

# Russia's Aeroflot Reports Loss as Ruble Weakness Inflates Costs

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Russia's flagship carrier Aeroflot on Monday reported a net loss of 3.5 billion rubles (\$66.5 million) over the first nine months of the year, after a 17 billion ruble profit the year before, as the tailspin devaluation of Russia's ruble currency caused costs to spike.

The company's revenue was up 6.5 percent year-on-year, reaching 236 billion rubles (\$4.5 billion), while passenger traffic grew by 10 percent.

But the ruble, which has depreciated almost by 40 percent against the U.S. dollar since the beginning of the year, inflated many of the company's expenses.

In a statement accompanying the results, Aeroflot deputy CEO Shamil Kurmashov attributed the loss to "a sharp decline in the ruble exchange rate versus key foreign currencies, as well as

continued weakening of consumer demand and a downturn in the tourism industry."

Near-zero economic growth, combined with rising inflation and ruble devaluation have put pressure on Russian incomes. In August, real wages fell for the first time since 2009.

Aeroflot's overall operational costs for the first three quarters grew 14 percent year-on-year to 223 billion rubles (\$4.2 billion). Ruble weakness, as well as growth in tariffs, caused aircraft maintenance expenses to rise 17.6 percent. Increasing passenger numbers and fuel prices, along with the lower ruble, added 9 percent to aircraft fuel costs.

The company's debt also soared 41 percent from the beginning of the year, reaching 122 billion rubles (\$2.3 billion), due to revaluation of financial airplane lease contracts denominated in foreign currency.

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