

Aeroflot Group

Aeroflot Group 9M 2019 IFRS Financial Results

Conference call held on 29 November 2019 at 3:00 PM MSK

Edited Transcript

Speakers:

- Andrey Napolnov, Head of IR
- Andrey Chikhanchin, Deputy CEO for Commerce and Finance
- Andrey Panov, Deputy CEO for Strategy, Service and Marketing
- Ivan Batanov, Head of Revenue Management

Participants asking questions:

- Matvey Tayts, Sova Capital
- Ivan Postevoy, VTB Capital
- Igor Goncharov, Gazprombank
- Elena Jouronova, J.P. Morgan
- Maxim Nekrasov, Goldman Sachs
- Denis Vorchik, Uralsib Bank
- Artem Yamschikov, Renaissance Capital

Operator: Dear ladies and gentlemen, welcome to the Aeroflot Group conference call. At our customer's request, the conference is being recorded. As a reminder, all participants will be in a listen-only mode. After the presentation, there will be an opportunity to ask questions. If any participant has difficulties during the conference, please press star followed by zero on your telephone for operator assistance. I will now hand you over to Mr Andrey Napolnov, who will lead you through this conference. Please, go ahead.

Andrey Napolnov: Good afternoon, ladies and gentlemen. Thank you for joining us on the call to discuss the 9M and Q3 2019 financial results. Today, we have the following speakers on the call: Deputy CEO for Commerce and Finance Andrey Chikhanchin, Deputy CEO for Strategy, Service and Marketing Andrey Panov, Director of Revenue Management and Network Planning Ivan Batanov, and Head of IFRS Artem Glaznev. I would like to remind you that the press release and IFRS statements are available on our website and before we start I would like to draw your attention to the disclaimer statement at the beginning of the presentation regarding the actual results and forward-looking statements and to the fact that they differ materially from those expressed or implied in the statements made during this conference call.

We begin the presentation with the key highlights to be discussed in detail during the presentation. First of all, operational growth has been quite strong during 9M 2019 despite some expected deceleration that we have seen in Q3 2019. Capacity increase of 12.4% respectively helped to boost passenger number by almost 11%, while keeping yields in the positive territory. To discuss these operational trends, I would like to pass the floor to Andrey Panov, Deputy CEO for Strategy, Service and Marketing.

Andrey Panov: Hello everyone. Please take a look at slide 5. The Russian market continued its growth at the pace of 7.6% year-to-date, slowing down a bit in Q3 2019 to 6%, which is still in line with our long-term projection of 6–7% CAGR. However, it is interesting to examine the structure of this growth. You can see minus 2 million PAX in red on the slide, which is attributed to foreign carriers. Actually, it is an 11% decline of

foreign carriers' traffic in 9M 2019 that accelerated to 14% in Q3 2019. It means that the growth was posted by Russian carriers only – all together they increased number of passengers by 17.5%.

Growing competition from Russian carriers had some implications for industry pricing trends. First of all, these carriers have lower CASK compared to foreign carriers (European ones, in particular) and by definition may offer better deals. At the same time, the growth was concentrated in the most popular markets and created overcapacity. Overall, going forward, this strong growth of Russian airlines in terms of passenger numbers probably implies that we will see higher numbers at the end of this year.

The approach to domestic market continued to be quite rational both in 9M and Q3 2019. The key growing players here have been Aeroflot Group (Aeroflot and Pobeda, in particular), and S7. Other carriers have been either reducing their domestic capacity in favour of the international segment (Ural Airlines) or grew in the non-scheduled segment (Utair).

Our domestic competitors have continued to develop both in Moscow and outside. We noted an acceleration of S7 expansion in their hub in Novosibirsk (the number of seats offered increased over 30%, probably due to the regional jets they received), which outpaced Domodedovo in terms of the number of seats added according to available databases. Ural Airlines focused on Zhukovsky and Yekaterinburg airports. Utair returned to growth mostly in the non-scheduled segments, as I have already mentioned.

On the back of these trends, we slightly increased our market share to 38.7% based on a “pure O&D market” methodology.

Let us go to the next slide. In 9M 2019, in line with our strategic approach, we have seen growth in all key brands. Pobeda led the Group with a 46% growth, or 2.4 million PAX added in absolute terms. I will speak about it a bit later. A 6% growth in Aeroflot was substantially supported by growth on international routes, including Europe-to-Asia transfer, while domestic network was not expanding. In Q3 2019, we posted a slight decline in the traffic, mostly linked to the load factor, on the one hand, and to the capacity adjustments, on the other hand. Rossiya airline's scheduled network that was moved to the Sheremetyevo Airport from Vnukovo posted improved efficiency and connectivity to larger Aeroflot network, particularly in the long-haul segment.

The next slide is about Pobeda. Pobeda continued its remarkable growth on the back of capacity expansion. We do not know what will happen next year because of MAX but during the last 12 months, the airline received eight aircraft, including six aircraft this year, increasing the total fleet to 30 planes. Passenger number grew by 46%, hitting 7.6 million PAX in 9M 2019. I believe that operationally Q3 2019 was quite remarkable as we were able to maintain efficiency – PLF stayed at an amazing level, around 96.5% amid growing yields. Pobeda's positive yield that we have seen in 9M 2019 is also quite important as the airline is growing in less sizable markets opposite to the growth in the initial stage of its development when Pobeda entered the key routes that connected Moscow and other agglomerations. All in all, the network of the airline in the summer season comprised over 100 routes, and over half of them are unique to our Group.

The next slide is about Aeroflot airline's domestic and international transit, which is also very important for us because of the strategy to increase transit passenger volumes. In line with this strategy, the number of Aeroflot's international-to-international transit PAX in 9M 2019 increased by 14% to 4.1 million (including Rossiya airline, the number is 4.3 million). The pace of growth for 9M was affected by Q3 2019 and resulted in lower run rates compared to 20% y-o-y growth in 1H 2019 because of a number of specific factors, including different time of holidays in Israel and the situation in Hong Kong. But still, the growth is in line with the plan.

Now we will provide our network and schedule overview, so I pass the floor to the next speaker, Ivan Batanov.

Ivan Batanov: Thank you, Andrey, and good afternoon everyone. Let us start with the Group's network development. The development of the network according to the depth principle remains Aeroflot's priority. However, as we already have quite sizable operations in the key markets, we are increasing our focus on new markets and new routes. Most of the recent additions to the network took place in Winter 2018/2019, with minor expansion in Summer 2019, particularly with Marseille and Palma de Mallorca. These additions, coupled with the new frequencies, allowed us to increase overall frequency for network carriers by 7%. As usual, domestic frequency drives this growth. The overall expansion of our route network is aimed at maximising passenger convenience, extracting more synergies from the existing network, and supporting our international-to-international transit strategy.

Let us move to the next slide and have a look at the key results of our revenue management this year and in the recent quarter. A 1.4% increase in the Group's 9M yield was driven by the domestic segment (up by 6.9%), while international yields have been slightly down by 2.6%. Q3 2019 followed the trend we have been witnessing from the beginning of the year: improving domestic yields and some pressure in the international segment.

Let me summarise the factors that have determined the Q3 2019 yield dynamics. First of all, the domestic yields. The increase in yields is quite a positive development as it has helped to improve underlying financials of the domestic segment. The key market players' rational approach to pricing and limited capacity expansion as well as consumers' ability to "digest" the increase contributed to the growth. I would like to highlight that the Group has been able to increase the yields, while Pobeda continued its high growth and increased offering of budget seats affecting the Group's RPK mix.

Soft performance of international yields is mainly attributed to overcapacity resulting from quite an abrupt and inorganic increase in capacity by some players. On the one hand, we have seen positive impact on the routes where foreign carriers have decreased capacity, but Russian carriers' 17% y-o-y increase in PAX in Q3 2019 was too fast not to disrupt pricing. The capacity factor was complemented by intra-European pressure on the yields exacerbated by currency factor, as rouble strengthened 6% vs. euro in Q3 2019. In this environment, we were able to minimise the decline in the European yields only at 3.7% in Q3 2019, which is an improvement vs. -5% in 1H 2019. On the positive side, we have been quite successful in the CIS Region despite growing capacity and competition, and managed to increase yields by 3% in roubles.

Among other factors, we have actively developed ancillaries and, last but not least, the World Cup 2018 affecting June and July, as we have already mentioned many times before.

Let us move to the next slide. We use it as a reminder to illustrate the base effect and show yield growth in 2019 and 2018 by month. Here, you can see that once the base effect of the World Cup was over, particularly for June and July, Aeroflot's yield resumed the growth. At the same time, as I have mentioned, we need to keep in mind that post-World Cup, we had extra demand due to the shifted timing of holidays taken by the Russians. The key contributors to the soft yield dynamics were international yields. On the back of the 2018 increase, international yields in June were down by 12% and by 8% in July. In the following months, the yields have normalised and posted positive growth.

Now I would like to pass the floor to Andrey Chikhanchin.

Andrey Chikhanchin: Ladies and gentlemen, good afternoon. Let us talk about the fleet plan. The Group's fleet remained almost stable in 9M 2019, with Pobeda being the main driver of additions with six aircraft phased in in the first three quarters. Aeroflot received two wide-body Boeing 777 aircraft in 9M 2019 and started the

process of decommissioning Airbus A330 planes with the first three aircraft scheduled to leave the fleet in Q4 2019.

Let us move to financial highlights and talk about the consolidated financial results for 9M and Q3 2019. 1H 2019 was quite challenging with ca. 5% increase in fuel price and material rouble depreciation, both vs. US dollar (about 10%) and euro (about 3%), which resulted in soft 6M 2019 results. At the same time, despite competition headwinds, we have been successful at increasing the yields.

As we moved through Q3 2019, we have seen a number of changes in the macro trends. The first is some jet price improvement at the Group level but at the same time, we believe that fuel remains elevated compared to historical numbers. And the second trend is that rouble appreciated vs. US dollar and euro, by 2% and 6%, respectively. As a result, we see decreased pressure on costs and higher pressure on revenue.

Let us move to the next slide showing revenue growth decomposition. The Group's revenue grew by 12.4% during 9M 2019 y-o-y and amounted to RUB 524 bn led by expansion of scheduled operations, which generated additional revenue of RUB 52 bn. We have been able to realise positive currency effect of RUB 9 bn and RUB 8 bn on pricing due to increase in yields. An additional contribution to revenue was generated by ancillary revenue projects, which show positive reception of our passengers. We have mentioned these ancillary projects earlier, they include upgrade to business or comfort class, seat selection for lower booking classes, and so on.

Let us talk about operating costs. As I have mentioned, substantial growth of OPEX in 9M 2019 is mainly driven by a 12% increase in capacity. Fuel remained one of the key contributions to OPEX growth adding about RUB 14 bn, mainly due to volume growth as well as further rouble devaluation, notwithstanding the fact of decreasing prices in US dollars. The FX trend is also an explanation to the key lines with FX component.

In addition to the volume and FX factors, a number of key P&L lines have been affected by accounting and operational factors: aircraft and passenger servicing cost was additionally inflated by further increases in third-party handling service replacing in-house servicing and higher fares in domestic regional airports. Lease, depreciation, maintenance and other lines have been affected by IFRS 16. Maintenance, which is left in P&L, increased by 45% in 9M 2019 due to the increase in Q3 2019 as a result of interior upgrades of specific types of aircraft to maintain service standards and one-off costs related to additional expenses on redelivery checks as aircraft left the fleet ahead of schedule. Staff costs were influenced by the release of a long-term motivation programme reserve in Q3 2018, which created low base for comparison in the current year. Normalised growth was ca. 7%.

In Q3 2019, growth in ASK amounted to 8%, so the 10% increase in OPEX is mostly linked to the volume factor, with additional influence from the same factors as described for 9M 2019 y-o-y dynamics.

Going forward, the Group's management remains an apologist of strict cost control measures as jet fuel price in roubles is still elevated, and it is important to become even more cost-efficient in other cost lines to protect the margins.

Moving on to the unit cost analysis, we may conclude that CASK increased by 3% in 9M 2019 and by just 1.2% in Q3 2019. Q3 and Q2 growth in CASK is the lowest seen in the recent two years. Around 50% of costs are denominated in hard currencies, mostly in US dollars, which gained about 6% in 9M 2019 and lost about 2% in Q3 2019 y-o-y. On top of that, we have seen a continuation in the growth of fares in the regional airports and increase in LIBOR in 9M 2019 y-o-y and other minor factors.

Next slide is EBITDA Evolution. In 9M 2019, we generated RUB 142 bn EBITDA, which was up by 6.7% y-o-y. The key drivers of changes in EBITDA were higher net volume and the price effect on revenue vs. costs, and positive net FX effect on revenue and costs in the amount of about RUB 3 bn.

Let us talk about Pobeda financial results. Active expansion of Pobeda in 9M 2019 and addition of 46% of ASKs y-o-y did not dilute RASK, which grew by an impressive 5.5% y-o-y amid 94.1% load factor. Operating growth of Pobeda allowed it to increase EBITDA in Q3 2019 by 69% to RUB 9.5 bn. I would like to remind that net income contains FX revaluation of lease portfolio in the amount of RUB 3.8 bn for 9M 2019, which means that Pobeda still has a very decent normalised profit.

The next slide is on leverage and liquidity. Net debt as of 30 September 2019 decreased by 10% (presented on a comparable basis) on the back of revaluation of lease liabilities due to rouble appreciation during 9M 2019 and growth in cash position. Our current cash position is about RUB 30 bn, which is lower than in September 2018. This year, we have to take into account that since January 2019, we have prepaid about RUB 21 bn for further deliveries of aircraft as we are nearing delivery of wide-body Airbus A350.

That is all. We are ready to answer your questions. Thank you.

Operator: The first question we received is from Matvey Tayts, Sova Capital. Matvey, your line is open.

Matvey Tayts: Good afternoon and thank you for the presentation. My question is regarding the aircraft maintenance cost line. In 1H 2019, we saw a 31% decrease y-o-y on this line and for 9M 2019 it is only minus 25%, meaning only minus 15% in Q3 2019. Are there any one-offs in Q3 2019 in this aircraft maintenance or is this 25% decrease sustainable for the full year? What is your view on this item? Thank you. I am talking about this aircraft maintenance line which is minus 23 942 million RUB in your cost of goods sold structure.

Andrey Napolnov: Matvey, if I get you right, you are referring to the restated statements for 2018. We can compare the numbers, but at the same time, it is better to look at LFL numbers. There is a certain trend with capitalised maintenance. I think the proportion may change from quarter to quarter because of the calendarisation of maintenance procedures and so on. In fact, we discussed these trends in detail on the IFRS 16 dedicated call. Our comment was that we expect to see the continuation of this trend with some of the maintenance capitalised and decrease in the maintenance base. That is definitely what we see in our statements. And so basically, there is no change vs. the call I am referring to. But at the same time, the calendarisation issue here is quite important, I believe.

Matvey Tayts: Ok, thank you.

Operator: The next question is received from Ivan Postevoy, VTB Capital. Your line is open.

Ivan Postevoy: Hi, thank you for the presentation. I have two types of questions. First, should we expect another jump in maintenance costs in Q4 2019 due to some one-offs as it was in Q3 2019? And why did passenger servicing grow only 2% in Q3 2019 after 20% in Q1 and Q2 2019. The second set of questions is on whether you could give the aircraft delivery schedule for 2020? And suppose Boeing MAX is grounded until summer 2020, how are you going to support growth in this case? Thank you.

Andrey Chikhanchin: Thank you for your questions. Let us start with maintenance in Q4 2019. As of now, we do not expect maintenance costs to continue growing in Q4 2019 at the elevated pace of Q3 2019. We have less heavy checks planned, and other one-offs related to repairs have been reflected in the accounts. At the same time, normalised growth in maintenance CASK may be about 10–15% roughly within reasonable

expectations for Q4 2019. The second question was about the 2020 schedule. We cannot give you an exact schedule. According to our budget, we will add about 31 planes in 2020. This is the figure for the whole Group.

The third question was about Boeing MAX. According to our information, the aircraft may arrive next year. Now we are not in a position to find any special solution to replace these planes, but we have some possibility to move planes between the companies of the Group. This is one of possible solutions.

Ivan Postevoy: Thank you. I have also asked a question about passenger servicing expenses that grew only 2% in Q3 2019.

Andrey Chikhanchin: I think all airports rose tariffs in 1H 2019. In Q3 2019, there was no particularly high increase in this line.

Ivan Postevoy: Thank you.

Operator: The next question is from Igor Goncharov, Gazprombank. Your line is open.

Igor Goncharov: Thank you very much for the opportunity. My question is on the compensation for extraordinary fuel costs. I wonder if you expect to receive some amount this year. If you disclose the approximate amount, how would it be treated in relation to dividends? Would it become part of the dividend base or would it not be included? Thank you.

Andrey Chikhanchin: Thank you for the question. The jet fuel subsidy has been on the agenda for quite a while. According to available information, we do not expect to receive it this year. Now is December, and I am not sure we will receive any part of it this year. We will wait for the next year and hope all decisions will be in place. As for the exact figure, we have information about some RUB 23 bn to be distributed among all players in the Russian market. Next year we will see what share each company will have depending on the distribution methodology. As for dividends, as soon as we know the exact amount and understand the compensation base (whether this is some subsidy or other type of compensation), we will decide if we can attribute it to net profit and pay dividends from it.

Igor Goncharov: Thank you very much. That was very helpful. To clarify, is there a possibility you could book some of the compensation amount in the 2019 accounts even though you expect to receive it later? Is it possible to book it up front? If you do not receive this money in 2019, will there be no reflection in the 2019 accounts?

Andrey Chikhanchin: As mentioned earlier, we do not understand the base for this compensation, whether this will be a subsidy or some other type of instrument. We need to know the amount so that we could make provisions in our profit. We would like to have more visibility on it.

Igor Goncharov: Thank you very much. That was very helpful.

Operator: The next question is from Elena Jouronova, your line is now open.

Elena Jouronova: This is Elena Jouronova from J.P. Morgan. I have a few clarification questions please. Can you explain to me what can be the mechanism of that fuel cost compensation that would actually not allow Aeroflot to consider it as part of the income statement?

Andrey Panov: We just do not know what we will get, how we will get it, and when we will get it, I mean, it is really hard to answer this question, we just do not know.

Elena Jouronova: I really do not understand this, to be honest, because if you do not know the amount, I can appreciate that, but there must be a number of mechanisms available to actually bring that money onto your income statement. I am pretty much sure that it is not as if there are 20 different options to do it. How can this be structured so that Aeroflot cannot book it in the income statement, can you give me an example please to understand it?

Andrey Panov: We have never received such compensation. We just do not know what kind of mechanism will be chosen by government. Once again, there is zero clarity on this, and with zero clarity on the mechanism it is hard to answer any question, not only yours, any question on what will be done with this compensation.

Andrey Chikhanchin: Best case, it will be in *Other income*.

Elena Jouronova: Okay, there has been no precedent and that is why we do not know. Then, as for the amount, RUB 23 bn in total, what is the minimum amount that you think you could get and what is the maximum amount depending on the various options that are discussed?

Andrey Chikhanchin: RUB 23 bn is the maximum and zero is the minimum.

Elena Jouronova: Let us be a little more realistic.

Andrey Panov: You have the same information as we do. All of these discussions are in the newspapers. There are many mechanisms, which were discussed, and you can also estimate this just as we do, but again: we do not do this because we do not know how it will be done.

Elena Jouronova: What is Aeroflot's share in the domestic airline market excluding international, just the domestic flights, can you remind us?

Andrey Chikhanchin: It is about 40+%, we should verify this, but it is about 40+%.

Elena Jouronova: Ok, then I wanted to ask about the fleet strategy. If I have heard correctly, you are expecting to add 31 planes, but this does not include the planes that are being phased out. Is it 31 new planes net or is it gross before the phase-out?

Andrey Chikhanchin: It is a net effect with the phase-out and phase-in.

Elena Jouronova: Okay, this is higher than we have previously seen in your presentations. Where do these 31 planes come from, can you break it down by model? Is it MC, SSJ, Boeing, is it narrow or wide body, can you give us some detail for model updates please?

Andrey Chikhanchin: What we can disclose right now is the phase-in of about 11 Airbus 350, which I mentioned earlier, and the phase-out of four Airbus 330 next year. The rest is narrow body. It is a different mix in different companies.

Elena Jouronova: How much Boeing 737 MAX aircraft are there in this amount?

Andrey Napolnov: Elena, we will provide information on that after the call, if you do not mind. We definitely have MAX in these deliveries, as you can understand.

Elena Jouronova: Ok, that is fine, we can take it offline. I am sorry, I have two more questions. I find it very hard to forecast your operating expenses, excluding fuel costs. The growth was higher in Q3 than I thought it would be. Could you please tell us what you expect for Q4 for gross operating costs, excluding fuel costs. We can talk about OPEX CASK, operating expense per ASK, right? What are your expectations for 2020 when you are planning your budget for the next year?

Andrey Napolnov: Elena, regarding the CASK expectations, definitely the trends that you see in 9M are a very good base for the forecast. As we stated, we had some currency headwinds in 1H 2019 when the USD/RUB rate was up by 5% or in Q1 when the USD/RUB rate was up by 10%, which resulted in a 3% CASK increase for 9M 2019. But as you see from Q2 and Q3 numbers, our CASK excluding fuel costs has been more or less under control, and I think it will be somewhere around mid-single digits, maybe slightly higher for non-fuel CASK, resulting in low-single digits, around 1–1.5% of total CASK growth to have in the model for Q4.

Elena Jouronova: And what about 2020?

Andrey Napolnov: Regarding 2020, we will provide more details during the next call or the Capital Markets Day that we are hosting in December, a little bit later.

Elena Jouronova: Ok, thank you. The final question from me: what were the yield trends in October and so far in November?

Andrey Napolnov: Regarding yield trends, as we stated during the call, we have seen some improvement post the World Cup and post this summer, when we had mixed trends in demand, postponed holidays due to the World Cup last year, etc. At the same time, you have seen the euro trend (RUB appreciated vs. euro) and it contributed to the international segment yield trend. We believe that the trends you see in Q3 with domestic yield increase and some pressure on international yield is something that will continue in Q4, on the one hand. On the other hand, we believe that there may be slight improvements here. For example, in October, we see that the yield for the Group is increasing by around 2%; it is a preliminary estimate, but it is a little higher than we see in Q3. In the beginning of November, there is some acceleration in the pace of growth. We are a little ahead of our initial plan, and it is very hard to say if it is going to be like this for the whole of November and if we continue this pace in December because of some potential calendarisation issues (a lot of holidays are always taken in the first half of November), but management team will strive to continue this growth and will do everything possible to exploit all the market opportunities to achieve the best results for the quarter which we are currently moving through.

Elena Jouronova: Thank you, that is very clear.

Operator: The next question we received is from Maxim Nekrasov, Goldman Sachs. Your line is now open.

Maxim Nekrasov: Good afternoon. Thank you for the presentation, I have a few questions. My first question is on revenues. What factors were driving the decline in *Other revenue*, which was down some 5%, including revenue from agreements with other airlines, while in Q2, there was around a 17% growth in *Other revenue*? The second question is on yields as well. I appreciate your comments regarding the Q4 2019 trends, but can you provide some colour on your expectations going into 2020 and whether you expect the yields to remain positive in the next year?

Andrey Napolnov: As you can see, the key line in *Other revenue* is *Airline agreements*, which was down and contains a currency component. The dollar trend was the key factor to affect this line. As for the year 2020 and its yields, it is a little bit early to comment. We would like to roll a bit further into Q4 2019 to give some guidance on that. However, the Revenue Management team will as usual try to exploit all opportunities provided by the market.

Maxim Nekrasov: Ok. Once again, regarding *Other revenue*: do you expect similar trends in Q4 2019 as in Q3 2019?

Andrey Napolnov: I think it is very helpful to look at the exchange rate. If you incorporate your house's view on the exchange rate in your model, you will get an answer that we hope will be close to reality. We will report on this in the beginning of March.

Maxim Nekrasov: Thank you.

Operator: The next question received is from Denis Vorchik, Uralsib Bank. Your line is now open.

Denis Vorchik: Good afternoon, gentlemen. Thank you for the presentation. My question is about the development at the Sheremetyevo Airport, where the third runway was launched in September. The airport also has a plan to start a reconstruction of the first runway in January. In this regard, what is your strategy given the moving of flights from Vnukovo to Sheremetyevo? In particular, do you expect that service expenses at the Sheremetyevo Airport will be growing?

Andrey Chikhanchin: Thank you for your question. No, we are not expecting a growth in costs at Sheremetyevo – only according to the inflation, as we understand. If you are talking about capacity as the first runway will be closed for reconstruction, we have the third one. We have discussed the matter closely with Sheremetyevo and understand that their capacity will be not less than we have now from the two runways. It will be as we had before the third one was opened.

Denis Vorchik: Thank you. I am just curious: what is your impression of the newly built runway launched a couple of months ago? Are you happy with it?

Andrey Chikhanchin: We are happy. It is a new one. It will give us more capacity after the reconstruction of the first runway is finished. It is also an independent runway, which helps make more operations per hour.

Denis Vorchik: Ok. After the reconstruction of the first runway, which is now dependent on the second one, will these two runways be independent?

Andrey Chikhanchin: It is a question for Sheremetyevo, of course, but as we now know, they will still be dependent.

Denis Vorchik: Ok. That is it from my side. Thank you.

Operator: The next question received is from Artem Yamschikov, Renaissance Capital. Your line is now open.

Artem Yamschikov: Good afternoon. Thank you for the presentation. Actually, most of my questions have been answered, and I have one regarding PDPs for the next year. Could there be a net inflow or outflow and, if possible, could you indicate any ballpark estimate for PDPs in 2020? Thank you.

Andrey Chikhanchin: Thank you for your question. We are expecting a net inflow from PDPs, because, as I have mentioned earlier, we made a lot of PDPs for Airbus A350. So yes, PDPs will bring a net inflow.

Artem Yamschikov: Thank you.

Andrey Napolnov: We would like to thank everyone for joining our call today. I would like to remind you that we will host a Capital Markets Day in London on 12 December. If you are planning to attend and have not yet signed for the event, please let us know. Again, thank you and have a good weekend.