

AEROFLOT ANNOUNCES FINANCIAL RESULTS FOR 9 MONTHS 2014 IN ACCORDANCE WITH IFRS

Moscow, 1 December 2014 – Aeroflot Group (“the Group”, Moscow Exchange ticker: AFLT) today published its consolidated financial statements for the nine months ended 30 September 2014, in accordance with International Financial Reporting Standards.

9M 2014 Financial Highlights

- Revenue amounted to RUB 236,698 million, up 6.5% year-on-year;
- EBITDAR was RUB 40,180 million resulting in an EBITDAR margin of 17.0%;
- EBITDA was RUB 23,559 million resulting in an EBITDA margin of 10.0%;
- The Group’s loss for the period was RUB 3,563 million;
- The Group’s adjusted net profit¹ was RUB 12,907 million.

Shamil Kurmashov, JSC Aeroflot Deputy CEO for Finance and Network and Revenue Management, said: “Despite the increasingly challenging economic and geopolitical environment, Aeroflot and its subsidiaries successfully increased their passenger traffic on domestic routes and the majority of international routes, which contributed positively to year-on-year revenue growth in nine months 2014.

“However, in the third quarter Russian airlines faced serious challenges, in particular a sharp decline in the rouble exchange rate versus key foreign currencies, as well as continued weakening of consumer demand and a downturn in the tourism industry. All these factors, as well as non-recurring events, impacted our financial performance. After adjustments for foreign exchanges losses, however, the Group remained profitable both in the third quarter and in nine months 2014.

“In this environment, we continue to focus on optimisation of capacity and our route network, as well as operating cost controls and efficient financial risk management. We are confident that the Russian airlines market holds significant long-term growth potential. This is why Aeroflot continues to modernise its fleet, which is now the youngest in the world, and has also launched a new low-cost carrier that will develop a top-quality offering for price-sensitive passengers, allowing further strengthening of the Group’s market position.”

Aeroflot Group 9M 2014 Financial Highlights

<i>RUB million, unless stated otherwise</i>	9M 2014	9M 2013	Change
Revenue	236,698	222,353	6.5%
EBITDAR ²	40,180	49,810	(19.3%)
<i>Margin</i>	17.0%	22.4%	(5.4 p.p.)
EBITDA ³	23,559	35,764	(34.1%)
<i>Margin</i>	10.0%	16.1%	(6.1 p.p.)
Operating income	13,662	26,870	(49.2%)
<i>Margin</i>	5.8%	12.1%	(6.3 p.p.)
Profit / (loss) for the period	(3,563)	17,237	-
<i>Margin</i>	-	7.8%	-
Adjusted profit for the period ⁴	12,907	20,284	(36.4%)
<i>Margin</i>	5.5%	9.1%	(3.6 p.p.)

¹ Profit adjusted for net foreign exchange loss related to revaluation of finance lease liabilities, provisions for impairment of accounts receivable, pre-term return of aircraft, and for other non-recurring items.

² EBITDAR = EBITDA + operating lease expenses.

³ EBITDA = operating income + depreciation & amortization + customs duties.

⁴ Profit adjusted for net foreign exchange loss related to revaluation of finance lease liabilities, provisions for impairment of accounts receivable, pre-term return of aircraft, and for other non-recurring items.

Revenue

<i>RUB million, unless stated otherwise</i>	9M 2014	9M 2013	Change
Traffic revenue	202,174	190,621	6.1%
- scheduled passenger flights	188,834	177,534	6.4%
- charter passenger flights	13,340	13,087	1.9%
Cargo flights	5,968	7,269	(17.9%)
Other revenue	28,556	24,463	16.7%
Total revenue	236,698	222,353	6.5%

Aeroflot Group's revenue increased by 6.5% year-on-year to RUB 236,698 million during 9M 2014, mainly due to growth in revenue from scheduled passenger flights and other revenue. The Group's passenger traffic increased 10.5% year-on-year, which helped lift revenue from scheduled passenger flights up 6.4% year-on-year, totalling RUB 188,834 million. The Group's revenue from charter passenger flights was RUB 13,340 million, up 1.9% year-on-year. The slowdown in growth of charter passenger flights revenue was mainly due to overall market developments in this segment, as well as to JSC Aeroflot ceasing to carry passengers under block charter agreements (the least profitable passenger segment).

Revenue from cargo flights was down year-on-year, mainly due to JSC Aeroflot's decision to discontinue operations of its dedicated cargo fleet in 2013, switching to belly cargo operations.

Among the key drivers of the 16.7% year-on-year growth in other revenue to RUB 28,556 million were increased airline agreements revenue, revenues related to the Aeroflot Bonus programme and refuelling services revenue.

Operating costs

<i>RUB million, unless stated otherwise</i>	9M 2014	9M 2013	Change
Aircraft servicing and passenger services	45,361	39,606	14.5%
Staff costs	38,225	31,741	20.4%
Operating lease expenses	16,621	14,046	18.3%
Aircraft maintenance	16,430	13,974	17.6%
Sales and marketing, administration and general expenses	14,303	14,143	1.1%
Depreciation and amortisation	8,761	7,865	11.4%
Custom duties	1,136	1,029	10.4%
Other costs and expenses	17,461	13,719	27.3%
Operating costs less aircraft fuel	158,298	136,123	16.3%
Aircraft fuel	64,738	59,360	9.1%
Operating costs	223,036	195,483	14.1%

Operating costs increased by 14.1% year-on-year to RUB 223,036 million, primarily due to the increased scale of the Group's operations, and significant non-recurring events. Changes in the rouble exchange rate versus key foreign currencies also significantly affected the growth of operating costs.

Aircraft fuel costs increased 9.1% year-on-year in 9M 2014 to RUB 64,738 million, mainly driven by changes in aviation fuel prices, weakening of rouble, as well as by growth in passenger traffic, expansion of the

Group's fleet and additions of new routes.

Operating costs less aircraft fuel were up 16.3% year-on-year to RUB 158,298 million.

Aircraft servicing and passenger services costs increased 14.5% year-on-year to RUB 45,361 million, which was mainly attributable to the increased scale of the Group's operations and a rise in passenger traffic, as well as to the impact of exchange rate changes.

Staff costs increased 20.4% year-on-year to RUB 38,225 million on the backdrop of growth in the Group's headcount, larger scope of work and increased reserve for annual leave, as well as a salary indexation at the end of 2013.

Operating lease expenses rose by 18.3% year-on-year to RUB 16,621 million, mainly driven by changes in foreign currency exchange rates and by expansion of the Group's fleet.

Aircraft maintenance costs amounted to RUB 16,430 million, up 17.6% year-on-year, primarily due to rouble exchange rate changes and growth in tariffs.

Sales and marketing, administration and general expenses remained practically unchanged year-on-year at RUB 14,303 million.

Depreciation and amortisation costs increased by 11.4% year-on-year to RUB 8,761 million, while customs duties grew by 10.4% year-on-year to RUB 1,136 million. The growth in both items was driven by expansion of the Group's fleet.

Other operating costs and expenses increased by 27.3% year-on-year to RUB 17,461 million, mainly due to creation of provisions for impairment of accounts receivable and provisions for pre-term return of aircraft, as well as increased communication expenses and costs related to booking systems.

As a result of the aforementioned factors, the Group's 9M 2014 operating income was RUB 13,662 million or 5.8% of total revenue. The Group's EBITDAR was RUB 40,180 million or 17.0% of total revenue.

Non-Operating Income and Expenses

<i>RUB million, unless stated otherwise</i>	9M 2014	9M 2013	Change
Operating income	13,662	26,870	(49.2%)
Finance income	1,684	2,321	(27.4%)
Finance costs	(18,609)	(7,300)	154.9%
Share of results of associates	22	36	(38.9%)
(Loss) / profit before income tax	(3,241)	21,927	-
Income tax	(322)	(4,690)	(93.1%)
(Loss) / profit for the period	(3,563)	17,237	-
<i>Profit margin</i>	<i>-</i>	<i>7.8%</i>	<i>-</i>
Adjusted profit for the period ⁵	12,907	20,284	(36.4%)
<i>Adjusted profit margin</i>	<i>5.5%</i>	<i>9.1%</i>	<i>(3.6 p.p.)</i>

Finance income decreased by 27.4% year-on-year during 9M 2014, primarily due to a decline in income from hedging instruments.

The increase in finance costs to RUB 18,609 million for 9M 2014 was mainly due to a net foreign exchange loss of RUB 14,091 million, resulting mainly from revaluation of finance lease liabilities, as well as due to an increase in interest expense (RUB 3,360 million) and losses on hedging instruments (RUB 845 million).

As a result of the aforementioned factors, the Group's loss for 9M 2014 amounted to RUB 3,563 million.

⁵ Profit adjusted for net foreign exchange loss related to revaluation of finance lease liabilities, provisions for impairment of accounts receivable, pre-term return of aircraft, and for other non-recurring items.

The Group's 9M 2014 profit adjusted for net foreign exchange loss related to revaluation of finance lease liabilities, as well as provisions for impairment of accounts receivable, pre-term return of aircraft and other non-recurring items was RUB 12,907 million.

Debt

<i>RUB million, unless stated otherwise</i>	30 September 2014	31 December 2013	Change
Loans and borrowings	12,892	13,406	(3.8%)
Finance lease liabilities	108,655	72,036	50.8%
Pension liabilities	715	707	1.1%
Customs duties	235	436	(46.1%)
Total debt	122,497	86,585	41.5%
Cash and short-term investments	30,693	18,933	62.1%
Net debt	91,804	67,652	35.7%
Net debt/EBITDA⁶	4.7x	2.1x	-

The 41.5% increase in total debt during 9M 2014 to RUB 122,498 million was mainly driven by a rise in liabilities under FX-denominated finance lease contracts following the changes in rouble exchange rates versus the dollar and euro.

As of 30 September 2014, Aeroflot Group had undrawn credit lines from the largest Russian and international banks totalling RUB 26,480 million.

Aeroflot's 9M 2014 IFRS results conference call and webcast

Aeroflot is pleased to invite investors and analysts to join its 9M 2014 results conference call and webcast to be held today at 5:00 pm Moscow time (2:00 pm London; 9:00 am New York). Shamil Kurmashov, Aeroflot's Deputy CEO for Finance and Network and Revenue Management, and Giorgio Callegari, Aeroflot's Deputy CEO for Strategy and Alliances, will host the call.

The conference call and webcast details are provided below.

Conference call dial-in details:

Conference ID: 2733623

Russia: +7 495 705 9450

UK (local access): +44 20 3427 1919

UK (toll free): 0 800 279 5736

USA (local access): +1 646 254 3363

USA (toll free): 1 877 280 2342

Webcast link:

<http://www.audio-webcast.com/cgi-bin/visitors.ssp?fn=visitor&id=2463>

A transcript of the conference call will be posted on the Company's website www.aeroflot.ru.

⁶ Based on trailing twelve months consolidated EBITDA.



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