



## AEROFLOT ANNOUNCES FY 2016 IFRS FINANCIAL RESULTS

**Moscow, 2 March 2017** – Aeroflot Group (“the Group”, Moscow Exchange ticker: AFLT) today published audited financial results in accordance with International Financial Reporting Standards for the year ending 31 December 2016.

### Key 2016 financial results for Aeroflot Group:

- Revenue increased by 19.4% year-on-year to RUB 495,880 million;
- EBITDAR amounted to RUB 137,567 million, up 33.4% year-on-year, while EBITDAR margin increased by 2.9 p.p, to 27.7%;
- EBITDA amounted to RUB 78,004 million, rising 32.9% year-on-year, while EBITDA margin grew by 1.6 p.p. and amounted to 15.7%;
- Operating profit amounted to RUB 63,254 million, up 43.4% year-on-year;
- Net profit totalled RUB 38,826 million.

### Shamil Kurmashov, PJSC Aeroflot Deputy CEO for Commerce and Finance, commented:

"Aeroflot's IFRS financial results improved significantly in 2016. This was underpinned by growth and development of the business, a net positive foreign exchange effect on revenues and costs while maintaining tight control of operating expenses thanks to a high level of digitalisation, and also the effect of operating leverage due to higher passenger load factors.

"Group revenues rose by 19.4% year-on-year and amounted to RUB 495.9 billion. This growth was supported by increased volumes, as well as a positive FX effect from foreign currency denominated revenues. Group passenger traffic grew 10.3% to 43.4 million passengers as a result of sustained high demand for domestic flights, but also thanks to the launch of new international routes and increased frequency of flights amidst a gradual recovery in demand in the international segment. In addition to scheduled passenger traffic, which rose by RUB 60.3 billion year-on-year, the charter segment returned to growth during the reporting period in connection with the launch of a charter programme. As a result, overall revenue from passenger traffic grew by RUB 11.5 billion year-on-year. The addition of new wide-body aircraft to the Group's fleet enabled growth of cargo revenues by RUB 3.0 billion.

"As a result of the currency factor, the net positive effect on operating profit amounted to RUB 14 billion, which was made possible thanks to efficient revenue management and tight control of operating costs. In the fourth quarter the Russian rouble strengthened against international currencies, which became an additional factor affecting operating expense dynamics.

"Operating leverage was another factor that positively affected profitability. Passenger load factors for the Group rose by 3.2 p.p. to 81.5%, which enabled the Group to earn additional revenue without increasing fixed costs.

"As a result of these factors operating profit for the twelve months of 2016 grew by 43.4% year-on-year to RUB 63.3 billion. EBITDA increased by 32.9% to RUB 78.0 billion, while EBITDA margins rose by 1.6 p.p. to 15.7%. Net profit for the period amounted to RUB 38.8 billion.

"In the past year we managed to make significant progress, both operationally and financially, on the path to achieving the Group's long-term strategic goals. Accelerated growth of our operating indicators in the fourth quarter of 2016 together with emerging macroeconomic improvements allow us to have an optimistic outlook for 2017 and the Group's development prospects."

### Key operating highlights

	2016	2015	Change
Passengers carried, thousand PAX	43,440	39,393	10.3%
- international	18,289	16,028	14.1%
- domestic	25,152	23,365	7.6%
Revenue Passenger Kilometres, million	112,110	97,636	14.8%
- international	63,432	52,953	19.8%
- domestic	48,678	44,684	8.9%
Available Seat Kilometres, million	137,642	124,741	10.3%
- international	79,322	68,490	15.8%
- domestic	58,320	56,252	3.7%
Passenger load factor, %	81.5%	78.3%	3.2 p.p.
- international	80.0%	77.3%	2.7 p.p.
- domestic	83.5%	79.4%	4.1 p.p.

In 2016, Aeroflot Group carried 43.4 million passengers, up 10.3% year-on-year.

### Key financial highlights

<i>RUB million, unless stated otherwise</i>	2016	2015	Change
Revenue	495,880	415,173	19.4%
EBITDAR <sup>1</sup>	137,567	103,118	33.4%
<i>EBITDAR margin</i>	27.7%	24.8%	2.9 p.p.
EBITDA <sup>1</sup>	78,004	58,703	32.9%
<i>EBITDA margin</i>	15.7%	14.1%	1.6 p.p.
Operating profit	63,254	44,107	43.4%
<i>Operating profit margin</i>	12.8%	10.6%	2.2 p.p.
Profit / (loss) for the period	38,826	(6,494)	-
<i>Net profit margin</i>	7.8%	-	-

### Revenue

<i>RUB million, unless stated otherwise</i>	2016	2015	Change
Passenger traffic revenue	421,377	349,574	20.5%
- scheduled passenger flights	403,760	343,428	17.6%
- charter passenger flights	17,617	6,146	2.9x
Cargo revenue	12,589	9,631	30.7%
Other revenue	61,914	55,968	10.6%
<b>Total revenue</b>	<b>495,880</b>	<b>415,173</b>	<b>19.4%</b>

In 2016, Aeroflot Group's revenue increased by 19.4% year-on-year to RUB 495,880 million.

<sup>1</sup> EBITDAR = EBITDA + operating lease expenses. EBITDA = operating profit + depreciation & amortisation + customs duties.

Revenue from scheduled passenger flights increased by 17.6% to RUB 403,760 million, boosted by 10.3% growth in passenger numbers year-on-year, as well as changes in the average ruble rate over the reporting period that supported growth in FX-denominated revenues from international operations.

Revenue from charter flights almost tripled to RUB 17,617 million, driven by an increase in operations in this segment following the launch of Rossiya's charter programme.

Cargo revenue rose 30.7% year-on-year to RUB 12,589 million as cargo and mail volumes grew 31.6% driven by addition of wide-body aircraft.

Other revenue rose 10.6% year-on-year to RUB 61,914 million, driven mainly by a rise in FX-denominated revenues from agreements with other airlines due to changes in the exchange rate, as well as increased revenue from banks under the Aeroflot Bonus programme.

## Operating expenses

<i>RUB million, unless indicated otherwise</i>	<b>2016</b>	<b>2015</b>	<b>Change</b>
Aircraft servicing and passenger services	87,227	75,186	16.0%
Staff costs	64,682	55,619	16.3%
Operating lease expenses	59,563	44,415	34.1%
Aircraft maintenance	38,236	32,042	19.3%
Sales and marketing, administration and general expenses	30,294	26,084	16.1%
Depreciation, amortisation and custom duties	14,750	14,596	1.1%
Other net expenses	36,292	28,742	26.3%
<b>Operating costs less aircraft fuel</b>	<b>331,044</b>	<b>276,684</b>	<b>19.6%</b>
Aircraft fuel	101,582	94,382	7.6%
<b>Total operating costs</b>	<b>432,626</b>	<b>371,066</b>	<b>16.6%</b>

Aircraft fuel costs increased 7.6% year-on-year to RUB 101,582 million. The slight rise in fuel costs despite higher traffic and increased flight hours was due to lower average ruble-denominated fuel prices compared with the previous year, as well as measures taken to boost the Group's fuel efficiency, which improved specific fuel consumption.

Operating costs less aircraft fuel increased by 19.6% year-on-year to RUB 331,044 million.

Expenses related to aircraft servicing and passenger services amounted to RUB 87,227 million, a 16.0% increase year-on-year. Excluding FX effects, these expenses rose 13.6%, driven primarily by a scaling-up of activities and traffic. This expense line item was additionally impacted by increased tariffs at a number of Russian airports.

Staff costs rose by 16.3% year-on-year and amounted to RUB 64,682 million, mostly as a result of salary indexation for certain categories of employees from the beginning of 2016, as well as the hiring of more than 4,000 former Transaero staff.

Operating lease expenses rose to RUB 59,563 million, a 34.1% increase year-on-year, due to exchange-rate fluctuations (as these expenses are almost entirely FX-denominated). Excluding FX effects, operating lease expenses rose 24.2%. These expenses were also influenced by fleet expansion (net increase of 37 aircraft, or 18.5%, compared to 31 December 2015), as well as increase in the average three-month LIBOR rate in 2016 to 0.74 compared to 0.3 for the same period of the last year.

Aircraft maintenance costs rose 19.3% year-on-year to RUB 38,236 million, primarily due to exchange-rate fluctuations. Excluding FX effects, these expenses rose 13.6% in the context of higher flight hours and additional expenses related to preparing aircraft for decommissioning from the fleet.

Selling, general and administrative expenses (SG&A) grew by 16.1% year-on-year to RUB 30,294 million. Increased SG&A costs were connected to higher commercial and marketing expenses pegged to foreign currencies, as well as active development of IT infrastructure. Excluding FX effects, these expenses rose 11.2%.

Amortisation and customs tariffs decreased by 1.1% year-on-year to RUB 14,750 million.

Other expenses increased by 26.3% to RUB 36,292 million year-on-year, due to higher expenses on global distribution systems as a result of the strengthening of the ruble, as well as increased allocations to reserves for overdue accounts receivable.

As a result, the Group's operating profit for 2016 totalled RUB 63,254 million (12.8% of revenue). EBITDAR totalled RUB 137,567 million, with a 2.9 p.p. increase in the EBITDAR margin to 27.7%. EBITDA totalled RUB 78,004 million, with a 1.6 p.p. increase in the EBITDA margin to 15.7%.

### Non-operating gains and losses

<i>RUB million, unless indicated otherwise</i>	<b>2016</b>	<b>2015</b>	<b>Change</b>
<b>Operating profit</b>	<b>63,254</b>	<b>44,107</b>	<b>43.4%</b>
Loss from sale and impairment of investments	(2,935)	(9,159)	(68.0%)
Finance income	19,802	15,811	25.2%
Finance cost	(9,443)	(28,556)	(66.9%)
Realised hedging result	(12,310)	(23,746)	(48.2%)
Share of results of associates	12	(17)	-
Result from disposal of companies	(5,099)	-	-
<b>Profit/ (loss) before tax</b>	<b>53,281</b>	<b>(1,560)</b>	<b>-</b>
Income tax	(14,455)	(4,934)	x2.9
<b>Profit/ (loss) for the period</b>	<b>38,826</b>	<b>(6,494)</b>	<b>-</b>

In 2016 finance income increased by 25.2% year-on-year to RUB 19,802 million mainly due to FX gains, the bulk of which includes the effect of PDP refunds.

Finance costs declined by 66.9% year-on-year to RUB 9,443 million, mainly due to reflection of a loss on derivatives not accounted for under hedging rules under this item in 2015.

The realised loss from hedging of RUB 12,310 million was attributable to settlements under derivative instruments recognised in equity, as well as from a realised result related to hedging of US dollar-denominated revenue through US dollar-denominated lease obligations.

As a result, the Group's net profit for 2016 amounted to RUB 38,826 million.

### Debt and liquidity

<i>RUB million, unless stated otherwise</i>	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>Change</b>
Loans and borrowings	20,367	68,460	(70.2%)
Finance lease liabilities	122,736	164,524	(25.4%)
Pension liabilities	805	745	8.1%
<b>Total debt</b>	<b>143,908</b>	<b>233,729</b>	<b>(38.4%)</b>
Cash and short-term investments	37,795	36,610	3.2%
<b>Net debt</b>	<b>106,113</b>	<b>197,119</b>	<b>(46.2%)</b>
<b>Net debt/EBITDA</b>	<b>1.4x</b>	<b>3.4x</b>	<b>-</b>



Total debt as of 31 December 2016 decreased by 38.4% versus 31 December 2015 to RUB 143,908 million. The reduction was the result of repayment of loans and borrowings both as they came due and ahead of schedule, adjustments in the valuation of financial leases due to changes in the RUB-USD exchange rate as of 31 December 2016 versus 31 December 2015, and disposal of nine aircraft (15.8%) on financial leases versus 31 December 2015.

As of 31 December 2016 undrawn lines available to Aeroflot Group from major Russian and international banks amounted to RUB 87.9 billion.

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