

## AEROFLOT ANNOUNCES FINANCIAL RESULTS FOR 6 MONTHS 2014 IN ACCORDANCE WITH IFRS

**Moscow, 28 August 2014** – JSC Aeroflot (MOEX: AFLT) today announced consolidated IFRS financial results of Aeroflot Group (the "Group") for the six months ending 30 June 2014.

### 1H 2014 Financial Highlights

- Revenue increased by 9.4% year-on-year to RUB 140,281 million, driven by growth in the Group's passenger traffic. Revenue growth was also supported by a decline in the rouble exchange rate vs. key global currencies;
- Operating costs amounted to RUB 141,665 million, up 15.2% year-on-year, due to the weaker rouble, increased scale of the Group's operations, and a one-off creation of provisions for impairment of accounts receivable;
- EBITDAR<sup>1</sup> decreased by 16.6% year-on-year vs. 1H 2013 to RUB 16,657 million;
- The Group's net loss for the period was RUB 1,905 million.

JSC Aeroflot Deputy CEO for Finance and Network and Revenue Management Shamil Kurmashov said: "In the face of challenging economic and market conditions Aeroflot has strengthened its position as Russia's leading air transport provider and one of Europe's most dynamic airline Groups. We grew faster than the market in key areas of operating performance, optimised our route network and expanded our fleet with modern aircraft. Aeroflot also further transformed the domestic commercial aviation market with the launch of Russia's first major low-cost carrier, proving there is demand among consumers for this type of transportation. Despite the volatile economic situation we face this year, the Russian market continues to hold significant long-term structural growth potential, and the Group's unique competitive advantages will enable it to continue to outgrow the market.

"Slower economic growth rates in Russia, combined with significant one-off factors, had a negative effect on the Group's financial results in the first half of 2014. At the same time, Aeroflot Group remains well-positioned to continue its profitable growth and to implement its strategy aimed at building value for our shareholders."

### Financial performance

<i>RUB mln, unless otherwise stated</i>	<b>1H 2014</b>	<b>1H 2013</b>	<b>Change</b>
Revenue	<b>140,281</b>	<b>128,180</b>	<b>9.4%</b>
EBITDAR <sup>1</sup>	16,657	19,967	(16.6%)
<i>Margin</i>	11.9%	15.6%	(3.7 p.p.)
EBITDA <sup>2</sup>	5,030	10,914	(53.9%)
<i>Margin</i>	3.6%	8.5%	(4.9 p.p.)
Operating Income/(Loss)	(1,384)	5,181	n/a
Net Income/(Loss)	(1,905)	45	n/a

(1) EBITDAR = EBITDA + operating lease expenses.

(2) EBITDA = operating income + depreciation & amortization + customs duties.

Aeroflot Group's revenue increased 9.4% year-on-year in 1H 2014, primarily due to growth in passenger traffic. Revenue for the period was also positively affected by a year-on-year decline in the average rouble exchange rate vs. key currencies.

Revenue from scheduled passenger flights grew 10.3% year-on-year (to RUB 110,823 million), while other revenue was up 27.4% (to RUB 18,485 million). Revenue from charter passenger flights and cargo flights declined year-on-year by 11.4% and 25.7% to RUB 7,154 million and RUB 3,819 million, respectively. These decreases were due to the Group's decision to stop operating block charter flights (the least profitable load

segment) on several routes, and JSC Aeroflot's decision in 2013 to discontinue its dedicated cargo fleet, switching to belly cargo operations.

Faster growth in operating expenses compared to revenue in 1H 2014 was primarily due to the Group's increased operations, as well as several significant one-off factors. In addition, growth in operating expenses was affected by the decline in the rouble exchange rate vs. key currencies.

Operating costs less aircraft fuel, staff costs and depreciation and amortisation increased by 15.3% year-on-year to RUB 68,773 million, primarily due to preparation for "high season", as well as expansion of the Group's route network and fleet. Higher operating lease expenses (up 28.4% year-on-year) represented was the top factor affecting this increase, followed by aircraft servicing (+11.1%) and passenger services (+39.0%). Staff costs increased by 13.8% year-on-year to RUB 24,304 million.

Other expenses amounted to RUB 3,205 million for 1H 2014, up 45.9% year-on-year, primarily due to increased bank commissions and higher costs for training and certification of pilots.

Aircraft fuel costs in 1H 2014 increased by 8.9% to RUB 40,236 million, driven by growth in passenger traffic, fleet expansion and the addition of new routes.

Aeroflot Group's operating loss for 1H 2014 amounted to RUB 1,384 million, compared to an operating profit of RUB 5,181 million in 1H 2013.

The Group's net loss for the first six months of 2014 was RUB 1,905 million, compared to net profit of RUB 45 million a year ago.

#### **Other events**

In the first quarter of 2014, Aeroflot served as the General Partner of the XXII Winter Olympic Games and the XI Paralympic Games, offering regular flights from the Russian capital to the home of the Games in Sochi. During peak periods of the Olympic Games, Aeroflot operated up to 12 flights per day on the Moscow-Sochi route.

In May 2014 FlightStats recognised JSC Aeroflot as the most punctual airline in the world. According to FlightStats, 91.18% of Aeroflot's flights in May were on time, and the Company outperformed global carriers including SAS, Lufthansa, British Airways and Emirates for punctuality.

In June 2014 Aeroflot Group launched its low-cost carrier ("LCC") Dobrolet, a 100%-owned subsidiary of JSC Aeroflot. In June-July 2014 the new LCC carried 62.5 thousand passengers, achieving a passenger load factor of 91.8%. In August 2014 Dobrolet suspended its flights as a result of economic sanctions against the airline introduced by the European Union. The Group remains committed to the LCC business model, believes it holds great promise for development inside Russia, and is committed to developing this segment further.

In July 2014, Brand Finance announced that the Aeroflot brand was worth USD 1,550 million in 2013, up 9% year-on-year. Aeroflot's brand is regularly among the top-20 most valuable brands in the global airline business, ranked higher than airlines like KLM, Qantas, EasyJet, Etihad Airways and Swiss.

In July 2014, the JSC Aeroflot Board of Directors approved the Company's first ever dividend policy. The new policy specifies that Aeroflot Group's consolidated IFRS net profit will be used as the basis for calculation of dividend payments. The Company's priority is to pay out dividends equal to 25% of the Group's IFRS net profit.

## **Conference call and webcast**

Aeroflot will conduct a conference call to discuss its financial results today, 28 August 2014, at 18:00 Moscow time (15:00 London; 10:00 New York). Shamil Kurmashov, JSC Aeroflot Deputy CEO for Finance and Network and Revenue Management and Giorgio Callegari, JSC Aeroflot Deputy CEO for Strategy and Alliances will speak on the call.

The dial-in and online viewing details are:

### **Toll numbers:**

+ 44 20-7190-1595 – UK  
+7 495-662-57-93 – Russia  
+1 480-629-9822 – USA

### **Toll free numbers:**

0800-358-5256 – UK  
1 877-941-6013 – USA

Conference Call ID: 4692457

### **Webcast link:**

<http://www.audio-webcast.com/cgi-bin/visitors.ssp?fn=visitor&id=2331>

A transcript of the conference call will be posted on Aeroflot's website [www.aeroflot.ru](http://www.aeroflot.ru).

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