

Aeroflot generated RUB 11.6 billion net profit in Q3 2021

Moscow, 29 November 2021 – Aeroflot Group (“the Group”, Moscow Exchange ticker: AFLT) today publishes its condensed consolidated interim financial statements in accordance with International Financial Reporting Standards for the third quarter and first nine months of 2021.

Key financial highlights

Q3 2021	9M 2021
Revenue doubled year-on-year to RUB 167,072 million	Revenue increased by 54.7% year-on-year to RUB 362,220 million
EBITDA totalled RUB 54,052 million	EBITDA totalled RUB 95,635 million
Net profit was RUB 11,635 million	Significant reduction in net loss to RUB 16,102 million

Andrey Chikhanchin, PJSC Aeroflot's Deputy CEO for Commerce and Finance, said:¹

“Our results for the third quarter once again underscore the progress that Aeroflot Group has made in 2021. Continuing the consistent improvement in our financial performance over the past several quarters, in the reporting period Aeroflot Group recorded a quarterly profit – the first in two years – of RUB 11.6 billion.

“A significant contribution to the improvement in our financial results came from increased demand and the resulting growth in operational volumes of Russian domestic flights, which we doubled down on in the high season. During the third quarter, Aeroflot’s passenger numbers on the domestic market were 27.4% higher than the same period in 2019 (before the COVID pandemic). We also took maximum advantage of the gradual lifting of restrictions in the international segment, and this also had a significant positive impact on the results. Whereas our capacity on international flights in January of this year was at just 15.4% of the level of the same period in 2019, by September this metric had recovered to 43.1%.

“This recovery in flight volumes supported growth in revenue, which reached RUB 167.1 billion in the third quarter. EBITDA, which had turned positive in the first quarter of this year, also continued to grow and reached RUB 54.1 billion for the third quarter of 2021, 2.7 times higher than in the same period of 2020. The EBITDA margin was 32.4%, which is comparable with our pre-pandemic performance, given the impact of the pandemic and the resulting restrictions on forward booking timeframes, profitability in the domestic segment and load factors.

“As of the end of the reporting period, Aeroflot Group had cash and short-term financial investments totalling RUB 93.3 billion. The seasonal reduction compared to June is due to our fulfilment of commitments to passengers under bookings made before the start of the summer season, and is comparable with historical trends. Aeroflot Group is entering the new season, when cash burn traditionally increases, with a high level of reserves. We intend to maintain strict control over management of cost lines to maintain financial resilience through to the start of the next seasonal cycle of increased sales and reservations and positive cash flow.”

¹ Changes in operating results in 2021 versus 2019 are calculated based on a comparable structure for Aeroflot Group, i.e., excluding results for Aurora in 2019.

Key operating highlights¹

Indicator	Q3 2021	Q3 2020	Change	9M 2021	9M 2020	Change
Passengers carried, thousand PAX	15,557	10,129	53.6%	34,114	23,056	48.0%
- international	2,991	619	4.8x	5,444	5,185	5.0%
- domestic	12,566	9,510	32.1%	28,670	17,871	60.4%
Revenue Passenger Kilometres, million	34,732	21,015	65.3%	73,722	53,734	37.2%
- international	9,162	1,786	5.1x	17,504	18,630	(6.0%)
- domestic	25,570	19,230	33.0%	56,218	35,104	60.1%
Available Seat Kilometres, million	41,406	25,324	63.5%	90,858	73,194	24.1%
- international	12,242	2,400	5.1x	23,901	26,271	(9.0%)
- domestic	29,165	22,924	27.2%	66,957	46,924	42.7%
Passenger load factor, %	83.9%	83.0%	0.9 p.p.	81.1%	73.4%	7.7 p.p.
- international	74.8%	74.4%	0.4 p.p.	73.2%	70.9%	2.3 p.p.
- domestic	87.7%	83.9%	3.8 p.p.	84.0%	74.8%	9.2 p.p.

In 9M 2021, Aeroflot Group carried 34.1 million passengers, up 48.0% year-on-year. Domestic traffic has fully recovered, exceeding the results for the same period of 2019. The partial recovery of international air traffic continued, with significant restrictions still in place.

Key financial highlights

<i>RUB million unless stated otherwise</i>	Q3 2021	Q3 2020	Change	9M 2021	9M 2020	Change
Revenue	167,072	84,861	2.0x	362,220	234,213	54.7%
EBITDA	54,052	20,088	2.7x	95,635	31,180	3.1x
EBITDA margin	32.4%	23.7%	8.7 p.p.	26.4%	13.3%	13.1 p.p.
Profit/(loss) for the period	11,635	(21,136)	–	(16,102)	(79,406)	(79.7%)

Revenue

<i>RUB million unless stated otherwise</i>	Q3 2021	Q3 2020	Change	9M 2021	9M 2020	Change
Passenger traffic revenue	151,569	73,984	2.0x	316,625	193,575	63.6%
- scheduled passenger flights	141,942	64,852	2.2x	300,380	179,355	67.5%
- charter passenger flights	9,627	9,132	5.4%	16,245	14,220	14.2%
Cargo flight revenue	6,353	4,851	31.0%	20,734	17,133	21.0%
Other revenue	9,150	6,026	51.8%	24,861	23,505	5.8%
Total revenue	167,072	84,861	2.0x	362,220	234,213	54.7%

In 9M 2021, Aeroflot Group's revenue increased by 54.7% year-on-year to RUB 362,220 million.

Revenue from scheduled passenger flights increased by 67.5% year-on-year to RUB 300,380 million due to a partial recovery in passenger traffic and a 7.7 p.p. increase in the passenger load factor to 81.1 %.

¹ Aeroflot Group's operating results for 2020 include flights operated by Aurora, which was part of Aeroflot Group until 25 December 2020.

Cargo revenue increased by 21.0% year-on-year to RUB 20,734 million on the back of a 22.7% increase in cargo and mail volumes.

Other revenue increased by 5.8% year-on-year to RUB 24,861 million.

Operating costs

<i>RUB million unless stated otherwise</i>	Q3 2021	Q3 2020	Change	9M 2021	9M 2020	Change
Depreciation, amortisation and customs duties	30,656	30,724	(0.2%)	87,621	87,935	(0.4%)
Aircraft servicing and passenger services	29,518	15,903	85.6%	66,151	48,840	35.4%
Staff costs	17,868	15,734	13.6%	49,004	50,354	(2.7%)
Aircraft maintenance	7,012	6,778	3.5%	20,152	20,247	(0.5%)
Selling, general and administrative expenses	5,242	4,676	12.1%	14,379	15,155	(5.1%)
Other net expenses	10,540	3,605	2.9x	29,048	6,431	4.5x
Operating costs less aircraft fuel	100,836	77,420	30.2%	266,355	228,962	16.3%
Aircraft fuel	42,840	18,077	2.4x	87,851	62,006	41.7%
Total operating costs	143,676	95,497	50.5%	354,206	290,968	21.7%

In 9M 2021, operating costs increased by 21.7% to RUB 354,206 million, due to the partial recovery in operational volumes – carrying capacity increased by 24.1% year-on-year.

Aircraft fuel costs increased by 41.7% year-on-year to RUB 87,851 million as fuel prices, flight volumes and flying time increased. The average fuel price increased by 12.3% year-on-year in 9M 2021 and by 57.4% year-on-year in Q3 2021.

Excluding fuel costs, operating costs increased by 16.3% year-on-year to RUB 266,355 million, primarily due to increased operational volumes.

Expenses related to aircraft servicing and passenger service increased by 35.4% year-on-year to RUB 66,151 million, due primarily to the growth of passenger traffic. At the same time, 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 and aircraft disinfection, and provided passengers with personal protective equipment.

Staff costs decreased by 2.7% year-on-year to RUB 49,004 million.

Aircraft maintenance costs remained essentially flat year-on-year at RUB 20,152 million.

Selling, general and administrative expenses decreased by 5.1% year-on-year to RUB 14,379 million, due to extensive measures to optimise general business, consulting and marketing expenses.

Other expenses (net) increased 4.5x year-on-year to RUB 29,048 million due to the disposal of Aurora while continuing to cooperate with the airline under a code-share agreement (i.e., costs attributable to the code-share agreement previously recorded in Group operating expenses as fuel costs, staff costs, aircraft maintenance and others are now reflected as a single sum in other expenses). In addition, the Group's results for 9M 2020 included a subsidy of RUB 7.9 billion from the Government of the Russian Federation.

Amortisation and customs duties, the largest expense item that is generally independent from operating volumes, remained essentially flat at RUB 87,621 million.

As a result of the above factors, EBITDA totalled RUB 95,635 million.

Non-operating gains and losses

<i>RUB million unless stated otherwise</i>	Q3 2021	Q3 2020	Change	9M 2021	9M 2020	Change
Operating profit/(loss)	23,396	(10,636)	–	8,014	(56,755)	–
Profit/(loss) from investments, net	157	(48)	–	(185)	(357)	(48.2%)
Finance income	3,047	1,097	2.8x	8,843	3,208	2.8x
Finance costs	(10,617)	(13,238)	(19.8%)	(30,428)	(36,374)	(16.3%)
Realised hedging results	(1,069)	(2,775)	(61.5%)	(4,920)	(10,332)	(52.4%)
Share of financial results of associates	106	80	32.5%	66	(100)	–

In 9M 2021, finance income increased 2.8x year-on-year to RUB 8,843 million, primarily due to growth in interest income on deposits as a result of higher average cash balances in bank accounts year-on-year.

Finance costs decreased by 16.3% year-on-year to RUB 30,428 million, primarily due to a decrease in leasing-related interest expense as a result of lower interest rates.

The realised loss from hedging (the line that reflects accounting movements on FX-denominated lease liabilities) amounted to RUB 4,920 million. This metric was RUB 10,332 million in 9M 2020 and included a portion of the revaluation of lease liabilities in the amount of RUB 7,237 million, which was recognised in profit or loss in accordance with applicable accounting principles as a result of a decrease in revenue received by the Group in foreign currencies.

Aeroflot Group's net loss for 9M 2021 decreased by 79.7% year-on-year to RUB 16,102 million. Notably, Aeroflot Group recorded a net profit of RUB 11,635 million in Q3 2021.

Debt and liquidity

<i>RUB million unless stated otherwise</i>	30.09.2021	31.12.2020	Change
Loans and borrowings	107,122	88,635	20.9%
Lease liabilities	675,961	662,507	2.0%
Pension liabilities	753	792	(4.9%)
Total debt	783,836	751,934	4.2%
Cash and short-term investments	93,275	93,775	(0.5%)
Net debt	690,561	658,159	4.9%

Total debt as of 30 September 2021 stood at RUB 783,836 million, an increase of 4.2% from 31 December 2020. Cash and short-term financial investments remained essentially flat compared with 31 December 2020 and totalled RUB 93,275 million.

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