

AEROFLOT ANNOUNCES FINANCIAL RESULTS FOR 12 MONTHS 2015 IN ACCORDANCE WITH IFRS

Moscow, 1 March 2016 – 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 2015.

Key 2015 financial results for Aeroflot Group:

- Revenue increased 29.8% year-on-year to RUB 415,173 million;
- EBITDAR¹ margin increased 9.6 percentage points (p.p.) year-on-year to 24.8%;
- EBITDA¹ margin increased 6.3 p.p. year-on-year to 14.1%;
- Operating profit of RUB 44,107 million, nearly 4x increase year-on-year;
- Net loss of RUB 6,494 million.

Shamil Kurmashov, PJSC Aeroflot Deputy CEO for Finance and Network and Revenue Management, commented:

“Aeroflot Group delivered robust revenue growth in 2015 of 29.8% thanks to a proactive approach to managing the Group’s network and revenues as well as strong operating performance in the domestic segment due to increased demand for domestic flights, combined with a corresponding increase in capacity. Passenger traffic across the Group was up 13.4% despite the overall decline in the Russian air travel market for the year.

“The challenging macroeconomic situation had a significant impact on Group financial results throughout the year. In response to the worsening external backdrop we took a number of steps to optimize the fleet and cut costs, enabling us to limit the growth of operating costs despite significant exchange rate pressure over the course of 2015. As a result, Group operating profit rose to RUB 44.1 billion and the EBITDA and EBITDAR margins increased by 6.3 p.p. and 9.6 p.p. to 14.1% and 24.8%, respectively.

“In the second half of the year Aeroflot Group played a key role in stabilizing the Russian air travel market by successfully carrying out the Russian government’s mandate to transport passengers of Transaero airline. The Group incurred costs of nearly RUB 17 billion, which had negative effect on our results.

“Both operating and financial results for 2015 demonstrated that Aeroflot Group is pursuing the right strategy focused on building one of the world’s leading airline groups. We are confident that consistent implementation of this strategy combined with Aeroflot’s success as a reliable partner and an efficient systematically important player on the Russian market will drive further growth of our passenger traffic, route network and overall business.”

¹ EBITDAR = EBITDA + operating lease expenses. EBITDA = operating income + depreciation & amortization + customs duties.

Key operating highlights

	2015	2014	Change
Passengers carried, thousand PAX	39,393	34,735	13.4%
- international	16,029	17,096	(6.2%)
- domestic	23,365	17,640	32.5%
Revenue Passenger Kilometres, million	97,636	90,075	8.4%
- international	52,953	55,107	(3.9%)
- domestic	44,683	34,968	27.8%
Available Seat Kilometres, million	124,741	115,834	7.7%
- international	68,490	72,219	(5.2%)
- domestic	56,252	43,615	29.0%
Passenger load factor, %	78.3%	77.8%	0.5 p.p.
- international	77.3%	76.3%	1.0 p.p.
- domestic	79.4%	80.2%	(0.8 p.p.)

For the full year 2015, Aeroflot Group traffic totaled 39.4 million, a 13.4% year-on-year increase.

Key financial highlights

<i>RUB million, unless indicated otherwise</i>	2015	2014	Change
Revenue	415,173	319,771	29.8%
EBITDAR ¹	103,118	48,673	111.9%
<i>EBITDAR margin</i>	24.8%	15.2%	9.6 p.p.
EBITDA ¹	58,703	24,839	136.3%
<i>EBITDA margin</i>	14.1%	7.8%	6.3 p.p.
Operating profit	44,107	11,268	-
<i>Operating profit margin</i>	10.6%	3.5%	7.1 p.p.
Loss for the period	(6,494)	(17,146)	(62.1%)

Revenue

<i>RUB million, unless indicated otherwise</i>	2015	2014	Change
Passenger traffic revenue	349,574	268,636	30.1%
- scheduled passenger flights	343,428	253,613	35.4%
- charter passenger flights	6,146	15,023	(59.1%)
Cargo flight revenue	9,631	8,718	10.5%
Other revenue	55,968	42,417	31.9%
Total revenue	415,173	319,771	29.8%

In 2015, Aeroflot Group's revenue increased by 29.8% year-on-year to RUB 415,173 million, as a result of an increase in revenue from scheduled passenger flights and other revenues.

Revenue from scheduled passenger flights increased by 35.4% to RUB 343,428 million, boosted by 13.4% growth in passenger traffic year-on-year. Revenue from charter flights decreased by 59.1% to RUB 6,146 million, as a result of the Group's strategy of decreasing its charter business and overall market dynamics

in this segment.

Cargo revenue rose 10.5% year-on-year in 2015 – despite a 6.0% decline in the volume of cargo and mail carried – thanks to higher yields in this segment.

Other revenue rose 31.9% year-on-year to RUB 55,968 million, mainly driven by a rise in FX-denominated revenues from airline agreements revenue following changes in the exchange rate.

Operating costs

<i>RUB million, unless indicated otherwise</i>	2015	2014	Change
Aircraft servicing and passenger services	75,186	61,070	23.1%
Staff costs	55,619	52,148	6.7%
Operating lease expenses	44,415	23,834	86.4%
Aircraft maintenance	32,042	19,224	66.7%
Sales and marketing, administration and general expenses	26,084	22,206	17.5%
Depreciation, amortisation and custom duties	14,596	13,571	7.6%
Other net expenses	28,742	29,251	(1.7%)
Operating costs less aircraft fuel	276,684	221,304	25.0%
Aircraft fuel	94,382	87,199	8.2%
Total operating costs	371,066	308,503	20.3%

Aircraft fuel costs increased 8.2% year-on-year to RUB 94,382 million due to the weaker ruble as well as higher traffic. Excluding the FX rate effect, aircraft fuel costs were down 18.8% year-on-year as a result of the lower oil price and the success of measures to boost the Group's fuel efficiency.

Operating costs less aircraft fuel increased 25.0% year-on-year to RUB 276,684 million.

Aircraft servicing and passenger services costs were RUB 75,186 million, a 23.1% year-on-year increase primarily due to the change in the ruble exchange rate. Excluding the FX rate effect, these costs rose 8.4%, primarily because of expansion of operations and higher passenger traffic, and also changes in service tariffs.

Staff costs rose 6.7% year-on-year to RUB 55,619 million primarily due to additional hiring to support greater operations, and as a result of a rise in the ruble equivalent of salaries for employees based outside Russia and additional motivational compensation for cabin crew personnel.

Operating lease expenses were RUB 44,415 million, an 86.4% year-on-year increase, driven mainly by the change in the exchange rate (operating lease expenses are denominated almost completely in USD). An additional factor was the larger fleet (nine more aircraft were under operating lease than were on 31 December 2014, a 5.0% increase) as well as an increase in LIBOR rates throughout the reporting period.

Aircraft maintenance costs rose 66.7% year-on-year to RUB 32,042 million mainly due to changes to the exchange rate. Excluding the FX rate effect, these costs rose 8.2%, mainly due to an increase in the volume of work.

Sales and marketing, administration and general expenses increased 17.5% year-on-year to RUB 26,084 million. The increase is mainly due to scale, as well as an increase in sales and marketing expenses denominated in foreign currencies.

Depreciation, amortisation and custom duties increased 7.6% year-on-year to RUB 14,596 million due to new Boeing 777-300ER aircraft joining the Group's fleet under finance lease contracts in 2014 and respective realization of wide-body aircraft addition effect in 2015.

Other net expenses declined 1.7% year-on-year to RUB 28,742 million, primarily due to accrual of provisions related to Transaero accounts receivable and increase of RUB equivalent of GDS expense nominated in hard currencies. This growth was partially compensated by VAT refund for code-share agreements and refund of fuel excise duties.

As a result of the above-mentioned factors, the Group's operating profit in 2015 amounted to RUB 44,107 million (10.6% of revenue). EBITDA reached RUB 58,703 million and EBITDA margin increased by 6.3 p.p. to 14.1%.

Non-operating gains and losses

<i>RUB million, unless indicated otherwise</i>	2015	2014	Change
Operating profit	44,107	11,268	-
Finance income	15,811	2,471	-
Finance costs	(37,715)	(28,399)	32.8%
Hedging result	(23,746)	(1,723)	-
Share of results of associates	(17)	31	-
Loss before income tax	(1,560)	(16,352)	(90.5%)
Income tax	(4,934)	(794)	-
Loss for the period	(6,494)	(17,146)	(62.1%)

Finance income for 2015 increased more than six times year-on-year to RUB 15,811 million, mainly due to positive effect from revaluation of derivative financial instruments not subject to hedge accounting and interest income earned on bank deposits.

The increase in finance costs to RUB 37,715 million for 2015 was mainly due to the impairment of the Group's loan to Transaero, as well as an increase in interest expenses and realized losses on derivative financial instruments not subject to hedge accounting.

The realized loss from hedging of RUB 23,746 million is attributable to settlements under derivative instruments recognized in equity, as well as to the effect of revenue hedging with liabilities in USD (finance lease).

As a result of the above factors, the Group posted a net loss for 2015 of RUB 6,494 million.

Debt

<i>RUB million, unless indicated otherwise</i>	31 Dec 2015	31 Dec 2014	Change
Loans and borrowings	68,460	24,203	182.9%
Financial lease liabilities	164,524	149,278	10.2%
Pension liabilities	745	659	13.1%
Customs duties	-	169	-
Total debt	233,729	174,309	34.1%
Cash and short-term investments	36,610	27,508	33.1%
Net debt	197,119	146,801	34.3%
Net debt/EBITDA	3.4x	5.9x	-



Total debt as of 31 December 2015 was RUB 233,729 million, 34.1% higher than a year earlier. This was mainly driven by an increase in loans and borrowing, as well as revaluation of the Group's finance lease liabilities.

As of 31 December 2015 undrawn lines available to Aeroflot Group from major Russian and international banks amounted to RUB 36.8 billion.

Investor enquiries

Aeroflot Investor Relations

+7 (495) 258-06-86

ir@aeroflot.ru

Media enquiries

Aeroflot Press Service

+7 (495) 752-90-71

+7 (499) 500-73-87

+7 (495) 753-86-39

presscentr@aeroflot.ru