



Aeroflot announces 9M 2020 IFRS financial results

Moscow, 1 December 2020 – Aeroflot Group (“the Group”, Moscow Exchange ticker: AFLT) today publishes its condensed consolidated interim financial statements for the nine months ended 30 September 2020, in accordance with International Financial Reporting Standards.

Key financial highlights for 9M 2020:

- Revenue decreased by 55.3% year-on-year to RUB 234,213 million;
- EBITDA amounted to RUB 31,180 million;
- The net loss totalled RUB 79,406 million;

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

“In the third quarter of 2020 Aeroflot Group carried 10.1 million passengers, 9.5 million of whom flew on domestic routes, compared to 1.7 million passengers in the second quarter 2020, at the height of the lockdown and when flight restrictions were at a peak. Given the many operational and economic challenges currently facing the aviation sector, our gradual restoration of passenger traffic, driven primarily by the domestic segment, is being achieved in a financially prudent manner. Although the loss for the reporting period was to be expected due to the unprecedented impact of the pandemic and continued suspension of most of our international operations, it is lower on a quarter-on-quarter basis, at RUB 21.1 billion in the third quarter compared to RUB 35.8 billion in the second quarter.

“Though all key business segment posted improved performance in the third quarter, Pobeda’s results deserve particular attention as virtually the first airline and the only major carrier anywhere in the world to grow passenger numbers in Q3 2020, with traffic up by 12.0% year-on-year, and the load factor recovering to 95%. On the back of these strong operational results, the LCC segment delivered robust financial performance, reporting a net profit in both the third quarter and the first nine months of 2020, thereby underscoring its strength and the resilience of its business model.

“Thanks to growth of passenger numbers in the third quarter, Aeroflot Group increased revenue quarter-on-quarter by RUB 59.4 billion to RUB 84.9 billion, while operating costs increased by RUB 37.1 billion to RUB 95.5 billion. EBITDA improved by 22.1 billion RUB compared to the second quarter, and amounted to 20.1 bn RUB. Revenue growth outpacing the increase in costs even as flight volumes recovered illustrates our balanced approach to restoring capacities, as we sought to strike a balance between passenger numbers and our financial performance, as well as the results of numerous optimisation initiatives and strict cost control.

“The low season of fourth quarter 2020 and first quarter 2021 will remain challenging for all airlines, which are continuing to operate in an environment of restrictions on top of the traditional seasonal decline in demand. Aeroflot Group continues to pursue a conservative approach to capacity deployment as well as making seasonal adjustments. We have been able to build up our liquidity thanks to our RUB 80 billion secondary public offering and secured credit facilities, which include loans with RUB 70 billion of state guarantees. This gives Aeroflot Group the resources it needs to fulfill its financial obligations to partners and restore operational volumes once markets resume their recovery”.

Key operating highlights

	Q3 2020	Q3 2019	Change	9M 2020	9M 2019	Change
Passengers carried, thousand PAX	10,129	18,533	(45.3%)	23,056	46,728	(50.7%)
- international	619	8,275	(92.5%)	5,185	20,957	(75.3%)
- domestic	9,510	10,258	(7.3%)	17,871	25,771	(30.7%)
Revenue Passenger Kilometres, million	21,015	47,343	(55.6%)	53,731	120,268	(55.3%)
- international	1,786	26,678	(93.3%)	18,630	70,209	(73.5%)
- domestic	19,229	20,665	(6.9%)	35,101	50,058	(29.9%)
Available Seat Kilometres, million	25,324	53,497	(52.7%)	73,262	145,380	(49.6%)
- international	2,400	30,762	(92.2%)	26,338	86,333	(69.5%)
- domestic	22,924	22,735	0.8%	46,925	59,047	(20.5%)
Passenger load factor, %	83.0%	88.5%	(5.5 p.p.)	73.3%	82.7%	(9.4 p.p.)
- international	74.4%	86.7%	(12.3 p.p.)	70.7%	81.3%	(10.6 p.p.)
- domestic	83.9%	90.9%	(7.0 p.p.)	74.8%	84.8%	(10.0 p.p.)

In 9M 2020, Aeroflot Group carried 23.1 million passengers, down 50.7% year-on-year. In 9M 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. A gradual recovery of air travel started in Q3 2020 on the back of lifted restrictions.

Key financial highlights

<i>RUB million unless stated otherwise</i>	Q3 2020	Q3 2019	Change	9M 2020	9M 2019	Change
Revenue	84,861	212,543	(60.1%)	234,213	523,983	(55.3%)
EBITDA	20,088	73,379	(72.6%)	31,180	141,675	(78.0%)
EBITDA margin	23.7%	34.5%	(10.8 p.p.)	13.3%	27.0%	(13.7 p.p.)
(Loss) / profit for the period	(21,136)	29,089	–	(79,406)	20,305	–

Revenue

<i>RUB million unless stated otherwise</i>	Q3 2020	Q3 2019	Change	9M 2020	9M 2019	Change
Passenger traffic revenue	73,984	190,323	(61.1%)	193,575	462,034	(58.1%)
- scheduled passenger flights	64,852	176,460	(63.2%)	179,355	431,181	(58.4%)
- charter passenger flights	9,132	13,863	(34.1%)	14,220	30,853	(53.9%)
Cargo flight revenue	4,851	4,881	(0.6%)	17,133	13,613	25.9%
Other revenue	6,026	17,339	(65.2%)	23,505	48,336	(51.4%)
Total revenue	84,861	212,543	(60.1%)	234,213	523,983	(55.3%)

In 9M 2020, Aeroflot Group's revenue decreased by 55.3% year-on-year to RUB 234,213 million.

Revenue from scheduled passenger flights decreased by 58.4% year-on-year to RUB 179,355 million, due to a decrease in passenger traffic as a result of the COVID-19 pandemic.

Cargo revenue rose by 25.9%, to RUB 17,133 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 51.4% year-on-year to RUB 23,505 million.

Operating costs

<i>RUB million unless stated otherwise</i>	Q3 2020	Q3 2019	Change	9M 2020	9M 2019	Change
Depreciation, amortisation and customs duties	30,724	26,302	16.8%	87,935	79,980	9.9%
Staff costs	15,734	22,065	(28.7%)	50,354	66,859	(24.7%)
Aircraft servicing and passenger services	15,903	35,728	(55.5%)	48,840	96,893	(49.6%)
Aircraft maintenance	6,778	9,955	(31.9%)	20,247	23,942	(15.4%)
Selling, general and administrative expenses	4,676	8,278	(43.5%)	15,155	22,481	(32.6%)
Other net expenses	3,605	10,277	(64.9%)	6,431	26,564	(75.8%)
Operating costs less aircraft fuel	77,420	112,605	(31.2%)	228,962	316,719	(27.7%)
Aircraft fuel	18,077	52,861	(65.8%)	62,006	145,569	(57.4%)
Total operating costs	95,497	165,466	(42.3%)	290,968	462,288	(37.1%)

In 9M 2020, operating costs decreased by 37.1% to RUB 290,968 million, primarily due to a reduction in operational volumes (capacities decreased by 49.6% year-on-year), as well as due to the implementation of measures aimed at reducing fixed and quasi-fixed costs.

Aircraft fuel costs decreased by 57.4% year-on-year to RUB 62,006 million as flight volumes and flying time decreased.

Excluding fuel costs, operating costs decreased by 27.7% year-on-year to RUB 228,962 million, primarily due to reduced operational volumes and the almost complete suspension of flights in April and May 2020.

- Staff costs decreased by 24.7% year-on-year to RUB 50,354 million.
- Expenses related to aircraft servicing and passenger service decreased by 49.6% year-on-year to RUB 48,840 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 15.4% year-on-year to RUB 20,247 million, due to lower volume of maintenance works related to flight hours 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 and Q3 2020, aircraft maintenance costs decreased by 45.7% and 31.9% respectively also 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 32.6% year-on-year to RUB 15,155 million, due to additional measures to optimise general business, consulting and marketing expenses.

Other expenses (net) decreased by 75.8% year-on-year to RUB 6,431 million, due to a decrease in expenses associated with the booking system and flight catering amid lower flight volumes. This item also includes a RUB 7.9 billion subsidy from the Russian government that partially offsets the costs.

Amortisation and customs tariffs, the largest expense item that is generally independent from operating volumes, increased by 9.9% year-on-year to RUB 87,935 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 9M 2020.

As a result of these factors, EBITDA totalled RUB 31,180 million.

Non-operating gains and losses

<i>RUB million unless stated otherwise</i>	Q3 2020	Q3 2019	Change	9M 2020	9M 2019	Change
Operating (loss) / profit	(10,636)	47,077	–	(56,755)	61,695	–
(Loss) / profit from investments, net	(48)	211	–	(357)	358	–
Finance income	1,097	1,934	(43.3%)	3,208	5,180	(38.1%)
Finance costs	(13,238)	(14,295)	(7.4%)	(36,374)	(41,531)	(12.4%)
Realised hedging results	(2,775)	(965)	2.9x	(10,332)	(2,302)	4.5x
Share of results of associates	80	129	(38.0%)	(100)	225	–

In 9M 2020, finance income reduced by 38.1% year-on-year to RUB 3,208 million, primarily due to a decrease in interest income on deposits as a result of lower interest rates.

Finance costs decreased by 12.4% year-on-year to RUB 36,374 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 10,332 million and includes portion of revaluation of lease liabilities of RUB 7,237 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 9M 2020 amounted to RUB 79,406 million.

Debt and liquidity

<i>RUB million unless stated otherwise</i>	30.09.2020	31.12.2019	Change
Loans and borrowings	65,767	15,792	4.2x
Lease liabilities	713,995	557,124	28.2%
Pension liabilities	791	784	0.9%
Total debt	780,553	573,700	36.1%
Cash and short-term investments	43,088	25,861	66.6%
Net debt	737,465	547,839	34.6%

As of 30 September 2020, total debt increased by 36.1% compared to 31 December 2019, to RUB 780,553 million. The increase was due to the revaluation of lease liabilities as of the reporting date following the depreciation of the rouble by 28.7% 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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