

DME LIMITED and subsidiaries

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

DME LIMITED AND SUBSIDIARIES

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 September 2020 and the consolidated results of their operations, cash flows and changes in equity for the nine-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:

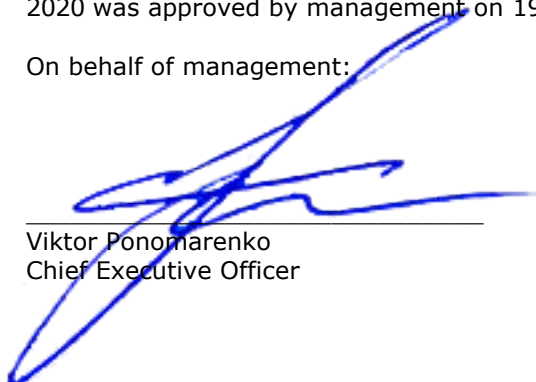
- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS are insufficient 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:

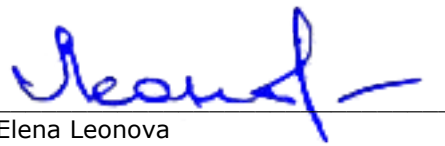
- Designing, implementing and maintaining an effective system of internal controls throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of 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 nine-month period ended 30 September 2020 was approved by management on 19 January 2021.

On behalf of management:



Viktor Ponomarenko
Chief Executive Officer



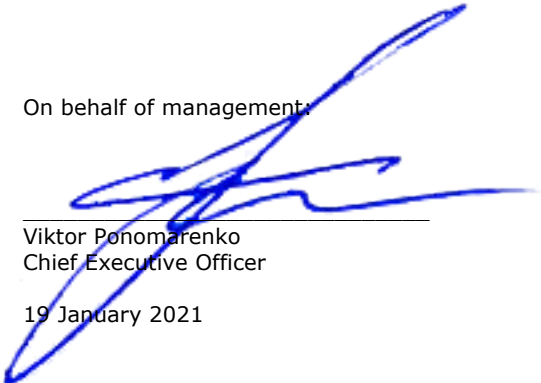
Elena Leonova
Chief Financial Officer

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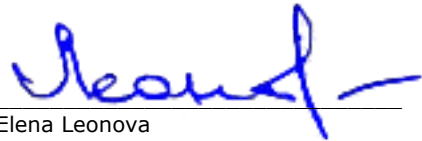
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020 (UNAUDITED) (Amounts in millions of Russian Rubles)

	Notes	2020	2019
Revenue	5	15,503	28,444
Operating expenses, net	6	(14,093)	(21,392)
Operating profit		1,410	7,052
Interest expense	7	(2,477)	(1,844)
Interest income		214	227
Foreign exchange (loss)/ gain, net		(10,429)	3,361
(Loss)/ profit before income tax		(11,282)	8,796
Income tax	8	922	(988)
(Loss)/ profit and other comprehensive (loss)/ income for the period		(10,360)	7,808
(Loss)/ profit and other comprehensive (loss)/ income attributable to:			
Owners of the Company		(10,394)	7,813
Non-controlling interests		34	(5)
		(10,360)	7,808

On behalf of management:


Viktor Ponomarenko
Chief Executive Officer

19 January 2021


Elena Leonova
Chief Financial Officer

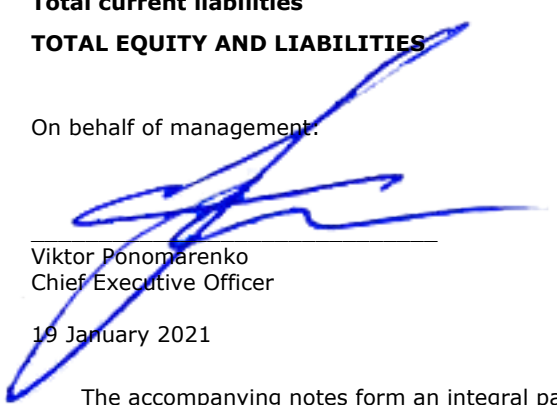
The accompanying notes form an integral part of this interim condensed consolidated financial information.

DME LIMITED AND SUBSIDIARIES

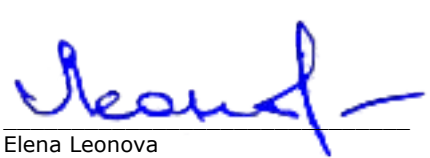
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 SEPTEMBER 2020 (UNAUDITED) (Amounts in millions of Russian Rubles)

	Notes	30 September 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	9	101,516	102,635
Advances for acquisition of non-current assets	9	1,074	268
Investment property	10	694	569
Intangible assets		1,303	1,750
Right-of-use assets		204	232
Deferred tax asset		3,991	2,658
Loans issued		442	324
Long-term finance lease receivable	11	346	254
Trade and other receivables	12	946	-
Other non-current assets	13	2,251	1,696
Total non-current assets		112,767	110,386
Current assets			
Inventory	14	1,982	2,070
Trade and other receivables	12	2,347	3,229
Prepayments and other current assets	15	1,869	3,602
Prepaid current income tax		375	1,041
Short-term finance lease receivable	11	206	156
Short-term investments		45	1,287
Cash and cash equivalents	16	10,010	5,003
Total current assets		16,834	16,388
TOTAL ASSETS		129,601	126,774
EQUITY AND LIABILITIES			
Equity			
Share capital	17	11,877	11,877
Retained earnings	17	25,223	35,617
Equity attributable to the owners of the Company		37,100	47,494
Non-controlling interests		(132)	(166)
Total equity		36,968	47,328
Non-current liabilities			
Borrowings, long-term portion	18	1,836	1,672
Deferred tax liability		6,896	6,550
Lease liability, long-term portion		122	166
Debt securities, long-term portion	18	66,064	54,644
Trade and other payables	19	1,355	-
Total non-current liabilities		76,273	63,032
Current liabilities			
Trade and other payables	19	3,762	6,730
Current income tax payable		1,329	1,319
Taxes other than income tax payable	20	2,060	1,134
Dividends payable	17	2,804	3,169
Lease liability, short-term portion		88	77
Accrued expenses and other current liabilities	21	1,620	1,499
Borrowings, short-term portion	18	3,249	1,619
Provisions		-	93
Debt securities, short-term portion	18	1,448	774
Total current liabilities		16,360	16,414
TOTAL EQUITY AND LIABILITIES		129,601	126,774

On behalf of management:


Viktor Ponomarenko
Chief Executive Officer

19 January 2021


Elena Leonova
Chief Financial Officer

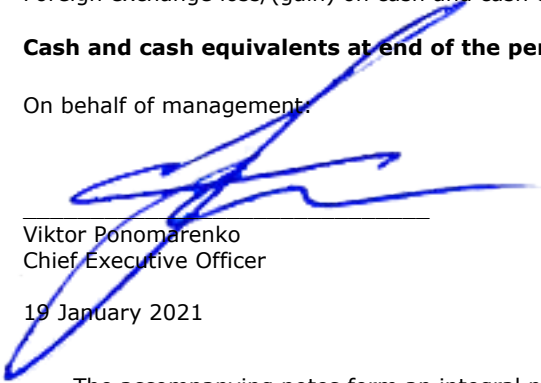
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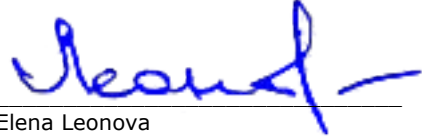
DME LIMITED AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020 (UNAUDITED) (Amounts in millions of Russian Rubles)

	<u>2020</u>	<u>2019</u>
Operating activities:		
(Loss)/profit before income tax	(11,282)	8,796
Adjustments for:		
Depreciation and amortization	3,889	3,507
Change in allowance for impairment of accounts receivable, advances to suppliers and advances for acquisition of non-current assets	457	(72)
Interest income	(214)	(227)
Interest expense	2,477	1,844
Foreign exchange loss/(gain), net	10,429	(3,361)
Other non-cash items	4	(821)
	5,760	9,666
Decrease in inventory	66	172
(Increase) in trade and other receivables	(242)	(177)
Decrease in prepayments and other current assets	1,616	1,035
Increase/(decrease) in trade and other payables	9	(246)
(Decrease) in provisions	(93)	-
Increase in taxes other than income tax payable	956	365
Increase in accrued expenses and other current liabilities	139	423
	8,211	11,238
Net cash from operating activities before income tax	8,211	11,238
Income tax refund/(income tax paid)	580	(644)
Cash provided by operating activities	8,791	10,594
Investing activities:		
Purchases of property, plant and equipment	(3,941)	(3,409)
Purchases of intangible and other non-current assets	(110)	(370)
Proceeds from disposal of property, plant and equipment	28	51
Purchase of investments	-	(5,121)
Proceeds from disposal of investments	1,574	3,160
Loans issued	-	(99)
Interest received	193	230
	(2,256)	(5,558)
Net cash used in investing activities	(2,256)	(5,558)
Financing activities:		
Repayments of borrowings	(5,466)	(3,950)
Repayments of lease liabilities	(46)	-
Proceeds from debt securities	-	2,945
Proceeds from borrowings	6,346	4,714
Dividends paid (Note 17)	(1,070)	(3,840)
Interest paid	(2,635)	(2,247)
	(2,871)	(2,377)
Net cash used in financing activities	(2,871)	(2,377)
Net increase in cash and cash equivalents	3,664	2,659
Cash and cash equivalents at beginning of the period	5,003	4,822
Allowance for expected credit losses	-	(5)
Foreign exchange loss/(gain) on cash and cash equivalents	1,343	(177)
Cash and cash equivalents at end of the period (Note 16)	10,010	7,299

On behalf of management:


Viktor Ponomarenko
Chief Executive Officer


Elena Leonova
Chief Financial Officer

19 January 2021


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

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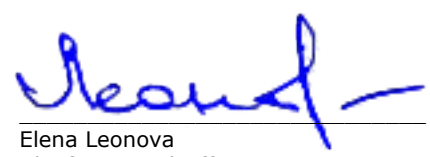
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020 (UNAUDITED) (Amounts in millions of Russian Rubles)

	<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	30,260	42,137	(89)	42,048
Total comprehensive income/(loss) for the period	-	7,813	7,813	(5)	7,808
Dividends (Note 17)	-	(1,496)	(1,496)	-	(1,496)
Balance as of 30 September 2019	11,877	36,577	48,454	(94)	48,360
Balance as of 1 January 2020	11,877	35,617	47,494	(166)	47,328
Total comprehensive (loss)/income for the period	-	(10,394)	(10,394)	34	(10,360)
Balance as of 30 September 2020	11,877	25,223	37,100	(132)	36,968

On behalf of management:


Viktor Ponomarenko
Chief Executive Officer

19 January 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 NINE-MONTH PERIOD ENDED 30 SEPTEMBER 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 nine-month period ended 30 September 2020 was authorized for issue by management on 19 January 2021.

COVID-19

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

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

Under the Russian Government Resolution No. 813 for targeted support of the Russian airport operators, the Group became entitled for partial compensation of certain employee and other operating expenses incurred during the second quarter of 2020. The government grant in amount of RUB 1,139 million was recognized as Government subsidy as disclosed in Note 6 and in cash flows from operating activities in the Interim Condensed Consolidated Statement of Cash Flows. Additionally in July 2020, the Group obtained short-term bank loans paying reduced rates of interest subsidized by the Russian government as part of COVID-19 support program (Note 18) for partial compensation of certain employee and other operating expenses. The difference between proceeds received and the fair value of the loan based on prevailing market interest rates was recognized as other income in operating expenses of the Group's profit or loss as disclosed in Note 6.

DME LIMITED AND SUBSIDIARIES

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

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.

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:

	30 September 2020	31 December 2019
Closing exchange rates		
Russian Ruble/USD	79.69	61.91
Russian Ruble/EUR	93.02	69.34
	30 September 2020	30 September 2019
Average exchange rates for the nine months ended		
Russian Ruble/USD	70.57	65.34
Russian Ruble/EUR	79.31	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.

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.

Management has modelled future cash flows under various scenarios to include the impact of COVID-19 related disruption on the Group. The Group's actual passenger traffic for 2020 declined by 42% compared to 2019 to 16.4 million passengers. The Group's latest base case scenario assumes continuing gradual improvement during 2021 and return to pre-COVID-19 traffic volumes after 2022. Having considered reasonability of assumptions used in the base case scenario and taking into account available cash and other liquid assets of the Group, remaining unused credit facilities, scheduled debt maturities and other short-term obligations, waivers procured from the lenders under some of the Group's credit facilities to avoid the relevant facilities being breached and the likelihood of such waivers being obtained in the future and the Group's ability to continue to access the debt markets, when required, management have concluded that the measures undertaken together with continuing focus on cost containment and safeguarding the

DME LIMITED AND SUBSIDIARIES

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

Group's liquidity position would ensure the Group's operations as a going concern for a period not less than the next twelve months from the date of this interim condensed consolidated financial information.

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. The benefit of a government loan at a below market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

IFRS and IFRIC interpretations adopted in the current year

During the nine-month period, ended 30 September 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. 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 2019 prepared in accordance with IFRS with the exception of additional estimate of recoverable amount of the Group's non-current assets as described further in Note 9.

Judgment in applying IFRIC 12, Service Concession Agreements

On 1 January 2019 the Group reassessed the applicability of IFRIC 12 to its 75-year contract with FGUP "Administration of the Airport Domodedovo" for the use of key airport infrastructure and concluded that the contract was no longer in scope of such interpretation. Instead, the contract is accounted for as a lease since 1 January 2019.

In making their judgment, the Group considered that the Federal Antimonopoly Service, since the issuance in 2016 of the order to end, the regulation of tariffs for airport services rendered by the Group, had no given indications of re-introducing regulated tariffs neither has objected the increases in the fees independently made by the Group and other airports in Moscow.

The Group are satisfied that the above, together with the change in the payment model by the Group to FGUP for the use of the airport assets, effective since 1 January 2019, are enough factors to discontinue service concession accounting since such date.

DME LIMITED AND SUBSIDIARIES

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

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 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.

The key financial information for the Group's segments for the nine-month periods ended 30 September 2020 and 2019 is presented below:

		Aviation services	Auxiliary aviation services	Commercial services	Inter- segment eliminations	Group
Third-party revenue	2020	4,465	8,484	2,554	-	15,503
	2019	8,039	15,377	5,028	-	28,444
Intersegment revenue	2020	1,569	289	1,124	(2,982)	-
	2019	2,230	233	1,341	(3,804)	-
Total revenue	2020	6,034	8,773	3,678	(2,982)	15,503
	2019	10,269	15,610	6,369	(3,804)	28,444
Operating (loss)/profit	2020	(1,094)	1,479	1,025	-	1,410
	2019	708	3,547	2,797	-	7,052
Depreciation and amortization	2020	(2,053)	(1,250)	(586)	-	(3,889)
	2019	(1,717)	(1,246)	(544)	-	(3,507)
Change in provision for impairment of receivables and advances to suppliers	2020	(169)	(207)	(81)	-	(457)
	2019	19	28	25	-	72
Charity donations	2020	(29)	(50)	(11)	-	(90)
	2019	(20)	(82)	(8)	-	(110)

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	4,875	31%	5,879	21%
Aviation services segment	1,546		1,900	
Auxiliary aviation services segment	3,074		3,740	
Commercial services segment	255		239	
URAL AIRLINES	1,584	10%	2,269	8%
Aviation services segment	646		943	
Auxiliary aviation services segment	922		1,316	
Commercial services segment	16		10	

DME LIMITED AND SUBSIDIARIES

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

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

	<u>2020</u>	<u>2019</u>
Service revenue		
Ground handling	4,699	7,202
Airport and other related charges	3,266	6,171
Rental income	2,155	4,412
Jet fuelling and storage services	1,473	2,315
Aviation security	1,089	1,741
Parking fees	307	527
Other revenue	358	419
Total service revenue	<u>13,347</u>	<u>22,787</u>
Revenue from goods sold		
Catering	1,440	2,804
Jet fuel sales	716	2,853
Total from goods sold	<u>2,156</u>	<u>5,657</u>
Total revenue	<u>15,503</u>	<u>28,444</u>

Rental income includes rentals contingent on passenger traffic volume and shops' turnover of RUB 1,259 million and RUB 3,252 million for the nine-month periods ended 30 September 2020 and 2019, respectively, and rental income from investment property in the amount of RUB 203 million and RUB 315 million for the nine-month periods ended 30 September 2020 and 2019, respectively.

6. OPERATING EXPENSES, NET

	<u>2020</u>	<u>2019</u>
Payroll and related charges:		
Wages and salaries	4,532	6,455
Social taxes	1,261	2,018
Depreciation and amortization	3,889	3,507
Materials	1,028	1,576
Cost of jet fuel	845	2,824
Maintenance	607	1,580
Change in provision for impairment of receivables, advances to suppliers and advances for acquisition of non-current assets	457	(72)
Cleaning and waste management	408	791
Consulting, audit and other services	401	378
Public utilities	372	503
Rent	329	471
Taxes other than income tax	213	72
Transport	166	292
Charity donations	90	110
Staff development and training	74	235
Certification and licensing	41	100
Communication services expense	27	44
Passenger servicing	15	120
Advertising expenses	1	17
Government subsidy (Note 1,25)	(1,157)	-
Other expenses	494	371
Total operating expenses, net	<u>14,093</u>	<u>21,392</u>

DME LIMITED AND SUBSIDIARIES

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

Other expenses, net include direct expenses arising from investment property of RUB 19 million and RUB 34 million for the nine-month periods ended 30 September 2020 and 2019, respectively.

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

Government subsidy in amount of RUB 752 million related to the compensation of payroll and related charges.

7. INTEREST EXPENSE

	<u>2020</u>	<u>2019</u>
Interest expense on the 2021 LPNs (Note 18)	1,256	1,038
Interest expense on the 2023 LPNs (Note 18)	885	792
Interest expense on five-year RUB debt securities	611	609
Interest expense on three-year RUB debt securities	327	106
Interest expense on bank loans	145	103
Interest expense on lease liability	13	1
	<u>3,237</u>	<u>2,649</u>
Less: capitalized interest (Note 9)	<u>(760)</u>	<u>(805)</u>
Total interest expense	<u>2,477</u>	<u>1,844</u>

8. INCOME TAX

Interim period income tax is accrued based on the estimated average annual effective income tax rate of 8.17% (2019: 11.23%).

	<u>2020</u>	<u>2019</u>
Current income expense	(61)	(1,243)
Deferred income tax benefit	983	255
Income tax	<u>922</u>	<u>(988)</u>

The decrease in the estimated average annual effective tax rate for the nine-month period ended 30 September 2020 is mostly attributable to non-deductible foreign exchange losses recognized in the reporting period.

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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	901	65	48	4,802	5,816
Transfers	1,763	377	47	(2,187)	-
Disposals	(17)	(140)	(121)	(20)	(298)
30 September 2019	84,286	13,348	1,580	27,990	127,204
Additions	1,449	72	23	550	2,094
Transfers	3,567	112	-	(3,679)	-
Disposals	(25)	(41)	(30)	(2)	(98)
31 December 2019	89,277	13,491	1,573	24,859	129,200
Additions	852	46	12	1,411	2,321
Transfers	3,782	183	9	(3,974)	-
Disposals	(10)	(257)	(16)	(17)	(300)
Reclassified as investment property	(297)	-	-	-	(297)
30 September 2020	93,604	13,463	1,578	22,279	130,924
Accumulated depreciation					
1 January 2019	(13,168)	(8,609)	(1,238)	-	(23,015)
Depreciation charge	(1,901)	(912)	(103)	-	(2,916)
Disposals	4	129	117	-	250
30 September 2019	(15,065)	(9,392)	(1,224)	-	(25,681)
Depreciation charge	(641)	(283)	(39)	-	(963)
Disposals	7	40	32	-	79
31 December 2019	(15,699)	(9,635)	(1,231)	-	(26,565)
Depreciation charge	(2,361)	(797)	(105)	-	(3,263)
Disposals	3	256	15	-	274
Reclassified as investment property	146	-	-	-	146
30 September 2020	(17,911)	(10,176)	(1,321)	-	(29,408)
Net book value					
30 September 2019	69,221	3,956	356	27,990	101,523
31 December 2019	73,578	3,856	342	24,859	102,635
30 September 2020	75,693	3,287	257	22,279	101,516

"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 extension of passenger terminal T-1, construction of passenger terminal T-2, reconstruction and extension of cargo terminal.

During the nine-month periods ended 30 September 2020 and 2019 the Group capitalized borrowing costs of RUB 760 million and RUB 805 million, respectively.

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

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

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

In accordance with IAS 36 "Impairment of assets", at the end of each reporting period, an entity is required to assess whether there is any indication that assets may be impaired. The Group determined that the impact of COVID-19 on the airline industry is such trigger event and conducted the impairment test as of 30 September 2020. The recoverable value was determined by reference to the value in use, representing the discounted cash flows resulted from the activities. This recoverable amount was compared with the carrying amount of non-current assets engaged in generating respective cash flows. The key assumptions for calculating the recoverable amounts are the discount rate and the passenger traffic recovery period. The discount rate used was the Group's weighted average cost of capital (WACC), which equals 10.6% p.a. for the entire forecasting period. The recovery period of the passenger traffic (the period when passenger traffic will recover to the level of 2019) is set to 2022. Based on the review performed, no impairment charge was recognized.

Advances for acquisition of non-current assets

As of 30 September 2020 and 31 December 2019 advances for acquisition of non-current assets of RUB 1,074 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 (Note 23). The impairment of advances for acquisition of non-current assets amounted to RUB 27 million as of 30 September 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 September 2020</u>	<u>31 December 2019</u>
Cost	1,115	818
Accumulated depreciation	<u>(421)</u>	<u>(249)</u>
Net book value	<u>694</u>	<u>569</u>

Fair value of the investment properties as of 30 September 2020 was RUB 3,781 million (RUB 6,299 million as of 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).

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11. LEASES

The Group as a lessor

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

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

	30 September 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	254	206	197	156
Due after one year but not more than five years	1,016	333	788	234
Due after more than five years	106	13	230	20
Total gross / net investment in the lease	1,376	552	1,215	410
Less unearned finance income	(824)	-	(805)	-
Present value of minimum lease payments	552	552	410	410

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

Total income from operating lease arrangements is presented in Note 5 as rental income.

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 is under the 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 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 Group also leases the land on which the airfield is located from the Federal Air Transportation Agency. The term of the lease of land is 49 years from the inception of lease agreement in May 1998.

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

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

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Lease payments under the 75-year Lease 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, these lease payments 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'.

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.

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

12. TRADE AND OTHER RECEIVABLES

	<u>Outstanding balance, gross</u>	<u>Allowance for expected credit losses</u>	<u>Outstanding balance, net</u>
30 September 2020			
Trade receivables	707	(138)	569
Other receivables	591	(214)	377
Total non-current trade and other receivables (Note 23)	1,298	(352)	946
Trade receivables	3,886	(1,686)	2,200
Other receivables	252	(105)	147
Total current trade and other receivables	4,138	(1,791)	2,347
Total	5,436	(2,143)	3,293
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.

Current trade receivables represented by the trade receivables from air companies, including RUB 1,083 million (RUB 725 million as at 31 December 2019) trade receivables, net of impairment from S7 Group, which was repaid after the reporting date but before the issuance of this financial information.

13. OTHER NON-CURRENT ASSETS

	<u>30 September 2020</u>	<u>31 December 2019</u>
Restricted cash in FBME bank, net of impairment loss recognized	2,205	1,649
Other non-current receivable	46	47
Other non-current assets	2,251	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.

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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 of 30 September 2020 was RUB 735 million (as of 31 December 2019 – RUB 550 million). The change in the balance of expected credit losses during the period is primarily attributable to currency revaluation.

14. INVENTORY

	<u>30 September 2020</u>	<u>31 December 2019</u>
Spare parts	697	604
Supplies	430	522
Jet fuel	359	363
Raw materials	325	329
Other inventory	171	252
Total inventory	<u>1,982</u>	<u>2,070</u>

15. PREPAYMENTS AND OTHER CURRENT ASSETS

	<u>30 September 2020</u>	<u>31 December 2019</u>
VAT receivable	1,138	2,603
Taxes receivable other than income tax and VAT receivable	364	142
Advances to suppliers, net of impairment	286	740
Other current assets	81	117
Total prepayments and other current assets	<u>1,869</u>	<u>3,602</u>

16. CASH AND CASH EQUIVALENTS

	<u>30 September 2020</u>	<u>31 December 2019</u>
USD-denominated current account balances with banks	7,781	1,088
RUB-denominated cash on hand and balances with banks	1,985	656
EUR-denominated balances with banks	244	160
USD-denominated short-term bank deposits	-	3,104
Allowance for expected credit losses	-	(5)
Total cash and cash equivalents	<u>10,010</u>	<u>5,003</u>

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17. EQUITY

Share capital and dividends

Authorized and issued capital as of 30 September 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 nine-month period ended 30 September 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.

During nine-month period ended 30 September 2019 dividends of USD 23.6 million (RUB 1,495 million at the Central Bank of Russia exchange rate as at the declaration date) were declared. USD 28.6 million, EUR 27.1 million (RUB 3,832 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 September 2020, the remaining balance of dividends payable is RUB 2,804 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 of 30 September 2020 and 31 December 2019 such earnings amounted to RUB 10,517 million and RUB 23,630 million, respectively.

18. DEBT SECURITIES AND BORROWINGS

	Effective interest rate, %	30 September 2020	31 December 2019
Five-year USD loan participation notes issued in 2016 (the "2021 LPNs") ⁽ⁱ⁾	6.31%	28,403	21,674
Five-year USD loan participation notes issued in 2018 (the "2023 LPNs") ⁽ⁱⁱ⁾	5.46%	23,904	18,749
Five-year RUB debt securities issued in 2017 ⁽ⁱⁱⁱ⁾	8.32%	10,211	10,004
Three-year RUB debt securities issued in 2019 ^(iv)	9.01%	4,994	4,991
Loan from ING Bank ^(v)	3.60%	2,774	2,366
Loan from Raiffeisen bank ^(vi)	8.15-8.60%	1,004	-
Loan from Raiffeisen bank AG ^(vii)	6.12%	576	629
Non-revolving loans from Rosbank ^(viii)	8%	471	-
Overdraft from Rosbank ^(ix)	7.91%	260	296
Total		72,597	58,709
Less: current portion due within twelve months, including accrued interest, and presented as short-term portion		(4,697)	(2,393)
Long-term portion of debt securities and borrowings		67,900	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.

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- (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 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 quarterly. The debt securities mature in June 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 September 2020 the undrawn amount of the loan facility was EUR 9.85 million.
- (vi) In May and August 2020 the Group borrowed RUB 499 million and RUB 500 million respectively from JSC Raiffeisen Bank ("Raiffeisen Bank") to refinance its liability under a letter of credit arrangement. These amounts are repayable in 10 months. Interest is payable at a rate of 8.6% and 8.15% per annum respectively.
- (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 July 2020 within the framework of the state support for the industries most negatively affected by the Covid-19 pandemic the Group has entered into the non-revolving credit facility agreements with public joint-stock company ROSBANK ("Rosbank") for total amount of RUB 567 million maturing in April-June 2021 and paying interest at 2% (pursuant to the Russian Government Resolution No. 696). The loan is recognized at its fair value with interest rate 8%. As of 30 September 2020 the undrawn amount of the loan facility was RUB 81.5 million.
- (ix) In March 2019 the Group entered into overdraft agreement with Rosbank for borrowing of EUR, USD or RUB denominated funds up to the total overdraft limit of RUB 500 million. The interest is payable on a monthly basis and set by the bank for each tranche subject to a ceiling of 14% per annum. As of 30 September 2020 the interest rate was 6.58% per annum. Each tranche is repayable within 180 days of receipt. In February 2020 overdraft limit was extended to RUB 800 million.

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 September 2020
			Exchange rate changes	Accrual of interest expense	
Borrowings	3,291	784	865	145	5,085
Debt securities	55,418	(2,539)	11,554	3,079	67,512
Lease liability (Note 12)	243	(46)	-	13	210
	58,952	(1,801)	12,419	3,237	72,807

- (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.

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19. TRADE AND OTHER PAYABLES

	<u>30 September 2020</u>	<u>31 December 2019</u>
Amounts payable for the acquisition of property, plant and equipment	1,355	-
Total non-current trade and other payables	1,355	-
Amounts payable for the acquisition of property, plant and equipment	656	2,204
Rent deposits received	1,346	1,194
Trade payables	825	848
Letters of credit	302	1,679
Total financial liabilities	3,129	5,925
Advances received	633	805
Total non-financial liabilities	633	805
Total current trade and other payables	3,762	6,730
Total	5,117	6,730

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

20. TAXES OTHER THAN INCOME TAX PAYABLE

	<u>30 September 2020</u>	<u>31 December 2019</u>
Value added tax	1,153	664
Social insurance tax	821	433
Property tax	19	12
Other taxes	67	25
Total taxes other than income tax payable	2,060	1,134

21. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<u>30 September 2020</u>	<u>31 December 2019</u>
Accrued employee expenses	1,085	1,193
Other liabilities	535	306
Total accrued expenses and other current liabilities	1,620	1,499

Accrued employee expenses as of 30 September 2020 and 31 December 2019 comprised accrued salaries and bonuses of RUB 563 million and RUB 640 million, respectively, and an accrual for unused vacation of RUB 522 million and RUB 553 million, respectively.

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22. 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, receivables and payables, finance lease receivable, short-term investments, 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 assets and liabilities

Financial assets	30 September 2020		31 December 2019	
	Fair value	Carrying value	Fair value	Carrying value
Loan issued	413	442	314	324
Financial liabilities				
2021 LPNs (Note 18)	28,344	28,403	22,226	21,674
2023 LPNs (Note 18)	24,220	23,904	18,864	18,749
Five-year RUB debt securities issued in 2017 (Note 18)	9,782	10,211	9,814	10,004
Three-year RUB debt securities issued in 2019 (Note 18)	4,967	4,994	4,993	4,991
Loan from ING Bank (Note 18)	3,747	2,774	3,085	2,366
Loan from Raiffeisen bank AG (Note 18)	565	576	636	629
Loan from Raiffeisen bank (Note 18)	1,004	1,004	-	-
Non-revolving loans from Rosbank (Note 18)	471	471	-	-
Overdraft from Rosbank (Note 18)	260	260	297	296
Total	73,360	72,597	59,915	58,709

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23. 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 nine-month periods ended 30 September 2020 and 2019 as well as closing balances as of 30 September 2020 and 31 December 2019.

	Entities under common control	
	30 September 2020	31 December 2019
Advances for acquisition of non-current assets	959	124
Loans issued	442	324
Trade receivables	569	-
Other receivables	377	-
Total non-current assets	2,347	448
Trade receivables	-	399
Other receivables	105	524
Total current assets	105	923
Trade payables	25	1
Other payables	16	8
Total current liabilities	41	9

Expected credit losses were recognized for trade and other receivables in amount of RUB 352 million and RUB 81 million as of 30 September 2020 and 31 December 2019 respectively.

Advances were made for acquisition of land plots during nine-month period ended 30 September 2020.

The income and expense items with related parties for the nine-month periods ended 30 September 2020 and 2019 were as follows:

	Entities under common control	
	2020	2019
Sales to related parties	83	65
Purchases from related parties	70	132
Interest income	26	17

Compensation of key management personnel

Key management comprised seven persons as of 30 September 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 85 million (including social insurance tax of RUB 12 million) and RUB 118 million (including social insurance tax of RUB 16 million) for the nine-month periods ended 30 September 2020 and 2019, respectively. The outstanding balances due to key management personnel amounted to RUB 13 million and RUB 11 million as of 30 September 2020 and 31 December 2019, respectively, and comprised accrued salaries, bonuses, accrual for unused vacation and other monetary benefits.

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24. 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 September 2020 and 31 December 2019 consisted of the following:

	<u>30 September 2020</u>	<u>31 December 2019</u>
Reconstruction and expansion of passenger terminal	9,074	11,049
Reconstruction of fuel storage facilities	582	695
Reconstruction of office buildings	198	256
Construction of transport maintenance building	118	118
Construction of a canine center	70	72
Construction of multilevel parking	55	57
Reconstruction and expansion of cargo terminal	25	25
Other	238	242
Total capital commitments	<u>10,360</u>	<u>12,514</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. 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 11), 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.

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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.

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.

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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 twelve 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, has obtained non-revolving loans as systematically important company at reduced rate and subsidy under Government Resolution No. 813 (Notes 2, 18, 25).

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 September 2020							
Non-interest bearing liabilities		1,087	422	1,852	1,292	63	4,716
Debt securities and borrowings	3.6%-9.01%	9	1,871	5,892	72,478	-	80,250
Lease liability	9.9%-10.73%	6	-	82	147	71	306
Total		1,102	2,293	7,826	73,917	134	85,272
31 December 2019							
Non-interest bearing liabilities		3,300	694	2,148	49	-	6,191
Debt securities and borrowings	3.42%-9.01%	350	712	4,878	64,552	293	70,785
Lease liability	9.9%-10.73%	19	19	41	199	73	351
Total		3,669	1,425	7,067	64,800	366	77,327

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

	Effective interest rate, %	Less than 1 month	1-3 months	3 months- 1 year	1-5 years	Over 5 years	Total
30 September 2020							
Accounts receivable		2,046	217	84	946	-	3,293
Loans issued	5%	-	-	-	502	-	502
Short-term investments	7%-11%	32	13	-	-	-	45
Finance lease receivable	41%	22	42	190	1,016	106	1,376
Total		2,100	272	274	2,464	106	5,216
31 December 2019							
Accounts receivable		2,561	268	400	-	-	3,229
Loans issued	5-7%	-	-	-	365	-	365
Short-term investments	1/54%-11%	37	1,240	10	-	-	1,287
Finance lease receivable	45%	16	33	148	788	230	1,215
Total		2,614	1,541	558	1,153	230	6,096

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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 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 favourable changes in exchange rates.

For the nine-month period ended 30 September 2020 the Russian Ruble depreciated against the US Dollar, EURO by 29%, 34%, respectively (appreciated against the US Dollar, EURO by 11%, 13% for the year ended 31 December 2019). The Group does not have or use any 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 of the reporting date are as follows:

	Denominated in USD		Denominated in EUR	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
Assets				
Cash and cash equivalents	7,781	4,189	244	160
Trade and other receivables	798	1,036	152	129
Loans issued	432	324	-	-
Short-term investments	13	1,241	-	-
Finance lease receivable	-	-	552	410
Restricted cash	1	1	2,179	1,624
Total assets	9,025	6,791	3,127	2,323
Liabilities				
Debt securities and borrowings	52,306	40,423	3,350	2,995
Trade and other payables	1,262	1,273	138	77
Total liabilities	53,568	41,696	3,488	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	
	9m 2020	2019	9m 2020	2019
Loss	4,454	3,523	36	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.

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Legal proceedings

During the nine-month period ended 30 September 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.

25. SUBSEQUENT EVENTS

New tranches under non-revolving credit facility agreements with Rosbank – In October 2020 the Group additionally borrowed RUB 81.5 million under non-revolving credit facility agreements with Rosbank concluded in July 2020.

Dividends – In October 2020 dividends of USD 6.5 million (RUB 505.5 million at the Central Bank of Russia exchange rate as at the declaration date) were declared and USD 6.1 million (RUB 477 million at the Central Bank of Russia exchange rate as at the payment date) were paid to the shareholders of the Group.

Letters of credit – In October 2020 the Group fulfilled its obligations under the letter of credit in a total amount of RUB 200 million.

Government grants – In December 2020 the Group has obtained cash funds for the total amount RUB 180 million under the Government Resolution No. 813 as additional compensation of certain employee and other operating expenses incurred during July 2020.

COVID-19 update – The number of COVID-19 cases in Russia and elsewhere has been steadily rising since late September 2020 and the relevant authorities have been reintroducing certain restrictions in seeking to control the spread of the pandemic. In particular, in October – November 2020, the UK, Belgium, Austria, France, Germany, Italy and certain other countries introduced a new set of lockdown measures amid increases in the number of COVID-19 cases. Furthermore, in December 2020, a number of countries, including Russia, suspended flights to/from the UK to stem the transmission of a new COVID-19 variant. However, despite this recent spike of COVID-19 cases, the Russian governmental authorities have not so far reintroduced the more severe restrictions experienced in other countries such as full or partial lockdowns or any further travel bans. Moreover, a number of countries including Russia have started mass vaccination campaigns using a variety of recently developed vaccines against COVID-19, which are intended to stop 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.