

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Impairment of financial assets carried at amortised cost

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account within the profit or loss for the year.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognised and a new asset is recognised at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

Trade and other payables

Trade payables are accrued when the counterparty performs its obligations under the contract and are carried at amortised cost using the effective interest method.

Aircraft lease security deposits

Aircraft lease security deposits represent amounts paid to the lessors of aircraft in accordance with the provisions of operating lease agreements. These security deposits are returned to the Group at the end of the lease period. Security deposits related to lease agreements are presented separately in the Consolidated Statement of Financial Position (aircraft lease security deposits) and recorded at amortised cost.

Commercial and non-commercial entities in which PJSC Aeroflot holds an interest

AS AT 31 DECEMBER 2018

Full and abbreviated name	Stake, %	Purpose	Form	Amount, RUB thousand	Core operations as defined in the Articles of Association	Revenue in 2018, RUB thousand*	Profit (loss) in 2018, RUB thousand*	Dividends received in 2018, RUB thousand
Joint Stock Company Rossiya Airlines, JSC Rossiya Airlines	74.9999	Consolidate airlines to establish a strong national carrier based on PJSC Aeroflot, by implementing the best corporate governance standards	shares	689,173	Domestic and international air carriage of passengers, baggage, cargo and mail, and provision of aviation services, including services for passengers and baggage	114,516,879	1,647,746	–
Limited Liability Company Pobeda Airlines, LLC Pobeda Airlines	100	Consolidate airlines to establish a strong national carrier based on PJSC Aeroflot, by implementing the best corporate governance standards	interest	1,200,000	Domestic and international commercial air carriage of passengers, baggage, cargo and mail, in line with the Air Code and other civil aviation laws and regulations of the Russian Federation, the Company's internal regulations, and duly issued airline licences	33,834,331	2,013,160	1,749,618
Joint Stock Company Aurora Airlines, JSC Aurora Airlines	51	Consolidate airlines to establish a strong national carrier based on PJSC Aeroflot, by implementing the best corporate governance standards	shares	3,964	Domestic and international commercial air carriage of passengers and cargo, and other aviation services	19,470,351	66,517	26,867
Joint Stock Company Orenburg Airlines, JSC Orenair*	100	Consolidate airlines to establish a strong national carrier based on PJSC Aeroflot, by implementing the best corporate governance standards	shares	665,503	Domestic and international commercial flights	–	(784,626)	–
Joint Stock Company DONAVIA, JSC DONAVIA*	100	Consolidate airlines to establish a strong national carrier based on PJSC Aeroflot, by implementing the best corporate governance standards	shares	328,863	Domestic and international air carriage of passengers, baggage, cargo and mail, and provision of aviation services, including services for passengers and baggage	–	(66,218)	–
Joint Stock Company Sherotel, JSC Sherotel	100	Provide hotel accommodations for PJSC Aeroflot's crews, premises for lease, passenger services in business lounges, implement investment projects	shares	882,813	Hotel accommodation services and services in luxury lounges at airports	1,532,814	82,122	98,309
Limited Liability Company Aeroflot-Finance, LLC Aeroflot-Finance	99.9999	Implement investment projects	stake in share capital	5,729,229	Implementation of financial projects	25,600	342,870	–
Limited Liability Company A-Technics, LLC A-Technics	Founded by LLC Aeroflot-Finance	Provide maintenance and maintain airworthiness for Aeroflot Group's aircraft	–	–	Maintenance and repair of Russian and foreign-made aircraft	2,275,157	304,573	–

Full and abbreviated name	Stake, %	Purpose	Form	Amount, RUB thousand	Core operations as defined in the Articles of Association	Revenue in 2018, RUB thousand*	Profit (loss) in 2018, RUB thousand*	Dividends received in 2018, RUB thousand
Closed Joint Stock Company Aeromar, CJSC Aeromar	51	Provide in-flight catering services for PJSC Aeroflot's flights	shares	28	Production and supply of food for in-flight catering, in-flight shopping service, aircraft cleaning and outfitting	21,101,777	1,261,503	257,644
Private Vocational Education Institution Aeroflot Aviation School, Aeroflot Aviation School	Founded by PJSC Aeroflot	Provide professional training and professional development training for Aeroflot Group's employees	Founder's contribution	–	Training services including those for flight attendants	800,294	31,671	–
Limited Liability Company Transnautic Aero GmbH	49	Implement investment projects	stake in share capital	105	Cargo flight sales agent, the company went out of business	–	–	–
Joint Stock Company AeroMASH–Aviation Security, JSC AeroMASH–Aviation Security	45	Provide aviation security services for passengers and aircraft	shares	45	Aviation security services at airports	4,499,247	556,615	10,005
Public Joint Stock Company Transport Clearing House, JSC TCH	3.85	Implement investment projects	shares	50	Flight sales settlement services	2,446,061	674,072	21,267
Joint Stock Company International airport Sheremetyevo, JSC MAS	2.43	Implement investment projects	shares	2,259,687	Airport operations	31,990,239	9,215,927	50,118
"Bank of Cyprus Holdings" plc	3,755 depositary certificates representing shares of «Bank of Cyprus Holdings» plc	–	–	–	Banking and financial services	–	–	–

* According to RAS.

** Legal entity in bankruptcy process.

Major Transactions and Related-Party Transactions

Major transactions

In 2018, PJSC Aeroflot made transactions recognised as major transactions according to Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995; the need to approve such transactions is set forth in Article X of the Federal Law On Joint-Stock Companies. Information on such transactions is contained in the Report on PJSC Aeroflot's Major Transactions in 2018 approved on 31 May 2019 and available in the Materials for General Meetings of Shareholders section of the Company's official website at <http://ir.aeroflot.ru/corporate-governance/general-meeting-of-shareholders/>.

Related-party transactions

In 2018, PJSC Aeroflot made transactions recognised as related-party transactions according to the Federal Law On Joint-Stock Companies; the need to approve such transactions is set forth in Article XI of the Federal Law On Joint-Stock Companies. Information on such transactions is contained in the Report on PJSC Aeroflot's Related-Party Transactions in 2018 approved on 31 May 2019 and available in the Materials for General Meetings of Shareholders section of the Company's official website at <http://ir.aeroflot.ru/corporate-governance/general-meeting-of-shareholders/>.