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Andrey Napolnov: Good morning and good afternoon ladies and gentlemen. Thank you for joining us on the call where we’ll discuss Aeroflot Group’s 12 Months 2015 Financial Results. Today we have two speakers, the Deputy CEO for Strategy and Alliances, Giorgio Callegari and Deputy CEO for Finance, Network and Revenue Management, Shamil Kurmashov. I’d like to remind you that the press release and IFRS statements are available at investor relations section of our website. The webcast presentation will be available at our IR section after the call.

Before we start I would like to draw your attention to the fact that some information on the call may contain forward-looking statements regarding future events or performance, and actual results may materially differ from those expressed or implied in the statements made during the conference call due to known and unknown risks and uncertainties. For more information, please refer to the disclaimer statement on the second slide of the presentation.

Now I’d like to pass the floor to Giorgio Callegari who will take you through the company’s key operational achievements in 2015.
Giorgio Callegari: Thank you Andrey. Good morning and good afternoon to everybody. As has become a tradition, we’ll start the call by sharing some information about the market and about the performance of Aeroflot within this market, in particular with a focus on our strategic achievements and developments. But first of all let me give you the highlights. We are very proud to report that Aeroflot Group carried almost 5 more million passengers than last year – that means 13.4% more passenger traffic with an increasing load factor of 78.3%. That resulted in an increase in market share by 5.6 percentage points, up to 36.7% for the 12 months 2015. Obviously there has been a progression throughout the year. From a financial perspective the results of Aeroflot have been as remarkable with total revenue up almost 30%, a yield increase of 18% which greatly exceeded our cost per unit evolution which was less than 12%. That translates into a solid operating profit of RUB 44.1 billion and improved cash flow generation. EBITDAR and EBITDA margins were, respectively, close to 25% and more than 14%. We also successfully managed the market disruptions resulting from the Transaero demise and we will spend a couple of words on that.

Now why we believe that not only Aeroflot is interesting as a company but Aeroflot as a company operating in the Russian market. Because the very challenging geopolitical environment highlighted by the fact that the ruble devalued by 60% compared to the dollar in 2015, that there was a decline in disposable real income of 4% and of 9.5% for real wages and that there was a decline in retail sales of 10%. The aviation market, as in previous years, has shown a remarkable resilience – to the point that domestic flights grew almost 14% and obviously notwithstanding a decline in international traffic by 16%, we will spend a couple of words on that. Foreign carriers adjusted capacity significantly and that was also matched somewhat by adjusting capacity of the domestic carriers.

As I said, why do we believe that the Russian air market is a case for growth opportunities? Well, because as you see in slide number 5, the CAGR of the Russian market has been almost 9% between 2010-2015 and that even if there has been a decrease of 4.1% in 2015 compared to 2014, we’re still talking of a remarkable growth trend. That remarkable growth trend is fed mostly by a continuous move from trains to air, which you see when we compare the performance of railways with the performance of domestic air transportation. It is also compounded by the fact that the average trips per capita in Russia increased over time; it’s still well below that of comparable markets around the world.
As I said, the conditions in the market in Russia have been difficult. That has led to a number of capacity adjustments. As you see on slide 6 foreign carriers have consistently decreased their capacity compared to the previous year, with carriers pulling out or reducing frequencies. And we’re talking of carriers that go from let me say low cost carriers like easyJet to full service carriers like Cathay Pacific or Delta. In particular the Russian carriers have pulled out significant capacity with a total of more than 27 billion ASKs phased out in the 12 months of 2015, the largest part being Transaero, which ceased operations, but also significant capacity decreases from companies that have downsized their operation.

It’s easy to then guess that Aeroflot in light of these market performances fared rather well and you see that on slide 7, where you see that the Group has grown both in terms of passengers in the full year and the trend has continued in the fourth quarter. Aeroflot, as I said, has increased its passenger numbers by 4.7 million. Transaero, while it operated, it still carried 11 million passengers. S7, which is now the second operator in Russia, carried close to 11 million passengers. And UTair, due to the downsizing that they performed, carried 8 million passengers. Market share as I said grew to 36.7% and now with the demise of Transaero, the rest of the market share is distributed among S7, UTair and Ural.

Let me say in this framework the performance of Aeroflot is very remarkable in the market. I think we can positively focus on the financial performance because I think that from a strategic perspective we are continuing along the lines that we have so far highlighted. So let me hand the floor to Shamil Kurmashov and reserve the remaining part of this strategic presentation for potential questions afterwards.

Shamil, the floor is yours.

Shamil Kurmashov: Thank you very much Giorgio, thank you. We just a little bit changed the sequence of ordinary presentations we used to deliver to the investment community. I would like to begin with slide 28 with the fleet strategy. A few words about what we are doing and what’s our focus currently. As a result of macroeconomics in 2015 we have taken a number of steps to optimise our fleet deliveries. We have started negotiations with lessors regarding early phase-out of some aircraft, rescheduled deliveries under a number of contracts and hired remarketing brokers to be ready for more active capacity optimisation. However due to recent changes to the capacity landscape in the industry we had
to revisit our plans. So we don’t retire those aircraft we had planned before because we see a growing demand inside the country and the substitution of international sales by domestic sales.

Slide 30 please. The cost base was mostly influenced by expanding operations and significant ruble depreciation. However, despite foreign exchange cost inflation, effective yield and cost management helped us to capitalise on the market opportunities and generate strong margins as you see on the EBITDA and EBITDAR levels.

Slide 31, revenue growth decomposition. There are three factors: traffic volume, currency and pricing. Current traffic volume contributed RUB 22 billion on the back of 13.4% of PAX increase. Active revenue management in 2015 resulted in a positive pricing effect in 12 months 2015, almost +RUB 7 billion in comparison with a negative pricing contribution of RUB 16 billion in 2014. If we look inside, for 2015 the yield increase was 18%, 25.7% increase in international yields and 9.2% for the domestic market; so we think that’s a spectacular result in the so-called crisis environmental, when other companies go out of the market or weaken their presence in the competitive environment.

If we take the physical volume, Aeroflot increased its sales by more than RUB 16 billion, Pobeda by RUB 11 billion. The currency effect is also important due to a significant portion of revenue from international sales and other revenue including cost sharing with our partners and other agreements with airlines denominated in foreign currency; RUB 66 billion is an absolute change. Of course it goes without saying that we have on the cost side, the cost component denominated predominantly in dollars. On the further slides we will see the combined effect of that.

Talking about costs on slide 32, there are two groups of operational expenses. The first group: operational expenses that increased more than revenues, revenue growth in 2015 is 29.8%, almost 30%; and the second group, operational expenses that increased less than revenue. Within the first group two groups of expenses: operating lease expenses were up by 86.4% in rubles on the back of foreign exchange rates changes, as 100% of our operating lease payments are denominated in dollars. Net of foreign exchange growth, we have growth of 31.1%. Additional contribution comes from expansion of our fleet: nine aircraft on operating lease on a net basis in an environment of increasing LIBOR. The majority of contracts are linked to LIBOR. The second group of expenses within this big portion is maintenance. Maintenance expenses increased by 66.7%, which was mainly driven by ruble
depreciation. Net of these foreign currency effects, the line was up 12%. Most of this increase is attributed to the volume factor. Flight hours are up by 5% in 2015. Within the second group, operational expenses grew less than revenue. First of all our aircraft, traffic and passenger service costs went up by 23%. They are linked to PAX growth and net of foreign currency were growing more or less in line with our passenger traffic with our business. Fuel cost increases of 8.2% were driven mainly by ruble depreciation also, and net of this effect the fuel expense was down by 18%, almost 19% on the back of a decline in oil price and company efficiency initiatives. Staff costs, they are predominantly denominated in rubles and they grew by 6.7% mainly as a result of increased ruble equivalent or wages in international representative offices of the company.

Group unit costs on the next slide. Cost per ASK in ruble terms increased by 11.7% from RUB 2.66 to RUB 2.97 as a result of the increase in operating lease, aircraft, traffic and passenger servicing and maintenance costs, which represent almost the entire CASK increase. For operating expense factor contribution levels, please refer to the table which we’ll see further on.

Effective fuel cost management is represented on slide 34. Fuel consumption per ASK decreased by 1.8% during the year thanks to our continuous fleet optimisation process, despite 5.4% growth in flight hours. We also see better fuel price in rubles including the excise reimbursement effect. Excise effect originates from certain modifications in our legislation, which allows for contribution of RUB 2,300 per tonne of jet fuel from the side of the government. It’s supplied to all the companies; this is a legislative initiative for 2015.

Headcount overview on the next slide. We see further improvement in these metrics. We substantially increased our efficiency level of productivity, traffic per average headcount of the group’s airlines increased by almost 8% and traffic revenue per average headcount increased by 23%. We have this effect for the fifth consecutive year, which demonstrates our commitment to further improve our labour efficiency.

On slide 36 there is contribution of all the factors into EBITDA evolution. The key drivers of our EBITDA increase: our revenue growth, the physical volume in turn was driven by higher passenger volumes and active revenue management. This helped to realise positive pricing and currency effects. Of course foreign exchange gains which I’ve already mentioned at the previous slide; and fuel price decrease net
of foreign exchange which completely offset the increase in key operating costs, RUB +5.3 billion as you can see the positive contribution was RUB 2-3 billion which offset the negative effect of the growth in all other cost drivers.

Operating income on the next slide is derivative of the previous one, so it’s in line with the explanation which was delivered to you on the previous slide.

Net income evolution on slide 38. Out of the key factors I would like to identify traffic revenue growth again, plus almost 30% on the back of strong operational results; then other revenue growth +32% and operating expenses growth below revenue growth. So the pace of the revenue growth overcomes significantly the growth of our expenses, which stands for our alignment to cost reduction and cost management in the very tough environment of crisis.

On slide 39 we demonstrate our pro forma results as if we have deducted from that the one-off effect. We do it on a constant basis in order to make you understand what the effect of which key factor is. So if we look at the first chart, which is the upper part of the slide, and operating income build-up, we have actual reported RUB 44 billion in these metrics. If we clear it off, for pre-term return of aircraft from airlines we managed to get better conditions and not to write it off in our financials, then fixed asset write-off, so it was a little bit reserved before that and we restore this reserve. Those are account receivable write-offs, income from VAT refunds, so adjusted operating income like pro forma would have been RUB 46 billion, so we try to demonstrate to you the factors which had the one-off effect in our financials for this period of time. Fixed asset write-off, this provision is related to the disposal of land, premises and other non-core assets. Income from reimbursement of VAT on code-sharing, this is our dispute with the legal and tax authorities and we really think it’s sustainable and will have this impact on the further processes with the tax authorities and I think it’s sustainable; that’s why we restore the reserves which had been created for that. We reported a net loss in 12 months 2015 amounted to circa RUB 6.5 billion and net of adjustment net profit would have come over RUB 25 billion. Thus we think that our operational levers are very strong and robust.

We omit hedge accounting and finance income costs on slide 40 because the information for all those analysts who want to plunge into detail because each figure stands for each item in the profit and loss statement and our capital statement. I would draw your attention to leverage and liquidity. Total debt
as of the end of 2015 increased by 34% on the back of increasing borrowings but it’s predominantly due to financial hedge instruments and finance lease liabilities growth by 10%, mainly due to the revaluation in the environment or depreciation. We believe that our business is well capitalised, stable and there is no near-term funding need as our portfolio is balanced in terms of maturities. As you see in the right corner of the slide, our finance lease repayments are well scheduled and the top of these payments comes to 2020 plus, so beyond 2020. So the majority of payments will be effected beyond this period of time. Our net debt is RUB 197 billion and it’s an increase of 34% but due to revaluation of finance lease liabilities.

Our operating free cash flow is on slide 43. As you can clearly see from this slide our operating cash flow includes adjustment for derivative instruments of RUB 25 billion. That means that they were incorporated in our P&L statement but these are non-cash items, therefore we restored it and the cash out for payment for these instruments was reflected in the finance part of our cash flow statement. Provisions are also included in the adjustments that we made in order to arrive to RUB 69 billion operating cash flow, which is significantly more than for the respective period for the previous year.

On the guidance side, we discussed for 2015 to provide some light for the current year. Despite higher volatility of the external macro environment, 2016 will be another year of growth for our group. Growth will be mainly driven by domestic growth because there’s significant substitution of international sales by the domestic market growth; but however it’s a slower pace. The stagnation on international routes will affect the group’s international traffic. Changes in the market landscape, the increase in the charter market and the charter operations, a proactive approach – all these factors would be in play. In terms of numbers we expect the growth of passengers +10%, +12%, the physical volume of our business, ASK/RPK +14-16% and the SLF is stable. Year on year the average level is 78%. These expectations exclude our charter programme that we are planning to launch in the middle of 2016 and given current macroeconomic trends we would like to limit our guidance for 2016 only by operational expectations – not more than that.

At this moment of time I would like to stop because I would like to give the floor to the Deputy CEO for Strategy in order to come back to our guidelines, the landmarks of our business which would be delivered by Giorgio. Because there might be at any time a disconnection in communication, that’s why the changed sequence of the slides.
Thank you and afterwards we will answer your questions, thank you.

Giorgio Callegari: Thanks a lot Shamil. So colleagues, in order to leave enough time for questions which I’m sure that there will be, let me focus just on an additional explanation on what I believe are the key elements of the remarkable performance that the Aeroflot Group has delivered in 2016, in particular the way that we managed the so-called Transaero crisis. So on slide number 10, which I think comes as a logical complement to what Shamil Kurmashov has said in terms of financial result. When the deal was announced we were hit by a number of negative reports and therefore we thought it was important to put on a single page exactly what happened and how it happened. So what happened in September? Well, the first thing that happened was that Transaero was clearly in need of a significant and deep restructuring effort and that was backed by the government commission on 1st September. As a result of that the Transaero shareholders put forward an offer to Aeroflot to be purchased, to be acquired; and the Aeroflot Board of Directors on the same day, on 3rd September approved the offer from Transaero to acquire 75% plus one share for RUB 1. As a result of that the management board and the board of directors of Transaero resigned and a colleague of ours was appointed as the CEO of the company to manage what was expected to be the transitional phase. Unfortunately the offer that Transaero put forward expired without the fulfilment of the conditions precedent that were included in the agreement, in particular the delivery of 75% plus one share, which meant that on 1st October the Aeroflot Board of Directors decided not to extend the period of validity of the offer and that meant that basically the contract was not executed, so it was clear from the beginning that the contract has conditions and therefore that would have been executed only upon meeting those conditions. The conditions were not met; the contract was not executed; the company was not acquired by Aeroflot. That led to a number of immediate decisions by the regulators, in particular the suspension of ticket sales on 1st October because Transaero no longer had the possibility as an independent, as a standalone company to continue operations; and at the same time Aeroflot chose obviously in accordance with the government to take over responsibility for all the passengers that had already purchased tickets with Transaero. On 16th October the first bankruptcy lawsuits were filed against Transaero by the banks. Basically on 21st October as we were nearing the beginning of the winter season, winter 2015-2016, the national regulator decided to cancel the certificate of Transaero, therefore the company had already ceased selling, at that point ceased being an operator and as a result of that, a few days later the traffic rights, the designations that Transaero had been assigned were distributed among the remaining
Russian operators. So in the space of two months the situation changed dramatically from Transaero becoming an integral part of the group, all of Transaero, so the 14,000 people, the 104 aircraft and so on to basically Transaero going through a liquidation process independent from Aeroflot and Aeroflot taking responsibility for the passengers and being assigned 56 out of 141 designations that Transaero had.

On 16th December the court finally started the procedure of Transaero bankruptcy. As far as Aeroflot is concerned, by mid-November we were able to go to our Board of Directors with a new budget and a new recommendation for the whole position of the Group which you will find described in the following slides, in particular the decision to further streamline the multi-brand approach, to have Aeroflot as the key segment, with only a single hub and being focused on developing the quality of its networks that proved to be so crucial in coping with this very challenging macroeconomic environment.

Rossiya, the new Rossiya resulting from the combination of the previously separate regional companies, DonAvia, Orenair and the old Rossiya and with the integration of some of the assets coming from Transaero, in particular some fleet and traffic rights, operating as a mid-segment company with a focus on scheduled flights and some operations on charter destinations.

Finally Pobeda which has been so far a very successful story, which has been able to carry more than 3 million passengers in 2015 with a fleet of 12 aircraft, that is effectively developing the low cost segment. That means that we remain committed to both the Russian market with the combination of the brands that I mentioned; and to further developing the connecting market, which has grown to be so interesting in terms of revenue opportunities for Aeroflot in 2015, again without changing our strategic profile.

So to summarise a challenging year: impressive results from an industrial and economic performance; confirmation to stay the course in terms of strategy, so to the point that actually the update of the strategy to 2021 was approved by the board last week earlier than usual because we felt we had all the elements to include the recent changes in the market in our updated strategy; and a guidance that Shamil Kurmashov already shared which talks about our belief in the opportunities to continue to grow the Group.
Thanks for your attention. I think we are ready now to take questions.

**Operator:** Thank you very much sir. Ladies and gentlemen, if you’d like to submit any audio questions, please press *1 on your telephone keypad. Please also ensure that your mute function is not on so your signal can reach our equipment. Once again ladies and gentlemen, if you wish to ask any question please press *1. We’ll now take our first question from Mr. Mitch Mitchell of BCS. Please go ahead, your line is open.

**Mitch Mitchell:** Hi, thank you. Just two quick questions, we had two major exceptions in this year, that was the losses from the various hedging contracts and then the Transaero costs. I just wanted to, if you could just confirm or clarify for me that we have about 3 or 4 billion in hedging losses expected to go through the first quarter of this year; and then also have we seen at this point all of the Transaero associated costs go through your financials? Thanks.

**Giorgio Callegari:** Shamil, do you want to take that or do you want me to answer that?

**Andrey Napolnov:** It’s Andrey Napolnov speaking. Shamil Kurmashov is not on the line now because of the business trip so I will address this question. Regarding the hedging contract loss that we expect in 2016, it’s all in our financial statements, please refer to the short term derivative liabilities line in the balance sheet which is around RUB 4.8 billion. Basically it’s a very precise estimate of the potential impact that you’re going to see in 2016 and that’s related to the old contracts. Basically all hedging instruments signed in 2014 are now all reflected in our P&L and cash flow and you can see in our financial statements (except for derivatives settled in Q1 I have just mentioned).

**Giorgio Callegari:** As far as the costs associated with Transaero, yes, they’re already included in our statements because we carried close to 2 million passengers of Transaero in 2015 and those are already included in the operating costs. The other costs that came from Transaero is the reimbursement of the tickets which is also included in our 2015 results. Thank you, Mitch.

**Operator:** Thank you very much sir. We’ll now go to Olga Boltrukevich of VTB Capital. Please go ahead ma’am, your line is open.
Olga Boltrukevich: Yes, hello. My congratulations on your strong results. I have a couple of questions: the first question is regarding your long-term plan on operating forecasts which you recently cut. Could you please say how many passengers after the bankruptcy of Transaero do you plan to attract in this new forecast?

Giorgio Callegari: Thanks a lot for your question, Olga, because there were a number of reports about the topic and I’m not sure that all were accurate. What we did is we, if I may say because I brought the document, we did not cut the passengers. We just distributed the growth over the years in a different way, for two reasons mostly. One is that as it is public news the infrastructure development at Sheremetyevo is meeting some challenges and therefore the opportunity to grow in Sheremetyevo independently from us is somewhat limited. That’s by the way why we have developed Pobeda and that’s why by the way we have developed an integrated strategy for our regional company. So yes, we are facing limitations but we come up with answers. Those answers though being different from what we could have looked at in case of an unconstrained growth opportunity of Sheremetyevo require a different distribution over the years. So the message is, which was clearly stated in our press release after the Board of Directors’ meeting, we do confirm the goals to 2025 i.e. more than 70 million passengers carried by that date, even though the way that we plan to get there is different, which means that we are now targeting to carry more than 61 million passengers by 2021. So in the next four years we plan to grow the Group by more than 20 million passengers and therefore I think it’s inappropriate to talk about cuts; it’s more appropriate to talk about a different rate of growth. As far as the second part of your question, which is passengers coming from Transaero. As we’ve said very clearly, we don’t intend at this stage to go beyond 50% market share in the Russian market because we believe that by the combination of our three brands we are effectively serving the portion of the market that is of interest to the Group. We believe that we don’t need to be aggressive in carrying all the passengers that Transaero was carrying or at least trying to attract by very low fares. So the numbers that we have shared more or less publicly for Rossiya talk about a total number of passengers coming from the combination of the three companies, so Rossiya, DonAvia of around 12.5 million passengers – that means that the number of passengers coming from what you could call previous Transaero is between 2-3 million passengers per year. Thank you.

Olga Boltrukevich: Thank you for the answer, 2-3 million passengers from Transaero per annum, during which period?
Giorgio Callegari: Again, that’s the figure for 2016. It’s also difficult to be more precise for a very specific reason...rather than difficult to be precise, let me give you some additional information. As I said we received 56 designations out of 141, so first of all we could not even if we by chance decided that we wanted to carry all the passengers of Transaero. Second, a large part of those passengers were to Turkey and Egypt, leisure destinations which today cannot be served. Third as I said the consideration about the profitable part of those passengers and that’s why we talk about between 2-3 million passengers for 2016 and then let me say progression in line with the growth of the Group for the remaining years of the strategy.

Olga Boltrukevich: Ok, thank you very much. I have another question regarding your costs associated with the aid to Transaero of RUB 17 billion which you mentioned. Could you please provide more details on how is it reflected in your P&L? I see that part of these costs is reflected on the finance costs, there’s a loss on sale an impairment of investments and loans. This is like RUB 9.2 billion and the rest as far as I understand, part of the costs are spread between operating costs because you carried some of the passengers by your own fleet, so where is the rest of these costs of RUB 17 billion?

Artem Glaznev: Hello, this is Artem, Head of IFRS Reporting. I will just clarify these questions, about 8.6 is the financial costs; it the write-off of the loans. The second part is accounted in group operating costs. In each part it’s fuel, there is some breakdown of these costs on slide 10, so fuel and ground handling, it’s about 22%, total costs RUB 8 billion. Transportation for the group’s flights is about 8.2%, ticket refund is about 9% and we carried passengers by our company Orenair, it’s about 9% of the costs. Totally loans accounted in the financial part, it’s about RUB 8.6 billion and another part accounted in operational costs, it’s about RUB 8.2 billion.

Olga Boltrukevich: Thank you. As far as I understand it is not contained in the line like other gains and losses, which totally account for RUB 2 billion for 2015, right?

Andrey Napolnov: No, it’s not in this line.

Olga Boltrukevich: Ok. So yes, thank you for the answers.
Operator: Thank you very much ma’am. Ladies and gentlemen, once again if you wish to ask any questions please press *1. We’ll now go to Mr. Mikhail Ganelin of Aton. Please go ahead, your line is open.

Mikhail Ganelin: Good day gentlemen, my congratulations with great results. We are happy that Aeroflot has started to report earlier, this is a great achievement I think. I have two questions. First, what is your further plans regarding employees? Do you plan to hire more staff this year and do you plan to increase salaries? What’s the plan? My second question, what was the average jet fuel price for Aeroflot last year?

Giorgio Callegari: As far as the first question is concerned, the answer is as Aeroflot continues to grow you heard the guidance that we gave in terms of plans to add capacity which I confirm let me say being between 14-16%. That certainly requires additional staff. Part of the growth will come from the fleet that will take over from Transaero and put into the new Rossiya and that’s why we’re hiring some employees from previous Transaero into Rossiya. Part of that growth will continue to come with Aeroflot as it is performing so well and as we want to continue to focus on the premium segment which is so important for our group. As we have been doing in the last at least six years we do grow, but every growth step has always delivered incremental efficiency. We show that in one of our slides when we talk about effectiveness. So the short answer is yes, we do plan to increase the number of employees. We also plan to keep on increasing efficiency and therefore to increase that number last and proportionately. As far as fuel price Andrey will give you this specific answer.

Andrey Napolnov: Yes, Mikhail, as far as jet fuel price is concerned we have the information on slide number 34 in the presentation: RUB 28,300 in 2015, but it includes reimbursement of the excise that we received. By and large net of excise it’s flat year on year. Including excise it’s down by 6.5% versus 2014.

Operator: Now we’ll go to Mr. Denis Vorchik of Uralsib. Please go ahead.

Denis Vorchik: Hi, thank you for the presentation. Actually a follow-up question regarding some lines of other operating income. So you’ve got RUB 8 billion as recovery of VAT and almost RUB 4.6 billion as reimbursement of fuel excise tax. Could you please specify for which period this income and probably what is the nature of these income lines? Thank you.
Artem Glaznev: Yes, for the first question it’s about RUB 8 billion of recovery of VAT is the period 2014 and 2013, it’s two years and this is related to the core agreements. About the second item which is the reimbursement, it’s related to the 2015 year, only for the 2015 year.

Andrey Napolnov: According to legislation, this tax manoeuvre by definition implies gradual decrease of the excise compensation. Our understanding is that it should still be until the end of 2017.

Denis Vorchik: Ok. A question on your fuel hedge please. So regarding your hedging policy, what’s currently the percentage of your fuel expenses which is covered by the fuel hedge and do you actually...did you make any change to your fuel hedge policy in the recent year?

Andrey Napolnov: As we discussed before the hedging policy used to be to hedge 70% of Aeroflot Airlines’ consumption needs, which corresponds to approximately 50% - 55% consumption needs of Aeroflot Group. But due to the changes in the macro situation we put our hedging policy under review and basically for this reason we haven’t hedged anything for 2016 in terms of our fuel. So far the hedging policy overview was completed. We revised the profile of the company but the executive details and our future plans are still being discussed. Probably the hedging volumes if they will be still in place will be lower and we may use other instruments, as we commented on the previous call like call options for example. But so far no final decision is made and we will inform the investment community as soon as any decision on the volumes and instruments are made.

Denis Vorchik: Ok, thank you. Maybe a last question please. There was in the media that some of your peers are considering purchasing an airline abroad to cope with the ban for flights through Ukraine. Do you consider such steps for your strategy?

Giorgio Callegari: Thanks for your question, Denis. Yes, we all read about a very respectable Russian operator looking at buying airlines in Bulgaria; that’s what the press reported. It is absolutely unclear at least based on the public information how purchasing an airline operating in the EU would enable...the circumvention of the ban of flights between Russia and the Ukraine. At this stage that is already possible in the sense that we do have passengers that fly with Aeroflot to Minsk for instance and then continue to Ukraine, or fly with Aeroflot to Paris and then continue to Ukraine with Air France and so on. So I fail
to see why purchasing an airline makes a difference in terms of serving that traffic. As I fail to see a difference I certainly do not understand why we should be considering anything like that, so again the long answer I just gave to you, the short answer is I don’t see any benefit in doing that.

**Denis Vorchik:** Ok, that’s clear. Thank you so much.

**Operator:** Thank you very much sir. We’ll now go to Mr. Konstantin Yuminov of Raiffeisen Bank. Please go ahead.

**Konstantin Yuminov:** Yes, thanks. Hi gentlemen, congrats with the results. So a couple of questions from my side. First is on yield. Maybe I just missed the discussion, so what was the yield in the fourth quarter last year and what’s let’s say the outlook or the best view of the management on the yield performance this year if I may just ask, assuming the overall market decline following the GDP trend and your plan to increase ASK and PAX figures, would it be linked whatsoever? The second question is on Pobeda as it’s really performing stronger than initially planned when you were launching that and even received some foreign routes permission. So is it not overall profitable on a net profit line? And if possible could you please share with us some standalone core yield figure for Pobeda? Finally the very technical question on Transaero story. You spoke a lot about the cost side of Transaero, but is there any revenue streamed since September to Aeroflot or not? Thanks.

**Giorgio Callegari:** Ok, very good questions. Let me start by the yield one. On slide 24 you see the evolution of our yields group-wise both on a quarterly basis. So comparing the fourth quarter of ’15 with the fourth quarter of ’14 as well as on a 12-month basis and you also see the evolution of our ASK which gives you an indication of how the yield interacts with the load factor. I think that numbers speak for themselves in the sense that you see a progression both in domestic, international, both on a quarter basis and on a yearly basis. The same applies to RASK which means that again we improved the yield without deteriorating the load factor, so we have been able even in the very challenging macroeconomic scenario that I spoke about with the challenges coming from a decrease in real wages, a decrease in purchasing power and so on to protect the position, the financial and business position of the Group, and we don’t see any reason to change that which doesn’t mean that we will not from time to time put in place competitive offers like we did at one point when the press reported that we had decreased prices by 10%. But it also means that we do that within an approach which is very much
focused on defending our profitability. As far as Pobeda is concerned, again let me draw you to slide number 14 where on the lower part of the slide you see how we were successfully managing the overlap between different operators of the Group. We have taken two examples, one is Moscow-Sochi, the other is Moscow-Ekaterinburg. Let me focus on Ekaterinburg because I think that by comparing the premium, so the most expensive product with the cheapest product, so Pobeda, I think we better highlight how we manage the coexistence of the two brands. In Ekaterinburg, Aeroflot itself increased the number of passengers carried, so 30,000 more passengers carried in 2015 over 2014. The load factor somewhat decreased and the reason is because we added a frequency, so we increased the quality of our network which enabled us to carry more passengers and carry more connecting passengers. At the same time Pobeda started operations and carried 353,000 passengers, with a very significant load factor of 83.6%, so that is why Pobeda is performing well. That is why Pobeda is performing well also from let me say a financial and operating perspective. Pobeda in the month of January has already been the fifth carrier in terms of size on the Russian market, so it’s a well-established operator and very well recognised carrier. At this stage we do not disclose results for individual companies in terms of our profitability. Thank you.

**Operator:** Does that answer your question, sir?

**Konstantin Yuminov:** On the yield side, if I just may have a follow-up. So what was the outlook for this year? The general picture so far, how you see it?

**Giorgio Callegari:** The general picture on the yield is that certainly the economy doesn’t have let me say any reason to be particularly optimistic. But we believe that by focusing on the portion of the segment which we believe is typical of Aeroflot, we can continue to perform well on the yield. So I will not give a specific guidance other than saying that we are conservatively optimistic if I may say that.

**Konstantin Yuminov:** Meaning that there should be some growth on the yield side, right?

**Giorgio Callegari:** It’s reasonable to assume that in particular in the second part as a result of what happened in the second part of the year last year and the performance of the Aeroflot brand on the international market, a marginal growth could be expected, yes.
Konstantin Yuminov: Perfect. My last question was on Transaero revenue.

Giorgio Callegari: Yes, I’m sorry. Can you repeat that question because that part I didn’t get very well?

Konstantin Yuminov: Ok, so we’ve talked a lot about the Transaero costs associated with the Transaero crisis. But were there any revenue streams to Aeroflot since September from the Transaero accounts or from sales of tickets before the ticket sale was banned?

Artem Glaznev: Yes. We recognise some part of revenue. It’s about 1.5 billion. It’s according to an agreement between Transaero and Aeroflot and third party agreements between Transaero, Aeroflot and Biblio-Globus and we recognise this part of revenue and we write off this revenue like bad debts accounts receivable. So on the financial results this is a zero effect, on the revenue it is only 1.5 billion.

Konstantin Yuminov: Ok, great. Thank you very much.

Operator: Thank you sir. We’ll now go to Alex Kazbegi of Renaissance Capital. Please go ahead.

Alex Kazbegi: Yes, good afternoon. Just a few remaining questions maybe. One on the international to international transit: if you look at the absolute number of passengers of course it increased this year but do you think you reached so to say the...I wouldn’t say capacity but do you think that there’s further potential to increase the amount in absolute terms of international to international transit passengers? And if so what kind of yield reduction needs to be done to achieve that? Second, I read somewhere there’s possibilities that we may go down to even zero VAT on the domestic flights. Do you have anything to comment on that? Is it possible? The last thing, just two questions on the cost side. Your maintenance grew quite considerably in ’15. What do we expect in ’16? First of all does the ’15 number include anything related to refurbishment of the Transaero planes because as far as I understand there’s 34 planes you might be getting in, that will need to be retrofitted, refurbished and those costs will be included then in ’16 fully and should we then see quite a sizeable increase in the maintenance costs? The last one you mentioned also on the cancellation of deliveries and the possibility of that. Would that incur additional cost as well and what sort of costs if possible? Thank you.
Giorgio Callegari: Thanks, Alex. Let me start with international. We conducted a very in-depth analysis about the traffic and we have identified ten relevant markets for us due to the geographic position of Moscow and the kind of point-to-point market which is always the foundation for any connecting traffic consideration. Out of those ten markets Aeroflot is already in the top five players in five markets, and Aeroflot is in the top 20 in the other five markets. So we believe that without again deteriorating our strategic approach or our discipline in terms of growth, we do have additional possibilities for connecting traffic, so much so that we are targeting an increase in that traffic by 2021 of between 3-4 million passengers per year, without again reducing or negatively affecting our yield. The reason is that the Russian domestic market is still performing very well and therefore without an aggressive expansion of our network we can from time to time adopt a very tactical approach in balancing our flows from different market sources. As far as the maintenance cost is concerned, as we wrote in our press release, the main portion of that effect is obviously generated by the currency effect. As you know most of the maintenance costs are paid in hard currency and that resulted in an increase in leasing costs which increased by 86.4% compared to the previous year and in maintenance costs. Therefore there is no maintenance cost increase linked to the Transaero operations, also because we have not yet taken any Transaero aircraft into Aeroflot. With respect to the refurbishment of those aircraft, we are in negotiations with the source to identify what are the conditions under which those aircraft will come into Rossiya, not with the brand Aeroflot but with the brand of Rossiya and therefore who will bear the costs associated of having those aircraft in proper flying conditions and with a proper refurbishment. Whoever bears the cost, that will be reflected in the leasing costs of the aircraft, so no additional outright maintenance costs but rather let me say a comprehensive negotiation where the cost for re-establishing flying conditions for the aircraft is included in the operating cost of that fleet.

Alex Kazbegi: So you will effectively capitalise it in the lease at the moment when you will take it on?

Giorgio Callegari: Not capitalise because we’re looking to operating leases and so that will be part of the operating costs.

Alex Kazbegi: Ok.

Giorgio Callegari: As far as VAT, that’s a decision for the government to be taken and it will possibly translate into an increase in traffic as it has happened when it was partially decreased and therefore let
me say we are carefully monitoring the situation but we believe that if it happens we have the means to take advantage of it.

**Alex Kazbegi:** Sure. The last one on the cancellation of the deliveries that happens, any costs which will be associated with that?

**Giorgio Callegari:** Yes, you’re right, I’m sorry, I forgot that part. It’s not actually a cancellation of the deliveries because I think we made very clear that we were entering MOUs and we were not entering binding contracts. Why was that? Because Transaero before its final end of operations had been operating a fleet in a way that required additional checks, and so both from the resource and from a potential new operator, so at this stage we are in the process of transforming the MOUs into contracts and that’s why we’re taking a lot of care in making sure that operating conditions of the aircraft and costs associated to it are very well examined and taken care of. So no cancellation costs associated because there is no contract that needs cancelling.

**Alex Kazbegi:** Ok, and if I can just double check, the 3-4 million international to international passengers per annum starting from ‘16, was that...

**Giorgio Callegari:** Not starting from ’16 but as a target for 2021.

**Alex Kazbegi:** Understand. Thank you very much, Giorgio.

**Giorgio Callegari:** Thank you.

**Operator:** Thank you sir. We’ll now go to Denis Vorchik coming back with more questions from Uralsib. Please go ahead sir.

**Denis Vorchik:** Yes, thank you for the opportunities to ask these questions. So may I ask you regarding your contract with Boeing 787 Dreamliners, so do you still need those planes or do you suggest to abandon the contract?
Giorgio Callegari: I think about the 787s we made our position clear with the statements that we made last year, in particular obviously the statement about that part of the fleet made by Mr. Savelyev in a couple of moments. At this stage we don’t have anything to add compared to that. If you want the precise statement Andrey Napolnov will forward you the text of those statements. Thank you.

Denis Vorchik: Thank you.

Operator: Thank you. We’ll now go to Georgy Ivanin of Otkritie Capital. Please go ahead sir.

Georgy Ivanin: Yes, good afternoon.

Giorgio Callegari: Good afternoon, Georgy.

Georgy Ivanin: Ok, yes, a couple of questions from my side if I may. The first relates to your stake in Sheremetyevo Airport. Given that there is a merger of state owned assets with assets controlled by TPS Avia going on at the moment, what will happen with your stake in Sheremetyevo Airport? Will you sell it to new shareholders or will your stake be bought back? What’s going to happen there? That’s my first question. My second question relates to recent liberalisation of airport tariffs in the Moscow region, so with regard to that, do you see any risks or maybe opportunities of the tariffs that airport authorities may decrease or decline I would say?

Giorgio Callegari: Thanks, Georgy. As far as the first question is concerned, when the merger between different shareholders will happen, then we’ll see what our options are and obviously we’ll decide in order to protect the interests of our shareholders in particular. At this stage we don’t have enough information to comment on that. As far as the liberalisation on airport tariffs is concerned, I think we voiced the concern that liberalisation should happen as a way of improving at the same time the quality of the services being delivered, if the price remains the same or to introduce more competition among airports in line with the liberalisation of the air fares. At this stage it’s unclear what the airports will do in terms of a fairer charges setting policy but we plan to obviously very closely monitor the situation.
Georgy Ivanin: Maybe could you tell us how tariffs in Sheremetyevo changed in the beginning of the year and maybe they revised at the end of the last year? Average tariffs for 2016 compared to 2015, how will it change for you in this year?

Giorgio Callegari: At this stage we don’t have any relevant change to signal but we can take the question offline if it is of interest to you and provide you additional details.

Georgy Ivanin: Ok, thank you.

Operator: Thank you Mr. Ivanin. Ladies and gentlemen, this will conclude today’s question and answer session. I’d like to turn the call back over to the speakers for any additional or closing remarks. Thank you.

Andrey Napolnov: Thank you very much for joining the call today. If you have any follow-up questions please let us know. Thank you and goodbye.