



Aeroflot announces Q1 2021 IFRS financial results

Moscow, 31 May 2021 – Aeroflot Group (“the Group”, Moscow Exchange ticker: AFLT) today publishes its condensed consolidated interim financial statements for three months ended 31 March 2021, in accordance with International Financial Reporting Standards.

Key financial highlights:

- Revenue decreased by 39.1% year-on-year to RUB 75,498 million;
- EBITDA amounted to RUB 7,708 million;
- The net loss totalled RUB 25,143 million.

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

“In Q1 2021 the pandemic continued to have a serious impact on aviation: international air transportation suffered from significant restrictions, and most of the scheduled network remained closed. The Company's management has made every effort to use existing market opportunities to improve financial results.

Aeroflot Group continued to focus on domestic market operations and gradually increased capacity as it emerged from the low winter season. By the end of the first quarter of 2021 Aeroflot Group reached the level of 2019 in terms of capacity operated in the domestic market. As a result, the number of passengers carried on domestic routes amounted to 6.5 million, which is comparable to results of the first quarter of 2019. The total traffic in the first quarter of 2021 amounted to 7.4 million people.

Our efforts to restore traffic and control costs resulted in a gradual improvement of financial results. This is particularly evident when comparing the reporting period with the fourth quarter of 2020. Revenue in the first quarter of 2021 amounted to RUB 75.5 billion compared to RUB 68.0 billion in the fourth quarter of 2020. EBITDA reached positive territory and amounted to RUB 7.7 billion, while in the fourth quarter of 2020 Aeroflot Group recorded a loss before interest, taxes, depreciation and amortisation.

In the first quarter of 2021, the net loss amounted to RUB 25.1 billion, which is significantly less than the net loss of the fourth quarter of 2020 (RUB 43.8 billion), albeit traditionally the fourth quarter is stronger due to the seasonal factor. Thus, during the more difficult period of winter navigation, Aeroflot Group showed a significant improvement in results. The loss of the first quarter of 2021 showed a deterioration against the same period last year, however, we should bear in mind that the impact of the pandemic on the first quarter of 2020 was moderate and was mainly limited to March. Capacity of the first quarter of 2021 was half as much as in the first quarter of 2020 (19.0 billion available seat-kilometers versus 40.8 billion available seat-kilometers).

During the pandemic liquidity is a key pillar of the Group's financial position. As of March 31, 2021, Group's cash and short-term financial investments amounted to RUB 78.2 billion. The Group retained a significant portion of cash raised in October 2020 during the SPO. At the same time, Aeroflot Group regularly serviced its obligations, including lease payments. The second factor that supported Group's liquidity position was an improvement in demand for transportation ahead of spring and summer season. However, number of bookings and volume of ticket sales are still below normalized levels.

Published financial results reflect a range of positive trends, from improving revenue to maintaining liquidity through an improved booking curve. The revival of demand is very important for aviation in order to confidently navigate through the summer season. However, it is too early to talk about a full normalization of the situation, since the impact of the pandemic on aviation and Aeroflot Group still persists.”

Key operating highlights

Indicator	Q1 2021	Q1 2020	Change
Passengers carried, thousand PAX	7,371	11,196	(34.2%)
- international	905	4,514	(80.0%)
- domestic	6,466	6,681	(3.2%)
Revenue Passenger Kilometres, million	15,243	29,038	(47.5%)
- international	3,072	16,581	(81.5%)
- domestic	12,171	12,457	(2.3%)
Available Seat Kilometres, million	19,035	40,792	(53.3%)
- international	4,428	23,384	(81.1%)
- domestic	14,607	17,407	(16.1%)
Passenger load factor, %	80.1%	71.2%	8.9 p.p.
- international	69.4%	70.9%	(1.5 p.p.)
- domestic	83.3%	71.6%	11.7 p.p.

In the first quarter of 2021, Aeroflot Group carried 7.4 million passengers, 34.2% down year-on-year. Demand dynamics and significant flight restrictions related to the COVID-19 pandemic impacted first quarter operating results.

In the reporting period recovery of domestic traffic continued alongside with partial recovery of international air connections, which remain significantly limited.

Key financial highlights

<i>RUB million unless stated otherwise</i>	Q1 2021	Q1 2020	Change
Revenue	75,498	123,894	(39.1%)
EBITDA	7,708	13,054	(41.0%)
<i>EBITDA margin</i>	10.2%	10.5%	(0.3 p.p.)
Loss for the period	(25,143)	(22,484)	11.8%

Revenue

<i>RUB million unless stated otherwise</i>	Q1 2021	Q1 2020	Change
Passenger traffic revenue	60,307	106,608	(43.4%)
- scheduled passenger flights	58,961	102,139	(42.3%)
- charter passenger flights	1,346	4,469	(69.9%)
Cargo flight revenue	7,959	4,804	65.7%
Other revenue	7,232	12,482	(42.1%)
Total revenue	75,498	123,894	(39.1%)

In Q1 2021, Aeroflot Group's revenue decreased by 39.1% year-on-year to RUB 75,498 million.

Revenue from scheduled passenger flights decreased by 42.3% year-on-year to RUB 58,961 million, due to a decrease in passenger traffic as a result of the COVID-19 pandemic.

Cargo revenue rose by 65.7%, to RUB 7,959 million year-on-year.

Other revenue decreased by 42.1% year-on-year to RUB 7,232 million.

Operating costs

<i>RUB million unless stated otherwise</i>	Q1 2021	Q1 2020	Change
Depreciation, amortisation and customs duties	28,380	26,210	8.3%
Aircraft servicing and passenger services	15,566	27,444	(43.3%)
Staff costs	14,761	21,124	(30.1%)
Aircraft maintenance	5,455	9,225	(40.9%)
Selling, general and administrative expenses	4,208	6,188	(32.0%)
Other net expenses	10,984	8,255	33.1%
Operating costs less aircraft fuel	79,354	98,446	(19.4%)
Aircraft fuel	16,816	38,604	(56.4%)
Total operating costs	96,170	137,050	(29.8%)

In Q1 2021, operating costs decreased by 29.8% to RUB 96,170 million, primarily due to a reduction in operational volumes (capacity decreased by 53.3% year-on-year), as well as due to the implementation of measures aimed at reducing fixed costs.

Aircraft fuel costs decreased by 56.4% year-on-year to RUB 16,816 million as flight volumes and flying time decreased.

Excluding fuel costs, operating costs decreased by 19.4% year-on-year to RUB 79,354 million, primarily due to reduced operational volumes.

- Expenses related to aircraft servicing and passenger service decreased by 43.3% year-on-year and amounted to RUB 15,566 million. Due to an increased focus on passenger safety and countering the spread of coronavirus infection, the Group continued to perform additional procedures for pre-flight preparation, aircraft disinfection, and provision of passengers with personal protective equipment.
- Staff costs decreased by 30.1% year-on-year to RUB 14,761 million.
- Aircraft maintenance costs decreased by 40.9% year-on-year to RUB 5,455 million, due to lower volume of maintenance works related to flight hours amid reduced operating volumes, while expenses on keeping the grounded fleet airworthy continued. Lower maintenance costs were partially compensated by RUB devaluation.

Selling, general and administrative expenses decreased by 32.0% year-on-year to RUB 4,208 million, due to additional measures to optimise general business, consulting and marketing expenses.

Other expenses (net) increased by 33.1% year-on-year to RUB 10,984 million, due to disposal of Aurora airline subsidiary while continuing cooperation with it under the code-share agreement (costs attributable to the code-share agreement, previously recorded in the operating expenses of the Group as fuel costs, staff costs, aircraft maintenance and others are now reflected as a single sum in other expenses).

Amortisation and customs duties, the largest expense item that is generally independent from operating volumes, increased by 8.3% year-on-year to RUB 28,380 million, primarily due to revaluation of reserves for aircraft maintenance required before return to the lessor following appreciation of US dollar in Q1 2021.

As a result EBITDA totalled RUB 7,708 million.

Non-operating gains and losses

<i>RUB million unless stated otherwise</i>	Q1 2021	Q1 2020	Change
Operating (loss) / profit	(20,672)	(13,156)	57.1%
(Loss) / profit from investments, net	(105)	(612)	(82.8%)
Finance income	2,653	1,897	39.9%
Finance costs	(9,828)	(11,842)	(17.0%)
Realised hedging results	(2,414)	(7,360)	(67.2%)
Share of financial results of associates	(76)	3	–

In Q1 2021, finance income increased by 39.9% year-on-year to RUB 2,653 million, primarily due to growth in interest income on deposits as a result of higher average cash balance in bank accounts year-on-year.

Finance costs decreased by 17.0% year-on-year to RUB 9,828 million, primarily due to a decrease in interest expenses related to leasing due to lower interest rates, and also due to a decrease in lease liabilities in their respective payment currencies.

The realised loss from hedging (the line that reflects accounting movements on foreign currency lease liabilities) amounted to RUB 2,414 million. This indicator amounted to RUB 7,360 million in Q1 2020 and included a portion of the revaluation of lease liabilities in the amount of RUB 6,710 million, which was recognized in profit or loss in accordance with the applicable accounting principles as a result of a decrease in revenue received by the Group in foreign currencies.

Aeroflot Group's net loss for Q1 2021 amounted to RUB 25,143 million.

Debt and liquidity

<i>RUB million unless stated otherwise</i>	31.03.2021	31.12.2020	Change
Loans and borrowings	88,690	88,635	0.1%
Lease liabilities	664,239	662,507	0.3%
Pension liabilities	749	792	(5.4%)
Total debt	753,678	751,934	0.2%
Cash and short-term investments	78,247	93,775	(16.6%)
Net debt	675,431	658,159	2.6%

As of March 31, 2021, total debt increased by 0.2% practically staying flat compared to 31 December 2020, and amounted to RUB 753,678 million. The effect of partial repayment of lease liabilities during the reporting period was offset by the commissioning of one new aircraft as well as 2.5% RUB devaluation vs. USD. The amount of cash and short-term financial investments in the first quarter of 2021 decreased by RUB 15.5 billion and as of March 31, 2021, amounted to RUB 78.2 billion. Decrease in cash is due to limitations on air transportation, which leads to lower cash flows, currently typical for the global industry. Nevertheless, Aeroflot Group maintained a strong liquidity position, which was possible due to cost control and minimization of expenses as well as an increase in cash inflows from bookings for the summer season as a result of both partial capacity recovery and seasonal factor.

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