

## Aeroflot Group

### Aeroflot Group 1Q 2021 IFRS Financial Results

Conference call held on 1 June 2021 at 3:00 PM MSK

#### Edited Transcript

##### Speakers:

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

##### Participants asking questions:

- Maxim Nekrasov, Goldman Sachs
- Ivan Postevoy, VTB Capital
- Pavel Palevsky, Russian Agricultural Bank Asset Management
- Alexey Philippov, JP Morgan

*Operator:* Good day and welcome to the Aeroflot Group Q1 2021 IFRS financial results conference call. Today's conference is being recorded. At this time, I would like to hand the conference over to Andrey Napolnov, Deputy Corporate Finance Director and Head of Investor Relations and Capital Markets. Please, go ahead, sir.

*Andrey Napolnov:* Good afternoon and thank you for joining us on the call to discuss Aeroflot Group's 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 all the necessary data are published on our website. Before we start, as usual, I would like to draw your attention to the fact that some information on the call may contain forward-looking statements and the 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. For more information, please refer to the disclaimer statement on slide 2 of the presentation.

Before we begin, I would like to summarise the key highlights for Q1 that we are going to discuss during the presentation. As you see on the slide, in Q1 we made more progress in improving our performance. In fact, all airlines of the Group improved their performance. This improvement was led by Pobeda, while network carriers also started to catch up.

The domestic segment posted comparable y-o-y traffic numbers and positively contributed to the financial performance, also supported by improving yields and load factors both y-o-y and vs. the respective periods of 2019.

Despite fuel price headwinds, operating cash flows also improved not only vs. Q1 2020, but also compared to Q4 2020, which, in a normalised environment, is not materially different, on the one hand. On the other hand, in many previous years Q1 was even weaker, sometimes much weaker in terms of cash flows and P&L.

As of the end of the reporting period, we still had almost RUB 80 bn cash on the balance sheet. This presents an important liquidity reserve and support for us as we move through the year and continue, unfortunately, to burn cash.

This was the summary and I would now like to pass the floor to Andrey Panov who will discuss with you our operating performance and strategy execution.

*Andrey Panov:* Thank you, Andrey. Hello everyone. Let us start with the overview of the Russian market. The domestic market showed quite a strong performance in Q1. In general, you can see from this slide that the market continued to recover in Q1. The international segment posted better q-o-q results, though it continues to be predominantly impacted by national restrictions, resolutions of the Russian national Government Council on COVID-19, and local measures in some foreign countries to combat the virus.

For instance, the temporary suspension of flights to Turkey will impact the international volumes in April and beyond. However, it is worth highlighting that we believe – and already see it in our May traffic trends – that these clients will opt for other domestic or international destinations, where there have been a number of destination and frequency additions (including the CIS and Middle East), mainly by Aeroflot Group.

The combined market volume amounted to 17.7 million PAX in Q1 2021, which is 63% of the Q1 2019 level. It is better to compare the Q1 2021 performance with the historic level of 2019 as the last month of Q1 2020 was already impacted by COVID-19. Speaking about domestic volumes, which amounted to 15 million PAX, the result is comparable with Q1 2019.

The high-level picture for Aeroflot is comparable with the one we see in the market. You can clearly see it from the left-hand side of the slide. The Group recovered around 60% of its traffic volume. In terms of capacity, the recovery level vs. Q1 2019 was 45% for total capacity and 90% for domestic capacity (measured in ASK).

On the next slide, you can see our monthly results. In Q1, we see the improved operating performance in the markets on a monthly basis, especially in March 2021, which is not the high season yet but is seasonally stronger than winter months.

Better y-o-y trends (domestic traffic up 23% y-o-y in March 2021) indicate recovery. However, as I have stated above, the respective periods of 2019 represent a better base for comparison. When compared to 2019, the 2021 numbers continue to show an improvement as domestic traffic was up 5% in March vs. 2019.

Further improvement was posted in April, with 7.2 million PAX transported (down 23% vs. April 2019). Domestic traffic amounted to 6.2 million passengers (up 12% vs. April 2019).

The international segment also looks quite weak on a monthly basis, though it is gradually accelerating the pace of recovery in Q1 2021 and further into the summer season.

Let us talk about the performance of different airlines within the Group. I would like to mention that when analysing the operations of Aeroflot, Rossiya and Pobeda, one should keep in mind that we are now in the middle of implementing a strategy to transfer planes from Aeroflot to Pobeda and Rossiya, which impacts our figures in terms of passengers carried.

Aeroflot Airlines posted a 53% decline in traffic, which is explained by an 81% decline in international PAX and a 26% decrease in domestic PAX. However, we should take into account the fact that we continued to transfer SSJs from Aeroflot to Rossiya together with some domestic routes serviced by SSJ. Given that, Rossiya Airlines

posted a 37% increase in domestic traffic. The combined decline in the network carriers' traffic amounted to 45% and only 12% in the domestic segment.

The decline in the domestic segment was mostly offset by Pobeda. Pobeda continued to show strong operating performance, with a 10.5% traffic increase in Q1. Numbers for April are non-comparable due to the suspension of flights last year. Compared to April 2019, Pobeda showed a 33.1% increase in traffic figures.

The next slide is the final one in this section, and is quite important. We would like to speak more about Pobeda as our new strategy, which is in the implementation phase, mostly impacts this airline. Given the quick recovery of the volumes and positive financial results, we begin to speed up the roll-out of our LCC in line with the strategy.

As part of this roll-out, Pobeda has commenced flights from the Sheremetyevo Airport, replacing Aeroflot Airline services and transferring unique routes from Vnukovo to Sheremetyevo. Transferring may not be the best word for it as Pobeda started several new routes from Sheremetyevo, which neither Aeroflot nor Rossiya had operated in the past years. With this in mind, Sheremetyevo truly becomes the hub of Aeroflot Group, with all airlines present at the airport and conducting sizeable operations.

We plan to operate 14 domestic destinations from Sheremetyevo this year, and the number will grow over the next years. In May, Pobeda launched two daily services to Perm, Makhachkala and Cheboksary. Starting from June, Pobeda will add seven more destinations and four more in July. With these destinations, Pobeda will be operating up to 20 flights per day from Sheremetyevo in the summer season and expects to service around 1.5 million PAX in the airport throughout 2021.

By the end of the summer season, ten B737 aircraft previously operated by Aeroflot will be based in Sheremetyevo to support Pobeda's operational plans. These are brand new aircraft received by the Group in 2018.

The code-share agreement between Aeroflot and Pobeda which is coming into force will enable passengers to book connecting flights in Sheremetyevo with Aeroflot servicing one leg and Pobeda – another. We will start code sharing in the next few weeks.

I will finish here and pass the floor over to Ivan Batanov.

*Ivan Batanov:* Thank you, Andrey, and good afternoon everyone. Let us start with the Aeroflot Group network update. Aeroflot Group flight statistics posted positive trends in Q1 compared to the reduced operations in the late autumn and winter seasons.

During Q1 2021, Pobeda continued to perform a comparable number of domestic flights vs. Q4 2020 and over 30 flights more vs. Q1 2020, which completely offset the reduced international capacity.

Aeroflot Airlines reduced the number of domestic flights q-o-q to 245 flights per day due to the transfer of its regional routes to Rossiya Airlines, which increased its number of daily flights to 126, respectively. The combined number of network airlines' flights remained unchanged.

Let us move to the next slide and look at capacity and PLF in Q1. As we moved from the low season into the early spring, we have increased the capacity recovery rate, as you can see from the slide. All the numbers, including the 2021 statistics data, are benchmarked against the respective period of 2019.

PLF is also improving: since Q1 we have been in the green territory.

In April, the trend continued as domestic ASK fully recovered and exceeded the 2019 levels. However, PLF was down 2 pp vs. April 2019.

Let us move on to the next slide. This summer, Aeroflot will present its regional programme. As the reopening of the international segment is postponed and everyone has a limited visibility on that due to external indicators like vaccination and COVID-19 infection rate, we have decided to pursue a more aggressive approach towards the domestic market. In addition to the increased domestic capacity from Moscow, we have deployed Aeroflot's fleet on domestic and intra-regional routes.

A sizeable regional programme is scheduled for the summer season from 13 domestic regional cities to up to five cities in Russia's South – the Black Sea resorts. The estimated seat capacity is around 0.9 million seats from June to October.

Aeroflot Airlines is launching new services from St Petersburg and other regions to popular leisure destinations and the CIS countries – for instance, flights from St Petersburg to Irkutsk for Lake Baikal and direct flights from several regional cities to Armenia, which offers affordable accommodation, beautiful nature and delicious cuisine.

From Moscow, we launched up to ten flights per week to Gorno-Altaysk to capitalise on the domestic demand for travel to unique national parks. The overall extra capacity from Moscow and St Petersburg to regional cities also makes up to around 0.9 million seats vs. the 2019 summer schedule.

The opening of Krasnoyarsk hub with selected leisure routes to the Black Sea resorts in the south of Russia and the cities of Blagoveshchensk and Irkutsk is expected to result in positive operational results given the closed borders (a limited offering of around 185,000 seats in the summer schedule).

We understand that the aggressive approach towards the capacity management this year may and will affect the yields, but in the COVID-19 environment yields are not important per se. Our target is to cover direct operational costs and maximise total revenue on top of direct costs so that we can minimise the non-covered portion of fixed costs. At the same time, we have seen the yields improve at a growing pace this year in line with the normal seasonal trend, which makes us believe that the propensity to fly remains intact.

The next slide is dedicated to Aeroflot international network adjustments. The fragmented opening of the international network resulted in low operating numbers: in March Aeroflot Airlines transported around 285,000 passengers, the Group – around 380,000+ passengers per month, down 60% even compared to the already limited volumes of March 2020.

At the same time, we saw gradual improvement in the segment in the last quarter due to the reopening of some routes, additional frequencies allowed by the Government Council on COVID-19 and strong demand in general.

We can highlight the strong performance of Male, with frequencies over 60% above the historical level, and Dubai that enjoys strong demand and is operated using wide-body aircraft instead of narrow-body planes (therefore, the decline in the number of passengers is two times less than the frequency decrease). We also gradually increased frequencies to the CIS, including Yerevan, Baku and Central Asia, and opened new destinations like the Seychelles.

Another illustration of a strong international demand is our flight to Cairo, which despite the cultural heritage of the Egyptian capital has never been as popular as it is now. Not only have we increased our frequencies

from three to seven in the recent quarter, but also deployed a 300-seat Airbus A330 instead of A320, which has half of that seating capacity on average.

Unfortunately, the suspension of flights to Turkey will reduce the international segment recovery rate in Q2 q-o-q. Despite its always being a sizeable market for Russian carriers, Turkey has never presented more than a mid-single-digit contribution to Aeroflot Group's operating results.

But in COVID times up to 20% of Aeroflot's international traffic was related to Istanbul and Antalya routes serviced from Moscow (around 50,000 passengers in March). As stated on the call, we do not expect the demand to evaporate, but rather to be redistributed among other Aeroflot destinations. Let us move to the next slide and look at Aeroflot Group Revenue Units.

Revenue Units posted improved performance in Q1 2021 compared to Q1 2020 and even to Q1 2019. Overall, scheduled yields are up by 8% vs. Q1 2020 and 11% vs. Q1 2019. This indicates an improving demand, but also a delayed demand factor and propensity to travel.

However, we would like the market to avoid excessive optimism, as environment is still tough. In the domestic segment, the only properly functioning one, the situation has improved, but pressure on the yield remains one of the contributors to the yield trend. Market players materially increase capacity in the summer season, and therefore pressure on yields is possible.

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

*Andrey Chikhanchin:* Thank you Ivan. Hello everyone.

Aeroflot Group has been quite conservative with capacity addition in 2020. As you remember, we have not added any aircraft, excluding one A350, the delivery taken before pandemic, and SSJ deliveries.

In 2021, we continue to optimise our capacity as much as possible. We are not extending nine Airbus 320 family aircraft, five of which have been phased out in Q1 2021. Airbus 330 continues to leave our fleet – two aircraft have been retired in Q1, and three more will be withdrawn from the fleet later this year. Some extra phase-outs, mostly scheduled, are planned for the rest of the year.

As most 2020 deliveries have been moved to 2021, we have legal liability to take deliveries this year, as extra postponement may result in fines.

Taking aircraft deliveries results in PDP refund. In the reporting period, we have received about RUB 3.7 bn for one Boeing 777 delivered. Altogether, we will receive deliveries of up to seven A350 and two more Boeing 777, which will ensure a sizable inflow of PDP this year, partially offset by payments for future deliveries.

This year we will also take nine A320 neo family. It is a positive development as it is an efficient new generation aircraft that will improve efficiency of the routes operated by Aeroflot due to lower CASK on the back of fuel efficiency and new cabin configuration with less business class seats (12 business seats + 144 economy seats in a 320neo and 12 business + 184 economy seats in a 321 neo). It is roughly 7 to 15% more seats for A321 vs. currently operated configurations and 11% more seats for A320 vs the ones that are being phased out. An increase in seats, as you see from the numbers, comes from more economy class seats and less business class seats.

Let us move to the financial performance slides.

Though results are again severely impacted by COVID-19, we managed to deliver comparable y-o-y numbers on the bottom line (RUB 25 bn net loss compared to RUB 22 bn net loss in Q1 2020) and material q-o-q improvement from RUB 44 bn net loss in Q4 2020.

In Q1 2021, EBITDA remained positive amounting to RUB 8 bn, 41% decline y-o-y, as in 2020 only March was materially affected by COVID. However, it is an improvement vs. the negative EBITDA of RUB 4 bn in Q4 2020.

Though Q4 and Q1 comparison is not exactly apples to apples, as Q1 is usually a weaker quarter than Q4, this approach provides additional analytics on the progress of our operations while the restrictions in international segment continue.

Let us now talk about the Revenue Dynamics Decomposition. The Group's total revenue amounted to RUB 75 bn in Q1 2021, down 39% y-o-y or RUB 49 bn in absolute terms.

Again, we see improvement in terms of revenue generation: in Q4 2020 revenue decline amounted to 56%, while absolute gap amounted to RUB 86 bn.

The improved performance is supported by better yields (up by +7.5% in Q1), improved load factors (+ 8.6 pp y-o-y), and initiatives on ancillary revenues. As an example, during the recent quarters we have been adjusting our ancillary product pricing (including paid upgrades, seat selection also introduced in Rossiya Airlines) and introducing new products (including base non-refundable business class fares), which also contributed to the improvement. In general, our ancillaries were more resilient than the overall demand.

The cargo segment continued strong performance in Q1 2021 due to limited direct passenger flights between Europe and Asia. Cargo added about RUB 3 bn in revenue due to the elevated cargo yields. Starting from Q2, the cargo segment will face more comparable base, and further dynamics of the sector have a reverse correlation with the recovery of international passenger flights.

Let us move to Operating Costs. In Q1 2021, we continued to recover operations, keeping the key cost lines under control. As the majority of cost lines are still declining double-digit, it is worth focusing on communication expenses, which posted the lowest decline among the OPEX lines. This happened amid the booking curve improvement, as the number of bookings is increasing while we reopen more flights ahead of the summer season, and can be viewed as a positive sign of a better demand. FX impacted costs, but to a lower extent than usual, given the current limited exposure to international operations (and lower airport payments). Still, the impact was negative, as RUB lost 12% of its value vs. USD. Increase in other expenses in Q1 2021 was mainly due to the reflection of expenses related to the Aurora code-sharing in the amount of RUB 2.5 bn as a single sum in the financials.

Fuel price dynamics continued to deteriorate. Despite comfortable levels of fuel price in Q1, we see a consecutive increase of jet price for the last 12 months. In the current second quarter it moved very close to the 2019 levels.

We increased our fuel surcharge by RUB 150 recently after a massive fuel surcharge decline in 2020 to partially offset the increase in fuel price dynamics. We continue to monitor the fuel price situation, but think that the growing fuel price is one of the key challenges for the industry after the travel restrictions.

A few words about Pobeda Financial Results.

Despite the extremely complicated situation in the industry, Pobeda continued to grow its business in line with the existing Strategy.

Q1 2021 financial performance was supported by stable RASK, as pressure on fares was offset by better passenger load factor, which remained above 92%.

This resulted in financially efficient operations in the quarter. EBITDA improved together with the margins. The overall profitability on the bottom line, excluding currency effect, showed positive trends.

It is important to stress once again that financial indicators presented on the slide are derived from managerial accounts with application of certain adjustments and serve the purpose of showing high-level trends in carrier's financial results.

Liquidity position remained quite strong as at the end of Q1 – total debt remained unchanged due to the phase-out of six aircraft, which was offset by a 2% weakening of the RUB from January to March.

Total borrowings during the quarter remained unchanged, while cash position declined to RUB 78 bn RUB, which implies RUB 15.5 bn cash burn during the quarter (or about RUB 5bn monthly), including the RUB 1.2 bn PDP prepayments and RUB 3.7 bn PDP refund.

We still have a sizable amount of credit lines. As of 31 March, it included a RUB 39 bn loan facility from Sberbank backed by state guarantees. In April and May, we used about RUB 15 bn out of this facility to refinance short-term debts with our total debt burden remaining unchanged.

On top of the credit facilities we also plan to issue 5-year bonds. This will allow us to accumulate necessary liquidity cushion before proper reopening of the international segment.

During the first half of 2021, we see a continuous improvement in the number of weekly bookings that literally disappeared in Q2 2020, partially recovered in Q3 2020 and then again decreased during the low season of Q4 2020. It is an increase ahead of the summer season on the one hand, and on the other it is linked to the increased capacity offered. In our balance sheet, this increase translates into growth of unearned traffic revenue that includes proceeds from ticket sales that will be recognized as revenue once flight service is delivered. As at the end of Q1 2021, the unearned revenue increased by RUB 16.9 bn compared to 31 December 2020 and amounted to RUB 61.5 bn. It is below the normalised increase we had in Q1 2019 of RUB 26 bn to RUB 76 bn of unearned traffic revenue as at March 2019, but is still a very sizable improvement in general and compared to the RUB 6.6 bn decline as at the end of Q1 2020.

Lease payments, after the operations results, are the key factors determining the liquidity situation. Q1 lease payments increased by RUB 6 bn in 2021, mostly on the back of devalued RUB (12% y-o-y) and due to the repayment of some of the restructured lease obligations, which we continue to further restructure. Q1 lease payments amounted to ca. USD 420 mln, an increase of only 9%.

Despite the on-schedule lease payments, we received less cash as some of the purchases were paid by e-vouchers. The operating cash flows improved by 16% y-o-y. CFO also improved q-o-q and not only due to the expected seasonal build-up of the working capital, but also as a result of improved operating margins (CFO before WC).

That concludes the presentation, operator, we can start taking questions. Thank you very much.

*Maxim Nekrasov:* Good afternoon. Thanks a lot for the presentation. I have a few questions. The first one is regarding your capacity. What capacity have you planned for the summer season in 2021 as compared to 2019?

*Andrey Chikhanchin:* Maxim, thank you for your question. Of course, we expected a sizable growth in Pobeda and a transfer of routes to Rossiya on SSJ. The combined increase in seats in the summer season from June to October may reach about 30%, but it compares to 2019 and this is only for the domestic segment of course.

*Maxim Nekrasov:* Thank you. What do you think about the fares and yields environment in Q2 and Q3 compared to the very strong recovery that we saw in Q1?

*Andrey Chikhanchin:* Ivan will answer that. He has already addressed that issue in the presentation, but it is important to cover it again.

*Ivan Batanov:* Let me look at yield figures quarter by quarter. Q1 was surprisingly strong. Surprisingly because the situation improved vs. Q4, and as we mentioned in the Q4 call, the calendarisation of holidays was also quite helpful. I am referring to the February and March bank holidays. Also, the yield dynamics was positively impacted by the limited capacity in international segment and the low season, while demand evolved positively. In Q2, the pricing dynamics was also quite favourable supported by, among other factors by May holidays and decent performance during the holiday week. Extra demand during the May holidays pushed the yields up compared to May 2020. However, it has been soft so far due to the lower load factor and yield amid expanded capacity. In Q3, yields will be affected by increased capacity in the domestic market, which is expected to be up to 30% higher than in 2019.

*Maxim Nekrasov:* Thanks a lot, understood. The final question is regarding your liquidity. Could you update us and provide an outlook for net PDP refund that you expect in 2021. Also, I have a question regarding the liquidity: why have you decided to place bonds considering that you have so much cash in your balance sheet and undrawn credit facilities as well?

*Andrey Chikhanchin:* Thank you once again for your question. I will start with PDP. In 2021, the net refund of PDPs is expected to amount to USD 350 m. It is my answer to your first question. And if we talk about our bond placement, the main point is that we need to have cash reserves on the balance sheet – for the time when the low season is over and ticket sale proceeds are reduced – to finance operations with the raised cash. Another important consideration is the refinancing of short-term loan facilities. On top that, we should, of course, mention the market conditions. Right now, we have a good opportunity to raise debt funding, given a moderate interest rate. These are the key points about the bonds.

*Maxim Nekrasov:* OK, thanks. That is very helpful.

*Ivan Postevoy:* Good afternoon everyone. Thank you for your presentation and my congratulations on the solid results. I have a couple of questions. Let us get them one by one. The first question: could you guide us through your cash burn in Q2? I mean your monthly cash burn.

*Andrey Chikhanchin:* OK. As I mentioned during the presentation, our monthly cash burn in Q1 was about RUB 5 bn. We are expecting similar figures in Q2 and Q3, but as you see we cannot predict the situation around COVID or huge summer markets such as Turkey. It is a big potential cash inflow for us, but we hope that our cash burn will be about RUB 5 bn monthly.

*Ivan Postevoy:* Thank you. The second question: you said that in Q1 you started to repay some restructured lease payments. Could you please tell us how much of these restructured payments you are going to pay in Q2 and Q3? Or did you restructure them further, for example, into 2022.

*Andrey Chikhanchin:* Thank you for your question. We will return to the correct repayment figures for Q1 in a few minutes. Of course we are now in negotiations with lease companies to postpone payments for later



periods and, in effect, have agreed the postponement with a number of companies. On top of that, we have agreed to make certain payments to them to show that we are interested in further postponement.

*Ivan Postevoy:* OK. Thank you.

*Pavel Palevsky:* Hello everyone. Thank you for a comprehensive presentation today. I have several questions about your debt burden. What are the key metrics you are going to meet at the end of this year in terms of Debt/EBTIDA and Net Debt/EBTIDA and debt interest coverage ratio. And the next question: regarding the maturity profile, what is the maturity schedule y-o-y until 2026? In RUB please. Thank you.

*Andrey Napolnov:* Pavel, thanks a lot for your questions. First of all, regarding the debt burden and debt metrics, at this point we do not disclose the financial forecast and do not give financial guidance because basically the environment is very volatile and we can only limit guidance to operating numbers. That is what we can be more or less sure about in the base scenario. We will definitely seek to improve EBTIDA, cash flows, to minimise cash burn and costs. We will do everything in our hands to make all the ratios as low as possible, including Net Debt/EBTIDA. But, unfortunately, we cannot provide the exact guidance. For the second question, the maturity of debt, I can say that we have certain reporting standards – IFRS statements, annual reports. You can have a look at the maturity of the debt as of the end of December 2020 in our annual report that will be published quite soon. You also have the necessary metrics in the annual accounts (we may send the link and reference after the call), but unfortunately, we do not disclose more detailed numbers on a public call.

*Pavel Palevsky:* Thank you very much. But regarding the debt burden, did you expect it to be much lower than it is as of the end of March, did not you?

*Andrey Napolnov:* In the current environment, it is difficult to say that the Net Debt/EBTIDA ratio even exists. EBTIDA is extremely low, for many airlines globally it is now negative. From this standpoint, I am not sure if it is appropriate to look at these numbers, at this ratio. It is more relevant, again from our point of view, to look at liquidity numbers, cash on the balance sheet, the profile of short-term to long-term debt. And if you look at our balance sheet as of the end of March, you will see that we have almost RUB 80 bn cash on the balance sheet and our short-term debt is RUB 36 bn. So our current liquidity reserves cover our short-term debt, it means that from this standpoint the Company is not in an ideal situation, but it is not in a liquidity trap. Our Net Debt/EBTIDA is quite high, but as we restore operations, as we fly more, it will be gradually improving. Not overnight or in a month, but it will be improving.

*Pavel Palevsky:* Thank you. And the last question: do you plan to place a new bond issue this year – in addition to the upcoming one?

*Andrey Chikhanchin:* Thank you for your question. No, though surely this depends on the situation in which we will find ourselves in Q3 and Q4, but right now we are not in a position to make an extra placement of bonds, on top of the current placement.

*Pavel Palevsky:* Thank you for the comprehensive answer.

*Alexey Philippov:* Thank you very much for the presentation. I have a few questions. The first one: could you please comment on what is happening with the fuel cost? We estimate that basically the realised jet fuel price increased from the previous quarter, but not very dramatically compared to the rise in oil price. Is there some hedging going on or is there a lag in this transition?

*Andrey Chikhanchin:* Thank you for the question. Of course, yes, we see the fuel bill grow. But as you mentioned, the growth is not as high as the growth rate of the Brent price. As we have mentioned earlier, we have long-term contracts with oil companies where we have a special formula that is based on the average of fuel prices. I think that there is indeed some lag.

*Alexey Philippov:* Thank you. You have been talking about the reopening of international flights. Could you please remind us how the government decides what carrier is allowed to service a particular destination? Especially, when we are talking about a situation where there are not so many frequencies allowed on a specific destination.

*Andrey Chikhanchin:* We cannot comment on this situation. It depends on the discretion of the government.

*Alexey Philippov:* OK. And my final question is on yields. You have also mentioned that you see a high risk of yields pressure due to high capacity in the market in the summer season. Is that due to the fact that you see higher capacity released by your competitors? Any comments on the competition and on the domestic market would be helpful. Thank you.

*Andrey Napolnov:* Yes, I'll address this question. We see that the situation with competition is intensifying because we see that market players are planning to increase capacity by around 30% in the summer season. Some carriers even have announced plans to increase capacity by 70%, some by 20%, so again these are only the announced numbers, maybe in reality they will be different and the growth will be less, but that is what we see in the schedule system. Aeroflot Group also plans to increase its capacity in the domestic market. We indicated the expected growth of 30%. Because we think that if we do not do it ourselves, our competitors will do it. As a result, we expect that some pressure on the yield is possible. On the other hand, we tried to distribute this capacity increase among different market segments. First of all, we added a regional programme, which we have discussed in detail. We also added some regional flights from St Petersburg, some extra flights from Moscow, we added seats for flights from Krasnoyarsk. We think that, on our side, the increase is balanced. But we will see how actual results are compared with modeled expectation. We will see how it evolves in the coming months. Please keep in mind that the pace of yield recovery in Q1 may fail to be a good proxy for Q3, but if it is not case, than there will be a potential upside. But again please be more conservative and do not be overoptimistic with yields.

*Alexey Philippov:* Thank you very much.

*Andrey Napolnov:* Thanks everyone for participating in the call. If you have any follow-up questions, we will be ready to answer after the call. Thanks a lot and see you soon.