

## Aeroflot Group

### Aeroflot Group 12M 2020 IFRS Financial Results

Conference call held on 11 March 2021 at 12:00 PM MSK

#### Edited Transcript

##### Speakers:

- Andrey Chikhanchin, Deputy CEO for Commerce and Finance
- Andrey Panov, Deputy CEO for Strategy, Service and Marketing
- Andrey Napolnov, Head of IR and Capital Markets, Deputy Head of Corporate Finance
- Ivan Batanov, Head of Revenue Management and Network Planning
- Artem Glaznev, Head of IFRS

##### Participants asking questions:

- Maxim Nekrasov, Goldman Sachs
- Mikhail Ganelin, Aton
- Ivan Postevoy, VTB Capital
- Matvey Tayts, Sova Capital
- Regiane Yamanari, Morgan Stanley
- Igor Goncharov, Gazprombank

*Operator:* Good day and welcome to the Aeroflot Group 12M 2020 IFRS Financial Results call. Today's conference is being recorded. At this time, I would like to turn the conference over to Mr Andrey Napolnov. Please go ahead, sir.

*Andrey Napolnov:* Good afternoon, everyone, and thank you for joining us on the call to discuss Aeroflot Group's Q4 2020 financial results. Today, we have the following speakers on the call: Deputy CEO for Commerce and Finance Andrey Chikhanchin, Deputy CEO for Strategy, Service and Marketing Andrey Panov, Director of Revenue Management and Network Planning Ivan Batanov, Head of IFRS Artem Glaznev and myself. I would like to remind you that the press release, IFRS statements and an excel databook are available on the website. Before we start, I would like to draw your attention to the fact that some information on the call, especially these days, may contain forward-looking statements regarding future events or performance and actual results may differ materially from those expressed or implied in the statements made during this conference call due to known and unknown risks and uncertainties.

Now let us move on to slide 3 of the presentation with the key highlights. First of all, we need to say that 2020 was the most challenging year in the modern history of the Company for our clients, partners, employees, and shareholders. Despite COVID-19 continuing to significantly affect the airline industry in general and Aeroflot Group's operations in particular, which resulted in an annual 50% volume decline, in 2H 2020, we have seen a gradual recovery of operational and financial indicators. As we will see later during the presentation, Aeroflot Group's performance and capacity recovery were stronger than the comparative metrics of many international peers.

Domestic operations also scaled up after Q2 by showing only a 20% decrease y-o-y in Q4. The international segment continued to recover after its reopening in August and less pressure was exerted on overall yields. However, revenue units' decline remains to be quite an important headwind for the Company, unfortunately.

Regarding its liquidity Aeroflot Group significantly reinforced its position via equity raise and additional borrowing in order to ensure continuous operations during the low season.

Now, let us move to operating results, and I would like to pass the floor over to Andrey Panov, who will guide you through the Company's key operating and strategic developments. Andrey, please.

*Andrey Panov:* Thank you, Andrey. Hello, everyone. Thank you for joining this call. Let me start with an overview of the Russian market.

Following the trends in global aviation, which was heavily impacted by COVID-19, the Russian market posted a 50% y-o-y decline in passenger traffic and only a 23% decline in the domestic segment in 2020. In total, the industry lost ca. 74 million PAX, with the international segment showing the most dramatic decline (77%). It means that airlines with higher exposure to international operations (including Aeroflot) were the most affected ones. Nevertheless, our total market share remained largely unchanged, among other factors due to a sharp decrease in PAX traffic of foreign carriers flying to Russia, this decrease amounted to 79% for 2020. Domestic operations volumes posted fast recovery, but overcapacity in the segment in Q3 and Q4 impacted revenue yields in 2H 2020.

Let us go to the next slide and speak briefly about the market recovery in 2H 2020. The last year illustrated that the Russian domestic market provides unique opportunities even during very complicated times. We discussed the recovery of Q3 and the fundamental strength of the domestic segment in detail on our previous quarterly call. I will just remind you that in Q3 the domestic segment fully recovered and exceeded the level of 2019 in August – September, just two months after resuming flights. In Q4, the domestic segment could not keep its recovery pace due to the second wave and low season, and I think mostly due to the second wave, as well as the intentional actions of airlines to reduce capacity, which helped but not solved overcapacity issues for the whole industry. So, after the flattish y-o-y volumes in Q3 the domestic segment was down 15% in Q4, which, we believe, is a very decent result when benchmarked with other domestic markets. No consistent domestic market recovery is possible until the full-scale reopening in the international segment. However, we still have hope for the domestic market, especially this summer. The international segment in turn showed PAX traffic growth of 13% in Q4 vs. Q3 supported by further albeit slow reopening of international destinations. Although absolute numbers are very small, 2.6 million PAX in Q3 and 2.9 million PAX in Q4 vs. 16 million international PAX in Q4 2019, we still believe it is kind of a hike.

Please see a bit more statistics on international carriers on the next slide. According to CAPA when benchmarked against European airlines in terms of capacity recovery in 2020 and early 2021, Aeroflot Group was number one in Europe and has been keeping this place thanks to the strong and resilient Russian domestic market and the LCC in the Group's structure. As you can see from the chart, Aeroflot has recovered more than 50% of the 2019 capacity, while the total capacity recovered by European carriers still remains at a level of 25%.

The next slide is the Group's performance across different brands. In 12M 2020, all airlines of Aeroflot Group posted declines due to the reasons discussed earlier.

2H 2020 figures, however, point significant improvement vs. Q2 with LCC showing the best results and posting growth in PAX traffic in both Q3 and Q4 2020. In December, Aurora Airline, Far Eastern subsidiary of the Group, was sold to a local government of the region. While we fully deconsolidate Aurora from Group financials, going further we continue to cooperate with this airline in the domain of network planning so that the Group's long-haul network and local network of the Far Eastern carrier feed each other with connecting passengers.

Let us move to the next slide, and here we talk about Pobeda airline. Pobeda restarted operations from the beginning of June and notwithstanding the complete closure for two months achieved growth in overall PAX traffic y-o-y already in July. After recording 12% PAX traffic growth in Q3, the LCC continued to recover traffic in Q4 showing 3% growth y-o-y for Q4. The overall number of passengers transported for the year – 9.1 million – is only 12% lower than 2019 PAX. In the meantime, I can remind you that the

airline was not flying for two months of 2020. This result was achieved on the back of resilient demand for domestic air transportation services after the lockdown and efficient capacity management. While operations in the international segment remain broadly subdued, Pobeda domestic PAX traffic growth reached 24% in Q4 and 37% in Q3. Pobeda was able to keep its leadership in efficiency during 2020. Although some impact on operations for sure could not have been avoided, and its utilisation was below levels of the previous years, Pobeda once again became champion and global leader of Boeing 737 aircraft utilisation.

Let us move to the next chapter of our presentation. We will talk a bit about the Group transformation update, which we started according to our Strategy. As part of the Strategy, we have taken a number of steps in 2020 to facilitate planned transformation of the Group. Apart from working out the detailed transformation plans, our management team already did some initial fleet reshuffling with four Boeing 737 aircraft transferred from Rossiya to Pobeda and ten SSJ-100 aircraft received by Rossiya. I think, if we speak about today, already 20 SSJ-100 aircraft are operated by Rossiya. This step allows us to start focusing the carriers on specific market segments and improve each carrier's specialisation in line with the approved Strategy. On top of that, we did some groundwork for Pobeda to start operations from Sheremetyevo in Q2, having negotiated with the airport operator. In addition, we prepared the code-sharing agreement, effective for Pobeda's flights from Sheremetyevo, which will provide for Pobeda feeding passengers from and to Aeroflot and Rossiya flights. Transfer product and fare offering for both LCC and traditional segments to ensure smooth cooperation within the Group is also finalised.

If we speak about the transformation of our fleet and our network, you can see on the next slide a high-level picture of what it will look like. As part of the transformation plans and increased specialisation of the Group's carriers in different segments of the market in 2021, we plan to proceed with the transferring aircraft from Aeroflot to Pobeda and Rossiya alongside the restructuring of the route network of the Group. All Aeroflot's Boeing 737s will be transferred to Pobeda by the end of 2023, while Rossiya will receive all our SSJs. It will mostly be done during this year – approximately 40 aircraft – and around ten aircraft will be transferred in 2022. Actually, it is ahead of our initial plan as we decided to speed up transfer of the fleet between airlines of the Group during the pandemic (and reduced utilisation, obviously) to minimise alternative cost of grounding fleet before aircraft transfer between airlines. This reshuffling will allow Pobeda to utilise the aircraft with greater efficiency taking into account a higher number of seats per aircraft. I remind you that we have 158 seats in B737 in Aeroflot, and Pobeda has 189 seats. Rossiya will be able to focus on regional transportation as outlined in the Strategy. With the fleet, Pobeda and Rossiya will begin operations on a number of destinations, both domestic and international (you can see it on the right part of the slide), which will be operated in code-sharing with Aeroflot airlines, allowing subsidiaries to serve as feeder carriers for the flagship airline of the Group. Aeroflot will continue operations on many of these routes in 2021 as we are still evaluating the optimal configuration of the Group's network. Pobeda will start operations in Sheremetyevo in May. Actually, Pobeda has already started to sell tickets to passengers. Flights to 13 destinations have already been announced for the summer schedule. Apart from operating Aeroflot routes, Pobeda is bringing three own domestic destinations. Two additional international routes are planned for Pobeda from Sheremetyevo. Rossiya airline, in turn, will commence operations on 22 domestic and five international routes currently operated by Aeroflot, and Rossiya started these operations on SSJ already from the beginning of this year.

I think that we are done with these two chapters, and now I would like to pass the word to Ivan Batanov, Head of Revenue Management, to discuss the network, schedule and yields of the Group.

*Ivan Batanov:* Thank you, Andrey, and good morning to everyone.

Looking at Aeroflot network adjustment, I would like to highlight the following: due to strong 2H 2020 domestic performance (taking into account the pandemic environment), the decline in the number of scheduled flights for network airlines of the Group for 12M 2020 was only 49%. In Q4 Aeroflot airline

performed 270 domestic flights per day, Pobeda and Rossiya also recovered operations quite quickly after Q2 trough and executed flights in line with seasonal adjustment in demand. Most of the flights in Q4 remained domestic. In Q1 2021, we are operating in line with seasonal demand trends, which show marginal improvement vs. Q4 with combined PAX decline around 45% in January vs. 53% in November – the worst level of Q4.

Let us move to the next slide. Fragmented opening of international network results in low operating numbers (Aeroflot airlines transport around 200,000 PAX, and the Group around 250,000+ PAX per month, or 85% less than normal). Aeroflot Group utilises all opportunities existing in the segment – from operating maximum frequencies allowed to operating cargo-passenger flights which target passengers with documents allowing to enter respective countries. While Q3 recovery was strong and, for example, brought a complete recovery of Turkey market in just three weeks after reopening in August, in Q4 we continued to add more frequencies and more destinations albeit with a seasonal adjustment of demand in mind (mainly CIS countries, including Central Asia). A number of international destinations including Male, Maldives, performed significantly better in December 2020 than in December 2019 (with over 50% increase in traffic and double-digit currency yield) illustrating delayed demand and people's eagerness to travel even in the current environment. For international destinations, which still showed negative PAX dynamics in December, we have disproportionately lower number of frequencies, which helps us to serve these points in a more efficient way. For example, in December 2020 we performed 4x less frequencies to Dubai vs. 2019 and the decline in PAX traffic was only 52% due to the fact that we employed much larger aircraft than in the past (Boeing 777 in the current case), and the load factors were high. In 2021 we continued to reopen international destinations, our most recent additions are flights to Yerevan (four times per week), Baku (two times), and Delhi (two times).

Let us move to the next slide. Looking at Aeroflot Group's scheduled flight revenue units, I need to say that, as we communicated during the previous quarterly calls, managing revenues in COVID environment is a challenging task because customer behaviour and demand patterns significantly changed from the historical ones. Continued pressure on yields from overcapacity was the key factor explaining domestic underperformance. However, we have recorded some further normalisation of overall revenue rates dynamics in Q4 (yield down 7% y-o-y) vs. Q3 (yield down 14% y-o-y). International yields have been particularly strong in Q4 due to the limitations on available capacities as well as currency factor (EUR now is up by 29%, but even in foreign currency our international yield and RASK are increasing double-digit). Some structural pressure was in place as Pobeda further increased its contribution to Aeroflot Group RPK, which together with lower absolute LCC yield levels contributed to yield dilution. Adjusted for LCC performance, yields are very close to positive zone. RASK dynamics was softer than yield dynamics due to substantial PLF decline (-8 p.p. in 12M 2020 y-o-y). Lower occupancy of flights also drove revenue management decisions as we aim at utilising the capacity, which is back online, in the most efficient way. In Q4, RASK to yield gap performance improved due to less pronounced PLF decline. As we move through the first quarter of the year, we continue to see current environment as challenging, characterised by much shorter booking depth compared to the normal levels (though it has improved from several days we have seen during the second wave to around ten days now).

Now, I would like to pass the word to Andrey Chikhanchin, Deputy CEO for Commerce and Finance to discuss the fleet and financials.

*Andrey Chikhanchin:* Thank you, Ivan. Hello, everybody.

Let us talk about our fleet. In 12M we operated a fleet of ca. 360 aircraft, which has not materially changed during the year as we postponed many contracts and deliveries for later periods of 2021 and beyond. In fact, in 2020 the Group phased out both wide- and narrow-body aircraft, almost exclusively taking delivery of the regional Sukhoi aircraft only. Sale of Aurora airline resulted in the deconsolidation of 22 aircraft that Aurora operated by the end of 2020, reducing our fleet to 342 aircraft. We made a substantial effort

to negotiate with our partners and to achieve good restructuring conditions with respect to our fleet, reaching mutually beneficial restructuring terms with our partners, which imply balanced transfer of deferred lease payments to 2021–2022 and waiver for certain pay-outs. We currently intend to conduct another round of negotiations with lessors on 2021 payments scheduled, as Q1–Q2 reality is different from the vision we had 8–10 months ago once we launched active negotiations with the lessors. We are working to minimise excessive capacity resulting from deliveries via phasing out the number of wide-bodies (nine A320 aircraft are leaving the fleet without prolongation we planned before). New additions in wide-body segment will compensate phase-outs and come with advances (PDPs) refund (substitution of older A330s with newly built A350s).

Next slide. Now, let us take a look at Q4 and 12M 2020 financial highlights. COVID-19 resulted in 55% decrease in revenue in 2020. Operating expenses decreased by 36% in 2020 due to lower volume of operations and corresponding adjustment in variable expenses coupled with cost-cuttings initiatives implemented by the management team throughout the year. Q4 2020, which also remained tough, has seen slightly smaller revenue decline y-o-y (about 56%) vs. Q3 y-o-y dynamics (-60%). Financial results of Q4 experienced significant pressure from both the second wave of COVID-19 and seasonal adjustment of demand. RUB 44 bn net loss in Q4 contains a number of one-off expenses, including deconsolidation of our subsidiaries and goodwill write-off. Adjusted for one-offs, the net loss of Q4 2020 is around RUB 33 bn, which reflects continued pressure of the pandemic on financials. However, this result is an improvement from RUB 36 bn net loss of Q2 (which also included RUB 8 bn RUB subsidy contra expense), which further justifies our active domestic and international operations during Q4.

Let us talk about revenue dynamics. The Group's total revenue amounted to RUB 302 bn in 12M 2020, down about 55% y-o-y. Obvious negative impact of weaker demand on volumes was recorded in every geographical segment of the market in Q2–Q4 2020, though the second half of the year saw a material improvement in terms of revenue generation. Cargo segment performance is one of the examples of the very fast reaction of the companies to the pandemic. Just in a few weeks of the lockdown, we have decided to dedicate around 18 aircraft for cargo flights and continued to exploit passenger-cargo model after the lockdown in Russia was over. As a result, despite a decline in the number of flights, which could have resulted in corresponding decline in cargo volumes and revenues, cargo volumes were down by only 24% and the revenues were up by ca. 40% (or by RUB 7 bn).

Let us talk about operation cost. In the current environment, our continuous focus is strict cost control, decrease of additional cost and cautious approach to expense increase while recovering. In 12M 2020, all key cost lines were down on the back of lower variable component as well as some additional optimisations in fixed and in the quasi-fixed costs. Depreciation and amortisation grew due to revaluation of reserves for aircraft redelivery. Maintenance dynamics in Q4 2020 can be explained by additional pre-delivery maintenance expenses of A320 engines before returning the aircraft to the lessors as well as FX dynamics. Other expenses in Q4 2020 increased as the Group took an additional charge for Rossiya airlines goodwill write-off in the amount of RUB 6.5 bn. Thinking about q-o-q dynamics it is important to mention that the pace of cost decrease in Q4 by 33% (or -37% adjusted for goodwill) was lower vs. Q3 (-42%) and Q2 (-62%), as the Group continued to restore operations in different geographies, which required additional operating expenses compared to previous quarters.

Group unit costs. Slide 23 is not very representative. CASK in 12M 2020 in general is not a relevant metric as ca. 40% of Group costs are fixed, which are distributed over materially decreased ASKs.

Fuel cost management. Fuel price dynamics in 12M 2020 was quite beneficial, decreasing by 19.7% for Aeroflot airline on the back of significant pressure on oil price, driven by fears of softening of global demand for energy products. The most significant adjustment was recorded in Q2 and, as we moved into 2H 2020, fuel price regained some of the ground, reaching about RUB 33,000 per tonne in December 2020, which still marks a decrease of ca. 24% on a y-o-y basis. We see a continuing upward trend in the

beginning of 2021 and, given a very low base of Q2 oil price, it will exceed the levels of 2020 starting from March.

A few words about financial results of Pobeda. Pobeda, in the face of the extremely complicated situation in the industry, also experienced some pressure on its operations in 12M 2020. In 2H 2020, Pobeda showed a strong recovery in operating indicators, increasing PAX traffic by 12% in Q3 y-o-y and up to 3% in Q4 y-o-y. Despite continuous pressure on yields and RASKs in 12M 2020 mainly stemming from overcapacity in the domestic market, Pobeda managed to stay in the black based on the results of the year, delivering a net income of RUB 0.2 bn, which, albeit not too big, is a remarkable result among all airlines globally, taking into account the current situation with demand for air transportation. Additional support came from lower fuel expenses in 2020 on the back of fuel price decrease, which supported favourable CASK dynamics in the period.

A few words on leverage and liquidity. With the main focus on securing additional liquidity in the face of significant pressure on sales, the Group drew down part of available credit lines in 2020, increasing the borrowings level to RUB 89bn. The Group has sizable outstanding lines, which includes a fully confirmed RUB 39 bn long-term line from Sber backed by state guaranties, which has not been used yet. Lease liabilities went up, mostly due to paper revaluation linked to 19% weaker rouble as at 31 December 2020 vs. 31 December 2019, while the number of aircraft in the fleet has not materially changed. At the same time, cash preservation measures and additional financing in 2020 allowed us to accumulate cash.

The last slide is about optimisation with liquidity in focus. In Q4 2020, the Group continued the trend of Q3, recording lower monthly cash costs on the back of lower volume of operations and various cost cutting and cash preservation measures. In Q4 2020, the Group paid slightly more lease-related payments vs. Q4 2019, as restructuring related arrangements, which were agreed upon in the wake of pandemic breakout, are slowly coming due, with the majority of restructured payments scheduled for 2021. Further recovery in Q4 2020 operations allowed us to keep operating cash flow positive, albeit some softening compared to Q3 due to seasonality. Working capital increased on the back of more prepayments to suppliers, needed to support recovering operations, as well as lower unearned revenue from tickets sold due to significantly lower booking depth.

That concludes the presentation. Operator, we can start taking questions. Thank you.

*Maxim Nekrasov:* Good afternoon. Thank you very much for this call. My first question is regarding the outlook. What is your current assumption on how long it will take until the domestic market and international volumes will go back to pre-COVID levels? Let me start with this one.

*Andrey Panov:* Thank you for your question. Let me start with the obvious statement that it is hard to forecast what will happen next in this market. But still, this is what we actually predict: we believe that this summer the situation will not be worse than in 2019, at least for the domestic market. We believe that overall traffic for the whole year will recover only the next year, hopefully. It means that there would be some changes to the whole traffic – the domestic market will be at the levels, which are higher than in 2019, but international traffic will be lower. We believe that it will happen approximately in 2H 2022, maybe in the beginning of 2023. Once again, maybe it is obvious, but still, we believe that, in general, the domestic market will recover earlier than the international market, especially transit passenger flow. So, we think that this part of the international market will be recovering more slowly than direct flights.

*Maxim Nekrasov:* Thank you very much. And my final question is on the market trends, what we see so far in Q1. In particular, what happened in terms of yield, and what are your expectations regarding yield dynamics for the international and domestic segments?

*Ivan Batanov:* Let me answer your question. Reduced yield is the consequence of flight restrictions, changes in booking pattern and overcapacity in the domestic segment. Aeroflot Group was a diligent

player and restricted capacity deployment internationally in order to avoid massive decline in yields with consequences for all players, while, in general, we cannot describe approaches of our local competitors in the same way. Thus, our comment is, again, conditional on reopening more destinations, which will provide relief for yields. At this stage, our view on the yields is that, on the back of the low base, we will be able to post a y-o-y increase in the low single digits, while these yields will be still below 2019 levels.

*Maxim Nekrasov:* Okay. Thank you very much.

*Andrey Napolnov:* I would like to provide some comments on the recent periods. Basically, despite the fact that we see approximately the same trends in Q1 2021 as we have seen in Q4 2020 in terms of yield dynamics, nevertheless, there are some signs of improvement. For example, calendarisation of national holidays - 23 February and 8 March. We have seen a demand pick-up during these days and adjacent weeks periods, around 10% if we match the traffic of Aeroflot airline vs. the traffic we transported several weeks before these holidays. Will this demand be enough to materially improve the results? I would say, no. However, it will definitely be a positive contribution for Q1 results.

*Ivan Batanov:* I would also like to add that even in February, which is usually the lowest month of the year, we could mark some improvement on the domestic market in terms of fares, which is a very positive signal for us, for sure.

*Maxim Nekrasov:* Great. Thank you.

*Mikhail Ganelin:* Good day, gentlemen. Thank you for the presentation. I have one question. Given that in the coming years Rossiya will get dozens of SSJs, which are focused on short-term distances, is there any risk that it will compete with Pobeda more aggressively? How do you plan to differentiate both companies, and do you see the risk of cannibalisation from Pobeda, which is probably more efficient than Rossiya? Thank you.

*Andrey Panov:* Thank you for your question. I think that, when answering your question, we actually need to think about two things. The first one is that when we are transferring SSJs from Aeroflot to Rossiya, actually, they still operate from Sheremetyevo. It means that we cannot say that we are transferring them immediately. Once again, they are in our network, we are managing them commercially at Aeroflot. We could not say that, just by the fact that SSJs are transferred to Rossiya, we immediately increase competition, no.

Secondly, when we are transferring B737s to Pobeda, we are doing it in a smart way. It is not just transfer of aircraft; they will also start flying, as I have already said, from Sheremetyevo, and it means that we do not have competition. We can say instead, that there is synergy between the two, or actually three, operators in the Sheremetyevo hub. Once again, as we mentioned, some of the lines will be operated jointly. I mean, for instance, you have a morning flight with Pobeda, a flight in the midday with Pobeda, and an evening flight with Rossiya. Once again, this is our task – not to create fierce competition and cannibalisation between the airlines, but to build a real network of all three operators in this hub based on customer preferences and based on the fleet they have. This is our approach to joint operations of these airlines in the Moscow hub.

Speaking about future development, when Rossiya airline gets more SSJs, they will be based in some airports around Russia and serve mainly regional routes with thin traffic where Pobeda will not fly. As you probably know, there is a huge programme in the Russian Federation to support small regional flights with some preference given to airlines which operate Russian-made planes. This is the story of Rossiya airlines; this is not the story of Pobeda. Actually, Pobeda has never used any subsidies and is not going to use them. This is a high-level approach to differentiate these three airlines outside of the Moscow hub and their cooperation in the Moscow Sheremetyevo hub.

*Mikhail Ganelin:* Okay. Understood. Thank you very much.

*Ivan Postevoy:* Good afternoon, everybody. Thank you for your presentation. A couple of questions from my side. The first one, if I calculated it correctly, you had a monthly cash burn of ca. RUB 12 bn in Q4 2020. What do you expect in Q1 2021? I am especially interested in February and March. The second question is about your additional lease payments in 2020. How big might they be? That is it. Thank you.

*Andrey Chikhanchin:* Thank you for your questions. Let us start from the cash burn. As we have already mentioned, we burn ca. RUB 12–13 bn in Q4. We expect that the figures will be approximately the same in Q1 2021. As we mentioned earlier, we see a positive dynamic especially in revenue in February. However, we can have some more expenses related to lease payments. I think that in general Q1 cash burn will be mostly the same as in Q4, ca. RUB 12–13 bn. That was about cash burn. If we talk about lease payments, they have grown by ca. 10–15% because we have started payments which were postponed earlier. Some of these payments are still in our check. As we mentioned during the presentation, we are now in a process of new negotiations with our lessors to postpone payments.

*Ivan Postevoy:* All right, thank you. One more question. I remember it was said that Pobeda was granted with around 20 minutes turnaround time in Sheremetyevo, same as in Vnukovo. I think that Sheremetyevo is larger than Vnukovo, so how did they achieve the same turnaround?

*Andrey Panov:* I would like to clarify to clarify your question. What is turnaround? The airplane arrives at a stop. Then, people come out, other people come in, luggage is offloaded and loaded, the plane is fuelled, etc. Then, the plane is ready to move. The time between “stop” and “move” is the turnaround time. It does not matter whether the airport is small or big. The turnaround time does not depend on the airport size. It depends only on professional skills of the handlers and the company. There is no reason to believe that the team in Sheremetyevo is less professional than that in Vnukovo. We do not see any reason why Pobeda would not be able to maintain its turn-around time in Sheremetyevo the same as in Vnukovo.

*Ivan Postevoy:* Okay, it is clear.

*Matvey Tayts:* Hello everyone. Thank you for the presentation. My question is about the market share of domestic carriers which lose it to international airlines. Can you please explain what is the reason for such move and is there any realistic capacity for Russian airlines to gain it back? This is my first question. If you allow, then I will ask my second one later. Thank you.

*Andrey Panov:* Thank you for your question. I am not 100% sure that answer will be right but I will try to answer. What happened in the Russian market? We have international and domestic parts of the market, and there are Russian and international companies. International companies mostly stopped flying to Russia. Because of this, our share as a group on the whole market more or less did not change. If we speak only about Russian airlines which mostly operate in the domestic market with some of them also operating on international destinations, the international part decreased for them almost at the same level as for Aeroflot Group, but they operated in the domestic part of the market more extensively than Aeroflot Group did. Thus, if we talk only about domestic market and only about Russian airlines, our share has decreased. But if we look at the overall market, our share remains the same since we were more or less evenly present in international and domestic market. When the borders will be opened, I am sure that the situation will be back to normal, because, as we can see now, if there is any option for other airlines to fly abroad to whatever country, they will take it, like with the route to Tanzania which was never operated by any other Russian airline but there are some charter flights now. As soon as international destinations start to offer greater volumes, the situation will change back. Aeroflot, will increase the number of the international flights more than others for obvious reasons, but they also will increase their presence on the international market, and there will be no overcapacity on the Russian market. Sorry, I do not know if I have answered your question, so if you need any clarification, please ask.

*Matvey Tayts:* Okay, thank you very much. I think it is fine by now. I will clarify the details with Andrey. The second question. When you deconsolidate Aurora, do you account the deconsolidation for the full



quarter? If it is for the full quarter or even for the half quarter, what is incremental impact of Aurora on your EBITDA? What was it? Thank you very much.

*Andrey Chikhanchin:* EBITDA was consolidated for the whole 2020. We deconsolidated Aurora in the YE results on balance sheet, but in P&L full-year numbers are reflected.

*Matvey Tayts:* Okay. You have already recognised the loss. Right?

*Andrey Chikhanchin:* Yes, because we sold Aurora in 2020, not in 2021.

*Matvey Tayts:* Okay, clear. Thank you very much.

*Regiane Yamanari:* Good morning. I have a question regarding costs. Is there any additional cost savings that we can expect for this year or was everything done last year? Other than leases that you have already discussed, is there any other cost that we could see as a reversion for an increase because of the reversion for this year? Considering the higher price on fuel and oil, do you need to change the hedge part of fuel consumption at this point? Or will you keep the same policy?

*Andrey Chikhanchin:* Thank you for your questions. Let us start with the hedging policy. Considering the unpredictable situation and the level of the oil prices right now, we are still not in a position to make any hedges at the moment. We are always browsing the market and analysing the situation. If we understand that it is a good time to make hedging and we have enough liquidity for this, we will do it. Regarding our assumptions on costs, we are still in the process of optimisation now. However, I do not think we are able to predict any big figures which you can put in your statements. I think the cost base will be mostly the same as we have it right now (adjusted for operational volumes for variable component).

*Regiane Yamanari:* Okay, thank you. I know that you have already discussed it but maybe I missed some numbers. There was pressure on domestic yield while international yield has been higher. Do you expect this tendency to go forward this year, or how do you see the market? As domestic competition is remaining strong and international will be subdued for 2021, do you still see the same dynamic on yields?

*Andrey Chikhanchin:* It is very interesting question but as Andrey Panov mentioned earlier, we cannot 100% predict what will happen with yields and the PAX traffic. We understand that we have low base of the yields now. We think that trend will be positive but the base is still very low. We hope that we will reach the level of 2019 when the pandemic is over. But as we said, we see positive yield trends in Q1 and in January and February.

*Regiane Yamanari:* One last question. Can you give us an update on situation with vouchers issued last year? Can it add some pressure or what do you expect from that?

*Andrey Napolnov:* Okay, regarding the vouchers. In fact, we believe that it was very helpful for the airline that the state has supported and approved the legislation last year. Unlike many European airlines we were able to introduce this instrument. You know that many European airlines reported that they had very different situation and made massive reimbursements. We do not disclose the exact number of our voucherised obligations, which are included in unearned revenue line together with recent sales proceeds. It makes sense to assume that once we resume more flights these vouchers will be spent. They will be recognised as revenue. But in reality, we will not receive any cash. So, we will have RUB X in a revenue and RUB 0 in a cash flow. We have everything under control because we are sure that this gap (you may call it like that but I personally do not like this word) will be covered as it's the requirement easy to forecast. On the other hand, we see that with the current network, people do not just run and spend all these instruments. It happens gradually, step by step. At the same time, we understand that the more routes are opened the higher the pace of spending of these vouchers will be. Again, it is just an assumption; in fact the pace can be the same as it is right now.

*Regiane Yamanari:* Okay, thank you.

*Igor Goncharov:* Yes, thank you very much for the opportunity. I have a question on the potential need to raise new capital. If you take your financial net debt as of now, it is close to the level of the beginning of the year despite the RUB 80 bn you have raised. As you mentioned you continue to have a cost cash burn. My question is, do you anticipate any need for additionally raising the capital in these conditions? Thank you.

*Andrey Chikhanchin:* Okay, thank you for your question. Yes, it is very important. As I mentioned during the presentation, we already have a credit line from Sberbank and additional credit lines from other banks. In this position, we are rather comfortable. But it depends on what the situation will be in the future. If summer will be like in 2020 or better, as we hope, then I think there would not be any question about new loans, new debts. So, it depends on the situation.

*Igor Goncharov:* Thank you. My question was rather related not to loans and the debt capital but the equity capital. Are there any risks that it may happen? Do you see any realistic scenarios that it may happen?

*Andrey Chikhanchin:* We are not in a position to raise any equity capital right now. Anyway, we have several instruments to raise some funding from different sources. It is not only a capital raise there are other, different sources.

*Igor Goncharov:* Thank you very much, very clear.

*Ivan Postevoy:* Thank you. I have another question. You just said you hope that summer 2021 will be better than the last summer. I just wanted to clarify what you meant. To what extent do you expect it to be better? Do you expect to fly at breakeven with no losses? Could you please give some colour on this? Thank you.

*Ivan Batanov:* Let me answer the question. Regarding domestic network, we believe that the whole summer we will see the same level results as in July–August 2020 in terms of yields, demand and load factors. Regarding the international flights, we believe that so far, we do not see any signs that will help us to schedule any regular flights besides those that have been already implemented. That is why Aeroflot last week decided to remove schedule on international flights. Main focus will be made on domestic flights.

*Ivan Postevoy:* Okay, thank you.

*Andrey Napolnov:* Thank you everyone for being with us. If you have any follow-up questions please contact us. Thanks again and goodbye!