



AEROFLOT ANNOUNCES 9M 2016 IFRS FINANCIAL RESULTS

Moscow, 30 November 2016. — Aeroflot Group (“the Group”, Moscow Exchange ticker: AFLT) today published its condensed consolidated interim financial statements for the nine months ended 30 September 2016, in accordance with International Financial Reporting Standards.

9M 2016 Financial Highlights for Aeroflot Group:

- Revenue reached RUB 381,306 million, up 23.2% year-on-year;
- EBITDAR reached RUB 120,330 million, up 52.0% year-on-year. The EBITDAR margin increased by 6.0 percentage points (p.p.) to 31.6%;
- EBITDA reached RUB 77,160 million and increased by 61.3% year-on-year. The EBITDA margin increased by 4.7 p.p. to 20.2%;
- Operating profit increased by 81.8% year-on-year reaching RUB 66,926 million;
- Net profit totalled RUB 43,798 million.

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

“Our IFRS results for the first nine months of the year show a significant improvement year-on-year, driven primarily by growth of the business, net positive FX effects and tight control of operating costs.

“Aeroflot Group delivered robust revenue growth for the first nine months of 2016 of 23.2%, reaching RUB 381.3 billion, driven by a continuation of our strong operational performance. Passenger numbers increased by 9.2% year-on-year on the back of continued strong demand on the domestic market and the introduction of new routes to popular international destinations. In addition to scheduled passenger flights, which delivered an extra RUB 55.0 billion to the Group’s revenue, renewed growth in the charter segment added RUB 9.2 billion in revenue year-on-year.

“Currency effects produced a net positive impact on operating profit of RUB 12.8 billion, which was possible due to efficient revenue management and tight control of operating costs.

“I would single out in particular fuel costs, which rose by just 4.1% despite an 8.8% increase in available seat kilometres. Growth in this expense line item was restrained by lower per-unit fuel consumption as well as continued steps to improve fuel efficiency and fuel procurement conditions. In monetary terms, savings from the decrease in average fuel prices reached RUB 8.4 billion over the reporting period.

“Profitability further improved as a result of operating leverage, with a 3.1 p.p. increase in the passenger load factor, to 82.4%. The Group thus received extra revenue without increasing fixed costs.

“As a result, operating profit increased by 81.8% year-on-year to RUB 66.9 billion. EBITDA increased by 61.3% to RUB 77.2 billion, with EBITDA margin improving by 4.7 p.p. to 20.2%. Net profit reached RUB 43.8 billion.

“Our results for the first nine months of 2016 underscore our successful conclusion to the third quarter of the year, the key quarter for airlines and the one that traditionally forms the basis for the full-year financial results.”

Key operating highlights

	9M 2016	9M 2015	Change
Passengers carried, thousand PAX	32,826	30,053	9.2%
- international	13,626	12,274	11.0%
- domestic	19,200	17,779	8.0%
Revenue Passenger Kilometres, million	84,229	74,454	13.1%
- international	46,902	40,184	16.7%
- domestic	37,327	34,270	8.9%
Available Seat Kilometres, million	102,225	93,941	8.8%
- international	58,324	50,934	14.5%
- domestic	43,901	43,007	2.1%
Passenger load factor, %	82.4%	79.3%	3.1 p.p.
- international	80.4%	78.9%	1.5 p.p.
- domestic	85.0%	79.7%	5.3 p.p.

In 9M 2016, Aeroflot Group carried 32.8 million passengers, up 9.2% year-on-year.

Key financial highlights

<i>RUB million, unless stated otherwise</i>	9M 2016	9M 2015	Change
Revenue	381,306	309,510	23.2%
EBITDAR ¹	120,330	79,187	52.0%
<i>EBITDAR margin</i>	31.6%	25.6%	6.0 p.p.
EBITDA ¹	77,160	47,846	61.3%
<i>EBITDA margin</i>	20.2%	15.5%	4.7 p.p.
Operating profit	66,926	36,808	81.8%
<i>Operating profit margin</i>	17.6%	11.9%	5.7 p.p.
Profit for the period	43,798	1,826	x24.0
<i>Net profit margin</i>	11.5%	0.6%	10.9 p.p.

Revenue

<i>RUB million, unless stated otherwise</i>	9M 2016	9M 2015	Change
Passenger traffic revenue	326,324	262,080	24.5%
- scheduled passenger flights	313,234	258,219	21.3%
- charter passenger flights	13,090	3,861	x3.4
Cargo flight revenue	8,239	6,482	27.1%
Other revenue	46,743	40,948	14.2%
Total revenue	381,306	309,510	23.2%

In 9M 2016, Aeroflot Group's revenue increased by 23.2% year-on-year to RUB 381,306 million.

¹ EBITDAR = EBITDA + operating lease expenses. EBITDA = operating profit + depreciation & amortisation + customs duties.

Revenue from scheduled passenger flights increased by 21.3% to RUB 313,234 million, boosted by 9.2% 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 more than tripled to RUB 13,090 million, driven by an increase in operations in this segment following the launch of Rossiya's charter programme.

Cargo revenue rose 27.1% year-on-year as cargo and mail volumes grew 24.1%.

Other revenue rose 14.2% year-on-year to RUB 46,743 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 costs

<i>RUB million, unless stated otherwise</i>	9M 2016	9M 2015	Change
Aircraft servicing and passenger services	64,775	56,338	15.0%
Staff costs	48,118	40,643	18.4%
Operating lease expenses	43,170	31,341	37.7%
Aircraft maintenance	27,034	21,809	24.0%
Sales and marketing, administration and general expenses	20,089	17,790	12.9%
Depreciation, amortisation and customs duties	10,234	11,038	(7.3%)
Other net expenses	27,043	22,742	18.9%
Operating costs less aircraft fuel	240,463	201,701	19.2%
Aircraft fuel	73,917	71,001	4.1%
Total operating costs	314,380	272,702	15.3%

In 9M 2016, aircraft fuel costs increased by 4.1% year-on-year to RUB 73,917 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 19.2% year-on-year to RUB 240,463 million.

Expenses related to aircraft servicing and passenger services amounted to RUB 64,775 million, a 15.0% increase year-on-year, largely due to changes in the ruble exchange rate. Excluding FX effects, these expenses rose 9.8%, 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 18.4% year-on-year and amounted to RUB 48,118 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 43,170 million, a 37.7% increase year-on-year, due to exchange-rate fluctuations (as these expenses are almost entirely FX-denominated). Excluding FX effects, operating lease expenses rose 23.4%. These expenses were also influenced by fleet expansion (net increase of 37 aircraft, or 18.6%, compared to 30 September 2015), as well as increase in the average three-month LIBOR rate in 9M 2016 to 0.69 compared to 0.29 for the same period of the last year.

Aircraft maintenance costs rose 24.0% year-on-year to RUB 27,034 million, primarily due to exchange-rate fluctuations. Excluding FX effects, these expenses rose 9.8% 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 12.9% year-on-year to RUB 20,089 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 5.9%.

Amortisation and customs tariffs decreased by 7.3% year-on-year to RUB 10,234 million, driven by the continued transfer of aircraft to financial lease agreements (the number of aircraft on financial leases decreased by 13, or 21.3%, compared to 30 September 2015).

Other expenses increased by 18.9% to RUB 27,043 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 debt. Excluding FX effects, these expenses rose 9.5%.

As a result, the Group's operating profit for the first nine months of 2016 totalled RUB 66,926 million (17.6% of revenue). EBITDAR totalled RUB 120,330 million, with a 6.0 p.p. increase in the EBITDAR margin to 31.6%. EBITDA totalled RUB 77,160 million, with a 4.7 p.p. increase in the EBITDA margin to 20.2%.

Non-operating gains and losses

<i>RUB million, unless stated otherwise</i>	9M 2016	9M 2015	Change
Operating profit	66,926	36,808	81.8%
Loss from sale and impairment of investments	(3,734)	(4,992)	(25.2%)
Finance income	18,860	7,987	x2.4
Finance costs	(7,388)	(16,124)	(54.2%)
Realised hedging result	(10,611)	(15,731)	(32.5%)
Share of results of associates	-	(28)	-
Result from disposal of companies	(5,099)	-	-
Profit before tax	58,954	7,920	x7.4
Income tax	(15,156)	(6,094)	x2.5
Profit for the period	43,798	1,826	x24.0

In 9M 2016, finance income more than doubled year-on-year to RUB 18,860 million, mainly due to FX gains, the bulk of which includes the effect of PDP refunds.

Finance costs declined by 54.2% year-on-year to RUB 7,388 million, mainly due to reflection of a loss on derivatives not accounted for under hedging rules under this item in 2015.

The realized loss from hedging of RUB 10,611 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 the first nine months of 2016 amounted to RUB 43,798 million.

Debt and liquidity

<i>RUB million, unless stated otherwise</i>	30 Sep 2016	31 Dec 2015	Change
Loans and borrowings	31,805	68,460	(53.5%)
Finance lease liabilities	132,746	164,524	(19.3%)
Pension liabilities	802	745	7.7%
Total debt	165,353	233,729	(29.3%)
Cash and short-term investments	60,590	36,610	65.5%
Net debt	104,763	197,119	(46.9%)
Net debt/EBITDA	1.2x¹	3.4x²	-

¹ Calculated based on EBITDA for the 12 months ended 30.09.2016 of RUB 88,017 million.

² Calculated based on EBITDA for the 12 months ended 31.12.2015 of RUB 58,703 million.



Total debt as of 30 September 2016 decreased by 29.3% versus 31 December 2015 to RUB 165,353 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 30 September 2016 versus 31 December 2015, and disposal of nine aircraft (15.8%) on financial leases versus 31 December 2015.

As of 30 September 2016 undrawn lines available to Aeroflot Group from major Russian and international banks amounted to RUB 70.2 billion.

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