

Aeroflot announces 1Q 2020 IFRS financial results

Moscow, 2 June 2020 – Aeroflot Group (“the Group”, Moscow Exchange ticker: AFLT) today publishes its condensed consolidated interim financial statements for three months of 2020, in accordance with International Financial Reporting Standards.

Key financial highlights for 1Q 2020:

- Revenue decreased by 10.2% year-on-year to RUB 123,894 million;
- EBITDA amounted to RUB 13,054 million;
- The net loss totalled RUB 22,484 million;
- The net loss adjusted for non-cash FX-related revaluation of lease liabilities accounted for in P&L amounted to RUB 15,774 million.

Andrey Chikhanchin, PJSC Aeroflot Deputy CEO for Commerce and Finance, said:

“Positive trends from 2019, including an increase in yields and a reduction in operating costs, continued into early 2020 and should have led to an improvement in profitability and financial results in the reporting period. However, the unprecedented impact of the coronavirus led to an almost complete shutdown of international flights, as well as a significant decrease in passenger traffic on domestic routes, which offset the positive dynamics of the beginning of the year and significantly worsened the financial result in March.

“The suspension of flights affected all airlines worldwide, without exception, and caused the most acute crisis in the industry for decades. Aviation is recognised as one of the most severely affected industries.

“In response to this situation, Aeroflot Group has developed and begun implementing large-scale optimisation measures. The first step was to reduce the amount of available capacity, which helped to minimise losses when demand fell and passengers began to cancel and reschedule their booking dates in large numbers. In addition, the Company has started to reduce general business, managerial, consulting, and marketing expenses, including suspension of all advertising activities. Management initiated negotiations to restructure the Company's liabilities and maintains a continuous dialogue with contractors about improving conditions and optimising payment schedules.

“Given the almost complete lack of revenue from carrying passengers, non-standard solutions were required. Taking into account the stable dynamics of the cargo market, the Company was able to successfully reconfigure and redeploy a number of wide-body aircraft for cargo transportation, causing an increase in cargo revenue.

“The implementation of these measures allowed us to contain the size of the net loss in the first quarter, which amounted to RUB 22.5 billion. This loss includes RUB 6.7 billion of non-cash revaluation of foreign currency lease liabilities, this quarter partially reflected in the profit and loss statement. Excluding this paper effect, the net loss is comparable to the same period last year.

“The almost complete shutdown of flights in April and May will lead to a significant deterioration in the financial results for the second quarter. However, starting from June, Aeroflot Group will gradually resume its flight programme, in particular, Pobeda airlines has been resuming flights since the beginning of the month. Management is doing everything possible to ensure that the Group is able to overcome this serious crisis for aviation and is positioned for a recovery of the market, which we expect will begin in the very near future.”

Key operating highlights

	1Q 2020	1Q 2019	Change
Passengers carried, thousand PAX	11,196	12,764	(12.3%)
- international	4,514	5,731	(21.2%)
- domestic	6,682	7,033	(5.0%)
Revenue Passenger Kilometres, million	29,035	33,544	(13.4%)
- international	16,581	20,565	(19.4%)
- domestic	12,454	12,978	(4.0%)
Available Seat Kilometres, million	40,859	43,044	(5.1%)
- international	23,451	26,547	(11.7%)
- domestic	17,407	16,497	5.5%
Passenger load factor, %	71.1%	77.9%	(6.9 p.p.)
- international	70.7%	77.5%	(6.8 p.p.)
- domestic	71.5%	78.7%	(7.1 p.p.)

In 1Q 2020, Aeroflot Group carried 11.2 million passengers, down 12.3% year-on-year. In 1Q 2020, operating results were significantly affected by the decrease in demand and flight restrictions amid the spread of the coronavirus. The international segment was hit hardest, following the shutdown of international air travel in March. The suspension of international flights had a knock-on network effect on transit and domestic traffic. Gradual introduction of restrictions and passengers' reluctance to travel amid the pandemic also affected demand on domestic routes.

Key financial highlights

<i>RUB million, unless stated otherwise</i>	1Q 2020	1Q 2019	Change
Revenue	123,894	138,041	(10.2%)
EBITDA	13,054	21,333	(38.8%)
EBITDA margin	10.5%	15.5%	(5.0 p.p.)
Loss for the period	(22,484)	(15,746)	42.8%
Adjusted loss for the period*	(15,774)	(15,746)	0.2%

* Excluding non-cash revaluation of foreign currency lease liabilities.

Revenue

<i>RUB million, unless stated otherwise</i>	1Q 2020	1Q 2019	Change
Passenger traffic revenue	106,608	119,255	(10.6%)
- scheduled passenger flights	102,139	113,391	(9.9%)
- charter passenger flights	4,469	5,864	(23.8%)
Cargo flight revenue	4,804	4,173	15.1%
Other revenue	12,482	14,613	(14.6%)
Total revenue	123,894	138,041	(10.2%)

In 1Q 2020, Aeroflot Group's revenue decreased by 10.2% year-on-year to RUB 123,894 million.

Revenue from scheduled passenger flights decreased by 9.9% year-on-year to RUB 102,139 million, due to a decrease in passenger traffic amid the COVID-19 pandemic.

Cargo revenue rose by 15.1% to RUB 4,804 million year-on-year as cargo and mail volumes grew by 11.6%. Other revenue decreased by 14.6% year-on-year to RUB 12,482 million.

Operating costs

<i>RUB million, unless stated otherwise</i>	1Q 2020	1Q 2019	Change
Aircraft servicing and passenger services	27,444	28,871	(4.9%)
Depreciation, amortisation and customs duties	26,210	27,232	(3.8%)
Staff costs	21,124	22,579	(6.4%)
Aircraft maintenance	9,225	6,174	49.4%
Selling, general and administrative expenses	6,188	6,669	(7.2%)
Other net expenses	8,255	8,715	(5.3%)
Operating costs less aircraft fuel	98,446	100,240	(1.8%)
Aircraft fuel	38,604	43,700	(11.7%)
Total operating costs	137,050	143,940	(4.8%)

In 1Q 2020, operating costs reduced by 4.8% to RUB 137,050 million, primarily due to a decrease in operations – capacities decreased by 5.1% year-on-year, as well as due to the implementation of measures aimed at the reduction of fixed costs.

Aircraft fuel costs decreased by 11.7% year-on-year to RUB 38,604 million as flight volumes and flying time decreased.

Excluding fuel costs, operating costs decreased by 1.8% year-on-year to RUB 98,446 million.

Expenses related to aircraft servicing and passenger service decreased by 4.9% year-on-year to RUB 27,444 million due to the decrease in passenger traffic. At the same time given an increased focus on passenger safety and the prevention of further spread of the virus the Group introduced additional pre-flight measures and aircraft disinfection.

Amortisation and customs tariffs decreased by 3.8% year-on-year to RUB 26,210 million. This was due to the decrease of the Group's fleet by 11 aircraft over a 12-month period.

Staff costs decreased by 6.4% year-on-year to RUB 21,124 million, primarily due to a decrease in remuneration of the senior management team.

Aircraft maintenance costs increased by 49.4% year-on-year to RUB 9,225 million. Over a third of the increase was due to a higher volume of scheduled maintenance works compared to the same period last year, whereas the rest was due to preparatory works associated with the return of aircraft to the lessor. FX factor had an additional impact on costs.

Selling, general and administrative expenses decreased by 7.2% year-on-year to RUB 6,188 million, due to additional measures to optimise general business, consulting and marketing expenses, including suspension of all advertising activities. In addition, expenses associated with the booking system were lower as a result of the decrease in demand and suspension of bookings for the next few months.

Other expenses decreased by 5.3% year-on-year to RUB 8,255 million.

As a result of these factors, EBITDA totalled RUB 13,054 million.

Non-operating gains and losses

<i>RUB million, unless stated otherwise</i>	1Q 2020	1Q 2019	Change
Operating loss	(13 156)	(5 899)	2,2x
(Loss) / profit from investments, net	(612)	227	–
Finance income	1 897	1 506	26,0%
Finance costs	(11 842)	(14 547)	(18,6%)
Realised hedging results	(7 360)	(1 017)	7,2x
Share of results of associates	3	40	(92,5%)

In 1Q 2020, finance income increased by 26.0% year-on-year to RUB 1,897 million, due to higher FX gains.

Finance costs decreased by 18.6% year-on-year to RUB 11,842 million, primarily due to lower interest payments on leasing as a result of a decrease in the number of aircraft, including the phasing-out of wide-body aircraft.

The realised hedging results line (item reflecting accounting movements for foreign currency lease liabilities) amounted to RUB 7,360 million and includes non-cash revaluation of lease liabilities in the amount of RUB 6,710 million. The devaluation of the rouble during the reporting period led to debt revaluation. Following the decrease in revenue received by the Group in foreign currency in accordance with applicable accounting standards, the revaluation is partially reflected in the profit and loss account. In the reporting period this revaluation is a paper loss rather than an actual cash outflow.

Aeroflot Group's net loss for 1Q 2020 amounted to RUB 22,484 million. Including the non-cash revaluation of lease liabilities impact, adjusted net loss for the period amounted to RUB 15,774 million.

Debt and liquidity

<i>RUB million, unless stated otherwise</i>	31.03.2020	31.12.2019	Change
Loans and borrowings	46,397	15,792	2.9x
Lease liabilities	698,979	557,124	25.5%
Pension liabilities	771	784	(1.7%)
Total debt	746,147	573,700	30.1%
Cash and short-term investments	37,375	25,861	44.5%
Net debt	708,772	547,839	29.4%

As of 31 March 2020, total debt increased by 30.1% compared to 31 December 2019, to RUB 746,147 million. The increase was due to the revaluation of lease liabilities on the reporting date following the devaluation of the rouble by 25.6% (against the dollar) since the beginning of the year, as well as due to the accumulation of liquidity amid a significant decrease in expected revenues.

Investor enquiries:

Aeroflot Investor Relations
+7 (495) 258-06-86
ir@aeroflot.ru

Media enquiries:

Aeroflot Press Centre
+7 (495) 752-90-71
+7 (499) 500-73-87
+7 (495) 753-86-39
presscentr@aeroflot.ru