

Aeroflot Group

Aeroflot Group Q3 and 9M 2020 IFRS Financial Results

Conference call held on 1 December 2020 at 3:00 PM MSK

Edited Transcript

Speakers:

- Andrey Napolnov, Deputy Corporate Finance Director, Head of IR
- Andrey Chikhanchin, Deputy CEO for Commerce and Finance
- Andrey Panov, Deputy CEO for Strategy, Service and Marketing
- Ivan Batanov, Head of Revenue Management

Participants asking questions:

- Ivan Postevoy, VTB Capital
- Maxim Nekrasov, Goldman Sachs
- Mikhail Ganelin, Aton
- Igor Goncharov, Gazprom Bank
- Matvey Tayts, SOVA Capital
- Cenk Orçan, HSBC

Operator: Good day and welcome to the Aeroflot Group Q3 and 9M 2020 IFRS Financial Results conference call. Today's conference is being recorded. At this time, I would like to turn the conference over to Andrey Napolnov. Please go ahead, sir.

Andrey Napolnov: Good afternoon and thank you for joining us on the call to discuss Aeroflot Group's Q3 and 9M 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, Head of Revenue Management Ivan Batanov and myself. I would like to remind you that the press release, IFRS statements and an excel databook are available on our website in the Investor Relations section and the webcast presentation will be available after the call. Before we start, I would like to draw your attention to the fact that some information on the call may contain forward-looking statements and actual results may differ materially from those expressed or implied in the statements made during the conference call. For further information please refer to the disclaimer statement on slide 2 of the presentation.

Let us start with the key highlights to be discussed during the presentation. Despite the pandemic continuing to significantly affect the airline industry in general and Aeroflot Group in particular, which resulted in 50% decline in passenger traffic y-o-y in 9M, in Q3 we have seen a sizeable recovery of domestic operations to the level very close to the one we had in Q3 last year with positive financial implications for cash flows and the P&L statements. For instance, improved passenger traffic led to more than 3x higher revenue in the quarter vs Q2 2020. In the meantime, the Group raised additional liquidity via an SPO (RUB 80 bn) and signed loan agreements backed by state guarantees (RUB 70 bn) to ensure continuous operations during the low season of Q4 2020 and Q1 2021, which, apart from seasonal weakness, is expected to be further dimmed by softer demand from persisting restrictions, mainly in international travel. We will discuss both operating and financial trends of the first nine months of 2020 and the following months in more detail throughout the presentation. Now I would like to pass the floor over to Andrey Panov, who will guide you through the Company's operating performance in the reporting period. Andrey, please.

Andrey Panov: Thank you, Andrey. Hello everyone. We are moving on to the overview of the Russian market (slide 5). You can see that everything is in red and the Russian market posted a 51% y-o-y decline in passenger traffic in 9M 2020. In total, the industry lost ca. 58 million passengers, with foreign airlines showing more significant declines than domestic players. In general, the decline was split more or less evenly between Aeroflot Group and the rest of the market, mainly due to a sizeable decline in the passenger numbers of foreign carriers, and as a result our market share remained unchanged. These declines continued to be primarily driven by the international segment, where operations were suspended since the end of March and remain significantly restricted and we will see further on the other slides that we are quite far behind the previous year's numbers. Despite being depressed throughout Q2, domestic operations showed significant improvement in Q3 amid the lifting of restrictions on movement within the country starting from June. In Q3 2020, passenger traffic in the domestic segment almost reached pre-COVID levels of Q3 2019 on the back of y-o-y growth posted in August and September 2020.

Let us discuss the domestic market in more detail, moving on to the next two slides. The reduction in traffic volumes, which had started in March following the introduction of significant national and international travel restrictions, extended into the following months, with April and May being the period of minimal demand, so that Russian carriers transported only 4.6 million passengers in Q2 2020. As we all know, starting from June, we have seen gradual demand recovery and better load factors as the self-isolation regime was over in Russia and the international segment started reopening in August. The easing of restrictions positively contributed to PAX numbers recovery in Q3 as the overall decline of industry PAX improved from -88% in Q2 y-o-y to -47% in Q3 y-o-y. The domestic market is already back to pre-COVID levels in Q3 (22.7 million PAX transported in Q3, a 5x increase vs Q2). However, full recovery of passenger volumes is impossible until the full-scale reopening of the international segment. As we entered the low season, we have seen softer y-o-y performance of the domestic sector. In general, we also expect lower numbers for the market and y-o-y performance in Q4, as Aeroflot Group, as a market leader, targets to utilise capacity in an economically efficient way.

A bit more details on the Russian market because we believe that its situation is pretty unique in the current global context. We would like to emphasise the domestic market's recovery as it should not be overlooked. Russia is the only country among those with sizeable domestic markets to fully recover traffic as early as in August 2020, just 1.5 months after the lockdown was over. This is really unique because if you compare it to China the trend will be completely different. In September, the domestic market growth continued, with a 7% increase of RPK as per the Federal Air Transport Agency statistics and with load factors staying above 80%. No other market has shown such an impressive recovery pattern. Even China, which had managed to take the virus under control much earlier than other countries, still saw negative traffic statistics for the domestic segment both in August and September (though in September it was finally roughly on par with September 2019). There are several reasons for such an active recovery and return to growth in Russia. One is the large territory of the country, with air transportation being perceived as a necessity. The second reason is lower penetration vs the developed markets: as a reminder, we have less than one trip per capita in Russia vs 2–3 trips per capita in the EU and the USA, which means there is no abundant travel. The third one is the substitution effect as consumers opted to travel to domestic destinations instead of staying at home and waiting for international flights to reopen, which is confirmed by strong PAX airport statistics for September (see y-o-y comparison vs 2019 in the right-hand side of the slide). As you can see on the slide, many domestic destinations (not only the expected ones like Sochi and other Black Sea resorts) gained more popularity and posted a 20–40% y-o-y increase, including the resorts of the Caucasus like Makhachkala (chosen for their cultural and nature attractions), Kaliningrad (for the Baltic Sea), Murmansk and the Kola Peninsula (for the fjords and northern nature) and so on. To some extent, lower fares contributed, but we believe that they were not crucial, as, first of all, if people are not ready to fly they will not fly no matter what the price is, and, secondly, after the lockdown, it is quite a common instrument in aviation to stimulate traffic volumes in the very beginning and after the fares are

more impacted by demand and capacity in the market. This slide is just a snapshot of September (the culmination of Q3 trends). In October 2020, we saw a softer trend, if not its reversal. The domestic market was down by 7%, putting pressure on yields, which is why we again optimise our capacity as a Group. But this soft Q4 performance (with seasonal impact exacerbated by the pandemic) does not contradict our message about the fundamental market strength.

Now, let us move to the next slide. Here we will talk about some results, especially, as you can see, the results of Pobeda, starting with this slide. In general, if we look at Aeroflot Group by segment in 9M 2020, all airlines of Aeroflot Group posted declines due to the reasons discussed earlier. Q3 figures, however, point to significant improvement vs Q2, with the LCC segment showing the best results. Pobeda not only managed to post the lowest level of declines in 9M 2020 (-17% vs -50–60% for other brands), but also posted growth in PAX traffic in Q3 and October 2020, which we will discuss in detail on the next slide.

Let us go to the next slide, Pobeda Airline. Pobeda restarted operations in early June and despite the complete closure for two months managed to achieve growth in the overall PAX traffic y-o-y as early as in July, being one of the first carriers globally showing positive PAX growth. In Q3 2020, the LCC recovered all traffic lost in Q2 due to the suspension of operations and recorded an overall PAX growth of 12% y-o-y, posting incredible 17% y-o-y growth in August and September. Though in October the growth came at a bit softer level (around 11% y-o-y), it is still an impressive number as Pobeda is among a few sizeable airlines globally – and the only one in Europe – to be in the green territory. 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 remained broadly subdued, Pobeda's domestic PAX traffic growth reached 37% in Q3 and the quarterly load factor in the domestic segment exceeded 95%, which would have been good even in a good year. These numbers once again confirm our long-term focus on Pobeda outlined in the Strategy.

With this I conclude the market update and pass the floor over to Ivan Batanov, who will give you a detailed network and schedule overview.

Ivan Batanov: Thank you, Andrey. Good afternoon and let us start with the Aeroflot Group network adjustments. Due to the strong domestic performance in Q3 and the fact that we managed to operate a comparable number of domestic flights during the peak season, the number of scheduled flights of the network airlines in 9M 2020 decreased by only 47%. Aeroflot Airline performed on average 330 domestic flights per day, with 400–430 flights during the peak season. Pobeda and Rossiya also recovered operations quite quickly after the Q2 reduction. Most of the flights are domestic as the international segment has only partially reopened in Q3. In Q4, we have again been downsizing our flight programme vs the peak level of Q3 and now Aeroflot Airline performs around 320–330 flights per day in order to avoid further pressure on yields.

Let us move to the next slide and continue talking about the Aeroflot Group network adjustments. After a complete ban on international travel introduced in March, airlines have started to relaunch flights to selected countries in August. Delayed demand coupled with the holiday season facilitated gradual recovery of PAX traffic to reopened destinations in Q3 2020. Turkey was truly a star market, fully recovering just three weeks after the reopening in August. In September, 2020 PAX traffic to destinations in Turkey jumped up by 40% y-o-y for Aeroflot Airlines, with some extra traffic generated by our subsidiaries. Again, though Turkey is the largest international O&D market for Russia and other destinations were closed, this statistics highlight fundamental strength and possibility of quick recovery for the Russian market. Other international destinations, once reopened, performed in line with our expectations. As you see from the chart for September 2020 on the right-hand side of the slide, the traffic was below the last year's level, but this was due to reduced capacity. At the same time, the current level of capacity we deploy contributes positively to international yields, which substantially exceed the 2019 level.

Let us move to the next slide and take a look at flights revenue units. Managing revenues in the COVID-19 environment is a challenging task as customer behaviour and demand patterns significantly impact the airlines' forecasting capabilities. Continued pressure on yields from overcapacity was quite obvious. However, from July through September, we saw gradual normalisation of revenue rates on the back of higher demand for air transportation domestically and the international segment reopening in August. Some structural pressure on the Group's yields was from Pobeda as the company increased its share in Aeroflot Group's PAX traffic from 16% in 9M 2019 to 27% in 9M 2020, which, together with lower absolute yield levels of the LCC compared to the traditional segment of the business, diluted the yields of the Group, especially in the domestic segment. This, however, should not be seen as a concern due to the difference in business models and a much lower cost base of the LCC, which allows us to balance its profitability with lower yields. RASK dynamics was in the negative territory due to a substantial PLF decline. However, pressure on the PLF in Q3 (-5.5 pp y-o-y) was significantly below the negative dynamics of Q2 (-28.6 pp y-o-y), which warranted better RASK dynamics in Q3 vs Q2. The one-way load recorded in Q2 2020, when most people took one-way flights instead of round trips, gave way to normal load levels in Q3 helping to support the PLF. As we mentioned earlier, we recorded high demand for the domestic leisure destinations during Q3 and strong bookings to the already reopened international destinations. International yields were particularly strong in Q3 also due to limitations on the available capacity as well as the FX factor. As we move through Q4, we continue to see pressure on yields and in general view the current environment as challenging: it is characterised by a much shorter booking depth compared to normal levels, which gives us low visibility for Q4 2020 and Q1 2021.

That is it for my part of the presentation and I will give the floor over to Andrey Chikhanchin.

Andrey Chikhanchin: Thank you, Ivan. Hello, everybody. Let us talk about our fleet. In 9M 2020, we operated 357 aircraft, 7 aircraft fewer than in 9M 2019. I want to mention that we made a substantial effort to negotiate with our partners and to achieve good restructuring conditions with respect to our fleet. The main part of negotiations is over and we are pleased to say that we have achieved mutually beneficial restructuring terms with our partners, which imply a balanced transfer of deferred lease payments from 2020 to further periods (especially 2021–2022) and a waiver for certain payouts. It is important to mention that payments are spread between future quarters and we made a serious effort to ensure that we do not have any significant concentration of payments in any of the upcoming periods, though a sizeable pick-up is scheduled for Q3 2021, which at this point of time is expected to be a normalised period in terms of operations and sales. The majority of changes in the Group's fleet in the coming year will be taking place as part of internal aircraft transfers between the airlines, while the key new future additions are expected in the wide-body segment (substitution of older Airbus A330s with newly built A350s) and in the regional segment (additions of locally-built aircraft by Rossiya Airline).

Let us move on to the next slide. Financial highlights. On the back of softening demand due to COVID-19, we saw a 55% decrease in our 9M revenue, which was greatly impacted by weaker performance in Q2. Q3 2020, which also remained tough, saw a q-o-q improvement in all financial metrics, including a more than threefold revenue increase, a decrease in operating and net losses, and EBITDA turning positive in Q3 vs Q2 2020. Operating expenses increased in Q3 q-o-q due to improved operations, though still staying 37% lower y-o-y for 9M. RUB 21 bn net loss in Q3 is a material improvement from RUB 36 bn net loss in Q2, resulting from operations efficiency and a positive financial effect of the recovery during the reporting quarter.

Let us talk about revenue dynamics decomposition. The Group's total revenue amounted to RUB 234 bn in 9M 2020, down 55% y-o-y. The obvious negative impact of weaker demand on passenger traffic was recorded in every geographical segment of the market in both Q2 and Q3 2020, though Q3 saw a material improvement in terms of revenue generation. As in the previous period, the cargo segment performed very successfully, generating additional revenue in 1H 2020 and coming in more or less flat y-o-y in Q3.

Operating costs. In the current environment, we stay focused on strict cost control, lower additional costs and a cautious approach to cost increases during the recovery period. In 9M 2020, all key cost lines were down on the back of the lower variable component as well as some additional optimisations in fixed and quasi-fixed costs. D&A expenses increased due to the revaluation of the aircraft redelivery provisions on the back of the weaker rouble. Other expenses in 9M 2020 were positive because short-term and immaterial lease, catering and other expenses were offset by a RUB 7.9 bn government subsidy for the lost traffic due to COVID-19. Thinking about the q-o-q dynamics, it is important to mention that the pace of cost decrease in Q3 (-42%) was lower than in Q2 (-62%) as the Group gradually restored operations in different geographies in Q3, which required additional operating expenses compared to Q2.

CASK in 9M 2020 in general is not a relevant metric, as ca. 40% of the Group's costs are fixed and distributed over materially decreased ASKs.

Fuel cost management. Fuel price movements in 9M 2020 were quite beneficial, decreasing by 17.5% for Aeroflot Airline on the back of significant pressure on oil prices driven by fears of softening global demand for energy products. The most significant adjustment was recorded in Q2 and, as we moved into Q3, fuel prices regained some of the ground (on the back of higher oil prices), reaching about RUB 31,000 per tonne in September 2020, which is still 29% lower y-o-y. The price remaining below the last year's levels provides us some support as we gradually restore flights, although the current year-to-date realised upside from the low fuel price was limited due to a significantly lower level of operations.

A few words about Pobeda airline's financial results. Against the extremely challenging industry background, Pobeda also saw some pressure on its operations in 9M 2020. In Q3, the airline showed a strong recovery in operating performance, increasing PAX traffic by 12% y-o-y and keeping its Q3 load factor above 95%. Despite the continuous pressure on yields and RASKs in Q3 mainly stemming from overcapacity in the domestic market, Pobeda managed to stay in the black in Q3 2020, delivering a strong net income of RUB 3.7 bn, which 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 Q3 2020 on the back of the fuel price decrease, which supported favourable CASK dynamics in the reporting quarter. Positive results of our LCC also supported the bottom line of the Group in both Q3 and 9M 2020.

With the main focus on securing additional liquidity amid significant pressure on sales, the Group drew down part of available credit lines in 9M 2020, increasing its borrowings to RUB 66 bn. Lease liabilities went up mostly due to paper revaluation linked to the 29% weaker rouble as at 30 September 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 9M allowed us to accumulate cash.

Optimisations with liquidity in focus. In Q3 2020, the Group significantly reduced monthly cash costs on the back of lower operations volume and various cost cutting and cash preservation measures, which include lease payments restructuring mentioned earlier. Lease-related payments halved in Q3 2020 compared to Q3 2019, which continued the trend of Q2 2020 and allowed the Group to improve the liquidity position and allocate cash to scale up operations in Q3 2020 after the domestic lockdown ended and the restrictions on international flights were partially lifted. Higher volume of operations in Q3 2020 on the back of demand revival supported our operating cash flow, which tripled compared to Q2 2020. As we move through the low season of Q4 2020 and Q1 2021, RUB 80 bn of additional liquidity raised via an SPO in October 2020 and the available credit lines, which include facilities backed by the government, reassure us that the Group can successfully navigate through the current COVID-19 environment. Additional liquidity support for Aeroflot Group will come from PDPs of RUB 57 bn already paid and expected to be refunded in the period from 2021 till 2023.

That concludes the presentation. Operator, we can now start the Q&A session. Thank you.

Ivan Postevoy: Good afternoon, everybody, thank you for the presentation. I have two questions. First, what yields do you see in November and December, and how can we compare them on a y-o-y basis? The second question is also related to November and December: what is your net cash burn?

Ivan Batanov: Let us start with the first question and the overview of the market and yields in Q4. The domestic market proved its fundamental strength and, in line with our previous call's guidance, we posted a quick volume recovery after all travel limitations had been lifted. Yields were gradually improving in Q3. At the same, we saw stronger domestic competition in Q3, as many airlines were deploying capacity domestically, while the international market was closed. Once the high season and Q3 ended, we saw some pressure on demand in Q4, which does not come as a surprise as now is definitely a low season with a reduced choice for holiday travel due to the weather. It is not summer or autumn, or a proper winter yet, so we are adjusting our capacity in order to avoid a cash burn on direct costs. Our target is to maintain revenue and yields to cover direct costs as we fly and to generate additional revenue to cover fixed costs. We do not expect to be as efficient as in Q3. In general, we see yield dynamics resembling the one in Q3.

Ivan Postevoy: Thank you.

Andrey Chikhanchin: Yes, and about cash burn. We forecast the monthly cash burn in November and December to be ca. RUB 10–12 bn. I think this will be the right figure for these two months.

Ivan Postevoy: Is this net cash burn, including revenues?

Andrey Chikhanchin: Yes, of course.

Ivan Postevoy: OK, got it, thank you.

Maxim Nekrasov: Good afternoon. Thank you very much for the presentation. I have a question regarding the next year's outlook. In particular, what patterns in terms of traffic recovery do you see as the base case for 2021, especially taking into account the recent news on vaccines? That is the first question. The second one is about your expectations for yields, also for the next year. We see some pressure on domestic yields. Do you expect the same to happen in 2021, or should this change next year? Thank you.

Andrey Panov: Let us start with the recovery. Our predictions are based on this year's actual performance with a very fast recovery seen after the lifting of travel restrictions within Russia. It effectively took the domestic market 1.5 months to recover. Based on this, we believe that we will see its full recovery back to 2019 levels approximately in April. As for the international segment, it is less predictable due to obvious reasons – we do not know when vaccines will move from trials to successful production and distribution by pharmaceutical companies. We think that the borders opening will hugely depend on the vaccines. We believe that we will start to see the recovery in April and hope to see the real recovery in the number of passengers approximately in early summer. Again, when I speak about recovery I mean the recovery back to 2019 levels. That's about the pattern. As we have already mentioned several times, transit traffic (when passengers need one more stop moving, for instance, from Europe to Asia) will be recovering at the slowest pace. Still, we can predict some recovery in this segment, but I have to remind you that it is not the largest part of our overall traffic.

Ivan Batanov: Let me comment on the second question. Talking about yields in 2021, we should admit that the domestic yields are currently under pressure, and to some extent reduced yields are a consequence of flight restrictions in Q2. Once we restarted the operations, we had to stimulate demand, in particular for the first flights. After that yields were impacted by demand and supply in the industry and some obvious overcapacity. That is why, for example, Aeroflot Airlines has not deployed more capacity. At this stage, we cannot be confident in the next year's yields. On the one hand, domestic yields will have a low base of 2020, but on the other hand, the international one will be vice versa very high, but it may also require an upward adjustment due to the exchange rates. Anyway, yields are subject to competition in the industry. For now, we model a single-digit decline in roubles (though it's more our way of thinking

rather than official guidance at that point of time). At the same time, many factors can impact the yields in this environment once we move into 2021.

Ivan Postevoy: Thank you for taking another question. You might have mentioned it in the presentation: have you restructured any 2021 lease payments?

Andrey Chikhanchin: No, we have not. The restructuring relates only to payments that were due in Q2 and Q3 2020 and some Q4 payments.

Ivan Postevoy: Thank you, clear.

Mikhail Ganelin: Good day, gentlemen, thank you for the presentation. I have one question. Maybe I have missed it and you have discussed it during the presentation. My question is about your fleet expansion in the coming years. Given the excessive capacity, how do you plan to manage your new fleet additions? Do you plan to get SSJs and Airbus 350s on time for 2021–2022? Or do you have options to postpone them to later periods? Thank you.

Andrey Chikhanchin: Indeed, we have postponed some of the deliveries to later periods, as I have mentioned earlier. Our current contracts and negotiations are based on 14 net additional aircraft next year. The key restructured contracts include Airbus 350 deliveries, which are being moved from 2020 to 2021 and 2022. We currently continue to negotiate the delivery schedule by month. I think that is all we can say right now.

Mikhail Ganelin: Thank you. One more question about increased airport tariffs. What is the current tariff situation in 2020 and what are your expectations for 2021? Do you expect an increase in tariffs in the upcoming years? Or do airports provide some discounts given the tough situation?

Andrey Chikhanchin: That is a very important question. This year, some airports have raised tariffs for airlines, while others tried to give them discounts to improve their operations. The situation varies depending on the airport. I cannot forecast any increase or decrease in tariffs in 2021. It depends on the airports. If they want to improve operations, it is better not to raise tariffs but to offer special discounts to airline companies, which would help airports improve their utilisation levels.

Mikhail Ganelin: Thank you very much.

Matvey Tayts: Good afternoon, thank you for the presentation. I have a rather technical question. If you look at the P&L for 9M 2020, you have operating lease interest of RUB 29.6 bn. When you look at the cash flow statement, it is RUB 17 bn. So the difference is RUB 12 bn. Where is this difference in your balance sheet? Is it your lease obligations or accumulated accounts payable? Thank you very much.

Andrey Napolnov: Basically the question is about the difference between what we accrue in the P&L and what we pay in terms of the cash flow. But all our obligations (debt) is reflected in BS. Matvey, I suggest to clarify on mechanics if needed after the call because it is a very technical question.

Matvey Tayts: OK, thank you.

Igor Goncharov: Thank you very much. Just a couple of follow-up questions. The first one: you have mentioned the domestic market weakness in Q4 both in terms of yields and traffic volumes. Can you please elaborate on the reason for the weakness in Q4? Is it the increasing number of COVID-19 cases in Russia? Would this mean that we will see a recovery once the number of cases drops? Or is there some other reason for this weakness in Q4 beside the growing number of COVID-19 cases? The second question is on the cash burn. If I understood correctly, you have mentioned a cash burn of about RUB 10–12 bn in November and December. What is this number for the first month of the quarter, October? And how exactly do you define cash burn? Thank you.

Andrey Panov: Thank you for the question. Let us start with the easy part. Yes, of course, it is the number of COVID-19 cases. Basically, no doubt about this. There are some regions where the lockdown measures are not as strict as they used to be in the summer, but they are still there. As soon as they are announced by the region's government, we usually see a significant drop in traffic. So, this weakness is certainly related to these limitations, the warnings from doctors and the government officials. Once again, when we talk about forecasts for the next year, when we talk about April, we believe that it is more or less realistic to expect to have a vaccine by that time and to see the number of cases decrease after the current wave of COVID-19.

Andrey Napolnov: Moving on to the cash burn. I believe it is important to keep in mind that we had a cash burn of around RUB 5 bn in Q2 (but including positive impact from subsidy) and around RUB 11–12 bn in Q3, which were basically the quarters where we postponed some of our lease payments. That is why, on the one hand, the cash burn was so low, but, on the other hand, we have seen minor deterioration between Q2 and Q3 because we made more lease payments as shown on the last slide of the presentation. That's why it's more relevant to look at operating cash flow. When we refer to Q4, we need to keep in mind that we start to make more lease payments because most postponements related to Q2 and Q3. As for the cash burn definition, we define it as revenue minus costs. To put it simply, it is a sum of three cash flows – from operating, investing and financing activities – adjusted for the change in debt but including leases.

Igor Goncharov: OK, thank you very much.

Matvey Tayts: Thank you for this opportunity. My question is about the price for aircraft. Given the overcapacity and the overall situation on the aircraft market, is it possible for you to renegotiate the prices in the current situation? It is very interesting how it goes. Thank you.

Andrey Chikhanchin: Yes, thank you for your question. Of course, we see some decrease in prices on the market, especially for new aircraft or for new aircraft leases. If we talk about our existing lease contracts, it is hard to negotiate any discounts, and we focus mostly on postponing the lease payments. It is difficult to solve both problems – postpone some payments and get price discounts on the aircraft.

Matvey Tayts: OK, thank you. As a follow-up question about the fleet – previously you had one- or two-year forecasts of your fleet changes. Now the visibility is very short, there are no updates. When do you think you will be able to show us your more or less mid-term plans in terms of fleet development? Thank you.

Andrey Chikhanchin: I think it will be possible after the recovery of operations because now we are making some tactical steps. If we are talking about mid-term plans, of course, this requires a strategic view, so we need the situation to stabilise to see that we are moving forward in line with our strategy. When we get there, we will be able to tell you our plans for the fleet development.

Matvey Tayts: Thank you very much.

Cenk Orçan: Hello, good afternoon, thank you very much for the presentation. Just a simple question from my side. Does Aeroflot plan to take part in the distribution of COVID-19 vaccines when it is time for mass distribution? Are there any preparations for that? Thank you.

Andrey Chikhanchin: If there are opportunities for our cargo segment or if we have some requests from the producers, we will certainly take part in distributing them to different countries, if there is a need.

Cenk Orçan: OK, thank you.

Andrey Napolnov: Thanks everyone for participating in the call. If you have any follow-up questions, we are available for comments. Once again, thank you and good bye.