

Aeroflot Group Consolidated financials (IFRS) 6M2011

Moscow

September 27, 2011

Speaker:

Shamil Kurmashov

Deputy Director General

Finance and investments

Disclaimer



This presentation has been prepared by JSC “Aeroflot – Russian Airlines” (the “Company”), and comprises the slides for a presentation to investors concerning the Company.

This presentation does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any shares or other securities representing shares in the Company, nor shall it or any part of it nor the fact of its presentation or distribution form the basis of, or be relied on in connection with, any contract or investment decision.

No reliance may be placed for any purposes whatsoever on the information contained in this presentation, or any other material discussed at any presentation or on its completeness, accuracy or fairness. The information in this presentation should not be treated as giving investment advice. Care has been taken to ensure that the facts stated in this presentation are accurate, and that the opinions expressed are fair and reasonable. However, the contents of this presentation have not been verified by the Company. Accordingly, no representation or warranty, express or implied, is made or given by or on behalf of the Company or any of its members, directors, officers or employees or any other person as to the accuracy, completeness or fairness of the information or opinions contained in or discussed at this presentation. None of the Company or any of their respective members, directors, officers or employees nor any other person accepts any liability whatsoever for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection therewith.

The information in this presentation includes forward-looking statements. These forward-looking statements include all matters that are not historical facts, statements regarding the Company’s intentions, beliefs or current expectations concerning, among other things, the Company’s results of operations, financial condition, liquidity, prospects, growth, strategies, and the industry in which the Company operates. By their nature, forward-looking statements involve risks and uncertainties, including, without limitation, the risks and uncertainties to be set forth in the prospectus, because they relate to events and depend on circumstances that may or may not occur in the future. The Company cautions you that forward looking statements are not guarantees of future performance and that its actual results of operations, financial condition and liquidity and the development of the industry in which the Company operates may differ materially from those made in or suggested by the forward-looking statements contained in this presentation. In addition, even if the Company’s results of operations, financial condition and liquidity and the development of the industry in which the Company operates are consistent with the forward-looking statements contained in this presentation, those results or developments may not be indicative of results or developments in future periods.

The information and opinions contained in this presentation are provided as at the date of this presentation and are subject to change without notice. No person is under any obligation to update or keep current the information contained herein.

1.Introduction

2.Market position of the Group

3.Operating highlights

4.Financial results

5.Conclusions

6.Appendix

Key highlights of the first half of 2011



- The Aeroflot Group structure optimization included closing the following sales transactions: CJSC "Nordavia" – 100% shares; "Moscow" Insurance Company" JSC – 100% shares; CJSC "TZK "Sheremetyevo" – 31% shares; CJSC "Date" – 50% shares.
- Aeroflot is honoured as the best Eastern European airline company and one of the TOP-3 fastest developing airline companies in the world.
- The company got the prestigious international *SkyTrax World Airline Awards* as "The best Eastern European Airline".
- Aeroflot is one of the TOP-5 airline companies providing the best meals served aloft as rated by Skyscanner.net, a British internet-portal.
- Aeroflot Group is one of the TOP-10 European and TOP-35 world airline groups with the highest financial performance.

Table of contents

1. Introduction

2. Market position of the Group

3. Operating highlights

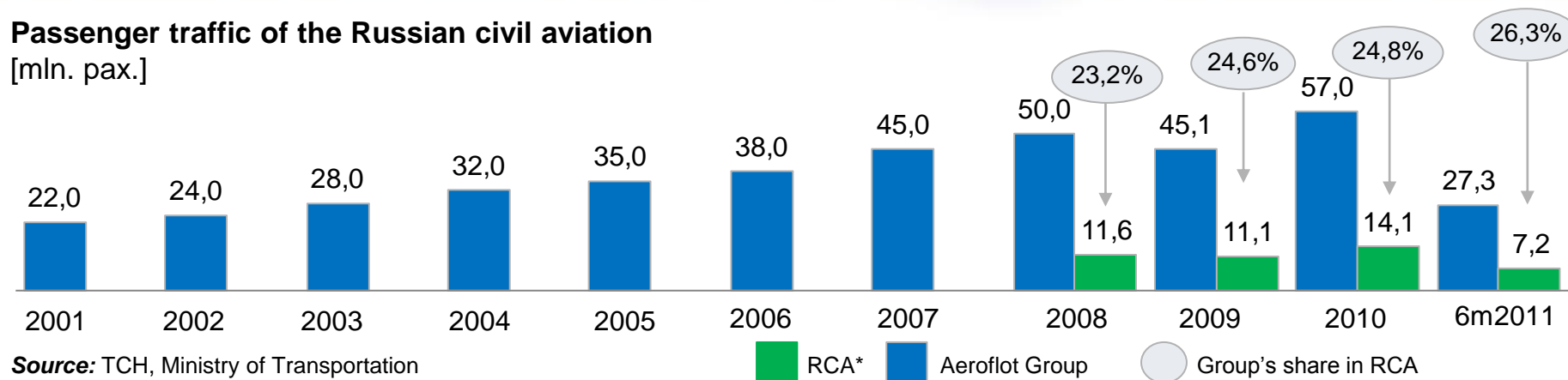
4. Financial results

5. Conclusions

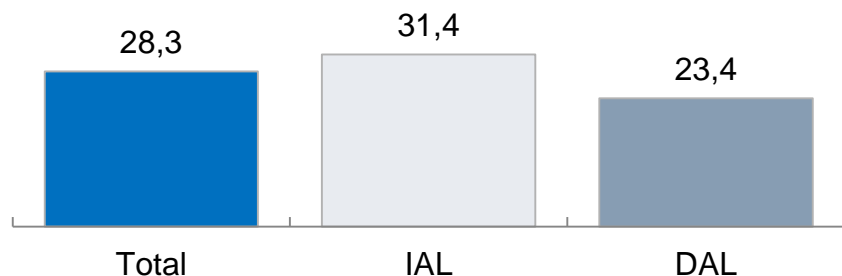
6. Appendix

Russian air transportation market

Passenger traffic of the Russian civil aviation
[mln. pax.]



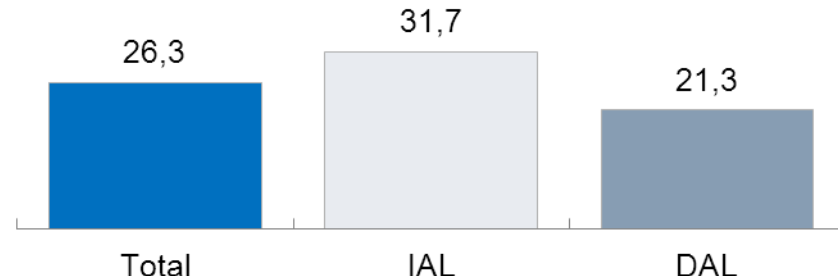
Market share of the Group for 6m2011
[% of passenger turnover]



Source: TCH**

*RCA – Russian civil aviation
**Transport Clearing House

Market share of the Group for 6m2011
[% of passenger traffic]



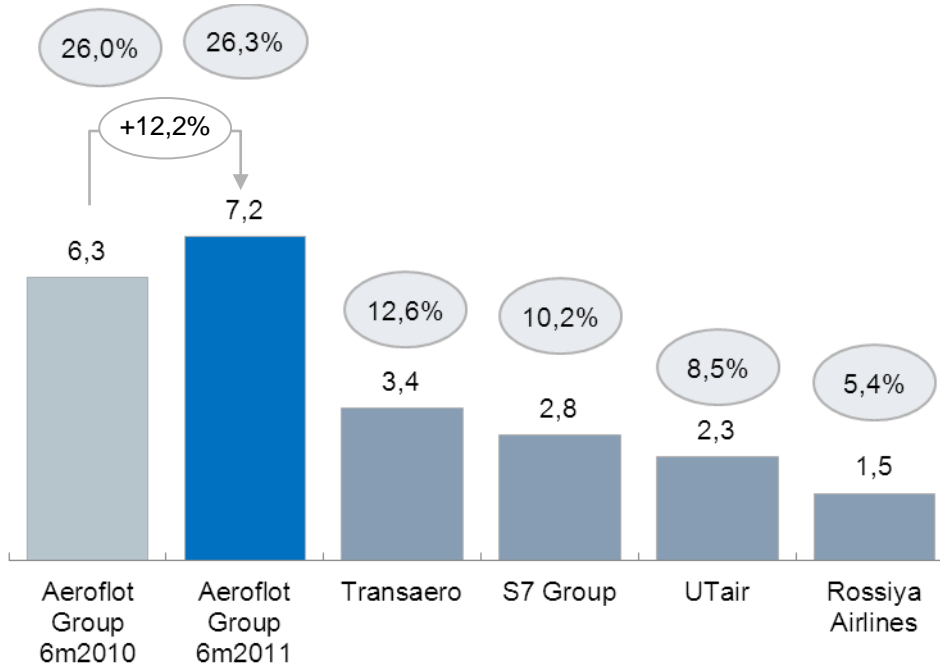
IAL – International airlines
DAL – Domestic airlines

In the first half of 2011 Aeroflot Group managed to keep the increasing share in the Russian Civil Aviation, then amounting to 26.3%.

Position of Aeroflot Group on Russian Civil Aviation market

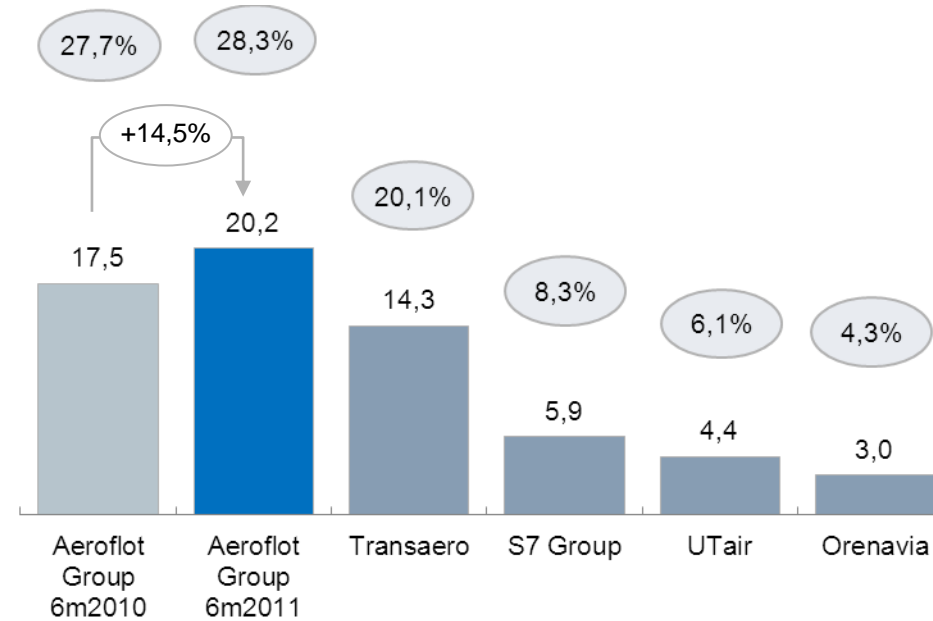


Passenger traffic [mln. pax.]



Source: TCH

Passenger turnover [bln. pkm.]



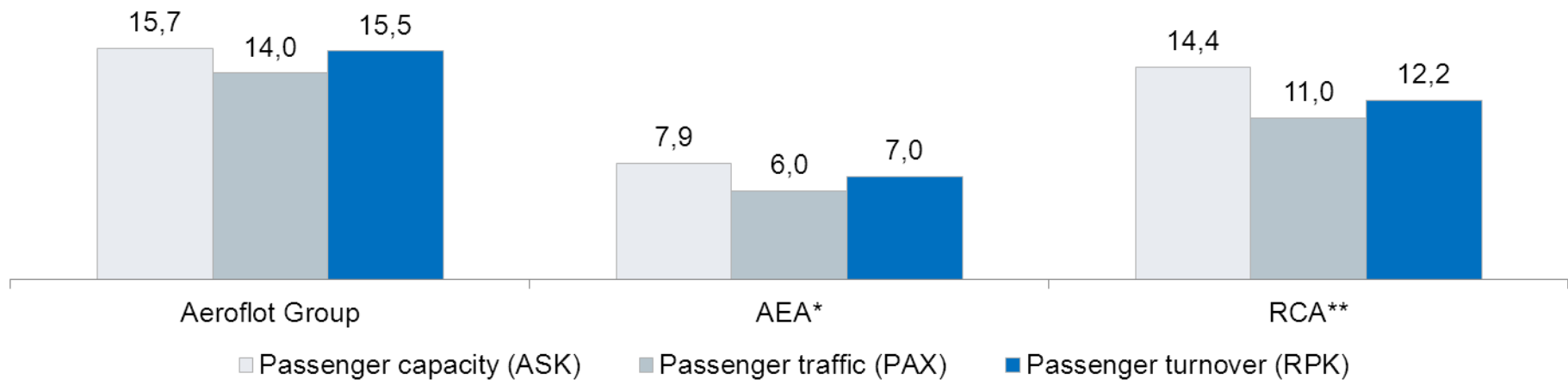
Source: TCH

○ share in RCA

- Aeroflot is the leader of the Russian Civil Aviation.
- The Ministry of Transportation forecasts the Russian Civil Aviation passenger traffic to be as high as 61 million passengers by the end of 2011, which is 7% more compare to 2010.

Aeroflot Group in comparison with AEA* and RCA**

Growth rates of basic operating indicators [% , 6m2011 to 6m2010]



Source: AEA, Aeroflot estimates

* AEA – Association of European Airlines

** RCA – Russian Civil Aviation

The Group's performance indicators grew faster than those of the industry as a whole: alongside with a higher passenger capacity increase rate, Aeroflot secures the growth rates of other indicators above the industry average.

Table of contents

1.Introduction

2.Market position of the Group

3.Operating highlights

4.Financial results

5.Conclusions

6.Appendix

Route network of JSC “Aeroflot”



Average frequency of the route per week	6m2010	6m2011	vly, %
Scheduled	8.9	10.6	19
Charter	0.3	0.3	
International scheduled	8.1	8.5	5
Domestic scheduled	10.8	16.6	54
Medium haul	9.7	12.0	24
Long haul	5.5	5.6	2
All destination	8.5	8.9	5

- In the first half of 2011 Aeroflot operates its own flights to 123 destinations in 53 countries all over the world.
- Apart from the flights of its own from Sheremetyevo Airport, the Company operates 121 flights under code sharing agreements with other airlines.
- The transit passenger traffic of the Company increased by 19.6% during the six months of 2011 compared to the same period of 2010 and amounted to 2.18 million passengers, or 32.6% of the total passenger traffic volume of the company.

Fleet of Aeroflot Group as of 30.06.11

Type of aircraft	Aeroflot	Donavia	Total
Ilyushin Il-86	1*		1
Ilyushin Il-96-300	6		6
Tupolev Tu-154	1*	2*	3
Total number of aircraft owned	8	2	10
Airbus A-319	4		4
Airbus A-320	1		1
Airbus A-321	18		18
Airbus A-330	1		1
Boeing 737		5	5
Total number of aircraft under finance lease	24	5	29
Airbus A-319	11		11
Airbus A-320	41		41
Airbus A-330	10		10
Boeing B-737		5	5
Boeing B-767	10		10
McDonnell Douglas MD-11	3		3
SSJ 100	1		1
Total number of aircraft under operating lease	76	5	81
Total number of aircraft	108	12	120

* As of 30.06.2011 operation of this aircraft was terminated

The operated fleet includes mainly modern fuel-efficient aircraft. At the end of June 2011 68% of the Group's aircraft were under operating lease agreements, 24% – under financial lease agreements.

Fleet of JSC “Aeroflot” at present

Aircraft	Fin. lease	Oper. lease	Owned	Total	Average age
SSJ 100		2		2	0,2
A-319	4	11		15	5,5
A-320	1	41		42	3,4
A-321	18			18	3,6
A-330	2	10		12	1,7
B-767		9		9	14,4
MD-11F		3		3	18,6
Il-86*			1	1	19,1
Il-96			6	6	17,2
Tu-154*			1	1	23,6
Total	25	76	8	109	5,2**

* Operation of this type of aircraft is terminated

** Average age of aircraft in operation

- The company's fleet is the youngest and most modern in Europe.
- The average age of Aeroflot's aircraft in operation is 5,2 years.
- The company follows the highest ecological, safety and noise level standards.

Order and phase off plan of Aeroflot fleet

Delivery schedule according to the contracts in force

Type of aircraft	2011	2012	2013	2014	2015
Short-haul					
SSJ-100	6	14	2	8	-
Medium-haul					
A-320	8	-	-	-	-
A-321	-	3	5	-	-
Long-haul					
A-330	4	8	-	-	-
A-350	-	-	-	-	-
B-777	-	-	4	6	3
B-787	-	-	-	8	8
Total	18	25	11	22	11

Phase off schedule of aircraft

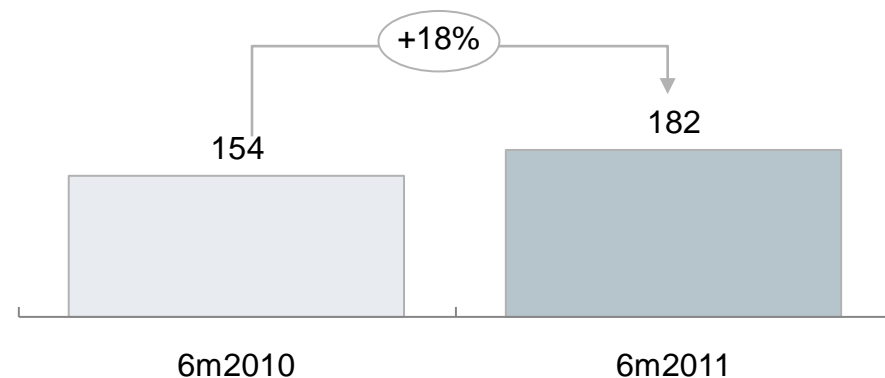
Type of aircraft	2011
Medium-haul	
Tu-154	1
Il-86	2
Long-haul	
B767	1
TOTAL	4

By the year 2019 Aeroflot is planning to replenish its fleet with 118 modern aircraft.

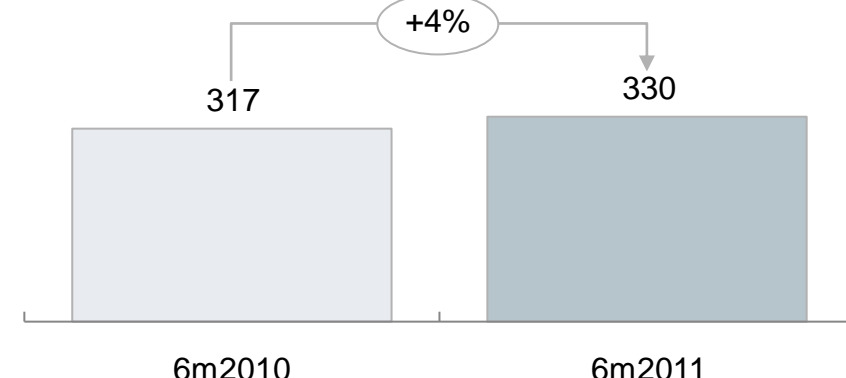
Fleet efficiency of JSC “Aeroflot”



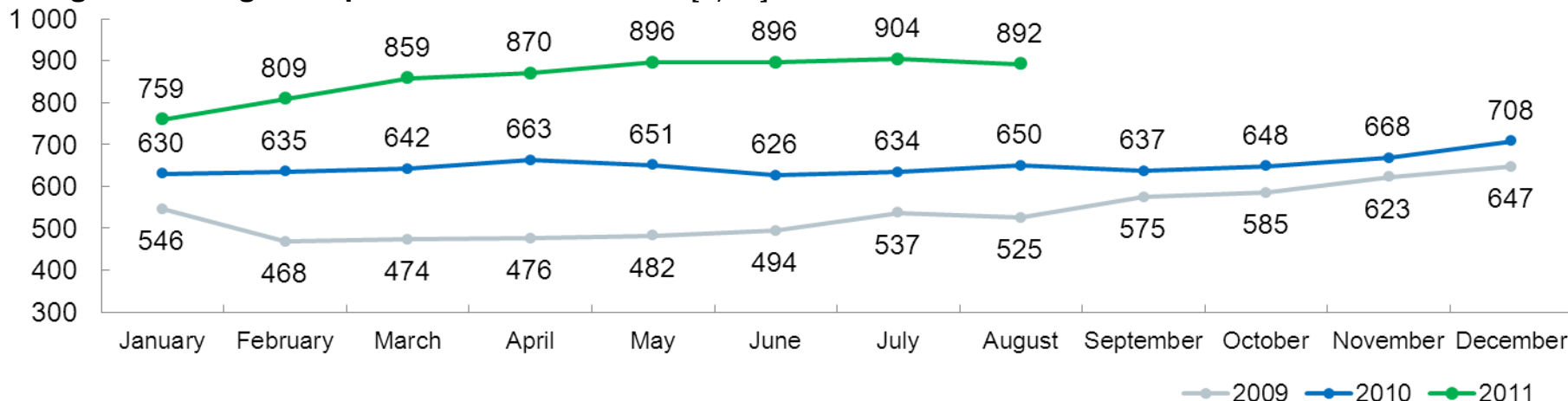
Flight hours [ths. hours]



Specific fuel consumption [gr/tkm]



Weighted average fuel price of JSC “Aeroflot” [\$/tn]



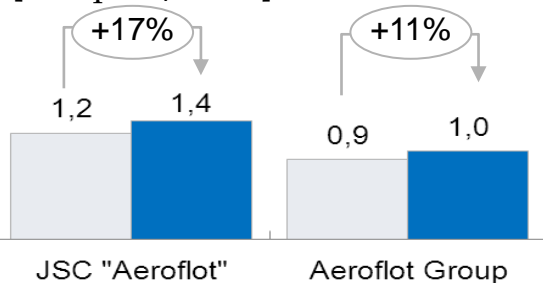
- In the first half of 2011 the Company kept increasing its aircraft flight time: the aircraft flight time grew by 18% compared to the first half of 2010.
- In the first half of 2011 the fuel consumption per ton-km rose by 4% in comparison to the first half of 2010 and amounted to 330 grams due to the reduction of the average flight¹⁴ distance.

Headcount and labor productivity

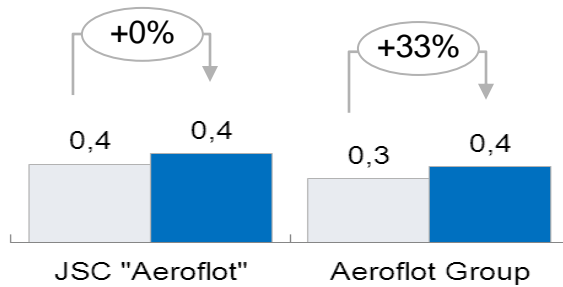
Headcount	30.06.10	30.06.11	vly
JSC "Aeroflot"	13,781	14,797	7%
JSC "Donavia"	1,486	1,153	-22%
CJSC "Nordavia"	1,379	0*	-100%
CJSC "Aeromar"	2,055	2,200	7%
JSC "Terminal"	686	681	-1%
CJSC "Sherotel"	278	288	4%
CJSC "Aerofirst"	610	598	-2%
Itoro	20,275	19,717	-3%

Labor productivity

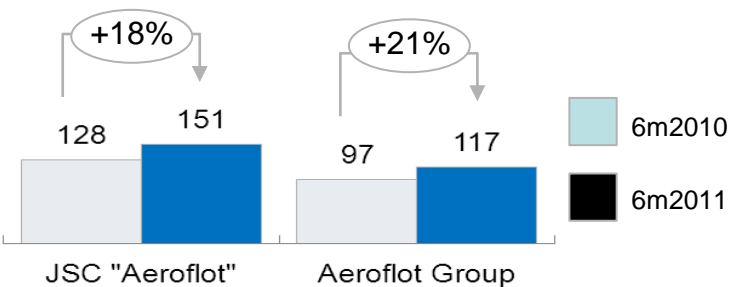
Passenger turnover/Average headcount
[mln.pkm/units]



Passenger traffic/Average headcount
[ths.pers./units]



Revenue/Average headcount
[\$ ths./units]



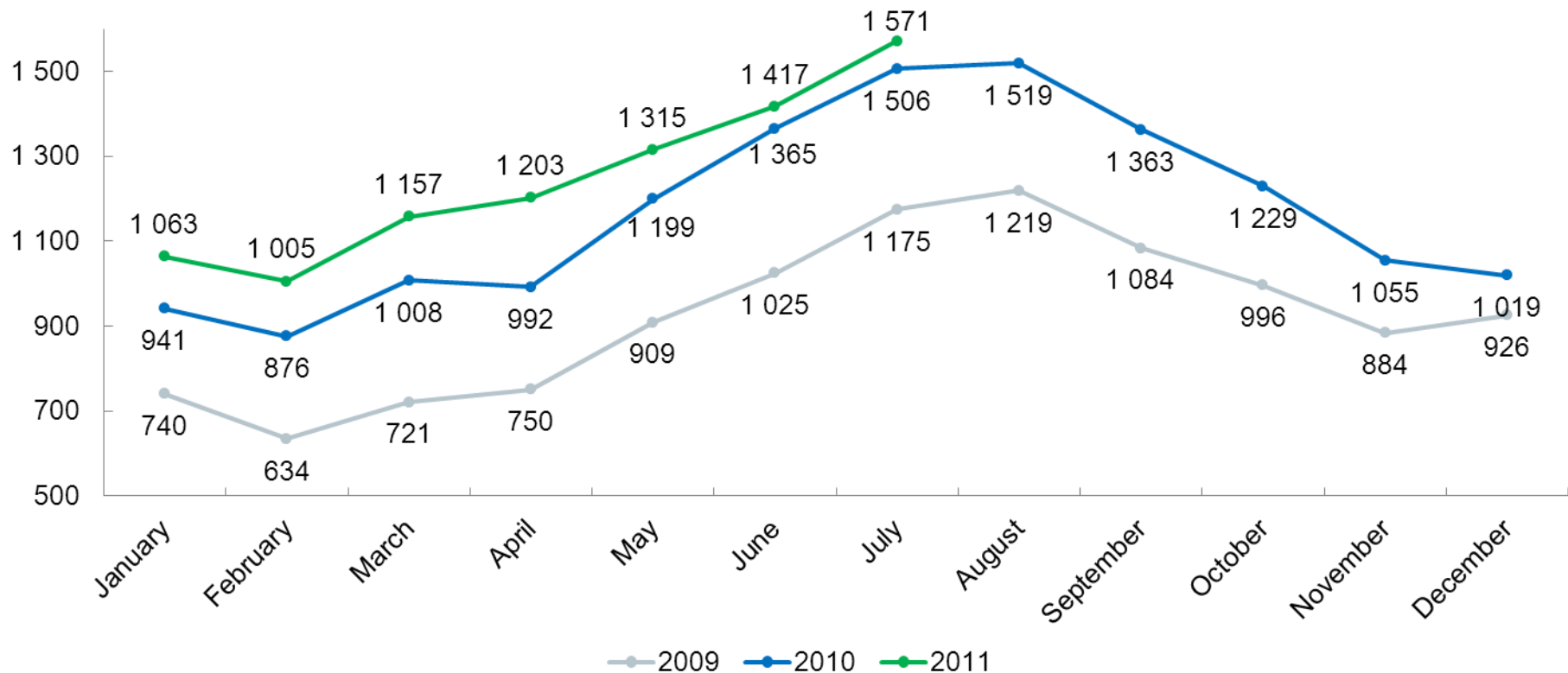
* Average headcount of CJSC "Nordavia" as of 31.05.2011 was 1 351.

- Both JSC "Aeroflot" and Aeroflot Group performed growth of the productivity of labor indicators in the first half of 2011.
- The headcount of JSC "Aeroflot" increased by 7% due to the enhanced cabin crew and aircraft fleet.

Passenger traffic

Passenger traffic of Aeroflot Group

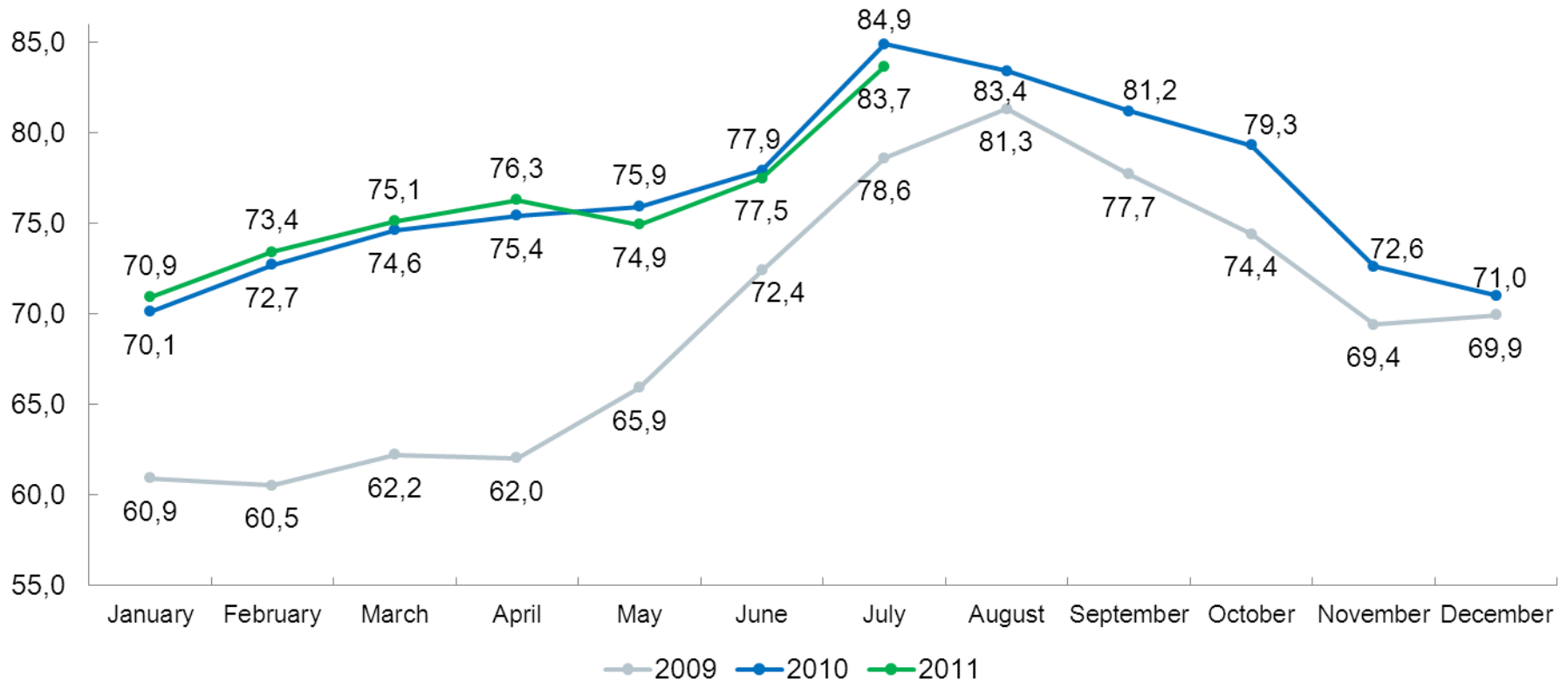
[ths.pax.]



- Monthly traffic volumes in the first half of 2011 exceeded those of the same period of 2010.
- Notwithstanding the sale of CJSC "Nordavia" in June 2011, the positive tendency was maintained and revealed by results of July 2011.

Seat load factor

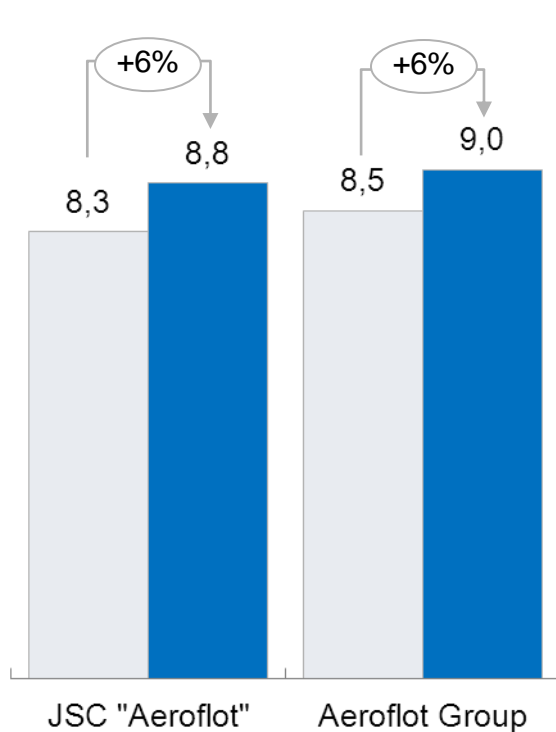
Seat load factor of Aeroflot Group
[%]



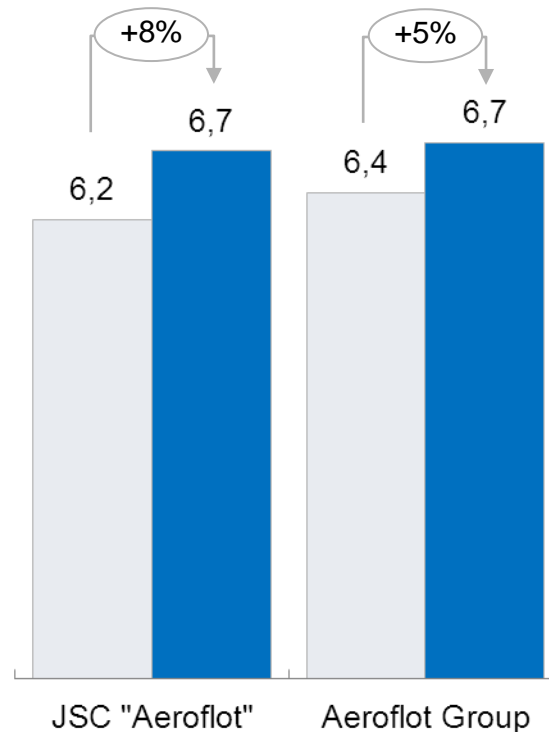
The seat load factor during the first four months of 2011 exceeded that of 2010 and in May-July it was slightly below the level of the previous year due to the ASK increase.

Revenue rates

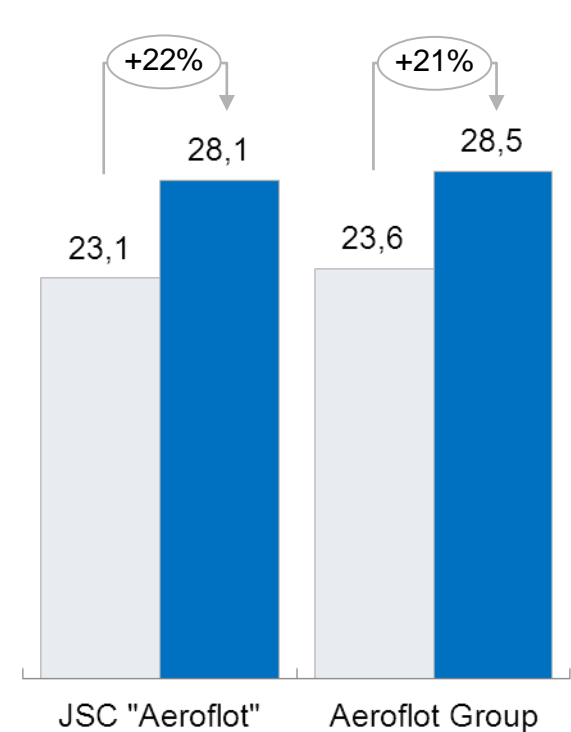
Yield
PAX revenue / RPK
[US cents / pkm.]



RASK
PAX revenue / ASK
[US cents / ask.]

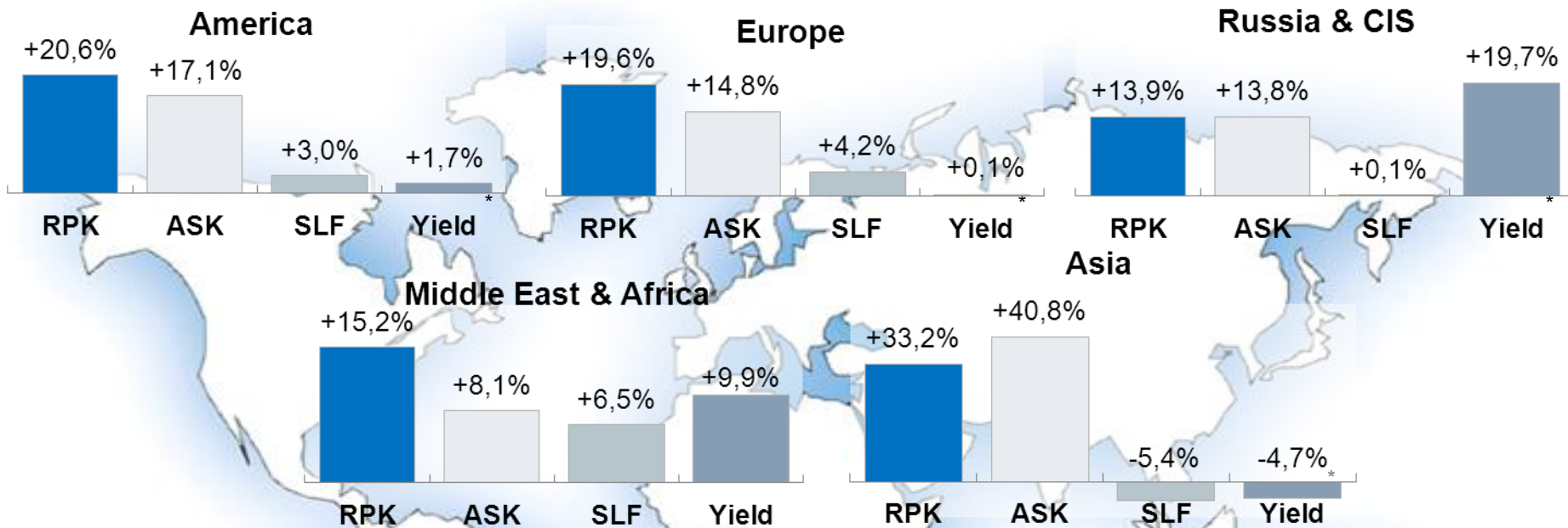


Cargo yield
Cargo revenue / CTK
[US cents / tkm.]



The revenue rates of the Group grew up in the first half of the 2011 reflecting the increased demand for the Aeroflot Group services in the passenger transportation market.

Aeroflot operating indicators dynamic by region (6m2011 to 6m2010)

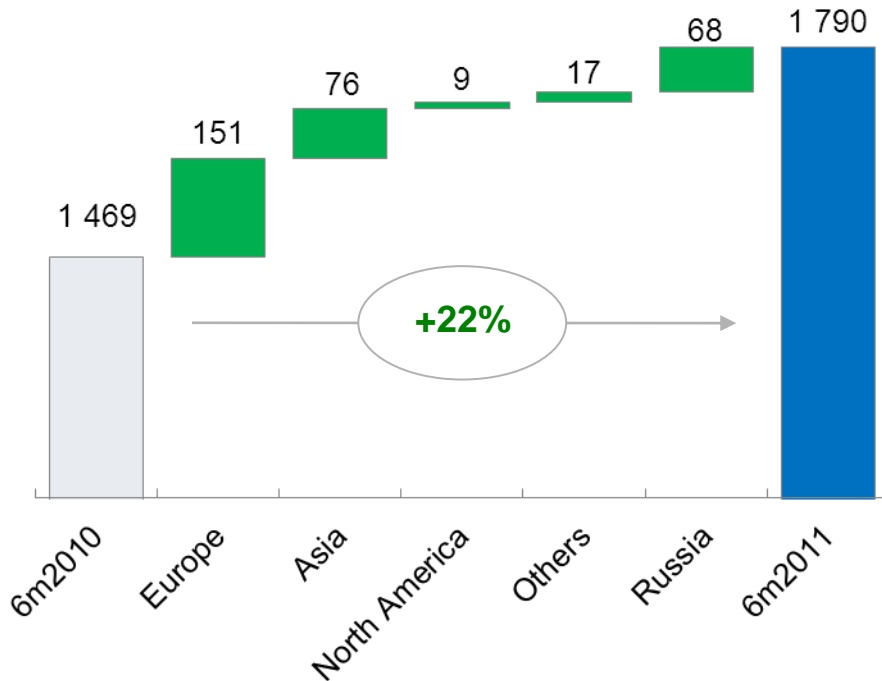


* according to management accounting.

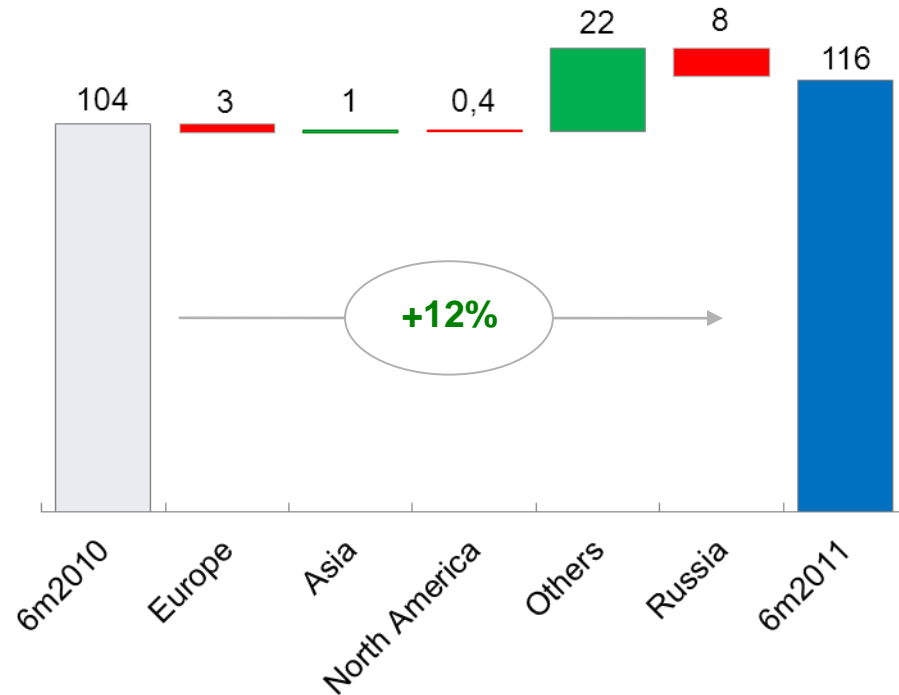
- Following the approved strategy of strengthening its positions in popular tourist directions, Aeroflot significantly increased its long-haul transportation capacities. The largest growth was demonstrated in Asian and American regions.
- Domestic and Asian flights demonstrated the greatest increase in passenger turnover.
- The substantial growth of seat load factor in main directions demonstrates the efficiency of management actions relating improving route network and traffic capacity.

Traffic revenue of Aeroflot Group by regions

Revenue from scheduled passenger carriages
[\$ mln.]



Revenue from scheduled freight carriages
[\$ mln.]



- The substantial growth in revenue from scheduled passenger carriages is observed primarily due to the growing traffic capacity of the Group in Europe, Asia and Russia.
- The increase in revenue from scheduled freight is secured by the growing traffic capacity of the Group in other international directions.

Table of contents

1. Introduction

2. Market position of the Group

3. Operating highlights

4. Financial results

5. Conclusions

6. Appendix

Key financials

Index	unit	JSC "Aeroflot"			Aeroflot Group		
		6m2010	6m2011	vly	6m2010	6m2011	vly
Revenue	\$ mln.	1 650	2 108	28%	1 854	2 344	26%
Operating expenses	\$ mln.	1 481	1 858	25%	1 695	2 139	26%
EBITDAR*	\$ mln.	401	499	24%	437	501	15%
EBITDA**	\$ mln.	254	343	35%	274	331	21%
Operating income	\$ mln.	169	250	48%	159	205	29%
Net income	\$ mln.	98	325	3.3x	18	377	20.9x
EBITDAR margin	%	24%	24%	-	24%	21%	-3 p.p
EBITDA margin	%	15%	16%	+1 p.p.	15%	14%	-1 p.p.

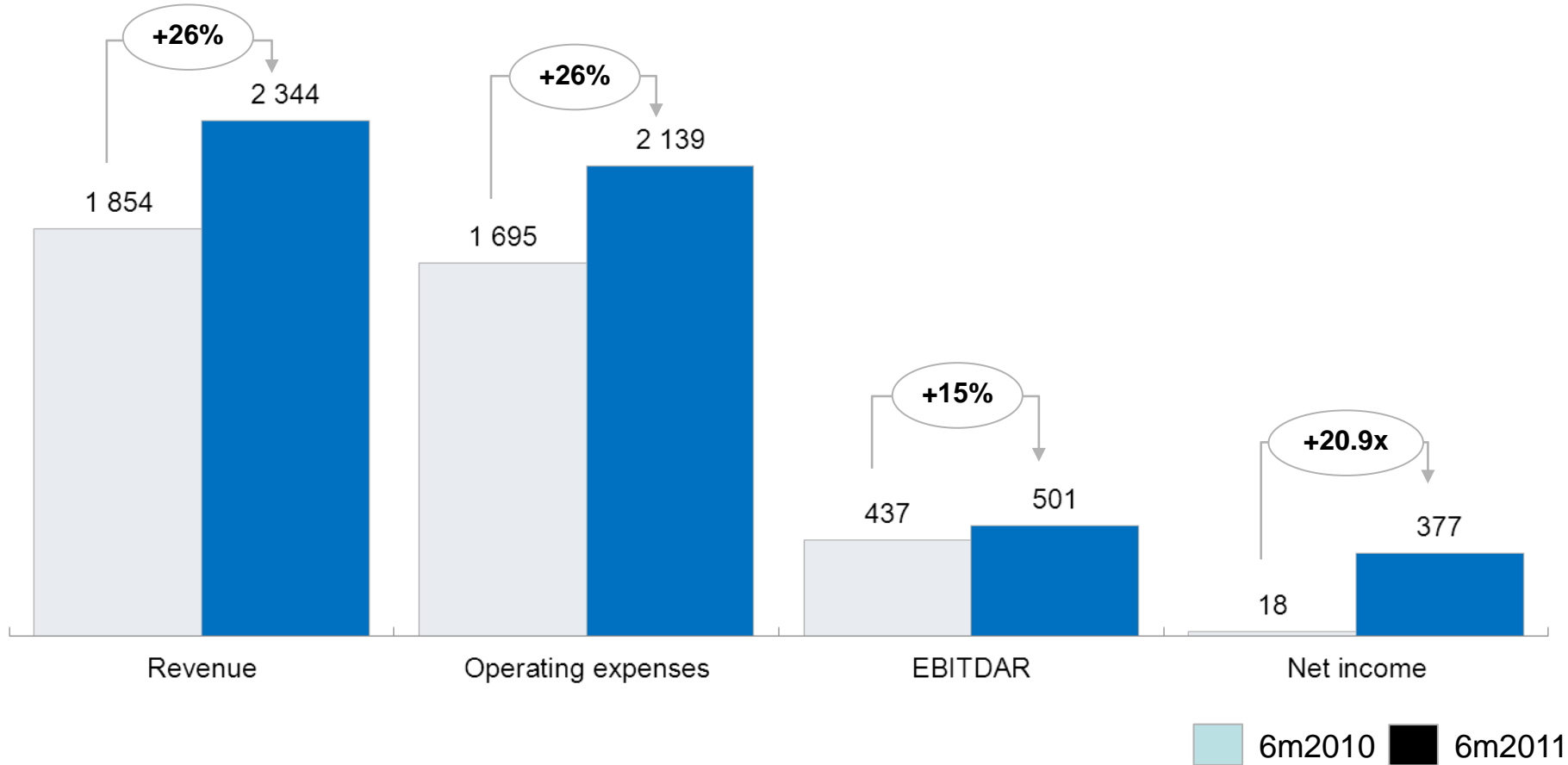
* EBITDAR = EBITDA + Operating lease expenses

** EBITDA = Operating income + Amortization + Custom duties

- EBITDA of JSC "Aeroflot" and Aeroflot Group increased by 35% and 21% respectively.
- EBITDA margin of JSC "Aeroflot" came up from 15% in the first half of 2010 to 16% in the same period of 2011, while the Group's EBITDA margin reduced from 15% to 14%.
- The net income of JSC "Aeroflot" demonstrates 3.3 times' increase, while that of the Group – by 21 times.

Aeroflot Group's financial indicators dynamic

Key financial indicators of the Group
[\$ mln.]

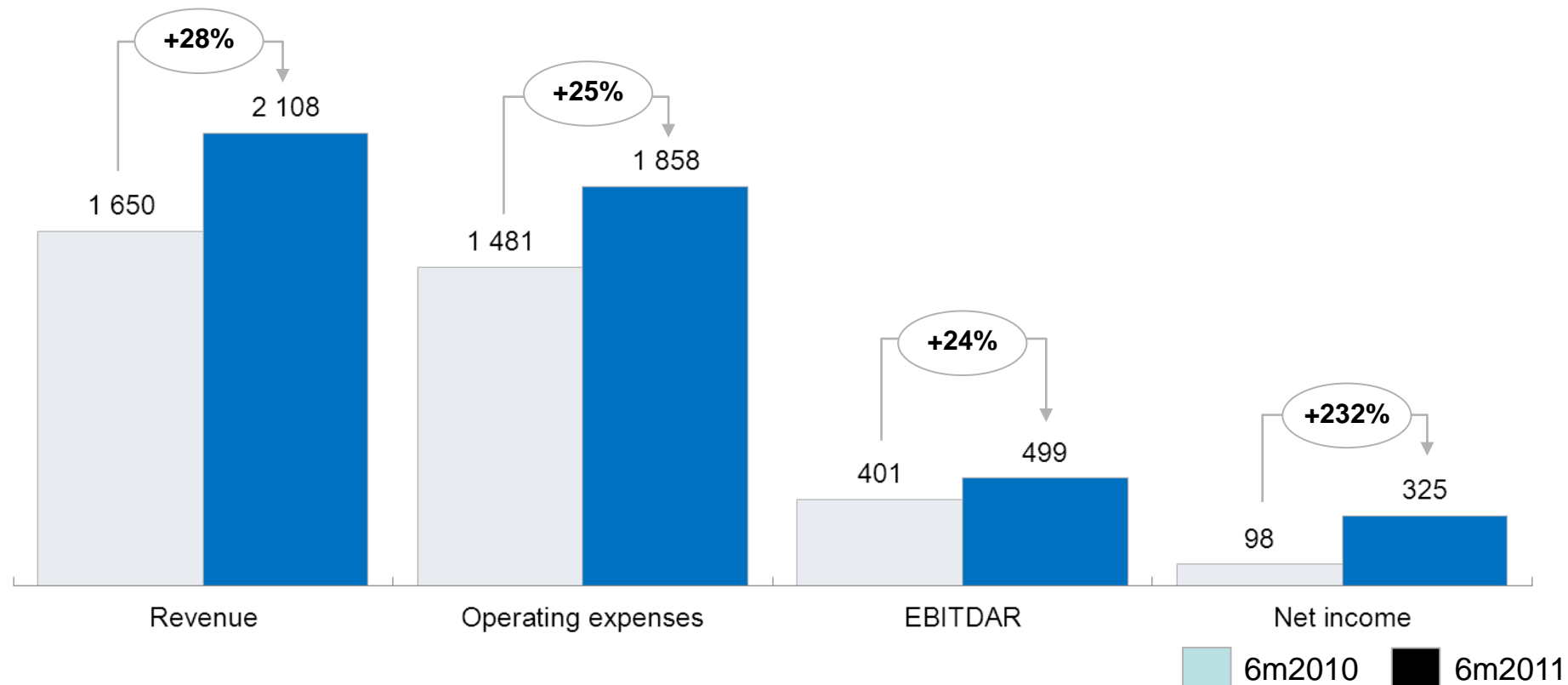


EBITDAR increased by 15%. Net income grew up by 21 times.

Dynamic of the financial indicators of JSC "Aeroflot"

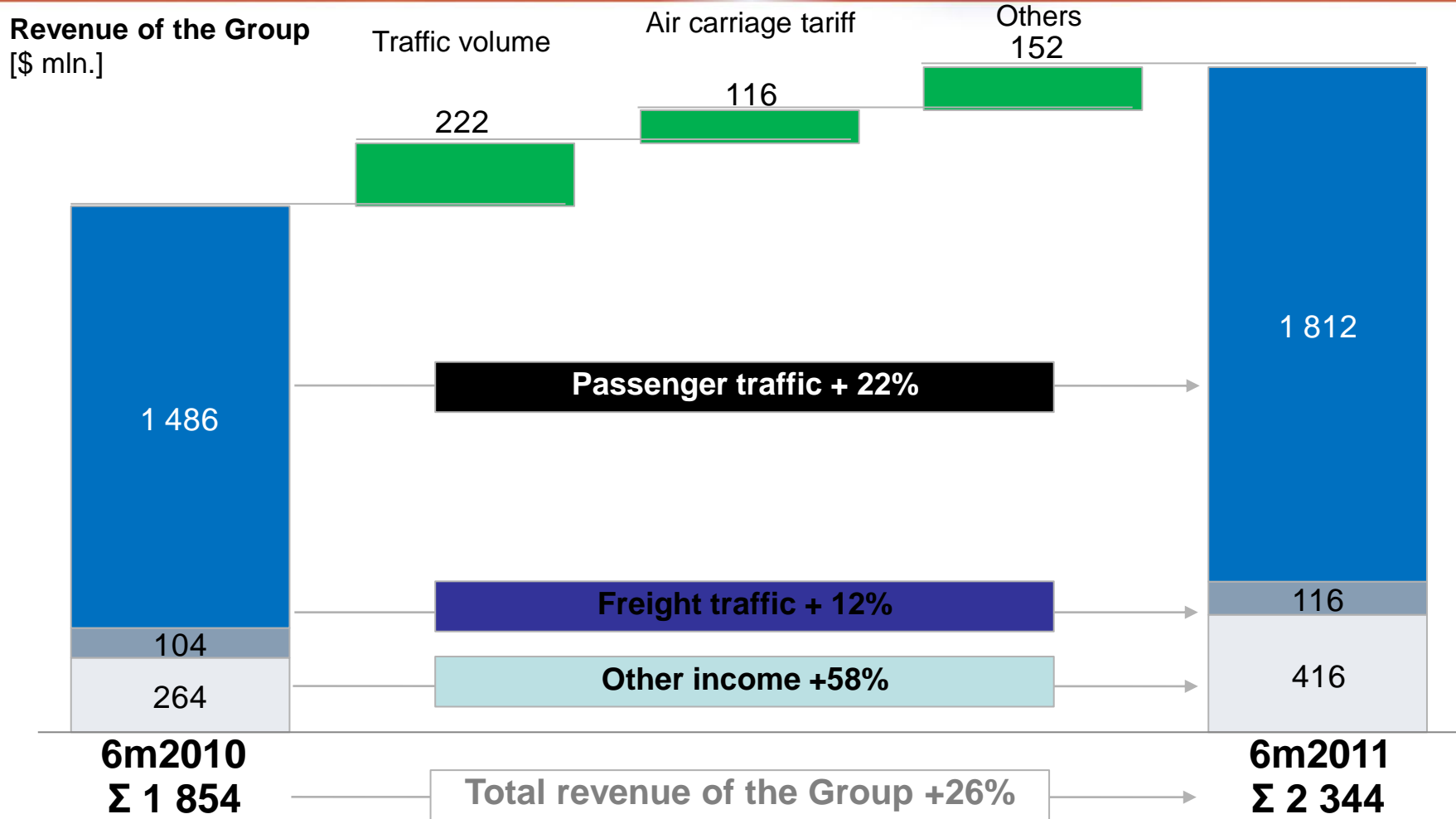
Key financial indicators of JSC "Aeroflot"

[\$ mln.]



- In the first half of 2011 income growth rates of JSC "Aeroflot" exceeded its expense growth rates.
- EBITDAR raised by 24%, while the net income of JSC "Aeroflot" demonstrates 3.3 times increase.

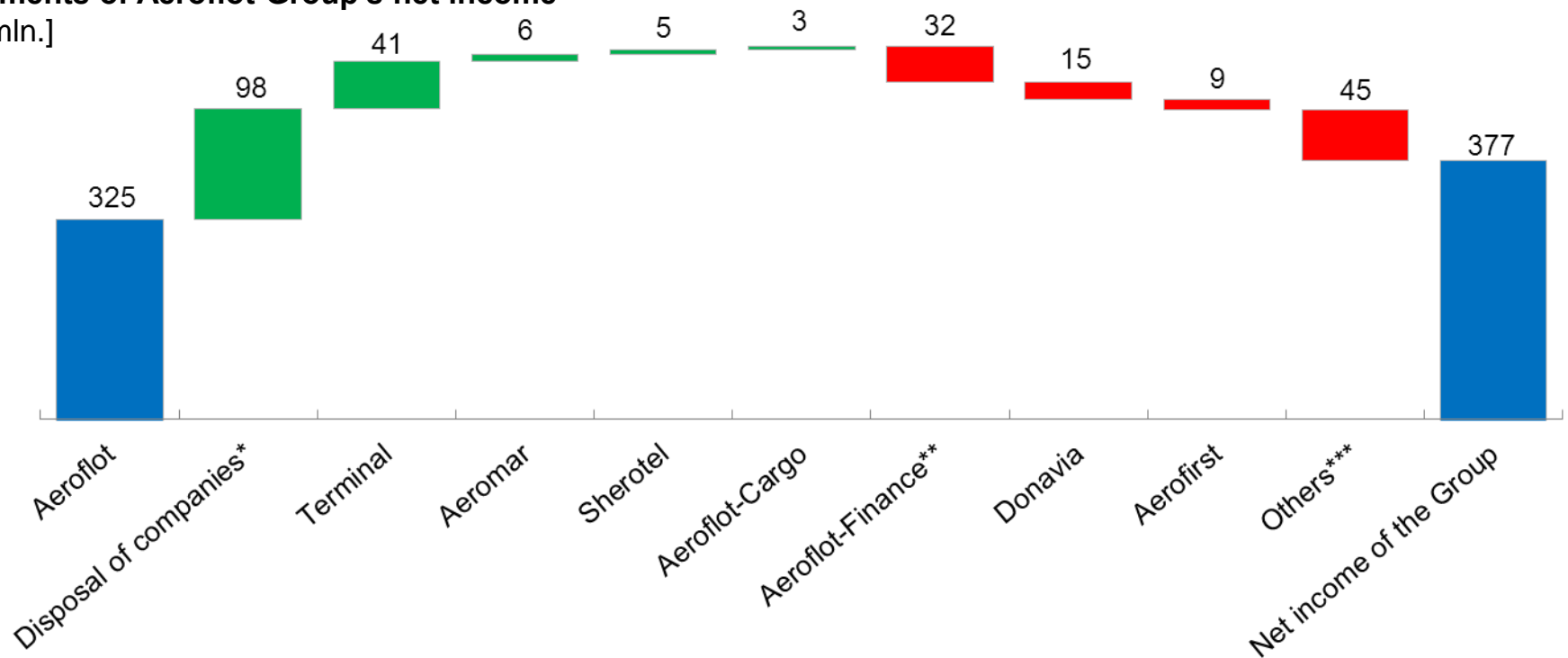
Group's revenue factorial analysis



- The substantial increase in Aeroflot Group's revenue is caused primarily by the growing passenger traffic and other income.
- Other income rose by 58% as a result of Aerofirst consolidation and Terminal's revenue growth.

Structure of the Group's net income

Elements of Aeroflot Group's net income
[\$ mln.]



* Financial result from deconsolidation of accumulated loss from disposal of subsidiaries and associates.

** Essential part of the loss is interest on intercompany loan.

*** Including elimination of intercompany balance .

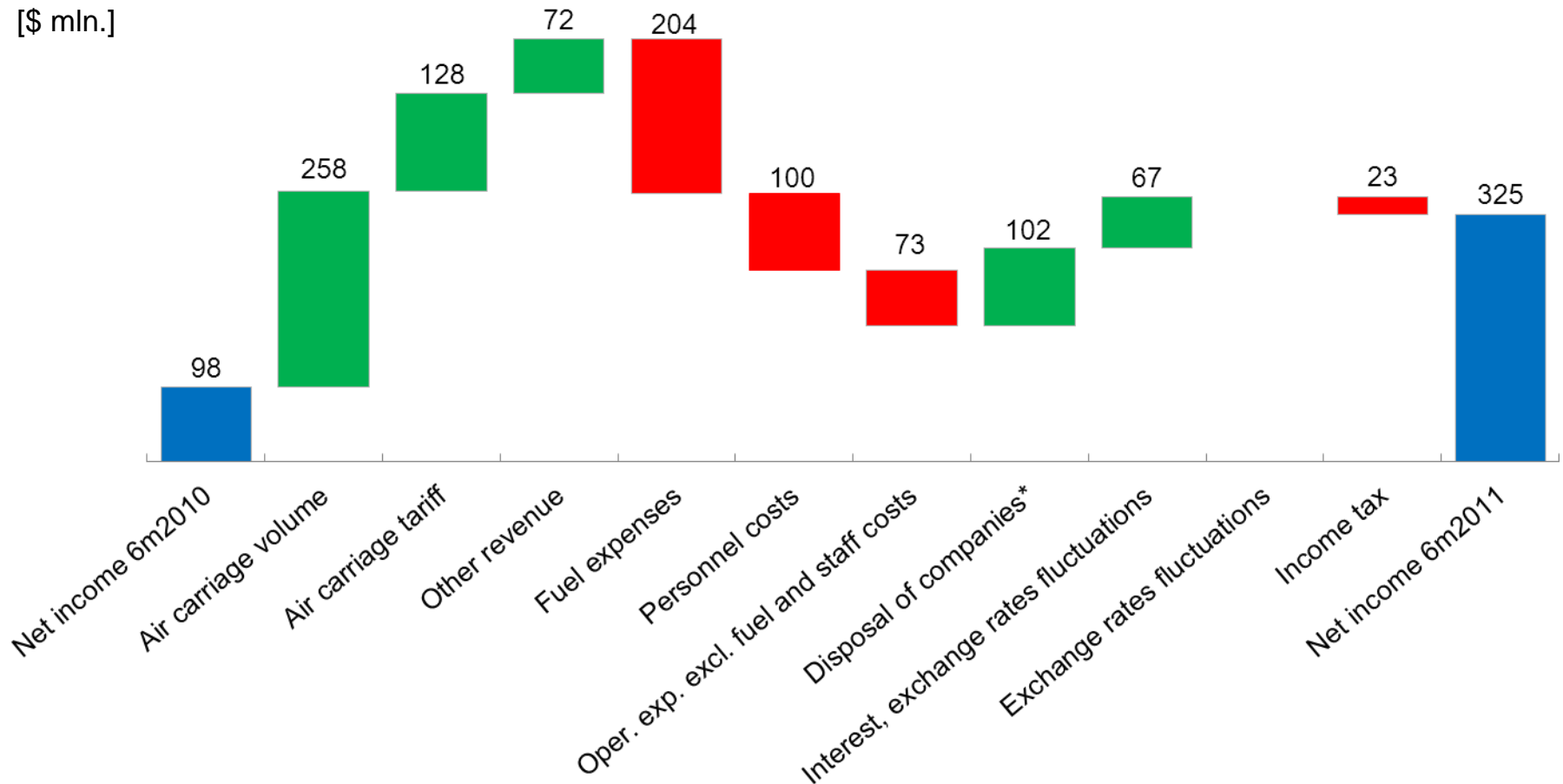
- Financial result of the Group was significantly affected by deconsolidation of the accumulated losses from disposal of subsidiaries and associates.
- JSC "Terminal", subsidiary company, profited after several years of loss-making due to the increase in revenue as well as foreign exchange gains.

Factorial analysis of the net income of JSC “Aeroflot”



Alteration of the net income of JSC ‘Aeroflot’

[\$ mln.]

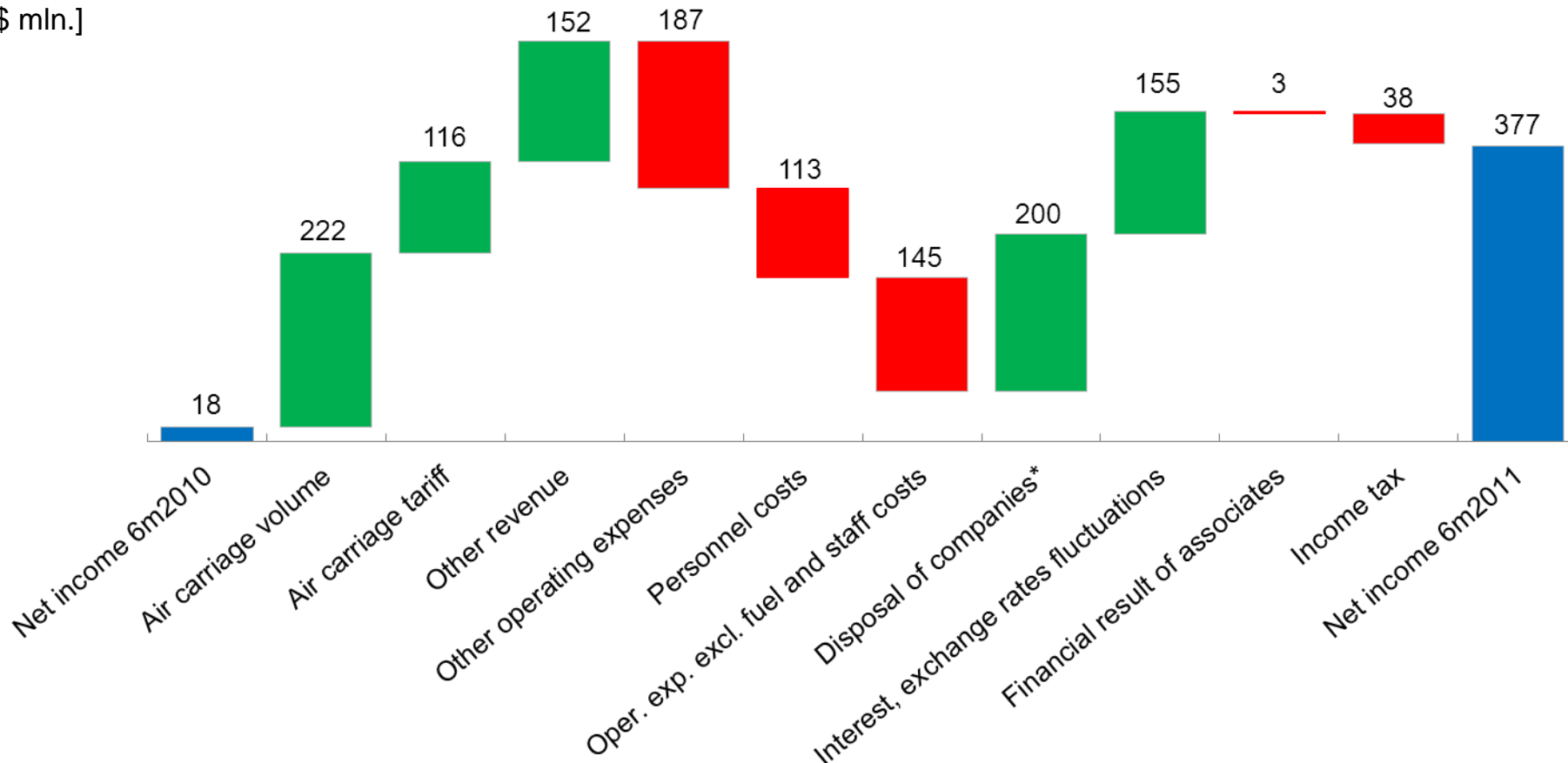


* Profit from disposal of investments in associated and subsidiary.

- The revenue growth due to the raised traffic volumes exceeded the increase in operating expenses.
- The net profit of the Company was positively affected by the sale of Nordavia, "Moscow"²⁷ Insurance Company" and "TZK "Sheremetyevo" companies.

Factorial analysis of the Group's net income (6m2011)

Alteration of the Group's net income
[\$ mln.]

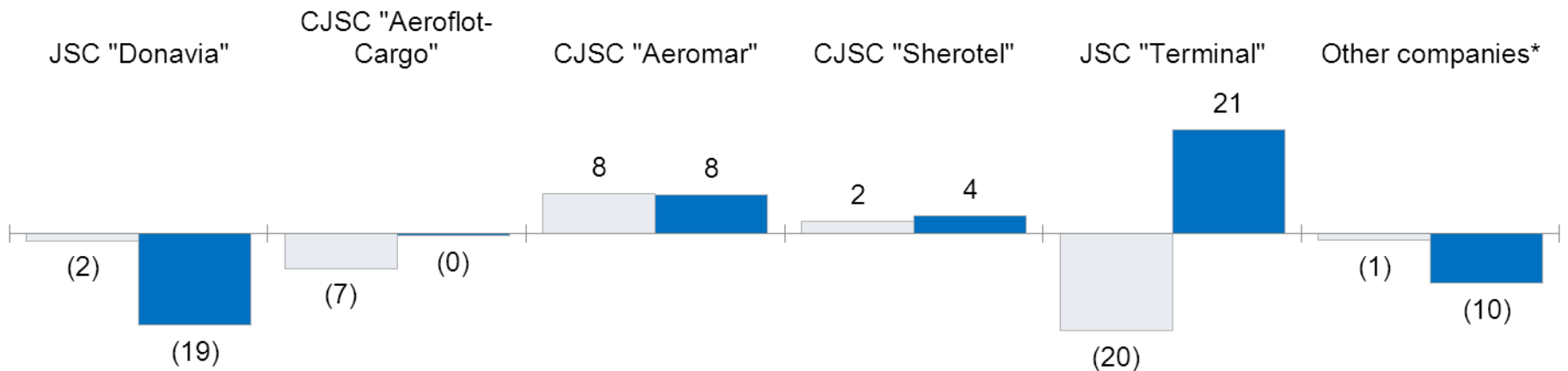


* Includes profit from disposal of investments in associated and subsidiary companies and financial result from disposal of accumulated loss.

- Financial result of the Group was positively affected by the disposal of "Nordavia", "Moscow" Insurance Company" and "TZK "Sheremetyevo" companies.

Operating income of the affiliated companies

Operating income of the affiliated companies [\$ mln.]



* Mainly caused by operating loss of CJSC "Aerofirst".

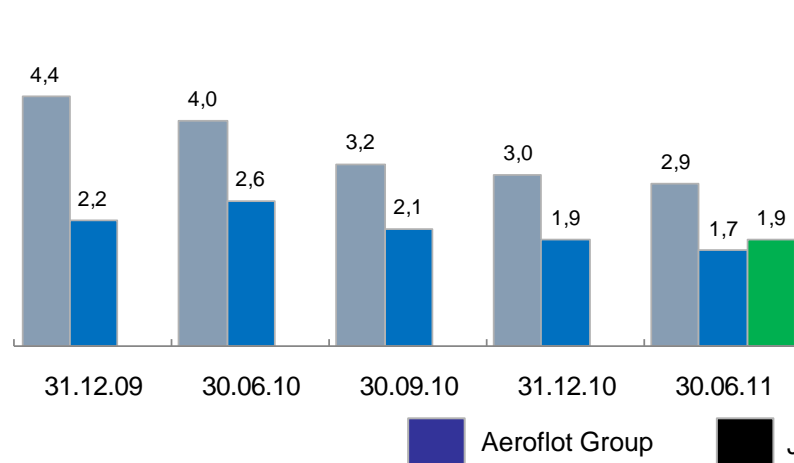
6m2010 6m2011

- The operating expenses of CJSC "Aeroflot-Cargo" were significantly reduced in the first half of 2011, while the operating profit of CJSC "Sherotel" increased.
- As of the end of the first half of 2011 JSC "Terminal" received operating profit.

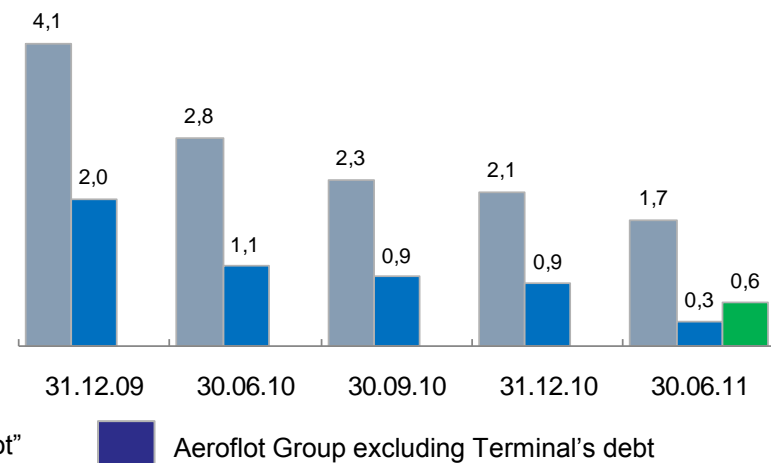
Debt of Aeroflot Group

Index	unit	JSC "Aeroflot"			Aeroflot Group		
		31.12.10	30.06.11	vly	31.12.10	30.06.11	vly
Borrowings	\$ mln.	402	445	11%	1 313	1 387	6%
Finance lease liabilities	\$ mln.	719	764	6%	734	775	6%
Pension liabilities	\$ mln.	14	15	7%	14	15	7%
Custom duties	\$ mln.	89	21	-76%	91	21	-77%
Total debt	\$ mln.	1 224	1 245	2%	2 152	2 198	2%
Cash and short term investments	\$ mln.	668	995	49%	666	883	33%
Net Debt	\$ mln.	556	250	-55%	1 486	1 315	-12%

TOTAL DEBT / EBITDA [x]



NET DEBT / EBITDA [x]



The net debt of JSC "Aeroflot" reduced by 55%, while that of the Group – by 11% due to the deposit addition.

In comparison with European airlines

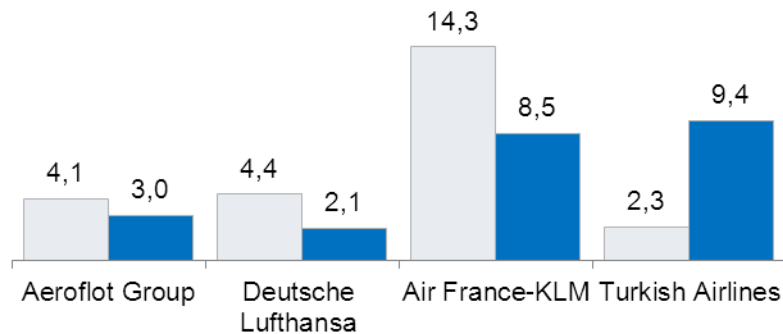
Index	unit	AEROFLOT Russian Airlines			Lufthansa			AIRFRANCE KLM			TURKISH AIRLINES		
		6m2010	6m2011	vly	6m2010	6m2011	vly	6m2010*	6m2011*	vly	6m2010	6m2011	vl
Financial indicators													
Revenue	\$ mln.	1 854	2 344	26%	16 712	19 791	18%	14 233	16 246	14%	2 453	3 121	27%
EBITDA**	\$ mln.	250	312	25%	884	1 444	63%	221	387	75%	195	22	-89%
Net income	\$ mln.	18	377	1994%	-165	-261	-58%	-19	-786	-	182	-351	-293%
Total Debt***	\$ mln.	2 015	2 163	7%	9 022	9 069	1%	14 010	15 354	10%	1687	4067	141%
Operating indicators													
Passenger turnover	bln.pkm	17	20	18%	89	97	9%	96	102	6%	22	26	18%
Available seat kilometers	bln.ask	23	27	17%	115	129	12%	120	128	7%	30	38	27%
Seat load factor	%	75%	75%	-	77%	75%	-2%	80%	80%	-	72%	69%	-3%

* Financial and operating indicators Финансовые и операционные показатели за период с 1 января по 30 июня

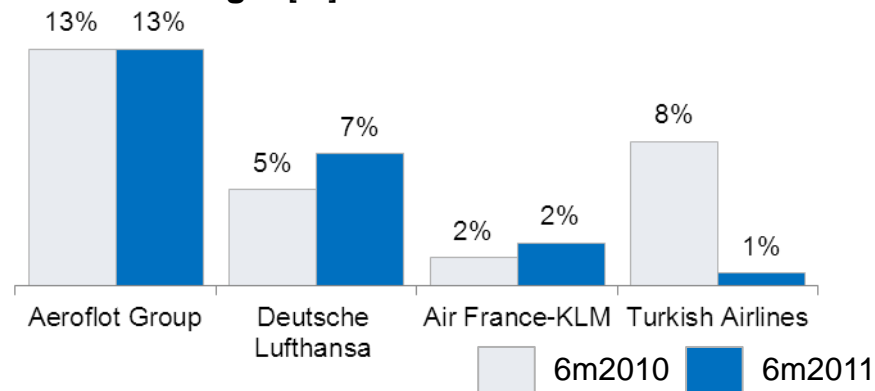
** EBITDA = Operating income + Amortization

*** Total Debt = Borrowings + Financial lease liabilities

DEBT / EBITDA [x]



EBITDA margin [%]



- Revenue of the Group increased by 26%, exceeding the performance of major European airlines. Moreover, Aeroflot Group demonstrates one of the highest EBITDA margin.
- Growth rates of the Group's operating indices exceed those of numerous major European companies.

Table of contents

1.Introduction

2.Market position of the Group

3.Operating highlights

4.Financial results

5.Conclusions

6.Appendix

- The six months of 2011 resulted in growth of main operating indicators. The actions taken to refine the route network as well as wise revenue rate management speeded up the operating and financial growth in the first half of 2011.
- Revenue of Aeroflot and the Group rose by 28% and 26% respectively. Aeroflot's EBITDA rose by 35%, EBITDA of the Group – by 21%. The net profit of JSC "Aeroflot" demonstrates 3.3 times' increase, while that of the Group – 21 times.
- The net debt of JSC "Aeroflot" and the Group reduced by 55% and 11% respectively.
- EBITDA margin of JSC "Aeroflot" increased from 15% in the first half of 2010 to 16% in the same period of 2011, while the Group's EBITDA margin was reduced from 15% to 14%.

Table of contents

1. Introduction

2. Market position of the Group

3. Operating highlights

4. Financial results

5. Conclusions

6. Appendix

Operating indicators

Indicator	unit	JSC "Aeroflot"			Aeroflot Group		
		6m2010	6m2011	vly	6m2010	6m2011	vly
Passenger turnover	mln.pkm	15,630	18,853	21%	17,470	20,174	15%
international flights		10,672	13,236	24%	11,293	13,590	20%
domestic flights		4,958	5,616	13%	6,176	6,584	7%
Passenger capacity	mln.ask	20,842	24,978	20%	23,321	26,980	16%
international flights		14,436	17,639	22%	15,181	18,133	19%
domestic flights		6,406	7,339	15%	8,140	8,847	9%
Cargo tonne	mln.tkm	1,843	2,098	14%	2,013	2,221	10%
international flights		1,304	1,511	16%	1,360	1,543	13%
domestic flights		539	587	9%	653	678	4%
Passenger traffic	ths.pers.	5,102	6,240	22%	6,282	7,162	14%
international flights		3,204	3,949	23%	3,503	4,137	18%
domestic flights		1,898	2,291	21%	2,779	3,024	9%
Cargo / Mail	tonne	76,035	71,517	-6%	79,018	74,625	-6%
international flights		57,565	54,292	-6%	57,754	54,456	-6%
domestic flights		18,471	17,225	-7%	21,264	20,169	-5%
Seat load factor	%	75.0%	75.5%	+0.5 p.p.	74.9%	74.8%	-0.1 p.p.
international flights		73.9%	75.0%	+1.1 p.p.	74.4%	74.9%	+0.5 p.p.
domestic flights		77.4%	76.5%	-0.9 p.p.	75.9%	74.4%	-1.5 p.p.
Flight hours	hours	153,834	182,168	18%	184,668	210,984	14%

At the end of the first half of 2011 Aeroflot demonstrated positive dynamic in major operating indices compared to the same period of 2010.