

Aeroflot Group Consolidated financials (IFRS) 12M2011

Moscow

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Speaker:

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Deputy Director General

Finance and investments

1.Introduction

2.Market position of the Group

3.Operating highlights

4.Financial results

5.Conclusions

6.Subsidiary airlines

Key highlights for the 12 months 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”.
- December 13, 2011 the agreement on JSC “Terminal” consolidation into JSC “Sheremetyevo International Airport” has been signed. The agreement implies merger of the companies and conversion of 52.82% of JSC “Terminal” stock, owned by Aeroflot Group, into 8.96% stake in joint company JSC “Sheremetyevo International Airport”.
- 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.
- Despite negative market conditions in Eurozone and anticipated downgrades of countries’ credit ratings, on March 22, 2012 International Rating Agency “Fitch” has confirmed long-term rating for JSC “Aeroflot” at “BB+” level with stable outlook.

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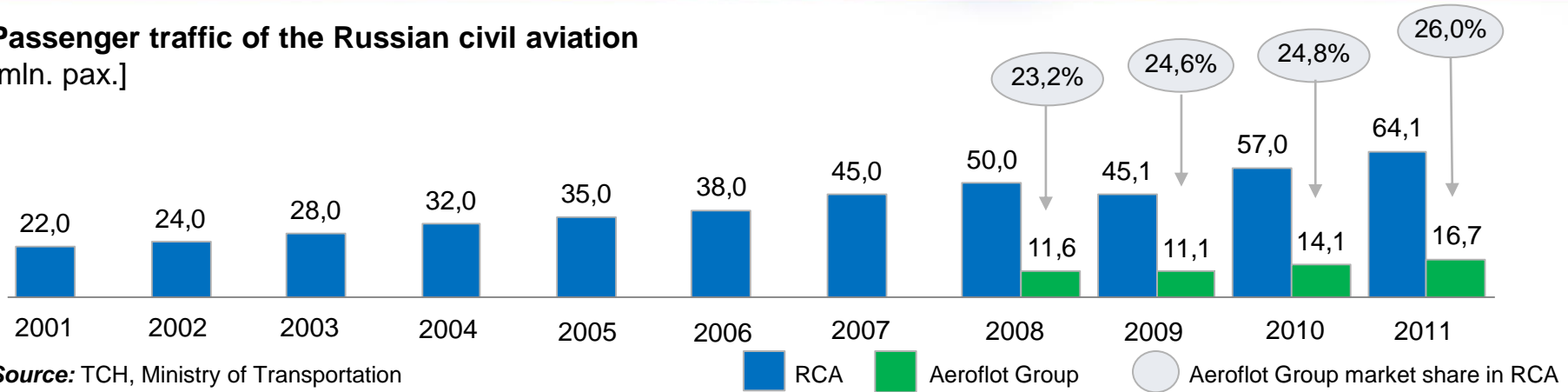
5. Conclusions

6. Subsidiary airlines

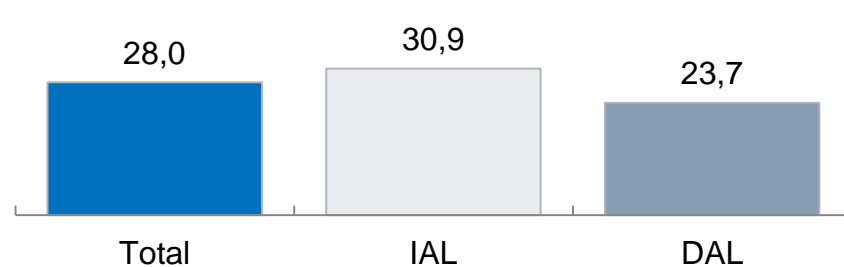
Russian air transportation market



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

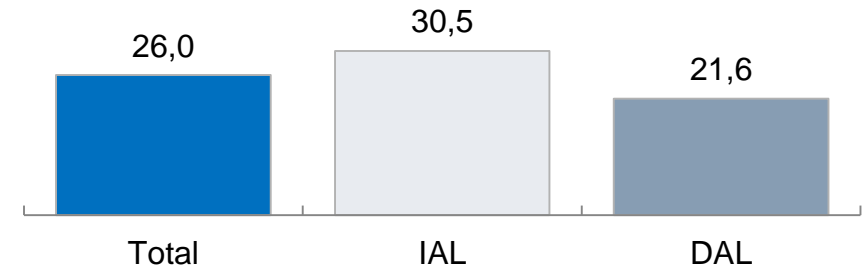


Market share of the Group for 12m2011
[% of passenger turnover]



Source: TCH

Market share of the Group for 12m2011*
[% of passenger traffic]



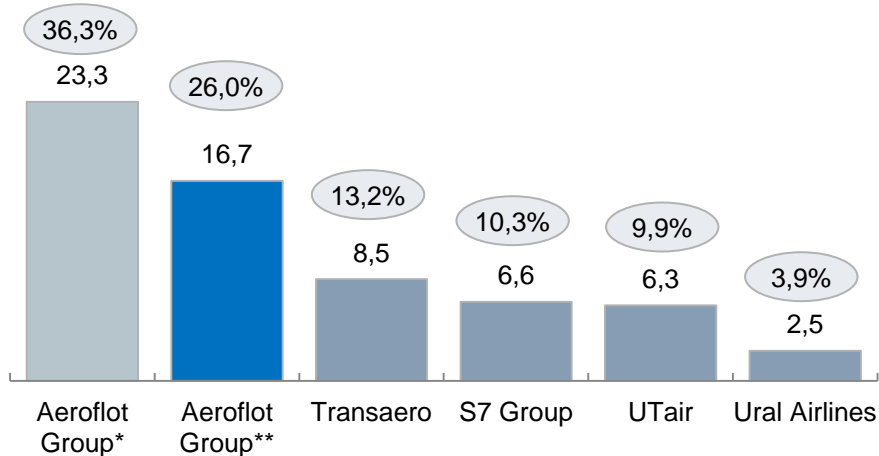
Source: TCH

* Passenger traffic of the Group includes passengers carried by Nordavia until deconsolidation and passengers carried by Rossiya Airlines, Vladivostok Avia, Orenair and SAT Airlines starting from the day of consolidation

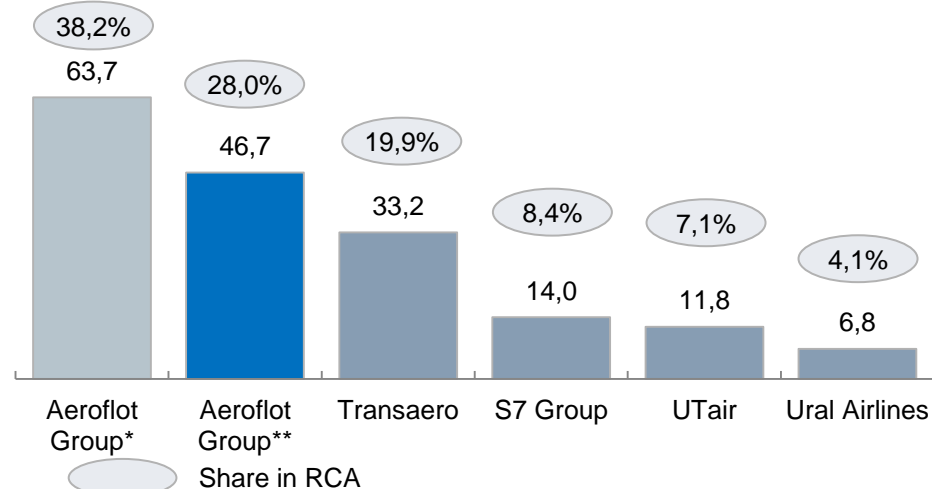
- At the end of 12 months of 2011 the share of Aeroflot Group in RCA amounted for 26.0%.
- The estimated passenger traffic of RCA in 2011 reached 64.1 million people, which is 12.6% more than in 2010

Market position of the Group in 2011

Passenger traffic [mln.pax.]



Passenger turnover [bln.pkm.]



Source: TCH

* Aeroflot Group including consolidation of Rossiya Airlines, Vladivostok Avia, Orenair and SAT Airlines results for 2011.

** Aeroflot Group including consolidation of Rossiya Airlines, Vladivostok Avia, Orenair and SAT Airlines results from November 15, 2011.

Growth rates of basic operating indicators

[%, 12m2011 to 12m2010]



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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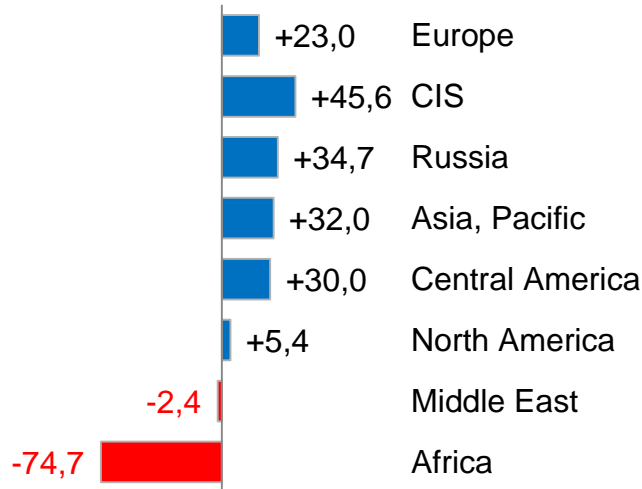
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Route network efficiency of JSC “Aeroflot” in 2011



Flights dynamics by region [%]



Routes quantity, average week frequency per route

Average week frequency per route	2010	2011	Change
Regular	8,27	10,2	23%
Charter	0,38	0,21	-45%
IAL Regular	7,38	8,1	10%
DAL regular	10,3	16,2	57%
Medium-haul	9	11,9	32%
Long-haul	3,63	4,62	27%
Total	7,68	8,05	5%

- Timetable harmonization and wave structuring at Sheremetyevo Airport according to developed model support transfer passenger traffic growth.
- Transfer passenger traffic in Company’s route network grew by 32% and amounted to 4.2 mln. passengers, 30% of total passenger turnover.

Fleet of the Group as of 31.12.11



Type of aircraft	Aeroflot	Donavia	Rossiya Airlines	Orenair	Vladivostok Avia	SAT Airlines	Total
Ilyushin Il-96-300	6						6
Tupolev Tu-154			5*	4 ^v	5*		14
Antonov An-24				2*		6 [#]	8
Antonov An-26						1*	1
Tupolev Tu-134				8*			8
Mil Mi-8					3	1	4
Yakovlev Yak-40					2		2
Total number of aircraft owned	6	-	5	14	10	8	43
Airbus A-319	4		9				13
Airbus A-320	1						1
Airbus A-321	18						18
Airbus A-330	3						3
Boeing B-737		5				2	7
Antonov An-148			6				6
Tupolev Tu-204					6		6
Total number of aircraft under finance lease	26	5	15	-	6	2	54
SSJ 100	4						4
Airbus A-319	11						11
Airbus A-320	42		6		7		55
Airbus A-330	11				3		14
Boeing B-737		5	5	19		1	30
Boeing B-767	9		3				12
Boeing B-777				1			1
McDonnell Douglas MD-11	3						3
DHC 8 Series 300						3	3
DHC 8 Series 200						2	2
Tupolev Tu-154				1			1
Tupolev Tu-204				1			1
Antonov An-12						2	2
Total number of aircraft under operating lease	80	5	14	22	10	8	139
Total number of aircraft	112	10	34	36	26	18	236

* As of 31.12.2011 operation of this aircraft was terminated

^v As of 31.12.2011 operation of one of four aircraft was terminated [#] As of 31.12.2011 operation of four of six aircraft was terminated

- The operated fleet includes mainly modern fuel-efficient aircraft.
- 70% of the Group's aircraft were under operating lease agreements, 27% – under financial lease

Order and phase off plan of JSC “Aeroflot”



Delivery schedule in accordance with contracts in force

Type of aircraft	2012	2013	2014	2015
Regional				
SSJ-100	10	6	10	-
Medium-haul				
A-320	-	3	2	-
A-321	3	5	-	-
Long-haul				
A-330	8	-	-	-
B-777	-	4	6	3
B-787	-	-	8	8
TOTAL	21	18	26	11

Phase off schedule of aircraft

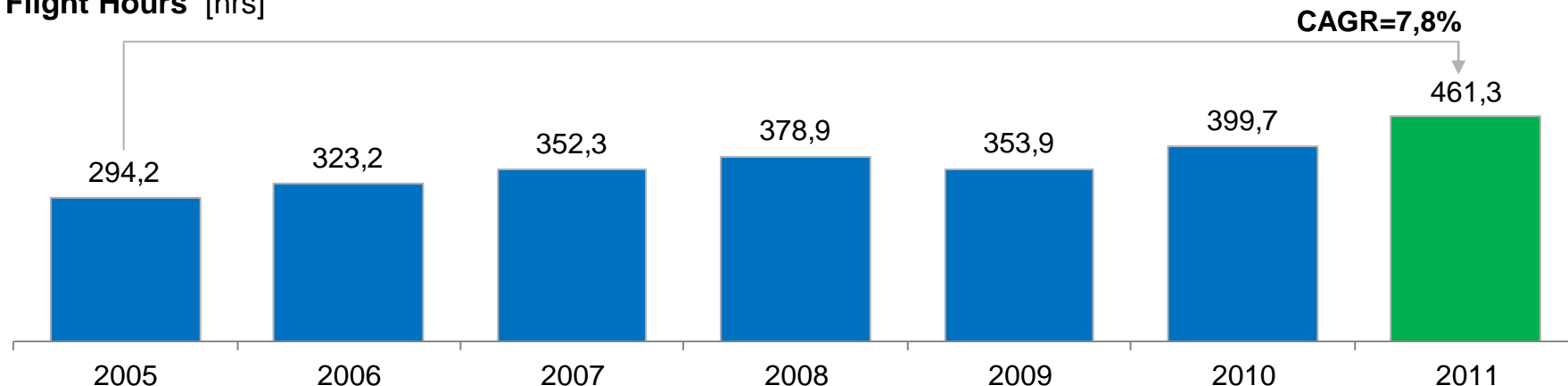
Type of aircraft	2012	2013	2014	2015
Medium-haul				
A-319	-	1	3	4
A-320	-	4	2	-
Long-haul				
B-767	2	3*	4	-
Ilyushin Il-96	-	2	3	1
TOTAL	2	10	12	5

* Two aircraft have an option to extend lease terms not concluding supplementary agreements.

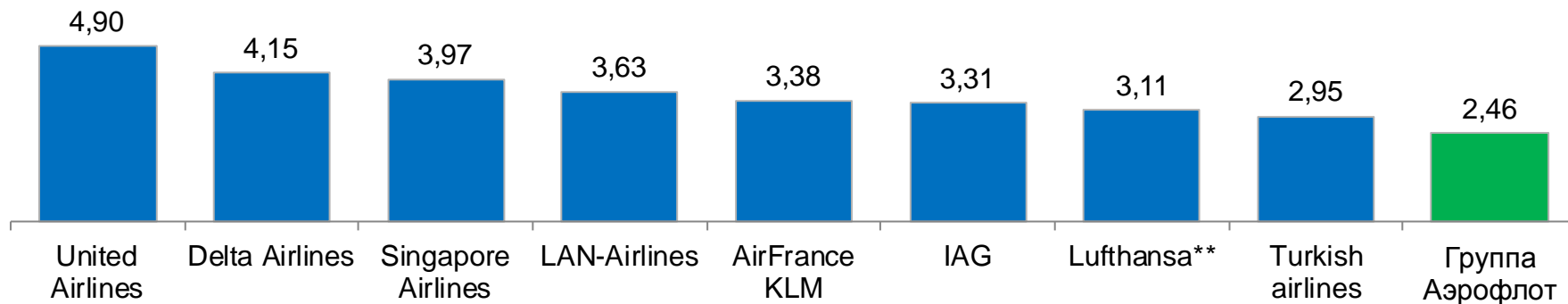
- In 2012-2015 Aeroflot plans to extend its fleet by 76 modern aircraft.
- Until the end of 2015 Company plans decommissioning of Il-96, B-767 and A-320 family, which terms of lease expire.

Fuel expenses of Aeroflot Group

Flight Hours [hrs]



Fuel Cost Per ASK * [US cents / ASK]



* Summarizing the results of 2011.

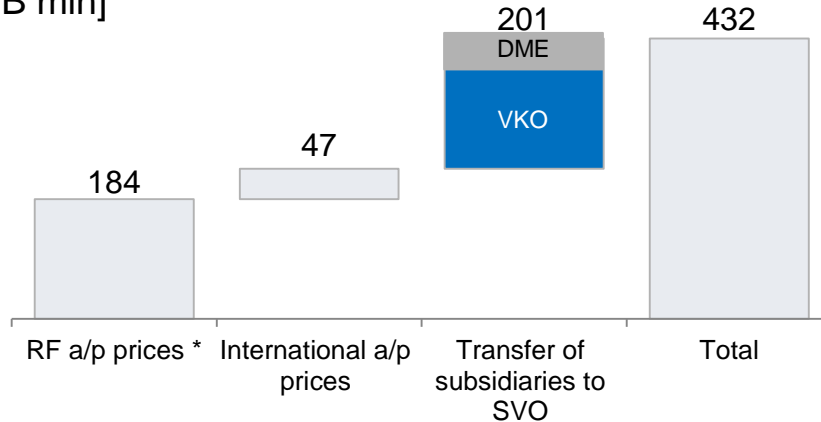
** Includes only air transportation segment.

- For the last 7 years the Group kept increasing its aircraft flight time on average by 7.8% per annum. In 2011 aircraft flight time of the Group increased by 15.4 %.
- Following fuel expenses growth by 56% in 2011, the indicator of fuel costs per available seat-kilometer of the Group is at the lowest level, 2.46 US cents/ASK in comparison to the developed and developing countries airlines.

Potential fuel cost saving

Potential fuel cost saving

[RUB mln]



* Excluding the cost saving effect gained from transferring of subsidiaries airlines' flights from VKO and DME to SVO

Source: Aeroflot data; Bain analysis

- Transferring all Aeroflot subsidiaries to SVO would most effectively lower the fuel costs since Aeroflot can negotiate preferential pricing for all its operating subsidiaries at the base airport.
- Alternatively, based on its status of the largest State-owned carrier, the Group can switch between the fuel suppliers in regional airports, where pricing policies can substantially differ.

Fuel hedging practice

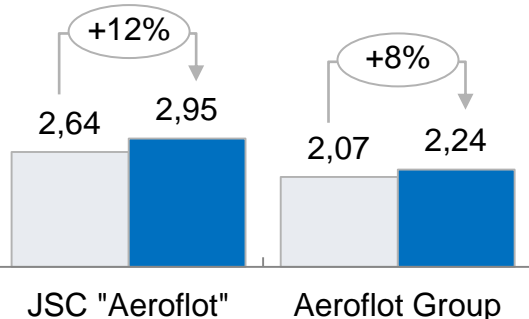
- In December 2010 the Group entered into an agreement with a Russian bank to hedge a portion of its fuel costs (less than 15%) from potential future price increases.
- Aeroflot Group fuel cost saving potential can be achieved by rapid implementation of cost saving initiatives, centralizing procurement operations and financial instruments usage.
- By 2015 fuel efficiency of the Group is expected to improve substantially taking into account the plans to renew the aircraft fleet

Headcount and labor productivity

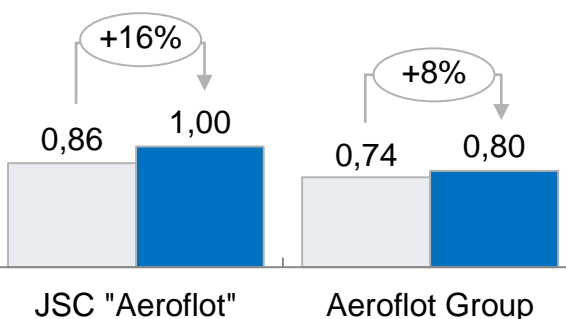
Headcount	31.12.2010	31.12.2011	vly
Aeroflot	14 319	15 500	8%
Aeromar	2 134	2 288	7%
Rossiya Airlines	0	3 312	100%
Orenair	0	2 227	100%
Vladivostok Avia	0	2 180	100%
SAT Airlines	0	785	100%
Donavia	1 304	1 234	-5%
Nordavia	1 257	0*	-100%
Terminal	725	0**	-100%
Aerofirst	613	632	3%
Sherotel	286	276	-3%
Aerofot-Finance	2	4	100%
TOTAL	20 640	28 438	38%

Labor productivity

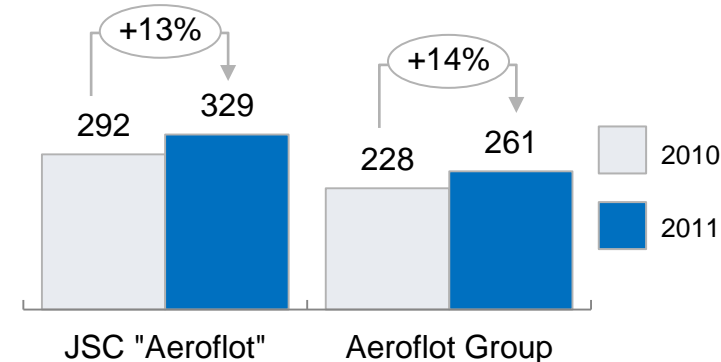
Passenger turnover/Average Headcount
[mln.pkm/units]



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



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



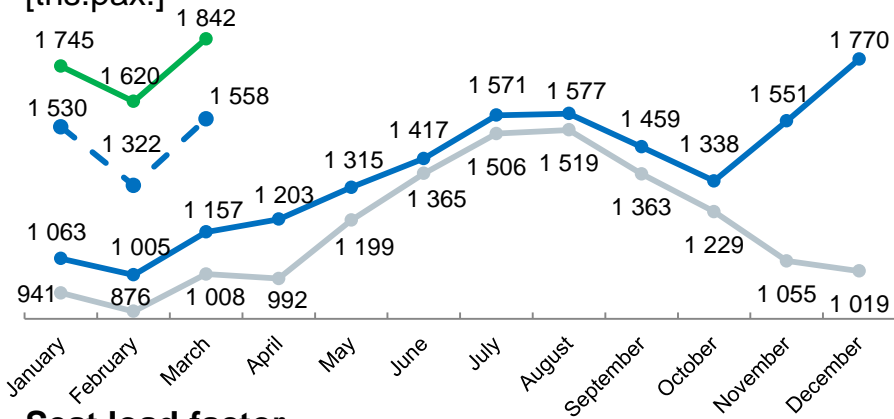
* Headcount of Nordavia on 31.05.2011 amounted to 1,351. ** Headcount of JSC "Terminal" on 31.12.2011 amounted to 660.

Headcount of JSC "Aeroflot" increased by 8% mainly due to increase in flight attendants count due to fleet expansion and growth of volume of Company's operations.

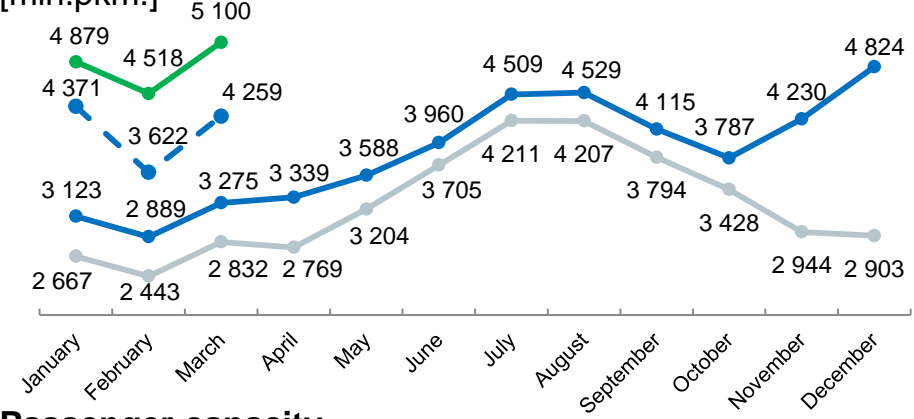
Operating indicators of Aeroflot Group



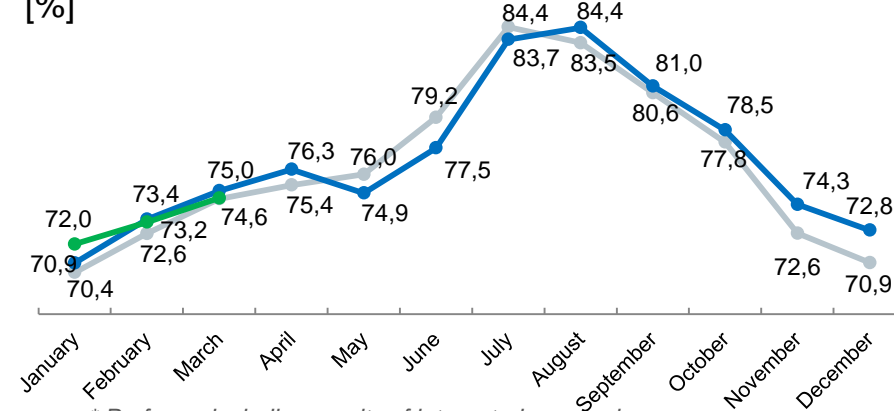
Passenger traffic [ths.pax.]



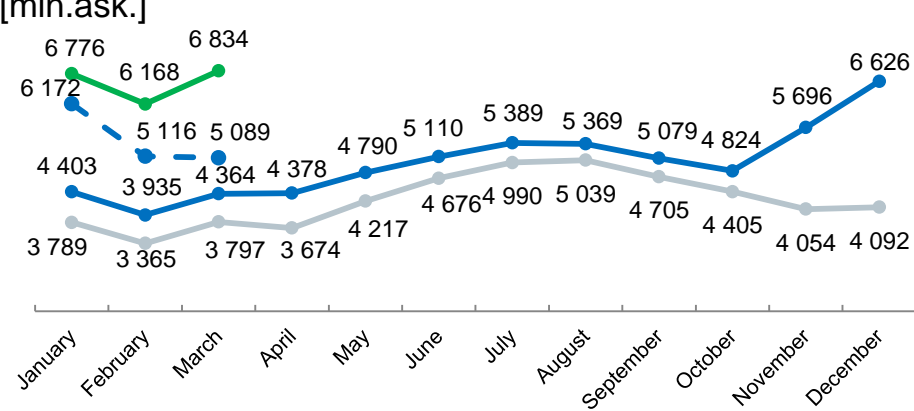
Passenger turnover [mln.pkm.]



Seat load factor [%]



Passenger capacity [mln.ask.]



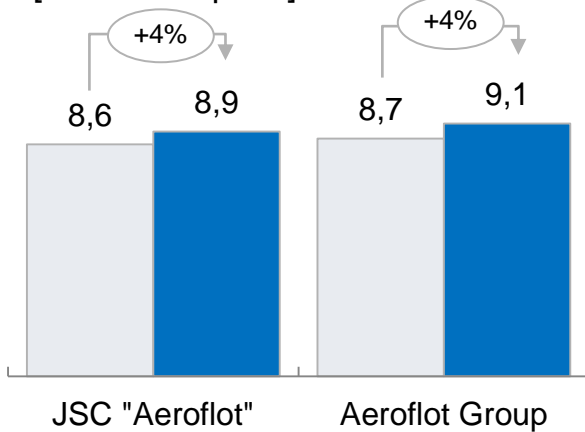
* Proforma including results of integrated companies

— 2010 — 2011 — 2012 — 2011*

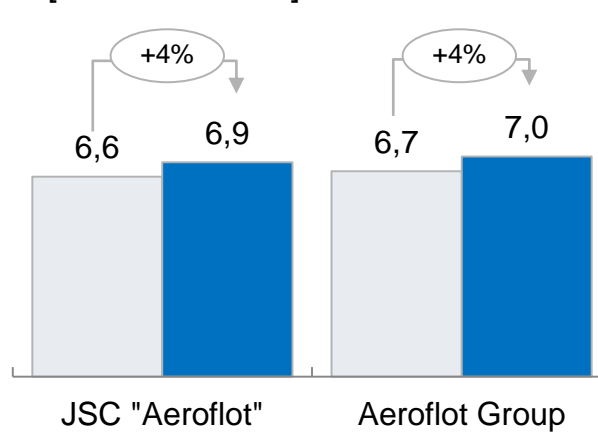
- The majority of operating indicators of the Group exceed prior year figures.
- The seat load factor during the first half of 2011 was in line with figures of 2010, starting from August the seat load factor exceeded the record figures of 2010.
- Sharp growth in traffic volume at the end of 2011 was due to consolidation of Rossiya Airlines, Orenair, Vladivostok Avia and SAT Airlines from November 15, 2011.

Revenue rates

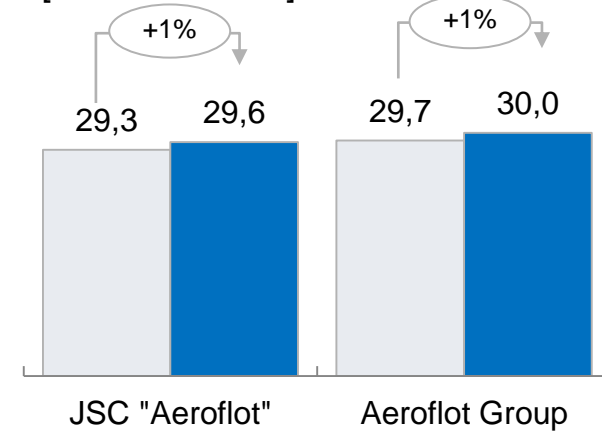
Yield: PAX revenue / RPK
[US cents / pkm.]



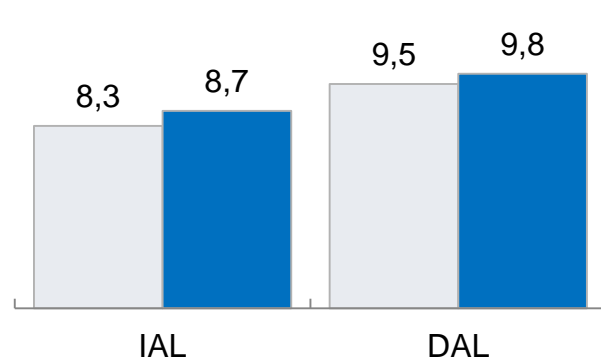
RASK: PAX revenue / ASK
[US cents / ask.]



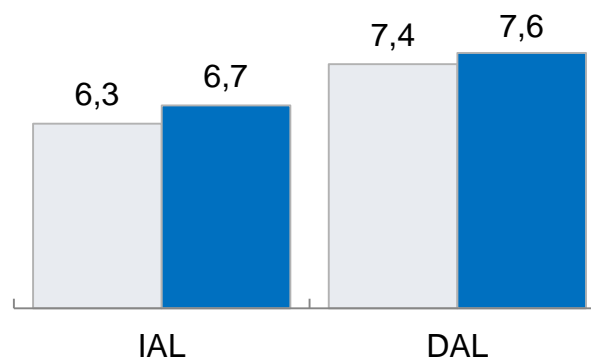
Cargo yield: Cargo revenue / CTK
[US cents / tkm.]



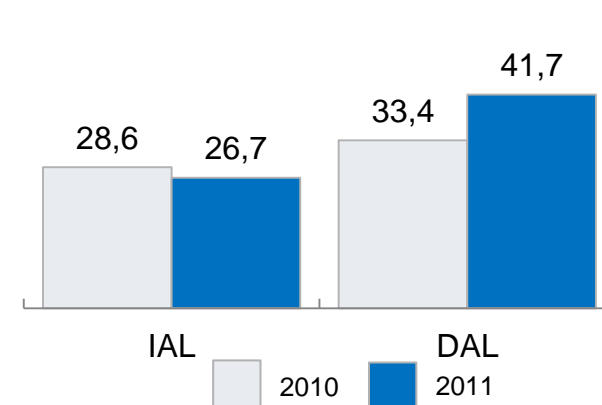
Yield of the Group
[US cents / pkm.]



RASK of the Group
[US cents / pkm.]



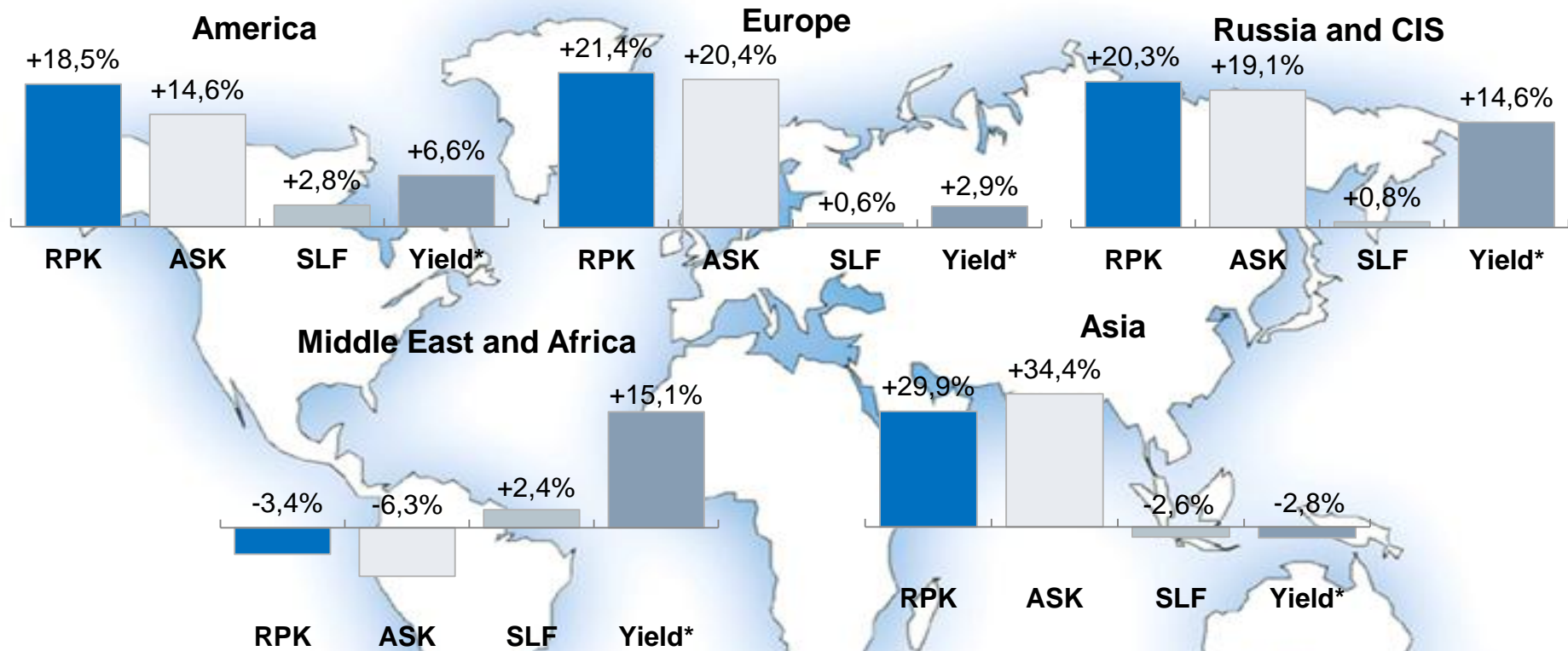
Cargo yield of the Group
[US cents / pkm.]



In 12 months 2011 revenue rates of the Group increased, confirming growth in demand for Aeroflot Group services on passenger transportation market.

JSC “Aeroflot” operating indicators dynamics by region

[%, 12m2011 vs 12m2010]

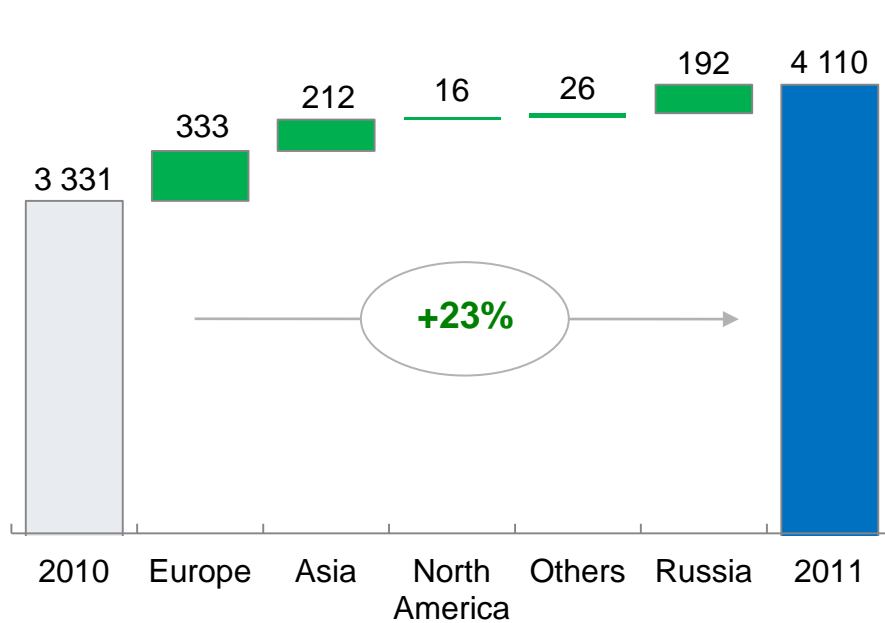


* Data derived from managerial accounting

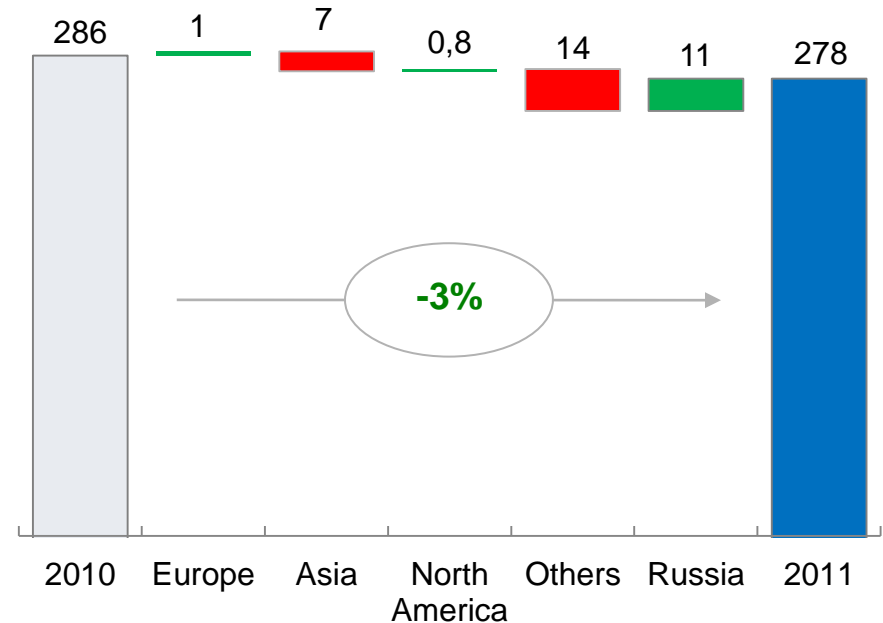
- Following the approved strategy of strengthening positions on the popular tourist directions, Aeroflot significantly increased its long-haul transportation capacities. The largest growth was demonstrated in Europe, Asia, Russia and CIS.
- As a result of growing presence in the Asian market, growth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

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 volume of the Group in Asia, Europe and Russia

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Key financials

Index	unit	JSC "Aeroflot"			Aeroflot Group		
		12m2010	12m2011	vly	12m2010	12m2011	vly
Revenue	\$ mln.	3 848	4 686	22%	4 319	5 378	25%
Operating costs	\$ mln.	3 370	4 247	26%	3 838	4 990	30%
EBITDAR*	\$ mln.	948	957	1%	1 047	1 024	-2%
EBITDA**	\$ mln.	645	625	-3%	709	646	-9%
Operating income	\$ mln.	478	439	-8%	481	388	-19%
Net income	\$ mln.	346	508	47%	253	491	94%
EBITDAR margin	%	25%	20%	-5 p.p.	24%	19%	-5 p.p.
EBITDA margin	%	17%	13%	-4 p.p.	16%	12%	-4 p.p.

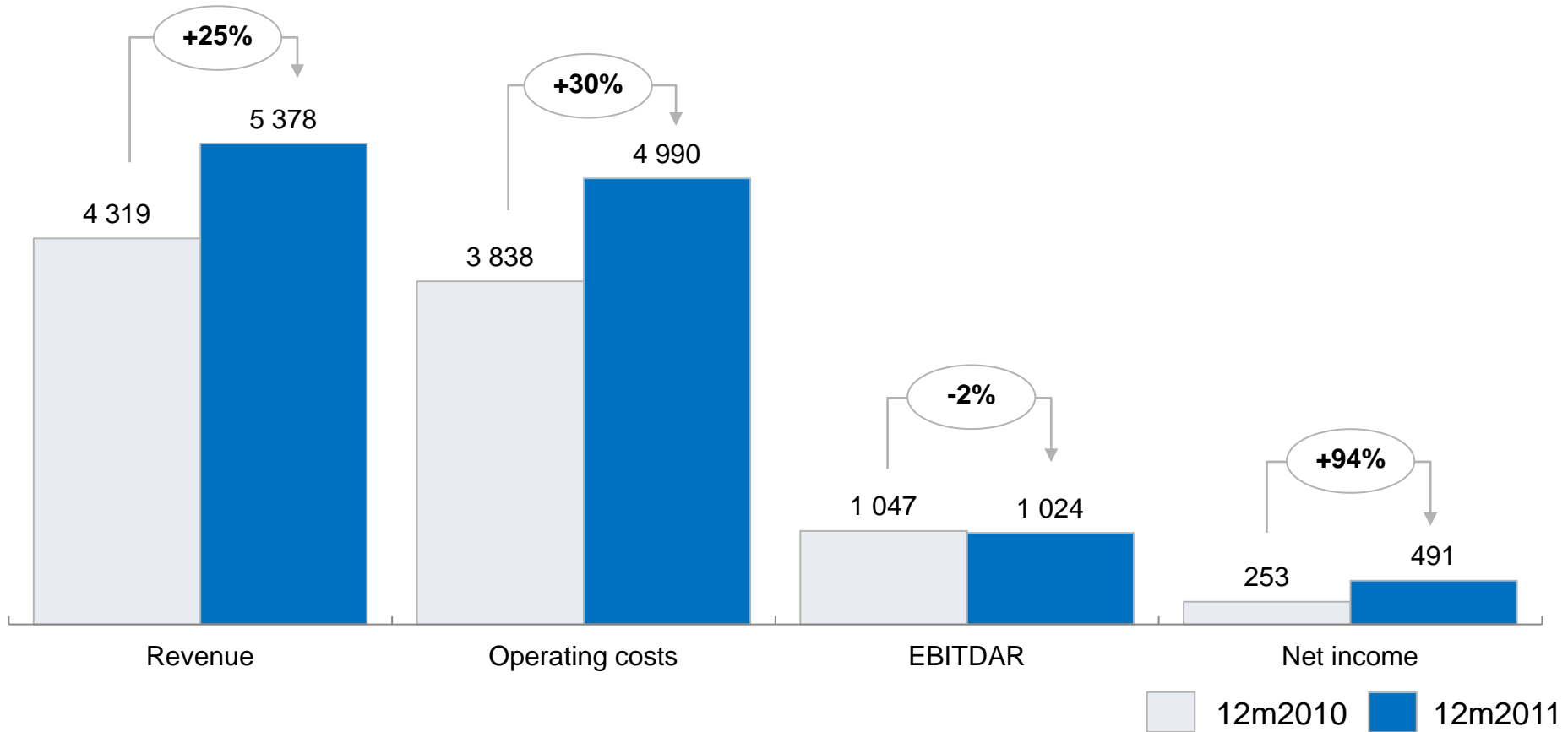
* EBITDAR = EBITDA + Operating lease expenses

** EBITDA = Operating income + Amortization + Customs duties

- The revenue of JSC "Aeroflot" for 12 months 2011 increased by 22% compared to 12 months 2010, operating income decreased by 8%.
- EBITDA of JSC "Aeroflot" and Aeroflot Group went down by 3% and 9% respectively.
- The net income of JSC "Aeroflot" grew by 47%, while that of the Group – by 94%.
- Negative impact on financial result of the Group was caused by consolidation of airlines purchased from State Corporation "Russian Technologies" in fourth quarter of 2011 – traditionally weak season for air carriers.

Aeroflot Group's financial indicators dynamics

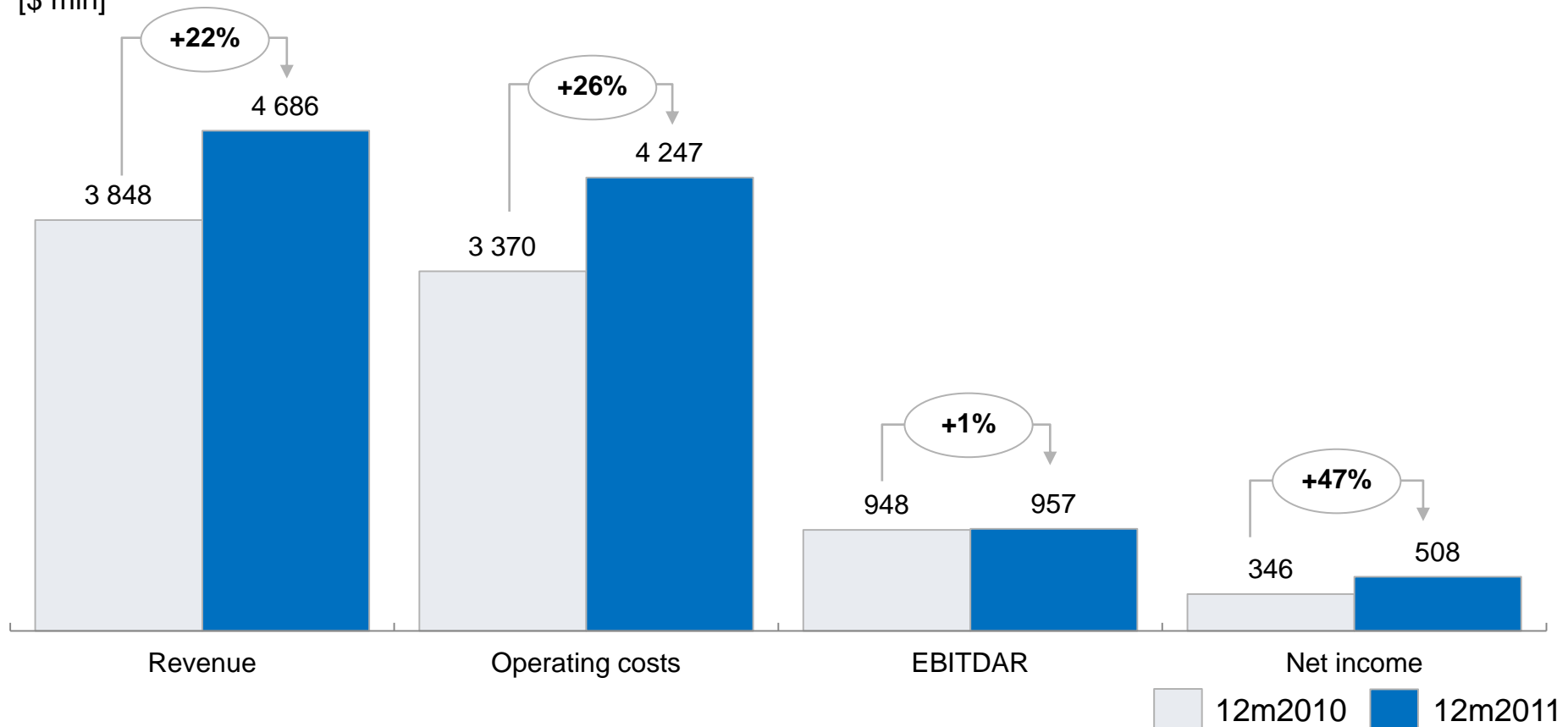
Key financial indicators of the Group [\$ mln]



- EBITDAR declined by 2%, net income increased by 94%.
- Substantial growth of operating costs is based on higher fuel prices and higher aircraft and traffic servicing costs due to increase in volume of operations.

Dynamics of the financial indicators of JSC “Aeroflot”

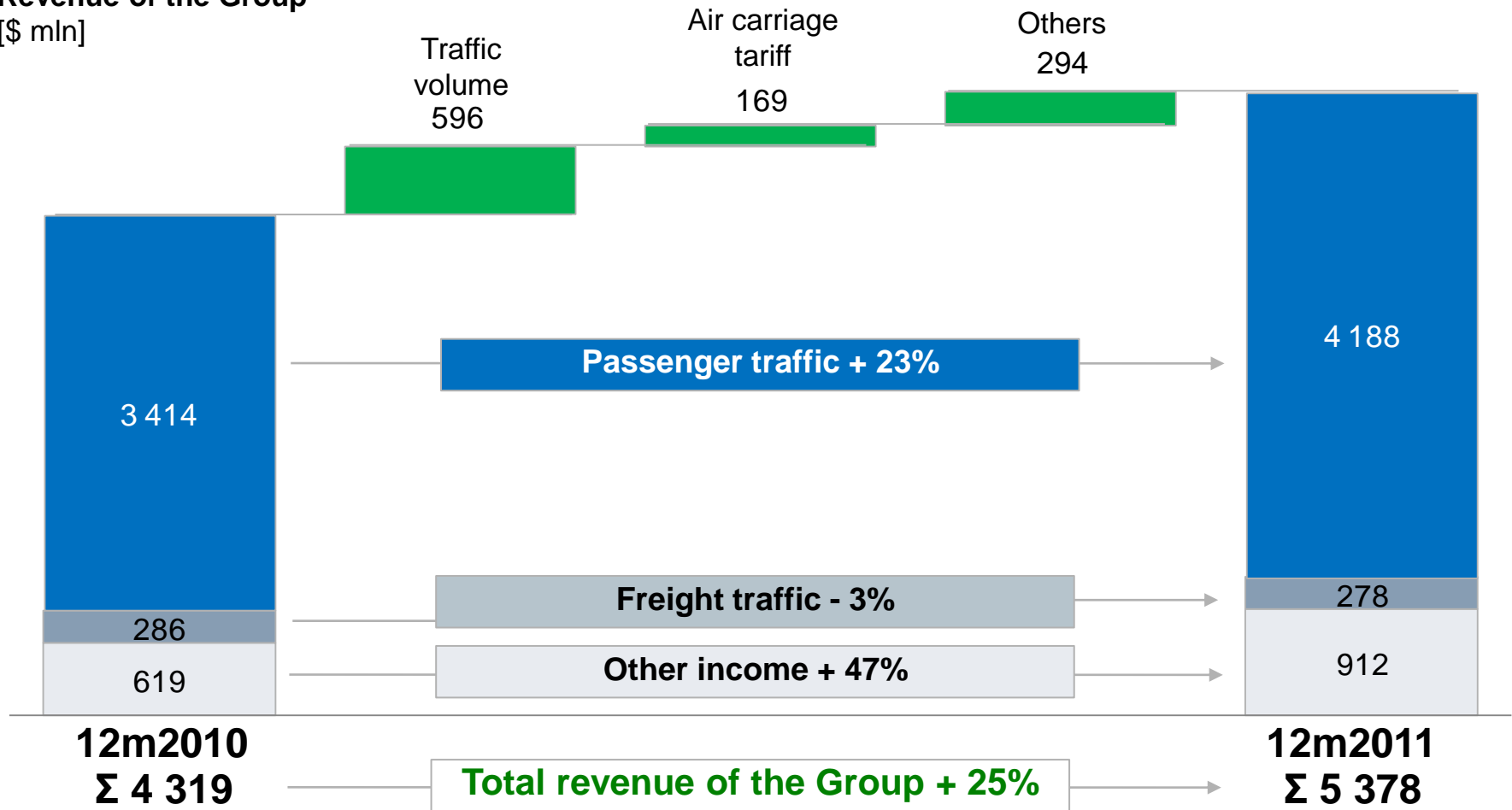
Key financial indicators of JSC “Aeroflot”
[\$ mln]



- Key financial indicators of JSC “Aeroflot” demonstrate growth for 12 months 2011.
- EBITDAR grew by 1%, Net income of JSC “Aeroflot” increased by 47% compared to 12 months 2010.

Group's revenue factorial analysis

Revenue of the Group
[\$ mln]



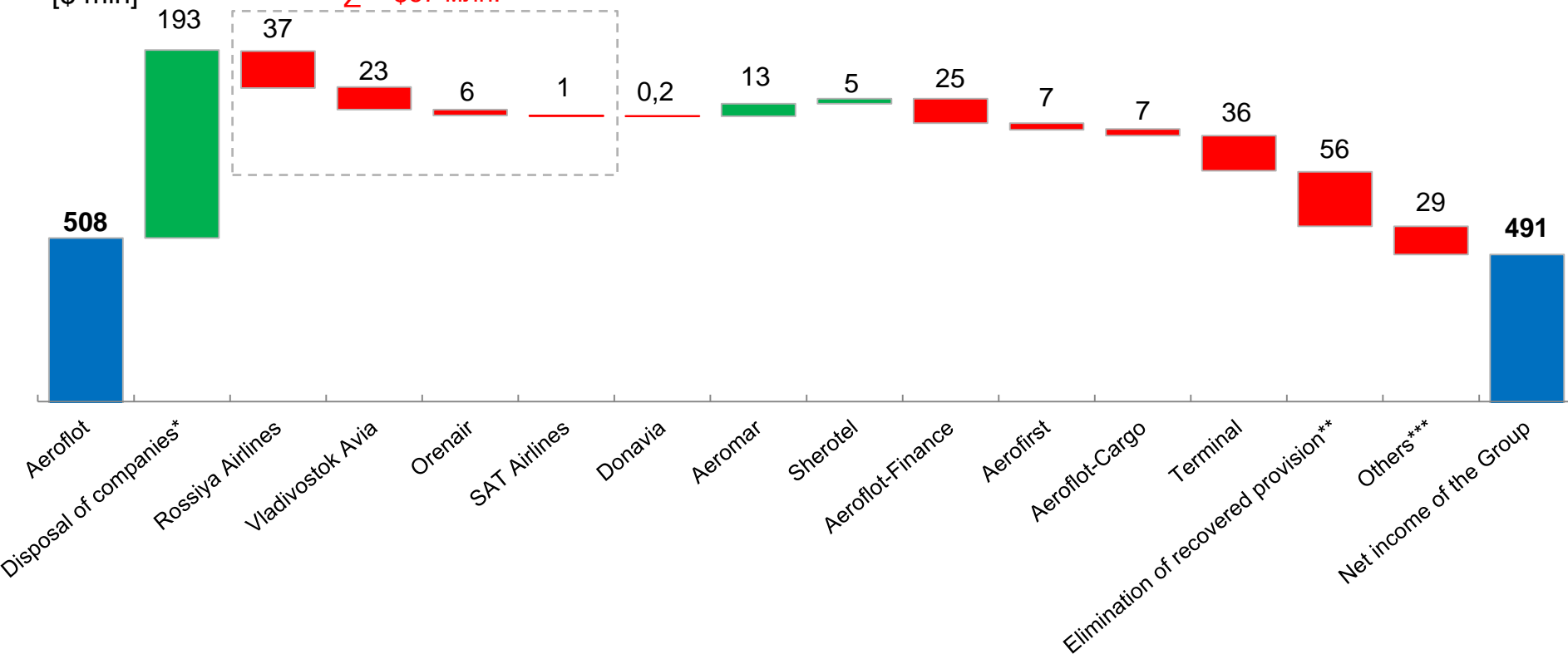
- The substantial increase in Aeroflot Group's revenue is caused primarily by the growing passenger traffic.
- Other income rose by 47% as a result of Aerofirst consolidation and JSC "Terminal" revenue growth in 2011.

Structure of the Group's net income

Elements of Aeroflot Group's net income

[\$ mln]

$\Sigma = -\$67$ млн.



* Result of deconsolidation of accumulated loss of disposed subsidiaries and affiliated companies.

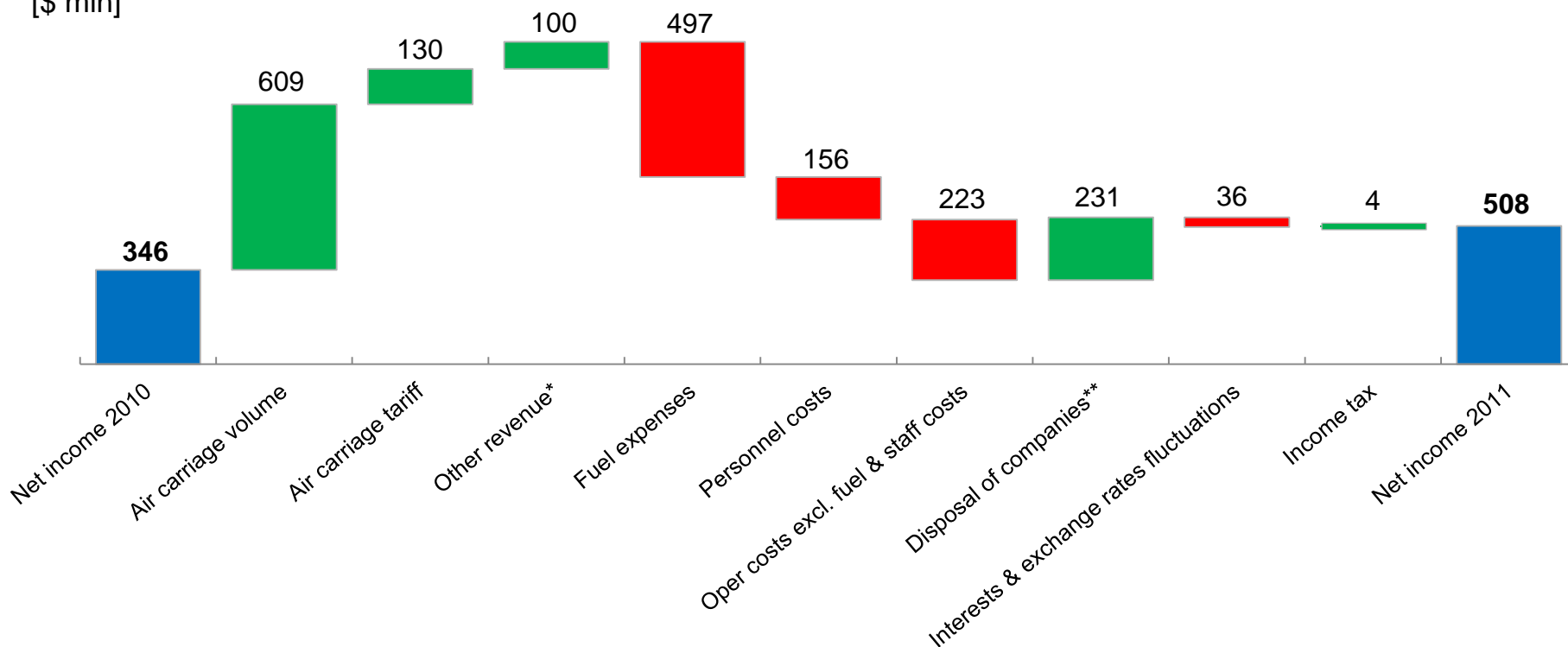
** Elimination of the reserve recovered by Aeroflot, previously accrued for Aeroflot-Cargo accounts receivable.

*** Including minority interest, results of disposed and affiliated companies, intercompany transfers elimination.

- Financial result of the Group was positively affected by deconsolidation of the accumulated losses of disposed subsidiaries and affiliated companies.
- Substantial loss by JSC "Rossiya Airlines" was based on negative foreign exchange differences from revaluation of finance lease obligations in foreign currency.

Factorial analysis of the net income of JSC “Aeroflot”

Adjustments to the net income of JSC “Aeroflot”
[\$ mln]



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

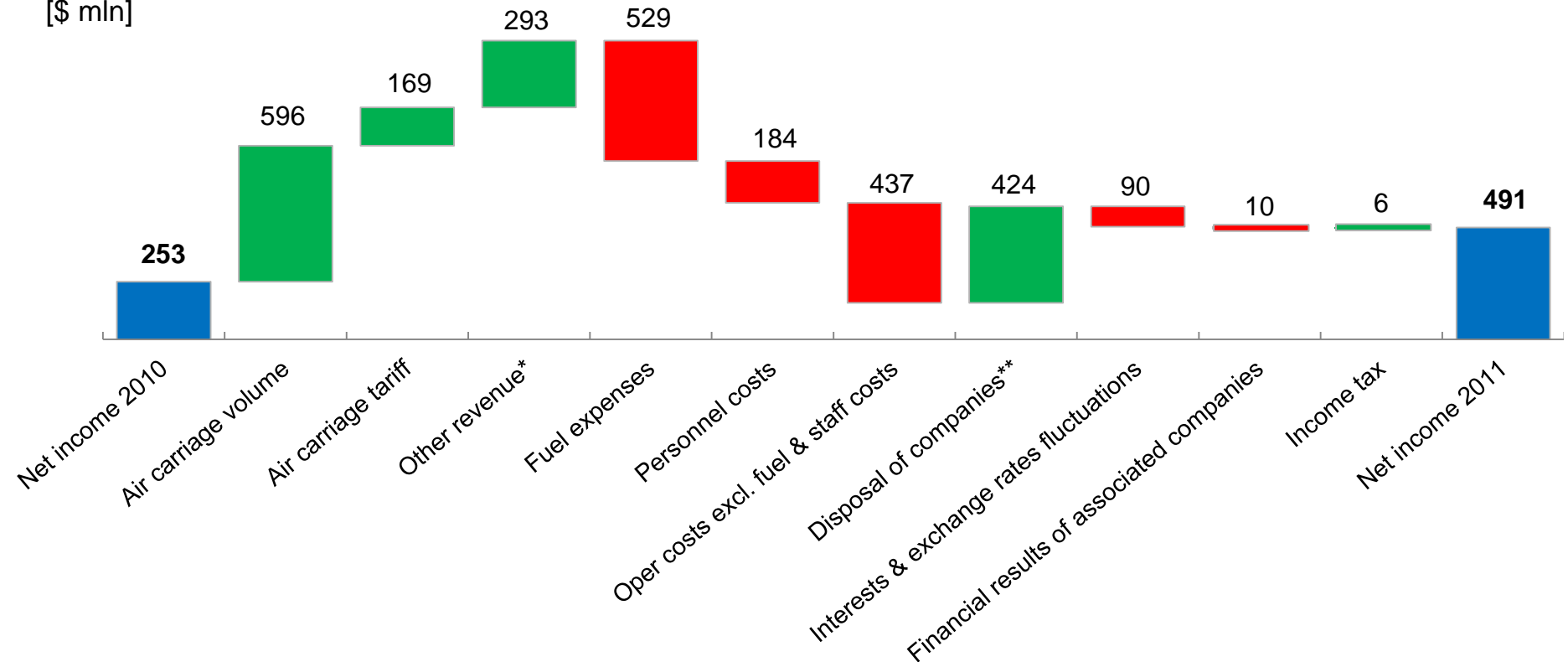
** Profit from disposal of investments in affiliated companies and subsidiaries

- Net income of JSC “Aeroflot” increased due to higher volume of operations as well as air carriage tariffs growth. Increase in revenue from operations outperformed increase in operating costs.
- Financial result of the Group was positively affected by the disposal of "Nordavia", "Moscow" Insurance Company", "TZK "Sheremetyevo" companies and deconsolidation of JSC “Terminal”.

Factorial analysis of the Group's net income

Adjustments to the Group's net income

[\$ mln]



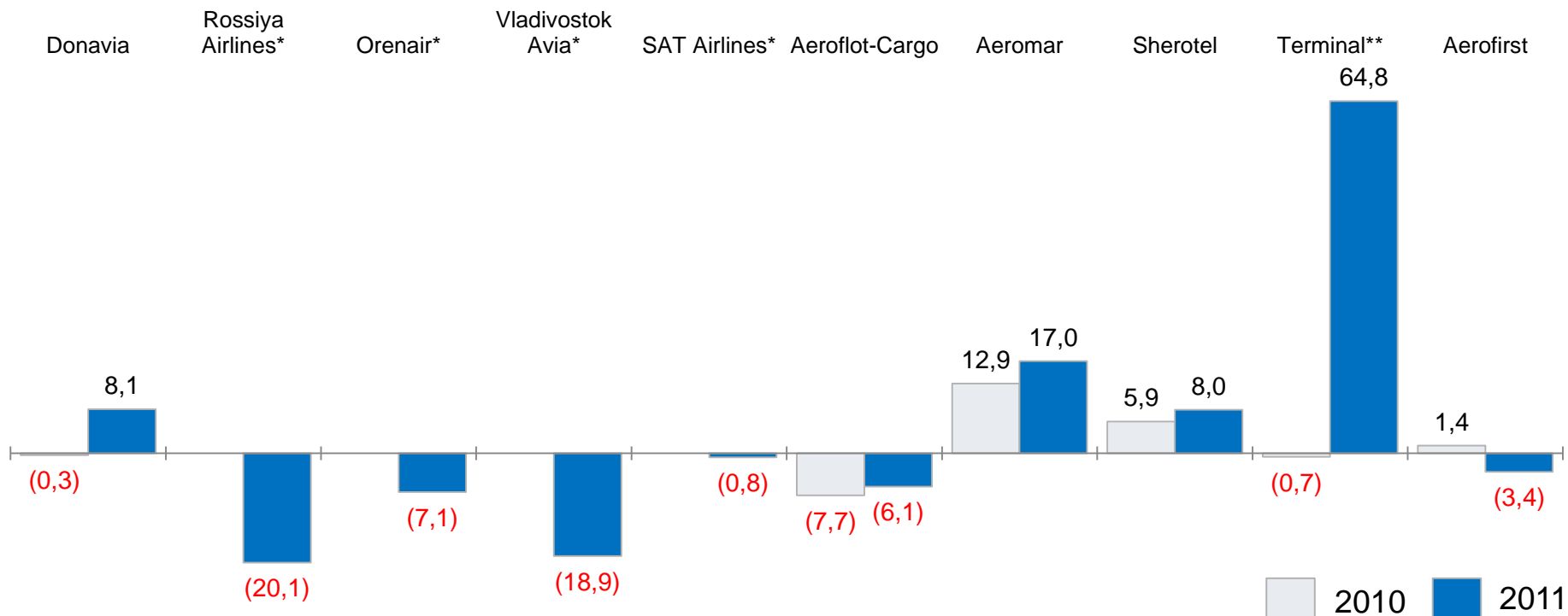
* The main share is attributed from revenue of duty free trading, fueling, airport services and income from airline agreements.

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

- The growth of non-aviation revenue is primarily driven 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 main subsidiaries

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



* Operating profit/loss starting from consolidation on November 15, 2011.

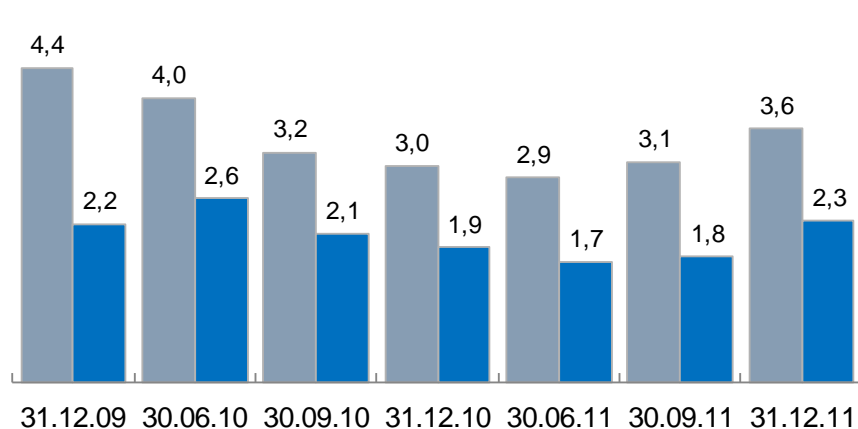
** Operating profit of JSC "Terminal" until deconsolidation on December 13, 2011.

- Operating losses of Rossiya Airlines and Vladivostok Avia are subject to low season.
- Terminal, Donavia, Aeromar and Sherotel demonstrated positive results for 2011.

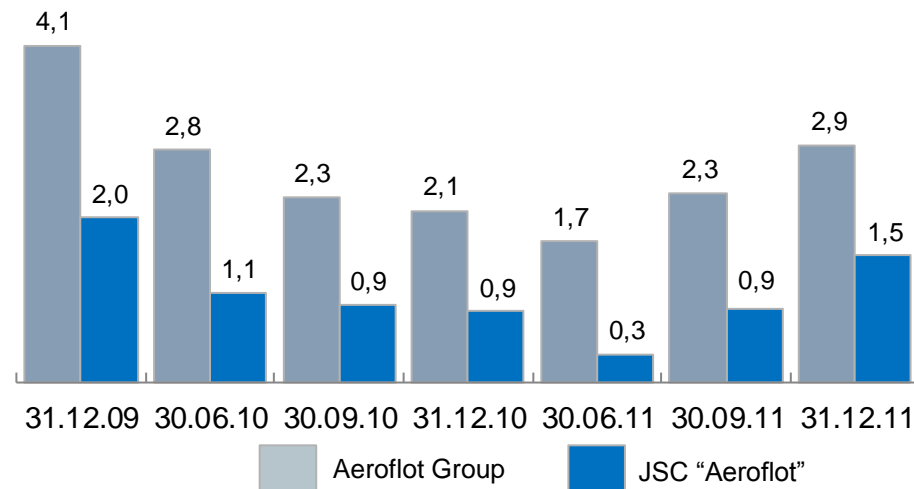
Debt leverage of Aeroflot Group

Indicators	unit	JSC "Aeroflot"			Aeroflot Group		
		31.12.10	31.12.11	vly	31.12.10	31.12.11	vly
Borrowings	\$ mln.	402	513	28%	1 313	767	-42%
Finance lease liabilities	\$ mln.	719	896	25%	734	1 500	104%
Pension liabilities	\$ mln.	14	12	-14%	14	12	-14%
Customs duties	\$ mln.	89	2	-98%	91	18	-80%
Total debt	\$ mln.	1 224	1 423	16%	2 152	2 297	7%
Cash and short term investments	\$ mln.	668	456	-32%	666	414	-38%
Net Debt	\$ mln.	556	967	74%	1 486	1 883	27%

TOTAL DEBT / EBITDA* [x]



NET DEBT / EBITDA* [x]



* EBITDA = Operating profit + DD&A + Customs duties
For 6 and 9 months indicators EBITDA is annualized.

- The debt leverage of JSC 'Aeroflot' and the Group is at stable level.
- Change in debt leverage and Total debt / EBITDA indicator is driven by JSC "Terminal" deconsolidation as well as consolidation of debt and operating losses of integrated airlines purchased from State Corporation "Russian Technologies" during the low season – from mid-November 2011.

Aeroflot Group in comparison with European airlines



Indicators	unit	12m2010	12m2011	vly	12m2010	12m2011	vly	12m2010*	12m2011*	vly	12m2010	12m2011	vly
Financial indicators													
Revenue	\$ mln.	4 319	5 378	25%	35 101	40 009	14%	30 939	33 923	10%	5 592	7 065	26%
EBITDA**	\$ mln.	665	609	-8%	3 884	3 922	1%	2 249	1 871	-17%	610	688	13%
Net income	\$ mln.	253	491	94%	1 500	(18)	-101%	383	(1 126)	-394%	190	11	-94%
Total Debt***	\$ mln.	2 047	2 266	11%	9 749	8 491	-13%	14 282	13 684	-4%	2 706	4 199	55%
Operating indicators													
Passenger turnover	bln.pkm	39	46	18%	186	200	8%	203	217	7%	48	59	23%
Passenger capacity	bln.ask	51	60	18%	234	258	10%	249	265	6%	65	81	25%
Seat load factor	%	77%	77%	0%	80%	78%	-2%	82%	82%	0%	74%	73%	-1%

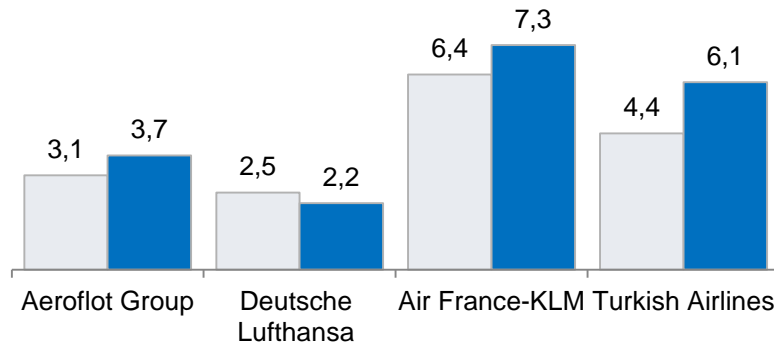
Source: Bloomberg

* Financial and operating indicators for the period from January, 1 till December, 31 of 2011

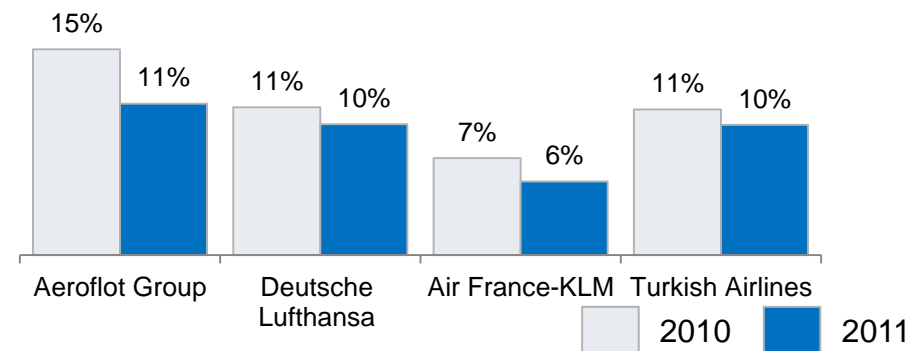
** EBITDA = Operating income + DD&A

*** Total Debt = Borrowings + Financial lease liabilities

Total Debt / EBITDA [x]



EBITDA margin [%]

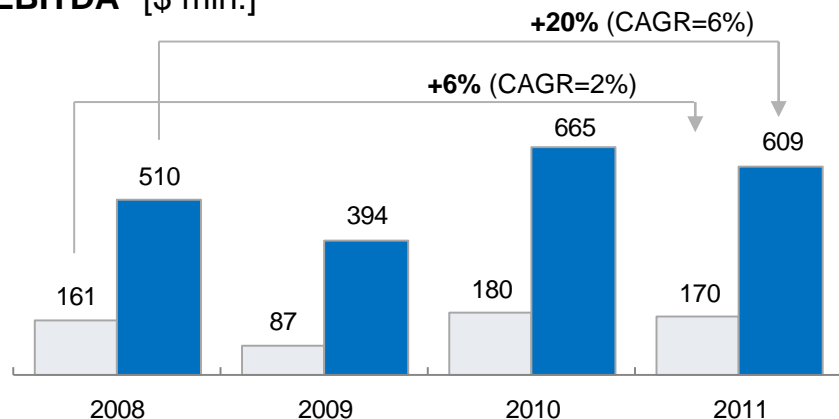


- Revenue of the Group increased by 25%, exceeding the performance of major European airlines. Moreover, Aeroflot Group consistently demonstrates one of the highest EBITDA margin.
- Growth rates of the Group's operating figures exceed those of numerous major European companies.

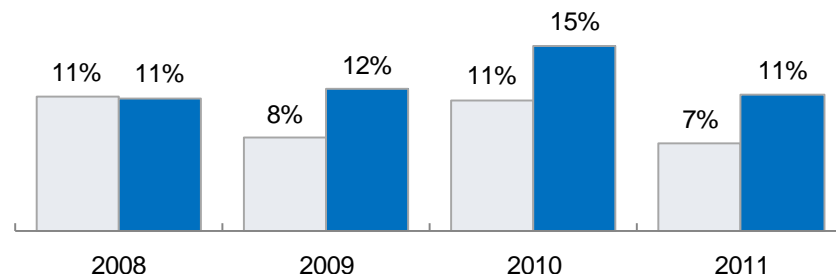
Aeroflot Group in comparison with Russian competitors



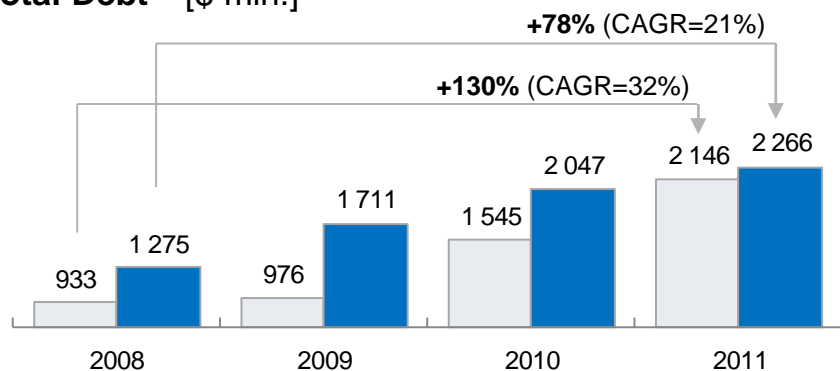
EBITDA* [\$ mln.]



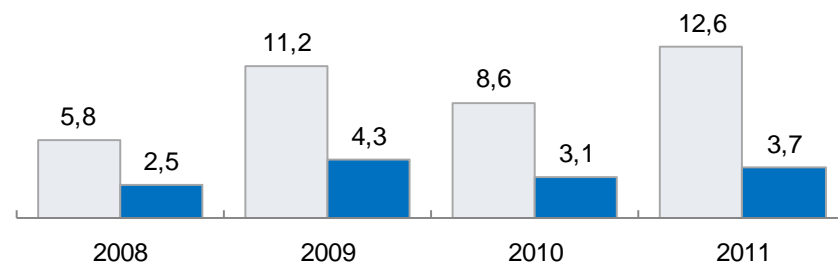
EBITDA margin [%]



Total Debt** [\$ mln.]



Total Debt / EBITDA [x]



* EBITDA = Operating income + DD&A

** Total Debt = Borrowings + Financial lease liabilities

Transaero company data is consistent with investor presentation (February 2012).

Transaero operating lease expenses in 2010-2011 are valued according to market rates.

- Transaero is aggressively expanding its debt, but income does not increase at consistent rates. Debt / EBITDA ratio of Transaero has reached critical level.
- Debt / EBITDA ratio of Aeroflot Group remains at consistently acceptable level

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Conclusions



- Twelve 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 twelve months of 2011
- Revenue of Aeroflot rose by 22% compared to the same period in 2010, EBITDAR rose by 1%. Net profit of JSC "Aeroflot" increased by 47%, while that of the Group increased by 94%
- The debt leverage of JSC "Aeroflot" and the Group is rather low. Following the deconsolidation of JSC "Terminal" and consolidation of JSC "Rossiya Airlines", JSC "SAT Airlines", JSC "Vladivostok Avia", JSC "Orenburg Airlines" the Total Debt/EBITDA ratio increased insignificantly to 3.6x

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Aeroflot Group Strategic business model

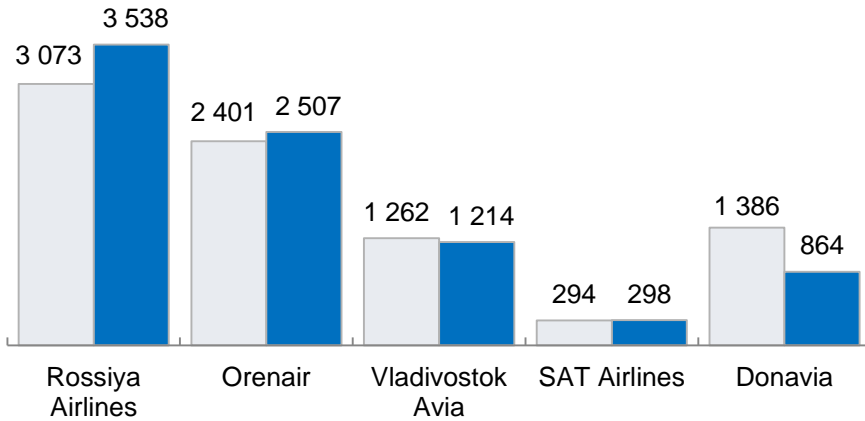


BUSINESS MODEL OF THE COMPANY	MARKET	CONSUMER SEGMENT	PRODUCT	ROLE	
Major airline		Global (DAL, IAL) from Moscow	High margin passengers	Premium-product	Flagship airline
Regional / feeder carrier	   	DAL, IAL from NWFD to Russia / CIS / Far Abroad DAL, IAL from the Far East to Russia / Southeast Asia DAL from South/ Caucasus region to Russia/CIS	Passengers with medium level of income	Co-branded high quality product	Regional airlines, feeding / supplying Aeroflot's network
Chartered carrier		IAL Touristic/ regional	Tourists	Chartered product	Touristic airline that consolidates touristic traffic of the Group

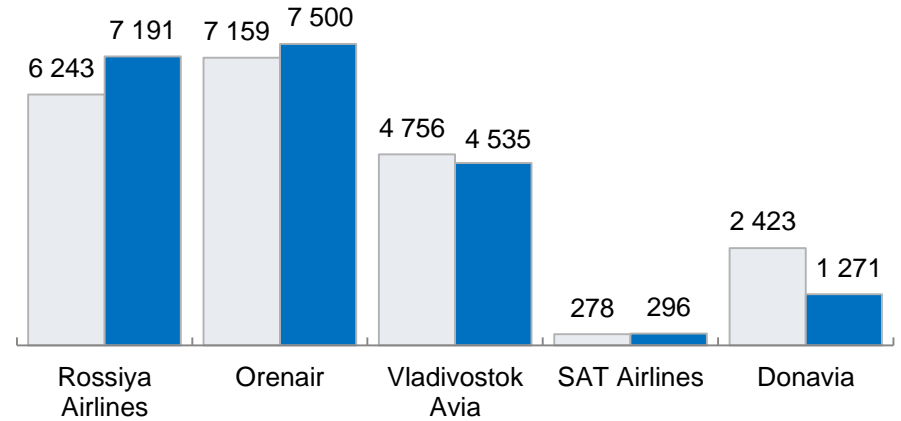
- Given segmentation allows to eliminate competition within the Group

Key operating indicators of subsidiary airlines in 2010-2011

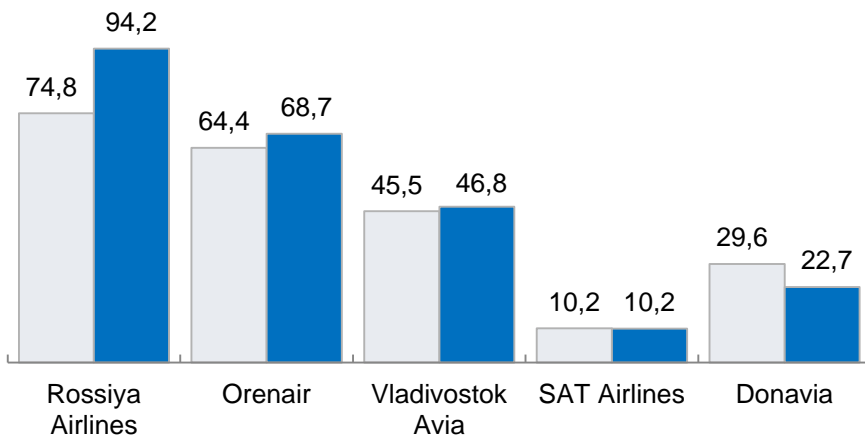
Passenger traffic [th. pax.]



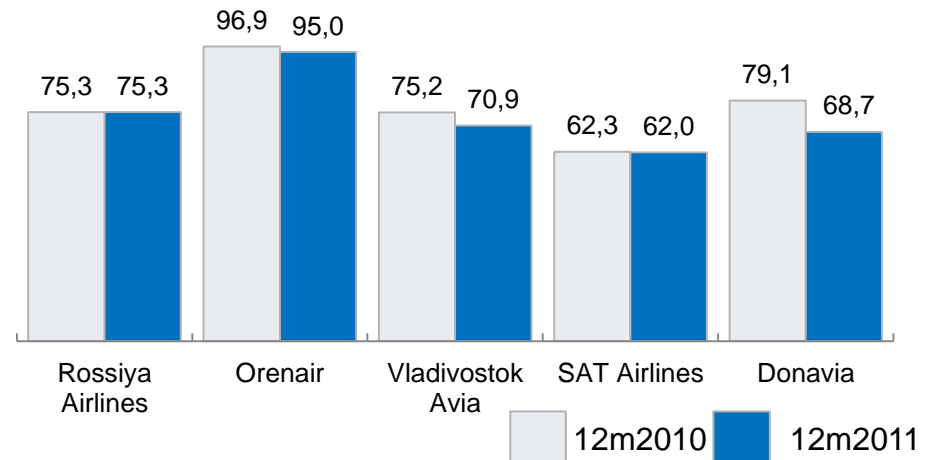
Passenger turnover [mln. pkm.]



Flight hours [th. hrs]



Seat load factor [%]



In 2011 "Rossiya Airlines" demonstrated the highest increase in main operating indicators compared to 2010.

Key operating indicators of subsidiary airlines in 2010-2011



Indicator	Period	Rossiya Airlines	Orenair	Vladivostok Avia	SAT Airlines	Donavia	Total
Passenger traffic (th. pax)	Factual data for 12m2011	3 538	2 507	1 214	298	864	8 421
	Factual data for 12m2010	3 073	2 401	1 262	294	1 386	8 416
	Change, %	15%	4%	-4%	1%	-38%	0%
Passenger turnover (mln.pkm)	Factual data for 12m2011	7 191	7 500	4 535	296	1 271	20 793
	Factual data for 12m2010	6 243	7 159	4 756	278	2 423	20 859
	Change, %	15%	5%	-5%	6%	-48%	0%
Seat load factor, %	Factual data for 12m2011	75,3	95,0	70,9	62,0	68,7	
	Factual data for 12m2010	75,3	96,9	75,2	62,3	79,1	
	Change, p.p.	0,0 p.p.	-1,9 p.p.	-4,3 p.p.	-0,3 p.p.	-10,4 p.p.	
Flight hours, hrs	Factual data for 12m2011	94 207	68 652	46 810	10 204	22 720	242 593
	Factual data for 12m2010	74 847	64 446	45 455	10 248	29 624	224 620
	Change, %	26%	7%	3%	0%	-23%	8%
Revenue*, mln.\$	Factual data for 12m2011	746	405	389	98	207	1 845
	Factual data for 12m2010	601	342	369	81	232	1 625
	Change, %	24%	18%	5%	21%	-11%	13%
Net profit/loss*, mln.\$	Factual data for 12m2011	-23	7	-68	0	1	-84
	Factual data for 12m2010	-23	4	-44	0	0	-63
	Change, %	-4%	84%	-55%	45%	376%	33%

* Revenue and net income according to RAS.