



AEROFLOT ANNOUNCES 6M 2017 IFRS FINANCIAL RESULTS

Moscow, 29 August 2017 – Aeroflot Group (“the Group”, Moscow Exchange ticker: AFLT) today publishes its condensed consolidated interim financial statements for the six months ended 30 June 2017, in accordance with International Financial Reporting Standards.

6M 2017 Financial Highlights for Aeroflot Group

- Revenue increased to RUB 234,860 million, up 4.9% year-on-year;
- EBITDAR reached RUB 46,057 million. The EBITDAR margin was 19.6%;
- EBITDA reached RUB 15,403 million. The EBITDA margin was 6.6%;
- Net income totalled RUB 2,890 million.

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

“In the first half of 2017 Aeroflot Group continued its operational growth, with passenger numbers increasing by 16.6% year-on-year to 23.0 million. This growth is driven by increasing demand for air transportation, and respective need for additional passenger capacity. Passenger capacity on international and domestic routes increased by 18.8% and 11.9%, respectively, while the passenger load factor rose 2.0 p.p. year-on-year to 80.6%.

“Group revenue increased by 4.9% to RUB 234.9 billion on the back of our continued strong operational performance, driven by increased passenger traffic. Revenue grew at a slower pace than operational indicators due to exchange rate fluctuations, which affected FX-denominated revenues and led to a decrease in yields on international routes.

“Operating costs also increased along with operational volumes. The strengthening of the ruble in the reporting period had a positive effect on operating costs, unlike in previous reporting periods, when the exchange rate negatively impacted the cost of operating leases, aircraft maintenance and airport tariffs. At a unit cost of RUB 3.08 per seat-kilometre, the Group saved up to 30 kopeks per seat-kilometre, or roughly 10% of CASK. However, a 10% increase in the price of aircraft fuel as a result of higher oil prices meant that Aeroflot Group did not realise all benefits from the strengthening of the ruble. As fuel prices rise, it is particularly important to increase fuel efficiency. The Group has continuously increased its fuel efficiency in recent years, and as a result fuel consumption per available seat-kilometre across Aeroflot Group amounts to 22.8 grams.

“As a result of the strengthening of the ruble and reduction in foreign exchange revenue, combined with higher costs for aircraft fuel (the main factor affecting operating costs), EBITDA decreased to RUB 15.4 billion. The EBITDA margin was 6.6%.

“Despite the reduction in operating profitability, Aeroflot Group’s net income for the reporting period was on a par with last year’s result, at RUB 2.9 billion. This was mainly due to a significant reduction in debt through repayment of loans and borrowings ahead of schedule, as well as savings on non-operating costs.

“We enter the third quarter – traditionally a high season for Russian civil aviation – with favourable conditions: the exchange rate and the fuel prices are at a ‘normalised’ level, and we continue our active demand-oriented revenue-management programme. We are maintaining the pace of operational growth on both foreign and domestic markets, and this allows us to be optimistic about the second half of the year.”

Key operating highlights

	6M 2017	6M 2016	Change
Passengers carried, thousand PAX	22,962	19,695	16.6%
- international	10,245	8,092	26.6%
- domestic	12,717	11,603	9.6%
Revenue Passenger Kilometres, million	59,392	50,011	18.8%
- international	35,523	28,276	25.6%
- domestic	23,868	21,735	9.8%
Available Seat Kilometres, million	73,719	63,617	15.9%
- international	43,742	36,830	18.8%
- domestic	29,978	26,787	11.9%
Passenger load factor, %	80.6%	78.6%	2.0 p.p.
- international	81.2%	76.8%	4.4 p.p.
- domestic	79.6%	81.1%	(1.5 p.p.)

In 6M 2017, Aeroflot Group carried 23.0 million passengers, up 16.6% year-on-year.

Key financial highlights

<i>RUB million, unless stated otherwise</i>	6M 2017	6M 2016	Change
Revenue	234,860	223,824	4.9%
EBITDAR ¹	46,057	58,397	(21.1%)
<i>EBITDAR margin</i>	19.6%	26.1%	(6.5 p.p.)
EBITDA ¹	15,403	30,035	(48.7%)
<i>EBITDA margin</i>	6.6%	13.4%	(6.8 p.p.)
Operating profit	7,697	23,250	(66.9%)
<i>Operating profit margin</i>	3.3%	10.4%	(7.1 p.p.)
Profit for the period	2,890	2,467	17.1%
<i>Net profit margin</i>	1.2%	1.1%	0.1 p.p.

Revenue

<i>RUB million, unless stated otherwise</i>	6M 2017	6M 2016	Change
Passenger traffic revenue	200,799	188,112	6.7%
- scheduled passenger flights	188,416	181,096	4.0%
- charter passenger flights	12,383	7,016	76.5%
Cargo flight revenue	7,183	5,218	37.7%
Other revenue	26,878	30,494	(11.9%)
Total revenue	234,860	223,824	4.9%

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

In 6M 2017, Aeroflot Group's revenue increased by 4.9% year-on-year to RUB 234,860 million.

Revenue from scheduled passenger flights increased by 4.0% year-on-year to RUB 188,416 million, boosted by an increase in passenger traffic.

Revenue growth was affected by a decreased in yields, primarily on international routes, following the strengthening of the ruble and the knock-on effect on FX-denominated revenue.

Revenue from charter flights increased by 76.5% to RUB 12,383 million, driven by an increase in the operations in this segment following the launch of Rossiya's charter programme.

Cargo revenue rose by 37.7% year-on-year to RUB 7,183 million as Aeroflot Group added new wide-body aircraft to its fleet, and cargo and mail volumes grew 44.3%.

Other revenue decreased by 11.9% year-on-year to RUB 26,878 million as a result of a decrease in FX-denominated revenues from airline agreements due to changes in the exchange rate.

Operating costs

<i>RUB million, unless stated otherwise</i>	6M 2017	6M 2016	Change
Aircraft servicing and passenger services	45,961	40,120	14.6%
Staff costs	38,324	31,032	23.5%
Operating lease expenses	30,654	28,362	8.1%
Aircraft maintenance	15,682	17,525	(10.5%)
Sales and marketing, administration and general expenses	14,507	12,843	13.0%
Depreciation, amortisation and customs duties	7,706	6,785	13.6%
Other net expenses	18,112	19,117	(5.3%)
Operating costs less aircraft fuel	170,946	155,784	9.7%
Aircraft fuel	56,217	44,790	25.5%
Total operating costs	227,163	200,574	13.3%

In 6M 2017, aircraft fuel costs increased by 25.5% year-on-year to RUB 56,217 million. This was due to the rise in average price of aircraft fuel in rubles in the context of changes in the price of oil and exchange rates, and also the increase in operational volumes and flying time.

The strengthening of the ruble helped to mitigate the increase in expenses due to the expansion of business volumes. Operating expenses less aircraft fuel costs increased by 9.7% year-on-year to RUB 170,946 million.

Expenses related to aircraft servicing and passenger services amounted to RUB 45,961 million, a 14.6% increase year-on-year, due largely to the increase in passenger traffic. This item was additionally impacted by new initiatives aimed at boosting service quality.

Staff costs rose 23.5% year-on-year and amounted to RUB 38,324 million, as a result of salary indexation in accordance with the labour contract, an increase in the number of staff to support operational growth, and also growth of the variable component of salaries linked to key corporate indicators.

Operating lease expenses rose to RUB 30,654 million, an 8.1% increase year-on-year due to expansion of aircraft fleet (net increase of 36 aircraft, or 16.9%, year-on-year), as well as the doubling of the three-month LIBOR rate in the first half of 2017 compared to the same period last year.

Aircraft maintenance costs fell 10.5% year-on-year to RUB 15,682 million due to strengthening of the ruble and negligible adjustments in the maintenance facilities schedule.

Selling, general and administrative expenses (SG&A) grew by 13.0% year-on-year to RUB 14,507 million. Increased SG&A costs were connected to higher remuneration for sales following an increase in sales, and to the development of IT infrastructure.

Amortisation and customs tariffs increased by 13.6% year-on-year to RUB 7,706 million, due to Aurora taking ownership of new aircraft and other equipment over the past 12 months.

Other expenses decreased by 5.3% year-on-year to RUB 18,112 million due to a reduction in costs for global distribution systems following a decrease in the ruble equivalent of FX-denominated expenses.

As a result, Group EBITDAR totalled RUB 46,057 million, while the EBITDAR margin was 19.6%. EBITDA totalled RUB 15,403 million, and the EBITDA margin was 6.6%.

Non-operating gains and losses

<i>RUB million, unless stated otherwise</i>	6M 2017	6M 2016	Change
Operating profit	7,697	23,250	(66.9%)
Loss from sale and impairment of investments	(70)	(3,429)	(98.0%)
Finance income	4,783	7,890	(39.4%)
Finance costs	(4,159)	(5,074)	(18.0%)
Realised hedging result	(2,748)	(8,655)	(68.2%)
Share of results of associates	34	(45)	-
Result from disposal of companies	-	(5,726)	-
Profit before tax	5,537	8,211	(32.6%)
Income tax	(2,647)	(5,744)	(53.9%)
Profit for the period	2,890	2,467	17.1%

Finance income decreased by 39.4% year-on-year to RUB 4,783 million, mainly due to lower FX earnings.

Finance costs declined by 18.0% year-on-year to RUB 4,159 million as debt levels fell, leading to a reduction in the cost of debt servicing.

The realized loss from hedging of RUB 2,748 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, despite a decrease in profitability at the operational level due to macro-economic factors (FX rate on revenue, and the cost of oil), thanks to a reduction in the Group's debt load, net profit amounted to RUB 2,890 million, roughly flat year-on-year.

Debt and liquidity

<i>RUB million, unless stated otherwise</i>	30.06.2017	31.12.2016	Change
Loans and borrowings	17,448	20,367	(14.3%)
Finance lease liabilities	112,374	122,736	(8.4%)
Pension liabilities	929	805	15.4%
Total debt	130,751	143,908	(9.1%)
Cash and short-term investments	88,133	37,795	133.2%
Net debt	42,618	106,113	(59.8%)
Net debt / EBITDA	0.7x¹	1.4x²	-

¹ Calculated based on EBITDA for the 12 months ended 30.06.2017 of RUB 63,373 million.

² Calculated based on EBITDA for the 12 months ended 31.12.2016 of RUB 78,004 million.



Total debt as of 30 June 2017 decreased by 9.1% versus 31 December 2016 to RUB 130,751 million. The reduction is the result of repayment of loans and borrowings both as they came due and ahead of schedule, and adjustments in the valuation of financial leases due to the changes in the RUB-USD exchange rate as of 30 June 2017 versus 31 December 2016. Despite significant repayments, cash and short-term investments more than doubled versus 31 December 2016 and totalled RUB 88,133 million.

As of 30 June 2017, undrawn lines available to Aeroflot Group from major Russian and international banks amounted to RUB 92.8 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