



AEROFLOT ANNOUNCES Q1 2018 IFRS FINANCIAL RESULTS

Moscow, 30 May 2018 – Aeroflot Group (“the Group”, Moscow Exchange ticker: AFLT) today publishes its condensed consolidated interim financial statements for the three months ended 31 March 2018, in accordance with International Financial Reporting Standards.

Aeroflot Group financial highlights for Q1 2018

- Revenue increased to RUB 111,942 million, up 8.5% year-on-year;
- EBITDAR reached RUB 10,767 million;
- The net loss totalled RUB 11,543 million.

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

“This is the first time that Aeroflot Group has published its consolidated IFRS financial results for the first quarter of the year. This has been made possible by the Company’s focus on improving its internal accounting systems with the goal of accelerating the closing of the accounting period and submitting its financial reporting. Publishing Q1 financial results will increase transparency for stakeholders, above all shareholders and investors, and will help them deepen their understanding of the Company and its seasonal trends.

“The first three months are traditionally weak for the Russian aviation market. This is due to a number of factors, primarily seasonality of demand, as fewer passengers fly during this period. Thus, despite continued growth of the air transportation market, the number of passengers carried in Q1 2018 was 9% lower than in Q4 2017, which can also be considered as a low season for the industry, and 38% lower than the high season of Q3 2017. The seasonal demand effect can also be clearly seen in Aeroflot Group’s results: in Q1 2018 passenger traffic was 7% lower than Q4 2017 and 29% lower than Q3 2017. Lower passenger traffic means a lower passenger load factor, fewer average daily flight hours per aircraft, lower yields and hence a higher share of fixed costs in the overall cost structure. These results should, therefore, be read in the context of seasonal trends.

“In Q1 2018, Aeroflot Group carried 11.0 million passengers, a 6.6% year-on-year increase. Yields grew by 3.6%, supported by currency effects, and leading to accelerated revenue growth for the quarter relative to annual rates. Revenue amounted to RUB 111.9 billion, up 8.5%. An increase in leasing expenses due to significant fleet expansion, as well as our initiatives to improve working conditions and increase salaries for cabin crew, led to a decrease in the overall financial result compared to the same period last year. The net loss amounted to RUB 11.5 billion; we plan to compensate for this during the coming quarters.

“The major part of the year is still ahead of us, including the high season, when Russia will host the football World Cup. Aeroflot and other Group airlines fly to all 11 World Cup host cities and are ready to provide best service to our passengers. Given the upcoming World Cup and continued market growth, we are expecting high demand for both international and domestic flights. The Group will continue to actively manage revenue and control costs to ensure strong financial results for the year.”

Key operating highlights

	Q1 2018	Q1 2017	Change
Passengers carried, thousand PAX	10,985	10,302	6.6%
- international	4,888	4,578	6.8%
- domestic	6,097	5,724	6.5%
Revenue Passenger Kilometres, million	28,743	26,934	6.7%
- international	17,568	16,531	6.3%
- domestic	11,175	10,403	7.4%
Available Seat Kilometres, million	36,624	34,510	6.1%
- international	22,504	20,847	7.9%
- domestic	14,120	13,663	3.3%
Passenger load factor, %	78.5%	78.0%	0.5 p.p.
- international	78.1%	79.3%	(1.2 p.p.)
- domestic	79.1%	76.1%	3.0 p.p.

In Q1 2018, Aeroflot Group carried 11.0 million passengers, up 6.6% year-on-year.

Key financial highlights

<i>RUB million, unless stated otherwise</i>	Q1 2018	Q1 2017	Change
Revenue	111,942	103,125	8.5%
EBITDAR ¹	10,767	13,742	(21.6%)
EBITDA ¹	(7,732)	(1,136)	6.8x
Loss for the period	(11,543)	(5,339)	2.2x

Revenue

<i>RUB million, unless stated otherwise</i>	Q1 2018	Q1 2017	Change
Passenger traffic revenue	96,896	87,205	11.1%
- scheduled passenger flights	91,107	82,336	10.7%
- charter passenger flights	5,789	4,869	18.9%
Cargo flight revenue	3,778	3,378	11.8%
Other revenue	11,268	12,542	(10.2%)
Total revenue	111,942	103,125	8.5%

In Q1 2018, Aeroflot Group's revenue increased by 8.5% year-on-year to RUB 111,942 million.

Revenue from scheduled passenger flights increased by 10.7% year-on-year to RUB 91,107 million, driven by an increase in passenger traffic. Revenue growth was affected by an increase in yields, primarily on international routes, due to the weakening of the ruble against the euro and the consequent effect of this on FX-denominated revenue.

Revenue from charter flights increased by 18.9% year-on-year to RUB 5,789 million, due among other factors to the growth of Rossiya's charter programme.

¹ EBITDAR = EBITDA + operating lease expenses. EBITDA = operating profit / (loss) + depreciation & amortisation + customs duties.

Cargo revenue rose by 11.8% year-on-year to RUB 3,778 million as cargo and mail volumes grew by 9.6%.

Other revenue decreased by 10.2% year-on-year to RUB 11,268 million due mainly to a decrease in the ruble equivalent of dollar-denominated revenues from airline agreements, as well as to a decrease in the maintenance of other airlines' aircraft.

Operating costs

<i>RUB million, unless stated otherwise</i>	Q1 2018	Q1 2017	Change
Aircraft servicing and passenger services	21,908	21,154	3.6%
Staff costs	21,404	18,588	15.1%
Operating lease expenses	18,499	14,878	24.3%
Aircraft maintenance	8,469	8,179	3.5%
Sales and marketing, administration and general expenses	6,160	6,171	(0.2%)
Depreciation, amortisation and customs duties	3,864	3,800	1.7%
Other net expenses	9,192	7,864	16.9%
Operating costs less aircraft fuel	89,496	80,634	11.0%
Aircraft fuel	34,042	27,427	24.1%
Total operating costs	123,538	108,061	14.3%

In Q1 2018, aircraft fuel costs increased by 24.1% year-on-year to RUB 34,042 million. This was due to a 17.0% year-on-year increase in the average price of aircraft fuel in rubles amid changes in the price of oil, as well as an increase in flight numbers and flying time.

Operating costs, excluding aircraft fuel costs, increased by 11.0% year-on-year to RUB 89,496.

Expenses related to aircraft servicing and passenger service amounted to RUB 21,908 million, a 3.6% increase year-on-year, due primarily to the growth of passenger traffic and increased airport fares. This item was also impacted by new initiatives aimed at boosting service quality.

Staff costs rose 15.1% year-on-year and amounted to RUB 21,404 million, as a result of an increase in salaries for aircraft captains, effective from the start of 2018, as well as due to an increase in the number of staff to support operational growth.

Operating lease expenses amounted to RUB 18,499 million, a 24.3% increase year-on-year, due to expansion of the fleet (net increase of 51 aircraft, or 21.1%, on operating leases compared with 31 March 2017), as well as a year-on-year increase in the Libor rate in Q1 2018 (average three-month Libor rose by 0.85 p.p. to 1.93%).

Aircraft maintenance costs grew by 3.5% year-on-year to RUB 8,469 million. Maintenance costs were significantly affected by an increase in volumes of technical maintenance carried out inside the Group, which damped growth of this item. An increase in expenses on maintenance works by third parties amid an increase in passenger numbers was partially compensated by the strengthening of the ruble against the dollar compared to the year-ago period.

Selling, general and administrative expenses (SG&A) remained almost flat at RUB 6,160 million, a 0.2% decrease, due to stricter control over expenses.

Amortisation and customs tariffs increased insignificantly by 1.7% year-on-year to RUB 3,864 million.

Other expenses increased by 16.9% year-on-year to RUB 9,192 million, as a result of an increase in reserves for aircraft maintenance in accordance with accounting policy, bank fees, and expenses on global distribution systems amid increase in passenger traffic.

As a result of the impact of these factors, EBITDAR totalled RUB 10,767 million.

Non-operating gains and losses

<i>RUB million, unless stated otherwise</i>	Q1 2018	Q1 2017	Change
Operating loss	(11,596)	(4,936)	2.3x
Profit/(loss) from investments, net	215	(57)	-
Finance income	1,718	1,971	(12.8%)
Finance costs	(2,769)	(2,038)	35.9%
Realised hedging result	(1,293)	(1,391)	(7.0%)
Share of results of associates	(2)	(11)	(81.8%)
Loss before tax	(13,727)	(6,462)	2.1x
Income tax	2,184	1,123	94.5%
Loss for the period	(11,543)	(5,339)	2.2x

In Q1 2018, finance income decreased by 12.8% year-on-year to RUB 1,718 million, reflecting lower earnings from exchange-rate differences, as well as an overall trend in Russia for looser monetary policy.

Finance costs increased by 35.9% year-on-year to RUB 2,769 million, primarily due to expenses incurred from discounting of insurance deposits on aircraft leases issued in Q1 2018. The increase in finance costs was partially compensated by a decrease in debt in 2017, which led to a reduction in the cost of debt servicing.

The realised loss from hedging of RUB 1,293 million was attributable to a realised result related to hedging of USD-denominated revenue through USD-denominated lease obligations.

Aeroflot Group's net loss for Q1 2018 amounted to RUB 11,543 million.

Debt and liquidity

<i>RUB million, unless stated otherwise</i>	31.03.2018	31.12.2017	Change
Loans and borrowings	3,530	3,181	11.0%
Finance lease liabilities	88,257	100,689	(12.3%)
Pension liabilities	931	922	1.0%
Total debt	92,718	104,792	(11.5%)
Cash and short-term investments	63,248	54,909	15.2%
Net debt	29,470	49,883	(40.9%)
Net debt / EBITDA	0.6x¹	0.9x	-

Total debt as of 31 March 2018 decreased by 11.5% compared to 31 December 2017, to RUB 92,718 million. The reduction was due to adjustments to the valuation of financial leases following the strengthening of the ruble against the dollar as of 31 March 2018 compared to 31 December 2017.

As of 31 March 2018, undrawn lines available to Aeroflot Group from major Russian and international banks amounted to RUB 99.1 billion.

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¹ Calculation is based on EBITDA for 12 months, ending on 31.03.2018, totalling RUB 49,419 million.