

## AEROFLOT ANNOUNCES 1H 2016 IFRS FINANCIAL RESULTS

**Moscow, 29 August 2016** — Aeroflot Group (“the Group”, Moscow Exchange ticker: AFLT) today publishes its condensed consolidated interim financial statements for the six months ended 30 June 2016, in accordance with International Financial Reporting Standards.

### 1H 2016 Financial Highlights for Aeroflot Group:

- Revenue reached RUB 223,824 million, up 26.8% year-on-year;
- EBITDAR<sup>1</sup> nearly doubled year-on-year to RUB 58,397 million. The EBITDAR margin increased 7.3 percentage points (p.p.) to 26.1%;
- EBITDA<sup>1</sup> more than doubled year-on-year to RUB 30,035 million. The EBITDA margin increased by 5.9 p.p. to 13.4%;
- Operating profit increased four-fold to RUB 23,250 million;
- Net income totalled RUB 2,467 million.

Shamil Kurmashov, PJSC Aeroflot Deputy CEO for Commerce and Finance, commented:

“Aeroflot Group’s robust revenue growth of 26.8% during the first half of 2016 was driven by continued strong operational performance. The number of passengers carried increased by 10.3% year-on-year, thanks to continued strong demand for domestic flights and the launch of new international routes. The passenger load factor increased by 2.9 p.p. year-on-year to 78.6%.

“We maintained tight control of operating costs to offset the ongoing effects of exchange rate fluctuations. In the first half of 2016, total operating expenditures rose at a slower pace than revenue: passenger revenue per available seat-kilometre increased by 18.9%, while costs per available seat-kilometre rose 8.6%. Other contributing factors included measures to increase fuel efficiency, leading to a 1.4% reduction year-on-year in fuel consumption per available seat-kilometre, to 22.8 grams. Increased fuel efficiency and lower unit consumption, combined with a decrease in the average cost of fuel, enabled us to hold fuel costs, the single largest cost line, almost unchanged year-on-year despite a 4.6% increase in Group flight hours.

“As a result, EBITDA more than doubled year-on-year, reaching RUB 30,035 million. The EBITDA margin improved by 5.9 p.p. to 13.4%.

“Continued optimisation across Group companies as well as the revaluation of investments resulted in additional one-off costs, but nevertheless Aeroflot Group delivered net profit of RUB 2,467 million versus a net loss of RUB 3,541 million a year earlier.

“Our focus is on maintaining our current trajectory, and we hope that the positive net income in the reporting period will boost the financial outcome for the full year, allowing us to resume dividend payments to PJSC Aeroflot shareholders.”

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<sup>1</sup> EBITDAR = EBITDA + operating lease expenses. EBITDA = operating profit + depreciation & amortisation + customs duties.

### Key operating highlights

	6M 2016	6M 2015	Change
Passengers carried, thousand PAX	19,694	17,854	10.3%
- international	8,092	7,558	7.1%
- domestic	11,602	10,296	12.7%
Revenue Passenger Kilometres, million	50,010	44,479	12.4%
- international	28,277	25,019	13.0%
- domestic	21,734	19,460	11.7%
Available Seat Kilometres, million	63,616	58,789	8.2%
- international	36,830	33,007	11.6%
- domestic	26,786	25,782	3.9%
Passenger load factor, %	78.6%	75.7%	2.9 p.p.
- international	76.8%	75.8%	1.0 p.p.
- domestic	81.1%	75.5%	5.6 p.p.

In 1H 2016, Aeroflot Group carried 19.7 million passengers, up 10.3% year-on-year.

### Key financial highlights

<i>RUB million, unless stated otherwise</i>	6M 2016	6M 2015	Change
Revenue	223,824	176,467	26.8%
EBITDAR <sup>1</sup>	58,397	33,252	75.6%
<i>EBITDAR margin</i>	26.1%	18.8%	7.3 p.p.
EBITDA <sup>1</sup>	30,035	13,311	2.3x
<i>EBITDA margin</i>	13.4%	7.5%	5.9 p.p.
Operating profit	23,250	5,866	4.0x
<i>Operating profit margin</i>	10.4%	3.3%	7.1 p.p.
Profit / (loss) for the period	2,467	(3,541)	-
<i>Net profit margin</i>	1.1%	-	-

### Revenue

<i>RUB million, unless stated otherwise</i>	6M 2016	6M 2015	Change
Passenger traffic revenue	188,112	146,162	28.7%
- scheduled passenger flights	181,096	144,087	25.7%
- charter passenger flights	7,016	2,075	3.4x
Cargo flight revenue	5,218	4,442	17.5%
Other revenue	30,494	25,863	17.9%
<b>Total revenue</b>	<b>223,824</b>	<b>176,467</b>	<b>26.8%</b>

In 1H 2016, Aeroflot Group's revenue increased by 26.8% year-on-year to RUB 223,824 million.

<sup>1</sup> EBITDAR = EBITDA + operating lease expenses. EBITDA = operating profit + depreciation & amortisation + customs duties.

Revenue from scheduled passenger flights increased by 25.7% to RUB 181,096 million, boosted by 10.3% growth in passenger numbers year-on-year, as well as changes in the average ruble rate, supporting growth in FX-denominated revenues from international operations.

Revenue from charter flights more than tripled to RUB 7,016 million, driven by an increase in the operations in this segment following the launch of Rossiya's charter programme.

Cargo revenue rose 17.5% year-on-year as cargo and mail volumes grew 12.7%.

Other revenue rose 17.9% year-on-year to RUB 30,494 million, driven mainly by a rise in FX-denominated revenues from airline agreements due to changes in the exchange rate, as well as increased revenue from banks under the Aeroflot Bonus programme.

## Operating costs

<i>RUB million, unless stated otherwise</i>	<b>6M 2016</b>	<b>6M 2015</b>	<b>Change</b>
Aircraft servicing and passenger services	40,120	34,516	16.2%
Staff costs	31,032	27,235	13.9%
Operating lease expenses	28,362	19,941	42.2%
Aircraft maintenance	17,525	13,098	33.8%
Sales and marketing, administration and general expenses	12,843	11,479	11.9%
Depreciation, amortisation and customs duties	6,785	7,445	(8.9%)
Other net expenses	19,117	12,173	57.0%
<b>Operating costs less aircraft fuel</b>	<b>155,784</b>	<b>125,887</b>	<b>23.7%</b>
Aircraft fuel	44,790	44,714	0.2%
<b>Total operating costs</b>	<b>200,574</b>	<b>170,601</b>	<b>17.6%</b>

Aircraft fuel costs remained nearly flat year-on-year at RUB 44,790 million, despite higher traffic and increased flight hours. Costs were maintained at previous levels despite an increase in operations thanks to lower average ruble-denominated fuel prices, as well as measures taken to boost the Group's fuel efficiency, which improved specific fuel consumption.

Operating costs less aircraft fuel increased 23.7% year-on-year to RUB 155,784 million.

Expenses related to aircraft servicing and passenger services amounted to RUB 40,120 million, a 16.2% increase year-on-year, due largely to changes in the ruble exchange rate. Excluding FX effects, these expenses rose 11.0%, driven primarily by a scaling-up of activities and traffic. This expense line item was additionally impacted by increased tariffs at a number of Russian airports.

Staff costs rose by 13.9% year-on-year and amounted to RUB 31,032 million, mostly as a result of salary indexation for certain categories of employees from the beginning of 2016, but also due to the hiring of over 4,000 former Transaero staff.

Operating lease expenses rose to RUB 28,362 million, a 42.2% increase year-on-year, due to exchange-rate fluctuations (as these expenses are almost entirely FX-denominated). Excluding FX effects, operating lease expenses rose 21.0%. These expenses were also influenced by fleet expansion (net increase of 16 aircraft, or 8.1%, year-on-year), as well as a doubling of the three-month LIBOR rate in the first half of 2016 compared to the same period of last year.

Aircraft maintenance costs rose 33.8% year-on-year to RUB 17,525 million, primarily due to exchange-rate fluctuations. Excluding FX effects, these expenses rose 13.1% in the context of higher flight hours and additional expenses related to preparing aircraft for decommissioning from the fleet.

Selling, general and administrative expenses (SG&A) grew by 11.9% year-on-year to RUB 12,843 million. Increased SG&A costs were connected to higher commercial and marketing expenses pegged to foreign currencies, as well as increased sponsorship and advertising activities.

Amortisation and customs tariffs decreased by 8.9% year-on-year to RUB 6,785 million, driven by the continued transfer of aircraft to financial lease agreements (the number of aircraft on financial leases decreased to 11, down 18.0% year-on-year).

Other expenses increased by 57.0% to RUB 19,117 million, due to higher expenses on global distribution systems as a result of the strengthening of the ruble, as well as increased allocations to reserves for overdue debt.

As a result, Group operating profit for the first six months of 2016 totalled RUB 23,250 million (10.4% of revenue). EBITDAR totalled RUB 58,397 million, with a 7.3 p.p. increase in the EBITDAR margin to 26.1%. EBITDA totalled RUB 30,035 million, with a 5.9 p.p. increase in the EBITDA margin to 13.4%.

### Non-operating gains and losses

<i>RUB million, unless stated otherwise</i>	6M 2016	6M 2015	Change
<b>Operating profit</b>	<b>23,250</b>	<b>5,866</b>	<b>4.0x</b>
Result from disposal of companies	(5,726)	-	-
(Loss)/profit from sale and impairment of investments	(3,429)	30	-
Finance income	7,890	7,153	10.3%
Finance costs	(5,074)	(7,441)	(31.8%)
Realised hedging result	(8,655)	(8,848)	(2.2%)
Share of results of associates	(45)	(56)	(19.6%)
<b>Profit/(loss) before tax</b>	<b>8,211</b>	<b>(3,296)</b>	-
Income tax	(5,744)	(245)	-
<b>Profit/(loss) for the period</b>	<b>2,467</b>	<b>(3,541)</b>	-

Finance income for the first half of 2016 increased by 10.3% year-on-year to RUB 7,890 million, mainly due to interest on deposits.

Finance costs declined by 31.8% year-on-year to RUB 5,074 million, due mainly to reflection of a loss on derivatives not accounted for under hedging rules under this item in 2015.

The realized loss from hedging of RUB 8,655 million was attributable to settlements under derivative instruments recognised in equity, as well as from a realised result related to hedging of US dollar-denominated revenue through US dollar-denominated lease obligations.

As a result, the Group's net profit for the first half of 2016 amounted to RUB 2,467 million.

### Debt and liquidity

<i>RUB million, unless stated otherwise</i>	30 Jun 2016	31 Dec 2015	Change
Loans and borrowings	43,078	68,460	(37.1%)
Finance lease liabilities	137,002	164,524	(16.7%)
Pension liabilities	797	745	7.0 %
<b>Total debt</b>	<b>180,877</b>	<b>233,729</b>	<b>(22.6%)</b>
Cash and short-term investments	58,609	36,610	60.1%
<b>Net debt</b>	<b>122,268</b>	<b>197,119</b>	<b>(38.0%)</b>
<b>Net debt/EBITDA</b>	<b>1.6x<sup>1</sup></b>	<b>3.4x<sup>2</sup></b>	-

<sup>1</sup> Calculated based on EBITDA for the 12 months ended 30.06.2016 of RUB 75,427 million.

<sup>2</sup> Calculated based on EBITDA for the 12 months ended 31.12.2015 of RUB 58,703 million.



Total debt as of 30 June 2016 decreased by 22.6% versus 31 December 2015 to RUB 180,877 million. The reduction is the result of repayment of loans and borrowings both as they came due and ahead of schedule, adjustments in the valuation of financial leases due to changes in the RUB-USD exchange rate as of 30 June 2016 versus 31 December 2015, and disposal of aircraft on financial leases.

As of 30 June 2016 undrawn lines available to Aeroflot Group from major Russian and international banks amounted to RUB 77.8 billion.

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