

DME LIMITED **and subsidiaries**

Interim Condensed Consolidated
Financial Information
for the Six-month Period Ended
30 June 2020 (unaudited)

DME LIMITED AND SUBSIDIARIES

TABLE OF CONTENTS

	Page
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 2020	1
REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION	2
INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020	
Interim condensed consolidated statement of profit or loss and other comprehensive income	3
Interim condensed consolidated statement of financial position	4
Interim condensed consolidated statement of cash flows	5
Interim condensed consolidated statement of changes in equity	6
Notes to the interim condensed consolidated financial information	7-24

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 2020

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 2020 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 2020 was approved by management on 20 October 2020.

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 2020, 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*.



Alexander Dorofeyev
Engagement Partner

20 October 2020

DME LIMITED AND SUBSIDIARIES

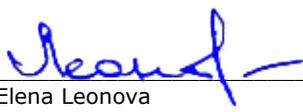
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (UNAUDITED) (Amounts in millions of Russian Rubles)

	Notes	2020	2019
Revenue	5	9,655	18,115
Operating expenses, net	6	(8,916)	(14,278)
Operating profit		739	3,837
Interest expense	7	(1,118)	(573)
Interest income		138	143
Foreign exchange (loss)/ gain, net		(4,637)	4,140
(Loss)/ profit before income tax		(4,878)	7,547
Income tax	8	426	(1,979)
(Loss)/ profit and other comprehensive (loss)/ income for the period		(4,452)	5,568
(Loss)/ profit and total other comprehensive (loss)/ income attributable to:			
Owners of the Company		(4,493)	5,589
Non-controlling interests		41	(21)
		(4,452)	5,568

On behalf of management:


Viktor Ponomarenko
Chief Executive Officer

20 October 2020


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 2020 (Amounts in millions of Russian Rubles)

	Notes	30 June 2020 (unaudited)	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	9	102,564	102,635
Investment property	10	703	569
Advances for acquisition of non-current assets	9	793	268
Right-of-use assets	12	220	232
Intangible assets		1,490	1,750
Deferred tax asset		3,553	2,658
Loans issued		375	324
Long-term finance lease receivable	13	298	254
Trade and other receivables	14	931	-
Other non-current assets	11	1,914	1696
Total non-current assets		112,841	110,386
Current assets			
Inventory	15	1,891	2,070
Trade and other receivables	14	2,916	3,229
Prepayments and other current assets	16	2,777	3,602
Prepaid current income tax		1,098	1,041
Short-term finance lease receivable	13	176	156
Short-term investments		42	1,287
Cash and cash equivalents	17	5,800	5,003
Total current assets		14,700	16,388
TOTAL ASSETS		127,541	126,774
EQUITY AND LIABILITIES			
Equity			
Share capital	18	11,877	11,877
Retained earnings	18	31,124	35,617
Equity attributable to the owners of the Company		43,001	47,494
Non-controlling interests		(125)	(166)
Total equity		42,876	47,328
Non-current liabilities			
Deferred tax liability		6,898	6,550
Lease liability, long-term portion	12	144	166
Debt securities, long-term portion	19	59,820	54,644
Borrowings, long-term portion	19	1,245	1,672
Total non-current liabilities		68,107	63,032
Current liabilities			
Trade and other payables	20	6,335	6,730
Current income tax payable		1,532	1,319
Taxes other than income tax payable	21	1,069	1,134
Dividends payable	18	2,464	3,169
Lease liability, short-term portion	12	67	77
Accrued expenses and other current liabilities	22	1,188	1,499
Borrowings, short-term portion	19	2,890	1,619
Debt securities, short-term portion	19	958	774
Provisions		55	93
Total current liabilities		16,558	16,414
TOTAL EQUITY AND LIABILITIES		127,541	126,774

On behalf of management:


Viktor Ponomarenko
Chief Executive Officer

20 October 2020


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 2020 (UNAUDITED) (Amounts in millions of Russian Rubles)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
(Loss)/profit before income tax	(4,878)	7,547
Adjustments for:		
Depreciation and amortization	2,568	2,313
Change in allowance for impairment of accounts receivable, advances to suppliers and advances for acquisition of non-current assets	230	4
Interest income	(138)	(143)
Interest expense	1,118	573
Foreign exchange loss/(gain), net	4,637	(4,140)
Other non-cash items	88	(718)
	3,625	5,436
Decrease in inventory	166	179
Increase in trade and other receivables	(692)	(119)
Decrease in prepayments and other current assets	719	1,025
Increase in trade and other payables	17	39
(Decrease)/increase in taxes other than income tax payable	(35)	198
(Decrease)/increase in accrued expenses and other current liabilities	(338)	146
	3,462	6,904
Net cash from operating activities before income tax	3,462	6,904
Income tax refund/(income tax paid)	4	(522)
	3,466	6,382
Cash provided by operating activities	3,466	6,382
Cash flows from investing activities:		
Purchases of property, plant and equipment	(2,180)	(1,806)
Purchases of intangible and other non-current assets	(108)	(187)
Proceeds from disposal of property, plant and equipment	12	54
Purchase of investments	-	(3,338)
Proceeds from disposal of investments	1,483	-
Interest received	126	136
	(667)	(5,141)
Net cash used in investing activities	(667)	(5,141)
Cash flows from financing activities:		
Repayments of borrowings and debt securities	(2,911)	(2,056)
Repayments of lease liabilities	(39)	-
Proceeds from borrowings and debt securities	3,359	1,404
Dividends paid (Note 18)	(1,070)	(2,275)
Interest paid	(1,933)	(1,636)
	(2,594)	(4,563)
Net cash used in financing activities	(2,594)	(4,563)
Net increase / (decrease) in cash and cash equivalents	205	(3,322)
Cash and cash equivalents at beginning of the period	5,003	4,822
Allowance for expected credit losses	(6)	(5)
Foreign exchange loss/(gain) on cash and cash equivalents	598	(325)
	5,800	1,170
Cash and cash equivalents at end of the period (Note 17)	5,800	1,170

On behalf of management:


Viktor Ponomarenko
Chief Executive Officer

20 October 2020


Elena Leonova
Chief Financial Officer

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

DME LIMITED AND SUBSIDIARIES

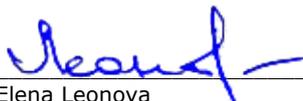
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

(Amounts in millions of Russian Rubles)

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Equity attributable to the owners of the Company</u>	<u>Non-controlling interests</u>	<u>Total</u>
Balance as of 1 January 2019	11,877	30,261	42,138	(89)	42,049
Total comprehensive income/(loss) for the period	-	5,589	5,589	(21)	5,568
Dividends (Note 18)	-	(239)	(239)	-	(239)
Balance as of 30 June 2019 (unaudited)	11,877	35,611	47,488	(110)	47,378
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 (unaudited)	11,877	31,124	43,001	(125)	42,876

On behalf of management:


Viktor Ponomarenko
Chief Executive Officer


Elena Leonova
Chief Financial Officer

20 October 2020

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 2020 (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.

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 interim condensed consolidated financial information of the Group for the six-month period ended 30 June 2020 was authorized for issue by management on 20 October 2020.

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 has completely closed regular and charter international passenger flights. These have resulted in 85% reduction in passenger traffic of the Group in the second quarter of 2020 compared with the same period of the prior year, which reflects a 99% reduction in international operations and an 82% reduction in domestic flights.

From the start of the COVID-19 outbreak the Group has taken immediate steps to protect its liquidity position and enhancing its overall resilience by taking measures to reduce its operating expenses, deferring or cancelling non-critical 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 during the second quarter of 2020. Income of RUB 1,139 million was recognized as a government grant in the Group's profit or loss as disclosed in Note 6 while the actual cash compensation was received by the Group subsequent to the end of the current reporting period. In the consolidated statement of financial position it is presented in other receivables within trade and other receivables line. Management concluded that the Group satisfied the grant recognition criteria at the reporting date. Additionally, as discussed in Note 26, 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.

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 continuing travel restrictions and pace of recovery in demand for air travel in Russia and in the world. 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.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (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 2019 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 2020</u>	<u>31 December 2019</u>
Closing exchange rates		
Russian Ruble/USD	69.95	61.91
Russian Ruble/EUR	78.68	69.34
	<u>30 June 2020</u>	<u>30 June 2019</u>
Average exchange rates for the six months ended		
Russian Ruble/USD	69.13	65.34
Russian Ruble/EUR	76.19	73.84

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 report. In accordance with IFRS, revenue and the related expenses are recognized in the period in which they are realized and incurred, respectively. The Group's results for the interim period do not necessarily reflect a continuing trend, which will be reflected in the year-end results.

Going Concern

Management has modelled future cash flows under various scenarios to include the impact of COVID-19 related disruption on the Group and assuming continuing recovery in the second half of 2020. The Group's base case scenario assumes overall passenger traffic for 2020 to decline by 35.4% compared to 2019 to 17.7 million passengers, with continuing gradual improvement during 2021 and return to pre COVID-19 traffic volumes after 2022.

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. Considering the base case scenario management have concluded that the measures undertaken together with their continuing focus on cost containment and safeguarding the Group's liquidity position (taking into account available cash and remaining unused credit facilities, its scheduled debt maturities, forecast financial ratios and its ability to access the debt markets), would be sufficient to generate positive future cash flows and continue the Groups' operations and meeting its obligations for at least the next twelve months from the date of these interim condensed consolidated financial statements and therefore the going concern basis remains appropriate.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (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 2019 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.

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.

IFRS and IFRIC interpretations adopted in the current year

During the six-month period, ended 30 June 2020 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 period beginning on or after 1 January 2020:

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 financial statements of the Group.

Certain insignificant reclassifications have been made in respect of comparative information to conform to the current year presentation.

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 2019 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.

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

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.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (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 and 2019 is presented below:

		Aviation services	Auxiliary aviation services	Commercial services	Inter- segment eliminations	Group
Third-party revenue	6m 2020	2,773	5,387	1,495	-	9,655
	6m 2019	4,976	10,018	3,121	-	18,115
Intersegment revenue	6m 2020	985	218	781	(1,984)	-
	6m 2019	1,441	140	814	(2,395)	-
Total revenue	6m 2020	3,758	5,605	2,276	(1,984)	9,655
	6m 2019	6,417	10,158	3,935	(2,395)	18,115
Operating profit	6m 2020	(949)	1,094	594	-	739
	6m 2019	53	2,244	1,540	-	3,837
Depreciation and amortization	6m 2020	(1,365)	(831)	(372)	-	(2,568)
	6m 2019	(1,133)	(839)	(341)	-	(2,313)
Change in provision for impairment of receivables and advances to suppliers	6m 2020	(67)	(123)	(40)	-	(230)
	6m 2019	5	(12)	3	-	(4)
Charity donations	6m 2020	(12)	(19)	(4)	-	(35)
	6m 2019	(10)	(46)	(4)	-	(60)

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

	2020		2019	
	Amount	% of total revenue	Amount	% of total revenue
S7 Group	2,714	28%	3,722	21%
Auxiliary aviation services segment	1,731		2,387	
Aviation services segment	818		1,173	
Commercial services segment	165		162	

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.

5. REVENUE

	2020	2019
Service revenue		
Ground handling	3,042	4,827
Airport and other related charges	2,070	3,820
Rental income	1,288	2,773
Jet fuelling and storage services	860	1,398
Aviation security	637	1,070
Parking fees	182	300
Other revenue	189	258
Total service revenue	8,268	14,446
Revenue from goods sold		
Catering	792	1,755
Jet fuel sales	595	1,914
Total from goods sold	1,387	3,669
Total revenue	9,655	18,115

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

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.

Rental income includes rentals contingent on passenger traffic volume and shops' turnover of RUB 718 million and RUB 1,966 million for the six-month periods ended 30 June 2020 and 2019, respectively, and rental income from investment property in the amount of RUB 135 million and RUB 210 million for the six-month periods ended 30 June 2020 and 2019, respectively.

6. OPERATING EXPENSES, NET

	<u>2020</u>	<u>2019</u>
Payroll and related charges:		
Wages and salaries	2,754	4,014
Social taxes	780	1,355
	3,534	5,369
Depreciation and amortization	2,568	2,313
Cost of jet fuel	710	2,015
Materials	699	1,106
Maintenance	467	1,050
Consulting, audit and other services	322	263
Cleaning and waste management	320	537
Public utilities	282	341
Change in provision for impairment of receivables, advances to suppliers and advances for acquisition of non-current assets	230	4
Rent	210	313
Staff development and training	209	240
Transport	139	236
Taxes other than income tax	41	36
Charity donations	35	60
Certification and licensing	25	60
Advertising expenses	20	9
Communication services expense	17	27
Passenger servicing	10	85
Government subsidy (Note 1,26)	(1,139)	-
Other expenses	217	214
	8,916	14,278
Total operating expenses, net	8,916	14,278

Other expenses, net include direct expenses arising from investment property of RUB 12 million and RUB 23 million for the six-month periods ended 30 June 2020 and 2019, respectively.

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

7. INTEREST EXPENSE

	<u>2020</u>	<u>2019</u>
Interest expense on the 2021 LPNs (Note 19)	819	685
Interest expense on the 2023 LPNs (Note 19)	573	530
Interest expense on five-year RUB debt securities	406	404
Interest expense on three-year RUB debt securities	217	-
Interest expense on bank loans	100	100
Interest expense on lease liability	7	1
	2,122	1,720
Less: capitalized interest (Note 9)	(1,004)	(1,147)
Total interest expense	1,118	573

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

8. INCOME TAX

Interim period income tax is accrued based on the estimated average annual effective income tax rate of 8.73% (2019: 26.22%).

	<u>2020</u>	<u>2019</u>
Current income expense	(121)	(837)
Deferred income tax benefit/(expense)	547	(1,142)
Income tax	<u>426</u>	<u>(1,979)</u>

The decrease in the estimated average annual effective tax rate for the six-month period ended 30 June 2020 is mostly attributable to non-deductible forex losses recognized in the reporting period.

9. PROPERTY, PLANT AND EQUIPMENT

	<u>Buildings</u>	<u>Plant and equipment</u>	<u>Other</u>	<u>CIP</u>	<u>Total</u>
Cost					
1 January 2019	81,639	13,046	1,606	25,395	121,686
Additions	726	8	10	3,264	4,008
Transfers	1,406	133	18	(1,557)	-
Disposals	(1)	(81)	(117)	(31)	(230)
30 June 2019	83,770	13,106	1,517	27,071	125,464
Additions	2,237	129	74	1,462	3,902
Transfers	3,311	356	16	(3,683)	-
Disposals	(41)	(100)	(34)	9	(166)
31 December 2019	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
Accumulated depreciation					
1 January 2019	(13,168)	(8,609)	(1,238)	-	(23,015)
Depreciation charge	(1,245)	(599)	(75)	-	(1,919)
Disposals	-	70	114	-	184
30 June 2019	(14,413)	(9,138)	(1,199)	-	(24,750)
Depreciation charge	(1,297)	(596)	(67)	-	(1,960)
Disposals	11	99	35	-	145
31 December 2019	(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)
Net book value					
30 June 2019	<u>69,357</u>	<u>3,968</u>	<u>318</u>	<u>27,071</u>	<u>100,714</u>
31 December 2019	<u>73,578</u>	<u>3,856</u>	<u>342</u>	<u>24,859</u>	<u>102,635</u>
30 June 2020	<u>76,205</u>	<u>3,319</u>	<u>287</u>	<u>22,753</u>	<u>102,564</u>

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

"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.

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

During the six-month periods ended 30 June 2020 and 2019 the Group capitalized borrowing costs of RUB 1,004 million and RUB 1,147 million, respectively.

The weighted average capitalization rate on borrowed funds was 6.6% and 6.3% per annum for the six-month periods ended 30 June 2020 and 2019, respectively.

As at 30 June 2020, no Group's property, plant and equipment was pledged as collateral for the Group's borrowings.

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 trigger event and conducted the impairment test as of 30 June 2020. The recoverable value was determined by reference to the value in use, representing the discounted cash flows resulted from the activities. Then, the 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 yields. The discount rate used was the Group's weighted average cost of capital (WACC), which equals 10.7% p.a. for the entire forecasting period. Based on the aforementioned test, no impairment was recognized.

Advances for acquisition of non-current assets

As of 30 June 2020 and 31 December 2019 advances for acquisition of non-current assets of RUB 793 million and RUB 268 million, respectively, consisted of amounts paid for land, construction of the passenger and cargo terminals and implementation of additional functionalities, modernization of planning and resource management system. The impairment of advances for acquisition of non-current assets amounted to RUB 27 million as of 30 June 2020 (31 December 2019: RUB 30 million).

10. INVESTMENT PROPERTY

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

	<u>30 June 2020</u>	<u>31 December 2019</u>
Cost	1,115	818
Accumulated depreciation	<u>(412)</u>	<u>(249)</u>
Net book value	<u>703</u>	<u>569</u>

Fair value of the investment properties as at 30 June 2020 was RUB 3,833 million (RUB 6,299 million as at 31 December 2019) 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 2 category of fair value measurement).

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

11. OTHER NON-CURRENT ASSETS

	30 June 2020	31 December 2019
Restricted cash in FBME bank, net of impairment loss recognized	1,868	1,649
Other non-current receivable	46	47
Other non-current assets	1,914	1,696

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 and timing of their receipt. The total amount of lifetime expected credit losses recognized as at 30 June 2020 was RUB 623 million (as of 31 December 2019 – RUB 550 million). The change in the balance of expected credit losses during the period is attributable to currency revaluation. No interest income is accrued on these balances.

12. RIGHT-OF-USE ASSETS

The Group as a lessee – general

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 airfield and related equipment for a term of 75 years. The Group is under obligation to repair and maintain the assets. The Group also has the right, but not the obligation, to incur capital expenditures or make improvements to the infrastructure. The lessor is obligated to compensate the Group for the amount of expenses, incurred in the course of making such improvements provided that they are approved by the lessor. At the end of the agreement the assets under the agreement (including the improvements made by the Group and certified by the lessor) revert to the lessor.

The most recent revision of agreement terms 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 calculated 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 of Ministry of Economic Development of the Russian Federation, subject to a minimum annual payment of RUB 1.5 million.

The Group has negotiated with FGUP "Administration of the Airport Domodedovo" to postpone payments from June-September 2020 to May-December 2021. This modification had no significant effect on the Group's financial position (Note 2).

Lease payments for the use of the airfield and related equipment could be modified by the lessor no more than once a year and are treated as variable lease payments under IFRS 16, which are not dependent on an index or rate.

The Group also leases buildings, certain items of movable property and land (including the land on which the airfield is located and which the Group leases from the Moscow Region government). The term of the lease of land is 49 years from the inception of lease agreement in May 1998.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

Lease payments for land could be modified by the lessor from time to time and are also treated as variable lease payments not dependent on an index or rate under IFRS 16.

Total lease expense in respect of the leases for which the Group has not recognized a liability and the related right-of use asset is reported in Note 6 as 'rent'.

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. This modification had no significant effect on the Group's financial position (Note 2).

13. FINANCE LEASE RECEIVABLE

The Group leases out one of the Group's hangars under finance lease terms. The remaining lease term is 6 years.

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 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	217	176	197	156
Due after one year but not more than five years	869	282	788	234
Due after more than five years	145	16	230	20
Total gross / net investment in the lease	1,231	474	1,215	410
Less unearned finance income	(757)	-	(805)	-
Present value of minimum lease payments	474	474	410	410

14. TRADE AND OTHER RECEIVABLES

	Outstanding balance, gross	Allowance for expected credit losses	Outstanding balance, net
30 June 2020			
Trade receivables	647	(89)	558
Other receivables	576	(203)	373
Total non-current trade and other receivables	1,223	(292)	931
Trade receivables	3,248	(1,662)	1,586
Other receivables	1,390	(60)	1,330
Total current trade and other receivables	4,638	(1,722)	2,916
Total	5,861	(2,014)	3,847
31 December 2019			
Trade receivables	4,173	(1,632)	2,541
Other receivables	837	(149)	688
Total current trade and other receivables	5,010	(1,781)	3,229

The average credit period for the Group's receivables (other than sales carried out on a prepayment basis) is 116 days.

Trade receivables are represented by the receivables from air companies, including receivables, net of impairment from S7 Group of RUB 723 million (RUB 725 million as at 31 December 2019). Total amount receivables was repaid by S7 Group after the reporting date but before the issuance of this financial information.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

15. INVENTORY

	<u>30 June 2020</u>	<u>31 December 2019</u>
Spare parts	621	604
Supplies	452	522
Jet fuel	356	363
Raw materials	260	329
Other inventory	202	252
Total inventory	<u>1,891</u>	<u>2,070</u>

16. PREPAYMENTS AND OTHER CURRENT ASSETS

	<u>30 June 2020</u>	<u>31 December 2019</u>
VAT receivable	1,957	2,603
Advances to suppliers, net of impairment	397	740
Taxes receivable other than income tax and VAT receivable	302	142
Other current assets	121	117
Total prepayments and other current assets	<u>2,777</u>	<u>3,602</u>

17. CASH AND CASH EQUIVALENTS

	<u>30 June 2020</u>	<u>31 December 2019</u>
USD-denominated current account balances with banks	4,758	1,088
RUB-denominated cash on hand and balances with banks	931	656
EUR-denominated balances with banks	117	160
USD-denominated short-term bank deposits	-	3,104
Allowance for expected credit losses	(6)	(5)
Total cash and cash equivalents	<u>5,800</u>	<u>5,003</u>

18. EQUITY

Share capital and dividends

Authorized and issued capital as at 30 June 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 and 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 six-month period ended 30 June 2020 no dividends were declared. USD 0.5 million and EUR 14.4 million (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 were paid to the shareholders of the Group.

During six-month period ended 30 June 2019 dividends of EUR 3.6 million (RUB 239 million at the Central Bank of Russia exchange rate as at the declaration date) were declared. USD 28 million, EUR 6 million (RUB 2,267 million at the Central Bank of Russia exchange rate as at the payment date) and RUB 8 million of dividends declared prior to 1 January 2019 were paid to the shareholders of the Group.

As of 30 June 2020, the remaining balance of dividends payable is RUB 2,464 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 30 June 2020 and 31 December 2019 such earnings amounted to RUB 15,879 million and RUB 23,630 million, respectively.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

19. DEBT SECURITIES AND BORROWINGS

	Effective interest rate, %	30 June 2020	31 December 2019
Five-year USD loan participation notes issued in 2016 (the "2021 LPNs") ⁽ⁱ⁾	6.31%	24,547	21,674
Five-year USD loan participation notes issued in 2018 (the "2023 LPNs") ⁽ⁱⁱ⁾	5.46%	21,231	18,749
Five-year RUB debt securities issued in 2017 ⁽ⁱⁱⁱ⁾	8.32%	10,008	10,004
Three-year RUB debt securities issued in 2019 ^(iv)	9.01%	4,991	4,991
Loan from ING Bank ^(v)	3.60%	2,355	2,366
Overdraft from Rosbank ^(vi)	8.22%	799	296
Loan from Raiffeisen bank AG ^(vii)	6.12%	483	629
Loan from Raiffeisen bank ^(viii)	8.60%	499	-
Total		64,913	58,709
Less: current portion due within twelve months, including accrued interest, and presented as short-term portion		(3,848)	(2,393)
Long-term portion of debt securities and borrowings		61,065	56,316

- (i) In November 2016 the Group issued non-convertible five-year loan participation notes (the "2021 LPNs") 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 (the "2023 LPNs") 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 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 December 2022.
- (v) 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 30 June 2020 the undrawn amount of the loan facility was EUR 9.85 million.
- (vi) In March 2019 the Group entered into overdraft agreement with public joint-stock company ROSBANK ("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 30 June 2020 the interest rate was 7.7% per annum. Each tranche is repayable within 90 days of receipt. In February 2020 overdraft limit was extended to RUB 800 million.
- (vii) 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 engaged with Raiffeisen Bank AG to postpone debt payments from May and August 2020 to February and May 2021 respectively.
- (viii) In May 2020 the Group borrowed RUB 499 million from JSC Raiffeisen Bank ("Raiffeisen Bank") to refinance its liability under a letter of credit arrangement. This amount is repayable in 10 months. Interest is payable at a rate of 8.6% per annum.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

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 2019	Financing cash flows (i)	Non-cash flow changes		30 June 2020
			Exchange rate changes	Accrual of interest expense	
Borrowings	3,291	384	361	100	4,136
Debt securities	55,418	(1,869)	5,213	2,015	60,777
Lease liability (Note 12)	243	(39)	-	7	211
	58,952	(1,524)	5,574	2,122	65,124

- (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.

Covenants

In accordance with the terms of the 2021 and 2023 LPNs, loan facility agreements with Raiffeisen Bank AG and ING Bank, overdraft agreement with Rosbank and agreement under letter of credit with Raiffeisen Bank 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 30 June 2020, the Group was in breach of the Consolidated Net Debt to Consolidated EBITDA covenant applicable the Group's 2021 and 2023 LPNs, which leads to additional financial restrictions being placed on the Group limiting the Group in attracting new borrowings until this breach is fully rectified.

Prior to the reporting date the Group received confirmation from the banks waiving application of Consolidated Net Debt to Consolidated EBITDA covenant applicable to the loan agreements for this reporting period.

20. TRADE AND OTHER PAYABLES

	30 June 2020	31 December 2019
Amounts payable for the acquisition of property, plant and equipment	2,416	2,204
Rent deposits received	1,356	1,194
Letters of credit	1,050	1,679
Trade payables	839	848
Total financial liabilities	5,661	5,925
Advances received	674	805
Total non-financial liabilities	674	805
Total trade and other payables	6,335	6,730

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

21. TAXES OTHER THAN INCOME TAX PAYABLE

	30 June 2020	31 December 2019
Value added tax	551	664
Social insurance tax	467	433
Property tax	14	12
Other taxes	37	25
Total taxes other than income tax payable	1,069	1,134

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

22. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	30 June 2020	31 December 2019
Accrued employee expenses	868	1,193
Other liabilities	320	306
Total accrued expenses and other current liabilities	1,188	1,499

Accrued employee expenses as of 30 June 2020 and 31 December 2019 comprised accrued salaries and bonuses of RUB 300 million and RUB 640 million, respectively, and an accrual for unused vacation of RUB 568 million and RUB 553 million, respectively.

23. FAIR VALUES

The fair values of financial assets and financial liabilities are determined as described in the Group's annual consolidated financial statements for 2019.

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Except as detailed in the following table management of the Group believes that the carrying value of financial instruments such as cash and cash equivalents, short-term receivables and payables, finance lease receivable, short- and long-term investments and lease liabilities, which are classified within Level 2 category of the fair value hierarchy, approximates their fair value. Restricted cash is classified as Level 3 category. 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 liabilities

	30 June 2020		31 December 2019	
	Fair value of financial liabilities	Carrying value of financial liabilities	Fair value of financial liabilities	Carrying value of financial liabilities
2021 LPNs (Note 19)	24,971	24,547	22,226	21,674
2023 LPNs (Note 19)	21,294	21,231	18,864	18,749
Five-year RUB debt securities issued in 2017 (Note 19)	9,768	10,008	9,814	10,004
Three-year RUB debt securities issued in 2019 (Note 19)	4,965	4,991	4,993	4,991
Loan from ING Bank (Note 19)	2,740	2,355	3,085	2,366
Overdraft from Rosbank (Note 19)	799	799	297	296
Loan from Raiffeisen bank AG (Note 19)	638	483	636	629
Loan from Raiffeisen bank (Note 19)	499	499	-	-
Total	65,674	64,913	59,915	58,709

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

24. 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.

All related parties, except for the parent company, with which the Group entered into significant transactions during the six-month periods ended 30 June 2020 and 2019 or had significant balances outstanding as of 30 June 2020 and 31 December 2019, are considered to be entities under common control.

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 2020 and 2019 as well as closing balances as at 30 June 2020 and 31 December 2019.

	30 June 2020		31 December 2019	
	Amounts owed by related parties	Amounts owed to related parties	Amounts owed by related parties	Amounts owed to related parties
Entities under common control	1,983	64	1,371	9

	30 June 2020			30 June 2019		
	Sales to related parties	Purchases from related parties	Interest income	Sales to related parties	Purchases from related parties	Interest income
Entities under common control	50	59	10	46	122	8

Amounts owed by related parties increased due to advances made for acquisition of land plots during six-month period ended 30 June 2020.

Compensation of key management personnel

Key management comprised seven persons as of 30 June 2020 and 31 December 2019. Total gross compensation (including social insurance tax and before withholding of personal income tax) to those individuals included payroll and related charges in the consolidated profit or loss amounted to RUB 41 million (including social insurance tax of RUB 7 million) and RUB 120 million (including social insurance tax of RUB 17 million) for the six-month periods ended 30 June 2020 and 2019, respectively. The outstanding balances due to key management personnel amounted to RUB 8 million and RUB 11 million as of 30 June 2020 and 31 December 2019, respectively, and comprised accrued salaries, bonuses, accrual for unused vacation and other monetary benefits.

25. 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 2020 and 31 December 2019 consisted of the following:

	30 June 2020	31 December 2019
Reconstruction and expansion of passenger terminal	9,147	11,049
Reconstruction of fuel storage facilities	631	695
Reconstruction of office buildings	256	256
Construction of transport maintenance building	118	118
Construction of a canine center	72	72
Construction of multilevel parking	57	57
Reconstruction and expansion of cargo terminal	25	25
Other	237	242
Total capital commitments	10,543	12,514

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

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 the Russian Ruble against major currencies.

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 12), 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.

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 1, 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.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

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. 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 in current bank accounts or short-term bank deposits, and are available on short notice. In addition, to access significant liquidity the Group has engaged with banks to negotiate more comfortable debt payment terms (Notes 2, 19). Also the Group has obtained working capital bank loan as systematically important company at reduced rate and government grants (Note 26). The Group has also obtained subsidy under Government Resolution No. 813.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (UNAUDITED) (CONTINUED) (Amounts in millions of Russian Rubles, unless otherwise stated below)

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 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 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 favourable changes in exchange rates.

For the six-month period ended 30 June 2020 the Russian Ruble depreciated against the US Dollar, EURO by 13% (appreciated against the US Dollar, EURO by 11%, 13% for the year ended 31 December 2019). The Group does not have or use any formal 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	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
Assets				
Cash and cash equivalents	4,752	4,189	118	160
Trade and other receivables	1,467	1,036	76	129
Loans issued	375	324	-	-
Short-term investments	-	1,241	-	-
Finance lease receivable	-	-	474	410
Restricted cash	1	1	1,867	1,624
Total assets	6,595	6,791	2,535	2,323
Liabilities				
Debt securities and borrowings	45,778	40,423	2,838	2,995
Trade and other payables	169	1,273	137	77
Total liabilities	45,947	41,696	2,975	3,072

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 2020	2019	6m 2020	2019
Loss	3,935	3,523	44	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.

DME LIMITED AND SUBSIDIARIES

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 (UNAUDITED) (CONTINUED) *(Amounts in millions of Russian Rubles, unless otherwise stated below)*

Legal proceedings

During the six-month period ended 30 June 2020, 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.

26. SUBSEQUENT EVENTS

New loan agreements with Rosbank – In July 2020 within the framework of the state support for businesses in hard-hit industries the Group has entered into the loan agreements with Rosbank on the following terms: RUB 69.5 million maturing in July 2022 and paying interest at 4% (pursuant to the Russian Government Resolution No. 582) and RUB 522 million maturing in June 2021 and paying interest at 2% (pursuant to the Russian Government Resolution No. 696).

Government grants – In August-September 2020 The Group has obtained cash funds under Government Resolution No. 813 for the total amount RUB 1,139 million.