

Aeroflot Group

Aeroflot Group Q2 and 6M 2021 IFRS Financial Results

Conference call held on 31 August 2021 at 4:00 PM MSK

Edited Transcript

Speakers:

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

Participants asking questions:

- Ivan Postevoy, VTB Capital
- Matvey Tayts, Sova Capital
- Alexey Filippov, J.P. Morgan
- Maxim Nekrasov, Goldman Sachs

Andrey Napolnov: Good afternoon everyone and thank you for joining us on the call to discuss Aeroflot Group's Q2 2021 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, and myself. We also have Ivan Batanov, Director of Revenue Management and Network Planning, and Artem Glaznev, Head of IFRS, on the call. I would like to remind you that the press release and IFRS statements are available on our website in the Investor Relations section. 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 regarding future events or performance 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.

Let us start with the key highlights to be discussed during the presentation. In Q2, Aeroflot Group continued to improve its operating and financial results despite all the headwinds we faced during the quarter, including the continued restrictions on international travel, pressure on domestic yields, rising fuel costs and the old restrictions' impact on demand. As Q2 2020 was the toughest period of the lockdown, during the presentation, apart from referring to y-o-y improvements, we will also and mainly discuss how these numbers look against Q2 2019 as pre-COVID-19 levels are of more use. Our domestic traffic was up by 18% compared to Q2 2019. Yields posted a 12.6% improvement vs Q2 2019, which, as previously, is explained by international yields, as domestic yields are slightly in the red zone due to sizeable capacity. Domestic recovery explains the improved bottom line of only RUB 2.6 bn loss. As we mentioned in the press release, this is the best result for the last five quarters. As you will see later in the presentation, we tried to capitalise on all opportunities offered by the market (both domestic and available international segments) rather than wait for the reopening of international routes where we have always operated. Hence, we believe that our investment case should be analysed not only based on the simple correlation with the international segment reopening but also based on what we can do and what we have done given the existing limitations. You can also see that we improved our cash flow to RUB 41 bn supporting our liquidity position, which was further

strengthened by summer forward bookings, PDP refunds and a RUB-denominated bond issue. I would now like to pass the floor over to Andrey Panov, Deputy CEO for Strategy, Service and Marketing, to discuss the market conditions, operating performance and strategy execution.

Andrey Panov: Thank you, Andrey. Hello everyone. Let me start with the overview of the Russian market, which is the world champion at the moment. Let us speak about the numbers. In Q2 2021, the recovery of the Russian market continued. The key driver was the domestic segment, which exceeded the Q2 2019 volumes by 26%. We believe it to be quite a remarkable achievement for the Russian market. The international segment – although still driven by the national COVID-related border control and resolutions of the Russian Government Council on COVID-19 – also posted better results, but on q-o-q basis. We transported 4.9 million PAX in the international segment, up 1.8x vs Q1 2021. We believe that this comparison is more meaningful than that with the 2020 numbers. Combined market volume measured in PAX amounted to 28.2 million in Q2 2021, which equals 74% of the Q2 2019 PAX level. In Q1 2021, this indicator stood at 63% of the 2019 level. The high-level picture for Aeroflot Group is comparable with the market. The Group has recovered 75% of its Q2 2019 traffic volume (up from 60% in Q1 2021). The capacity recovery level vs Q2 2019 was 63% (up from 45% in Q1).

In the next slide, you can see the total Russian civil aviation passenger traffic and recovery rate dynamics vs 2019. Basically, monthly operating statistics can provide a visual illustration of how the Russian market's performance evolved. The Q1 2021 recovery of the domestic segment continued in Q2 and reached 37% in June compared to the respective period of 2019. The international segment improved from an 84% decline in January to a 71% decline in June (vs the respective 2019 numbers).

The next couple of slides tell us what is going on in the domestic market. In the left-hand bottom side of the slide you can see figures, which are quite impressive. The recovery of the Russian domestic segment is extremely strong compared to any sizeable domestic market. As I have already said, Russia is the world champion in the domestic recovery. The global domestic RPK in June is still 22% down with PLF 7 pp below the June 2019 level. The USA, China, Brazil, Japan and Australia are also in the red territory. Russian domestic RPK, on the contrary, is 39% higher, while our PLF lags the historical loads by only 3 pp. When we look at the key domestic regional airports, we see a double-digit increase in June 2021 vs June 2019, led by popular domestic resorts. For example, the Sochi Airport served 5 million PAX in 6M on the back of high traffic to local resorts during the ski season and an 82% volume increase in the sea cluster in June. Aeroflot also operated a dozen flights to Sochi and other destinations in the Caucasus from the regions, which we have never done before. June 2021 vs June 2019 showed the following results for the regional airports: Kaliningrad doubled its traffic, Murmansk increased its traffic by 47%, Makhachkala's figures were up by 39%, Mineralnye Vody – up by 33%, Gorno-Altaysk – up by 4x, and Kamchatka – up by 6%. I am talking about these particular destinations because they reflect the new post-COVID tourist traffic, which we believe will be staying with us even after all the COVID-related restrictions are lifted as Russian people started to better understand their own country and travel more across it.

The next slide gives one more illustration of the Russian domestic market strength. Moscow had the largest airport traffic in Europe in June in contrast to the pre-pandemic period. After Sheremetyevo (the top line), we also see other Russian airports – Domodedovo, Pulkovo, Vnukovo, Sochi – among the top 15 European airports.

Let us move on to the next slide and speak a bit about how our different brands performed in Q2. Overall, Aeroflot Airlines posted a 7% increase in traffic compared to 6M 2020, Rossiya doubled its traffic and so did

Pobeda. In July, this strong performance continued, driven by our LCC that not only recovered but increased traffic by 46% compared to July 2019.

The next slide is on Pobeda. In Q2 2021, we embarked on a number of milestones in Pobeda's strategic development. Pobeda commenced flights from the Sheremetyevo Airport adding services and substituting Aeroflot on several particular flights. We also launched a code-share agreement between Pobeda and Aeroflot to establish connectivity synergies between the airlines of the Group. Now, Pobeda operates 16 domestic and one international service from Sheremetyevo, including 11 routes code shared with Aeroflot. Out of 13.5 million PAX targeted for Pobeda, 1.5 million PAX are to be transported to and from Sheremetyevo, with a further increase in 2022.

With this I finish my part of the presentation and pass the floor over to Andrey Napolnov who will continue to speak about the network and schedule overview.

Andrey Napolnov: Thank you, Andrey. Let me give you more details on Aeroflot's development in Q2. Like other market players, Aeroflot has materially increased its domestic network, adding new flights, destinations and frequencies, and continued the recovery of its international network. Since the beginning of Q2, the Group has exceeded the 2019 domestic capacity and by July operated 35% more ASKs. International capacity has also improved from 15% of the 2019 levels in the beginning of the year to 30% in June and 37% in July. This sizeable increase in international capacity is a mix of the international segment reopening and the addition of more long-haul flights.

As the reopening of the international segment with all historical frequencies and designations is unpredictable, we have taken a proactive approach to what we can really do to improve our results by using an out-of-the-box approach to managing our network. In addition to operating cargo-passenger flights and further increasing the number of scheduled flights to available CIS countries and selected European states (Serbia, Greece, Croatia and other), we have launched the following initiatives. In May, we launched a regional programme from regional cities to the Black Sea resorts – a total of around 45 routes or over 120,000 PAX per month – thus managing to utilise our fleet more intensively and rationally. We also launched regional services from six cities to Armenia, a country that has many family links with Russia and offers many pleasant and affordable holiday options. We have planned and commenced to launch new international services to the market open for Russian tourists. These services either had never been operated before or remained halted for a long time. They include flights from Moscow to destinations in Mexico, the Dominican Republic, Seychelles, Morocco, Qatar and several others.

As you see from this slide, which describes the international network recovery, our initiatives allowed us to increase the international PAX traffic. As you may remember, the recovery started in Q3 2020 from moderate 7% of historical PAX levels and reached 30% of historical levels in July 2021 compared to respective periods of 2019. I would also like to highlight that, despite Russia's material restrictions on the number of flights to Turkey (leaving only several frequencies per week from April to June) as an anti-pandemic measure, Aeroflot Group continued to increase international PAX volumes every month. Growth of the international PAX in 2020 and 2021 was driven mostly by the point-to-point demand originating within the country as there is no material traffic of transit international passengers at the moment, which underlines the strength of Russian consumers.

The next slide is on the revenue units, as usual. It shows the performance compared both to Q2 2020 and Q2 2019. Overall scheduled yields were up by 27% y-o-y and 13% vs Q2 2019. As you see from the domestic and international yield analysis, this performance was mainly driven by a demand and supply imbalance in the international segment, where the capacity materially lags the existing demand. The domestic segment,

on the opposite, continued to be affected by high capacity operated, which explains lower yields than in Q2 2019 though we still managed to improve them y-o-y. In Q2 2021, despite a sizeable increase in the domestic capacity, the market's approach to pricing was quite consistent, and we believe these yields still to be a very good result.

I would now like to pass the floor to Andrey Chikhanchin, who will discuss the fleet development and financials.

Andrey Chikhanchin: Thank you, Andrey. Hello everybody. Let us talk about the fleet update. Aeroflot Group's priority remains to avoid excessive fleet increase and ensure deliveries of previously contracted aircraft only. Among our 6M 2021 phase-outs were nine A320 aircraft, which we intentionally decided not to prolong as we planned before the pandemic in order to optimise the capacity. As for the deliveries, we have taken more aircraft in Q2 (12 planes out of 13 added in 1H 2021), including seven A320 neo family in line with our contractual obligations (these models are more efficient compared to the retired ones) and five A350, which resulted in a PDP refund in the amount of RUB 15.7 bn. In total, we added only two aircraft on a net basis in 6M 2021 and received RUB 19.5 bn in PDPs. It is important to highlight that we have done a lot of work together with the manufacturers and lessors to make the delivery schedule more comfortable for the Group and maxed out our efforts with A350s: we were supposed to receive around 20 aircraft by the end of 2021 but will get only seven. We are grateful to our partners for showing significant flexibility and hugely appreciate their efforts to meet our needs.

Let us talk about the financial performance. As we have extensively discussed Q1 results on the previous call, we suggest that we focus on Q2 2021 rather than 6M now, as Q2 offers some interesting insights into the clear and material improvement of our business. This time we managed to deliver a significant q-o-q and y-o-y improvement across all metrics with quarterly results moving closer to the pre-pandemic levels. In Q2 2021, EBITDA amounted to RUB 33.9 bn, only 28% lower than in Q2 2019, while EBITDA margin of 28.3% was 1.2 pp higher than in the pre-pandemic quarter. The net loss for the period stood at just RUB 2.6 bn – it is the first time we were so close to profit since the pandemic began. And that is despite we are still 30% below on revenue. The reported results reflect our successful efforts in changing the approach to capacity recovery: instead of a reactive approach to the international reopening, we have been proactive and focused on available opportunities, increased domestic capacity, added new domestic destinations, launched a regional programme and opened new international destinations not serviced before. This underpins successful adjustment of the Group's business model to the existing environment and management's focus on efficiency.

Let us now talk about the revenue dynamics. The Group's total revenue amounted to RUB 195 bn in 6M 2021, up 31% y-o-y or RUB 46 bn in absolute terms. Albeit still lower vs the pre-pandemic levels, this marks an important improvement in our quarterly dynamics, with Q2 2021 revenue declining 31% vs Q2 2019 compared to a decline of 39% in Q1 2021 and 56% in Q4 2020. The improved performance in 6M was supported by better yields (up by 16% in 6M), improved load factors (+10.1 pp y-o-y) and the currency effect. The key drivers by business segment were Russia, the CIS and Middle Eastern markets.

The cargo segment continued its strong performance in 6M 2021 adding RUB 2.1 bn mainly because of the difference between Q1 volumes. Going forward, we believe our cargo revenue will normalise as more international passenger flights reopen.

Next slide – operating costs. In Q2 and 6M, the recovery was accompanied by cost control. The majority of cost lines are declining double-digit vs the respective period of 2019. One of the lowest declines is communication expense linked to the increasing number of forward bookings. FX impacted costs, but to a lower extent than usual, given the current limited exposure to international operations. Still, the impact was

negative, as RUB lost 7% of its value vs USD in 6M 2021. The increase in other expenses in 6M 2021 was mainly due to the reflection of expenses related to the Aurora code-sharing in the amount of RUB 5.1 bn as a single sum in the financials, as well as the COVID-19 subsidy of RUB 8 bn reflected in 6M 2020.

Now on to the Group's unit costs. As we recover operations and utilise higher capacity volume we see improving CASK dynamics. It is still elevated over the RUB 3.2–3.3 normalised level as it is distributed between less ASKs. Still RUB 3.8 bn is a sizeable improvement.

A few words about the fuel cost management. We should add a spoon of tar in a barrel of honey, unfortunately, and discuss the fuel price. We recorded a consecutive increase in the fuel jet price for the last 15 months, and in Q2 2021, it moved very close to 2019 levels crossing the pre-pandemic threshold in July 2021. Aeroflot continues to enjoy some flexibility in jet fuel pricing thanks to contract structures, which imply that we currently have a longer lag before higher oil prices transform into higher prices for jet fuel. Reduced timing for forward bookings is also supportive compared to previous levels. With all that in mind, we still believe that the growing fuel price represents one of the key challenges for the industry alongside existing travel restrictions.

Let us talk briefly about the financial results of Pobeda. Despite the extremely complicated situation in the industry, Pobeda continued to grow its business in line with the existing strategy. In 6M 2021, its revenue increased by 2.2x on the back of 2x growth in RPKs and the expansion of revenue rates. The costs increased by 65% in the period lagging revenue dynamics, which represented a significant operational leverage allowing the Company to improve operating income and bottom line in the period. The net income of Pobeda in 6M 2021 totalled about RUB 2.5 bn.

The liquidity position remained strong as at the end of Q2. The cash position increased to RUB 113 bn growing by RUB 35 bn in Q2 2021 as we focused on aircraft deliveries, which come together with PDP reimbursement. The total refunded PDP in Q2 2021 amounted to RUB 15.7 bn. Also, Aeroflot raised additional liquidity via bonds placement (ca. RUB 25 bn). The placement of bonds and prudent approach to loan management enabled the Group to improve its overall debt structure, which adjusted from 41% vs 59% short-term/long-term borrowings on 31 March 2021 to 16% vs 84% short-term/long-term borrowings shares on 30 June 2021. The net bank and bond debt turned positive as at 30 June 2021 amounting to RUB 6.1 bn vs negative RUB 10.5 bn as at 31 March 2021.

The next slide is on improved booking trends. In Q2 2021, unearned revenue increased by RUB 12.3 bn thanks to the increased number of flights focusing on the domestic segment and positive booking trends ahead of the summer season. It was better than in the pre-pandemic period of Q2 2019 and 3x higher if compared to Q2 2020. We normally see the first signs of reduced bookings starting from mid-July and start to use collected cash as we move through the second part of Q3. But this year, as we continue to open new routes and see strong forward bookings, we see a more prolonged cash inflow in the Company. Factual data for 2021 confirms this as in terms of the number of tickets sold in July and early August, we have already reached the 2019 levels. This chart confirms the improved and prolonged season of stronger sales, however, it does not rule out that in autumn we may go back to a normal seasonal decline, which may happen in September.

The next slide is on operating cash flows. Backed by the above-mentioned trends, the operating cash flow in Q2 2021 recovered significantly and amounted to RUB 41 bn, which compares to RUB 54 bn in Q2 2019. That concludes the presentation, operator, we can go to the Q&A session. Thank you.

Ivan Postevoy: Good afternoon everyone. Thank you very much for the presentation. Please accept my congratulations on quite strong results. I have several questions. Let us get them one by one. The first question is about your chart on page 26. Am I right that so far your ticket sales are the same as in Q2?

Andrey Panov: We do not have this number to be honest. We can try to find out later after the call. But right now we do not have the numbers and we do not want to mislead you.

Andrey Napolnov: Because there is a pattern: we can see an increase and then a decline, and it happens on a weekly basis. You can see that there are different trends. The overall message of this chart is that whereas in 2019 we saw a decline in the number of tickets sold every week starting July – because people buy tickets for August in June and July, so when you move from June to July and August you see people buying fewer tickets – this year, due to us reopening more routes and destinations, including international ones, the number of bookings has increased. But if we compare average numbers, there may be some deviations.

Andrey Panov: And we just do not want to give you a wrong number.

Ivan Postevoy: That is alright. The second question is on your current yields in Q3. Will they be also strong as in Q1 and Q2? Compared to the pre-pandemic level.

Andrey Panov: Thank you. We certainly target domestic yields above Q3 2020, but they will be lower than the yields in Q3 2019.

Ivan Postevoy: Alright, that is clear. And the last question is on your staff costs. We see in the news that you are increasing salaries starting September. Could you please elaborate what magnitude of the increase are we to expect in staff expense in Q4?

Andrey Napolnov: Ivan, as you can remember part of our remuneration is variable. The breakdown is 70% to 30%, where 30% is a variable component. That is in general for the Company, given there are different categories of employees; some have a larger variable component, others have a smaller variable component. If you look at our staff costs for this quarter, you can see, first of all, some recovery, but you should understand that even in June, the month with the maximum operations in Q2, we are still 30% below the levels of June 2019 in terms of traffic and capacity – not all capacity has recovered. We also discussed the deconsolidation of Aurora, which means that if you compare quarterly staff costs in Q2 2021 with that of two years ago, you should adjust for this deconsolidation of Aurora as well. There are basically two factors to bear in mind: a further increase in capacity, which will drive the variable component up, and the change in the Group's structure. In Q3, we expect more capacity recovery. You can see this in our operating statistics and the staff cost will also be affected by this.

Ivan Postevoy: Ok. Thank you very much.

Matvey Tayts: Hello. Thank you very much for this opportunity to ask a question. I have a clarifying question on the yields. You said that in Q3 you are expecting lower yields than in Q3 2019. Am I correct that we are talking about domestic yields now? Because international yields are currently much stronger.

Andrey Chikhanchin: Yes, we are talking about domestic yields because international ones are improving very strongly.

Matvey Tayts: Ok. Thank you and a follow-up question on international yields. Looking at the latest operating numbers, we can see an international capacity recovery to some 30% of the 2019 level. And yields are still very strong. What do you think the trajectory for the yields will look like going forward? Will they normalise? How long are they going to stay at these elevated levels? What type of recovery should we see in the market

when they return to the pre-COVID levels? I would like to hear what you think on this matter. That would be very helpful. Thank you.

Andrey Chikhanchin: It is hard to give any forecasts on when the yields will normalise. There is one certain thing: they are going to normalise as we reopen more international flights. Any forecasts predicting that the yields will normalise in 2022 or at some other specific time can be difficult to make right now.

Andrey Panov: If I may add. We have two types of restrictions. These are epidemiological restrictions concerning passengers and the number of flights that we can operate. This equation is really hard to predict. If everything opens and everyone can fly, but there is little demand, of course the yields will go down. If Europe opens for all Russian travellers, but the capacity is limited, the yields will go up. It is really hard to predict these dimensions now.

Matvey Tayts: Ok, thank you very much. If I may, one more question about your domestic expansion. If you could afford to make this expansion back in pre-COVID times, would you do this, or is it now just about trying to minimise losses? How successful overall is this expansion in the regions? How do remote hubs perform? Can you please talk a little about this new landscape of your domestic travel? Thank you.

Andrey Panov: Of course, for us it had a lot to do with the situation in the market and the COVID-19 pandemic, but to remind you, we had made the decision to open the Krasnoyarsk hub earlier. We saw some potential in regional development even before COVID-19, but of course, because of the pandemic, we did it much faster. We have quite impressive results, much better than we expected, even in this difficult environment when all airlines in Russia are flying with all their capacity. It is very hard to predict anything, but I believe that once everything goes back to normal or new normal, we will still be flying to Sochi, Simferopol and other southern destinations. First, it has proved quite successful and secondly, we see that there are Aeroflot passengers who want to have more premium service and who want to fly from Yekaterinburg to Sochi, for example.

Matvey Tayts: Ok, thank you so much.

Maxim Nekrasov: Thank you very much for the call. I have another follow-up on your yields. Personally, I was positively surprised to see the domestic yields recovery in Q2, and I am wondering why you expect the dynamics to reverse and to see yields under pressure in Q3. That is my first question.

Andrey Napolnov: Maxim, we did not refer to reversing, we just mentioned that the domestic yields, while improving y-o-y, will not exceed the levels of two years ago. It is the same with Q2 2021 as compared to Q2 2019 its yields are in the red zone, slightly, but still in the red zone. We see it now, in July and August, that our domestic yields unfortunately do not exceed the level of 2019.

Andrey Panov: Still, it is quite good, but certainly not better than in 2019. Also we have a high season mostly in July and August, and now we have September, and we are quite cautious about it, especially about the end of September.

Ivan Batanov: Let me also add something. You are absolutely right, the yields have reached the average summer levels, but they have not reached the peak levels, which are very much about July and August. Everything was on track, but we have not been able to reach it again due to the extreme overcrowded capacity in the market.

Maxim Nekrasov: Ok, understood. That makes a lot of sense. I have a few follow-up questions. The first is on competition. We have been hearing that one of your competitors, S7 plans to launch a low-cost carrier. Do

you see any implications for your company and do you expect generally that the movement towards low-cost carriers will accelerate in the market by other players as well?

Andrey Panov: It is difficult to analyse something that we do not fully understand. There are some plans at S7, but we are not sure that we have all the details. How will this company be managed? Will it be a stand-alone company competing with S7 in the same routes? This is a key question, because if not and if it is more or less the same company, then you can consider it as just an addition of 10, 20 or how many aircraft they want to add in the future. We need more information for a more comprehensive evaluation. Then their network. It is one thing if they fly all their flights from say Omsk, and a completely different thing if they fly from ten different bases or if they fly from Moscow. There are too many questions. We understand that the penetration of low-cost airlines in Russia is much lower than in any other part of the world. In the end, we believe that 30 or 40% of operations will be performed by low-cost airlines. There is no doubt about that. Also, any addition of capacity in this kind of environment could be dangerous for the market and could influence the market. We see that it is overcrowded in summer and it is nothing as compared to how the market will be overcrowded in winter. Of course, 20 or 30 more planes will have an impact on the market. These are considerations, but there is no final conclusion, as we do not know all the details and they have not launched yet, so we will have to wait and see.

Maxim Nekrasov: Ok, understood, thanks a lot. My final question is on liquidity. How comfortable are you with your current liquidity and what cash burn do you expect in the second half of the year?

Andrey Chikhanchin: Thank you for your question. Based on the figures in the presentation and those you can see in the statements, we feel rather comfortable with our liquidity position. You can see that most of our credits are covered with our cash. With regard to cash burn, we are not expecting any big figures in Q4. In Q3, I do not expect any cash burn either, but in Q4, of course, we will have some cash burn, although the figures will not be as significant as in 2020.

Maxim Nekrasov: Ok, that is very clear, thanks a lot.

Alexey Filippov: Good afternoon. Thank you very much for the opportunity to ask a question and congratulations with the good results. Could you walk us through the inflation in your jet fuel costs? We see that you have reported some jet fuel cost pressure. It was up 35% year to date, but in the financials I calculate that the actual jet fuel cost is up by about 15–18% year to date meaning that we can see some additional pressure in the second half of the year. Can you explain again why there is a lag between jet fuel costs and the actual costs realised in the P&L and what is the potential impact of the jet fuel inflation in Q3? Thank you.

Andrey Napolnov: Alexey, thank you for your question. If you analyse the quotes of Brent and RUB exchange rate fluctuations compared to our jet price, you may see different dynamics because we are a big customer for oil refineries and we have special terms with many based on volumes. We have also adjusted some of the contracts to longer-term contracts, where we take not a one-month price but an average of three months or so and that is why there may be a lag. However, at the same time you see that in July the jet fuel cost was higher than in July 2019 and there has been a consistent growth by almost 30% since the beginning of the year. Since then, there has been another single-digit but sizable growth leading to an overall increase of around 35% year to date. This is the key challenge for the aviation industry in the current environment, but as we said during the presentation, we think that so far the airlines' pricing approach has been rather consistent. Yes, there is also a link to demand and supply, but a healthy situation with pricing is very important, so we can minimise the impact of fuel. What will happen going forward? We hope for stabilisation, but it is hard to forecast the fuel cost as it depends on many macro factors and demand arising from operations recovery.

Alexey Filippov: Thank you very much, very helpful.

Andrey Napolnov: Thank you everyone for participating in the call. As usual, if you have any follow-up clarification questions, we will be happy to answer post the call.