

## Aeroflot announces 6M 2020 IFRS financial results

**Moscow, 31 August 2020** – Aeroflot Group (“the Group”, Moscow Exchange ticker: AFLT) today publishes its condensed consolidated interim financial statements for the six months ended 30 June 2020, in accordance with International Financial Reporting Standards.

Key financial highlights for 6M 2020:

- Revenue decreased by 52.0% year-on-year to RUB 149,352 million;
- EBITDA amounted to RUB 11,092 million;
- The net loss totalled RUB 58,270 million;

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

“In the second quarter of 2020, and above all in April and May, most of Aeroflot Group’s fleet was grounded following COVID-related restrictions, while the aircraft that continued flying operated with significantly reduced flight hours. The Group’s extensive route network was significantly reduced, and we only operated flights essential to maintaining transport accessibility in the Russian regions and to supply much-needed medical equipment and medicines.

“As a result, the Group’s passenger traffic reduced by 88.8% in the second quarter. The biggest decrease occurred in April, when the Group carried just 229,000 passengers, against 4-5 million before the pandemic. As restrictions started to be lifted the domestic market began to see a gradual recovery – by the end of June Aeroflot Group carried 1.2 million passengers.

“In the meantime, the health and safety of our passengers remain our top priority, and we are doing our best to ensure passenger safety and comfort in these unprecedented circumstances.

“With almost no revenue from passenger transportation we needed to think out of the box. Given strong demand for cargo services we reoriented a number of wide-body aircraft to carry cargo, resulting in strong cargo revenue, which was up 64.0% in second quarter year-on-year.

“To ensure the Group’s financial stability we have put in place a number of optimisation measures. We entered negotiations with our key counterparties and have already reached some agreements with regard payment holidays and special terms with some of our partners. These and other measures enabled the Group to restrict the net loss in the second quarter to RUB 35.8 billion.

“As part of its efforts to secure financing, Aeroflot Group requested government support. In June, Aeroflot received RUB 70 billion worth of state guarantees, which helped the Company to obtain long-term loans with five-year terms. As of today as part of programmes to support business Aeroflot Group signed one-year agreements for a total of RUB 6.7 billion with a 2% interest rate. The Group received a RUB 7.9 billion subsidy and applied for tax deferrals. These measures support our financial stability, which is required to preserve jobs and overcome the current challenges.

“Russia’s large domestic market and wide variety of tourist destinations is an important competitive advantage of the Russian aviation market compared to other global markets, and means airlines can continue operations even while restrictions on international flights remain in place.

“Despite the pandemic’s unprecedented impact on the aviation industry we are starting to see a gradual recovery across various segments, albeit in a new reality. In July and August domestic operations continued to recover. In July, the Group’s capacities stood at 41.7% compared to the same period last year. It is particularly worth mentioning the successful recovery of Pobeda, which was the only Russian airline in July 2020 to increase its passenger traffic, by 1.6% year-on-year. The first half of August also saw the opening of a number of international destinations, and we are already seeing high demand for them.

“Aeroflot has repeatedly demonstrated its ability to transform and successfully adapt to new conditions, reaching new heights. This time is no exception, and we recently approved the updated Growth Strategy through 2028. Aeroflot management continues to work hard to ensure that the Group emerges strong from the crisis and ready for reach new heights”.

## Key operating highlights

	2Q 2020	2Q 2019	Change	6M 2020	6M 2019	Change
Passengers carried, thousand PAX	1,731	15,431	(88.8%)	12,927	28,195	(54.2%)
- international	52	6,952	(99.3%)	4,567	12,682	(64.0%)
- domestic	1,679	8,479	(80.2%)	8,361	15,513	(46.1%)
Revenue Passenger Kilometres, million	3,681	39,381	(90.7%)	32,716	72,924	(55.1%)
- international	263	22,966	(98.9%)	16,844	43,531	(61.3%)
- domestic	3,417	16,415	(79.2%)	15,872	29,393	(46.0%)
Available Seat Kilometres, million	7,080	48,839	(85.5%)	47,939	91,883	(47.8%)
- international	487	29,024	(98.3%)	23,938	55,571	(56.9%)
- domestic	6,593	19,815	(66.7%)	24,001	36,312	(33.9%)
Passenger load factor, %	52.0%	80.6%	(28.6 p.p.)	68.2%	79.4%	(11.1 p.p.)
- international	54.1%	79.1%	(25.0 p.p.)	70.4%	78.3%	(8.0 p.p.)
- domestic	51.8%	82.8%	(31.0 p.p.)	66.1%	80.9%	(14.8 p.p.)

In 6M 2020, Aeroflot Group carried 12.9 million passengers, down 54.2% year-on-year. In 6M 2020, operating results were significantly affected by the decrease in demand and flight restrictions amid the spread of the novel 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. The gradual imposition 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>	2Q 2020	2Q 2019	Change	6M 2020	6M 2019	Change
Revenue	25,458	173,399	(85.3%)	149,352	311,440	(52.0%)
EBITDA	(1,962)	46,963	–	11,092	68,296	(83.8%)
EBITDA margin	–	27.1%	–	7.4%	21.9%	(14.5%)
(Loss) / profit for the period	(35,786)	6,933	–	(58,270)	(8,784)	6.6x
Adjusted loss for the period*	(35,786)	6,933	–	(51,560)	(8,784)	5.9x

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

## Revenue

<i>RUB million unless stated otherwise</i>	2Q 2020	2Q 2019	Change	6M 2020	6M 2019	Change
Passenger traffic revenue	12,983	152,456	(91.5%)	119,591	271,711	(56.0%)
- scheduled passenger flights	12,364	141,330	(91.3%)	114,503	254,721	(55.0%)
- charter passenger flights	619	11,126	(94.4%)	5,088	16,990	(70.1%)
Cargo flight revenue	7,478	4,559	64.0%	12,282	8,732	40.7%
Other revenue	4,997	16,384	(69.5%)	17,479	30,997	(43.6%)
<b>Total revenue</b>	<b>25,458</b>	<b>173,399</b>	<b>(85.3%)</b>	<b>149,352</b>	<b>311,440</b>	<b>(52.0%)</b>

In 6M 2020, Aeroflot Group's revenue decreased by 52.0% year-on-year to RUB 149,352 million.

Revenue from scheduled passenger flights decreased by 55.0% year-on-year to RUB 114,503 million, due to a decrease in passenger traffic as a result of the COVID-19 pandemic.

Cargo revenue rose by 40.7%, to RUB 12,282 million year-on-year as the Company reoriented some of its wide-body aircraft to carry cargo and mail in the baggage compartment as well as in the cabin.

Other revenue decreased by 43.6% year-on-year to RUB 17,479 million.

### Operating costs

<i>RUB million unless stated otherwise</i>	<b>2Q 2020</b>	<b>2Q 2019</b>	<b>Change</b>	<b>6M 2020</b>	<b>6M 2019</b>	<b>Change</b>
Depreciation, amortisation and customs duties	31,001	26,446	17.2%	57,211	53,678	6.6%
Staff costs	13,496	22,215	(39.2%)	34,620	44,794	(22.7%)
Aircraft servicing and passenger services	5,493	32,294	(83.0%)	32,937	61,165	(46.2%)
Aircraft maintenance	4,244	7,813	(45.7%)	13,469	13,987	(3.7%)
Selling, general and administrative expenses	4,291	7,534	(43.0%)	10,479	14,203	(26.2%)
Other net expenses / (income)	(5,429)	7,572	–	2,826	16,287	(82.6%)
<b>Operating costs less aircraft fuel</b>	<b>53,096</b>	<b>103,874</b>	<b>(48.9%)</b>	<b>151,542</b>	<b>204,114</b>	<b>(25.8%)</b>
Aircraft fuel	5,325	49,008	(89.1%)	43,929	92,708	(52.6%)
<b>Total operating costs</b>	<b>58,421</b>	<b>152,882</b>	<b>(61.8%)</b>	<b>195,471</b>	<b>296,822</b>	<b>(34.1%)</b>

In 6M 2020, operating costs reduced by 34.1% to RUB 195,471 million, primarily due to a reduction in operational volumes (capacities decreased by 47.8% year-on-year), as well as due to the implementation of measures aimed at reducing fixed costs.

Aircraft fuel costs decreased by 52.6% year-on-year to RUB 43,929 million as flight volumes and flying time decreased.

Excluding fuel costs, operating costs decreased by 25.8% year-on-year to RUB 151,542 million, primarily due to reduced operational volumes and the almost complete suspension of flights in April and May 2020.

- Staff costs decreased by 22.7% year-on-year to RUB 34,620 million.
- Expenses related to aircraft servicing and passenger service decreased by 46.2% year-on-year to RUB 32,937 million. At the same time, given our increased focus on passenger safety to prevent the further spread of the virus, the Group introduced additional pre-flight measures and aircraft disinfection.
- Aircraft maintenance costs decreased by 3.7% year-on-year to RUB 13,469 million, due to lower volume of maintenance works amid reduced operating volumes, which was partly offset by an increase in one-off payments for aircraft returns to the lessor, particularly in Q1 2020. At the same time, in Q2 2020, aircraft maintenance costs decreased by 45.7% due to a decrease in the variable component associated with flying time, while expenses on keeping the grounded fleet airworthy continued.

Selling, general and administrative expenses decreased by 26.2% year-on-year to RUB 10,479 million, due to additional measures to optimise general business, consulting and marketing expenses.

Other expenses decreased by 82.6% year-on-year to RUB 2,826 million, due to a decrease in expenses associated with the booking system and flight catering amid lower flight volumes, as well as due to a RUB 7.9 billion subsidy from the Russian government.

Amortisation and customs tariffs, the largest expense item that is generally independent from operating volumes, increased by 6.6% year-on-year to RUB 57,211 million, primarily due to revaluation of reserves for aircraft maintenance required before return to the lessor following the year-on-year appreciation of the US dollar in 6M 2020.

As a result of these factors, EBITDA totalled RUB 11,092 million.

### Non-operating gains and losses

<i>RUB million unless stated otherwise</i>	2Q 2020	2Q 2019	Change	6M 2020	6M 2019	Change
<b>Operating (loss) / profit</b>	<b>(32,963)</b>	<b>20,517</b>	–	<b>(46,119)</b>	<b>14,618</b>	–
(Loss) / profit from investments, net	303	(80)	–	(309)	147	–
Finance income	1,035	2,378	(56.5%)	2,164	3,246	(33.3%)
Finance costs	(12,115)	(13,356)	(9.3%)	(23,189)	(27,236)	(14.9%)
Realised hedging results	(197)	(320)	(38.4%)	(7,557)	(1,337)	5.7x
Share of results of associates	(183)	56	–	(180)	96	–

In 6M 2020, finance income reduced by 33.3% year-on-year to RUB 2,164 million, primarily due to a decrease in interest income on deposits as a result of lower interest rates.

Finance costs decreased by 14.9% year-on-year to RUB 23,189 million, primarily due to a decrease in leasing interest expenses as a result of lower interest rates, and also due to a decrease in lease liabilities in their respective payment currencies.

The realised loss from hedging amounted to RUB 7,557 million and includes non-cash revaluation of lease liabilities of RUB 6,710 million. The depreciation of the rouble during the reporting period led to a revaluation of our debt portfolio. Following the decrease in FX-denominated revenue in accordance with applicable accounting standards, the revaluation is reflected in the Company's profit and loss account.

Aeroflot Group's net loss for 6M 2020 amounted to RUB 58,270 million. Including revaluation of lease liabilities paid in foreign currency, the adjusted net loss for the period amounted to RUB 51,560 million.

### Debt and liquidity

<i>RUB million unless stated otherwise</i>	30.06.2020	31.12.2019	Change
Loans and borrowings	64,390	15,792	307.7%
Lease liabilities	633,069	557,124	13.6%
Pension liabilities	809	784	3.2%
<b>Total debt</b>	<b>698,268</b>	<b>573,700</b>	<b>21.7%</b>
Cash and short-term investments	48,659	25,861	88.2%
<b>Net debt</b>	<b>649,609</b>	<b>547,839</b>	<b>18.6%</b>

As of 30 June 2020, total debt increased by 21.7% compared to 31 December 2019, to RUB 698,268 million. The increase was due to the revaluation of lease liabilities as of the reporting date following the depreciation of the rouble by 13% since the beginning of the year, as well as due to increased leverage to boost liquidity and finance operations amid a significant decrease in expected revenues.

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