



AEROFLOT ANNOUNCES 9M 2017 IFRS FINANCIAL RESULTS

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

9M 2017 Financial Highlights for Aeroflot Group

- Revenue increased to RUB 404,773 million, up 6.2% year-on-year;
- EBITDAR reached RUB 101,016 million. The EBITDAR margin was 25.0%;
- EBITDA reached RUB 53,306 million. The EBITDA margin was 13.2%;
- Net income totalled RUB 27,149 million.

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

“Aeroflot Group completed the high season successfully. Passenger numbers grew strongly in the third quarter of 2017 as we increased available seats while keeping passenger load factors stable. In the first nine months of the year we carried 38.3 million passengers. Operational indicators grew due to both a revival of the international segment and the continued development of domestic flights. International transit traffic continues to increase apace as we increase flight frequencies on key routes, thus improving the quality of our network and the Company’s product.

“Our financial results for the first nine months and the third quarter of 2017 reflect a normalisation of profitability and the effect of a number of market factors that also affected our results for the first half of the year. Increased capacity supply across the market and exchange rate fluctuations led to a decrease in yields compared to the year-ago period, when we saw a significant dislocation between supply and demand. On the other hand, rising fuel costs, which normalised only in the third quarter, as well as cost pressures from staff costs and investments in the quality of our product, were the main contributors to the rise in operating costs, in addition to growth attributable to increased operating volumes and the growth of the Company.

“Here we should note a positive trend seen in the third quarter compared with the first half of the year. Yields decreased at a slower pace on scheduled flights (4% vs 8% in the first half), while the cost of fuel, which in the first six months had increased by 10%, in the third quarter remained at a comparable level to the previous year.

“Exchange rates also supported operating costs. Whereas rates in 2016 put pressure on line items including operational leasing, technical maintenance costs and airport fees outside Russia, in nine months of 2017 the strengthening of the ruble had a positive effect on operating costs. Savings from this amounted to 24 kopecks at a cost per seat-kilometre of RUB 3.06, representing approximately 8% of unit costs (CASK).

“Given the effects of exchange rate fluctuations, growth of fuel costs, and the lack of material currency differences on refunds of pre-payments for aircraft – which had an effect in the third quarter of 2016 – the financial result for the accounting period decreased. However, net profit was supported by a significant reduction in our debt burden due to pre-term repayment of credit lines during the year, as well as savings on other non-operating costs, and amounted to RUB 27.1 billion.

“The financial results for this accounting period confirm the favourable conclusion to the third quarter, which traditionally forms the major part of Aeroflot’s full-year results.”

Key operating highlights

	9M 2017	9M 2016	Change
Passengers carried, thousand PAX	38,340	32,826	16.8%
- international	17,221	13,626	26.4%
- domestic	21,119	19,200	10.0%
Revenue Passenger Kilometres, million	99,381	84,228	18.0%
- international	58,408	46,902	24.5%
- domestic	40,974	37,326	9.8%
Available Seat Kilometres, million	118,754	102,237	16.2%
- international	69,820	58,337	19.7%
- domestic	48,934	43,900	11.5%
Passenger load factor, %	83.7%	82.4%	1.3 p.p.
- international	83.7%	80.4%	3.3 p.p.
- domestic	83.7%	85.0%	(1.3 p.p.)

In 9M 2017, Aeroflot Group carried 38.3 million passengers, up 16.8% year-on-year.

Key financial highlights

<i>RUB million, unless stated otherwise</i>	9M 2017	9M 2016	Change
Revenue	404,773	381,306	6.2%
EBITDAR ¹	101,016	120,330	(16.1%)
<i>EBITDAR margin</i>	25.0%	31.6%	(6.6 p.p.)
EBITDA ¹	53,306	77,160	(30.9%)
<i>EBITDA margin</i>	13.2%	20.2%	(7.0 p.p.)
Operating profit	41,862	66,926	(37.5%)
<i>Operating profit margin</i>	10.3%	17.6%	(7.3 p.p.)
Profit for the period	27,149	43,798	(38.0%)
<i>Net profit margin</i>	6.7%	11.5%	(4.8 p.p.)

Revenue

<i>RUB million, unless stated otherwise</i>	9M 2017	9M 2016	Change
Passenger traffic revenue	350,502	326,324	7.4%
- scheduled passenger flights	327,726	313,234	4.6%
- charter passenger flights	22,776	13,090	74.0%
Cargo flight revenue	11,300	8,239	37.2%
Other revenue	42,971	46,743	(8.1%)
Total revenue	404,773	381,306	6.2%

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

In 9M 2017, Aeroflot Group's revenue increased by 6.2% year-on-year to RUB 404,773 million.

Revenue from scheduled passenger flights increased by 4.6% year-on-year to RUB 327,726 million, boosted by an increase in passenger traffic. Revenue growth was affected by a decrease in yields, primarily on international routes, due to the strengthening of the ruble and the consequent effect of this on FX-denominated revenue.

Revenue from charter flights increased by 74.0% to RUB 22,776 million, due among other factors to the growth of Rossiya's charter programme.

Cargo revenue rose by 37.2% year-on-year to RUB 11,300 million as the Group added new wide-body aircraft to its fleet and cargo and mail volumes grew by 38.9%.

Other revenue decreased by 8.1% year-on-year to RUB 42,971 million, due mainly to a decrease in the ruble equivalent of FX-denominated revenues from airline agreements following changes in the exchange rate.

Operating costs

<i>RUB million, unless stated otherwise</i>	9M 2017	9M 2016	Change
Aircraft servicing and passenger services	74,706	64,775	15.3%
Staff costs	60,509	48,118	25.8%
Operating lease expenses	47,710	43,170	10.5%
Aircraft maintenance	26,247	27,034	(2.9%)
Sales and marketing, administration and general expenses	23,846	20,089	18.7%
Depreciation, amortisation and customs duties	11,444	10,234	11.8%
Other net expenses	28,505	27,043	5.4%
Operating costs less aircraft fuel	272,967	240,463	13.5%
Aircraft fuel	89,944	73,917	21.7%
Total operating costs	362,911	314,380	15.4%

In 9M 2017, aircraft fuel costs increased by 21.7% year-on-year to RUB 89,944 million. This was due to an increase in the average price of aircraft fuel in rubles in the context of changes to the price of oil and exchange rates, as well as an increase in flight numbers and flying time.

The strengthening of the ruble mitigated the increase in expenses due to the growth of the business. Operating costs less aircraft fuel increased by 13.5% year-on-year to RUB 272,967 million.

Expenses related to aircraft servicing and passenger service amounted to RUB 74,706 million, a 15.3% increase year-on-year, due primarily to the increase in passenger traffic. This item was additionally impacted by new initiatives aimed at boosting service quality.

Staff costs rose 25.8% year-on-year and amounted to RUB 60,509 million, as a result of salary indexation in accordance with the collective bargaining agreement, an increase in the number of staff to support operational growth, growth of the variable component of salaries linked to the achievement of corporate KPIs, and an increase in unused vacation accrual.

Operating lease expenses rose to RUB 47,710 million, a 10.5% increase year-on-year, due to expansion of the fleet (net increase of 26 aircraft, or 11.0%, on operating leases compared with 30 September 2016), as well as an increase in the average three-month LIBOR rate in the first nine months of 2017 compared to the same period last year.

Aircraft maintenance costs fell by 2.9% year-on-year to RUB 26,247 million, largely due to the strengthening of the ruble.

Selling, general and administrative expenses (SG&A) grew by 18.7% year-on-year to RUB 23,846 million, due to the development of IT infrastructure and an increase in investments in marketing campaigns.

Amortisation and customs tariffs increased by 11.8% year-on-year to RUB 11,444 million, due to Aurora taking ownership of two new aircraft and the introduction of IT equipment over the past 12 months.

Other expenses increased by 5.4% year-on-year to RUB 28,505 million, mainly due to increased expenses related to accrual of provisions for periodic maintenance of aircraft.

As a result, Group EBITDAR totalled RUB 101,016 million, and the EBITDAR margin was 25.0%. EBITDA totalled RUB 53,306 million, and the EBITDA margin was 13.2%.

Non-operating gains and losses

<i>RUB million, unless stated otherwise</i>	9M 2017	9M 2016	Change
Operating profit	41,862	66,926	(37.5%)
Loss from sale and impairment of investments	(108)	(3,734)	(97.1%)
Finance income	6,349	18,860	(66.3%)
Finance costs	(6,331)	(7,388)	(14.3%)
Realised hedging result	(4,226)	(10,611)	(60.2%)
Share of results of associates	140	-	-
Result from disposal of companies	-	(5,099)	-
Profit before tax	37,686	58,954	(36.1%)
Income tax	(10,537)	(15,156)	(30.5%)
Profit for the period	27,149	43,798	(38.0%)

Finance income decreased by 66.3% year-on-year to RUB 6,349 million, mainly due to lower earnings from exchange-rate differences lower earnings from exchange-rate differences.

Finance costs declined by 14.3% year-on-year to RUB 6,331 million as debt levels fell, leading to a reduction in the cost of debt servicing.

The realized loss from hedging of RUB 4,226 million was attributable both to settlements under derivative instruments recognised in equity and to a realised result related to hedging of USD-denominated revenue through USD-denominated lease obligations.

Aeroflot Group's net profit for the first nine months of 2017 amounted to RUB 27,149 million.

Debt and liquidity

<i>RUB million, unless stated otherwise</i>	30.09.2017	31.12.2016	Change
Loans and borrowings	3,182	20,367	(84.4%)
Finance lease liabilities	106,153	122,736	(13.5%)
Pension liabilities	927	805	15.1%
Total debt	110,262	143,908	(23.4%)
Cash and short-term investments	61,336	37,795	62.3%
Net debt	48,926	106,113	(53.9%)
Net debt / EBITDA	0.9x¹	1.4x²	-

¹ Calculated based on EBITDA for the 12 months ended 30.09.2017 of RUB 54,150 million.

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



Total debt as of 30 September 2017 decreased by 23.4% compared to 31 December 2016, to RUB 110,262 million. The reduction was due to repayment of loans and borrowings both as they came due and ahead of schedule, as well as adjustments to the valuation of financial leases due to changes in the RUB-USD exchange rate as of 30 September 2017 compared to 31 December 2016. Despite significant repayments, cash and short-term investments increased by more than 50% versus 31 December 2016 and totalled RUB 61,336 million.

As of 30 September 2017, undrawn lines available to Aeroflot Group from major Russian and international banks amounted to RUB 103.4 billion.

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