

Aeroflot Group

Consolidated financial results (IFRS)

12M'2010

Moscow
May 25, 2011

Speaker:

Shamil Kurmashov
Deputy General Director
for Finance and Investments

Key issues of 2010



- **2010 – is the record year in the whole Russian history of Aeroflot:**
 - over 14 million passengers have been carried by the Aeroflot Group;
 - over 11 million passengers have been carried by JSC “Aeroflot”.
- **For the first time in the Russian history of Aeroflot the Company finished first among domestic airlines.**
- **The Brand Finance agency valued the cost of the Aeroflot brand at over \$1 billion that is 20th result among the most expensive airlines brands of the world.**
- **In 2010 the record growth of financial indicators was reached that confirms the efficiency of the strategy implemented by the management of the Company.**
- **Despite the negative influence on the air transport service made by increase of oil prices, events in Africa and Middle East, the international rating agency Fitch confirmed on the 23th of March, 2011 the Aeroflot rating as BB+ , forecast “Stable”.**

Table of contents



1.Introduction

2.Group's market position

3.Operating highlights

4.Financial results

5.Conclusions

6.Appendix

Key awards in 2010



- **Top 25 of the leading airlines in the world** according to the leading branch magazine **Air Transport World**.
- **Top 10 of the most recognized and trusted Russian brands among the population** according to the research results of ROMIR holding.
- **The most popular airline among foreign passengers** flying to Russia according to the results of the Russian Public Opinion Research Center poll.
- The winner in the categories **“passenger carrier on domestic airlines”** and **“passenger carrier on regular international airlines”** of the prestigious award **“The Wings of Russia”**.
- **“The best transport company as for organization of the work in time of crisis”** according to the results of the national public award of the Russian transport industry **“the Golden Chariot”**.
- **“The Company of the year 2010”** in the category **“Transport”** according to the results of the national award in the field of business.

Innovations in 2010



- **Self check-in:** Aeroflot provides possibility of flight check-in through mobile phones; besides, it was the first Russian airline to offer such service abroad – at London airport Heathrow.
- **Sales office of new generation:** at the address: Moscow, Arbat street, 10, the new generation central sales office has been opened.
- **Mobile communication on board:** Aeroflot was the first among the Russian airlines to provide the possibility to use mobile communication during the flights.
- **Electronic marketplace:** the new Aeroflot electronic marketplace has been brought into operation in order to carry out tenders to determine the best offers for purchasing goods and services.
- **Payment for tickets through the processing system:** Since 2010 payment for airline tickets by online-booking is carried out through the processing system of the Alfa-Bank entirely, bypassing middlemen.

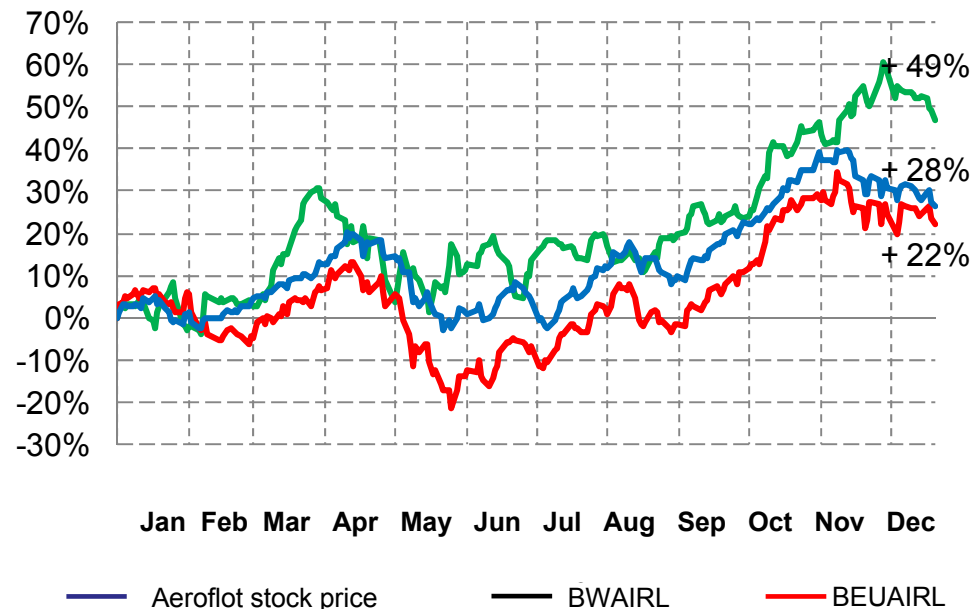
Market capitalization in 2010



Aeroflot stock price performance vs. MICEX [+/-%]



Aeroflot stock price performance vs. airline indices [+/-%]



* BWAIRL – world airlines index, BEUAIRL – EMEA airlines index

- Aeroflot stock price increased in 2010 by 49% and outran MICEX growth rate (+23%) as well as airline indices BWAIRL and BEUAIRL* (+28% and +22% respectively).
- According to Brand Finance, the ratio of brand cost and capitalization of the Company (40%) indicates significant undervaluation of Aeroflot. The Company should cost \$5,2 billion, and the share of the brand cost should be 21% (for comparison, the highest index is demonstrated by Lufthansa – 32%).

Table of contents



1.Introduction

2.Group's market position

3.Operating highlights

4.Financial results

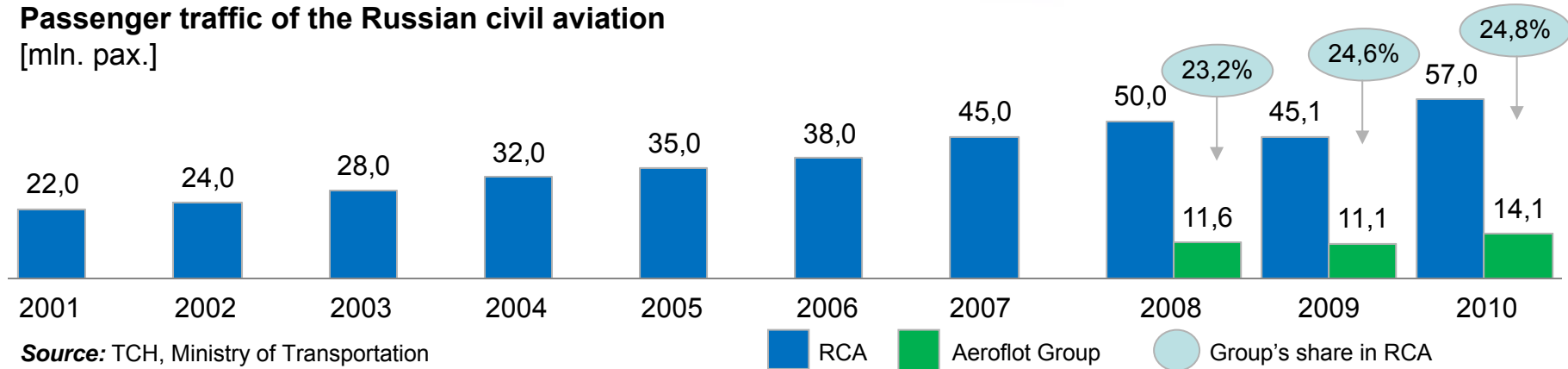
5.Conclusions

6.Appendix

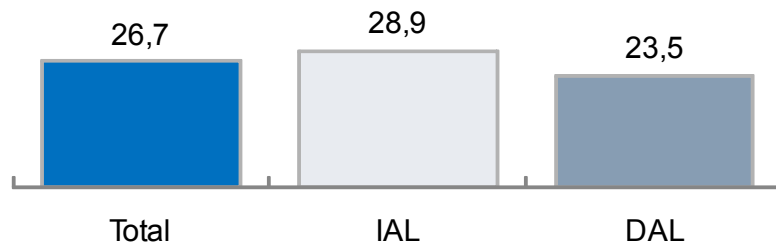
Russian air transportation market



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

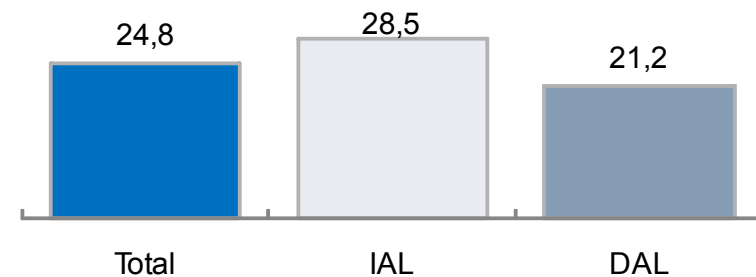


Market share of the Group in 2010
[% of passenger turnover]



Source: TCH

Market share of the Group in 2010
[% of passenger traffic]



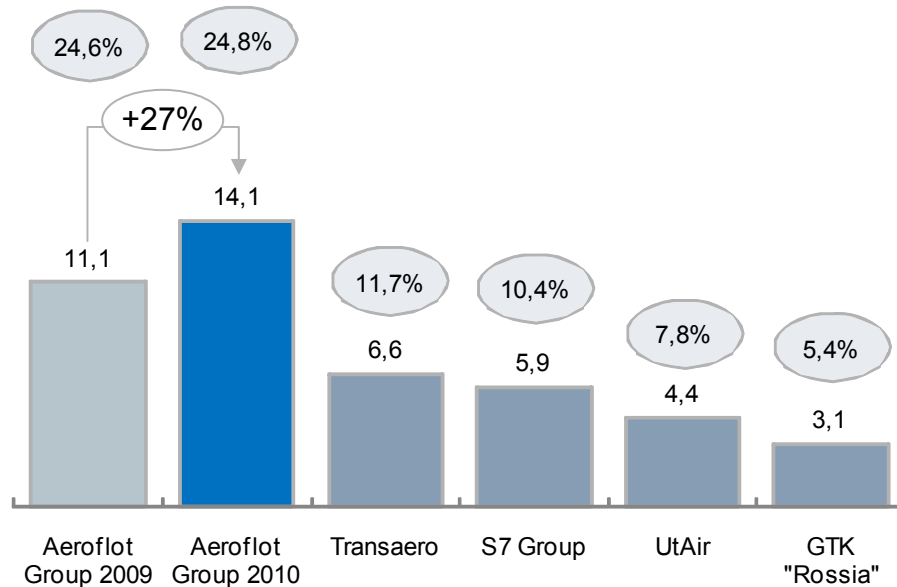
Source: TCH

- 2010 was characterized by recovery in demand for air carriage, the passenger traffic of the Russian Civil Aviation increased by 26,4% and totaled 57 million people.

Aeroflot Group's share on the Russian air transportation market

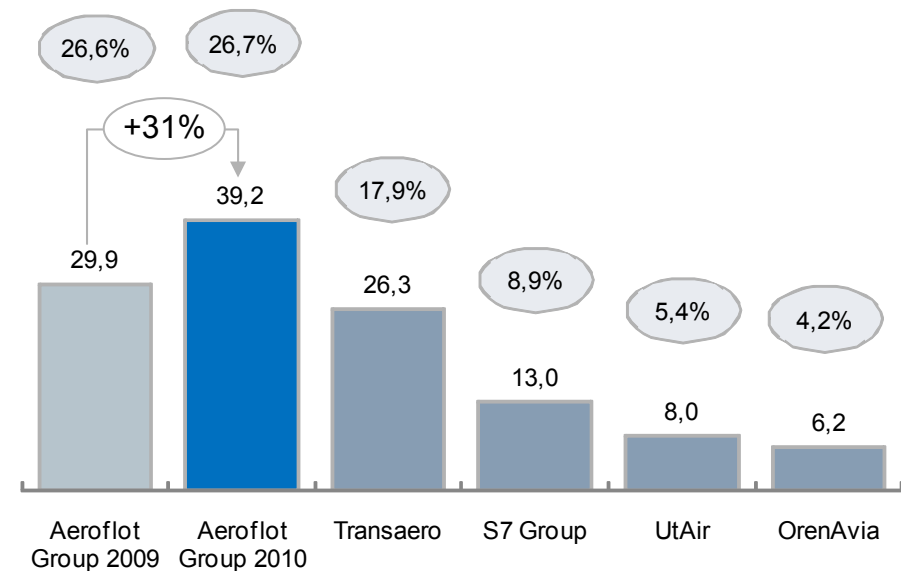


Passenger traffic
[mln. pax.]



Source: TCH

Passenger turnover
[bln. pkm.]



Source: TCH

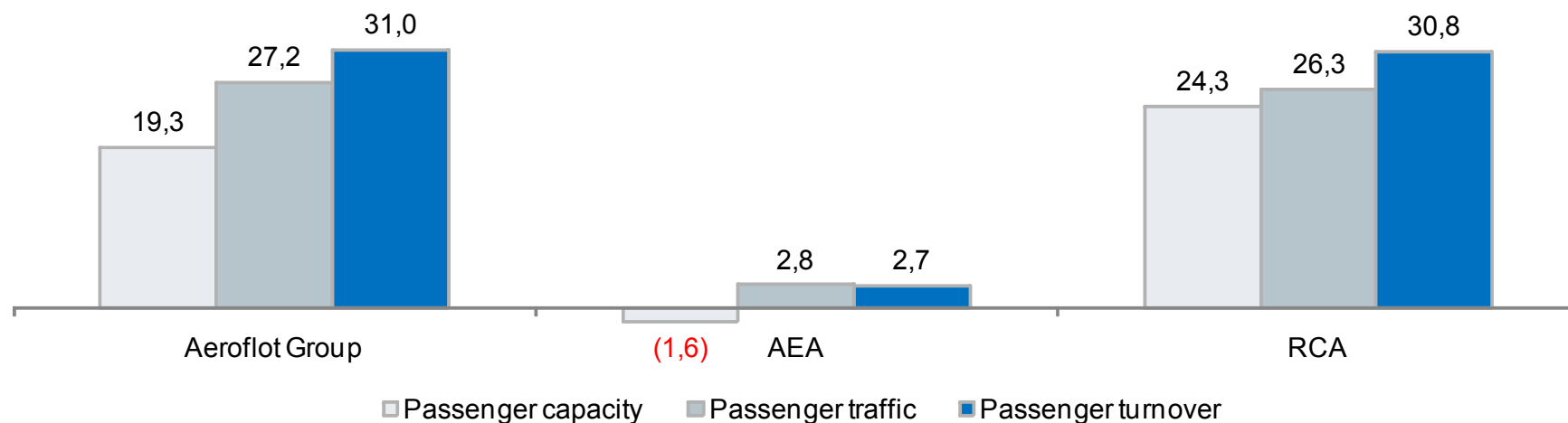
○ Share in RCA

- The Aeroflot Group is the acknowledged leader among the domestic airlines.
- The following growth is planned by Aeroflot for 2011: increase of the passenger turnover and passenger traffic will be by 23% and 27,7% respectively.

Aeroflot Group compared to AEA* and RCA**



Growth rates of the basic operating indicators
[% to 2009]



Source: AEA, Aeroflot estimates

* AEA – Association of European Airlines

** CIA – Russian Civil Aviation

- In 2010 growth rates of passenger turnover and passenger traffic of the Aeroflot Group ran ahead the corresponding growth rates of AEA and Russian Civil Aviation.
- Despite the fact that in 2010 the Aeroflot Group increased the passenger capacity slower than the Russian Civil Aviation in whole, the Group reached a higher rate of passenger traffic growth due to increase of air carriage efficiency.

Table of contents



1.Introduction

2.Group's market position

3.Operating highlights

4.Financial results

5.Conclusions

6.Appendix

Route network



Average route frequency per week	2009	2010	change
Scheduled	7,4	8,3	12%
Charter	0,2	0,4	100%
IAL scheduled	6,8	7,4	9%
DAL scheduled	8,6	10,3	20%
Medium-haul	7,0	9,0	29%
Long-haul	2,8	3,6	29%
Average	6,1	7,7	26%

- During summer period of 2011 Aeroflot performs flights to 49 countries of the world and offers boarding at 102 localities: 41 – in Europe, 5 – in America, 4 – in Africa, 6 – in the Middle East, 10 – in Asia, 7 – in the CIS and 29 – in Russia.
- Performing of new regular flights to new directions is planned: Minsk (14)*, Tivat (4), Nizhny Novgorod (14).
- Further performing of flights to new directions: Male (2), Punta Cana (2).
- In addition to the own flights from Sheremetyevo the performing of another 127 Code-Share routes with other airlines is planned.
- Transit passenger traffic of the airline increased by 71,3% up to 4,3 million passengers that is 33,8% of the total passenger traffic.
- Harmonization of the schedule and structure of the arrival and departure waves at the Sheremetyevo airport enabled increasing of flight frequency, number and quality of connections.

* number of flights per week.

Aeroflot Group fleet as of 31.12.10



Manufacturer/type	Aeroflot	Donavia	Nordavia	Total
Antonov An-24			2	2
Ilyushin Il-86	2*			2
Ilyushin Il-96-300	6			6
Tupolev Tu-134			8*	8
Tupolev Tu-154	1*	3*		4
Total number of aircraft owned	9	3	10	22
Airbus A-319	4			4
Airbus A-320	1			1
Airbus A-321	18			18
Boeing B-737		5	2	7
Total number of aircraft under finance lease	23	5	2	30
Airbus A-319	11			11
Airbus A-320	34			34
Airbus A-330	10			10
Antonov An-24			3	3
Antonov An-26			1	1
Boeing B-737		5	13	18
Boeing B-767	10			10
Ilyushin Il-86		1		1
McDonnell Douglas MD-11	3			3
Total number of aircraft under operating lease	68	6	17	91
Total number of aircraft	100	14	29	143

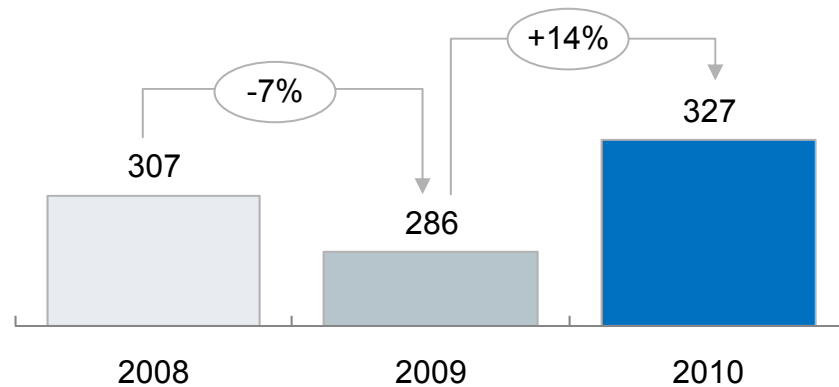
* As of 31.12.2010 operation of this aircraft was terminated

- The operated fleet consists mainly of modern fuel efficient aircraft.
- The Group operates 21% of air planes in operating lease, 64% – in financial one.
- Average age of the passenger air planes used by Aeroflot is 5 years.

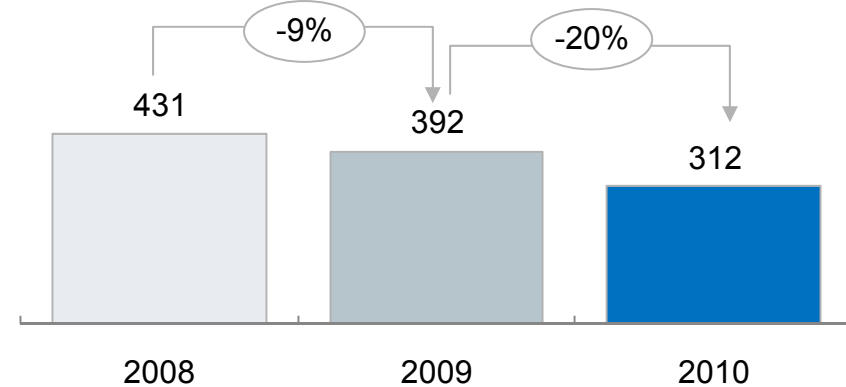
Aeroflot fleet efficiency



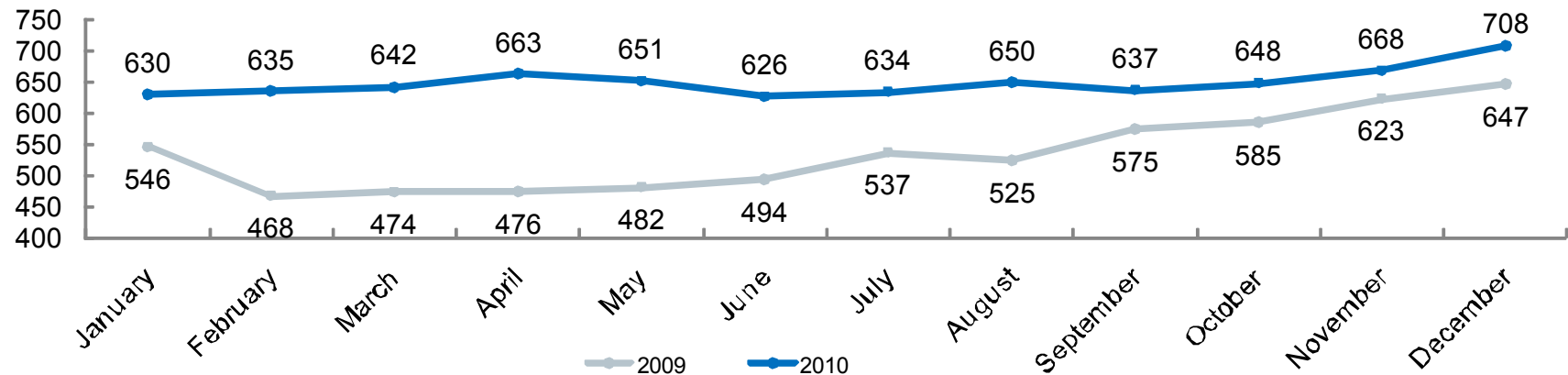
Flight hours [ths. hours]



Specific fuel consumption [gr/tkm]



Weighted average fuel price [\$/tn]



- In 2010 the tendency of reduction in fuel consumption due to usage of more fuel efficient aircraft was kept.
- According to the result of the year 2010 the fuel consumption for 1 tkm was 312 g compared with 392 g a year before.

Aeroflot fleet order and disposal



Fleet orders according to signed agreements

Manufacturer/Type	2011	2012	2013	2014	2015
Short-haul					
SSJ-100	10	10	7	3	-
Medium-haul					
A-320	8	-	-	-	-
A-321	-	3	5	-	-
Long-haul					
A-330	3	8	-	-	-
B-777	-	-	4	6	3
B-787	-	-	-	8	8
TOTAL	21	21	16	17	11

Fleet disposal schedule

Manufacturer/Type	2011
Medium-haul	
Tu-154	1
Il-86	2
Long-haul	
B-767	2
TOTAL	5

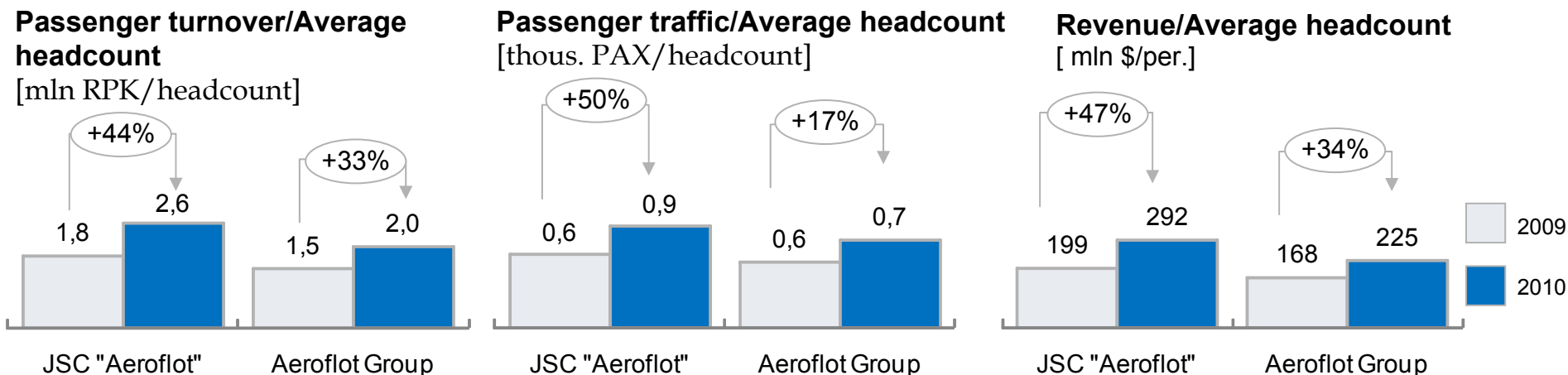
- It is planned that by 2015 the fleet of Aeroflot will be enlarged by 86 state-of-the-industry air planes.

Headcount and productivity of labor



Headcount	31.12.09	31.12.10
JSC "Aeroflot"	13 306	14 319
JSC "Donavia"	1 427	1 304
CJSC "Nordavia"	1 498	1 257
CJSC "Aeromar"	1 864	2 134
JSC "Terminal"	544	725
CJSC "Sherotel"	297	286
CJSC "Aerofest"	527	404
Others	111	112
Total	19 574	20 541

Productivity of labor

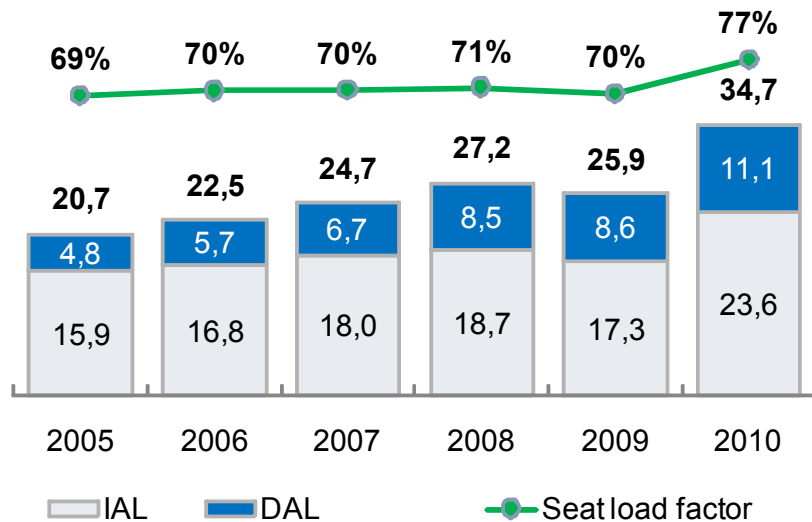


- The indexes of labor efficiency increased in 2010 both in JSC "Aeroflot" and in the Group.
- Staff size changing in JSC "Aeroflot" in 2010 was caused by increase of the size of crew staff and employees of airport subdivisions that is related to the enlarging the aircraft fleet and growth of work performed.

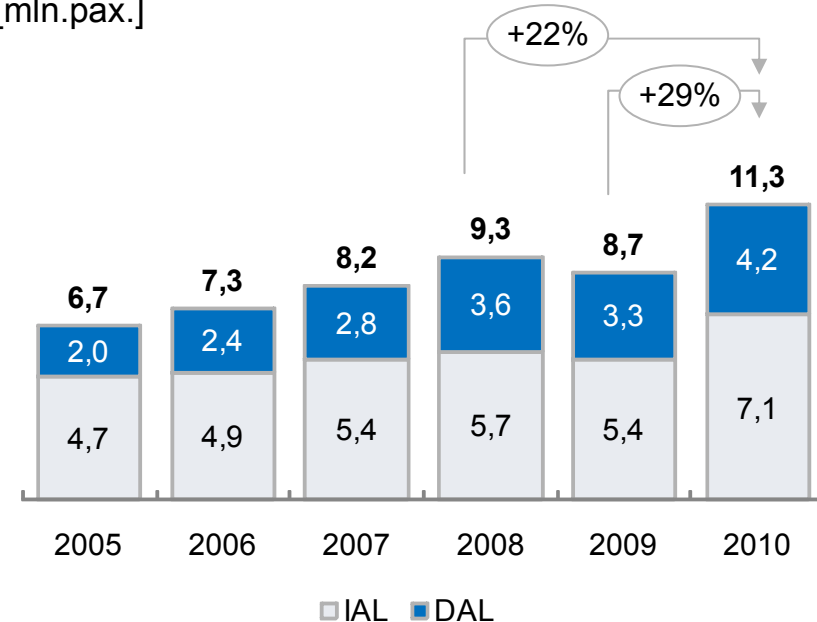
Passenger business: brand new records



JSC “Aeroflot” passenger turnover and seat load factor performance
[bln.RPK. & %]



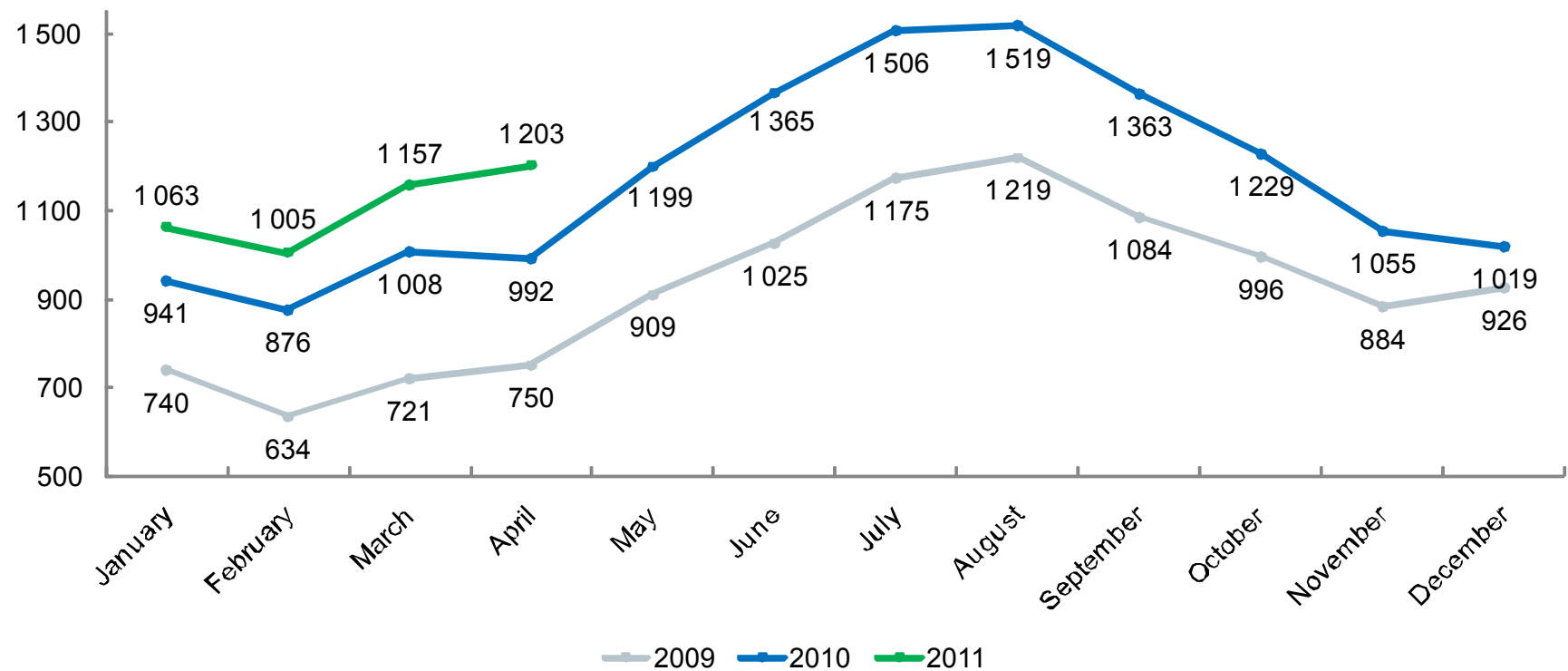
JSC “Aeroflot” passenger traffic performance
[mln.pax.]



- According to the results of 2010 the passenger traffic of JSC “Aeroflot” exceeded 11 million passengers that is the record for the company since its foundation in 1994.
- The seat load factor in 2010 reached 77% that is sufficiently higher than that of pre-crisis period.

Traffic capacity

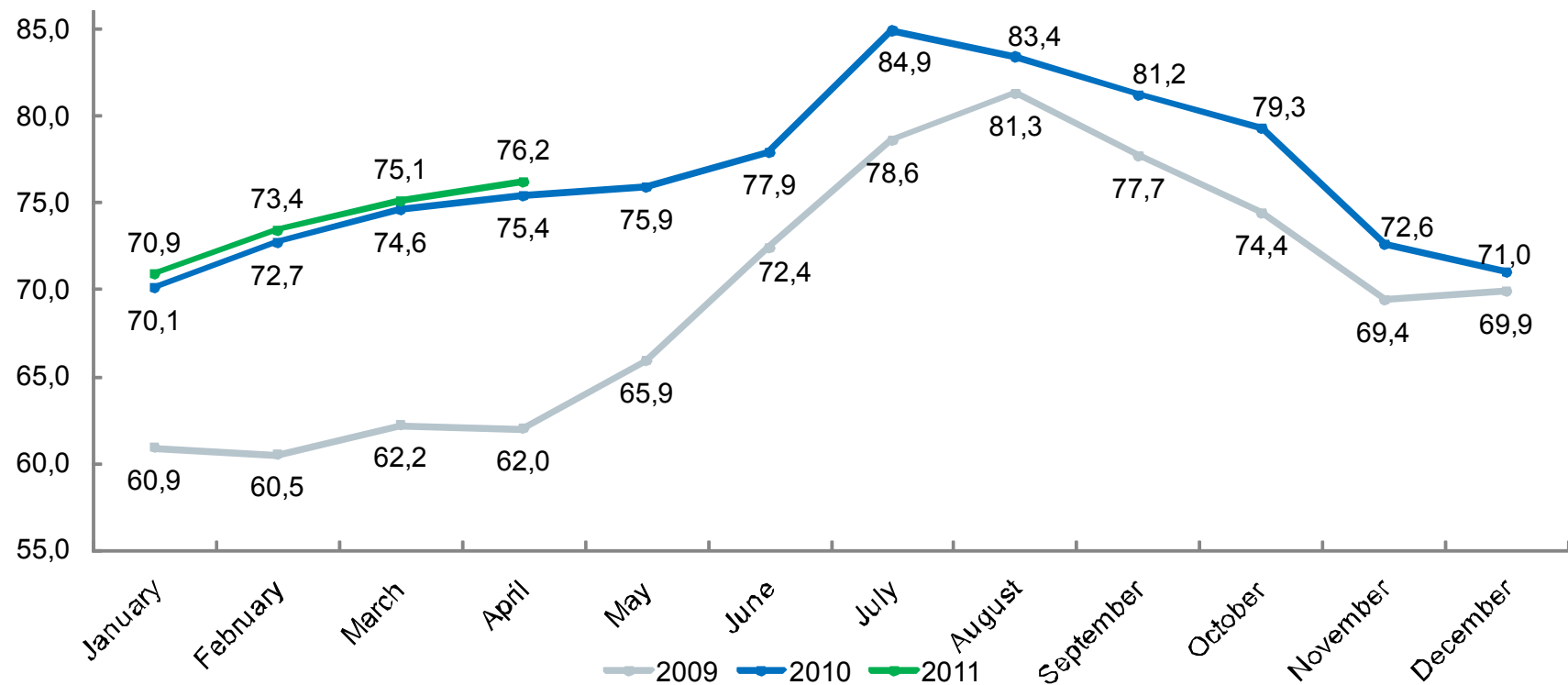
Traffic capacity of the Aeroflot Group
[ths.pax.]



- Throughout 2010 the monthly traffic volume exceeded the corresponding indexes of 2009.
- During the first 4 months in 2011 the positive trend still persists: the monthly traffic volume outreaches the corresponding indexes of the year 2010.

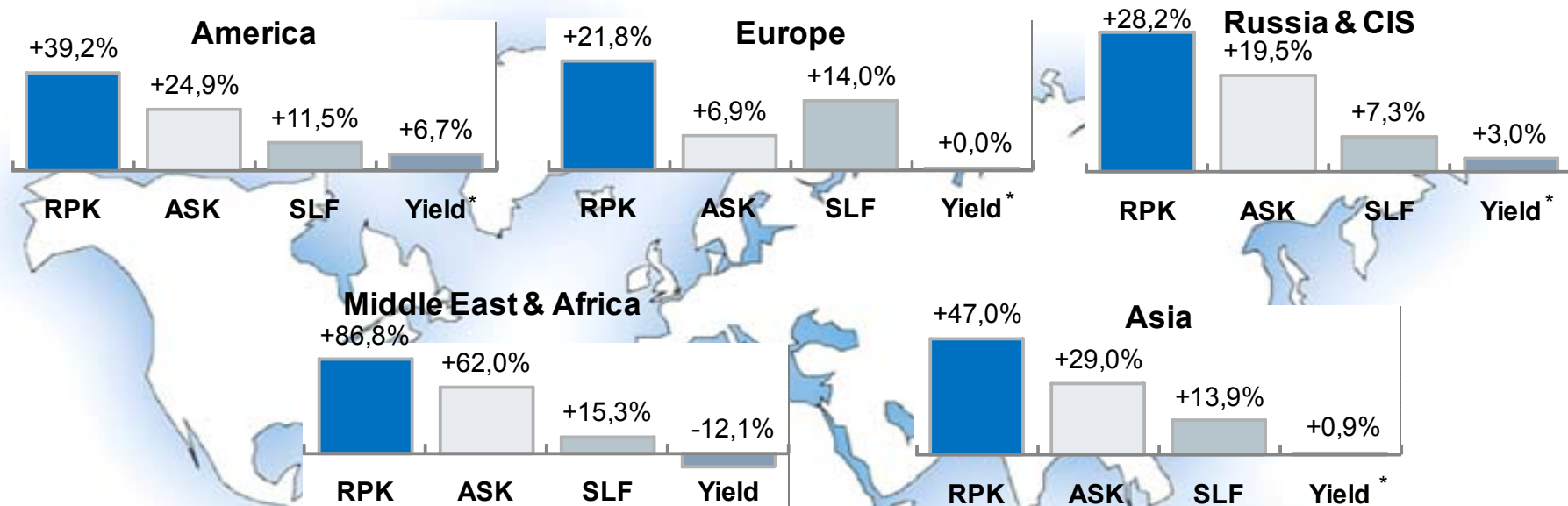
Seat load factor

Seat load factor of the Aeroflot Group
[%]



- The seat load level in 2010 reached its maximum since the time of formation of the Russian Civil Aviation.
- The average target seat load factor for 2011 was set at 75%.

Aeroflot operating indicators growth



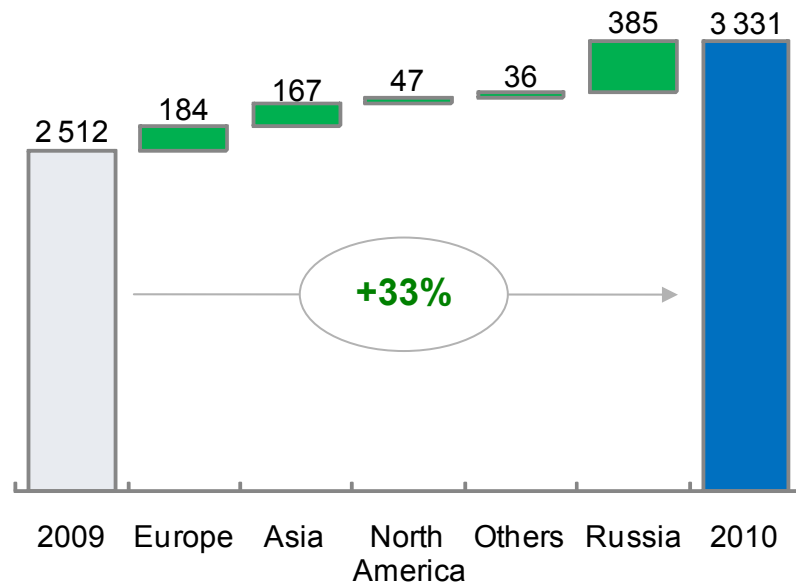
* according to management accounting.

- According to the approved strategy of strengthen presence at popular touristic directions, Aeroflot has significantly increased its passenger capacity on long haul routes. The largest growth was reached at regions of the Middle East, Africa, Asia and America.
- The most significant growth of the passenger traffic in absolute terms was reached at domestic flights and on Asian routes.
- The efficiency of route network management and passenger capacity is confirmed by significant growth of seat load factor at all directions.

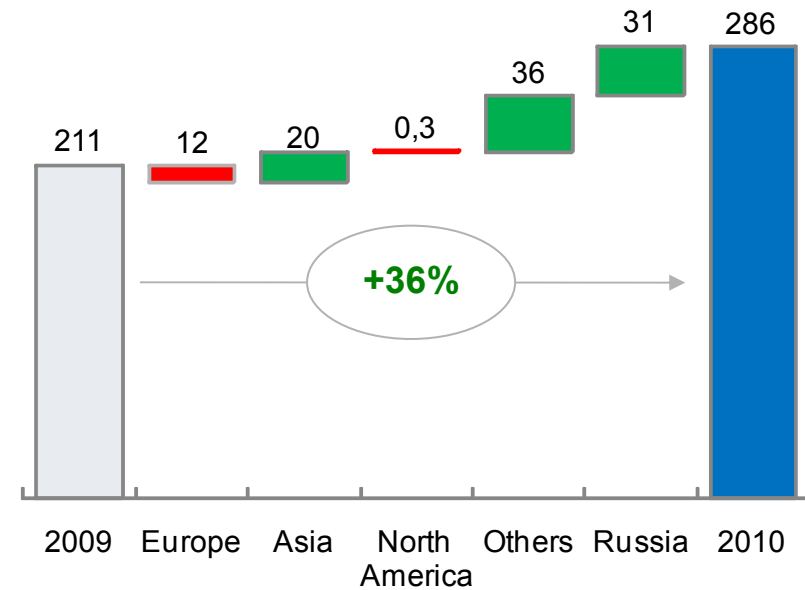
Aeroflot Group revenue structure by regions



Scheduled passenger services revenue
[\$ mln.]



Scheduled cargo services revenue
[\$ mln.]



- The significant growth of revenue from regular passenger and cargo carriages is provided mainly by increasing in traffic volume of the Group at the domestic market.

Table of contents



1.Introduction

2.Group's market position

3.Operating highlights

4.Financial results

5.Conclusions

6.Appendix

Key financial figures



Index	Unit	JSC "Aeroflot"			Aeroflot Group		
		2009	2010	change	2009	2010	change
Revenue	\$ mln.	2 849	3 848	35%	3 346	4 319	29%
Operating expenses	\$ mln.	2 490	3 324	33%	3 068	3 820	25%
EBITDAR*	\$ mln.	748	994	33%	747	1 065	43%
EBITDA**	\$ mln.	516	692	34%	461	727	58%
Operating income	\$ mln.	359	524	46%	278	499	79%
Net income	\$ mln.	122	346	184%	86	253	194%
EBITDAR margin	%	26%	26%		22%	25%	
EBITDA margin	%	18%	18%		14%	17%	

* EBITDAR = EBITDA + Operating lease expenses

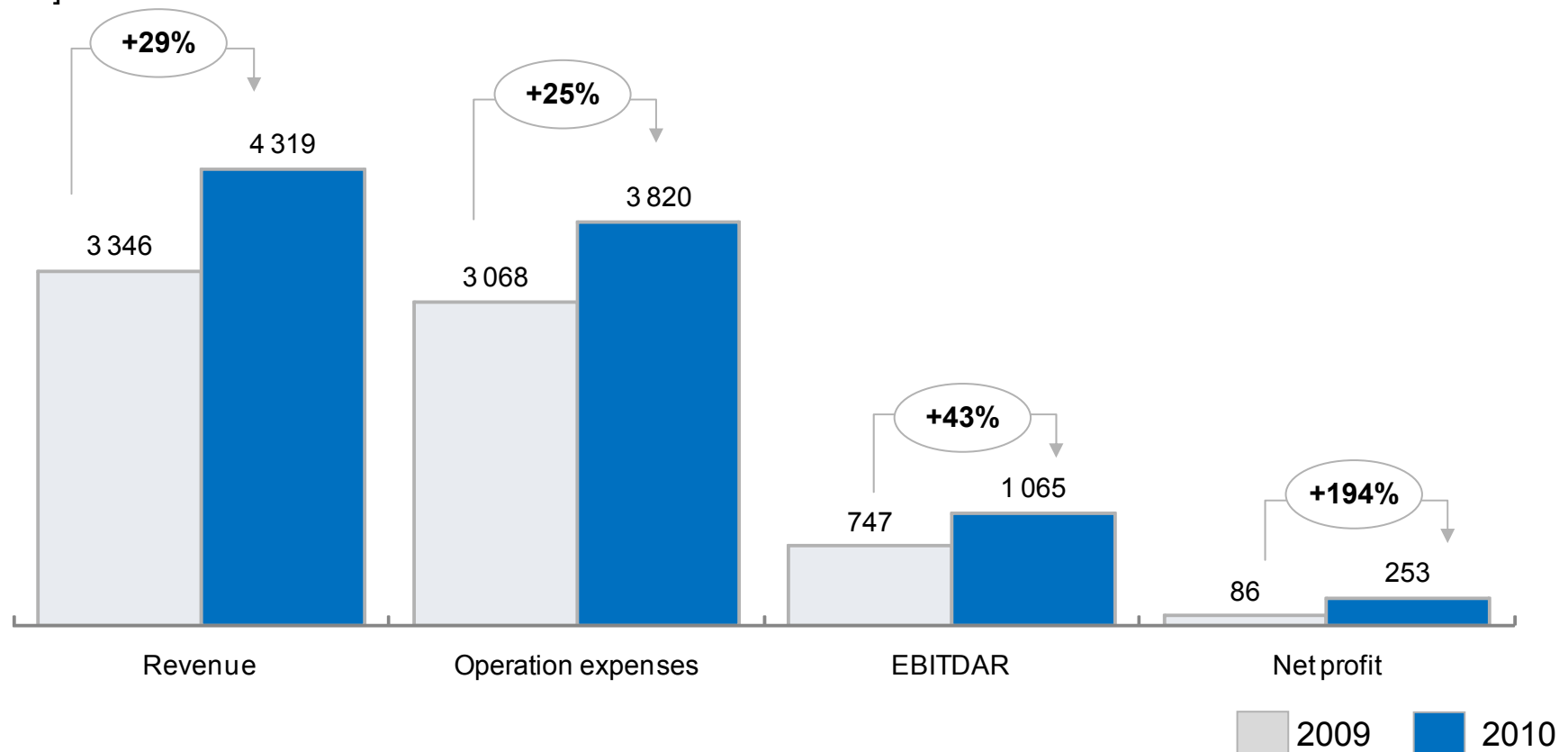
** EBITDA = Operating income+ Amortization + Custom duties expenses

- In 2010 the growth rate of revenue outran expenses spree.
- EBITDA of JSC "Aeroflot" and the Group increased by 34% and 58% respectively.
- EBITDA margin of the Aeroflot Group indicates growth from 14% in 2009 up to 17% in 2010, EBITDA margin of JSC "Aeroflot" is kept at stable level of 18% that confirms the efficiency of measures performed by the management targeted at the optimization of operating activity in the context of fuel prices fast growth in the end of 2010.
- Net profit of JSC "Aeroflot" and Aeroflot Group increased by 2,8 and 2,9 times respectively.

Aeroflot Group financial indicators



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

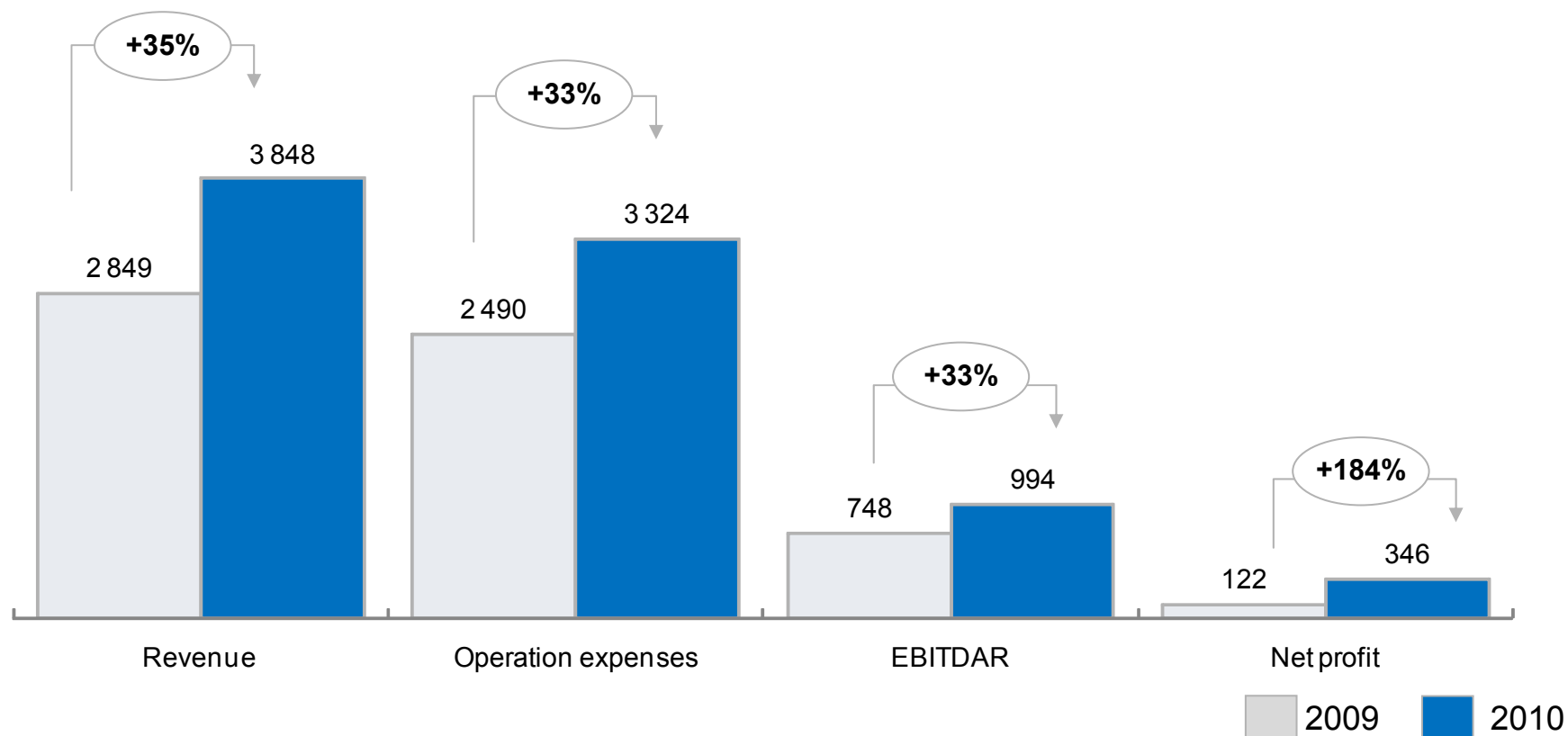


- EBITDAR grew by 43%, net profit increased by 2,9 times.

JSC “Aeroflot” financial indicators



JSC “Aeroflot” key financial indicators
[\$ mln.]

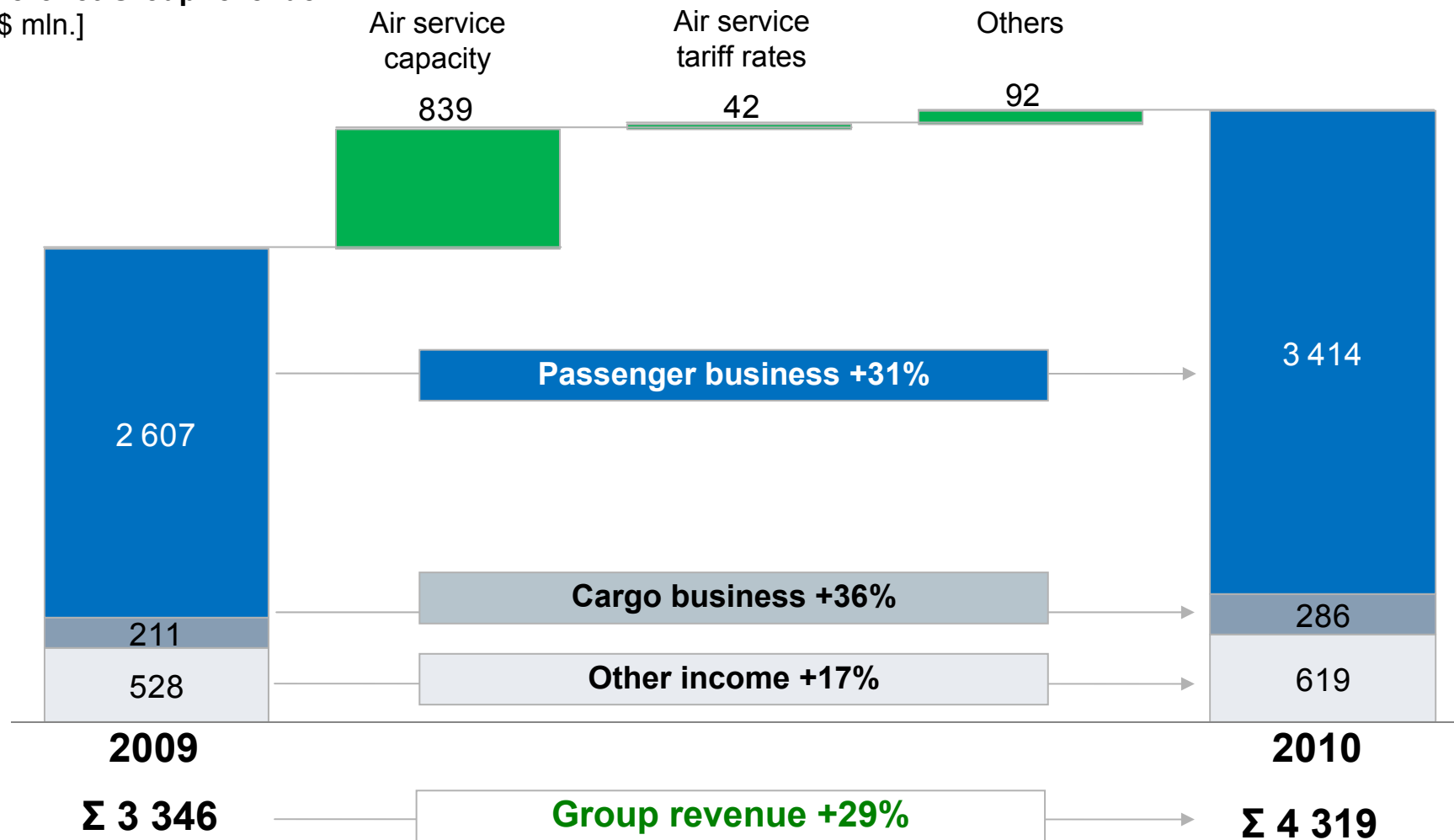


- EBITDAR grew by 33%, net profit increased by 2,8 times.

Aeroflot Group revenue factor analysis



Aeroflot Group revenue
[\$ mln.]

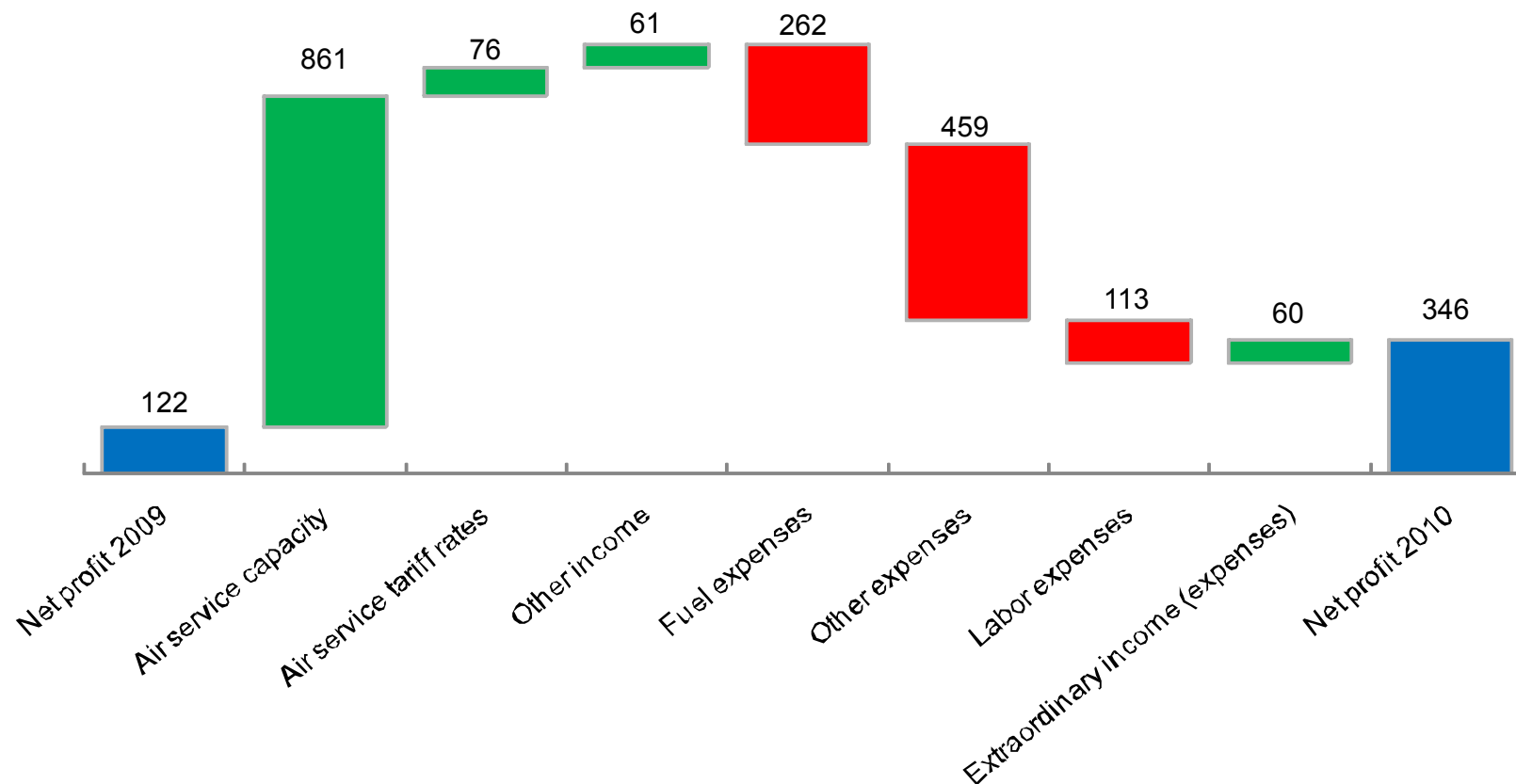


- The Group's revenue growth was mainly provided by traffic capacity increase.

JSC “Aeroflot” net profit factor analysis



Change of the JSC “Aeroflot” net profit
[\$ mln.]

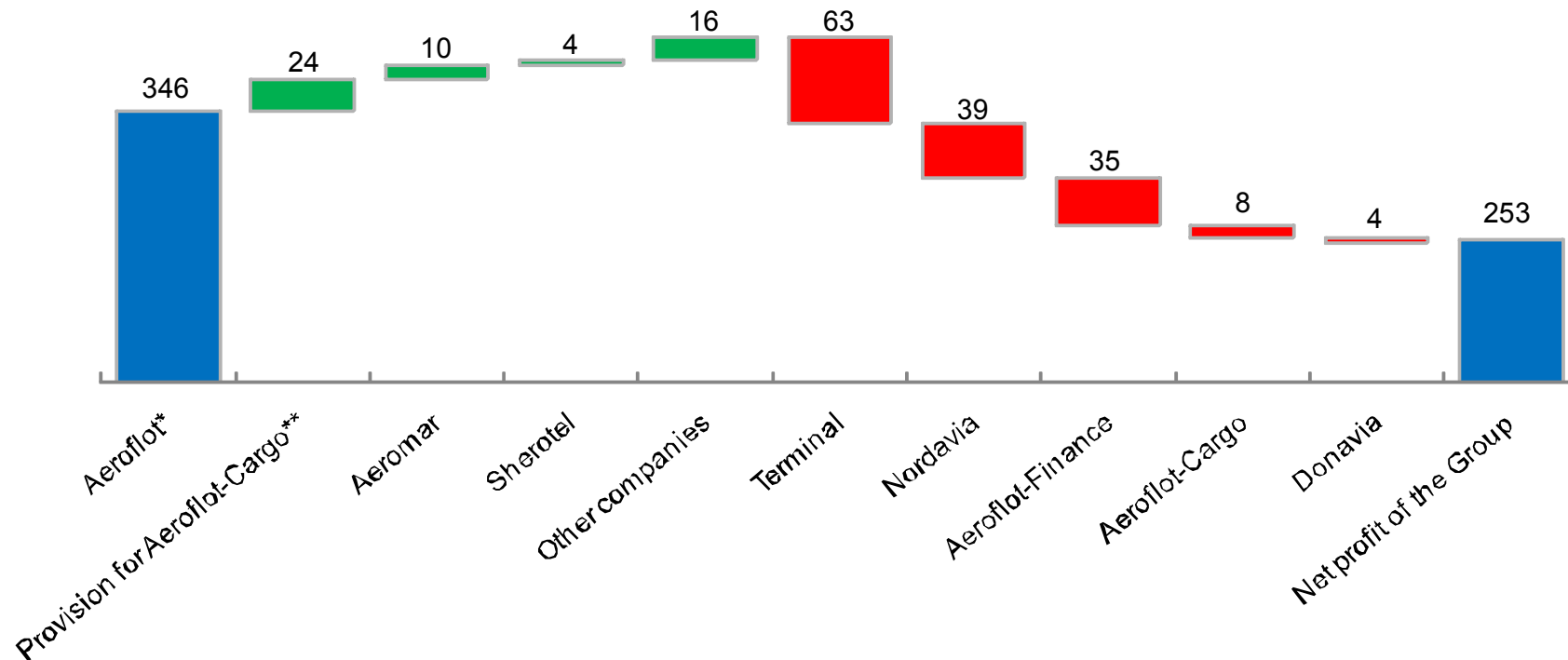


- Growth in revenues triggered by rise in volumes of transportation exceeded the increase of operational expenditures, including fuel expenses.

Aeroflot Group net profit structure



Elements of the Aeroflot Group net profit
[\$ mln.]



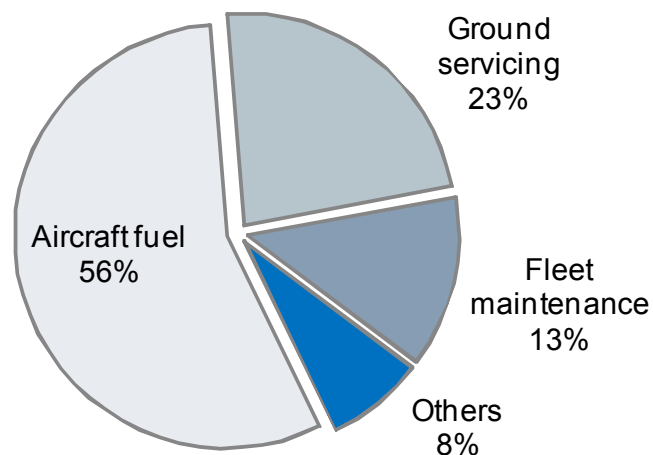
* Aeroflot's net profit includes provision for Aeroflot-Cargo.

** Renewal of provision for Aeroflot-Cargo.

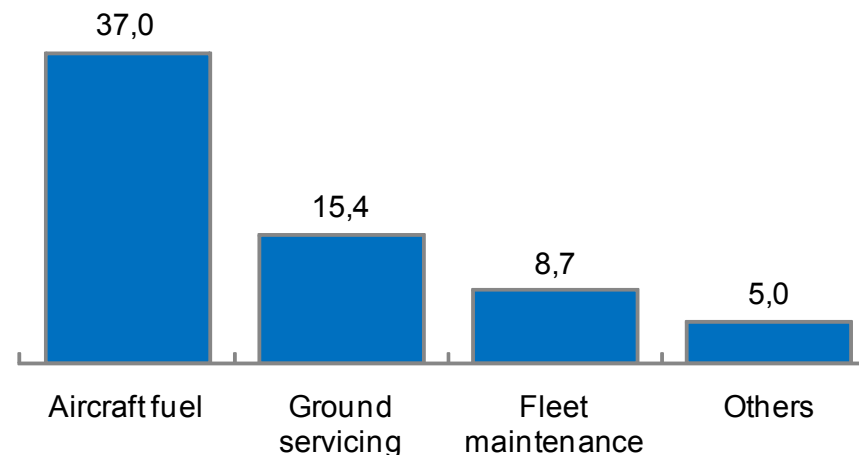
- The loss of the subsidiary company JSC "Terminal" significantly impacted the Group's net profit.

Expenses reduction activity

Source of savings [%]



Saving by expense item* [\$ mln.]



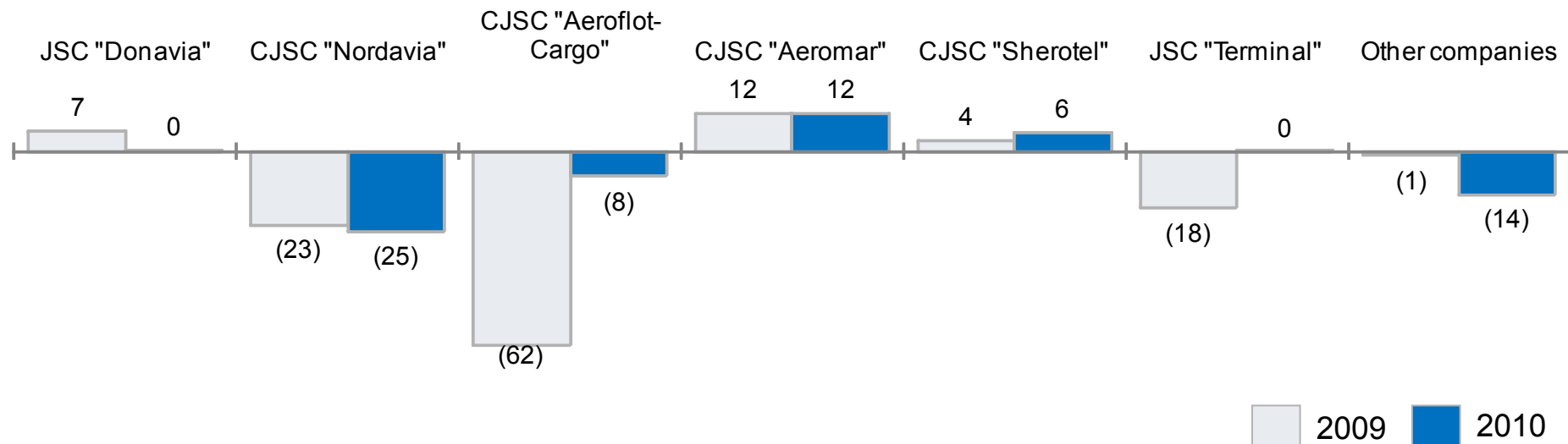
* According to management accounting.

- Costs reduction program in 2010 was calculated at the amount of 60,8 million USD.
- According to the results of 2010 the program was implemented at 109% – the expenses were reduced by \$ 66 million.
- \$ 37 million: reduction of expenses on paraffin oil due to carrying out tenders for fuel suppliers in Sheremetyevo and a number of other airports of the Russian Federation.
- \$ 15,4 million: as a result of lowering the rate of the passenger charge at domestic and international flights due to the change of the conversion rate.
- \$ 8,7 million: fleet maintenance costs reduction due to the lowering of MD-11 maintenance rates, rates review for the Pool access and repair of spare parts.

Operating profit of the affiliated companies



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



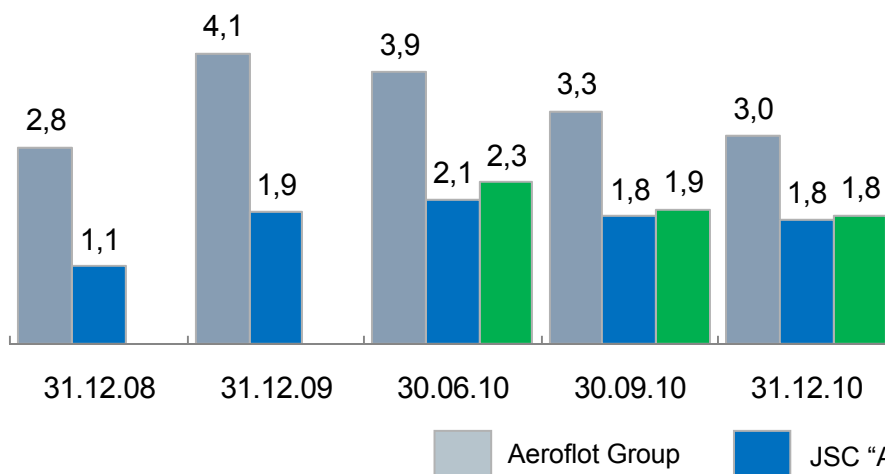
- In 2010 the operating losses of CJCS “Aeroflot-Cargo” and JSC “Terminal” reduced significantly. CJSC “Sherotel” increased it’s operating profit.

Debt of the Aeroflot Group

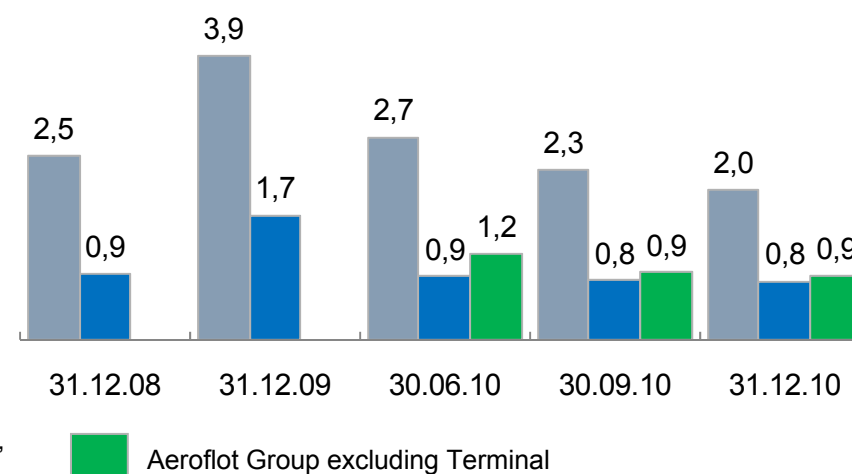


Indicators	unit	JSC "Aeroflot"			Aeroflot Group		
		31.12.09	31.12.10	change	31.12.09	31.12.10	change
Borrowings	\$ mln.	82	402	390%	976	1 313	35%
Finance lease liabilities	\$ mln.	702	718	2%	735	734	0%
Pension liabilities	\$ mln.	9	14	56%	9	14	56%
Custom duties	\$ mln.	179	89	-50%	187	91	-51%
Total debt	\$ mln.	972	1 223	26%	1 907	2 152	13%
Cash and short term investments	\$ mln.	95	668	603%	132	666	405%
Net debt	\$ mln.	877	555	-37%	1 775	1 486	-16%

DEBT / EBITDA



NET DEBT / EBITDA



- Net debt of JSC "Aeroflot" and Aeroflot Group decreased by 37% and 16% respectively.

In comparison with European airlines

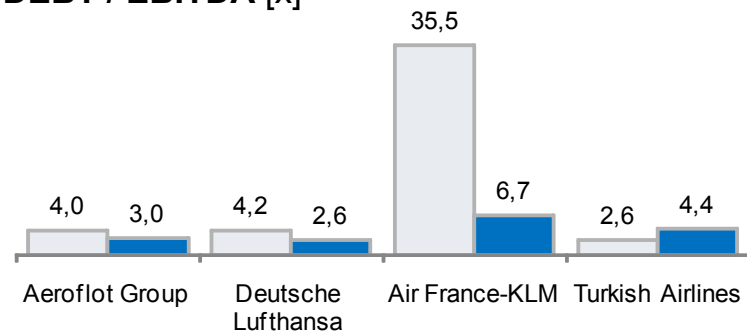


Indicators	unit	2009	2010	change	2009	2010	change	2009	2010	change	2009	2010	change
Financial indicators													
Revenue	\$ mln.	3 346	4 319	29%	31 072	36 248	17%	28 156	30 866	10%	4 537	5 592	23%
EBITDA*	\$ mln.	423	684	62%	2 365	3 750	59%	453	2 150	375%	760	610	-20%
Net profit	\$ mln.	86	253	194%	-47	1 500	3291%	-1 909	313	116%	361	190	-47%
Total Debt**	\$ mln.	1 711	2 047	20%	9 873	9 749	-1%	16 062	14 425	-10%	2 001	2 706	35%
Операционные показатели													
Passenger turnover	bln.pkm	30	39	30%	162	187	15%	202	203	0%	40	48	20%
Passenger capacity	bln.skm	43	51	19%	208	236	13%	253	249	-2%	57	65	14%
Seat load factor	%	70%	77%	+7 п.п.	78%	79%	+1 п.п.	80%	82%	+2 п.п.	71%	74%	+3 п.п.

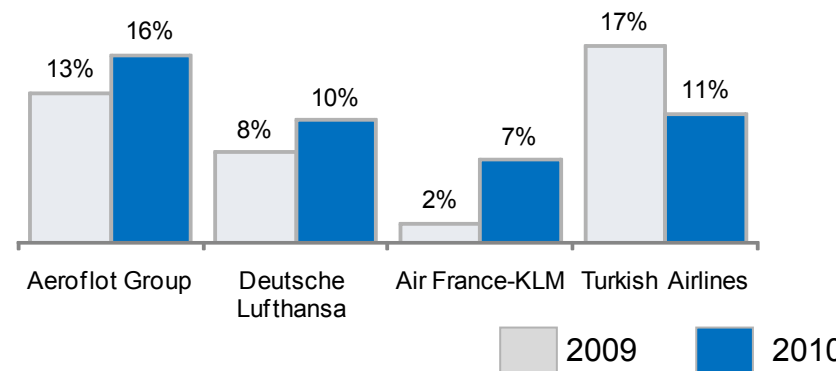
* EBITDA = Operating profit + Amortization

** Total Debt = Borrowings + Finance lease liabilities

DEBT / EBITDA [x]



EBITDA margin [%]

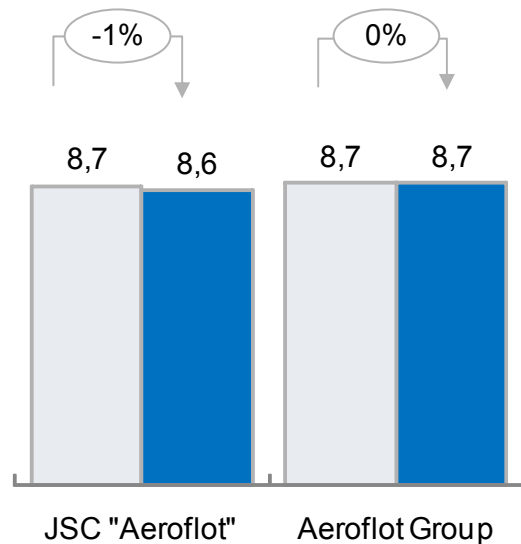


- Operating and financial indicators of Aeroflot Group were increasing faster compared with the largest European airlines.

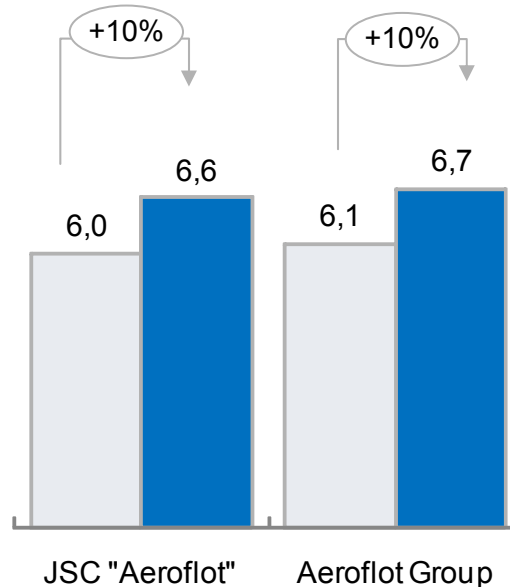
Revenue rates



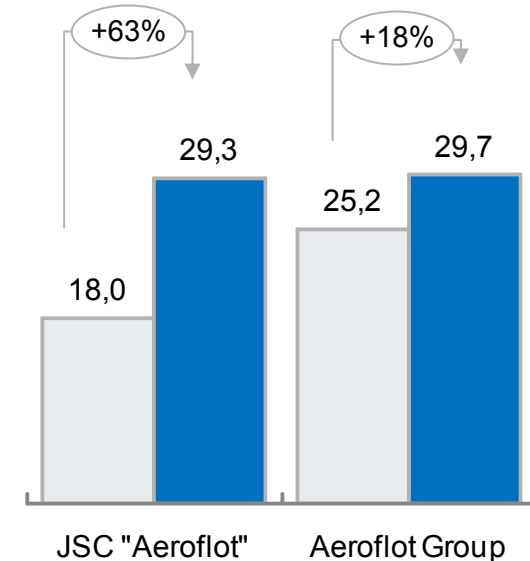
Yield
PAX revenue / RPK
[US cents / pkm.]



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



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



- RASK went up by 10% due to the significant growth of the profitability by means of the seat load factor increase.
- Increase of the medium range flights caused slight decrease of Yield as long distance flights always have a lower average revenue rate.

Table of contents



1.Introduction

2.Group's market position

3.Operating highlights

4.Financial results

5.Conclusions

6.Appendix

Conclusions



- Growth of all operating indicators were observed according to the results achieved in 2010.
- The measures taken by management in order to optimize the route network and revenue rates management provided accelerative growth of operating and financial indicators in 2010.
- The historical maximums were reached on the key indicator of the operating activity efficiency - the level of seat load factor.
- Aeroflot and Aeroflot Group's revenue increased by 35% and 29% respectively. EBITDA increased by 34% at Aeroflot and by 58% at the Group. The net profit of the Group grew three times as much.
- JSC "Aeroflot" and Aeroflot Group reduced net debt by 37% and 16% respectively.

Table of contents



1.Introduction

2.Group's market position

3.Operating highlights

4.Financial results

5.Conclusions

6.Appendix

Operating indicators



Indicator	unit	JSC "Aeroflot"			Aeroflot Group		
		2009	2010	change	2009	2010	change
Passenger turnover	mln.RPK	25 986	34 777	34%	29 906	39 173	31%
IAL		17 346	23 632	36%	19 074	25 206	32%
DAL		8 640	11 145	29%	10 832	13 966	29%
Passenger capacity	mln.ASK	37 400	45 021	20%	42 615	50 822	19%
IAL		25 770	31 061	21%	27 776	32 925	19%
DAL		11 630	13 960	20%	14 839	17 897	21%
Tonn kilometers	mln.TKM	2 739	4 082	49%	3 529	4 488	27%
IAL		1 793	2 865	60%	2 378	3 007	26%
DAL		945	1 217	29%	1 152	1 481	29%
Passenger traffic	Ths.PAX.	8 756	11 286	29%	11 062	14 070	27%
IAL		5 413	7 122	32%	6 170	7 875	28%
DAL		3 343	4 164	25%	4 892	6 195	27%
Cargo and Mail traffic	tonne	86 762	163 404	88%	148 950	170 583	15%
IAL		51 285	121 074	136%	107 451	121 448	13%
DAL		35 478	42 330	19%	41 500	49 135	18%
Seat load factor	%	69%	77%	12%	70%	77%	10%
IAL		67%	76%	13%	69%	77%	12%
DAL		74%	80%	8%	73%	78%	7%
Flight Hours	hours	286 278	327 054	14%	363 275	405 982	12%

- According to the results of the year 2010 Aeroflot indicated positive dynamics on all basic operating indicators and reached the maximums of the Russian Federation Civil Aviation for the last 20 years as for passenger traffic and seat load factor.