

DME LIMITED and subsidiaries

Interim Condensed Consolidated
Financial Information
for the Six-month Period Ended
30 June 2021 (unaudited)

DME LIMITED AND SUBSIDIARIES

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DME LIMITED AND SUBSIDIARIES

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021

Management is responsible for the preparation of the interim condensed consolidated financial information that presents the financial position of DME Limited (the "Company") and its subsidiaries (the "Group") as of 30 June 2021 and the consolidated results of their operations, cash flows and changes in equity for the six-month period then ended, in compliance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

In preparing the interim condensed consolidated financial information, 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;
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

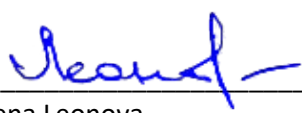
- Designing, implementing and maintaining an effective system of internal controls throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the interim condensed consolidated financial information of the Group complies with IAS 34;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the companies of the Group operate;
- Taking such steps that are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The interim condensed consolidated financial information for the six-month period ended 30 June 2021 was approved by management on 15 October 2021.

On behalf of management:



Viktor Ponomarenko
Chief Executive Officer



Elena Leonova
Chief Financial Officer

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To: Shareholders of DME Limited

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of DME Limited and its subsidiaries as of 30 June 2021, and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months then ended, and selected explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

AO Deloitte & Touche CIS


15 October 2021

DME LIMITED AND SUBSIDIARIES

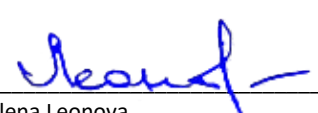
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (UNAUDITED) *(Amounts in millions of Russian Rubles)*

	Notes	2021	2020
Revenue	4	13,743	9,655
Operating expenses	5	(10,895)	(8,916)
Operating profit		2,848	739
Finance cost	6	(2,519)	(1,118)
Interest income		127	138
Foreign exchange gain/ (loss), net		828	(4,637)
Profit/ (loss) before income tax		1,284	(4,878)
Income tax	7	(232)	426
Profit/ (loss) and comprehensive income/ (loss) for the period		1,052	(4,452)
Profit/ (loss) and comprehensive income/ (loss) for the period attributable to:			
Owners of the Company		1,039	(4,493)
Non-controlling interests		13	41
		1,052	(4,452)

On behalf of management:


Viktor Ponomarenko
Chief Executive Officer

15 October 2021


Elena Leonova
Chief Financial Officer

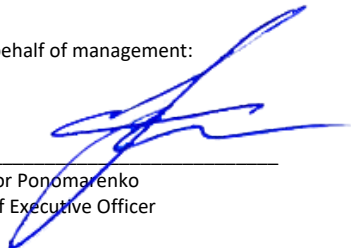
The accompanying notes form an integral part of this interim condensed consolidated financial information.

DME LIMITED AND SUBSIDIARIES

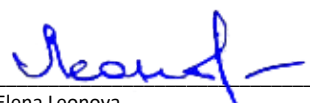
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2021 (UNAUDITED) (Amounts in millions of Russian Rubles)

	Notes	30 June 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	8	100,949	101,201
Advances for acquisition of non-current assets	8	846	1,043
Investment property	9	669	686
Right-of-use assets		310	264
Intangible assets		1,290	1,421
Deferred tax asset		3,025	2,720
Loans issued		406	405
Finance lease receivable	10	271	299
Trade and other receivables	11	1,184	1,017
Other non-current assets	13	2,151	2,196
Total non-current assets		111,101	111,252
Current assets			
Inventory	14	1,848	1,985
Trade and other receivables	11	2,605	1,940
Prepayments and other current assets	12	1,971	2,386
Prepaid current income tax		246	316
Finance lease receivable	10	187	197
Short-term bank deposits and other financial instruments		56	55
Cash and cash equivalents	15	4,884	7,658
Total current assets		11,797	14,537
TOTAL ASSETS		122,898	125,789
EQUITY AND LIABILITIES			
Equity			
Share capital	16	11,877	11,877
Retained earnings	16	26,664	25,895
Equity attributable to the owners of the Company		38,541	37,772
Non-controlling interests		(125)	(138)
Total equity		38,416	37,634
Non-current liabilities			
Deferred tax liability		6,861	6,688
Lease liability		126	150
Debt securities	17	62,007	36,824
Loans and overdrafts	17	971	1,408
Trade and other payables	18	352	1,313
Total non-current liabilities		70,317	46,383
Current liabilities			
Trade and other payables	18	4,461	3,234
Current income tax payable		1,356	1,399
Taxes other than income tax payable	19	2,451	2,608
Dividends payable	16	986	2,634
Lease liability		207	133
Accrued expenses and other current liabilities	20	1,940	1,141
Loans and overdrafts	17	1,385	3,946
Debt securities	17	1,379	26,622
Provisions		-	55
Total current liabilities		14,165	41,772
TOTAL EQUITY AND LIABILITIES		122,898	125,789

On behalf of management:


Viktor Ponomarenko
Chief Executive Officer

15 October 2021


Elena Leonova
Chief Financial Officer


The accompanying notes form an integral part of this interim condensed consolidated financial information.

DME LIMITED AND SUBSIDIARIES

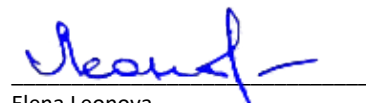
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (UNAUDITED) (Amounts in millions of Russian Rubles)

	2021	2020
Cash flows from operating activities:		
Profit/ (loss) before income tax	1,284	(4,878)
Adjustments for:		
Depreciation and amortization	2,433	2,568
Change in allowance for impairment of accounts receivable, advances to suppliers and advances for acquisition of non-current assets	8	230
Interest income	(127)	(138)
Finance cost	2,519	1,118
Foreign exchange (gain)/ loss, net	(828)	4,637
Income obtained under government sponsored COVID-19 program	(569)	-
Other non-cash items	292	88
Net cash from operating activities before working capital changes	5,012	3,625
Decrease in inventory	20	166
Increase in trade and other receivables	(793)	(692)
Decrease in prepayments and other current assets	251	719
Increase in trade and other payables	129	17
Decrease in provisions	(55)	-
Decrease in taxes other than income tax payable	(167)	(35)
Increase/ (decrease) in accrued expenses and other current liabilities	661	(338)
Net cash from operating activities before income tax	5,058	3,462
Income tax (paid)/ received	(321)	4
Net cash provided by operating activities	4,737	3,466
Cash flows from investing activities:		
Purchases of property, plant and equipment	(1,204)	(2,180)
Purchases of intangible and other non-current assets	(154)	(108)
Proceeds from disposal of property, plant and equipment	10	12
Cash received on expiry of bank deposits	-	1,483
Interest received	132	126
Net cash used in investing activities	(1,216)	(667)
Cash flows from financing activities:		
Proceeds from borrowings and debt securities	33,623	3,359
Repayments of borrowings and debt securities	(35,150)	(2,911)
Repayments of lease liabilities	(62)	(39)
Premium for early redemption paid	(603)	-
Interest paid	(1,564)	(1,933)
Dividends paid (Note 16)	(1,918)	(1,070)
Net cash used in financing activities	(5,674)	(2,594)
Net (decrease)/ increase in cash and cash equivalents	(2,153)	205
Cash and cash equivalents at the beginning of the period	7,658	5,003
Allowance for expected credit losses	-	(6)
Foreign exchange (loss)/ gain on cash and cash equivalents	(621)	598
Cash and cash equivalents at the end of the period (Note 15)	4,884	5,800

On behalf of management:


Viktor Ponomarenko
Chief Executive Officer

15 October 2021


Elena Leonova
Chief Financial Officer

The accompanying notes form an integral part of this interim condensed consolidated financial information.

DME LIMITED AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (UNAUDITED) (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 2020	11,877	35,617	47,494	(166)	47,328
Total comprehensive (loss)/ income for the period	-	(4,493)	(4,493)	41	(4,452)
Balance as of 30 June 2020	11,877	31,124	43,001	(125)	42,876
Balance as of 1 January 2021	11,877	25,895	37,772	(138)	37,634
Total comprehensive income for the period	-	1,039	1,039	13	1,052
Dividends (Note 16)	-	(270)	(270)	-	(270)
Balance as of 30 June 2021	11,877	26,664	38,541	(125)	38,416

On behalf of management:


Viktor Ponomarenko
Chief Executive Officer
15 October 2021


Elena Leonova
Chief Financial Officer

The accompanying notes form an integral part of this interim condensed consolidated financial information.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (UNAUDITED) *(Amounts in millions of Russian Rubles, unless otherwise stated below)*

1. NATURE OF THE BUSINESS

DME Limited (previously FML Limited, hereinafter the “Company”) is a limited liability company initially 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 management, 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 such as leasing of retail and advertising space, leasing of other commercial properties and car parking 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 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.

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

The interim condensed consolidated financial information of the Group for the six-month period ended 30 June 2021 was authorized for issue by management on 15 October 2021.

COVID-19

During six-month period ended 30 June 2021 Group's domestic traffic volumes and international flights continued to recover and increased by 69% compared with the same period of the prior year. Mass vaccination campaigns over the world are continued, 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. Consequently, the assumptions underlying management estimates and judgements made in preparation of this interim condensed consolidated financial information may need to be changed or reversed, resulting in material changes to the reported amounts.

The Group continues to implement the policy of reducing operating costs, improving contractual terms with key suppliers and providers of finance and takes other necessary measures.

As part of Russian government COVID-19 support program the Group was released from the obligation to repay the outstanding principle amount as discussed further in Note 5.

As a measure of additional support provided by the Russian government the Group continued to postpone tax payments up to 6 month (Note 19).

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (UNAUDITED) (CONTINUED) *(Amounts in millions of Russian Rubles, unless otherwise stated below)*

2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Statement of compliance

This financial information has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

This financial information does not include all the information and disclosures required in annual financial statements, and should be read in conjunction with the Group’s audited annual consolidated financial statements for 2020 prepared in accordance with International Financial Reporting Standards (“IFRS”).

Exchange rates for the main foreign currencies in which the Group transacts were as follows:

	<u>30 June 2021</u>	<u>31 December 2020</u>
Closing exchange rates		
Russian Ruble/USD	72.3723	73.8757
Russian Ruble/EUR	86.2026	90.6824
	<u>30 June 2021</u>	<u>30 June 2020</u>
Average exchange rates for the six months ended		
Russian Ruble/USD	74,27	69.13
Russian Ruble/EUR	89,54	76.19

Seasonality

The business of the Group is normally subject to significant seasonal fluctuations in its operations, such as a significant increase in passenger traffic in the summer months and September, typically peaking in August, and a decrease in passenger traffic in the first three months of the calendar year, typically reaching the lowest point in February. However, these normal seasonal trends have significantly been affected or overridden by the impact of COVID-19 as highlighted in this interim financial information.

Going concern

This consolidated interim financial information is prepared under the going concern basis of accounting, which implies the realization of assets and settlement of liabilities in the normal course of business.

As of 30 June 2021 the deficit of the working capital decreased by RUB 24,867 and comprised RUB 2,368 million, mainly due to the refinancing of the five-year loan participation notes issued in 2016 by issuing of non-convertible seven-year loan participation notes (the “2028 LPNs”) (Note 17).

Management updated its base case scenario of the cash flow forecast used in assessment of appropriateness of going concern assumption at the time of preparation of the annual consolidated financial statements for the year ended 31 December 2020 and concluded that the key assumptions underlying the forecast remain valid.

Therefore, based on current liquidity position, available unused credit facilities, level of cash flow from operating activities, continuing focus on cost containment, management has concluded that going concern assumption for a period not less than the next twelve months from the date of these interim condensed consolidated financial information remains appropriate.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (UNAUDITED) (CONTINUED) *(Amounts in millions of Russian Rubles, unless otherwise stated below)*

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual financial statements as of 31 December 2020 and for the year then ended, except as discussed below.

Income tax expense – Income tax expenses are recognized in interim periods based on the best accounting estimate of the weighted average annual income tax rate expected for the full financial year.

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.

IFRS and IFRIC interpretations adopted in the current year

During the six-month period, ended 30 June 2021 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 period ending 31 December 2021:

Standards and Interpretations

Conceptual Framework – Amendments to References to the Conceptual Framework in IFRS Standards
IFRS 9, IAS 39, IFRS 7, IFRS 4 (amendments) – *Interest Rate Benchmark Reform Phase 2*

These changes and improvements to the standards have not resulted in any significant changes to the financial statements of the Group. The Group does not apply the exemptions adopted by IFRS 16 (amendments).

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those disclosed in the Group's annual consolidated financial statements for 2020 prepared in accordance with IFRS.

4. 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 – includes aviation services, such as use of terminal, take-off and landing, and aviation security.

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

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (UNAUDITED) (CONTINUED) *(Amounts in millions of Russian Rubles, unless otherwise stated below)*

Commercial services – includes retail concessions and advertising, leasing of other commercial properties and car parking.

Segment information is prepared based on IFRS measures.

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 six-month period ended 30 June 2021 is presented below:

	Aviation services	Auxiliary aviation services	Commercial services	Inter-segment eliminations	Group
Ground handling	-	4,168	-	-	4,168
Airport and other related charges	3,130	-	-	-	3,130
Rental income	23	13	1,795	-	1,831
Jet fueling and storage services	-	1,169	-	-	1,169
Catering	-	1,135	-	-	1,135
Aviation security	958	-	-	-	958
Jet fuel sales	-	694	-	-	694
Parking fees	-	-	300	-	300
Other revenue	49	103	206	-	358
Third-party revenue	4,160	7,282	2,301	-	13,743
Intersegment revenue	1,189	178	614	(1,981)	-
Total revenue	5,349	7,460	2,915	(1,981)	13,743
Operating (loss)/ profit	(188)	1,809	1,227	-	2,848
Other segment information					
Depreciation and amortization	(1,343)	(723)	(367)	-	(2,433)

Below presented the reconciliation of the segments' operating profit to the Group's profit for the six-month period ended 30 June 2021:

Operating profit	2,848
Finance cost	(2,519)
Interest income	127
Foreign exchange gain, net	828
Profit before tax	1,284
Income tax	(232)
Profit for the period	1,052

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

The key financial information for the Group's segments for the six-month periods ended 30 June 2020 is presented below:

	Aviation services	Auxiliary aviation services	Commercial services	Inter-segment eliminations	Group
Ground handling	-	3,042	-	-	3,042
Airport and other related charges	2,070	-	-	-	2,070
Rental income	22	9	1,257	-	1,288
Jet fueling and storage services	-	860	-	-	860
Catering	-	792	-	-	792
Aviation security	637	-	-	-	637
Jet fuel sales	-	595	-	-	595
Parking fees	-	-	182	-	182
Other revenue	43	90	56	-	189
Third-party revenue	2,772	5,388	1,495	-	9,655
Intersegment revenue	985	218	781	(1,984)	-
Total revenue	3,757	5,606	2,276	(1,984)	9,655
Operating (loss)/ profit	(949)	1,094	594	-	739
Other segment information					
Depreciation and amortization	(1,365)	(831)	(372)	-	(2,568)

Below presented the reconciliation of the segments' operating profit to the Group's loss for the six-month period ended 30 June 2020:

Operating profit	739
Finance cost	(1,118)
Interest income	138
Foreign exchange loss, net	(4,637)
Loss before tax	(4,878)
Income tax	426
Loss for the period	(4,452)

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

	2021		2020	
	Amount	% of total revenue	Amount	% of total revenue
S7 Group	4,531	33%	2,714	28%
Auxiliary aviation services segment	2,802		1,731	
Aviation services segment	1,420		818	
Commercial services segment	309		165	
URAL AIRLINES	1,524	11%	848	9%
Auxiliary aviation services segment	900		495	
Aviation services segment	612		344	
Commercial services segment	12		9	

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

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (UNAUDITED) (CONTINUED) *(Amounts in millions of Russian Rubles, unless otherwise stated below)*

5. OPERATING EXPENSES

	<u>2021</u>	<u>2020</u>
Payroll and related charges:		
Wages and salaries	4,164	2,754
Social taxes	1,166	780
Depreciation and amortization	2,433	2,568
Materials	1,029	826
Cost of jet fuel	612	582
Maintenance	493	467
Cleaning and waste management	351	320
Public utilities	243	282
Rent	190	210
Consulting, audit and other services	148	322
Transport	115	139
Staff development and training	87	66
Taxes other than income tax	72	24
Communication services expense	41	17
Certification and licensing	32	25
Advertising expenses	24	20
Charity donations	15	35
Change in provision for impairment of receivables, advances to suppliers and advances for acquisition of non-current assets	8	230
Government subsidy	(569)	(1,139)
Other expenses	241	388
Total operating expenses	<u>10,895</u>	<u>8,916</u>

Other expenses include direct expenses arising from investment property of RUB 15 million and RUB 12 million for the six-month periods ended 30 June 2021 and 2020, respectively.

Rent expenses include variable lease payments that are not dependent on index or rate.

In April 2021 the Group was released from the obligation to repay the outstanding principle amount of the debt under non-revolving credit facility agreements with Rosbank in accordance with the terms and conditions of government sponsored COVID-19 program. Income from extinguishment of this debt amounting of RUB 569 million was recognized as government subsidy.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (UNAUDITED) (CONTINUED) *(Amounts in millions of Russian Rubles, unless otherwise stated below)*

6. FINANCE COST

	<u>2021</u>	<u>2020</u>
Interest expense on the LPNs (Note 17)	1,385	1,392
Interest expense on RUB debt securities (Note 17)	620	623
Interest expense on bank loans (Note 17)	87	100
Interest expense on lease liability (Note 17)	15	7
Total interest expense	<u>2,107</u>	<u>2,122</u>
Early redemption charge	603	-
Loss on LPNs modification due to early redemption	<u>130</u>	-
Less: capitalized interest (Note 8)	<u>(321)</u>	<u>(1,004)</u>
Total finance cost	<u>2,519</u>	<u>1,118</u>

7. INCOME TAX

Interim period income tax is accrued based on the estimated average annual effective income tax rate of 17.97% (2020: 8.73%).

	<u>2021</u>	<u>2020</u>
Current income expense	(364)	(121)
Deferred income tax benefit	<u>132</u>	<u>547</u>
Income tax	<u>(232)</u>	<u>426</u>

The increase in the estimated average annual effective tax rate for the six-month period ended 30 June 2021 is mostly attributable to non-taxable foreign exchange gains and losses recognized.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2021 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

8. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and equipment	Other	CIP	Total
Cost					
1 January 2020	89,277	13,491	1,573	24,859	129,200
Additions	699	2	7	1,539	2,247
Transfers	3,618	14	8	(3,640)	-
Disposals	-	(38)	(11)	(5)	(54)
Reclassified as investment property	(297)	-	-	-	(297)
30 June 2020	93,297	13,469	1,577	22,753	131,096
Additions	312	50	13	584	959
Transfers	212	367	16	(595)	-
Disposals	(9)	(251)	(15)	(19)	(294)
31 December 2020	93,812	13,635	1,591	22,723	131,761
Additions	61	108	10	1,695	1,874
Transfers	65	391	18	(474)	-
Disposals	(38)	(113)	(21)	(25)	(197)
30 June 2021	93,900	14,021	1,598	23,919	133,438
Accumulated depreciation					
1 January 2020	(15,699)	(9,635)	(1,231)	-	(26,565)
Depreciation charge	(1,539)	(553)	(69)	-	(2,161)
Disposals	-	38	10	-	48
Reclassified as investment property	146	-	-	-	146
30 June 2020	(17,092)	(10,150)	(1,290)	-	(28,532)
Depreciation charge	(1,596)	(620)	(69)	-	(2,285)
Disposals	3	240	14	-	257
31 December 2020	(18,685)	(10,530)	(1,345)	-	(30,560)
Depreciation charge	(1,524)	(508)	(54)	-	(2,086)
Disposals	24	112	21	-	157
30 June 2021	(20,185)	(10,926)	(1,378)	-	(32,489)
Net book value					
30 June 2020	76,205	3,319	287	22,753	102,564
31 December 2020	75,127	3,105	246	22,723	101,201
30 June 2021	73,715	3,095	220	23,919	100,949

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

“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.

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“Construction in-progress” (CIP) consists mainly of capital expenditures related to the construction of passenger terminal T-2, construction of baggage handling system at terminal T-2, reconstruction and extension of cargo terminal.

During the six-month periods ended 30 June 2021 and 2020 the Group capitalized borrowing costs of RUB 321 million and RUB 1,004 million, respectively.

The weighted average capitalization rate on borrowed funds was 6.8% and 6.6% per annum for the six-month periods ended 30 June 2021 and 2020, respectively.

As of 30 June 2021, no Group’s property, plant and equipment was pledged as collateral for the Group’s borrowings.

Advances for acquisition of non-current assets

As of 30 June 2021 and 31 December 2020 advances for acquisition of non-current assets in the amounts of RUB 846 million and RUB 1,043 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 accumulated impairment of advances for acquisition of non-current assets amounted to RUB 21 million as of 30 June 2021 (31 December 2020: RUB 27 million).

9. INVESTMENT PROPERTY

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

	<u>30 June 2021</u>	<u>31 December 2020</u>
Cost	1,115	1,115
Accumulated depreciation	<u>(446)</u>	<u>(429)</u>
Net book value	<u><u>669</u></u>	<u><u>686</u></u>

Fair value of the investment properties as of 30 June 2021 was RUB 4,547 million (RUB 3,770 million as of 31 December 2020) and has been arrived at on the basis of a valuation carried out at these dates 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, discounted at an estimated relevant rate (Level 3 category of fair value measurement).

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10. 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 5 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.

	30 June 2021		31 December 2020	
	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	235	187	248	197
Due after one year but not more than five years	863	271	990	295
Due after more than five years	-	-	41	4
Total gross / net investment in the lease	1,098	458	1,279	496
Less unearned finance income	(640)	-	(783)	-
Present value of minimum lease payments	458	458	496	496

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 4 as rental income. Rental income includes rentals contingent on passenger traffic volume and shops' turnover of RUB 1,110 million and RUB 718 million for the six-month periods ended 30 June 2021 and 2020, respectively, and rental income from investment properties in the amount of RUB 174 million and RUB 135 million for the six-month periods ended 30 June 2021 and 2020, respectively.

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.

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The most recent revision of the 75-year Lease took place in 2019 and is effective from 1 January 2019. The Group is 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.

In April and June 2021, the Group entered into lease arrangements with LLC "IBS Platformiks" for the use of data storage and server equipment. In respect to these lease arrangements, the Group recognized a right-of-use asset and a corresponding lease liability in the amount of RUB 99 million.

No modifications took place during the six month period ended 30 June 2021.

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 5 as 'Rent'.

11. TRADE AND OTHER RECEIVABLES

	Outstanding balance, gross	Allowance for expected credit losses	Outstanding balance, net
30 June 2021			
Trade receivables	872	(138)	734
Other receivables	663	(213)	450
Total non-current trade and other receivables (Note 22)	1,535	(351)	1,184
Trade receivables	4,212	(1,720)	2,492
Other receivables	226	(113)	113
Total current trade and other receivables	4,438	(1,833)	2,605
Total	5,973	(2,184)	3,789
31 December 2020			
Trade receivables	763	(135)	628
Other receivables	604	(215)	389
Total non-current trade and other receivables (Note 22)	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

The average credit period for the Group's receivables (other than sales carried out on a prepayment basis) is 44 days (2020: 54 days).

Included in the Group's total trade and other receivables are debtors with carrying amounts of RUB 1,544 million and RUB 1,311 million as of 30 June 2021 and 31 December 2020, respectively,

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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.

As of 30 June 2021 and 31 December 2020, the current trade receivables related to the largest customer is RUB 1,018 million and RUB 996 million respectively.

12. PREPAYMENTS AND OTHER CURRENT ASSETS

	<u>30 June 2021</u>	<u>31 December 2020</u>
VAT receivable	1,217	1,621
Advances to suppliers, net of impairment	369	345
Taxes receivable other than income tax and VAT receivable	288	356
Other current assets	97	64
Total	<u>1,971</u>	<u>2,386</u>

13. OTHER NON-CURRENT ASSETS

	<u>30 June 2021</u>	<u>31 December 2020</u>
Restricted cash in FBME bank, net of impairment loss recognized	2,045	2,150
Other non-current receivable	106	46
Other non-current assets	<u>2,151</u>	<u>2,196</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, FBME has sufficient solvent funds to honour 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 will be released, and the Group will 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. The total amount of lifetime expected credit losses recognized as of 30 June 2021 was RUB 682 million (as of 31 December 2020 – RUB 717 million). The change in the balance of expected credit losses during the period is primarily attributable to currency revaluation.

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14. INVENTORY

	<u>30 June 2021</u>	<u>31 December 2020</u>
Spare parts	772	723
Supplies	421	508
Raw materials	240	274
Jet fuel	262	341
Other inventory	153	139
Total inventory	<u>1,848</u>	<u>1,985</u>

15. CASH AND CASH EQUIVALENTS

	<u>30 June 2021</u>	<u>31 December 2020</u>
USD-denominated current account balances with banks	4,017	6,574
RUB-denominated cash on hand and balances with banks	834	719
EUR-denominated current account balances with banks	33	365
Total cash and cash equivalents	<u>4,884</u>	<u>7,658</u>

16. EQUITY

Share capital and dividends

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

During six-month period ended 30 June 2021 dividends of USD 3.6 million (RUB 270.4 million at the Central Bank of Russia exchange rate as at the declaration date) were declared. USD 2.0 million, EUR 19.4 million (RUB 1,898 million at the Central Bank of Russia exchange rate as at the payment date) and RUB 20 million of dividends declared prior to 1 January 2021 were paid to the shareholders of the Group.

During six-month period ended 30 June 2020 no dividends were declared. USD 0.5 million and EUR 13.9 million (RUB 1,070 million at the Central Bank of Russia exchange rate as of the payment date) of dividends declared prior to 1 January 2020 were paid to the shareholders of the Group.

As of 30 June 2021, the remaining balance of dividends payable is RUB 986 million (as of 31 December 2020: RUB 2,634 million).

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Retained earnings

In accordance with statutory legislation of operating companies located in the Russian Federation, 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 of 30 June 2021 and 31 December 2020 such earnings amounted to RUB 13,553 million and RUB 12,783 million, respectively.

17. DEBT SECURITIES, LOANS AND OVERDRAFTS

	Effective interest rate, %	30 June 2021	31 December 2020
Seven-year USD loan participation notes issued in 2021 (the "2028 LPNs") ⁽ⁱ⁾	5.49%	33,227	-
Five-year USD loan participation notes issued in 2018 (the "2023 LPNs") ⁽ⁱ⁾	5.46%	15,041	22,461
Five-year RUB debt securities issued in 2017	8.32%	10,013	10,013
Three-year RUB debt securities issued in 2019	9.01%	5,105	4,996
Loan from ING Bank	3.74%	1,968	2,438
Overdraft from Rosbank	6.68%	388	750
Five-year USD loan participation notes issued in 2016 (the "2021 LPNs") ⁽ⁱ⁾	6.31%	-	25,976
Loan from Raiffeisen Bank ⁽ⁱⁱⁱ⁾	8.15-8.60%	-	999
Loan from Raiffeisen Bank AG ^(iv)	6.34%	-	607
Non-revolving loans from Rosbank ^(v)	8%	-	560
Total		65,742	68,800
Less: current portion due within twelve months, including accrued interest, and presented as short-term portion		(2,764)	(30,568)
Long-term portion of debt securities and borrowings		62,978	38,232

- (i) In February 2021 the Group issued 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 of the 2021 LPNs and partial redemption of 2023 LPNs. Partial redemption of LPNs 2021 was amounted to USD 95.3 million (RUB 6,985 million at the Central Bank of Russia exchange rate as at the inception date). Tender premium paid to bondholders of LPNs 2021 and 2023 agreeing to early redemption was equal to RUB 603 million.
- (ii) The 2028 LPNs are guaranteed by certain entities of the Group. The 2028 LPNs mature in February 2028. The financial covenants set under the terms of the 2028 LPNs are consistent with 2021 and 2023 LPNs terms.
- (iii) 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 were repaid in March and June 2021 respectively.
- (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 was guaranteed by certain Group companies and is at fixed rate of 5% per annum. The Group has repaid the loan in May 2021.
- (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 was initially recognized at fair value resulting in an effective interest rate of 8%. As discussed further in Note 5 this liability was fully extinguished in April 2021.

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Covenants

In accordance with the terms of the 2023 and 2028 LPNs, loan facility agreements with ING Bank and Rosbank the Group is subject to certain financial 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 30 June 2021, the Group exceeded the Consolidated Net Debt to Consolidated EBITDA covenant applicable to the Group's 2023 and 2028 LPNs, which leads to additional financial restrictions being placed on the Group, including its ability to attract new borrowings until this exceed is fully rectified. 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 30 June 2021.

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.

	31 December 2020	Financing cash flows (i)	Non-cash flow changes			31 June 2021
			Exchange rate changes	Accrual of finance cost	Other changes (ii)	
Debt securities	63,446	(1,354)	(1,444)	2,738	-	63,386
Loans and overdrafts	5,354	(2,340)	(176)	87	(569)	2,356
Dividends payable	2,634	(1,918)	-	-	270	986
Lease liability	283	(62)	-	15	97	333
	71,717	(5,674)	(1,620)	2,840	(202)	67,061

- (i) The cash flows from loans and overdrafts, debt securities represents the net amount of proceeds from borrowings and repayments of borrowings in the consolidated statement of cash flows.
- (ii) Included as other changes is the release from repayment of loan principal under government sponsored COVID-19 support program.

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18. TRADE AND OTHER PAYABLES

	<u>30 June 2021</u>	<u>31 December 2020</u>
Amounts payable for the acquisition of property, plant and equipment	352	1,313
Total non-current financial liabilities	352	1,313
Amounts payable for the acquisition of property, plant and equipment	1,465	346
Rent deposits received	1,247	1,324
Trade payables	1,152	788
Letters of credit	-	102
Total current financial liabilities	3,864	2,560
Advances received	597	674
Total current non-financial liabilities	597	674
Total	<u>4,813</u>	<u>4,547</u>

19. TAXES OTHER THAN INCOME TAX PAYABLE

	<u>30 June 2021</u>	<u>31 December 2020</u>
Value added tax	1,671	1,662
Social insurance tax	687	904
Property tax	29	28
Other taxes	64	14
Total taxes other than income tax payable	<u>2,451</u>	<u>2,608</u>

20. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<u>30 June 2021</u>	<u>31 December 2020</u>
Accrued employee expenses	1,746	975
Other liabilities	194	166
Total accrued expenses and other current liabilities	<u>1,940</u>	<u>1,141</u>

Accrued employee expenses as of 30 June 2021 and 31 December 2020 comprised accrued salaries and bonuses of RUB 1,074 million and RUB 448 million, respectively, and an accrual for unused vacation of RUB 661 million and RUB 527 million, respectively.

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21. FAIR VALUES

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.

Fair value of financial assets and liabilities

	30 June 2021		31 December 2020	
	Fair value	Carrying value	Fair value	Carrying value
Financial assets				
Loan issued	367	406	375	405
Financial liabilities				
2028 LPNs (Note 17)	32,140	33,227	-	-
2023 LPNs (Note 17)	14,815	15,041	22,463	22,461
Five-year RUB debt securities issued in 2017 (Note 17)	9,735	10,013	9,880	10,013
Three-year RUB debt securities issued in 2019 (Note 17)	4,941	5,105	5,000	4,996
Loan from ING Bank (Note 17)	1,997	1,968	2,468	2,438
Overdraft from Rosbank (Note 17)	388	388	750	750
2021 LPNs (Note 17)	-	-	26,204	25,976
Loan from Raiffeisen bank AG (Note 17)	-	-	534	607
Loan from Raiffeisen bank (Note 17)	-	-	999	999
Non-revolving loans from Rosbank (Note 17)	-	-	560	560

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22. 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 related parties during the six-month periods ended 30 June 2021 and 2020 as well as closing balances as of 30 June 2021 and 31 December 2020.

	Entities under common control	
	30 June 2021	31 December 2020
Advances for acquisition of non-current assets	999	986
Loans issued	406	405
Trade receivables	734	628
Other receivables	450	389
Total non-current assets	2,589	2,408
Other receivables	56	110
Total current assets	56	110
Trade payables	4	55
Other payables	29	17
Total current liabilities	33	72

Expected credit losses were recognized for trade and other receivables as of 30 June 2021 and 31 December 2020 amounted to RUB 350 million.

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

The income and expense items with related parties for the six-month periods ended 30 June 2021 and 2020 were as follows:

	Entities under common control	
	30 June 2021	30 June 2020
Sales to related parties	46	50
Purchases from related parties	69	59
Interest income	11	10

Compensation of key management personnel

Key management comprised 7 persons of 30 June 2021 and 31 December 2020. 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 36 million (including social insurance tax of RUB 5 million) and RUB 98 million (including social insurance tax of RUB 15 million) for the six-month periods ended 30 June 2021 and 30 June 2020, respectively. The outstanding balances due to key management personnel amounted to RUB 8 million and RUB 22 million as of 30 June 2021 and 31 December 2020, respectively, and comprised accrued salaries, bonuses, accrual for unused vacation and other monetary benefits.

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23. COMMITMENTS, CONTINGENCIES AND OPERATING RISKS

Capital commitments

The Group's contracted capital commitments related to construction of passenger and cargo terminals and modernization of existing assets as of 30 June 2021 and 31 December 2020 consisted of the following:

	<u>30 June 2021</u>	<u>31 December 2020</u>
Reconstruction and expansion of passenger terminal	4,102	6,395
Reconstruction of fuel storage facilities	256	527
Reconstruction of office buildings	158	198
Construction of transport maintenance building	125	118
Construction of a canine center	69	70
Construction of multilevel parking	-	55
Reconstruction and expansion of cargo terminal	-	25
Other	196	237
Total capital commitments	<u>4,906</u>	<u>7,625</u>

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.

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 10), 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 countries. 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.

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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 1 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.

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.

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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. This estimation is provided for the IFRS requirement for disclosure of possible taxes and should not be considered as an estimate of the Group's future tax liability.

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.

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 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
30 June 2021							
Non-interest bearing liabilities		1,486	545	2,028	295	57	4,411
Debt securities, loans and overdrafts	3.74%-9.01%	349	1,379	4,763	38,532	35,343	80,366
Lease liability	9.9%-12.33%	36	10	172	159	70	447
Total		1,871	1,934	6,963	38,986	35,470	85,224
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

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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
30 June 2021							
Accounts receivable		2,410	188	7	1,184	-	3,789
Loans issued	5%	-	-	-	446	-	446
Short-term bank deposits and other financial instruments	7%-11%	46	-	10	-	-	56
Finance lease receivable	45%	20	39	176	863	-	1,098
Total		2,476	227	193	2,493	-	5,389
31 December 2020							
Accounts receivable		1,827	108	5	1,017	-	2,957
Loans issued	5%	-	-	-	456	-	456
Short-term bank deposits and other financial instruments	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

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 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 loans and 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 Corporate Treasury 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 six-month period ended 30 June 2021 the Russian Ruble appreciated against the US Dollar, EURO by 2% and 5%, respectively (depreciated against the US Dollar, EURO by 19%, 31% for the year ended 31 December 2020). The Group does not have or use any arrangements (i.e. derivatives) to manage foreign currency risk exposure.

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

	Denominated in USD		Denominated in EUR	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
Assets				
Cash and cash equivalents	4,017	6,574	33	365
Trade and other receivables	1,039	754	203	168
Loans issued	406	405	-	-
Short-term bank deposits and other financial instruments	12	12	-	-
Finance lease receivable	-	-	458	496
Restricted cash	1	1	2,019	2,124
Total assets	5,475	7,746	2,713	3,153
Liabilities				
Debt securities, loans and overdrafts	48,268	48,437	1,968	3,044
Trade and other payables	1,354	1,233	123	62
Total liabilities	49,622	49,670	2,091	3,106

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	
	6m 2021	2020	6m 2021	2020
Loss	4,415	4,192	(62)	(5)

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.

Legal proceedings

During the six-month period ended 30 June 2021, 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.

24. SUBSEQUENT EVENTS

New loan with Raiffeisen Bank AG - In October 2021 The Group refinanced its outstanding balance with ING Bank by entering into a new EUR-denominated three-year agreement with Raiffeisen Bank AG for the total amount of EUR 24 million. The floating annual interest rate is EURIBOR + Margin, where the Margin is determined by reference to the Group's leverage ratio as defined in the agreement.

Dividends – On September 2021, dividends of USD 10 million (RUB 728.5 million at the Central Bank of Russia exchange rate as at the declaration date) were declared. USD 9.7 million and EUR 0.8 million (total of RUB 776.6 million at the Central Bank of Russia exchange rate as at the payment date) of dividends declared prior to 1 January 2021 were paid to the shareholders of the Group.