

Aeroflot Group Consolidated financials (IFRS) 9M2011

Moscow

December 20, 2011

Speaker:

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Deputy Director General

Finance and investments

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Key highlights for the 9 month 2011



- November 15, 2011 JSC “Aeroflot” completed the transaction of receiving airlines owned by State Corporation “Russian Technologies”. LLC “Aeroflot-Finance” received stakes in JSC “Vladivostok Avia” (52.156%), JSC “Saratov Airlines” (51%), JSC “SAT Airlines” (100%), JSC “Rossiya Airlines”(75% minus 1 share) , JSC “Orenburg Airlines” (100%) in exchange for 3.55% stake of charter capital of JSC “Aeroflot – Russian Airlines”.
- Aeroflot received the award «Russian Business Travel & MICE Award» in category «Best company for business travelers». «Russian Business Travel & MICE Award» is an annual award established by Business Travel magazine and internet portal Conference.ru.
- Aeroflot was awarded by SAP Company for best implementation SAP’s products in transport sector. SAP ERP system has been implementing in JSC ‘Aeroflot’ since 2009.
- According to the rating of the Boston Consulting Group (BCG) – the world leader in operating consulting and business strategy developing, JSC “Aeroflot” took seventh place among top ten transport and tourist companies. Pursuant to the research total shareholder return, volume of sales, margin performed certain growth in recent years.
- Aeroflot took first place in roadmap of innovation development award “ROADMAP 2011”. Aeroflot’s innovation projects are carried out in cooperation with relevant universities, scientific organizations and entities of small and medium business.

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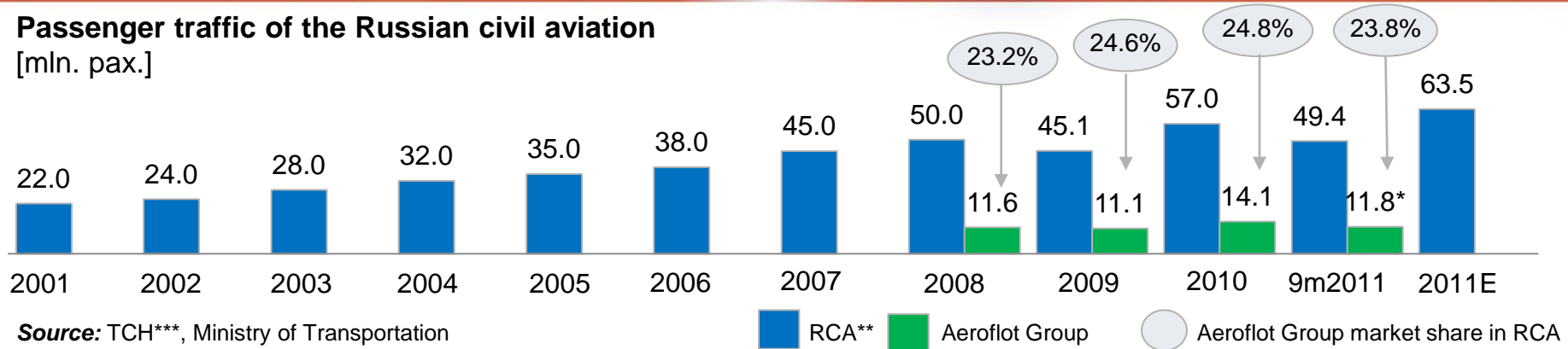
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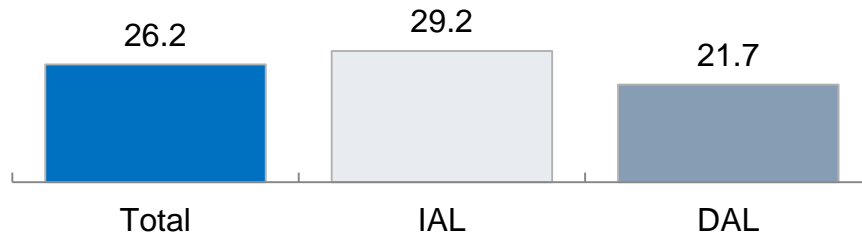
Russian air transportation market



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



Market share of the Group for 9m2011 [% of passenger turnover]

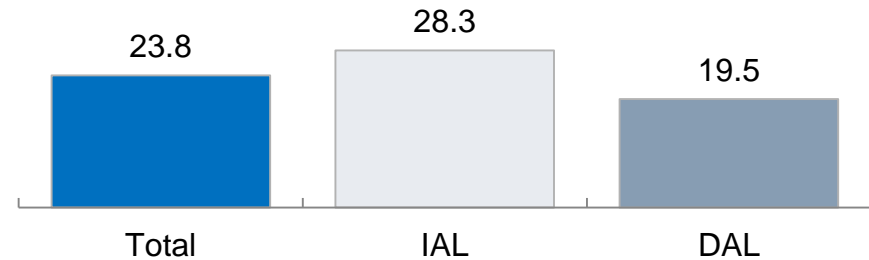


Source: TCH

*RCA – Russian civil aviation

**Transport Clearing House

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



Source: TCH

IAL – International airlines

DAL – Domestic airlines

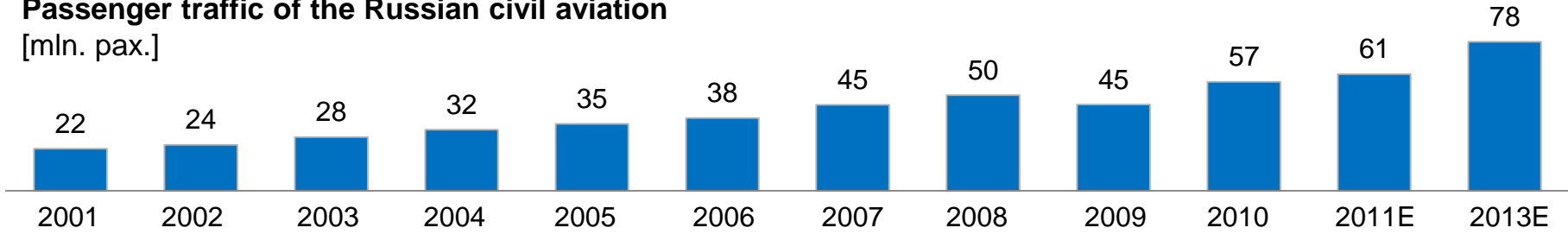
* Passenger traffic of the Group includes passengers carried by Aeroflot, Donavia for 9m2011 and by Nordavia as of 10.06.2011.

- At the end of 9 months of 2011 the share of Aeroflot Group in RCA amounted for 23,8%
- According to the Ministry of Transportation the estimated passenger traffic of RCA will reach about 63.5 million people, which is 11% more than in 2010

Development potential of the Russian air transportation market

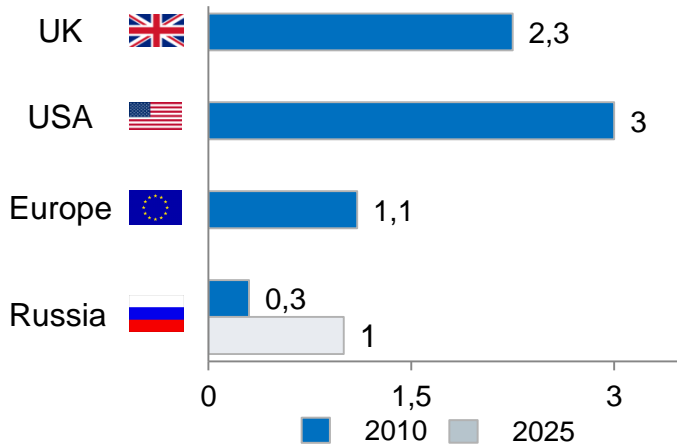


Passenger traffic of the Russian civil aviation
[mln. pax.]



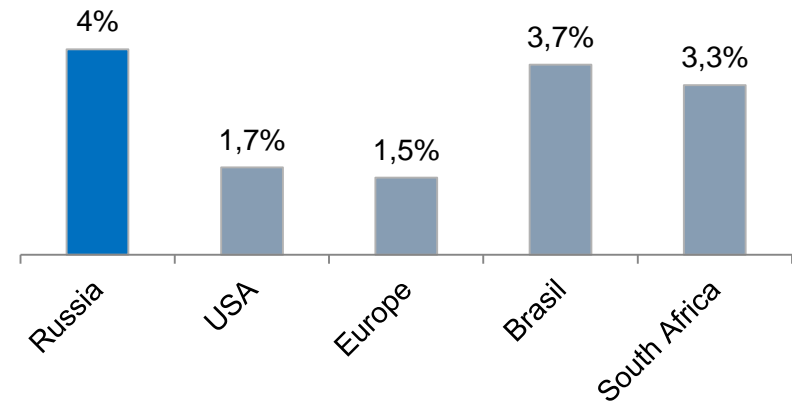
Source: TCH, Ministry of Transportation

Trips per capita



Source: IMF, Ministry of Transport of the Russian Federation

GDP Growth Projections for 2011
[%]

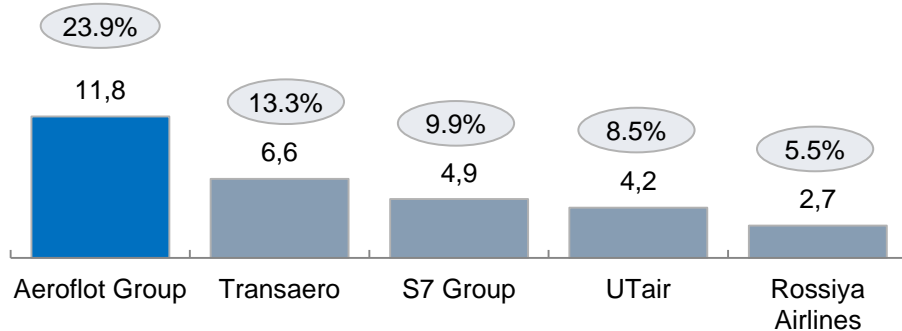


Source: Bloomberg

- The Russian air transportation market has a significant growth potential due to forecasted GDP increase, which exceeds other countries' expectations
- As per Ministry of transportation the estimated mobility index could reach the same level as this of EU countries by 2025

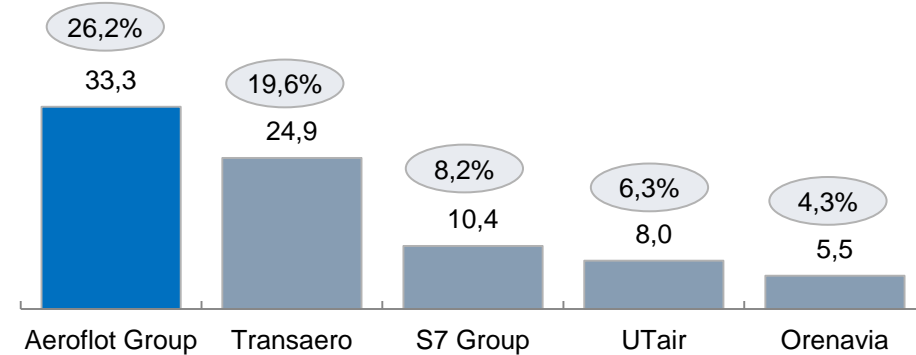
Market position of the Group

Passenger traffic [mln.pax.]




Source: TCH

Passenger turnover [bln.pkm.]

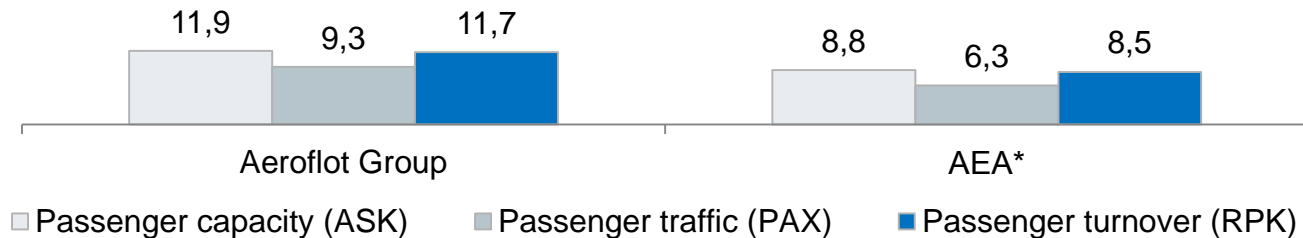


Source: TCH

 Share in RCA

Growth rates of basic operating indicators

[%, 9m2011 to 9m2010]



Source: AEA, estimates of Aeroflot

* AEA – Association of European Airlines (scheduled flights data)

- Aeroflot is the leader of the Russian Civil Aviation
- The growth pace in operational performance of Aeroflot Group exceeds the dynamics of Association of European Airlines

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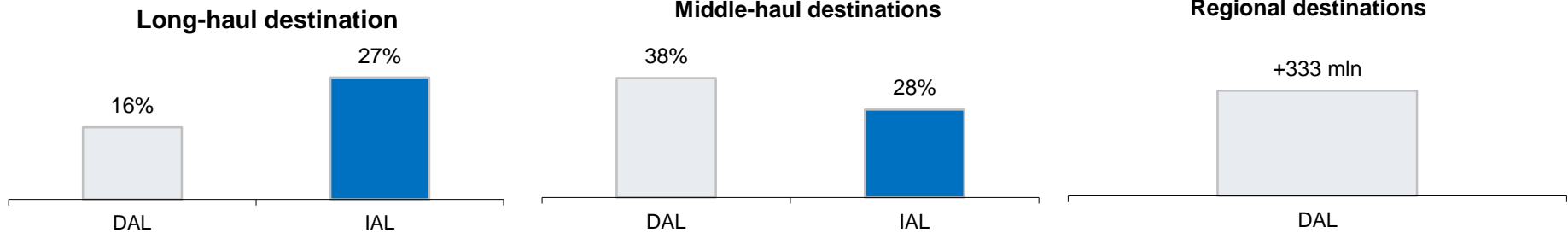
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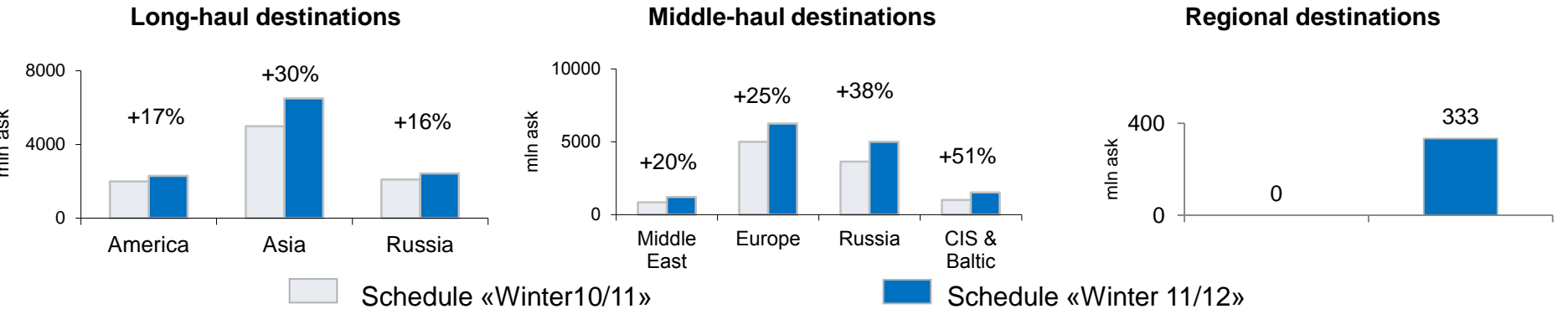
Route network – schedule for winter 2011/2012



Planned ASK increasing according to the winter schedule 2011/2012



ASK increasing break-down by regions in the winter schedule 2011/2012



- From January till September of 2011 Aeroflot operated its own flights to 127 destinations in 54 countries
- Apart from the flights of its own from Sheremetyevo Airport, the Company operates 134 flights under code sharing agreements
- The transit passenger traffic of the Company increased by 19% during the nine months of 2011 compared to the same period of 2010 and amounted to 3.93 million passengers, or 34.7% of the total passenger traffic volume of the company

Fleet of the Group as of 30.09.11



Type of aircraft	Aeroflot	Donavia	Total
Ilyushin Il-86	1*		1
Ilyushin Il-96-300	6		6
Tupolev Tu-154		1*	1
Total number of aircraft owned	7	1	8
Airbus A-319	4		4
Airbus A-320	1		1
Airbus A-321	18		18
Airbus A-330	2		2
Boeing 737		5	5
Total number of aircraft under finance lease	25	5	30
Airbus A-319	11		11
Airbus A-320	42		42
Airbus A-330	10		10
Boeing B-737		5	5
Boeing B-767	9		9
McDonnell Douglas MD-11	3		3
SSJ 100	2		2
Total number of aircraft under operating lease	77	5	82
Total number of aircraft	109	11	120

* As of 30.09.2011 operation of this aircraft was terminated

- The operated fleet includes mainly modern fuel-efficient aircraft. As of the end of September 2011 69% of the Group's aircraft were under operating lease agreements, 25% – under financial lease agreements
- The average age of Aeroflot's aircraft in operation is 5,2 years

Order and phase off plan of JSC “Aeroflot”



Delivery schedule in accordance with contracts in force

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

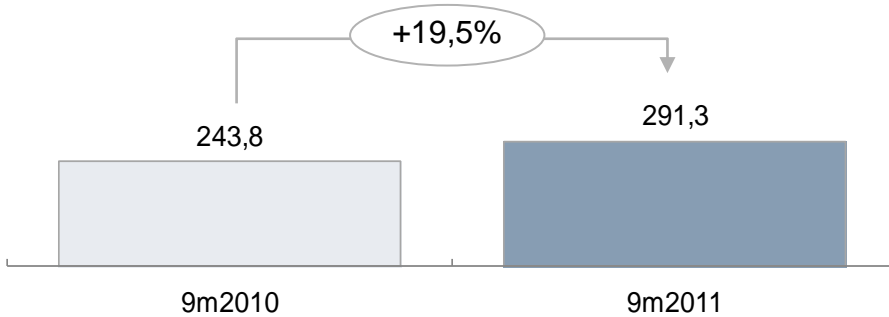
Phase off schedule of aircraft

Type of aircraft	2011
Medium-haul	
Il-86	1
TOTAL	1

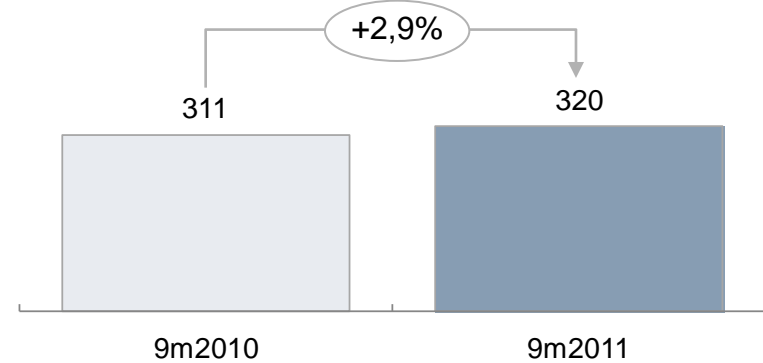
By the year 2015 Aeroflot is planning to replenish its fleet with 87 modern aircraft.

Fleet efficiency of JSC “Aeroflot”

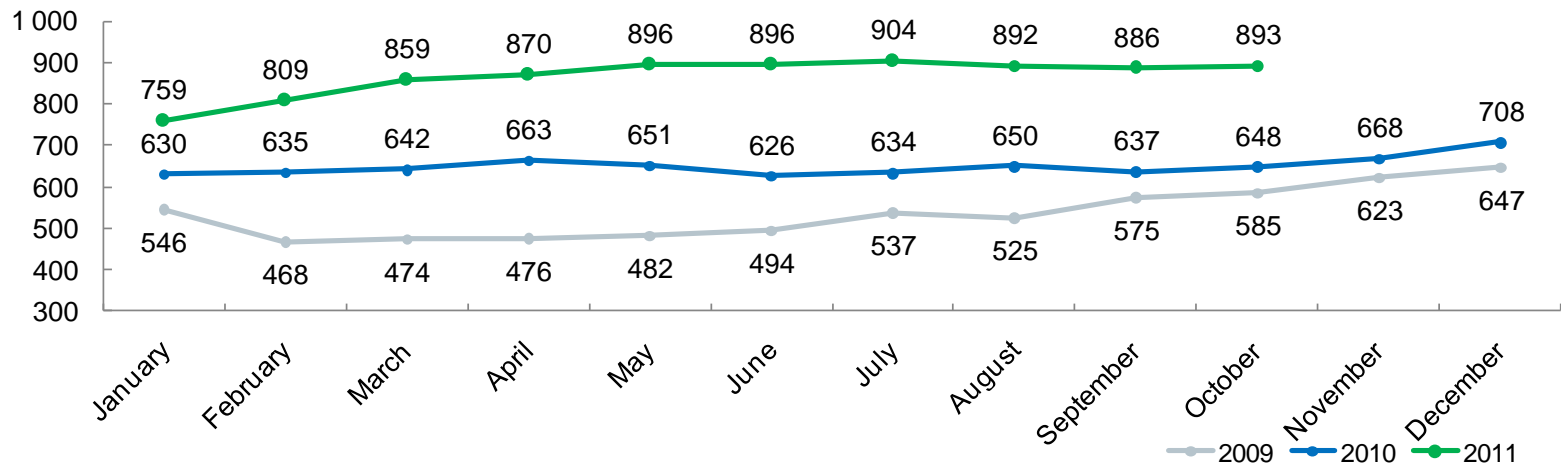
Flight hours [ths.hours]



Specific fuel consumption [gr/tnkm]



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



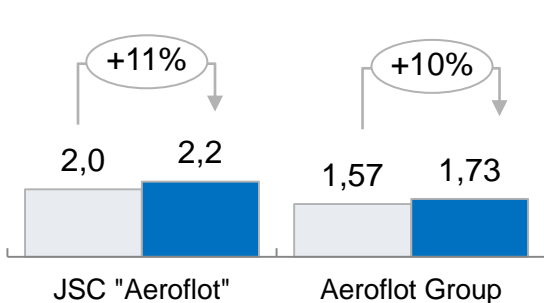
- In the nine months of 2011 the Company increased its flight hours by 19.5% compared to the same period in 2010
- Fuel consumption per ton-km rose insignificantly by 2.9% year-on-year as a result of reduction in the average flight distance due to increased operations on domestic flights

Headcount and labor productivity

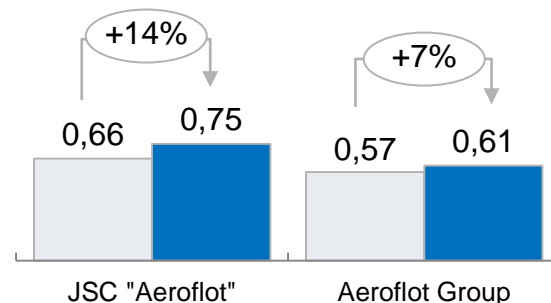
Headcount	30.09.10	30.09.11	vly
Aeroflot	14 001	15 171	8%
Aeromar	2 079	2 262	9%
Donavia	1 470	1 090	-26%
Nordavia	1 344	0*	-100%
Terminal	721	681	-6%
Aerofirst	465	388	-17%
Sherotel	283	278	-2%
Aerofot-Finance	2	4	100%
TOTAL	20 365	19 874	-2%

Labor productivity

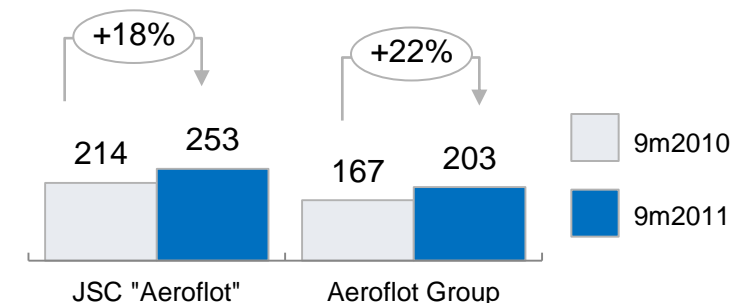
Passenger turnover/Average headcount
[mln.pkm/ units]



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



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



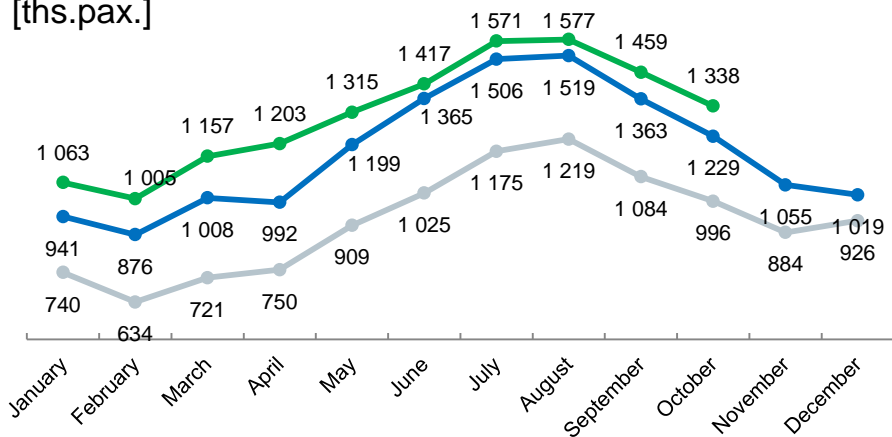
* Headcount of CJSC "Nordavia" as of 31.05.2011 totaled 1 351

- The labor productivity of JSC "Aeroflot" and Aeroflot Group performed growth of in the nine months of 2011
- The headcount of JSC "Aeroflot" increased by 8% due to the enhanced cabin crew on the back of growing aircraft fleet and number of work done

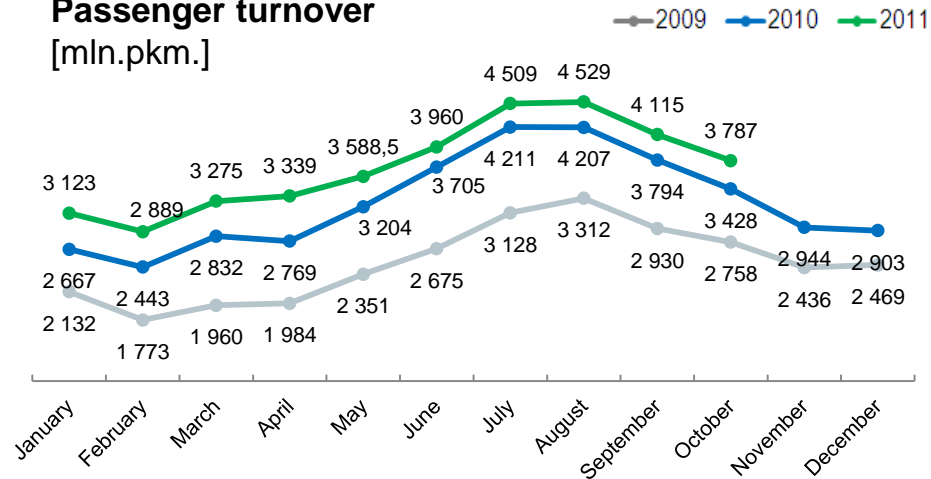
Operating indicators of Aeroflot Group



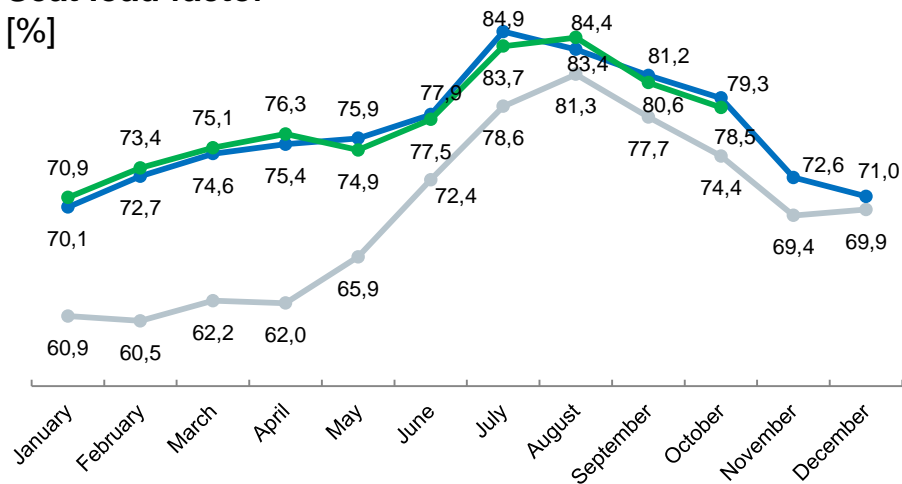
Passenger traffic
[ths.pax.]



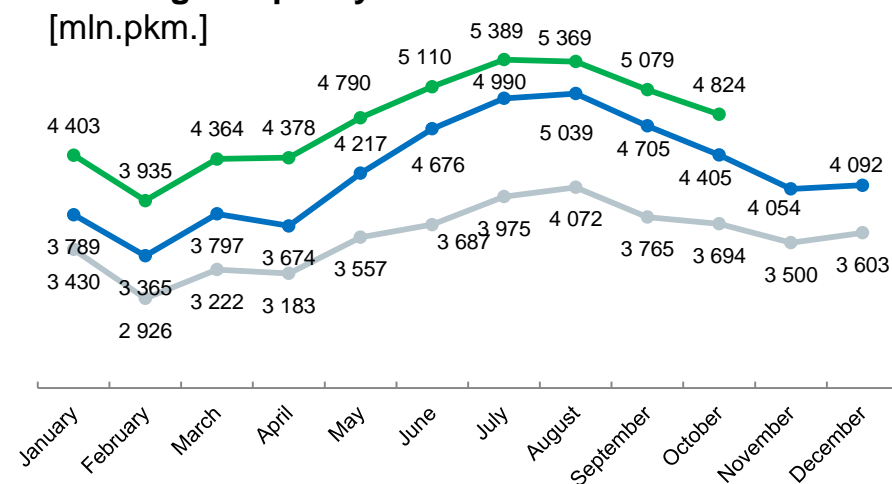
Passenger turnover
[mln.pkm.]



Seat load factor
[%]



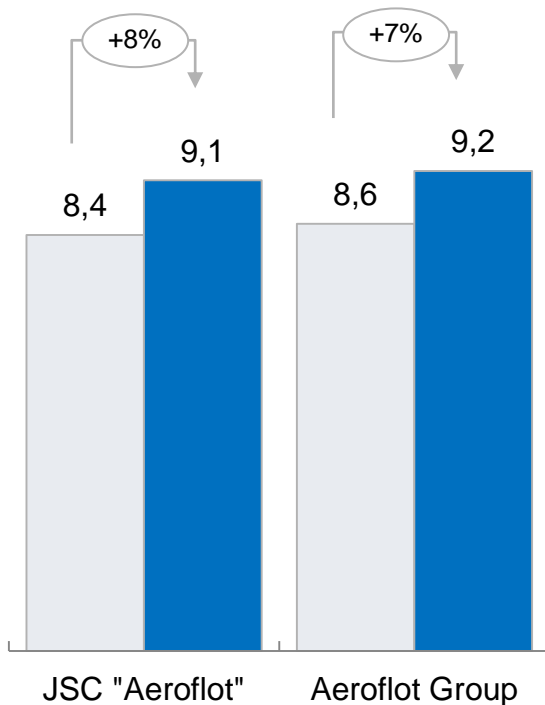
Passenger capacity
[mln.pkm.]



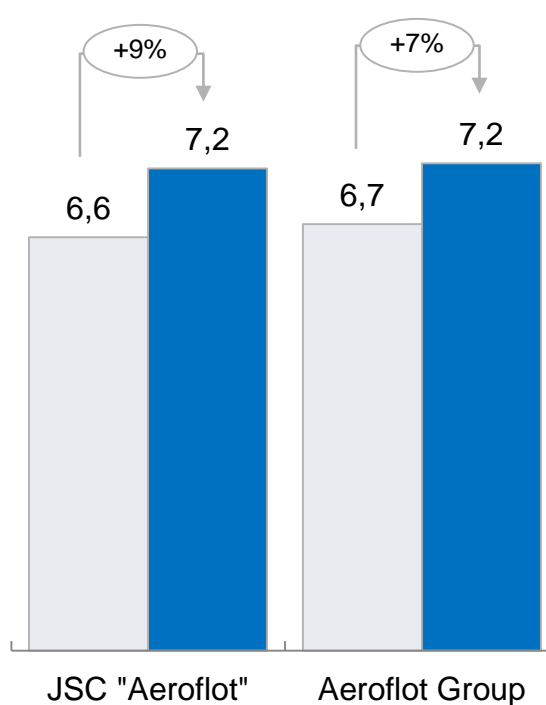
- In spite of the sale of CJSC "Nordavia" in June 2011, the majority of operational performance measures are higher than the previous years indicators
- Minor arrears in the seat load factor compared to 2010 could be explained by introduction of new long-haul transportation and, consequently, by increasing passenger capacity

Revenue rates

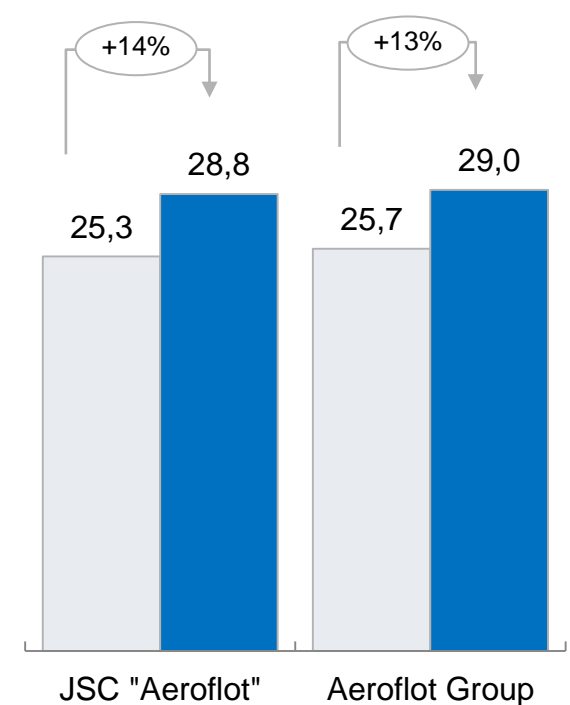
Yield
PAX revenue / RPK
[US cents / pkm.]



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



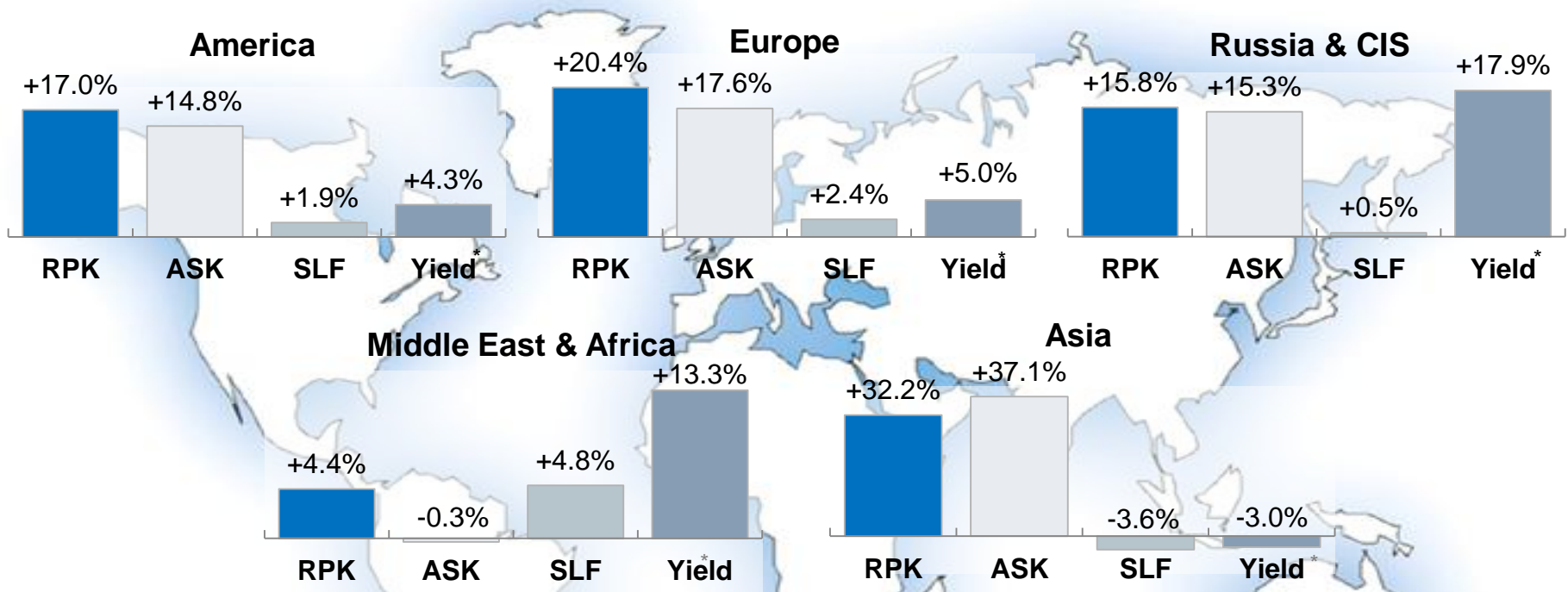
Cargo yield
Cargo revenue / CTK
[US cents / tkm.]



The revenue rates of the Group grew up in the nine months of 2011 reflecting the increased demand for Aeroflot Group services in the passenger transportation market

JSC "Aeroflot" operating indicators dynamic by region

[%, 9m2011 vs 9m2010]

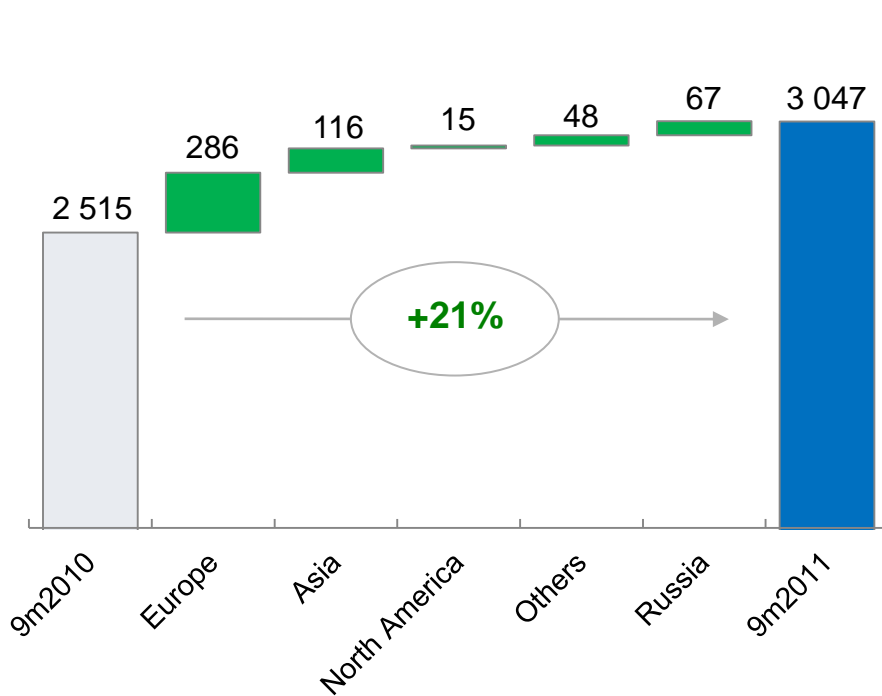


* according to management accounting.

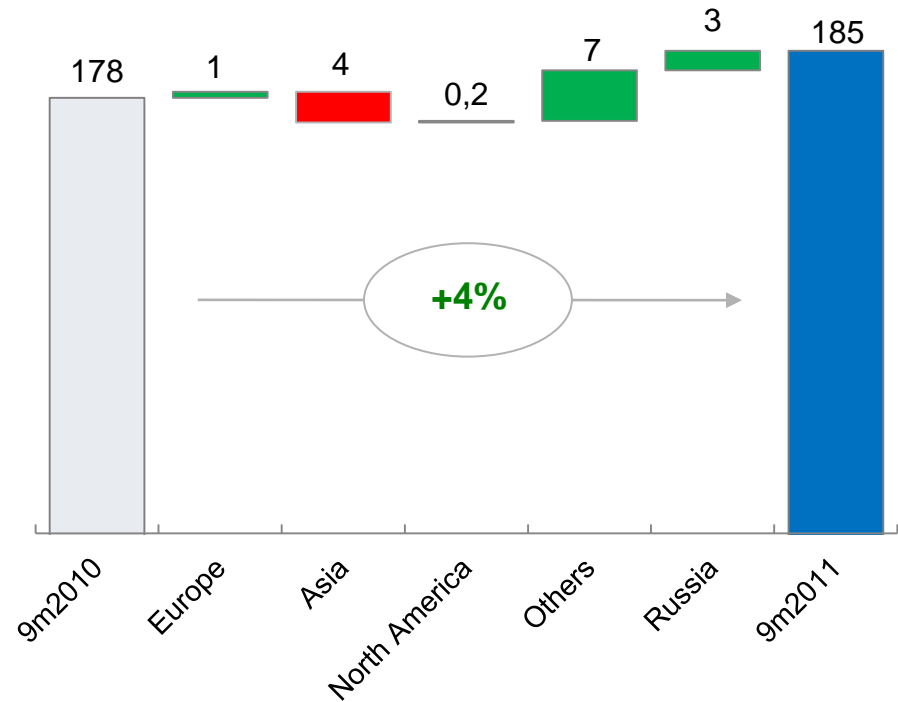
- Following the approved strategy of strengthening positions on the popular tourist directions, Aeroflot significantly increased its long-haul transportation capacities. The largest growth was demonstrated in Europe, Asia, Russia and CIS
- Growth rates of passenger capacity temporarily exceeds the passenger turnover as a result of growing presence in the Asian market

Traffic revenue of Aeroflot Group by region

Revenue from regular passengers carriages
[\$ mln.]



Revenue from regular cargo carriages
[\$ mln.]



The substantial growth in revenue from scheduled passenger carriages is observed primarily due to the growing traffic capacity of the Group in Asia, Europe and Russia

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Key financials



Index	unit	JSC "Aeroflot"			Aeroflot Group		
		9m2010	9m2011	vly	9m2010	9m2011	vly
Revenue	\$ mln.	2 793	3 560	27%	3 160	3 919	24%
Operating costs	\$ mln.	2 335	3 031	30%	2 692	3 455	28%
EBITDAR*	\$ mln.	808	910	13%	888	912	3%
EBITDA**	\$ mln.	585	668	14%	641	653	2%
Operating income	\$ mln.	458	529	16%	468	464	-1%
Net income	\$ mln.	350	472	35%	281	384	37%
EBITDAR margin	%	29%	26%	-3 p.p.	28%	23%	-5 p.p.
EBITDA margin	%	21%	19%	-2 p.p.	20%	17%	-3 p.p.

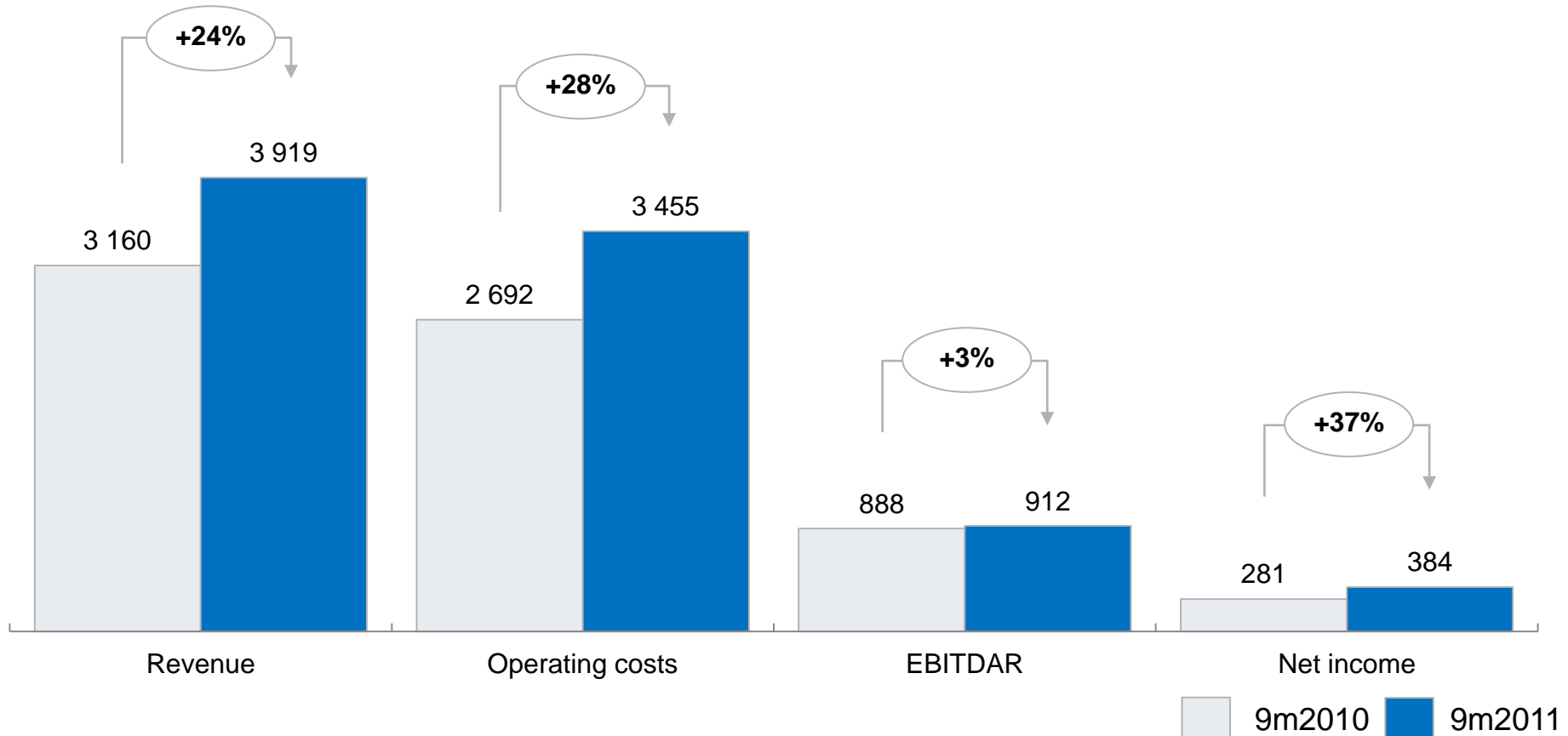
* EBITDAR = EBITDA + Operating lease expenses

** EBITDA = Operating income + Amortization + Custom duties

- The revenue of JSC "Aeroflot" increased by 27% and the operating profit by 16%
- EBITDA of JSC "Aeroflot" and Aeroflot Group went up by 14% and 2% respectively
- The net income of JSC "Aeroflot" grew by 35%, while that of the Group – by 37%

Aeroflot Group's financial indicators dynamic

Key financial indicators of the Group
[\$ mln]

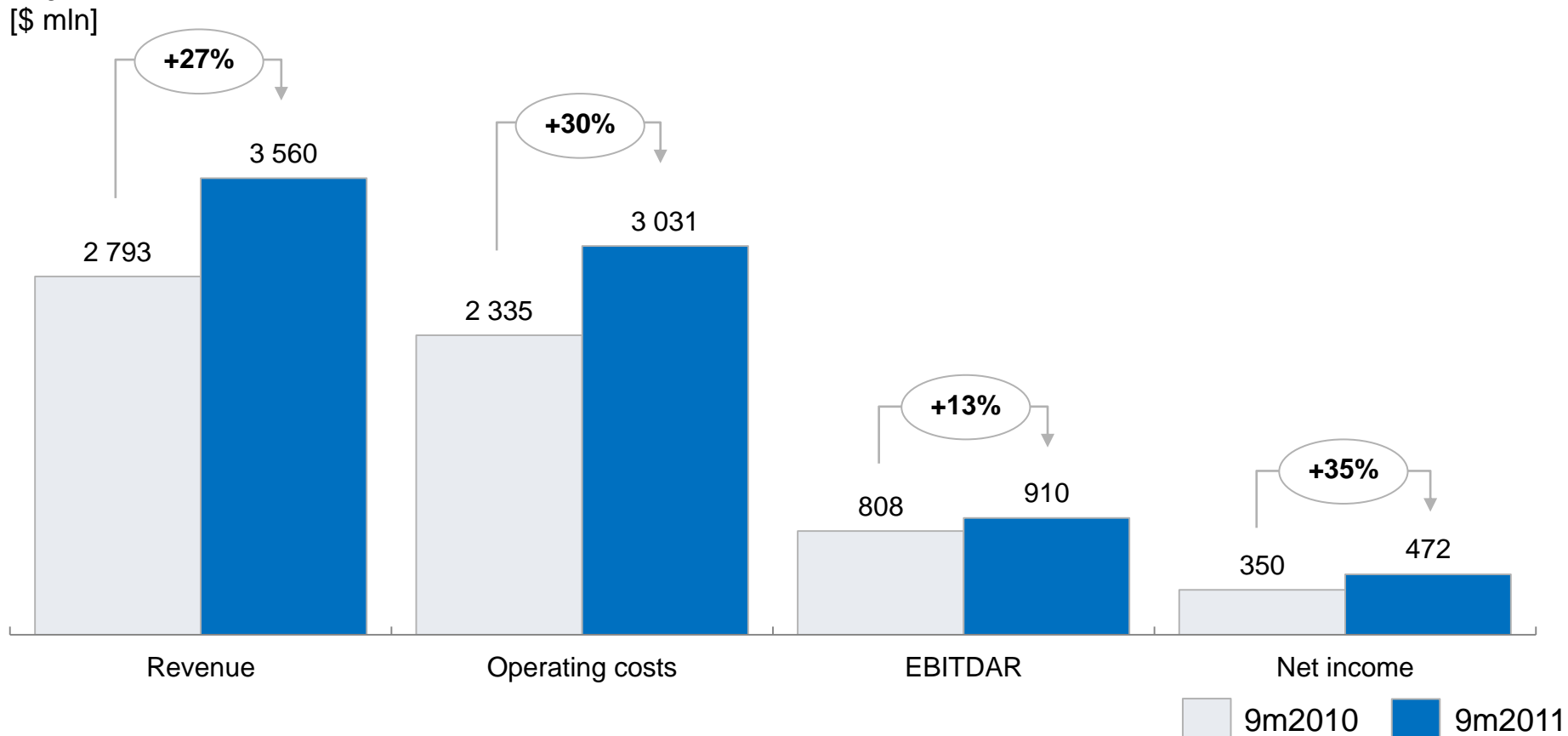


EBITDAR increased by 3%. Net income grew up by 37%.

Dynamic of the financial indicators of JSC “Aeroflot”



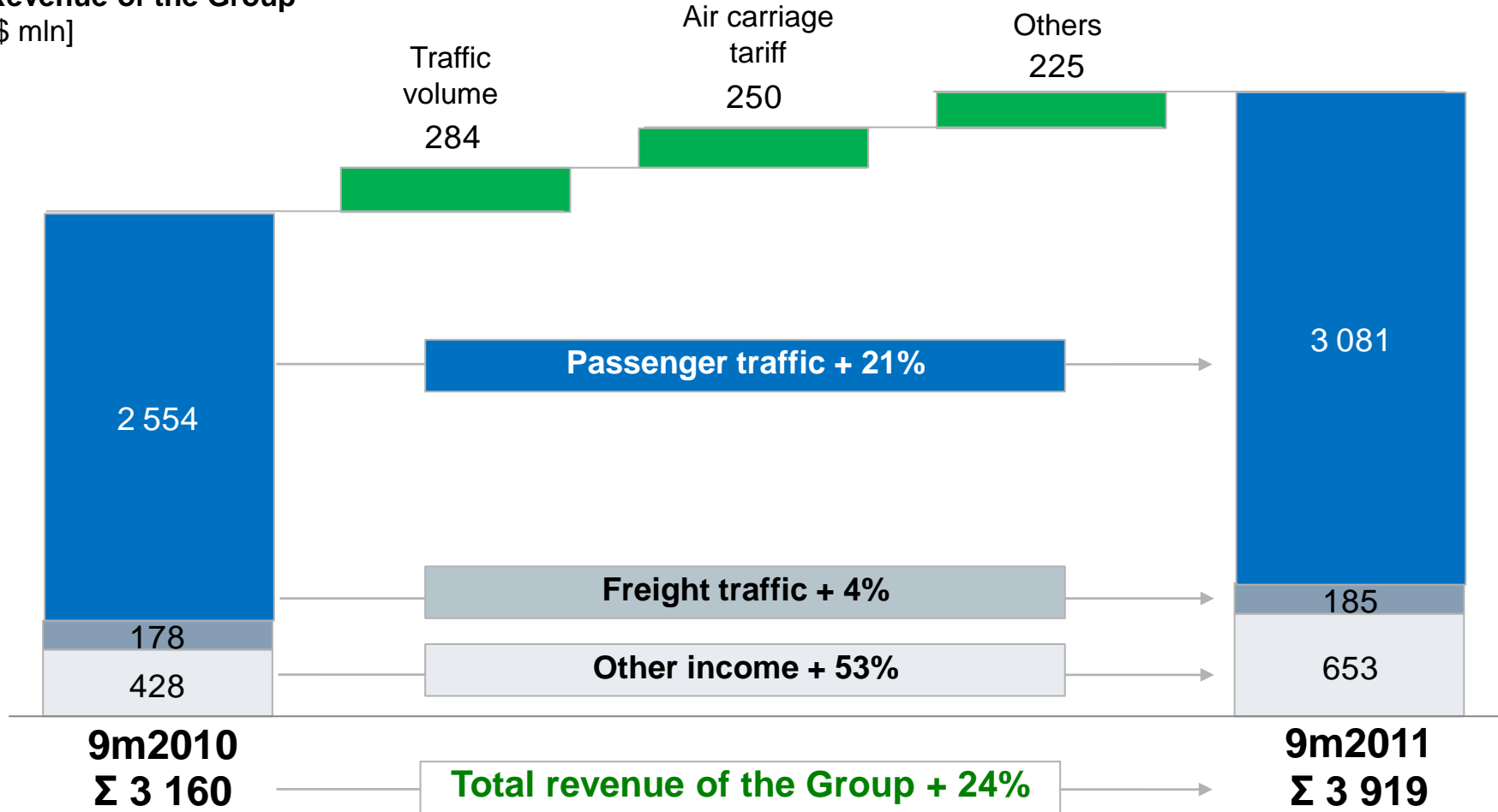
Key financial indicators of JSC “Aeroflot”



- The main financial indicator of JSC “Aeroflot” demonstrated a stable growth during the nine months of 2011
- EBITDAR raised by 13%, while the net income of JSC “Aeroflot” increased by 35%

Group's revenue factorial analysis

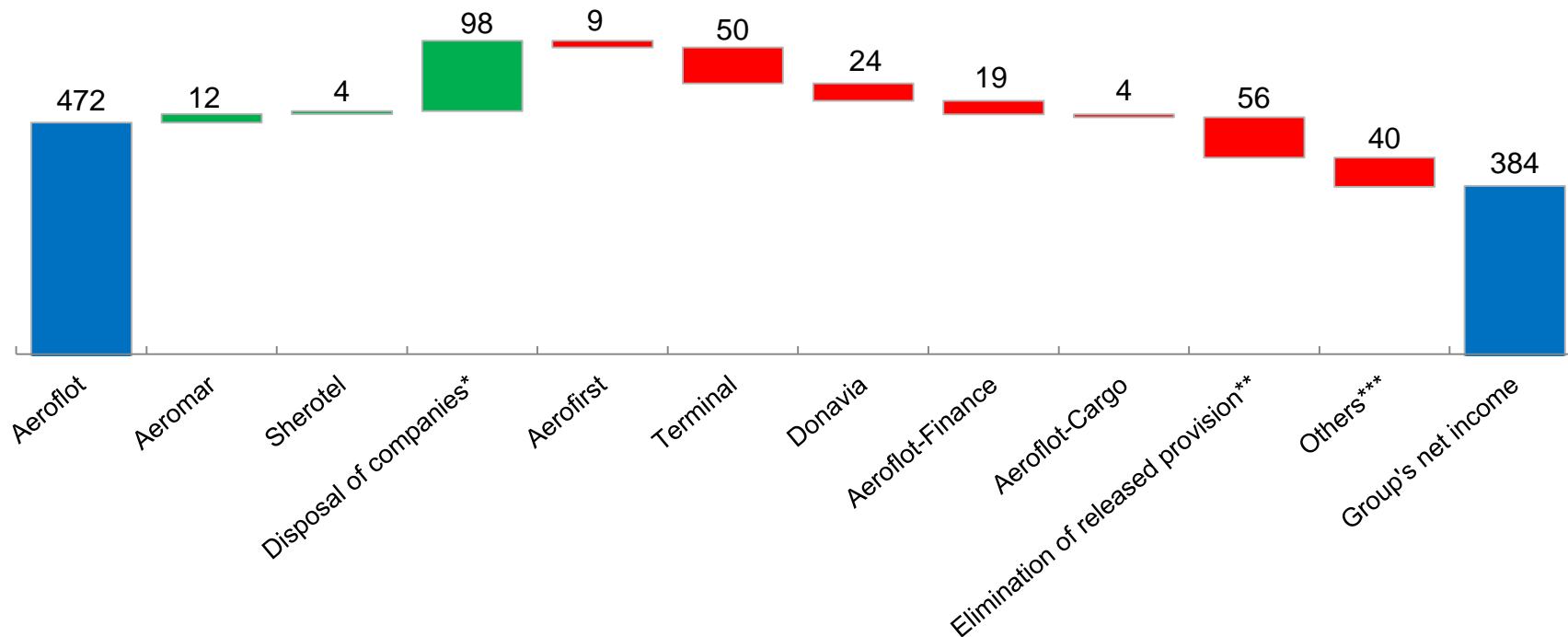
Revenue of the Group
[\$ mln]



- The substantial increase in Aeroflot Group's revenue is caused primarily by the growing passenger traffic
- Other income rose by 53% 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.

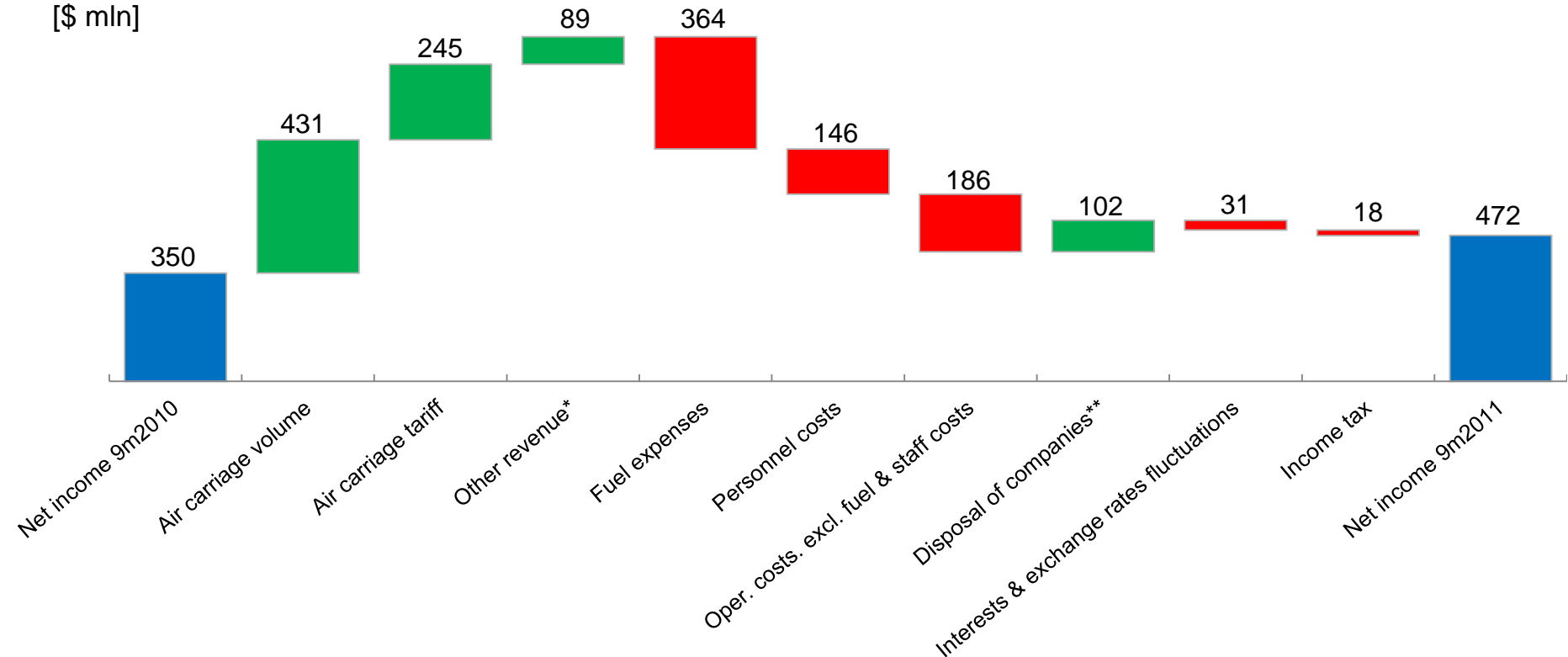
** Elimination of released in Aeroflot debt provision of Aeroflot-Cargo

*** 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, undertook a significant loss due to the foreign exchange effect

Factorial analysis of the net income of JSC "Aeroflot"

Alteration of the net income of JSC "Aeroflot"
[\$ mln]



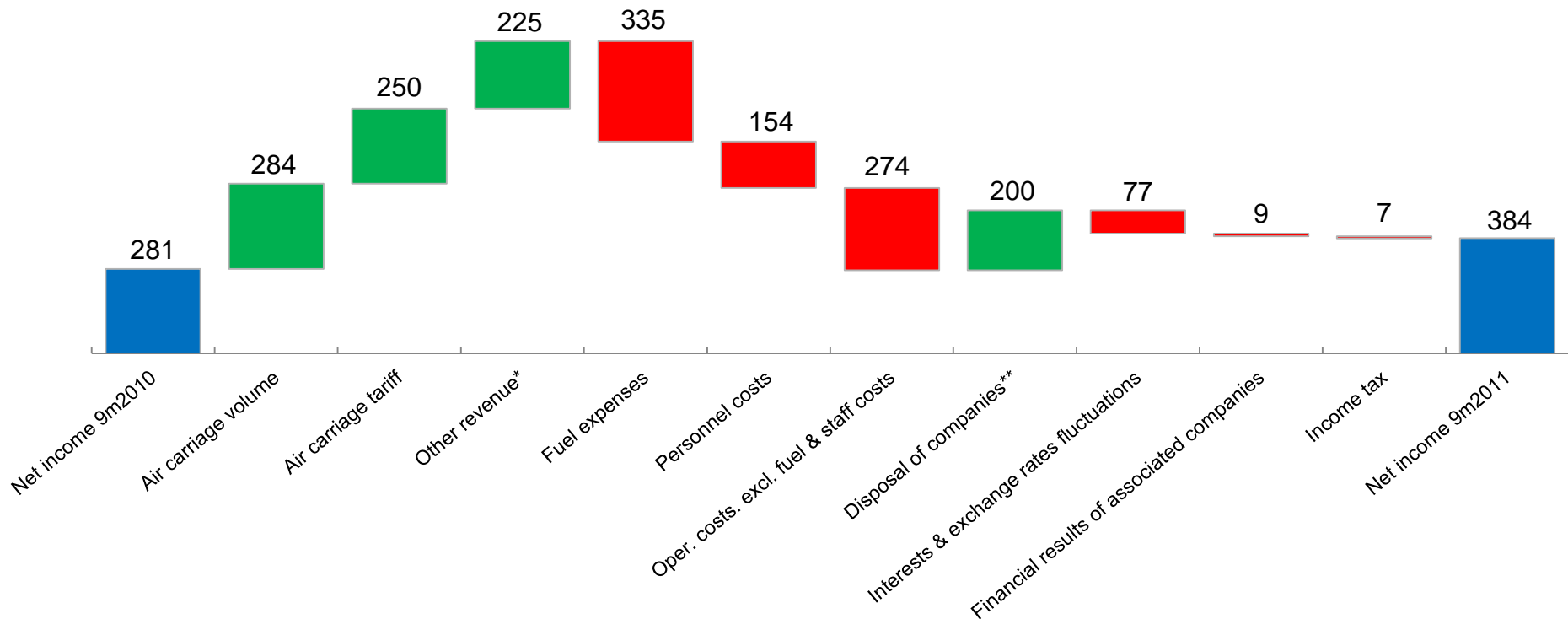
* The main share is attributed to the revenue from fueling and income from airline agreements

** Profit from disposal of investments in associated and subsidiary

- The revenue grew due to the raised traffic volumes as well as higher tariffs. Increase in operating income exceeded the increase in operating expenses
- The net profit of the Company was positively affected by the sale of Nordavia, "Moscow Insurance Company" and "TZK "Sheremetyevo" companies

Factorial analysis of the Group's net income

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



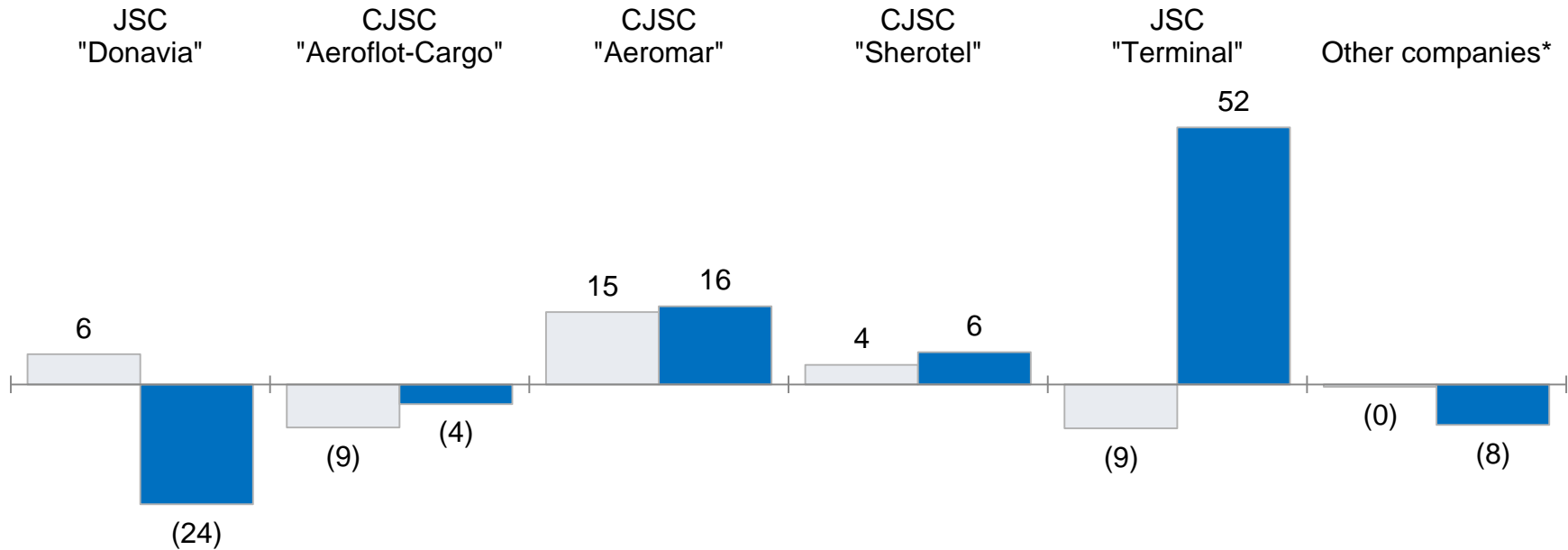
* The main share is attributed from revenue of duty free trading , fueling, airport services and income from airline agreements

** Including financial result from selling of investments in subsidiaries and affiliates and deconsolidation of accumulated loss

- The growth of non-aviation revenue is stipulated primarily by Aerofirst consolidation and increase in income of JSC "Terminal"
- Financial result of the Group was positively affected by the disposal of "Nordavia", "Moscow" Insurance Company" and "TZK "Sheremetyevo" companies

Operating income of the subsidiaries

Operating income / loss of the subsidiaries [\$ mln]



* Is primarily stipulated by operating loss of CJSC "Aerofirst"

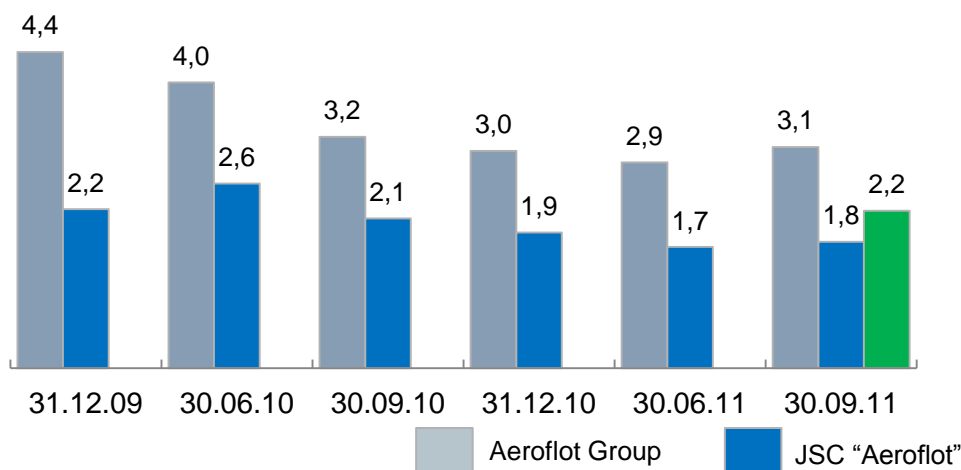
9m2010 9m2011

- Significant operating loss of JSC "Donavia" is caused by reorganization of route network and cancellation of charter flights from/to Sheremetievo
- During the nine months of 2011 JSC "Terminal" received operating profit in amount of \$52 million

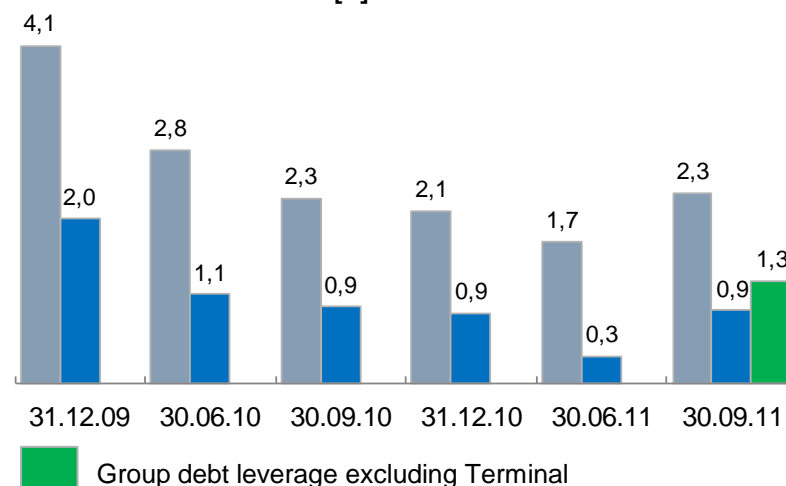
Debt leverage of Aeroflot Group

Indicators	unit	JSC "Aeroflot"			Aeroflot Group		
		31.12.10	30.09.11	vly	31.12.10	30.09.11	vly
Borrowings	\$ mln.	402	438	9%	1 313	1 372	4%
Finance lease liabilities	\$ mln.	719	831	16%	734	840	14%
Pension liabilities	\$ mln.	14	13	-7%	14	13	-7%
Custom duties	\$ mln.	89	3	-97%	91	3	-97%
Total debt	\$ mln.	1 224	1 285	5%	2 152	2 228	4%
Cash and short term investments	\$ mln.	668	639	-4%	666	559	-16%
Net Debt	\$ mln.	556	646	16%	1 486	1 669	12%

TOTAL DEBT / EBITDA* [x]



NET DEBT / EBITDA* [x]



* EBITDA is annualized.

- The debt leverage of JSC 'Aeroflot' and the Group is rather low
- Following the deconsolidation of JSC "Terminal" planned in the fourth quarter of 2011, the Total Debt/EBITDA ratio should decrease from 3.1x to 2.2x

In comparison with European airlines



Indicators	unit	9m2010	9m2011	vly	9m2010	9m2011	vly	9m2010*	9m2011*	vly	9m2010	9m2011	vly
Financial indicators													
Revenue	\$ mln.	3 160	3 919	24%	26 495	31 199	18%	22 828	25 837	13%	4 131	5 183	25%
EBITDA**	\$ mln.	604	629	4%	2 703	2 727	1%	984	1 528	55%	538	398	-26%
Net income	\$ mln.	281	384	37%	646	437	-32%	356	-766	-315%	167	-307	-284%
Total Debt***	\$ mln.	2 002	2 212	10%	10 053	8 298	-17%	14 870	14 333	-4%	1 917	4 239	121%
Operating indicators													
Passenger turnover	bln.pkm	30	33	10%	146	158	8%	152	163	7%	36	43	19%
Passenger capacity	bln.ask	38	43	13%	183	203	11%	186	199	7%	48	60	25%
Seat load factor	%	78%	78%	0%	80%	78%	-2p.p.	82%	82%	0%	74%	73%	-1p.p.

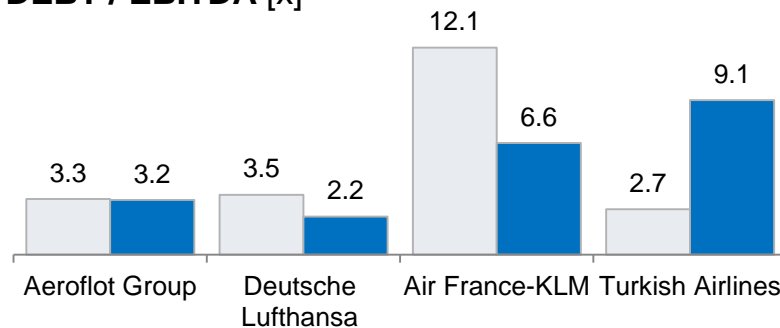
Source: Bloomberg

* Financial and operating indicators for the period from January, 1 till September, 30 of 2011

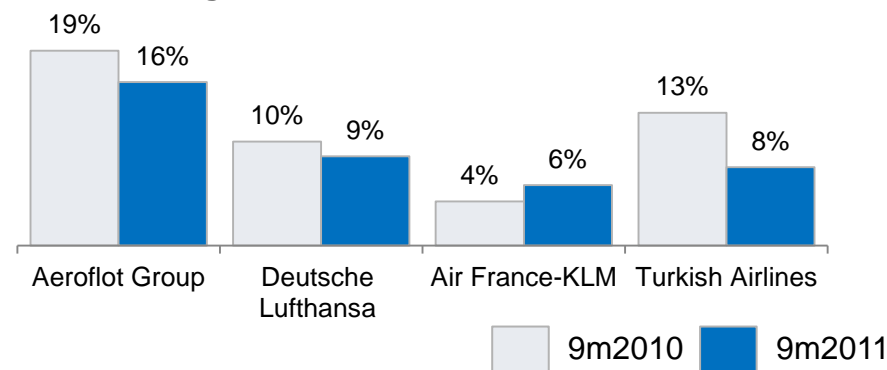
** EBITDA = Operating income + Amortization

*** Total Debt = Borrowings + Financial lease liabilities

DEBT / EBITDA [x]



EBITDA margin [%]



- Revenue of the Group increased by 24%, 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

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Conclusions



- The nine months of 2011 resulted in growth of main operating indicators. The actions taken to refine the route network as well as wise revenue rates management speeded up the operating and financial indicators growth during the nine months of 2011
- Revenue of Aeroflot rose by 27% compared to the same period in 2010, operating profit rose by 16%. EBITDA of JSC 'Aeroflot' and the Group increased by 14% and 2% respectively. The net profit of JSC "Aeroflot" went up 35%, while that of the Group – 37%
- The debt leverage of JSC 'Aeroflot' and the Group is rather low. Following the deconsolidation of JSC "Terminal" planned in the fourth quarter of 2011, the Total Debt/EBITDA ratio should decrease from 3.1x to 2.2x

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Operating indicators



Indicators	unit	JSC "Aeroflot"			Aeroflot Group		
		9m2010	9m2011	vly	9m2010	9m2011	vly
Passenger turnover	mln.pkm	26 252	31 552	20%	29 832	33 328	12%
international flights		17 732	21 728	23%	19 043	22 293	17%
domestic flights		8 520	9 824	15%	10 789	11 035	2%
Passenger capacity	mln.ask	33 659	40 225	20%	38 252	42 817	12%
International flights		23 073	27 953	21%	24 590	28 702	17%
domestic flights		10 586	12 272	16%	13 662	14 115	3%
Cargo tonne	mln.tkm	3 049	3 469	14%	3 379	3 635	8%
International flights		2 130	2 452	15%	2 249	2 504	11%
domestic flights		919	1 017	11%	1 130	1 131	0%
Passenger traffic	ths.pax.	8 533	10 541	24%	10 769	11 769	9%
International flights		5 379	6 600	23%	6 006	6 909	15%
domestic flights		3 154	3 941	25%	4 763	4 860	2%
Cargo / mail	tonne	118 345	111 927	-5%	123 600	115 525	-7%
International flights		88 321	84 063	-5%	88 614	84 348	-5%
domestic flights		30 024	27 864	-7%	34 986	31 177	-11%
Seat load factor	%	78.0%	78.4%	+0.4 p.p.	78.0%	77.8%	-0.2 p.p.
International flights		76.8%	77.7%	+0.9 p.p.	77.4%	77.7%	+0.3 p.p.
domestic flights		80.5%	80.1%	-0.4 p.p.	79.0%	78.2%	-0.8 p.p.
Налет ВС	часов	243 774	291 343	20%	284 063	327 077	15%

The nine months of 2011 resulted in growth of main operating indicators compared to the same period in 2010