounts in millions of Russian Rubles)

	31 December 2020		31 December 2019	
	Minimum lease payments receivable	Present value of minimum lease payments receivable	Minimum lease payments receivable	Present value of minimum lease payments receivable
Due within one year	248	197	197	156
Due after one year but not more than five years	990	295	788	234
Due after more than five years	41	4	230	20
Total gross / net investment in the lease	1,279	496	1,215	410
Less unearned finance income	(783)	-	(805)	-
Present value of minimum lease payments	496	496	410	410

Operating lease agreements consist mainly of short-term contracts for the lease of the Group's trading space and catering areas. Lessees are selected based on the results of tenders. Contracts with the selected lessees are signed for a term of less than one year, and contain an automatic extension clause. The contracts are automatically extended for the subsequent period, unless one of the parties exercises, in due time, its option not to extend the rental period. The lessees do not have an option to purchase the property at the end of the lease period.

Total income from operating lease arrangements is presented in Note 6 as rental income. Rental income includes rentals contingent on passenger traffic volume and shops' turnover of RUB 1,650 million and RUB 4,304 million for the years ended 31 December 2020 and 2019, respectively, and rental income from investment properties in the amount of RUB 275 million and RUB 348 million for the years ended 31 December 2020 and 2019, respectively.

The Group as a lessee

In May 1998 the Group entered into lease arrangement with FGUP "Administration of the Airport Domodedovo" (a state-owned enterprise) for the use of the airport's runways, aprons, taxiways and related equipment for a term of 75 years (the "75-year Lease"). The Group also leases the land on which the airfield is located from the Federal Air Transportation Agency. The term of the lease of land is 49 years from the inception of lease agreement in May 1998.

The most recent revision of the 75-year Lease took place in 2019 and is effective from 1 January 2019. The Group is now required to make monthly payments for the right to use the assets during the remaining term of the agreement based on specific methodology issued by the Russian Government in December 2017. Under this methodology the total amount of annual payments depends on average passengers and cargo volumes for the last three years adjusted for multiplier specified in this additional agreement and investments deflator confirmed by the Ministry of Economic Development of the Russian Federation, subject to a minimum annual payment of RUB 1.5 million. In respect to this lease arrangement, the Group recognized a right-of-use asset and a corresponding lease liability.

During the period ended 31 December 2020, the Group has successfully negotiated with the lessor a deferral of June-September 2020 payments under the 75-year Lease to May-December 2021.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (Amounts in millions of Russian Rubles)

In September 2019, the Group entered into lease arrangement with LLC "RB LIZING" for the use of the equipment relating to the Data Storage System for a term of 4 years. The Group has negotiated with LLC "RB LIZING" to postpone payments from July and October 2020 to January, April, July and October 2021 by equal parts.

In October and December 2020, the Group entered into lease arrangements with LLC "RB LIZING" for the use of the equipment relating to Media Facades for a term of 4 years.

In respect to these lease arrangements, the Group recognized a right-of-use asset and a corresponding lease liability.

All modifications were accounted under IFRS 16 and had no significant effect on the Group's financial position, but alleviated the cash flows requirements of the Group during the period.

The Group also leases buildings, certain items of movable property and land, and is subject to lease payments which could be modified by the lessor from time to time and which are treated as variable lease payments not dependent on an index or rate under IFRS 16. Total lease expense in respect of such leases is reported in Note 7 as 'Rent'.

15. INVENTORY

	31 December 2020	31 December 2019
Spare parts	724	637
Supplies	425	522
Raw materials	359	329
Jet fuel	358	363
Other inventory	119	219
Total inventory	1,985	2,070

16. TRADE AND OTHER RECEIVABLES

	Outstanding balance, gross	Allowance for expected credit losses	Outstanding balance, net
31 December 2020			
Trade receivables	763	(135)	628
Other receivables	604	(215)	389
Total non-current trade and other receivables (Note 25)	1,367	(350)	1,017
Trade receivables	3,499	(1,722)	1,777
Other receivables	267	(104)	163
Total current trade and other receivables	3,766	(1,826)	1,940
Total	5,133	(2,176)	2,957
31 December 2019			
Trade receivables	4,173	(1,632)	2,541
Other receivables	837	(149)	688
Total	5,010	(1,781)	3,229

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (Amounts in millions of Russian Rubles)

The average credit period for the Group's receivables (other than sales carried out on a prepayment basis) is 54 days (2019: 32 days).

Included in the Group's total trade and other receivables are debtors with carrying amounts of RUB 1,311 million and RUB 1,068 million as of 31 December 2020 and 2019, respectively, which are past due at the respective reporting date and which the Group considers to be recoverable (i.e. not impaired). The Group does not hold any collateral over these outstanding balances.

Analysis of trade and other receivables by quantity of days overdue is as follows:

31 December 2020	Trade and other receivables – past due				Credit -impaired	Total
	Not passed due	less than 90 days	90-180 days	more than 180 days		
Trade and other receivables	1,783	391	169	907	1,883	5,133
Allowance for expected credit losses	(137)	(26)	(14)	(116)	(1,883)	(2,176)
						2,957

31 December 2019	Trade and other receivables – past due				Credit -impaired	Total
	Not passed due	less than 90 days	90-180 days	more than 180 days		
Trade and other receivables	2,206	484	105	512	1,703	5,010
Allowance for impairment	(45)	(6)	(20)	(7)	(1,703)	(1,781)
						3,229

The movement in the impairment allowance on trade and other receivables is as follows:

	31 December 2020	31 December 2019
Balance at the beginning of the year	(1,781)	(1,834)
Additional allowance recognized in the current year (Note 5)	(362)	(16)
Release of allowance	9	62
Use of allowance	1	2
Foreign exchange gains and losses	(43)	5
Balance at the end of the year	(2,176)	(1,781)

In determining the recoverability of trade and other receivables the Group considers any change in the credit quality of trade and other receivables from the date credit was initially granted up to the reporting date. Details about concentration of credit risk and related risk management activities are provided in Note 27.

17. PREPAYMENTS AND OTHER CURRENT ASSETS

	31 December 2020	31 December 2019
VAT receivable	1,621	2,603
Advances to suppliers, net of impairment	345	740
Taxes receivable other than income tax and VAT receivable	356	142
Other current assets	64	117
Total prepayments and other current assets	2,386	3,602

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (Amounts in millions of Russian Rubles)

The movement in the allowance for impairment is as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Balance at the beginning of the year	(4)	(6)
Additional allowance recognized in the current year	(114)	(2)
Release of allowance	-	4
Balance at the end of the year	<u>(118)</u>	<u>(4)</u>

In determining the recoverability of advances to suppliers the Group considers any change in the credit quality of advances to suppliers from the date credit was initially granted up to the reporting date. Details about concentration of credit risk and related risk management activities are provided in Note 27.

18. CASH AND CASH EQUIVALENTS

	<u>31 December 2020</u>	<u>31 December 2019</u>
USD-denominated current account balances with banks	6,574	1,088
Russian Ruble-denominated cash on hand and balances with banks	719	656
EUR-denominated balances with banks	365	160
USD-denominated short-term bank deposits	-	3,104
Allowance for expected credit losses	-	(5)
Total cash and cash equivalents	<u>7,658</u>	<u>5,003</u>

19. EQUITY

Share capital and dividends

Authorized and issued capital as of 31 December 2020 and 31 December 2019 comprises 304,831,519 ordinary shares with par value EUR 1, of which 274,348,367 represent Class A shares and 30,483,152 represent Class B shares. Class A and Class B shares have equal voting rights on liquidation of DME Limited, while Class A shares confer on their holder the exclusive right to receive distributions by way of dividend or return of capital.

There have been no changes in the share capital of the Company during the period.

During the year ended 31 December 2020 dividends of USD 6.5 million (RUB 506 million at the Central Bank of Russia exchange rate as at the declaration date) were declared, out of which RUB 477 million were paid to the shareholders of the Group.

Additionally, the Group paid USD 0.5 million and EUR 13.9 million (total of RUB 1,070 million at the Central Bank of Russia exchange rate as at the payment date) of dividends declared prior to 1 January 2020.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (Amounts in millions of Russian Rubles)

During the year ended 31 December 2019 dividends of USD 84.6 million (RUB 5,385 million at the Central Bank of Russia exchange rate as at the declaration date) were declared, out of which EUR 24.7 million and USD 2.8 million (RUB 1,949 million at the Central Bank of Russia exchange rate as at the payment date) were paid to the shareholders of the Group.

Additionally, the Group paid USD 28.6 million and EUR 14.9 million (total of RUB 2,948 million at the Central Bank of Russia exchange rate as at the payment date) and RUB 7.6 million of dividends declared prior to 1 January 2019.

As of 31 December 2020 the remaining balance of dividends payable is RUB 2,634 million (as of 31 December 2019: RUB 3,169 million).

Retained earnings – In accordance with statutory legislation, dividends may only be declared to the shareholders of the Group from accumulated undistributed and unreserved earnings as shown in the Group’s individual companies’ statutory financial statements. As at 31 December 2020 and 2019 such earnings amounted to RUB 12,783 million and RUB 23,630 million, respectively.

20. DEBT SECURITIES

	Effective interest rate, %	31 December 2020	31 December 2019
Five-year USD loan participation notes issued in 2016 (the “2021 LPNs”) ⁽ⁱ⁾	6.31%	25,976	21,674
Five-year USD loan participation notes issued in 2018 (the “2023 LPNs”) ⁽ⁱⁱ⁾	5.46%	22,461	18,749
Five-year RUB debt securities issued in 2017 ⁽ⁱⁱⁱ⁾	8.32%	10,013	10,004
Three-year RUB debt securities issued in 2019 ^(iv)	9.01%	4,996	4,991
Total		63,446	55,418
Less: current portion due within twelve months, including accrued interest, and presented as short- term portion		(26,622)	(774)
Long-term portion of debt securities		36,824	54,644

(i) In November 2016 the Group issued non-convertible five-year loan participation notes for the total amount of USD 350 million (RUB 22,362 million at the Central Bank of Russia exchange rate as at the inception date) on the Irish Stock Exchange. The annual coupon rate of the 2021 LPNs is 5.875% with interest being paid semi-annually. The 2021 LPNs are guaranteed by certain entities of the Group. The 2021 LPNs mature in November 2021.

(ii) In February 2018 the Group issued non-convertible five-year loan participation notes for the total amount of USD 300 million (RUB 17,277 million at the Central Bank of Russia exchange rate as at the inception date) on the Irish Stock Exchange. The annual coupon rate of the 2023 LPNs is 5.075% with interest being paid semi-annually. The 2023 LPNs are guaranteed by certain entities of the Group. The 2023 LPNs mature in November 2023.

(iii) In December 2017 the Group issued non-convertible five-year debt securities for the total amount of RUB 10,000 million on the Moscow Stock Exchange. The annual coupon rate of the debt securities is 8.1% with interest being paid semi-annually. The debt securities mature in December 2022.

(iv) In July 2019 the Group issued non-convertible three-year debt securities for the total amount of RUB 5,000 million on the Moscow Stock Exchange. Net proceeds from the issuance, after the deduction of related offering costs, amounted to RUB 4,991 million. The annual coupon rate of the debt securities is 8.65% with interest being paid semi-annually. The debt securities mature in June 2022.

The table in Note 21 details changes in the Group’s financial liabilities, including both cash and non-cash changes.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (Amounts in millions of Russian Rubles)

Covenants

In accordance with the terms of the 2021 and 2023 LPNs, the Group is subject to certain covenants, which are calculated semi-annually on the basis of the consolidated financial statements of the Group, prepared in accordance with IFRS. Such financial covenants mainly consist of limitations on the Consolidated Net Debt to Consolidated EBITDA ratio, Consolidated Equity to Consolidated Total Assets ratio and Obligor Cover ratios.

As of 31 December 2020, the Group exceeded the Consolidated Net Debt to Consolidated EBITDA covenant which lead to additional financial restrictions being placed on the Group, including its ability to attract new borrowings, until this exceed is fully rectified.

21. LOANS AND OVERDRAFTS

	Effective interest rate, %	31 December 2020	31 December 2019
Loan from ING Bank ⁽ⁱ⁾	3.74%	2,438	2,366
Loan from Raiffeisen Bank ⁽ⁱⁱ⁾	8.15-8.60%	999	-
Overdraft from Rosbank ⁽ⁱⁱⁱ⁾	7.57%	750	296
Loan from Raiffeisen Bank AG ^(iv)	6.34%	607	629
Non-revolving loans from Rosbank ^(v)	8%	560	-
Total		5,354	3,291
Less: current portion due within twelve months, including accrued interest, and presented as short- term loans and overdrafts		<u>(3,946)</u>	<u>(1,619)</u>
Long-term loans and overdrafts		<u>1,408</u>	<u>1,672</u>

- (i) In May 2017 the Group entered into a EUR-denominated eight-year loan facility agreement for the total amount of EUR 59 million (RUB 4,102 million at the Central Bank of Russia exchange rate ruling at the inception date) provided by International Netherlands Group N.V. Bank ("ING Bank") at a variable rate of EURIBOR +1.2% to finance the installation of a baggage handling system in the new segment of Terminal 2. As of 31 December 2020 the undrawn amount of the loan facility was EUR 9.85 million.
- (ii) In May and August 2020 the Group borrowed RUB 499 million and RUB 500 million respectively from JSC Raiffeisen Bank ("Raiffeisen Bank") to refinance its liability under a letter of credit arrangement. These amounts are due payable in March and June 2021. Interest is payable at a rate of 8.6% and 8.15% per annum respectively.
- (iii) In March 2019 the Group entered into overdraft agreement with Rosbank for borrowing of EUR, USD or RUB denominated funds up to the total overdraft limit of RUB 500 million. The interest is payable on a monthly basis and set by the bank for each tranche subject to a ceiling of 14% per annum. As of 31 December 2020 the interest rate was 6.58% per annum. Each tranche is repayable within 180 days of receipt. In February 2020 overdraft limit was extended to RUB 800 million.
- (iv) In September 2015 the Group entered into a EUR-denominated five-year loan facility agreement for a total amount of EUR 38 million (RUB 2,914 million at the Central Bank of Russia exchange rate as at the inception date) provided by Raiffeisen Bank International AG ("Raiffeisen Bank AG") to finance design and construction of a parking terminal PM-2.1. The loan is guaranteed by certain Group companies and is at fixed rate of 5% per annum. The Group has agreed with Raiffeisen Bank AG to postpone debt payments from May and August 2020 to February and May 2021 respectively.
- (v) In July 2020 within the framework of the state support for the industries most negatively affected by the Covid-19 pandemic the Group has entered into the non-revolving credit facility agreements with public joint-stock company ROSBANK ("Rosbank") for total amount of RUB 567 million maturing in April-June 2021 and paying interest at 2% (pursuant to the Russian Government Resolution No. 696). The loan is recognized at its fair value with interest rate 8%.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (Amounts in millions of Russian Rubles)

	31 December 2019	Financing cash flows (i)	Non-cash flow changes			31 December 2020
			Exchange rate changes	Accrual of interest expense	Other changes (ii)	
Debt securities	55,418	(3,857)	7,777	4,108	-	63,446
Loans and overdrafts	3,291	953	903	244	(37)	5,354
Dividends payable	3,169	(1,547)	506	-	506	2,634
Lease liability	243	(57)	-	19	78	283
	62,121	(4,508)	9,186	4,371	547	71,717

- (i) The cash flows from bank loans and debt securities represents the net amount of proceeds from borrowings and repayments of borrowings in the consolidated statement of cash flows.
- (ii) Other changes mainly represent the dividends declaration and new lease arrangements

Covenants

In accordance with the terms of the loan facility agreements with ING Bank, Raiffeisen Bank AG, Raiffeisen Bank and overdraft from Rosbank the Group is subject to certain covenants, which are calculated on the basis of consolidated financial statements of the Group, prepared in accordance with IFRS. Such financial covenants mainly consist of limitations on the Consolidated Total Debt to Consolidated EBITDA ratio, Consolidated Net Debt to Consolidated EBITDA ratio, Consolidated Equity to Consolidated Total Assets ratio and Obligor Cover ratios.

As of 31 December 2020, the Group exceeded the Consolidated Net Debt to Consolidated EBITDA covenant under the loan agreements with ING Bank, Raiffeisen Bank AG, Raiffeisen Bank and overdraft agreement with Rosbank. Prior to the reporting date the Group received waivers from the banks confirming that the banks will not exercise their rights to demand early repayment of the loans. The Group was in compliance with other financial covenants as of 31 December 2020.

22. TRADE AND OTHER PAYABLES

	31 December 2020	31 December 2019
Amounts payable for the acquisition of property, plant and equipment	1,313	-
Total non-current financial liabilities	1,313	-
Amounts payable for the acquisition of property, plant and equipment	346	2,204
Rent deposits received	1,324	1,194
Trade payables	788	848
Letters of credit	102	1,679
Total current financial liabilities	2,560	5,925
Advances received	674	805
Total current non-financial liabilities	674	805
Total	4,547	6,730

Letters of credit are issued by the bank on behalf of the Group for settlements with construction subcontractors.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (Amounts in millions of Russian Rubles)

23. TAXES OTHER THAN INCOME TAX PAYABLE

	31 December 2020	31 December 2019
Value added tax (Note 1)	1,662	664
Social insurance tax (Note 1)	904	433
Property tax	28	12
Other taxes	14	25
Total taxes other than income tax payable	2,608	1,134

24. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	31 December 2020	31 December 2019
Accrued employee expenses	975	1,193
Other liabilities	166	306
Total accrued expenses and other current liabilities	1,141	1,499

Accrued employee expenses as of 31 December 2020 and 2019 comprised accrued salaries and bonuses of RUB 448 million and RUB 640 million, respectively, and an accrual for unused vacation of RUB 527 million and RUB 553 million, respectively.

25. TRANSACTIONS WITH RELATED PARTIES

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The following tables provide the total amount of transactions, which have been entered into with entities under common control during the years ended 31 December 2020 and 2019 as well as closing balances as of 31 December 2020 and 2019.

	Entities under common control	
	31 December 2020	31 December 2019
Advances for acquisition of non-current assets	986	124
Loans issued	405	324
Trade receivables	628	-
Other receivables	389	-
Total non-current assets	2,408	448
Trade receivables	-	399
Other receivables	110	524
Total current assets	110	923
Trade payables	55	1
Other payables	17	8
Total current liabilities	72	9

Expected credit losses were recognized for trade and other receivables in amount of RUB 350 million and RUB 81 million as of 31 December 2020 and 2019 respectively.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (Amounts in millions of Russian Rubles)

Advances were made for acquisition of land plots during the years ended 31 December 2020.

The income and expense items with related parties for the years ended 30 December 2020 and 2019 were as follows:

	Entities under common control	
	2020	2019
Sales to related parties	104	107
Purchases from related parties	111	125
Interest income	31	35

Compensation of key management personnel

Key management comprised 7 persons as at 31 December 2020 and 31 December 2019. Total gross compensation to those individuals was comprised of short-term employee benefits included in payroll and related charges in the consolidated profit or loss amounted to RUB 98 million (including social insurance tax of RUB 15 million) and RUB 120 million (including social insurance tax of RUB 17 million) for the years ended 31 December 2020 and 31 December 2019, respectively. The outstanding balances due to key management personnel amounted to RUB 22 million and RUB 11 million as at 31 December 2020 and 31 December 2019, respectively, and comprised accrued salaries, bonuses, accrual for unused vacation and other monetary benefits.

26. CONTINGENCIES, COMMITMENTS AND OPERATING RISKS

The Group's contracted capital commitments, related to construction of passenger and cargo terminals and modernization of existing assets as of 31 December 2020 and 2019, consisted of the following:

	31 December 2020	31 December 2019
Reconstruction and expansion of passenger terminal	6,395	11,049
Reconstruction of fuel storage facilities	527	695
Reconstruction of office buildings	198	256
Construction of transport maintenance building	118	118
Construction of a canine center	70	72
Construction of multilevel parking	55	57
Reconstruction and expansion of cargo terminal	25	25
Other	237	242
Total capital commitments	7,625	12,514

Operating environment of the Group – Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. In March 2020 oil prices dropped for more than 40%, which resulted in immediate weakening of Russian against major currencies.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 *(Amounts in millions of Russian Rubles)*

Starting from 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. This led to reduced access of the Russian businesses to international capital markets.

The impact of further economic and political developments on future operations and financial position of the Group might be significant.

The government of the Russian Federation directly affects the Group's operations through regulation of certain operating activities of the airports in Russia. According to current Russian legislation, certain infrastructure items may not be privately owned and must remain federal property. With respect to the Group, which operates under a long-term lease arrangement (see Note 15), such infrastructure items include the airfield, runways, adjacent taxiways, apron and certain navigation equipment. The contractual agreement regulating the relationship between the government and lessee's of such infrastructure items in Russia may not be as detailed and comprehensive as the contractual agreements governing similar infrastructure assets in more developed economies. Terms of contractual agreements between the government and infrastructure lessees are not standardized, and may vary substantially from one arrangement to another. As laws and regulations evolve, develop or otherwise change in the future, the lease agreement between the Group and the government may change significantly.

In addition, because of its importance to the public, the airport attracts a significant amount of political attention. The Group is subject to a high level of scrutiny from public officials and may from time to time be subject to government reviews, public commentary and investigations. Furthermore, the overall legal environment for private business in the Russian Federation is such that there exists a possibility that government bodies and regulatory agencies may take differing views on whether or not a given private business has complied with the relevant laws and regulations. Effects of such non-compliance may vary from administrative penalties and fines to criminal prosecution. The Group's management believes that it has properly complied with all relevant regulations and applicable laws.

Taxation – Laws and regulations affecting business in the Russian Federation continue to change rapidly. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. Fiscal periods generally remain open to tax audit by the authorities in respect of taxes for three calendar years preceding the year of tax audit. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation was amended starting from January 2012 to introduce additional reporting and documentation requirements. The new legislation allows the tax authorities to impose additional tax liabilities in respect of certain transactions, including but not limited to transactions with related parties, if they consider transaction to be priced not at arm's length. As the practice of implementation of the new transfer pricing rules has not yet developed and wording of some clauses may have more than one interpretation, the impact of challenge of the Group's transfer pricing positions by the tax authorities cannot be reliably estimated.

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Starting 2015, the Russian “de-offshorization law” came into force introducing several new rules and concepts and amending others, which may have an impact on the Group’s tax obligations, including taxation of profit of controlled foreign companies, the concept of beneficial ownership and the broader rules for determining the tax residency of legal entities. According to these changes, the undistributed profits of the Group foreign subsidiaries, considered as controlled foreign companies, may result in an increase of the tax base of the controlling entities, and the benefits of enjoying reduced tax rates to the income paid to foreign entities under double tax treaties (“DTTs”) may come under additional scrutiny.

Current withholding tax and DTTs administration practice in Russia require foreign tax residents to demonstrate and substantiate with documents their beneficial ownership rights to the Russian-sourced income received in order to obtain a tax exemption or apply a reduced withholding tax rate under an applicable double tax treaty. The criteria to establish beneficial ownership rights are evolving with the development of court practice in Russia. Although the practice is still in its early stage of development, it is clear that in many cases foreign tax residents receiving income from Russian sources are disallowed DTTs benefits due to inability to confirm their beneficial ownership rights to the income received. The Group relies on the application of DTTs in its cross-border activities and treats its foreign tax resident companies as beneficial owners of the income received. As determination of the beneficial owner requires significant judgement and is frequently challenged by the tax authorities, the Group faces a risk of not being qualified to apply the DTTs. If crystalized, this risk would result in significantly increased withholding tax liabilities in Russia.

Management believes that it has provided adequately for tax liabilities based on its interpretations of tax legislation. Where uncertainty exists, the Group has accrued tax liabilities as management’s best estimate of the probable outflow of resources which will be required to settle such liabilities. However, the relevant authorities may have differing interpretations, and the effects on the consolidated financial statements could be significant. Management’s estimate of the possible exposure in relation the imposition of additional income tax and other taxes (e.g. VAT), including penalties and other charges, that is more than remote, but for which no liability is required to be recognized under IFRS is not disclosed as in the management’s view such disclosure may prejudice the Group’s position in any possible future dispute with the tax authorities.

Environmental matters – The enforcement of environmental regulation in the Russian Federation is continually evolving. The Group periodically evaluates its obligations under environmental regulations. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that the Group has met the government’s federal and regional requirements concerning environmental matters. Therefore, there are no significant liabilities for environmental damage or remediation.

Legal proceedings – During the year, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which management believes could have a material effect on the result of operations or financial position of the Group, other than those for which provision has been made in these consolidated financial statements.

Insurance – The Group’s insurance program is designed to cover a majority of risks inherent in airport operation without any substantial gaps in coverage. The main operational risks of the Group are covered by property damage policy and airport civil liability policy while other insurance contracts are designed to cover minor losses or to provide additional benefits for employees and to meet current legislation requirements without any major influence to airport business.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (Amounts in millions of Russian Rubles)

Property and civil liability of the Group are insured by well-known Russian insurance companies. The full coverage insurance value of property is RUB 7,449 million. Third party liability of DME Limited and its subsidiaries is insured for the amount of RUB 36,938 million.

27. RISK MANAGEMENT ACTIVITIES

The Group's senior management oversees the risk management process and ensures that appropriate policies and procedures are designed and implemented, and that financial risks are timely identified, measured and managed in accordance with approved policies. Such policies are summarized below.

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to the equity holder through the optimization of the debt and equity balance. The capital structure of the Group consists of borrowings, including debt securities, loans and overdrafts, lease liability and equity, consisting of share capital and retained earnings. Management of the Group regularly reviews its gearing ratio, calculated as proportion of net debt to equity, to ensure that it is in line with the Group's adopted policy on debt management. During 2019 the Group complied with all external capital requirements.

Major categories of financial instruments

The Group's financial assets include bank deposits and loans issued, finance lease receivable, trade and other receivables and cash and cash equivalents.

	31 December 2020	31 December 2019
Financial assets at amortized cost		
Cash and cash equivalents	7,658	5,003
Trade and other receivables	2,957	3,229
Finance lease receivable	496	410
Loans issued	405	324
Short-term investments	55	1,287
Restricted cash	2,150	1,649
Total financial assets at amortized cost	13,721	11,902

The Group's principal financial liabilities are trade and other payables, borrowings, debt securities. All financial liabilities are carried at amortized cost.

	31 December 2020	31 December 2019
Financial liabilities at amortized cost		
Debt securities	63,446	55,418
Trade and other payables	2,560	5,925
Long-term loans and overdrafts	1,408	1,672
Short-term loans and overdrafts	3,946	1,619
Lease liability	283	243
Total financial liabilities at amortized cost	71,643	64,877

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (Amounts in millions of Russian Rubles)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they fall due. The Group's liquidity position is carefully monitored and managed by the treasury function. Management controls current liquidity based on expected cash flows and revenue receipts through establishing and maintaining a cash fund sufficient to cover its contractual obligations for the period of three to six upcoming months. Such funds are normally kept as highly liquid short-term bank deposits or on current bank accounts, and are available on demand. In addition, the Group's policy is to continually maintain a diversified portfolio of open credit lines with reputable banks, which serve to secure for the Group a stable ad hoc borrowing capability.

The Group has both interest bearing and non-interest bearing financial liabilities. The interest bearing liabilities consist of lease liability, loans and overdrafts, the debt securities. The non-interest bearing liabilities include trade and other payables, accrued expenses and other current liabilities.

The following tables detail the Group's remaining contractual maturity for financial liabilities. The tables have been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Effective interest rate, %	Less than 1 month	1-3 months	3 months- 1 year	1-5 years	Over 5 years	Total
31 December 2020							
Non-interest bearing liabilities		927	251	1,608	1,271	42	4,099
Debt securities, loans and overdrafts	3.74%-9.01%	1,341	2,037	31,335	40,605	-	75,318
Lease liability	9.9%-12.33%	29	3	98	188	71	389
Total		2,297	2,291	33,041	42,064	113	79,806
31 December 2019							
Non-interest bearing liabilities		3,300	694	2,148	49	-	6,191
Debt securities, loans and overdrafts	3.42%-9.01%	350	712	4,878	64,552	293	70,785
Lease liability	9.9%-10.73%	19	19	41	199	73	351
Total		3,669	1,425	7,067	64,800	366	77,327

The following tables detail the Group's expected maturity for its financial assets, except for cash and cash equivalents. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets, including interest that will be earned on those.

	Effective interest rate, %	Less than 1 month	1-3 months	3 months- 1 year	1-5 years	Over 5 years	Total
31 December 2020							
Accounts receivable		1,827	108	5	1,017	-	2,957
Loans issued	5%	-	-	-	456	-	456
Short-term investments	7%-11%	45	-	10	-	-	55
Finance lease receivable	45%	21	41	186	990	41	1,279
Total		1,893	149	201	2,463	41	4,747
31 December 2019							
Accounts receivable		2,561	268	400	-	-	3,229
Loans issued	5-7%	-	-	-	365	-	365
Short-term investments	1.54%-11%	37	1,240	10	-	-	1,287
Finance lease receivable	45%	16	33	148	788	230	1,215
Total		2,614	1,541	558	1,153	230	6,096

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (Amounts in millions of Russian Rubles)

Currency risk

Currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group has export revenue and purchases third-party services, which are denominated in foreign currencies. Certain receivable and payable balances, related primarily to settlements with customers and suppliers and most of borrowings of the Group are denominated in currencies other than the Russian Ruble, the functional currency of the Company and most of the subsidiaries of the Group.

Currency risk is regularly assessed and managed by Financial Assets Management department. The Group's foreign currency position for net current assets is evaluated daily. The consolidated foreign currency position of all of the Group's assets and liabilities is assessed quarterly. The Group mitigates potential negative impact of exchange rate movements primarily through aiming to maintain a balanced structure of foreign currency assets and liabilities. Available cash and cash equivalents are the key instrument used by management to correct an imbalanced foreign currency position. Management also continually monitors market trends in order to appropriately adjust the Group's contractual payment terms to take advantage of favorable changes in exchange rates.

For the year ended 31 December 2020 the Russian Ruble depreciated against the US Dollar and EURO by 19%, 31%, respectively (appreciated against the US Dollar, EURO by 11%, 13% for the year ended 31 December 2019). The Group does not have or use any arrangements (i.e. derivatives) to manage foreign currency risk exposure.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities as at the reporting date are as follows:

	Denominated in USD		Denominated in EUR	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Assets				
Cash and cash equivalents	6,574	4,189	365	160
Trade and other receivables	754	1,036	168	129
Loans issued	405	324	-	-
Short-term investments	12	1,241	-	-
Finance lease receivable	-	-	496	410
Restricted cash	1	1	2,124	1,624
Total assets	7,746	6,791	3,153	2,323
Liabilities				
Debt securities, loans and overdrafts	48,437	40,423	3,044	2,995
Trade and other payables	1,233	1,273	62	77
Total liabilities	49,670	41,696	3,106	3,072

DME LIMITED AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (Amounts in millions of Russian Rubles)

The table below details the Group's sensitivity to weakening of the Russian Ruble against the respective foreign currencies by 10%, all other variables being held constant. The analysis was applied to monetary items at the reporting dates denominated in respective currencies.

	USD – impact		EUR – impact	
	2020	2019	2020	2019
Loss/ (gain)	4,192	3,523	(5)	72

The strengthening of the Russian Ruble in relation to the same currencies by the same percentage will produce an equal and opposite effect on the consolidated financial statements of the Group to that shown above.

Interest rate risk

Interest rate risk is the risk that movement in interest rates for borrowed funds will have an adverse effect on the Group's financial performance.

Management carefully monitors changes in interest rates and takes steps to mitigate interest rate risk through careful evaluation of contractual terms for new borrowings, as well as continued improvement of its existing debt portfolio. In assessing the quality of its debt portfolio the Group aims to maintain mainly fixed interest rate instruments, and to ensure that contractual terms for the borrowings provide for minimal or no early repayment fees, an option to negotiate a decrease in interest rates and an inability of a credit institution to unilaterally increase interest rates without prior notification and granting an early repayment option at no additional charge.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group does not hedge its credit risk.

The Group's exposure to credit risk arises primarily with respect to amounts held with the banks, lease receivables, loans issued and receivables in connection with aviation, auxiliary and commercial activities. Credit exposure is managed by establishing credit terms for the most significant customers that are reviewed and approved by management. Credit sales are offered only to foreign customers and most significant customers located within the Commonwealth of Independent States ("CIS") and the Russian Federation with proven credit history. Sales to other customers are made on a prepayment basis. The credit quality of the bank balances and loans issued is assessed by reference to external credit rating if available or to the working history of the counterparty with the Group.

The carrying amount of cash and cash equivalents, trade and other receivables, lease receivables, restricted cash and other financial assets, net of allowance for expected credit losses, represents the maximum amount exposed to credit risk (Notes 14, 16-18). Management believes that there is no significant risk of loss to the Group beyond the allowance already recorded.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (Amounts in millions of Russian Rubles)

As of 31 December 2020, 66% of the total net amount of trade and other receivables related to the eight largest counterparties of the Group (31 December 2019: 50%):

	31 December 2020		
	Outstanding balance, gross	Allowance for expected credit losses	Outstanding balance, net
S7	1,010	(14)	996
Transaero	880	(880)	-
Vim-avia	504	(504)	-
Quantico Limited	497	(115)	382
Forum-Invest	410	(123)	287
Plemzavod Yamskoy	199	(46)	153
Emirates	146	-	146
Armavia	127	(127)	-
Total	3,773	(1,809)	1,964

	31 December 2019		
	Outstanding balance, gross	Allowance for expected credit losses	Outstanding balance, net
Transaero	880	(880)	-
S7	724	(5)	719
Vim-avia	504	(504)	-
Forum-Invest	380	(114)	266
DUFY east	218	(4)	214
Quantico Limited	184	(1)	183
Ural Airlines	125	(2)	123
Goskorporatsia po OrVD	115	(2)	113
Total	3,130	(1,512)	1,618

As of 31 December 2020, 99% of the total amount of amounts held with the banks related to three banks (31 December 2019: 97%). Bank deposits and cash balances placed with the largest banks as of 31 December 2020 and 2019 are as follows:

	Credit rating	Rating Agency	31 December 2020	31 December 2019
Credit Suisse AG	A	Fitch	4,556	4,103
Raiffeisen Bank International AG.				
Austria	A -	S&P	1,878	204
Rosbank	BBB	Fitch	1,140	507
OVERSEA CHINESE BANKING CORPORATION LIMITED	AA -	Fitch	-	12
Total			7,574	4,826

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 (Amounts in millions of Russian Rubles)

Fair value of financial instruments

According to the accounting policy the Group uses the following hierarchy to determine and disclose fair value of financial instruments:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

With the exception of listed debt securities of the Group for which fair value is determined with reference to the market prices (Level 1), all other financial assets and financial liabilities classified within Level 2 category of the above hierarchy. Except as detailed in the following table management of the Group believes that the carrying value of financial instruments approximates their fair value. The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. Management has used all available market information in estimating the fair value of financial instruments. Certain financial instruments, such as available-for-sale bonds were excluded from fair value analysis either due to their insignificance or due to the fact that the assets were acquired or liabilities incurred close to the reporting dates and management believes that their carrying value either approximates their fair value, or may not significantly differ from each other.

Fair value of financial assets and liabilities

Financial assets	31 December 2020		31 December 2019	
	Fair value	Carrying value	Fair value	Carrying value
Loan issued	375	405	314	324
Total	375	405	314	324
Financial liabilities				
2021 LPNs (Note 20)	26,204	25,976	22,226	21,674
2023 LPNs (Note 20)	22,463	22,461	18,864	18,749
Five-year RUB debt securities issued in 2017 (Note 20)	9,880	10,013	9,814	10,004
Three-year RUB debt securities issued in 2019 (Note 20)	5,000	4,996	4,993	4,991
Loan from ING Bank (Note 21)	2,468	2,438	3,085	2,366
Loan from Raiffeisen bank AG (Note 21)	534	607	636	629
Loan from Raiffeisen bank (Note 21)	999	999	-	-
Non-revolving loans from Rosbank (Note 21)	560	560	-	-
Overdraft from Rosbank (Note 21)	750	750	297	296
Total	68,858	68,800	59,915	58,709

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020 *(Amounts in millions of Russian Rubles)*

28. SUBSEQUENT EVENTS

Issue of loan participation notes – In February 2021 the Group issued non-convertible seven-year loan participation notes (the “2028 LPNs”) for the total amount of USD 453 million (RUB 33,640 million at the Central Bank of Russia exchange rate as at the inception date) on the Irish Stock Exchange. Net proceeds from the issuance, after the deduction of related offering costs, amounted to USD 449.5 million (RUB 33,762 million at the Central Bank of Russia exchange rate as at the inception date). The annual coupon rate of the 2028 LPNs is 5.35% with interest being paid semi-annually. The Group used net proceeds from the issuance for refinancing the 2021 LPNs and partial redemption (USD 95.3 million) of 2023 LPNs. The 2028 LPNs are guaranteed by certain entities of the Group. The financial covenants set under the terms of the 2028 LPNs are consistent with 2021 and 2023 LPNs terms.

Dividends – During period from January to May 2021, dividends of USD 3.6 million (total of RUB 270.4 million at the Central Bank of Russia exchange rate as at the declaration date) were declared and EUR 15.7 million and USD 0.8 million (total of RUB 1,476 million at the Central Bank of Russia exchange rate as at the payment date) were paid to the shareholders of the Group.

COVID-19 update – Since February 2021 the relevant authorities have been reintroducing certain restrictions in seeking to control the spread of the pandemic and emergence of new more virulent versions of the virus, including those in the UK, South Africa and India. In particular, in January – May 2021, the UK, Belgium, Austria, France, Germany, Italy and certain other countries introduced a new set of lockdown measures amid increases in the number of COVID-19 cases. Furthermore, in April, Russia suspended flights to/from Turkey to stem the transmission of COVID-19. However, despite these recent spikes of COVID-19 cases, the Russian governmental authorities have not so far refrained from reintroducing the more severe restrictions experienced in other countries such as full or partial lockdowns or any further travel bans, in May 2021, flights to Greece, Spain are restored. Moreover, a number of countries including Russia have started mass vaccination campaigns using a variety of recently developed vaccines against COVID-19, which are intended to decrease the spread of the virus.

However, should the current growth rate of COVID-19 cases continue, it could lead to new extensive restrictions being introduced in Russia and elsewhere, including further restrictions affecting air travel, and therefore the eventual magnitude of the impact of the COVID-19 pandemic on the Group's business remains unpredictable.

Letters of credit – In March 2021 the Group fulfilled its obligations under the letter of credit in a total amount of RUB 102 million.

Loan from Raiffeisen bank – In March 2021 the Group fulfilled its obligations in the amount of RUB 499 million.

Non-revolving credit facility agreements with Rosbank – In April 2021 the Group's obligation to repay the outstanding principle amount of the debt under non-revolving credit facility agreements with Rosbank was fully cancelled in accordance with the terms of government sponsored COVID-19 program.