

AEROFLOT – RUSSIAN AIRLINES

CAPITAL MARKETS DAY 2014

Moscow, 13 March 2014



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Agenda

Time	Content	Participants	Page
9.00 – 9.15	Registration and Coffee		
9.15 – 9.30	Welcome and Introduction	Vitaly Saveliev (CEO)	3
9.30 – 10.30	Strategic Overview: Market Dynamics and Aeroflot's Approach	Giorgio Callegari (Deputy CEO for Strategy and Alliances)	8
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10.45 – 11.45	Network and Fleet: Strategy, Goals and Achievements	Shamil Kurmashov (Deputy CEO for Finance, Network and Revenue Management)	31
11.45 – 12.15	Financial Overview	Shamil Kurmashov (Deputy CEO for Finance, Network and Revenue Management)	44
12.15 – 13.00	Q&A Session	Vitaly Saveliev, Giorgio Callegari, Shamil Kurmashov	
13.00 – 14.00	Lunch Break		
14.00 – 14.30	Marketing Strategy: Customer Service Excellence	Mikhail Fandeyev (Marketing Director)	60
14.30 – 15.00	Sales Organisation	Dmitry Saprykin (Deputy CEO for Sales and Property)	71
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15.30 – 16.15	Q&A Session	Giorgio Callegari, Dmitry Saprykin, Mikhail Fandeyev	

Welcome and Introduction

Vitaly Saveliev
CEO

Today's Presenters



Vitaly Saveliev
CEO



Shamil Kurmashov
*Deputy CEO for Finance,
Network and Revenue Management*



Giorgio Callegari
*Deputy CEO for
Strategy and Alliances*



Dmitry Saprykin
*Deputy CEO for
Sales and Property*



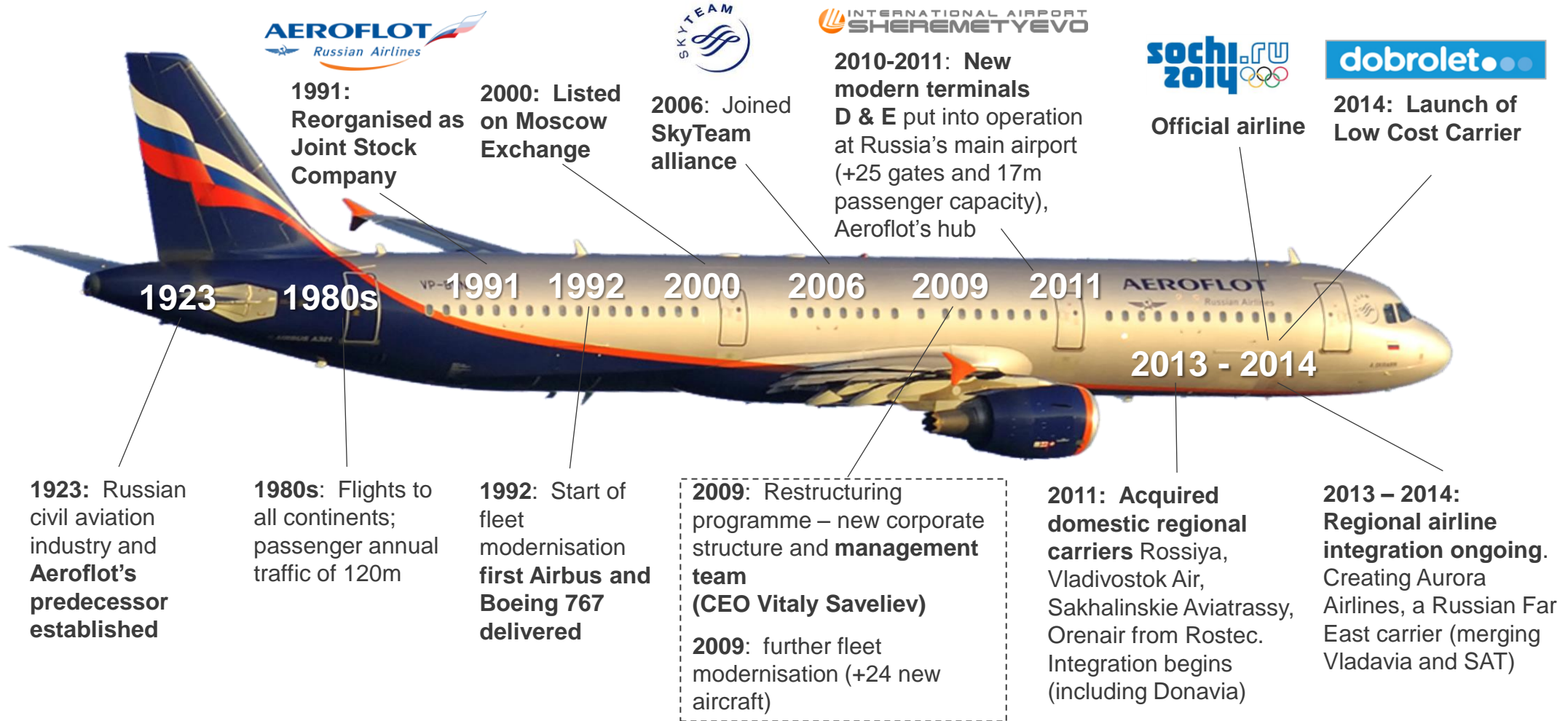
Mikhail Fandeyev
Marketing Director

Aeroflot Today – #1 Russian Carrier with a Global Network

- 1 **#1 airline in one of the fastest growing global markets** with leading positions on both domestic and international routes
- 2 An expanding **global network with 141¹ destinations in 54 countries** (incl. Russia)
- 3 **Best product and customer experience** in our markets
- 4 Multi-brand offering to reach **the full customer spectrum and meet demand across geographies**
- 5 **Modern, efficient fleet – one of the youngest in Europe**
- 6 Solid track record of delivering **positive financial results and shareholder returns**
- 7 **Strong financial and organisational platform** and clear **strategy for future profitable growth**

¹ Without code sharing.

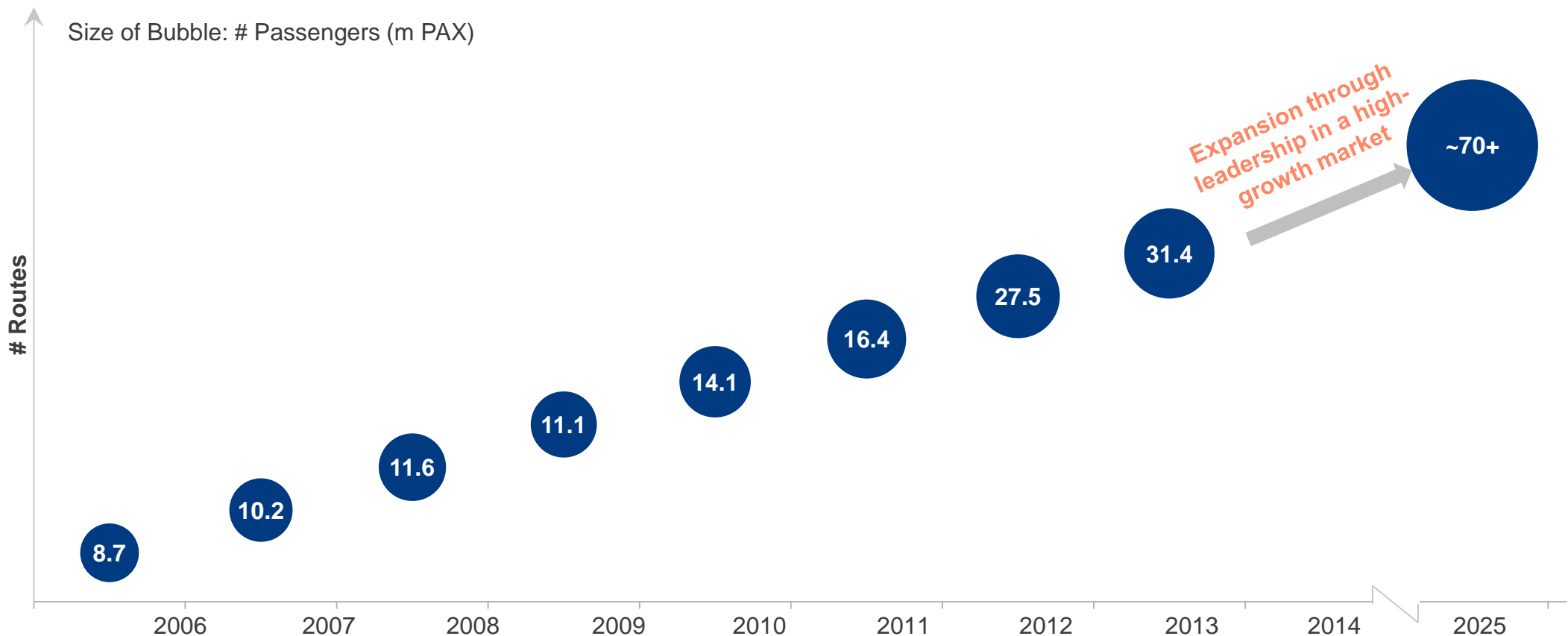
Modern Global Airline, Rich 90-year Heritage



■ Major developments over the past 5 years strengthened Aeroflot's position and created the platform for future growth

Track Record of Profitable Growth with Strong Future Growth Opportunities

Passenger Traffic Development (m PAX)



- Aeroflot delivered impressive growth over the last decade and is envisaging further profitable growth through leadership in the Russian market and consistent improvement in operational efficiency

Strategic Overview: Market Dynamics and Aeroflot's Approach

Giorgio Callegari
Deputy CEO for Strategy and Alliances

Key Highlights

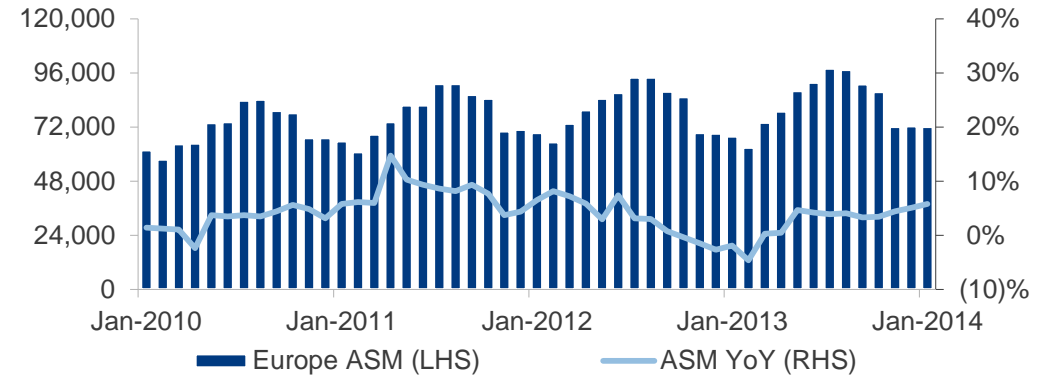
- Emerging market players will continue to enjoy higher than global average passenger traffic growth in the upcoming decades, with Russia being no exception:
 - Russian airline industry benefitting from ongoing consolidation and modernisation of aviation infrastructure and developing in sync with key global market trends
 - Aeroflot is well positioned to compete with international carriers and increase its market share
- Aeroflot – a Russian market leader with its business model matching best practices of leading airline groups:
 - Aeroflot is leading the consolidation of the Russian market, establishing a flagship airline group
 - Consolidation increased regional penetration and is a basis for a multi-brand business model to serve a broad range of customer segments
 - Moscow transit hub's attractiveness stems from its unique geographic position – on a crossroad connecting global cities
 - Profitable growth strategy to deliver sustainable shareholder returns

Global Air Transportation: 2014 a Rebound Year

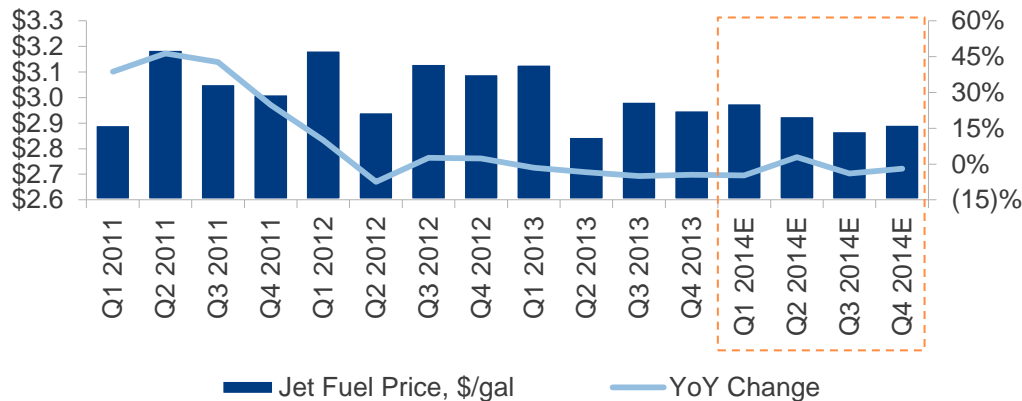
Demand: European PAX Growth Accelerating in 2014



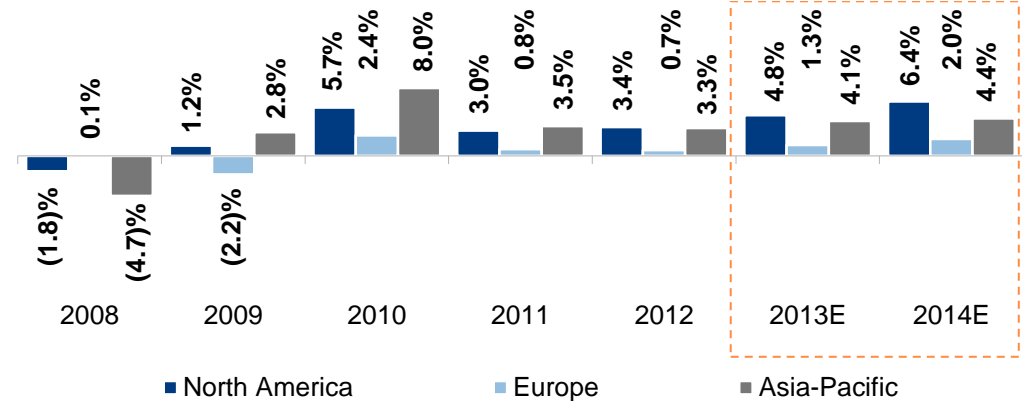
Supply: European ASMs¹: Risk for 2014?



Jet Fuel Prices: Further Decline Possible in 2014



Improving EBIT Margin of the Air Transportation Industry, %

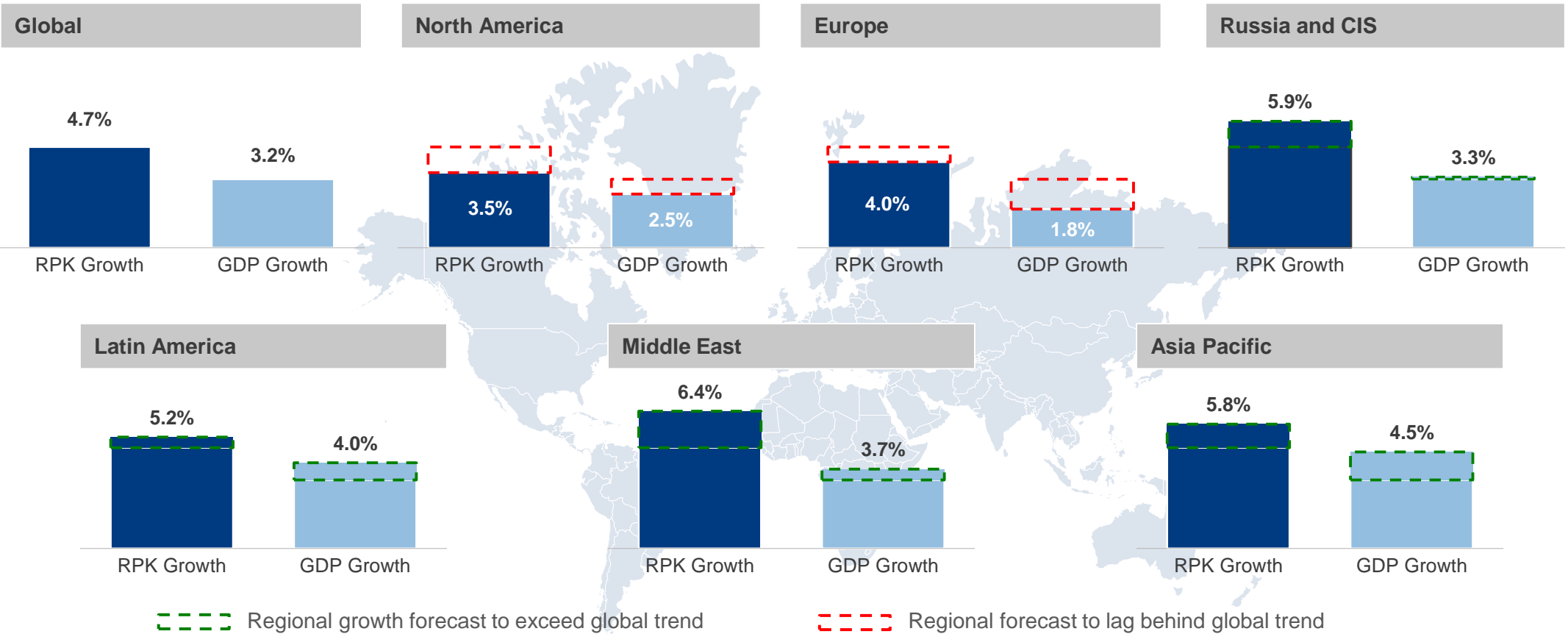


■ **Positive GDP outlook and accelerating passenger traffic are expected to translate into gradually expanding industry profitability in the mid-term**

Source: ATA, IATA, OAG
¹ Average seat-miles.

Regional Growth Trajectory

Growth Rates for 2013-2032

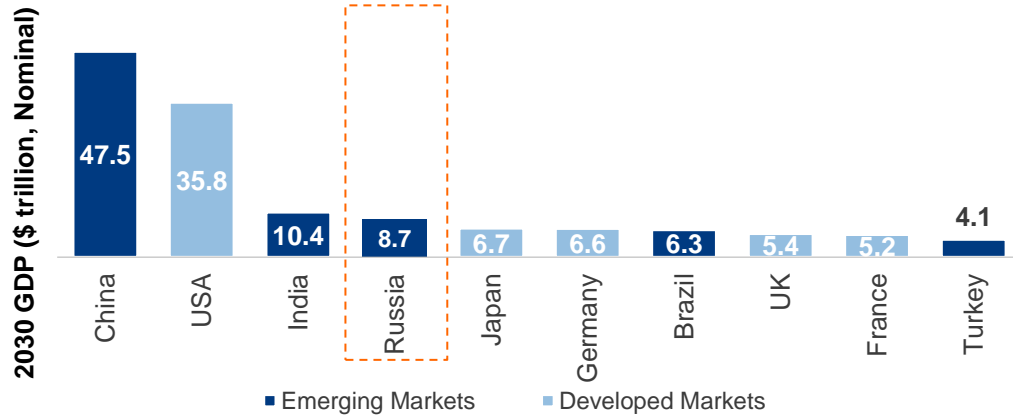


- Number of annual air travellers increased by one third in the last decade, currently approaching 3bn. This trend is set to continue with passenger traffic more than doubling in the next 20 years, with growth pace higher in emerging markets

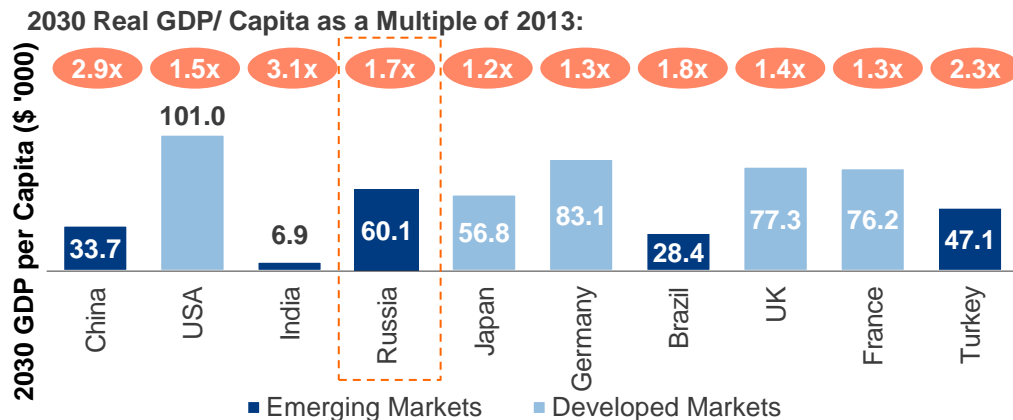
Source: Airbus Global Market Forecast 2013-2032

Emerging Markets' Fundamentals

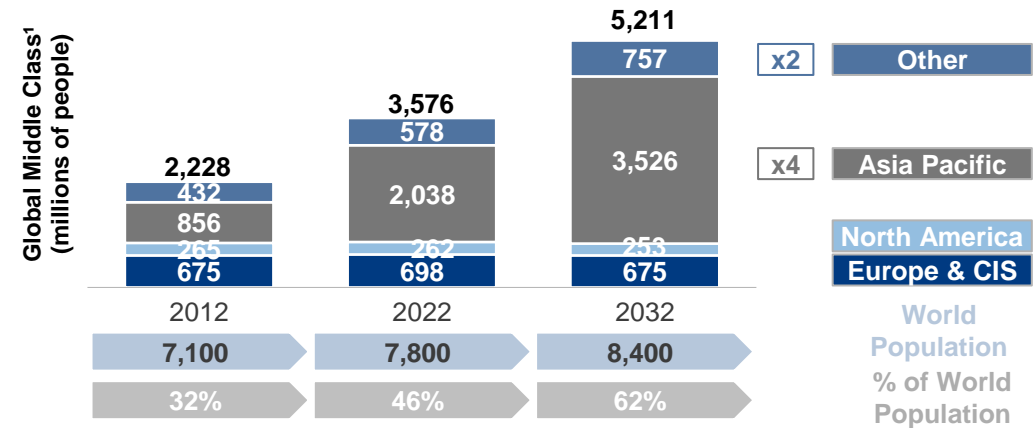
10 Largest Economies in 2030



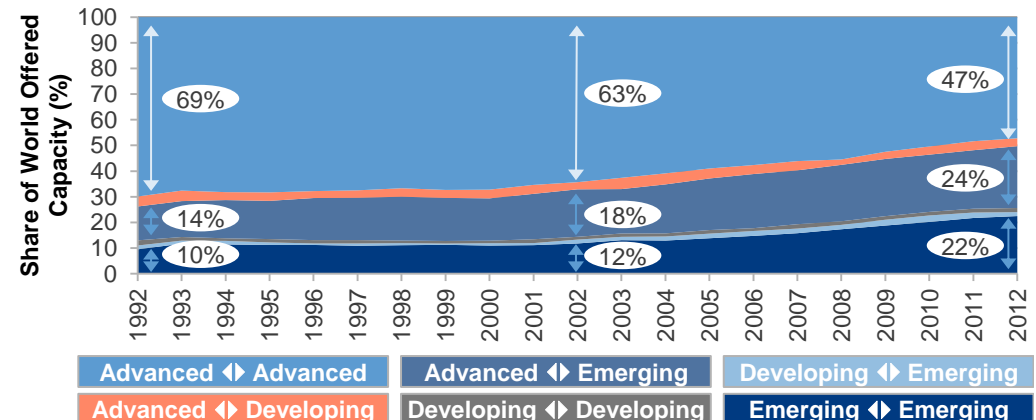
GDP/Capita in 2030



Global Middle Class by 2032



A Global World: Air Transport's Increasing Distribution

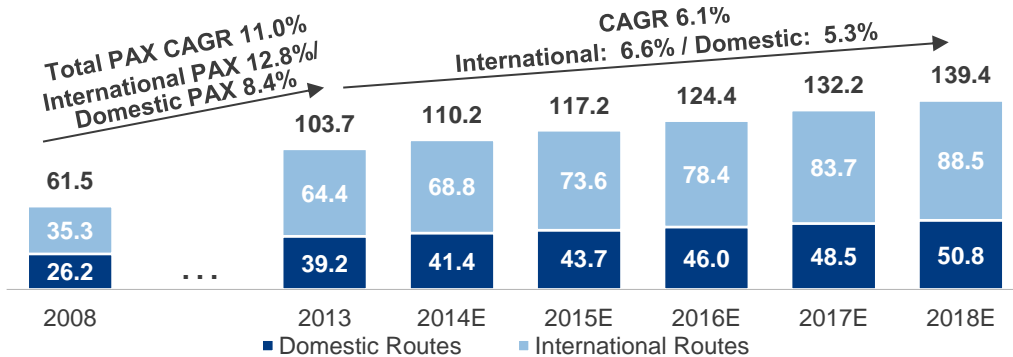


- Emerging markets' economic growth, large populations and developing middle class forecast to be the main drivers of air traffic volumes

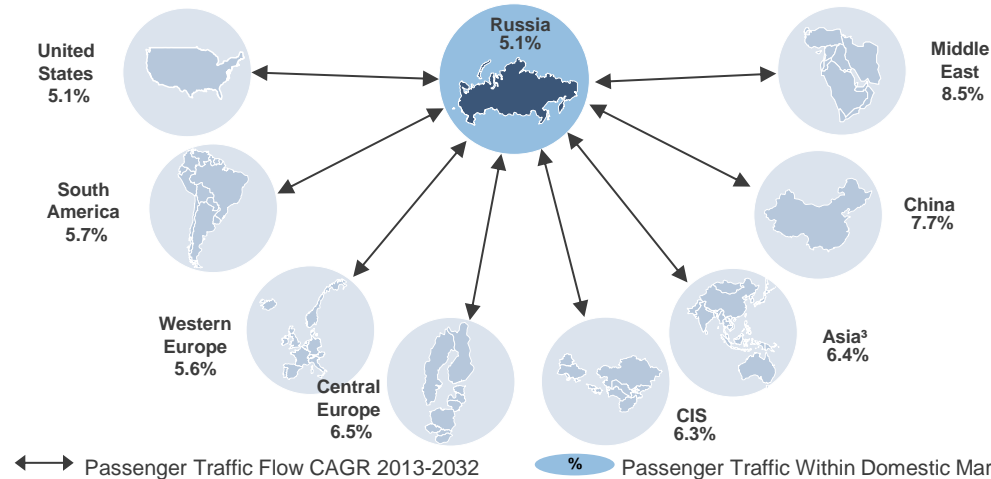
Source: Euromonitor, Airbus Global Market Forecast 2013-2032

Significant Strength of the Russian Market

Russian Total Passenger Traffic Growth (m PAX)¹



Expected Passenger Traffic Flow To/From Selected Regions and Within Russia



- Air travel penetration in Russia is set to catch-up with the levels observed in developed markets. The trend is supported by demand from the Country's expanding middle class

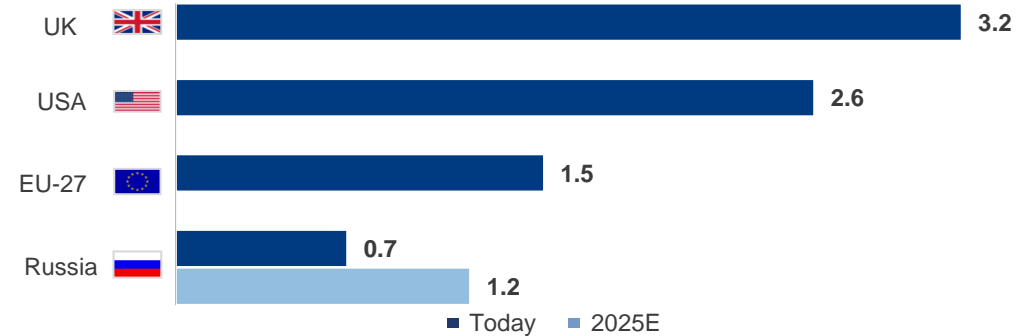
Source: Company data, IMF, Eurostat, RITA, Russian State Statistics Service, Rosaviatsia, Airbus Global Market Forecast 2013-2032

¹ Total domestic and international carrier's traffic. Estimates represent Aeroflot November-2013 projections.

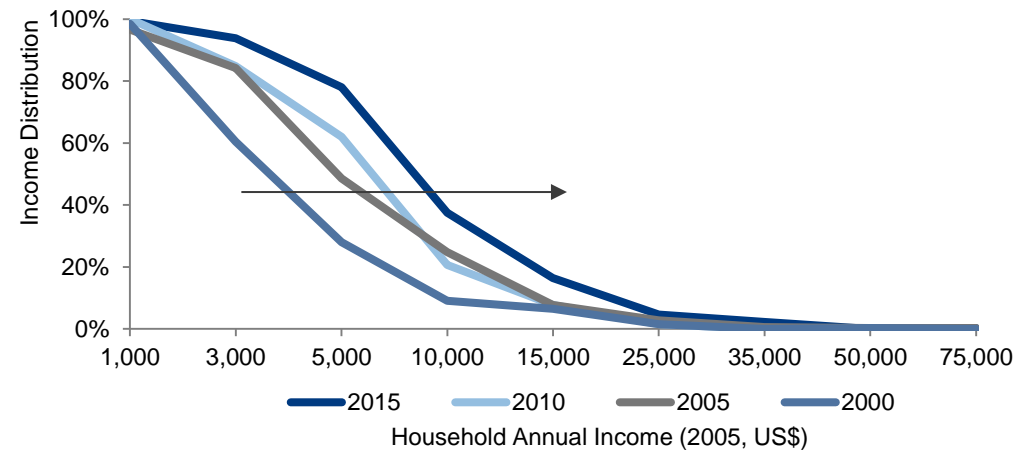
² UK and EU-27 data is as of 2011, US data is as of 2012, Russia data is as of 2013.

³ Includes traffic to/from China.

Passengers per Capita Overview²



Russia's Middle Class is Set to Continue to Grow



Russian Market Trends: Domestic Traffic

Consolidation

- Russia's air travel industry is dominated by large players while smaller players are focusing on regional and leisure segments
- Large carriers built market share by improving quality of services and acquiring / developing selected regional and charter airlines

Regional Airport Infrastructure Development

- Russian Government has introduced new regulations and initiatives to sustain the development of regional networks
- Several Russian and international airport operators have been consolidating infrastructure ownership. This in turn has translated into increased quality of service and cost optimisation
- The improving economic conditions in the Russian regions are leading to a surge of personal income, population mobility and regional demand for traveling to tourist destinations. This demand in turn stimulates charter and regional airline development

Market Segmentation

- To ensure fleet optimisation and sustainable profitability, the majority of Russian airlines shifted from running scheduled and non-scheduled flights simultaneously to offering just one type of flight to their customers
- Rising demand for travel at competitive prices and improving regulatory conditions has enabled the emergence of "low-cost" operations
- A number of airlines currently cater only to leisure passengers on a standalone basis or as part of large tourism and travel companies

Integration of Russian Air Transportation into Global Market

- Several network carriers improved their quality of service and operational efficiency by joining global alliances (Aeroflot – SkyTeam, S7 – OneWorld)
- Moscow airports are emerging as transit hubs within the global landscape

- **The Russian airline industry is developing in sync with key global market trends. The industry is also benefitting from ongoing consolidation and the modernisation of aviation infrastructure**

Russian Market Trends: International Traffic

Liberalization of Routes

- Gradually increasing number of airlines flying on international routes to/from Russia as a result of inter-governmental agreements

Regional

Europe

- Gradual rise in passenger traffic
- Increased competition from LCC carriers on short-haul European routes: Aeroflot's superior product quality and competitive cost structure is a winning factors

North America

- Gradual rise in passenger traffic
- Rapidly growing transit traffic from CIS countries via Moscow

Asia

- Significant rise in passenger traffic
- South Korean carriers actively serving Russia's Far East, integrating it into the Asia-Pacific network

Foreign Low-Cost Competition

- European low-cost carriers penetration into the Russian market has been moderate so far
- Middle East low-cost carriers focus mostly on the leisure segment from large Russian cities

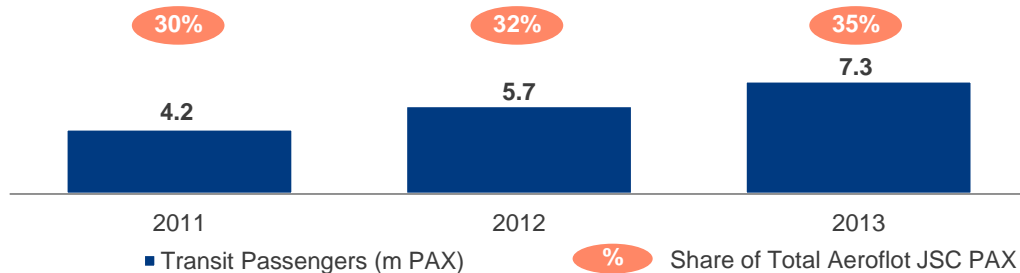
- **Russian market continues to be attractive to foreign airlines**
- **Aeroflot is well positioned to compete and increase its market share**

Moscow as a Transit Hub

Moscow's Geographical Position



Transit Passenger Traffic of JSC Aeroflot in Sheremetyevo



- **Aeroflot's hub attractiveness stems from its unique geographic position – located at a crossroad connecting global markets**

Flying Time Between European and Asian Destinations

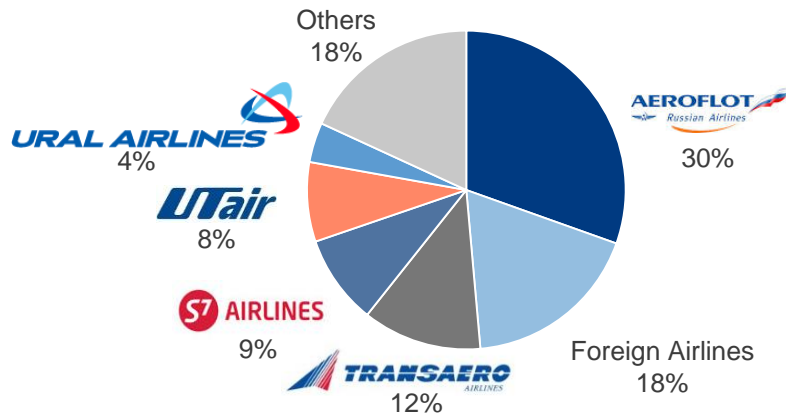
	Delhi	Beijing	Hong Kong	Seoul	Tokyo
Flight from Milan					
Direct		10.5h	11.5h		12.0h
Via Moscow	10.5h	12.0h	14.0h	13.0h	14.0h
Via Istanbul	10.0h -0.5h	13.0h +1.0h	13.5h -0.5h	14.0h +1.0h	15.5h +1.5h
Via Dubai	10.5h	14.5h +2.5h	14.5h +0.5h	14.5h +1.5h	17.0h +3.0h
Via Frankfurt	9.5h -1.0h	11.5h -0.5h	13.0h -1.0h	12.5h -0.5h	13.5h -0.5h
Flight from Paris					
Direct	8.0h	10.0h	12.0h	11.0h	12.0h
Via Moscow	11.0h	12.5h	14.5h	13.5h	14.5h
Via Istanbul	10.5h -0.5h	14.0h +1.5h	14.0h -0.5h	14.5h +1.0h	16.0h +1.5h
Via Dubai	11.0h	15.0h +2.5h	15.0h +0.5h	16.0h +2.5h	17.5h +3.0h
Via London	11.0h	13.0h +0.5h	15.0h +0.5h	13.5h	14.5h
Flight from Frankfurt					
Direct	7.5h	9.5h	11.0h	10.5h	11.5h
Via Moscow	10.5h	11.5h	14.0h	13.0h	14.0h
Via Istanbul	10.0h -0.5h	13.5h +2.0h	13.5h -0.5h	14.0h +1.0h	15.5h +1.5h
Via Dubai	10.5h	14.5h +3.0h	14.5h +0.5h	15.5h +2.5h	17.0h +3.0h
Via Paris	10.5h	12.5h +1.0h	14.0h	13.0h	14.0h

Aeroflot Proposition to Transit Passengers

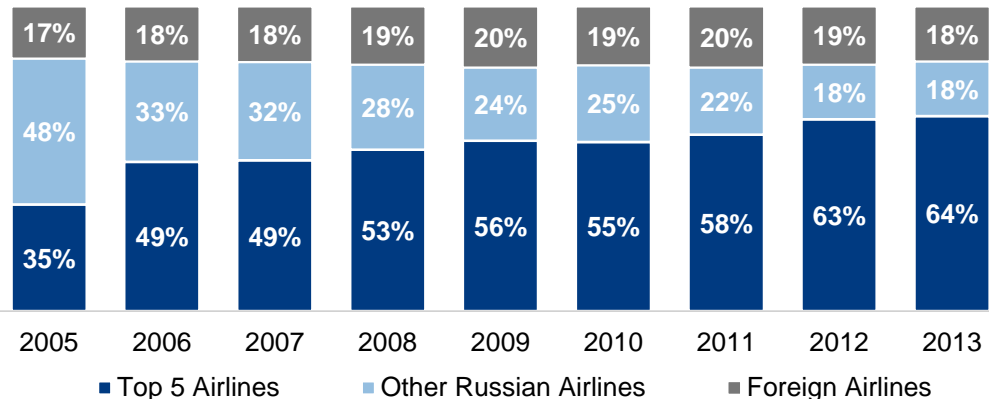
- Premium service of consistent quality across both short and long-haul routes offered to meet international passengers' expectations
- Ground experience: focus on improving passenger transit experience on the ground (e.g. decrease minimum connecting time, invest in transit services)

Aeroflot: a Market Leader

Domestic and International Passenger Traffic in Russia (2013)



Russian Passenger Traffic



Market Position

- Largest market share in Russia exceeding the combined market share of the 3 most sizeable competitors
- Market size is set to increase as a result of implementing multi-brand strategy

Network

- Well-balanced network
- SVO hub in Moscow, with special focus on St. Petersburg, Vladivostok, Rostov-on-Don and Sochi

Fleet

- The youngest fleet in Russia and one of the youngest in Europe (Aeroflot JSC)
- Modernisation and simplification of subsidiaries' fleets aimed at cost optimisation

Premium Offering

- Premium Russian carrier, with quality of services recognised by numerous international and domestic awards
 - SkyTrax named Aeroflot as the best airline in Eastern Europe (2013) (winner for multiple times)

Further Growth

- Aeroflot's strategy – to be among top 20 global airlines internationally and a leading-carrier domestically by:
 - Establishing strategic partnerships with global leaders
 - Capitalizing on emerging LCC market in Russia (Dobrolet)
 - Increasing penetration within regional markets (Donavia, Aurora, Rossiya)
- Aeroflot is well positioned to benefit from further consolidation

■ Over the last decade, Aeroflot has transitioned from “one of the many” market players to the market leader

Source: TCH



Aeroflot Capital Markets Day 2014

2025 Strategy

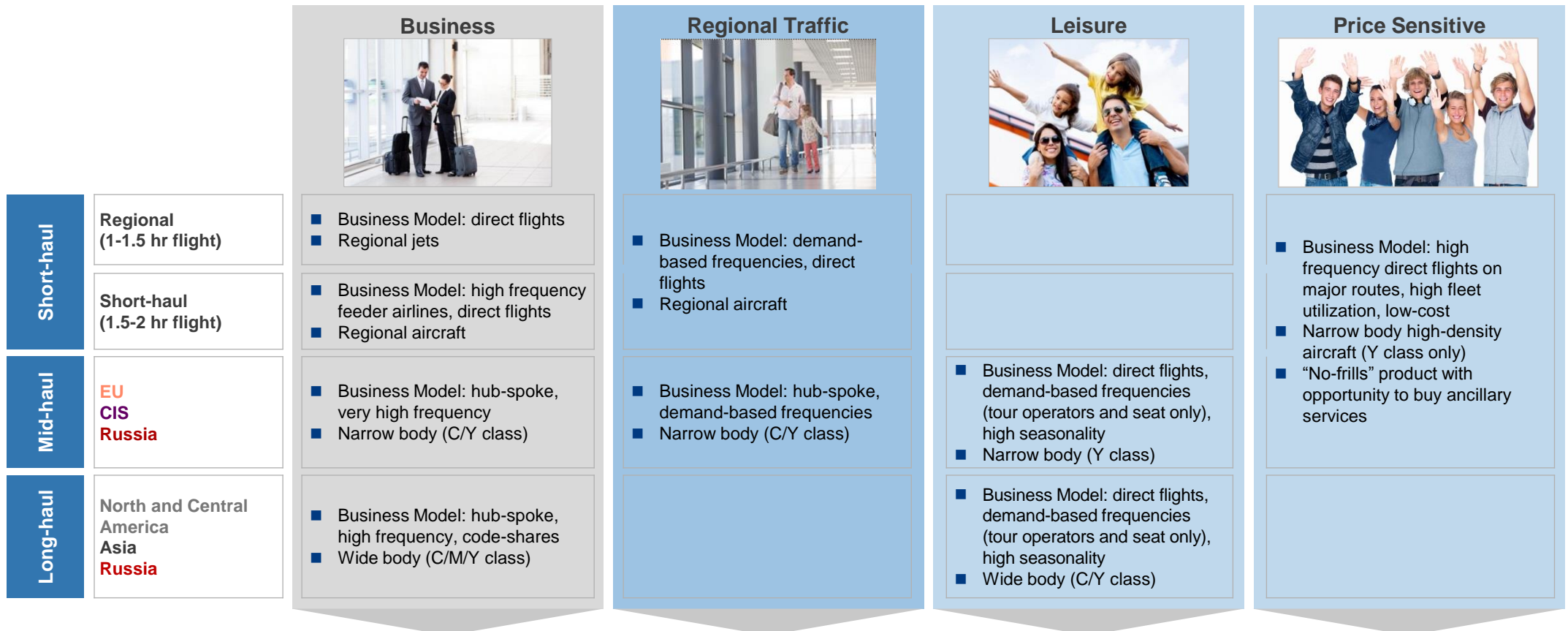


LEADING GLOBAL AIRLINE

- Top 5 European and top 20 global airline group by revenue and passenger turnover
- 70m passengers per year, 30m domestically
- Extensive customer reach and broad market penetration
- Sustainable returns to shareholders

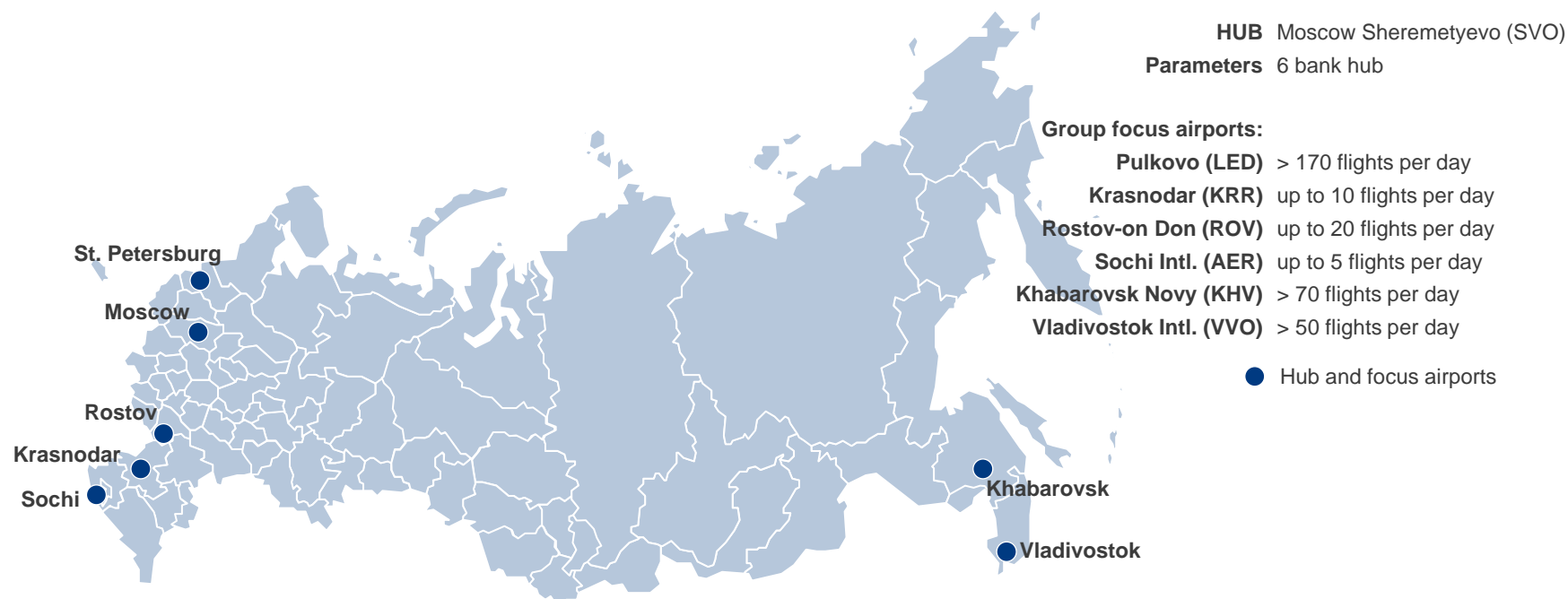


1 Multi-brand Strategy: Capturing Demand Across Segments and Geographies



- The multi-brand strategy enables Aeroflot to effectively compete in both domestic and international markets by servicing a broad range of customer groups

2 Aeroflot Group Key Developments: 2018 Network



AEROFLOT Russian Airlines	
Network	International & Mainline domestic
Hub	SVO
Destinations	129
Avg. Frequency / Destination	17 flights per week
Fleet	160

ROSSIYA RUSSIAN AIRLINES	
Network	Domestic, Regional
Focus airport	LED
Destinations	Up to 70
Avg. Frequency / Destination	10 flights per week
Fleet	43
















DONAVIA Joint Stock Company	
Network	Regional
Focus airports	ROV, KRR, AER, MRV
Destinations	> 30
Avg. Frequency / Destination	10 flights per week
Fleet	10

Aurora	
Network	Regional
Focus airports	VVO, KHV, UUS
Destinations	> 100 (incl. legs)
Avg. Frequency / Destination	4 flights per week
Fleet	40

ORENAIR OREGONIAN AIRLINES	
Network	Touristic destinations (non-scheduled)
Focus airports	-
Destinations	-
Avg. Frequency / Destination	-
Fleet	30

■ A focused network with a strong competitive advantage: breadth and depth

3 Expanding Network and Sustaining Premium Service via SkyTeam Alliance and Code Share Agreements

	Summary Overview	Passenger Traffic	Selected Airlines
SkyTeam	<ul style="list-style-type: none"> Active member of alliance since 2006 Participation in alliance's initiatives (Sky Transfer Accelerator, Sky Link Sprint, Sky Port and Sky Priority) Access to 87 incremental markets (up from 63 in 2012) via SkyTeam in 2013 Strengthened relationship with Delta, Air France, KLM, Alitalia and China Eastern 	286,125 (+3%)	       
	<ul style="list-style-type: none"> Expansion of own network and more efficient utilisation of fleet Access to 102 incremental markets (up from 72 in 2012) via code sharing agreements in 2013 Improving connectivity and capturing more transit passengers New code share agreements with Air India, Middle East Airlines, China Eastern and Royal Air Maroc signed in 2013 Code share agreements with Garuda Airlines, Bangkok Airways and others to be signed in 2014 	335,345 (-20)%	      

- SkyTeam membership and code share agreements allow Aeroflot to increase presence on existing markets and enter new markets

3 Strategic Partnerships: a New Approach

Global Partnerships is a Means to Achieve 2025 Targets



Key Benefits and Implications

- 1 Offer new code share itinerary options
- 2 Leverage strategic partners' sales
- 3 Combine strategic partners' competitive positions in large markets
- 4 Leverage strategic partners' (already) high market share
- 5 Synchronise schedules on frequently served routes
- 6 Rationalise service in high-frequency markets
- 7 Synchronising network to/from jointly-served markets

Increase in Market Share

Improve Yield

Reduce Cost

- Aeroflot is actively developing strategic partnerships with multiple global carriers to increase its competitive position, brand visibility and increase economies of scale

4 Innovation / Operational Improvements

Innovation Programme Overview

Planning and implementation process

- Cooperation with research organizations, R&D businesses and universities
- Innovative solutions and tools within the air travel industry
- Technological, managerial and organizational innovations

Evaluation and monitoring of results

- Customer Experience Improvements
 - Increasing customer satisfaction and loyalty
 - Applying service personalisation
- Operational Improvements
 - Cost optimisation
 - Enhanced efficiency and reliability of MRO service
 - Integration and efficient coordination of network operations and ground services

Key Focus Areas

Integrated systems in major areas of operations

- Implementation of Oracle Siebel Loyalty Management solutions to manage and develop relationships with clients and Frequent Flyer Programme (FFP) members
- Introduction of the most important measures to retain and increase customer loyalty

IT infrastructure and IT solutions

- Implementation of SAP ERP and Data Processing Centre
- Creation of a unified system of ticket sales and jet fuel procurement
- Unification and integration of all Aeroflot Group information systems

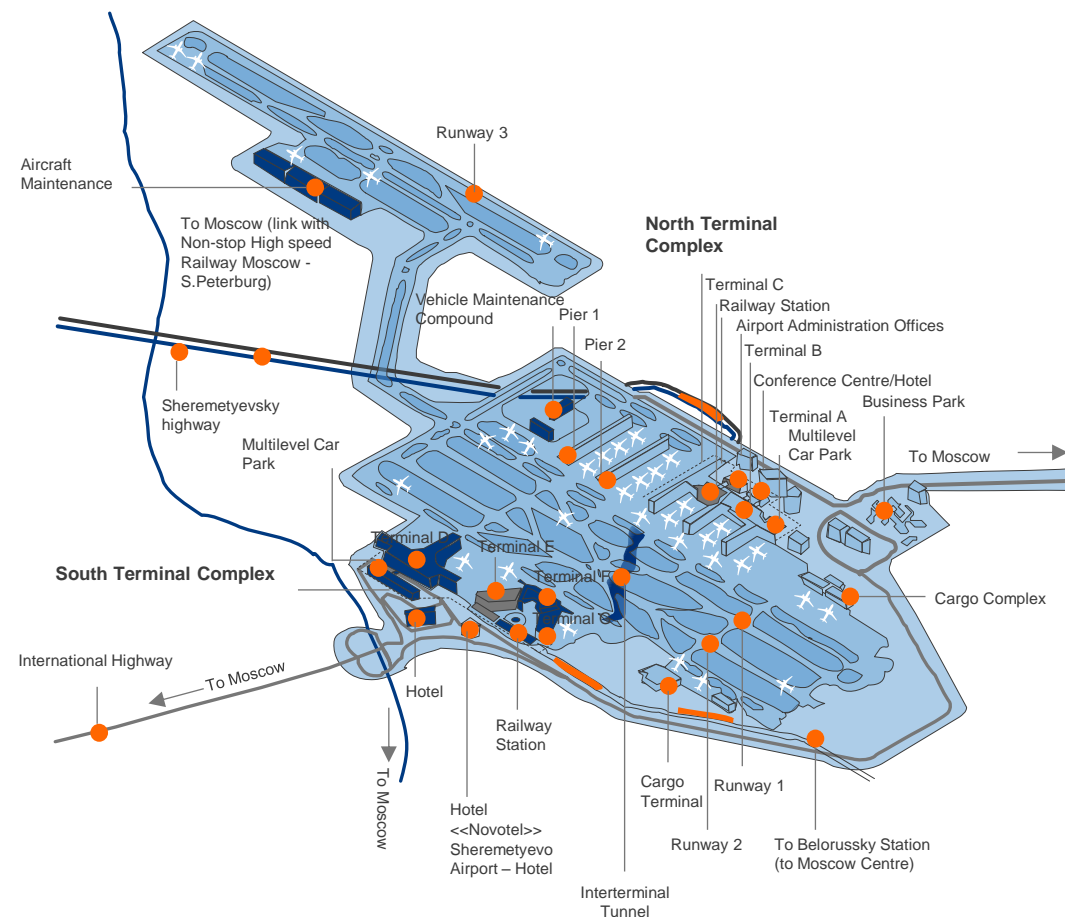
- **Aeroflot's Innovation programme aims to introduce the newest processes, technologies and solutions to optimise operations and enhance customer experience**

4 Sheremetyevo Expansion as a Base for Aeroflot's Development

Summary Overview

- Sheremetyevo is expected to become one of the leading airports in Europe as a result of the implementation of a two-stage expansion programme
- Stage 1 to be completed by 2017
 - Third runway construction (length: 3,200 metres, width: 60 metres; able to host all types of aircraft)
 - First stage of North Terminal reconstruction and opening of underground tunnel connecting North and South terminals
 - Airport capacity to grow up to 42m PAX p.a.
 - Northern Terminal complex capacity to reach 32m PAX p.a. upon first stage completion
- Stage 2 to be completed by 2030
 - Further development of the second landing area
 - New terminal facilities with capacity of 64m PAX p.a.
 - Total cargo traffic of up to 1,115m tons

Sheremetyevo Site Outlay



- Sheremetyevo is set to become one of the most modern airports in Europe, increasing Moscow's attractiveness as a transit hub for international passengers and providing a solid foundation for Aeroflot's long-term strategy

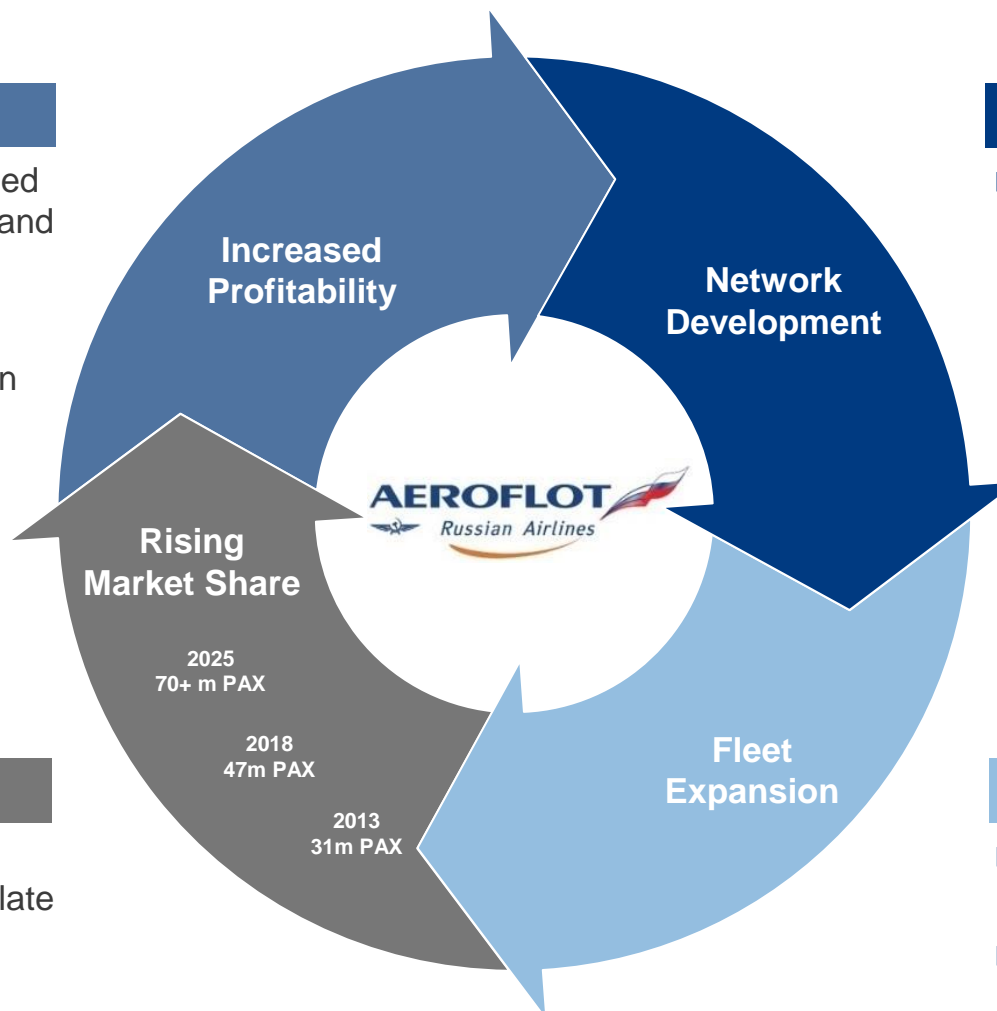
5 Summary: the Path to Value Creation

Increased Profitability

- Strong operating leverage based on efficient fuel cost structure and high labour productivity
- Improving capacity utilisation
- Further customer segmentation to maximise yields

Rising Market Share

- Expanding network served by top-tier fleet expected to translate into strengthening market position domestically and internationally



Network Development

- Network expansion to improve global connectivity:
 - Network optimisation: increased frequencies on the most attractive routes
 - Network expansion: selected new routes to increase market penetration
 - Development of SVO hub in Moscow, as well as regional hubs in St. Petersburg, Vladivostok, Rostov-on-Don and Sochi

Fleet Expansion

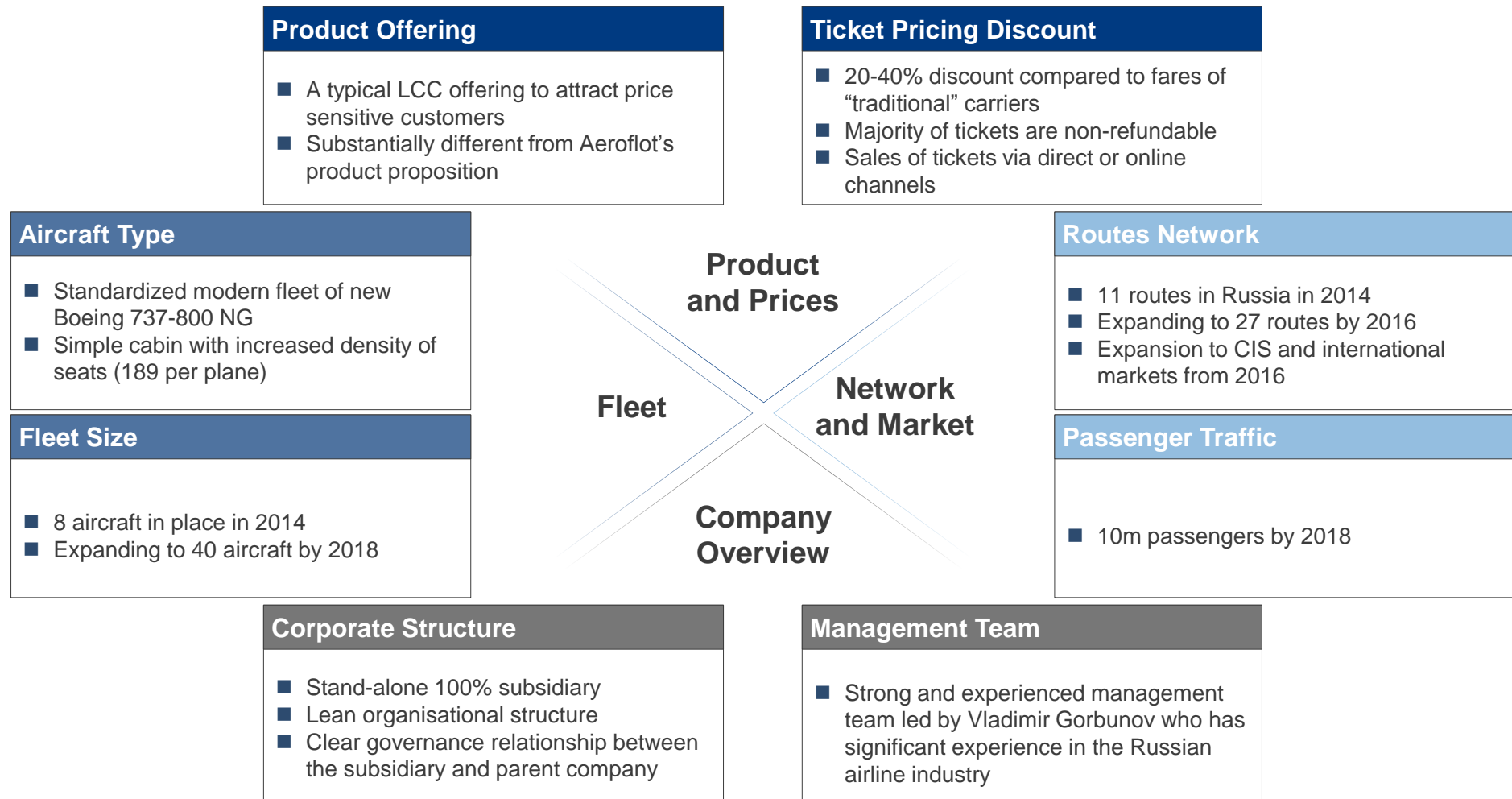
- Fleet expansion to match network development
- Ongoing fleet modernization

■ **Aeroflot plans to deliver profitable growth, strengthening its leading position in the domestic and international markets**

Dobrolet: Project Update

Giorgio Callegari
Deputy CEO for Strategy and Alliances

Dobrolet Project Summary



- Price, safety and schedule are three top priorities for selecting an airline by Russian passengers
- Dobrolet will serve customers currently outside Aeroflot's reach

Dobrolet's Customer Proposition: a Typical LCC Product with Tight Cost Control

dobrolet

Aircraft	Fleet	1 type
	Average Age (years)	< 3
	Maximum Density Non-Reclining Seats	✓
Boarding	Boarding Pass	\$*
	Allocated Seat	\$
	Priority Boarding	\$
	Checked Bag	\$
	Carry-On	55x40x20
On Board	Meals	\$
	Audio / Video	✗
	Magazine (upon request)	✓
Ticket Purchase	Refundable	✗
	Frequent Flyer Programme	\$*
	% Direct Sales	~100%

✓ - included ✗ - not available \$ - for a fee * - to be available in the future

Sources of Cost Advantage

Fuel	<ul style="list-style-type: none"> Brand new fleet with high fuel efficiency Economies of scale in fuel purchases
Labour	<ul style="list-style-type: none"> Flat and lean organizational structure Only ~80 admin staff at the date of first flight
Aircraft / Traffic Servicing	<ul style="list-style-type: none"> High aircraft utilization rate Single class cabin
Maintenance	<ul style="list-style-type: none"> Standardised fleet and efficient maintenance programmes Outsourcing and strict control of MRO costs
SG&A	<ul style="list-style-type: none"> Low cost discipline in company's daily operations Primary use of online sales channels
Operating Leasing/ Financing	<ul style="list-style-type: none"> Leveraging Aeroflot relationship with lessors

■ LCC product will be substantially different from Aeroflot's proposition and will attract price sensitive passengers

In the First 3 Years, Dobrolet will Fly to the Most Promising Destinations Domestically and Selected International Destinations

2014 – 11 Destinations



2015 – 20 Destinations



2016 – 27 Destinations



Key Selection Criteria for Domestic Market

Result

1

Top 150 Russian air and rail routes by PAX traffic

2

Air PAX traffic allows at least 3 frequencies per week

3

Flight distance is longer than 400km

4

Airports have no limitations for A320/B737

36

destinations over 5 years

- Revenue enhancing and cost efficient approach to roll-out of domestic network
- Starting from year 3 Dobrolet network development will also include international routes

Minimising Impact on Existing Aeroflot Customer Base

- 1 Dobrolet will be a typical low-cost product which is substantially different from Aeroflot's proposition
 - 2 Dobrolet will start flying from a different Moscow airport than Aeroflot currently operates in
 - 3 Dobrolet will focus only on point to point economy passengers so Aeroflot transit passengers and business class passengers will not be affected
 - 4 Dobrolet will capture additional demand for low cost carrier services on key routes
-
- **Cannibalization risks will be mitigated by Dobrolet network planning and initial business model**

Network and Fleet: Strategy, Goals and Achievements

Shamil Kurmashov
***Deputy CEO for Finance, Network and Revenue
Management***

Key Highlights

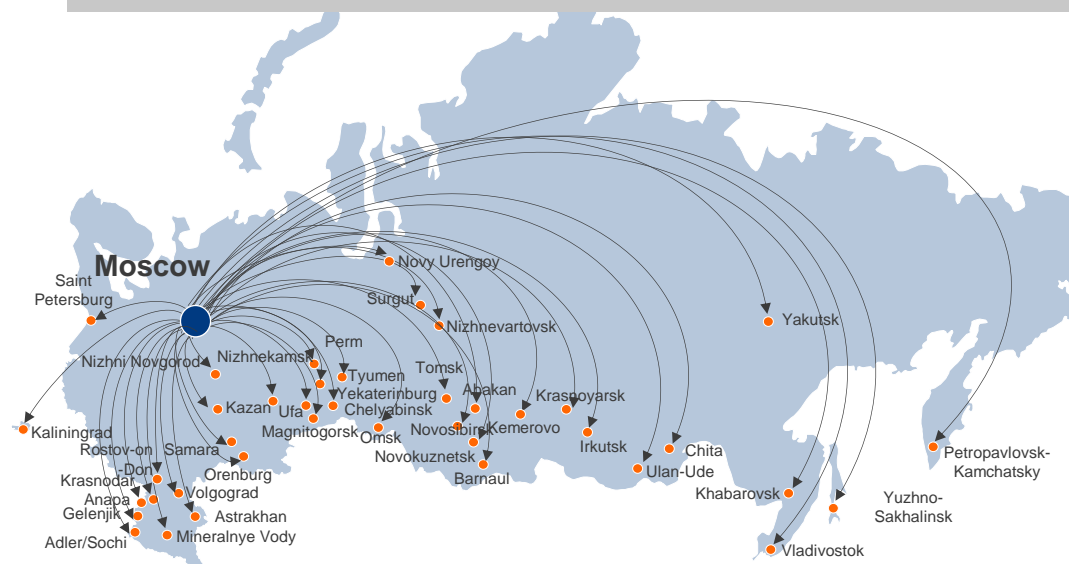
- **Wide domestic network strengthened by subsidiary** airlines' complementary regional networks
- Focus on targeting **the largest and most attractive routes** in Russia targeting above market RPK / traffic growth and sustainable seat load factor
- Expanding on the **most profitable international routes** and selected additions of new routes
- **SkyTeam** and code share agreements are increasing presence on existing markets and opening up new markets
- **Profitability driven approach to expansion** via increasing frequency on existing routes and cautious approach to entering new routes
- **Fleet strategy implementation** laid solid **foundations for safe and cost effective operations**
 - Consistent fleet optimisation with focus on modern and reliable aircraft – Aeroflot is operating one of the most advanced fleets in Europe
 - Fleet optimisation and unification resulted in increased fleet utilisation and improved fuel consumption
 - In-house MRO capabilities sustaining high safety standards and reducing costs
 - Fleet financing decisions are based on ownership cost optimisation, while sustaining a modern and efficient fleet

Wide Domestic Network Providing Strong Footprint and Leading Market Positions

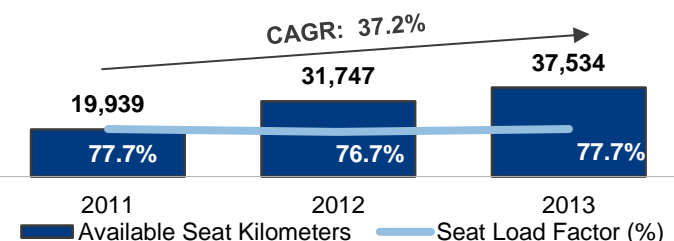
Summary Overview

- 43 domestic routes with an average frequency of 15.3 flights per week in 2013
- Sheremetyevo airport in Moscow is a key hub for domestic flights
- Other key regional hubs used by subsidiary airlines are St. Petersburg, Vladivostok, Rostov-on-Don and Sochi
- Strong growth of RPK and ASK as a result of acquisition of regional airlines in 2011, increasing demand for air transportation and Aeroflot sustaining its leading market share
- New Novy Urengoy route to be opened in 2014

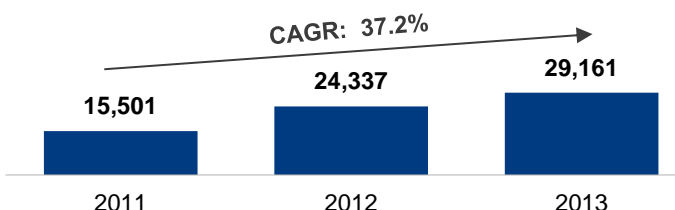
Domestic Route Network: JSC Aeroflot¹ (Summer 2014)



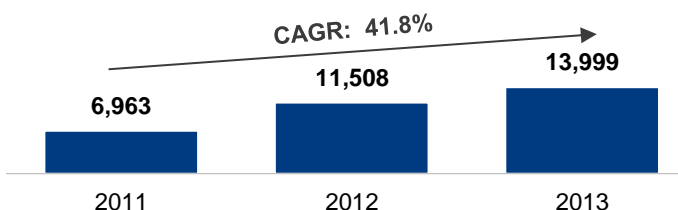
Domestic ASK and Seat Load Factor (%)



Domestic Revenue Passenger Kilometres (bn pkm)



Domestic Passenger Traffic ('000)



- Focus on growing market share on the largest and most profitable routes in Russia resulted in above market RPK / traffic growth and sustainably high seat load factor

¹ Excluding routes of subsidiary airlines.

Subsidiary Airlines Strengthen Domestic Network

Summary Overview

- Ongoing transfer of subsidiary airline operations under 100% operational management of Aeroflot Group
 - Rossiya Airline to be 100% operated by Aeroflot starting from April 2014
- Subsidiary airlines operating in regional markets are attractive on a stand-alone basis and provide Aeroflot with exposure to regional transit traffic
- Strengthening domestic and international network of Aeroflot Group
- Further integration of subsidiary airlines is expected to result in continuing optimisation of domestic network

Domestic Network of Subsidiaries (Summer 2014)

Rossiya

- Regional airline with a hub in St. Petersburg
- Focus on direct and transit routes via St. Petersburg hub
- Expanding network of Aeroflot as SkyTeam member on the North-West of Russia
- Optimising schedule to increase connectivity and reliability

Donavia

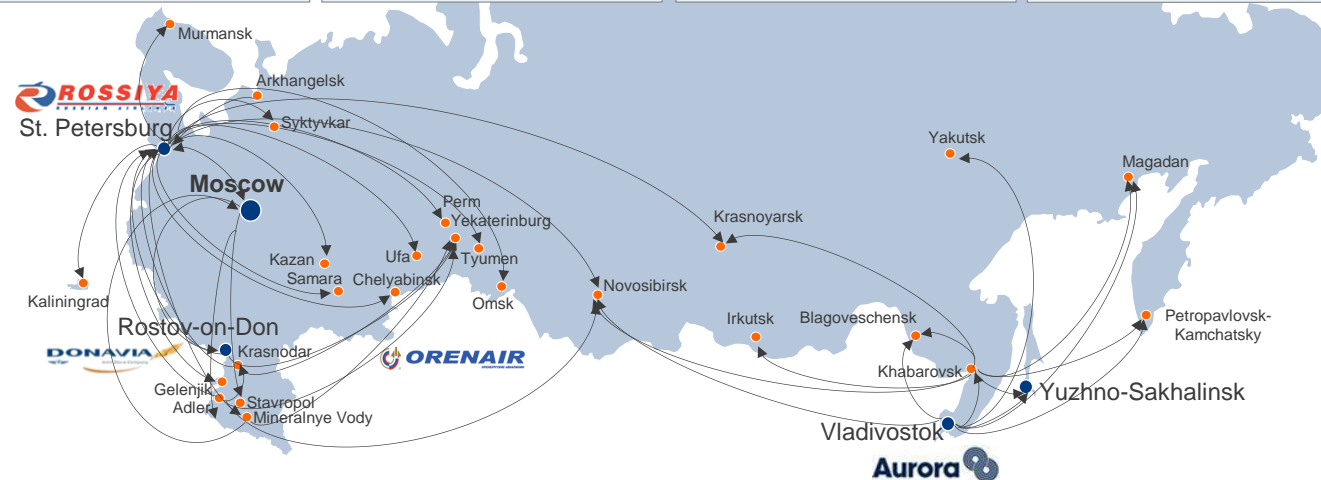
- Regional airline with hubs in Rostov-on-Don, Krasnodar, Sochi and Mineralnye Vody
- Flying on short- and mid-haul direct domestic routes in the South of Russia
- Fully integrated into Aeroflot Group

OrenAir

- Charter airline business model
- 60% charter / 40% regular routes
- Potential to consolidate Aeroflot Group's charter operations in the future

Aurora

- Regional airline in the Far East with hubs in Khabarovsk and Vladivostok
- Flying on short- and mid-haul direct international and domestic routes
- Vladavia¹ is in process of merging into Aurora
- Targeted 51% ownership

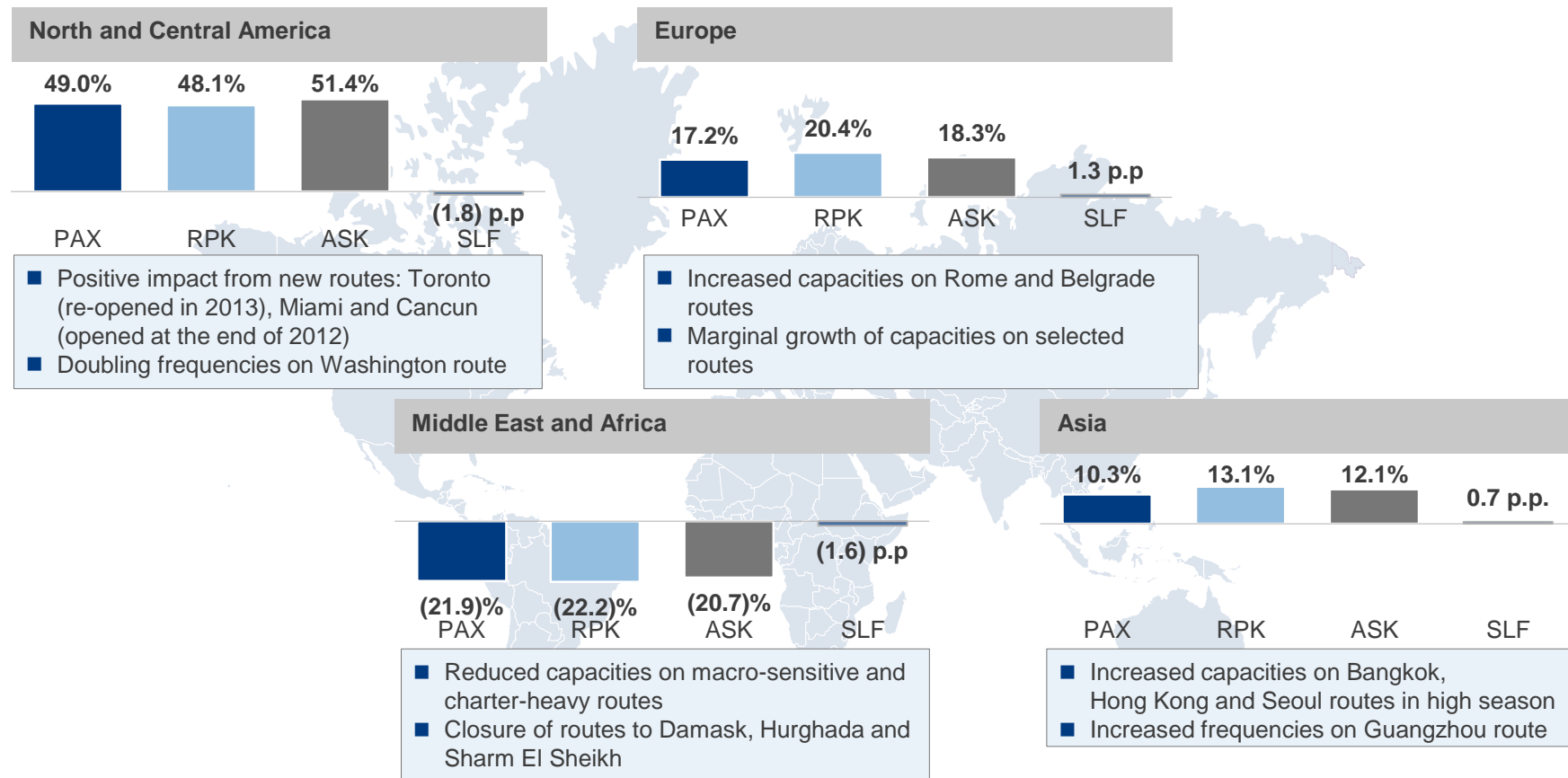


- **Subsidiary airlines further strengthen Aeroflot's dominance in the domestic market and complement Aeroflot's network**

¹ Vladavia is a small regional airfield operating in the Far East.

Rational Deployment of Capacity Across International Network

(y-o-y change, 2013 vs. 2012)



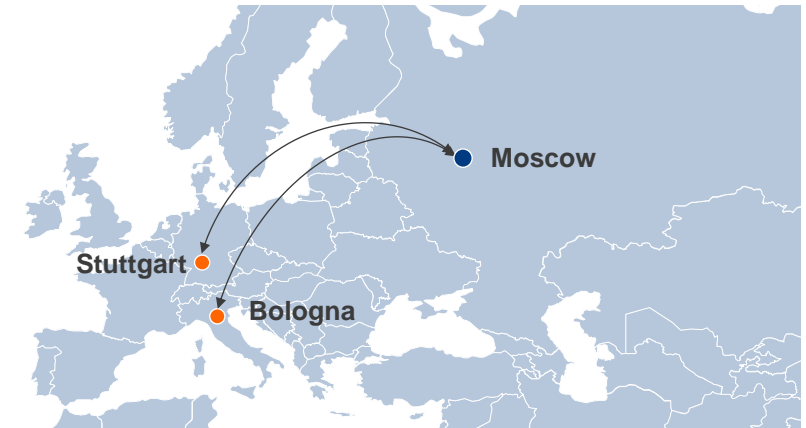
- Aeroflot is targeting growth on the most attractive routes by increasing frequency and is opening selected new routes based on future profitability analysis
- International routes operated by subsidiary airlines complement Aeroflot Group's international network and strengthen the company's exposure to further growth of passenger traffic in and from Russia

Profitability Drives Expansion

Comprehensive New Route Implementation Process



Recent Success Story: Stuttgart and Bologna



Moscow – Stuttgart

- ✓ Market size estimate: ~97,080¹ pax
- ✓ 73,345 P2P² and transit pax in 2013
- ✓ Share of transit: 42.9%
- ✓ Operating profitability: 11.7%
- ✓ Aeroflot Group revenue contribution: \$4.4m

Moscow – Bologna

- ✓ Market size estimate: ~99,110¹ pax
- ✓ 71,556 P2P² and transit pax in 2013
- ✓ Share of transit: 26.6%
- ✓ Operating profitability: 40.1%
- ✓ Aeroflot Group revenue contribution: \$3.2m

- Major success on both lines with greater than anticipated demand and increased frequency as a result
- Target profitability reached within one year
- High transit passenger traffic and network contribution achieved

■ **Profitability driven expansion via increasing frequency on existing routes and cautious approach to entering new routes**

¹ Source: MIDT Statistics for summer 2010 for Stuttgart and summer 2011 for Bologna, including P2P and transit passengers.

² Point to point traffic

Integrated Approach for a Modern, Safe, Cost Effective Fleet

1 Fleet Planning

- Network requirements drive capacity needs
- Short lead time for capacity decisions
- Continuous fleet modernisation aimed at operating and cost efficiencies
- Unification of fleet at subsidiary airlines to streamline operations and optimise costs

4 Operations

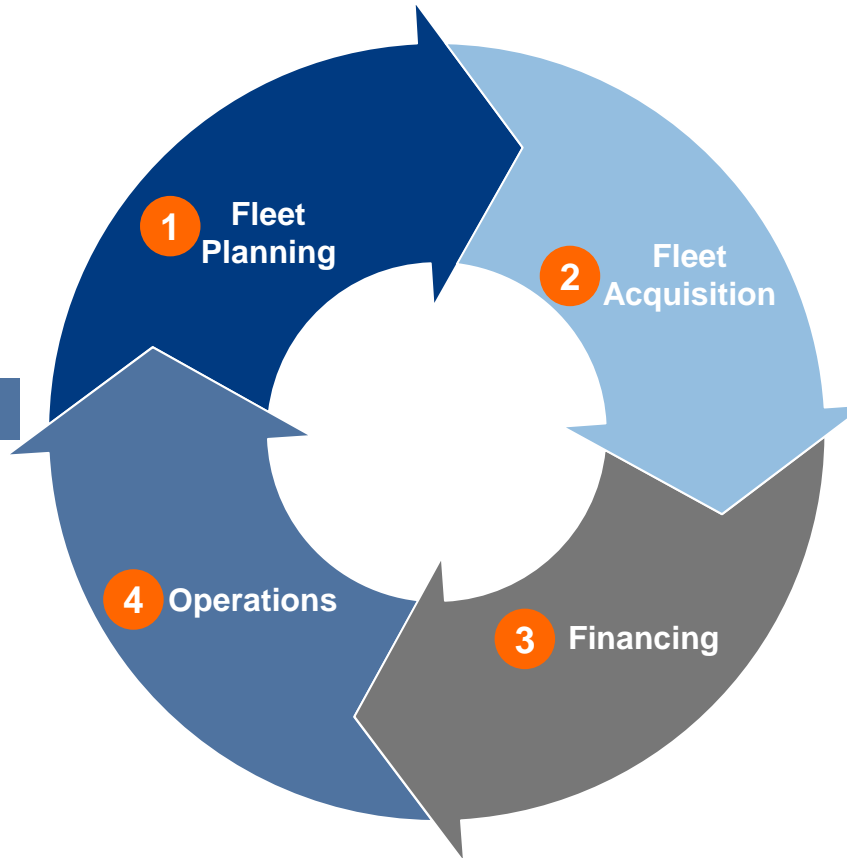
- Target maximum operating efficiency: fuel and maintenance
- Maximise value from strategic supplier relationships
- Mandatory technical check every 6 years

2 Fleet Acquisition

- Business case driven decision
- Maintaining healthy competition among suppliers (manufacturers and lessors)
- Maximising transaction benefits
- Focus on maximum operating efficiency
- Minimising risk with new aircraft types

3 Financing

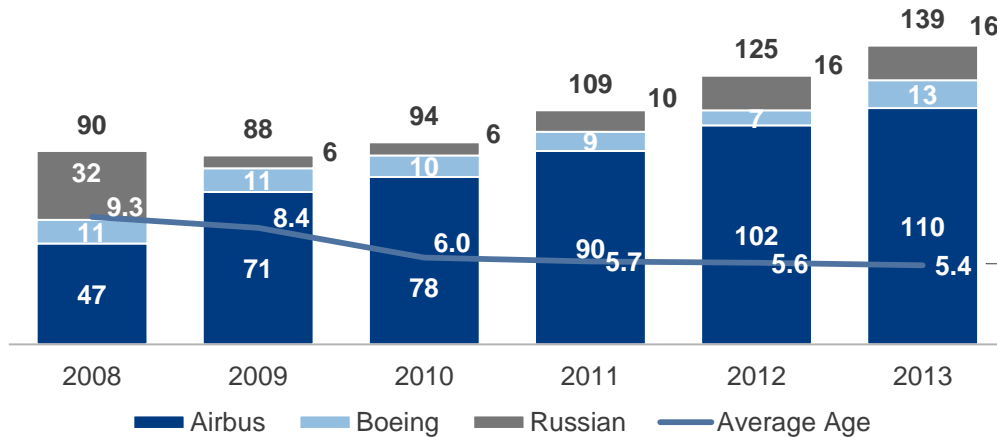
- Identifying funding requirements
- Differentiated approach to leases to minimise residual value risk
 - Operating lease for short-haul aircraft
 - Potential use of financial lease for long haul aircraft
- Case by case analysis of financing options based on discounted total ownership over the life of aircraft and a number of investment thresholds



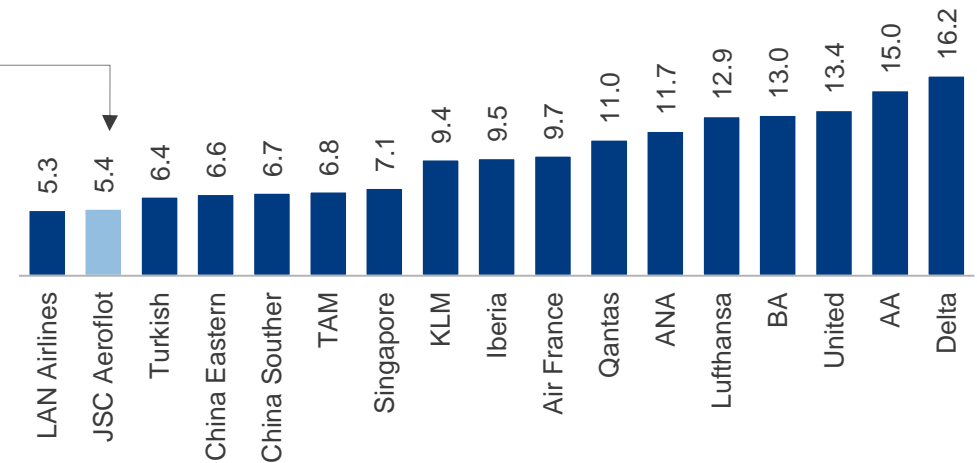
- **Aeroflot's fleet strategy and its implementation over the last five years laid a solid foundations for safe and cost effective operations today**

Maintaining Modern Fleet – Among the Youngest in Europe

Passenger Fleet Structure: JSC Aeroflot¹



Average Fleet Age of Selected Airlines (2012)¹



- Undergone a major fleet transition since 2009 focused on highest safety standards, reliability, passenger comfort and cost efficiency
- Maximising operating and financial efficiencies from Airbus, Boeing and Sukhoi aircraft platforms while maintaining healthy competition among suppliers

- 5.4 year average fleet age at JSC Aeroflot
- Among the youngest fleets in Europe and one of the most modern globally
- Ongoing fleet replacement programme targeting at maintaining average age of the fleet at 5-6 years for JSC Aeroflot

■ **Consistent fleet and fuel optimisation focusing on modern and reliable aircraft means Aeroflot is operates one of the most advanced fleets among European airlines**

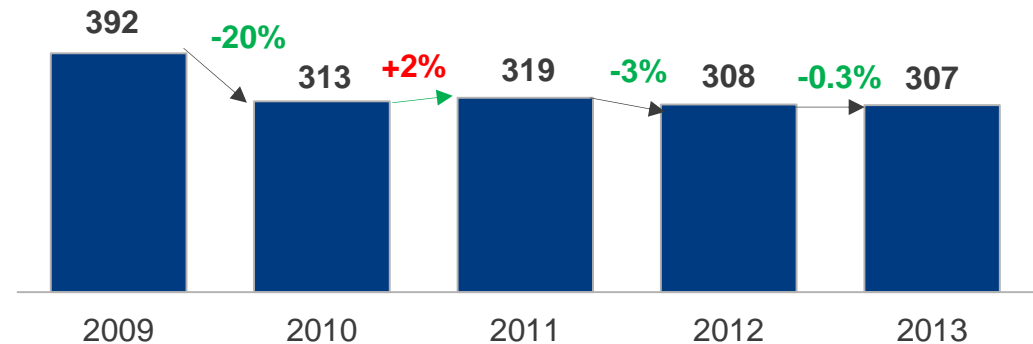
Source: Airfleets
¹ Excluding subsidiary airlines.

Improving Fuel Efficiency and Utilisation

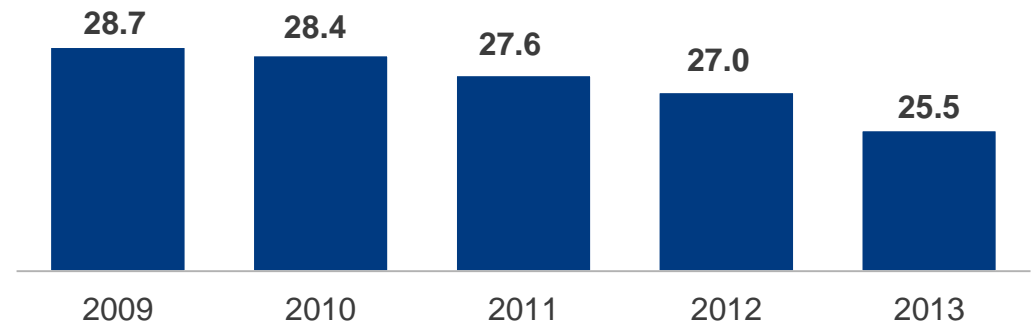
Fuel Efficiency and Utilisation Overview

- Ongoing fleet expansion and modernisation
- Increasing share of new modern aircraft
 - New A320 with aerodynamic Sharklet wing-tips resulting in up to 4% fuel consumption improvement (supplied starting from 2014)
- Unification of subsidiary airlines fleet
 - Phase-out of B-737 (classic) and legacy Russian aircraft
 - Ongoing shift to 1-2 aircraft platforms per subsidiary will streamline operations and optimise cost
- Overall 30% increase in fuel efficiency since 2008
- Fuel utilisation improvements with 11.3% reduction in fuel consumption per ASK since 2009

Fuel Efficiency (gr/tkm)¹



Fuel Consumption (gr per '000 ASK)¹



■ Consistent fleet optimisation and unification resulted in improved fuel efficiency over the last 5 years

¹ Data presented for JSC Aeroflot.

Optimised Fleet Maintenance and Repair

Fleet Maintenance and Repair Function Overview

- Centralised maintenance and repair function with 3 divisions: Airworthiness Department, Aircraft Maintenance Department and Quality Control Division
- Strong team of c. 2,120 engineers, maintenance, logistics and support personnel
- Focus on in-house MRO services and outsourcing of major works
- Continuous development of in-house technical servicing capabilities for existing and new types of aircraft
 - Boeing 777, 737 and 767
 - Airbus 320 and 330 families
 - SSJ and other Russian aircraft
- Ability to perform selected in-house aircraft customisation in Sheremetyevo and selected regional airports
- Maintenance and repair services to c. 70 third-party customers
- Compliance with the highest safety standards

■ **In-house MRO services provide reliable and cost efficient services**

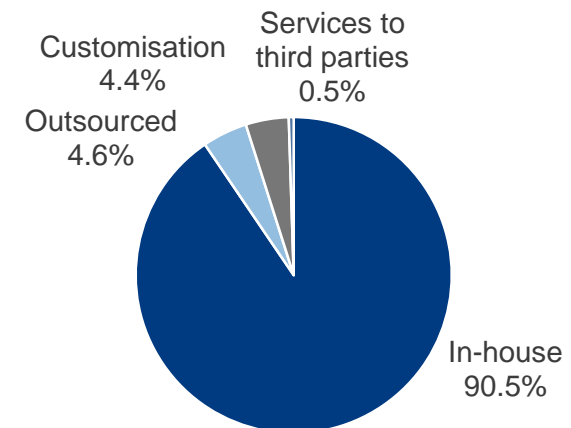
Airworthiness Department¹

- 90 engineers
- Highly skilled, ongoing training

Aircraft Maintenance Department¹

- EASA certified for Boeing and Airbus services since 1996
 - 603 EASA Certified staff
 - 459 EASA Authorised staff
- Highly skilled, ongoing training

Maintenance/Repair Works – Labour Cost (2013)¹



¹ Data presented for JSC Aeroflot.

Improved Fleet Reliability and Utilisation

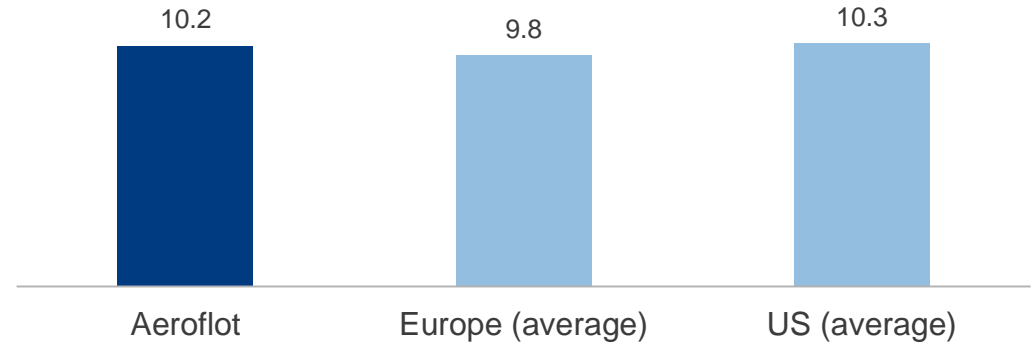
Fleet Reliability Management Overview

- High level of safety and reliability of fleet at competitive costs are key goals of the fleet maintenance and repairs function
- Regular Reliability Control Board meetings and action plans for each aircraft type
- Quality Assurance and Safety Management System aimed at ensuring consistently high safety levels
- High reliability and safety levels
- Ongoing efficiency improvement and cost reduction initiatives
 - Opening new MRO line stations
 - Extending expertise in maintenance and repairs of A320 and A330 families and B777 and B737 aircraft
 - Optimisation of personnel time
 - Roll-out of Onboard Network System
 - Roll-out of SAP R3 and AMOS

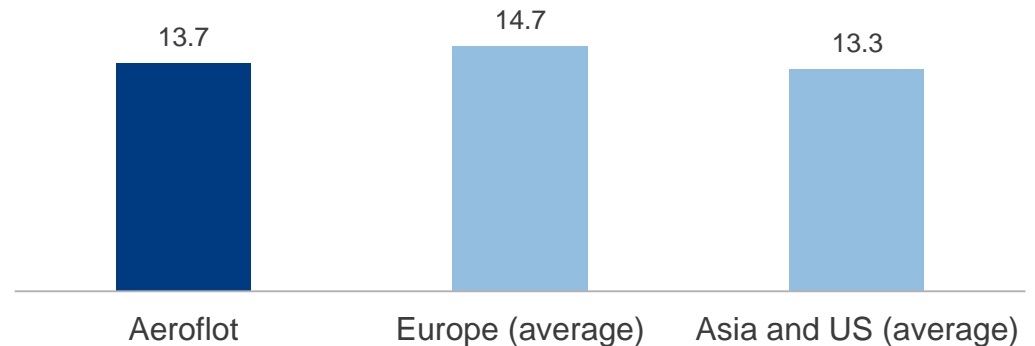
- **Sophisticated quality assurance internal systems result in high fleet safety level and utilisation**
- **Aircraft utilization of the most numerous aircraft families in Aeroflot fleet is comparable to leading airlines in Europe, USA and Asia**

Source: IATA (World Air Transport Statistics), Airline Data Project (MIT)

Fleet Utilisation – A320 Family aircraft in 2012 (hours per day)



Fleet Utilisation – A330 aircraft in 2012 (hours per day)

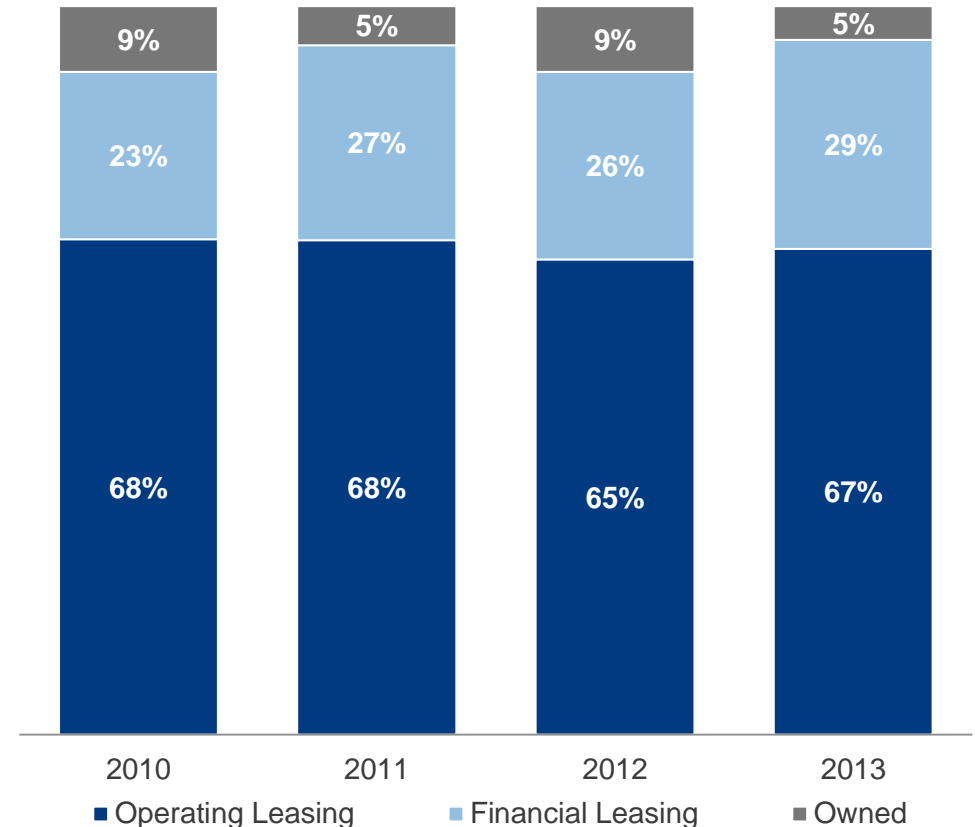


Fleet Expansion Financed Using Operating Leases

Overview

- Financing structure allows for more flexible fleet composition
 - 67% under operating leases
- Aircraft acquisition financing decision driven by discounted cash flow analysis over life of aircraft
 - Residual value and cost of regular maintenance checks are key drivers of financing decisions – differentiated approach to short- and long haul aircraft
 - Flexible approach to maturity and other parameters of operating leases structured around maintenance periods (mandatory checks every 6 years)
- Targeting average age of 5-6 years for JSC Aeroflot and 10-14 years for subsidiary airlines by constant replacement of old fleet
 - Maximum aircraft age of 12 years for JSC Aeroflot and no second-hand aircraft
 - Maximum aircraft age of 18 years for subsidiaries
- Subsidiary airlines' fleet financing improved under Aeroflot Group umbrella
 - Combining subsidiaries' order books with JSC Aeroflot's
 - Total savings of \$42m on operating lease payments as a result of providing guarantee by JSC Aeroflot

Fleet Ownership Structure



- **Business case driven financing decisions aimed at optimising ownership costs and sustaining a modern and efficient fleet**
- **Aeroflot's approach and financing structure rolled-out at the level of subsidiary airlines**

Fleet Replacement Plan for Aeroflot Group

	Winter 2013/14 Fleet	Planned Changes		Winter 2017/18 Fleet
		Phased Out	Phased In	
Long Haul	53 Aircraft ■ B-767 ■ A-330 ■ Tu-204 ¹ ■ B-777 ■ IL-96 ■ MD-11	■ Tu-204 ■ IL-96 ■ B-767 ■ MD-11	■ A-350	45 Aircraft ■ A-330 ■ B-777 ■ A-350 ■ B-787 ²
Medium Haul	164 Aircraft ■ A-319 ■ A-320 ■ A-321 ■ B-737			227 Aircraft ■ A-319 ■ A-320 ■ A-321 ■ B-737
Short Haul	27 Aircraft ■ AN-148 ■ SSJ-100 ■ Q-200 ■ Q-300	■ AN-148 ■ Q-200 ■ Q-300	■ SSJ-100 ■ 15-20 seats Turboprop ■ 70-80 seats Turboprop	59 Aircraft ■ SSJ-100 ■ 70-80 seats Turboprop ■ 15-20 seats Turboprop
Total	239 ³ Aircraft			331 Aircraft

¹ Aircraft not in operation.

² Aeroflot is in negotiations with Boeing on reconfiguration of aircraft to increase capacity.

³ Excluding 4 Mi-8 helicopters and 1 An-24 aircraft.

Financial Overview

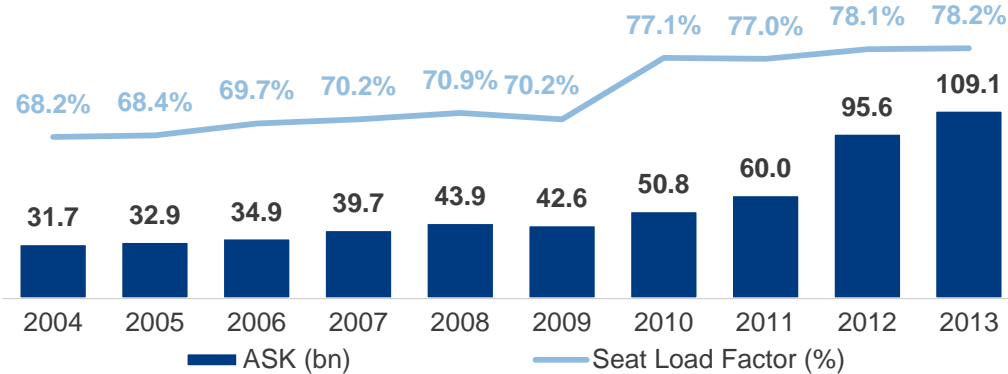
Shamil Kurmashov
Deputy CEO for Finance,
Network and Revenue Management

Key Highlights

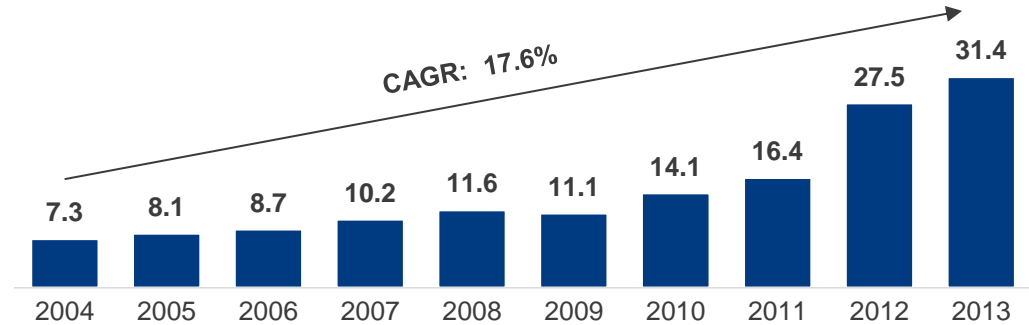
- Over the recent years Aeroflot has achieved significant operational and financial improvements:
 - **Tripled the scale of operations** via organic growth and acquisition of regional airlines in 2011, which in turn successfully translated into **sustainable yield and RASK** as well as expanding network and market share
 - Actively focused on **cost efficiency**: employed a young and modern fleet, focused on labour force productivity and ongoing integration of subsidiary airlines
 - **Strengthened balance sheet** position by decreasing leverage and sustaining high liquidity
- Leading market position and increased operational efficiency, enabled Aeroflot to **deliver stable and competitive returns to shareholders**

Growing Revenue Units: Trend of a Decade

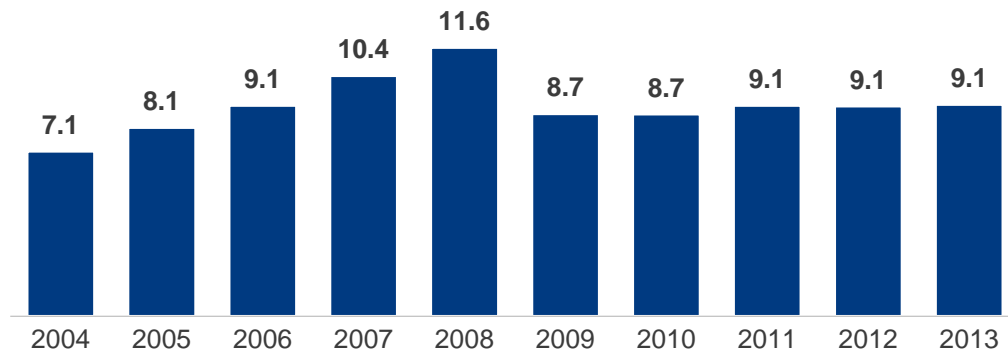
ASK (bn) and Seat Load Factor (%)



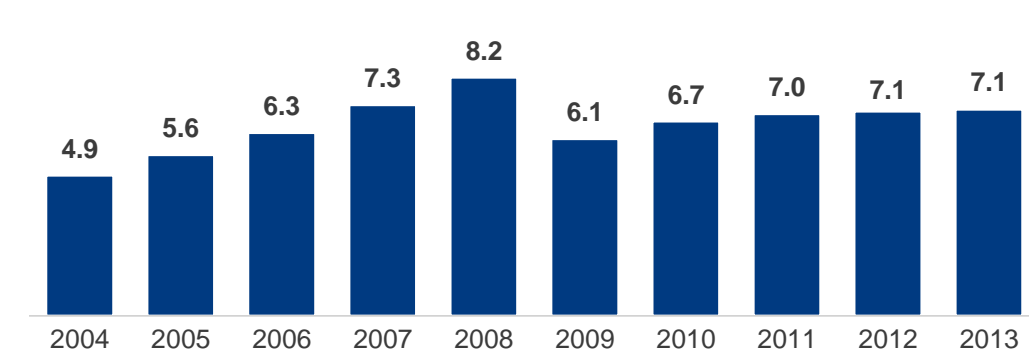
Passenger Traffic (m PAX)



Yield from Passenger Flights, Group (\$ cents/pkm)



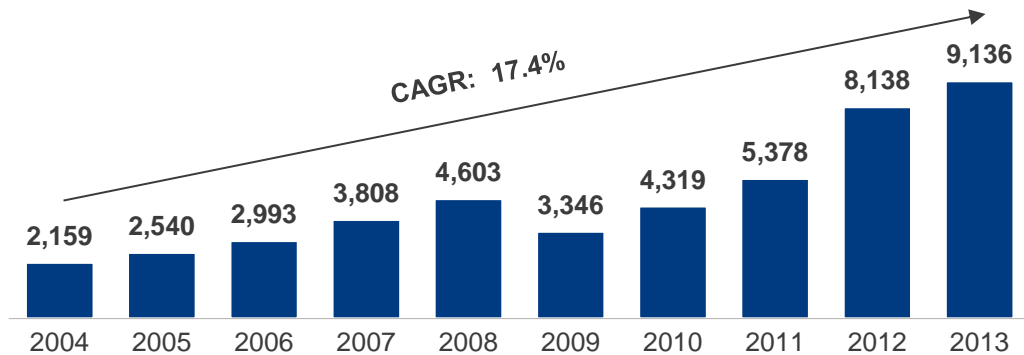
RASK (PAX Revenue/ASK), Group (\$ cents/ASK)



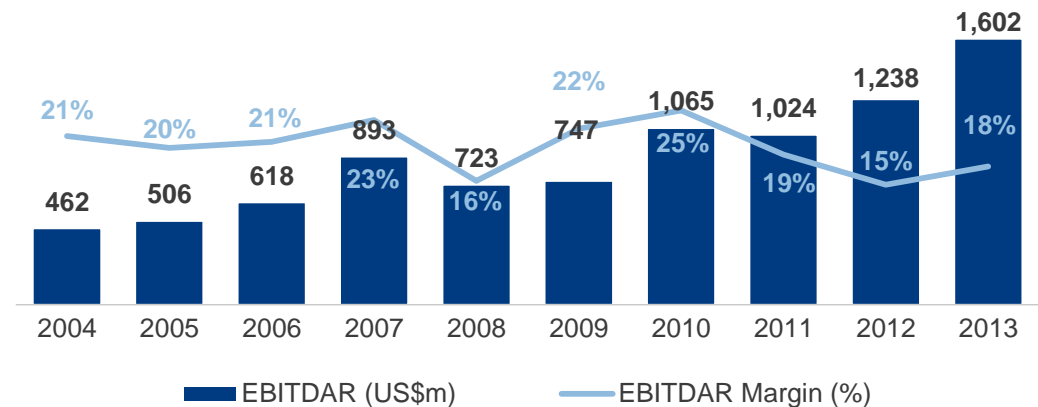
- Over the last decade, Aeroflot has tripled the scale of its operations via organic growth and acquisitions of regional airlines in 2011
- Aeroflot achieved sustainable yield and RASK, as it expanded its network and market share

Growing Financial Metrics: Trend of a Decade

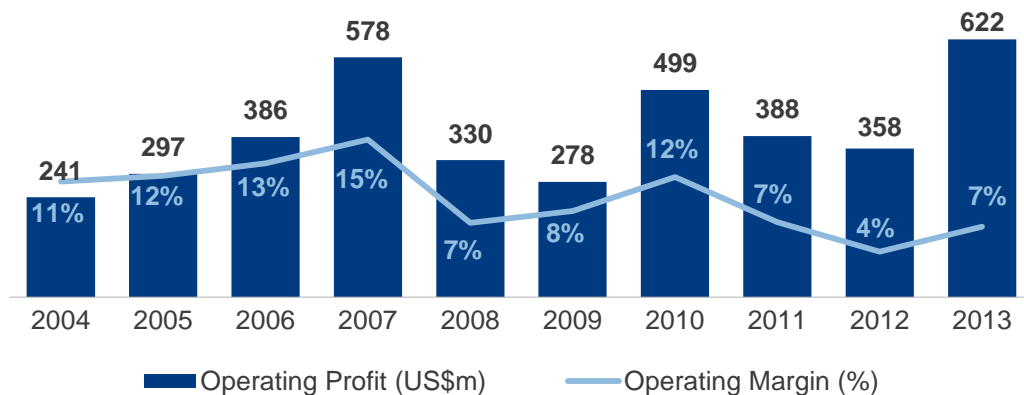
Revenue (US\$m)



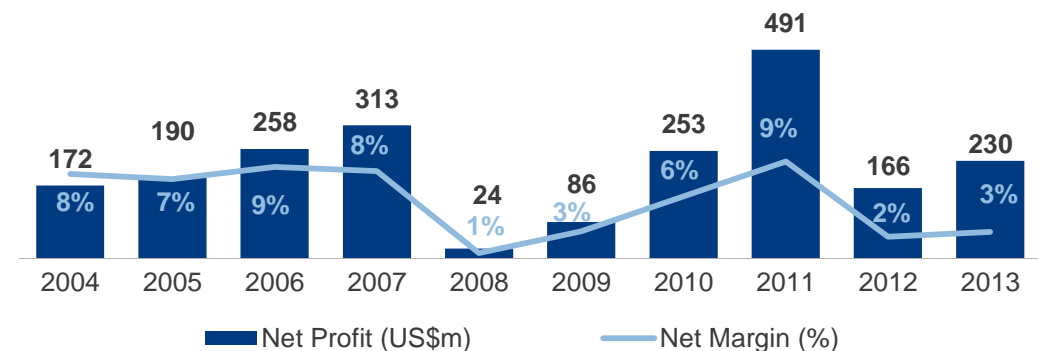
EBITDAR and EBITDAR Margin



Operating Profit and Margin



Net Income and Net Margin



■ Higher passenger traffic, network expansion and cost efficiencies have successfully translated into increased top line revenue and profitability

Stringent Revenue Management Principles Underlying Sound Track Record

Rational Deployment of Capacity Across Network

- Focus on increasing market share on the highest traffic routes domestically and internationally
- Rigorous analysis of potential expansion and opening of new routes
- Maintaining yield and RASK as a primary goal when growing market share and expanding to new markets/routes

Flexible Pricing Policy

- Offering premium fares on routes with significant market share and competitive fares on new or underpenetrated routes
- Sophisticated software and tools for determining prices depending on type of passenger and timing of ticket purchase
- Continued product development for further market segmentation: classes of service, ancillary services and loyalty programmes
- Potential upside from regulatory permission to sell non-refundable tickets in 2014

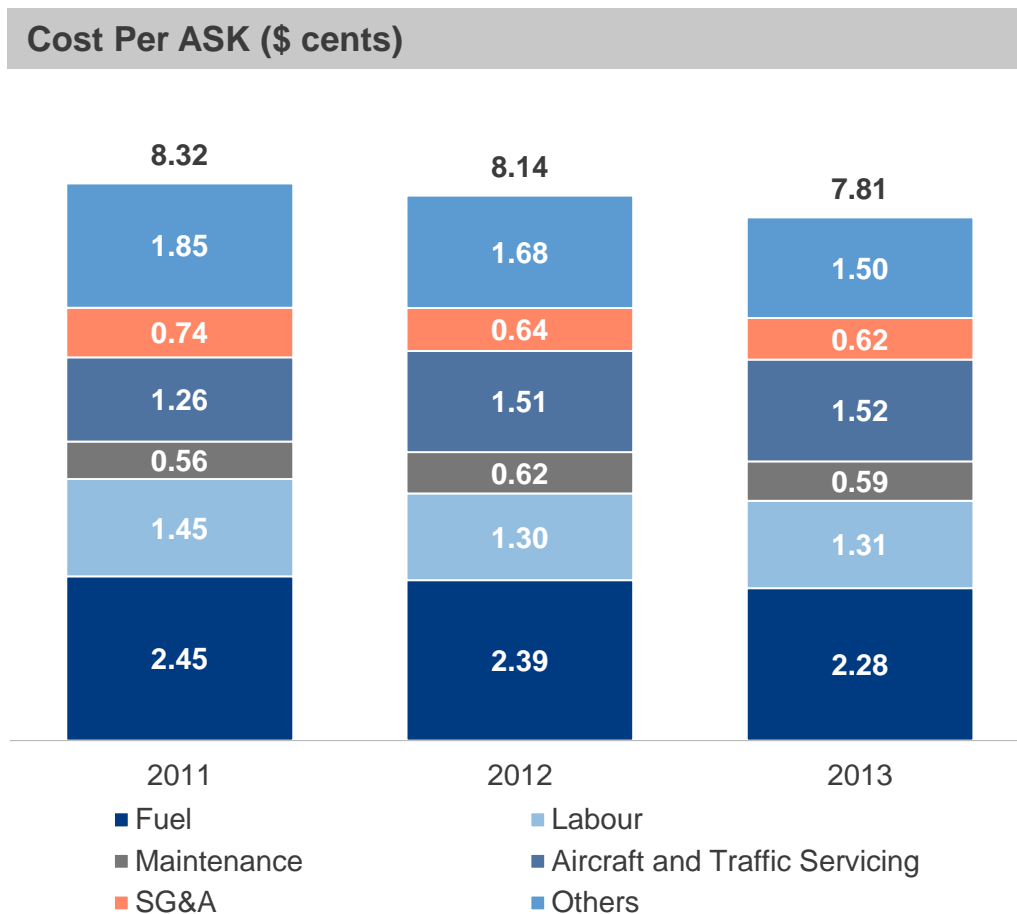
Leveraging Subsidiary Airlines to Enhance Domestic Network

- Wider and deeper domestic and international network of the Group creates added-value for customers (flight options, connections and convenience)
- Incremental revenue from regional markets and regional transit passenger traffic
- Gradual transfer of subsidiaries operations under management of Aeroflot to further improve revenue units

■ Adhering to stringent revenue management principles enabled Aeroflot consistently improve financial results

Continuous Quest for Cost Efficiencies

Cost Per ASK (\$ cents)



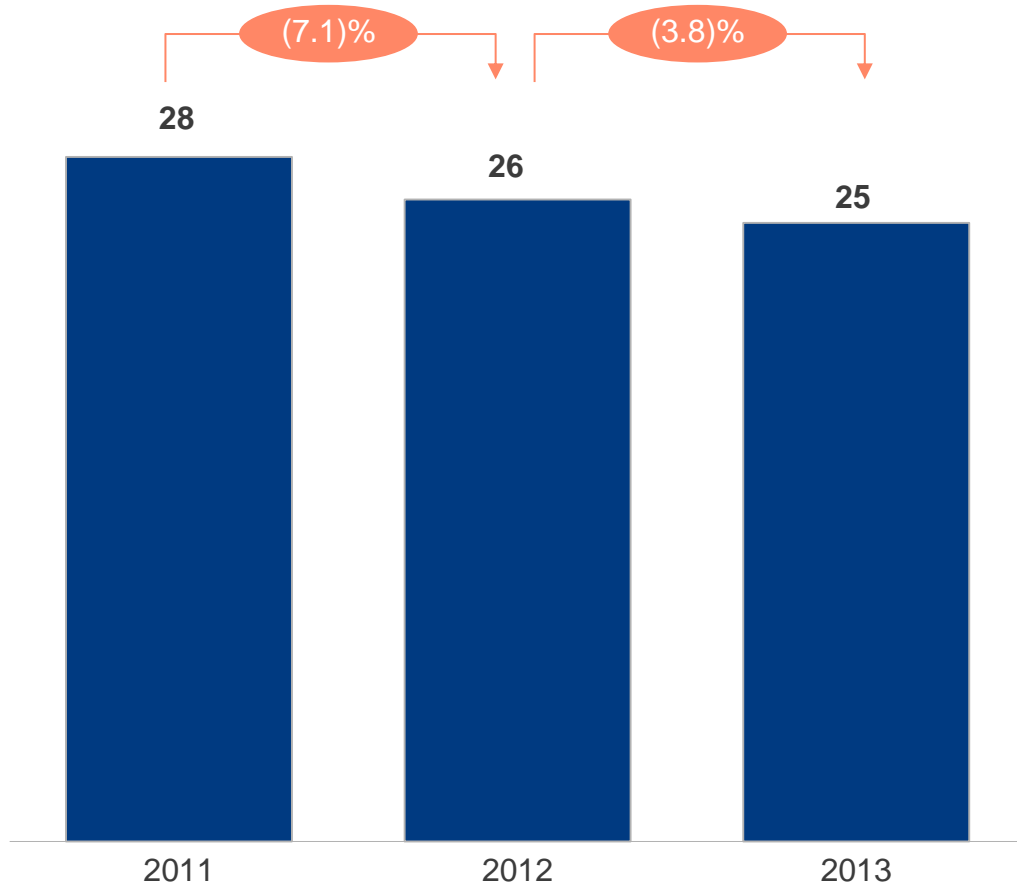
■ **6.1% reduction in CASK since 2011**

■ **Reductions are sustainable and supported by a young and efficient fleet, highly productive labour force and ongoing integration of subsidiary airlines**

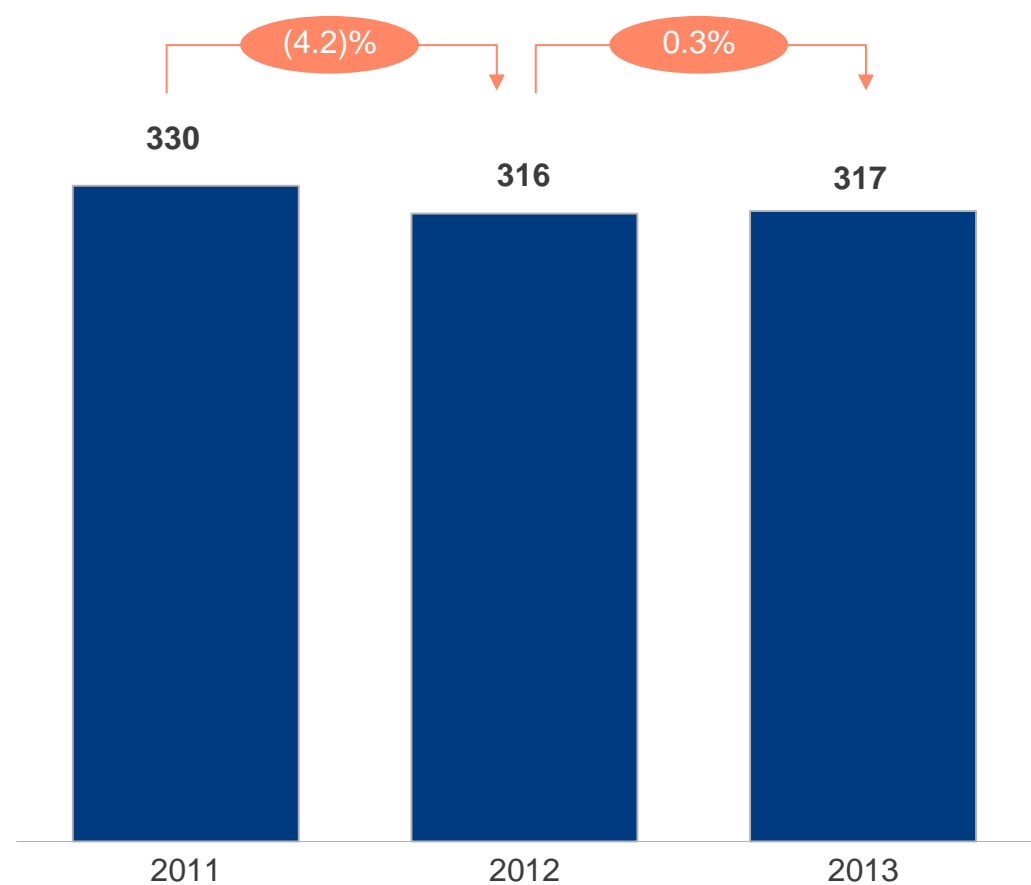
1 Fuel	<ul style="list-style-type: none"> Continuous negotiations with fuel suppliers to achieve more competitive pricing Active monitoring of fuel consumption
2 Labour	<ul style="list-style-type: none"> Focus on increased productivity Optimising team structures to ensure no duplication of roles
3 Maintenance	<ul style="list-style-type: none"> Continuous negotiations with maintenance and repair service providers to achieve more competitive pricing
Aircraft / Traffic Servicing	<ul style="list-style-type: none"> Decreasing the share of outsourced aircraft / traffic services in Sheremetyevo airport
SG&A	<ul style="list-style-type: none"> Continued transfer of subsidiary airline operations under management of Aeroflot Launch of new software to increase administrative personnel productivity Stringent control of administrative costs

1 New Modern Fleet and High Utilisation Rates Reducing Fuel Costs

Aeroflot Group Fuel Consumption per ASK (gr/ASK)



Aeroflot Group Fuel Consumption per RTK (gr/tkm)



- Aeroflot is achieving efficiency gains in fuel costs as new aircraft are put into operation, while old and less fuel-efficient ones are in the process of phase out

1 Fuel Supply Structure Optimisation

Summary Overview

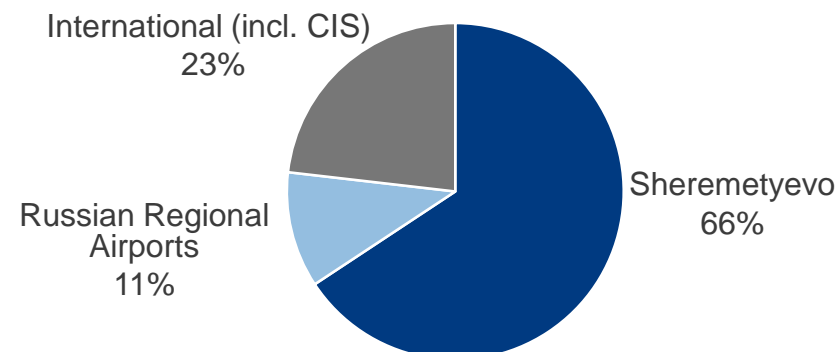
- Large Russian integrated oil companies are key suppliers at Sheremetyevo and regional airports in Russia
- Direct contracts with Shell, AirBP, Total, ExxonMobil, Eni, Chevron for fuel supplied in international airports
- 5-year contracts at Sheremetyevo airport with Gazpromneft and Rosneft with formula-linked pricing
- 1-year contracts with formula-linked pricing at 28 regional airports in Russia (no formula-linked contracts in 2012)
- Majority of fuel purchased in Russia (69% of volume) and almost all fuel at international airports supplied at formula-linked price
 - Jet fuel price = NW Europe (FOB Rotterdam) price x Discount x FX rate¹ x 1.18² + Storage / Fuelling / Supply fees (if any of these applicable)
- Active hedging of exposure to benchmarking price and FX risk
- Since January 2013, subsidiary airlines switched to Aeroflot's fuel procurement platform, realising significant efficiencies
- Recent developments
 - Ongoing consolidation in the Russian air fuel supply market by large integrated oil companies
 - Continuing gradual shift towards formula-linked pricing

■ **Negotiations with fuel suppliers, change of payment terms and improvements in supply logistics resulted in \$30m savings on fuel costs against budget in 2013**

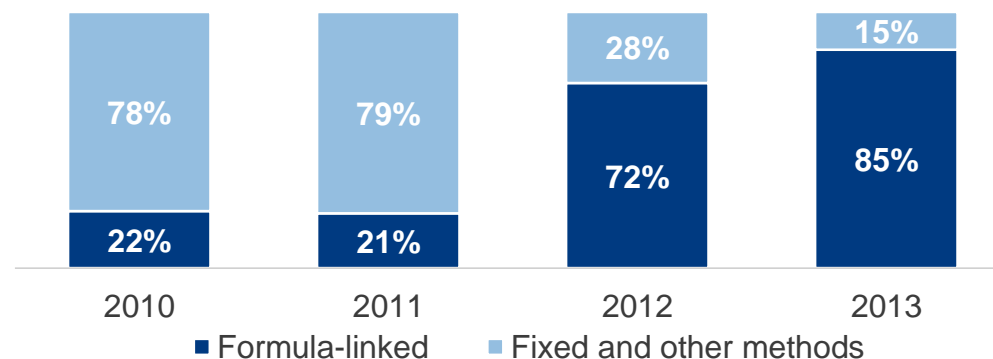
¹ USD/RUB exchange rate as per the Central Bank of Russia.

² Assuming 18% VAT rate.

Fuel Volumes Purchased by Geography (2013)



Fuel Pricing Structure Evolution

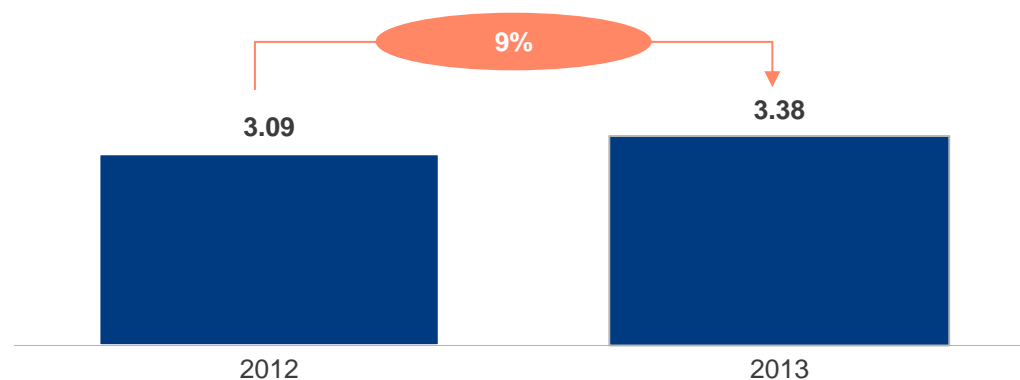


2 Efficient Workforce Supporting Growing Volumes

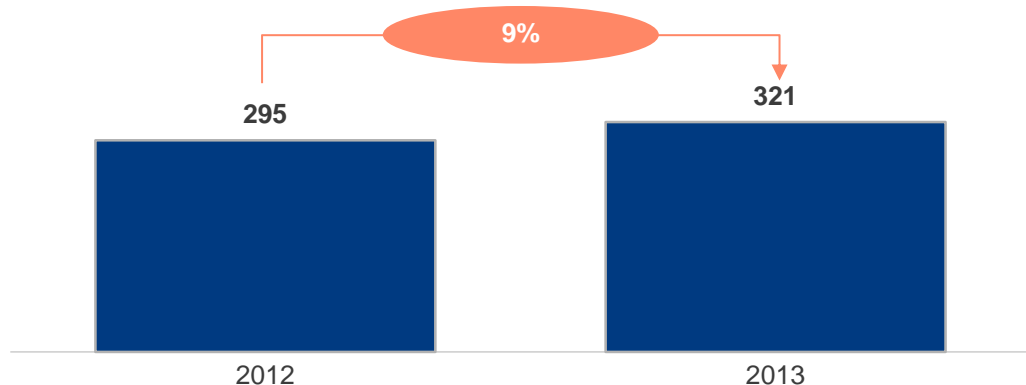
Headcount Structure for Airline Operations

	31-Dec-12	31-Dec-13	%
Cabin crew	10,179	11,020	8%
Maintenance and repairs	4,204	4,048	(4%)
Airport services	4,900	5,166	5%
Sales and marketing	2,095	1,786	(15%)
Admin and other	4,248	5,237	23%
Total	25,626	27,257	6%

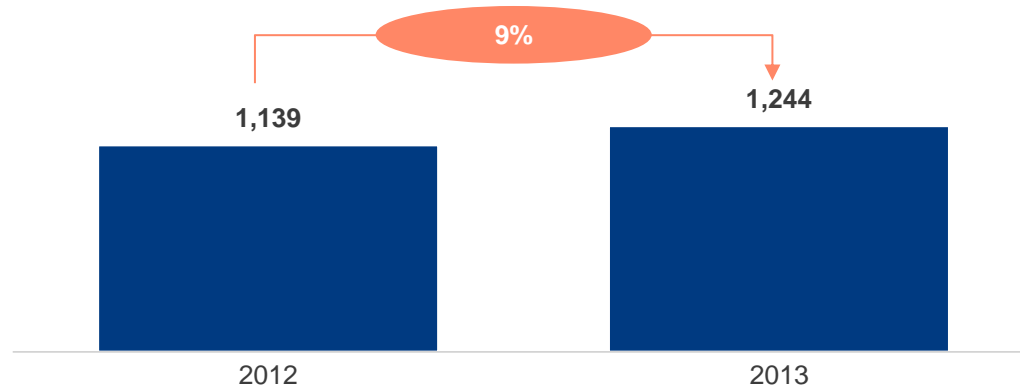
RPK / Avg. Airlines Headcount (m pkm per employee)



Traffic Revenue / Avg. Airlines Headcount (\$ '000 per employee)



PAX Traffic / Avg. Airlines Headcount (passengers per employee)



■ Sizeable improvement in labour productivity has resulted in increasing operational profitability

Note: Presented headcount figures exclude employees of Aeroflot Riga, Sherotel, Aeromar and Aeroflot-Finance

3 High Quality of Maintenance – Leveraging Own MRO Facilities

Summary Overview

■ Own MRO Facilities

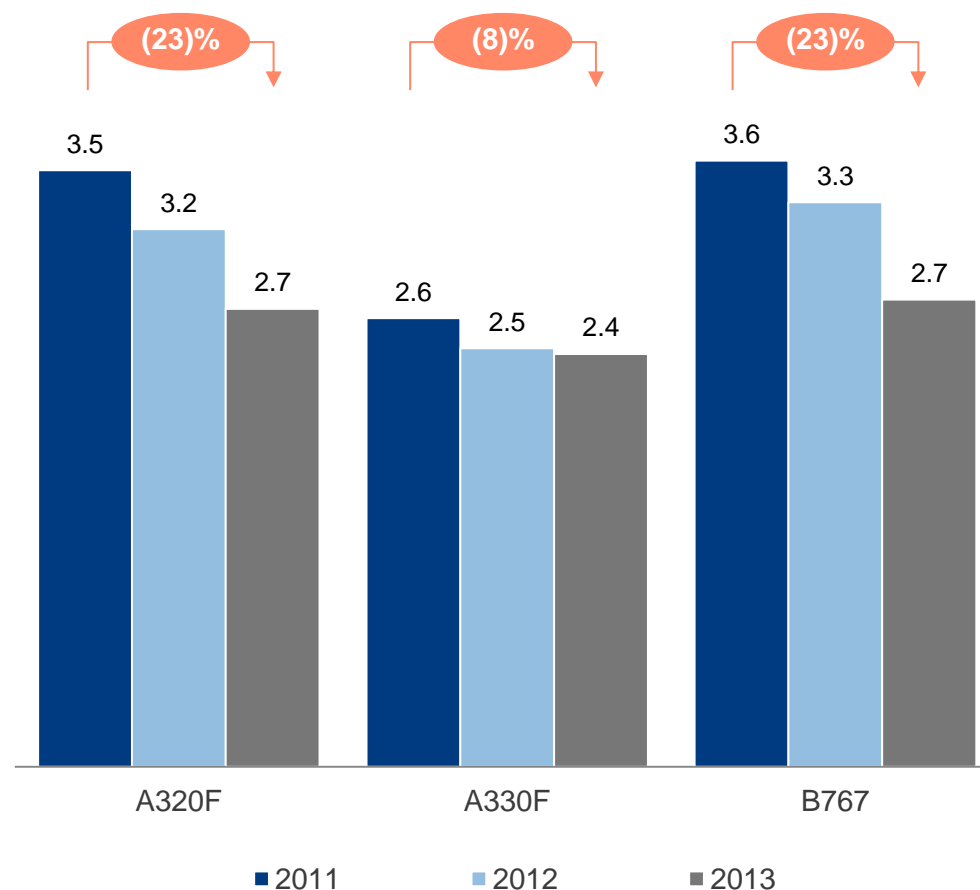
- Strong team of 354 qualified engineers and 1,665 technicians
- c. 10 maintenance bases at Aeroflot and 12 at subsidiary airlines
- EASA certification for Boeing and Airbus aircraft maintenance at JSC Aeroflot, Donavia and Rossiya

■ 70 third-party customers at Aeroflot and 23 airlines at subsidiaries' level

■ Extending scope of services provided to minimise outsourcing

■ Improvement in labour efficiency results in more effective maintenance workflow for the key aircraft types (A320, A330 and B767 families)

Maintenance Man-Hour / Flight Hour Ratio (for Aeroflot JSC)



■ Own MRO facilities enable Aeroflot to achieve optimal costs / results balance

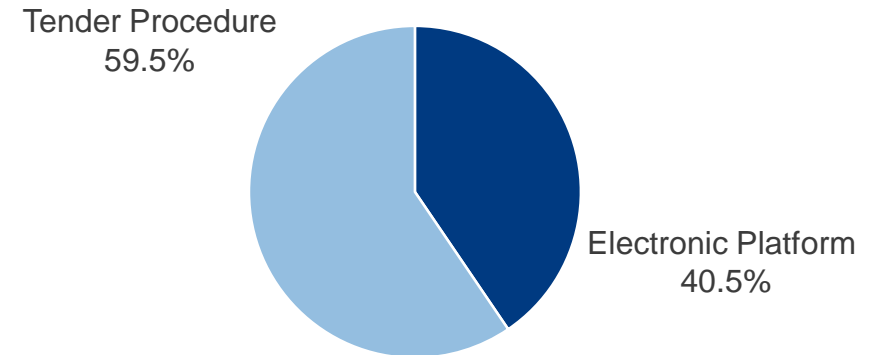
■ High quality maintenance improves fleet reliability and average flight hours per aircraft

3 Cost Optimisation via Electronic Purchasing Platform

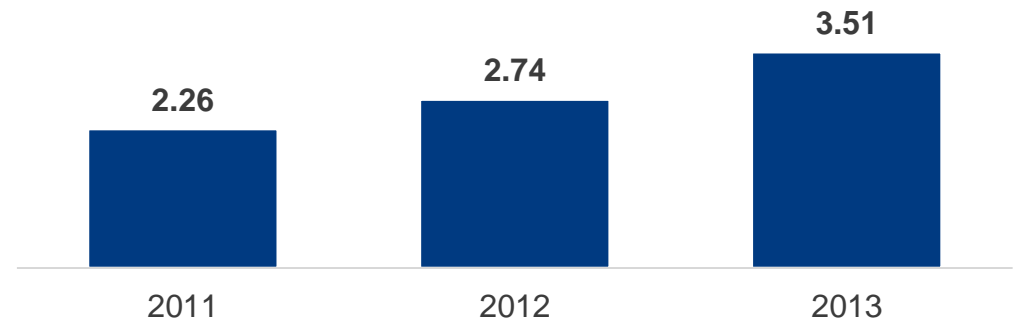
Key Highlights

- Openness and transparency of purchasing procedures
- Proprietary Aeroflot (since 2010) and Sberbank's electronic purchasing platforms
- Purchasing announcements published on Aeroflot's website and website for procurement by the government and state-controlled companies
- 99% of purchases by volume through electronic platform
- Electronic purchasing platform increased average number of proposals from 2.26 in 2011 to 3.51 in 2013 (24.6% CAGR)
- Higher number of suppliers and increased competition resulted in cost reduction

Purchasing by Channel by Value (2013)



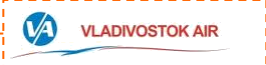




Average Number of Proposals per Purchase



■ **Transparent electronic purchasing system open to new suppliers delivered cost optimisation**

Continued Improvement of Subsidiaries' Performance

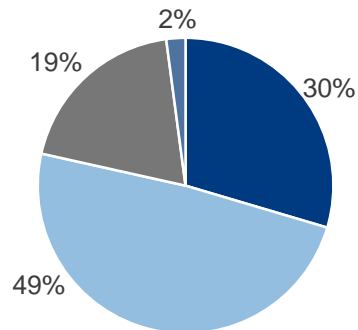
	Operating Income / Net Income (\$m) ¹			Highlights
	2012	2013	Change	
	16 / 17	(2) / (2)	(18) / (19)	<ul style="list-style-type: none"> ■ Full integration into Aeroflot group completed <ul style="list-style-type: none"> — Commercial functions transferred to Aeroflot — Standardised product and service offering — Unification of aircraft fleet — Optimisation of organisational structure — Centralisation of maintenance and reliability management — Unified financial policy, revenue and tax accounting ■ Next step: Ongoing centralisation of procurement with Aeroflot
	(36) / (67)	40 / (21)	76 / 46	<ul style="list-style-type: none"> ■ Optimised network and schedule ■ Joint offering on Moscow – St. Petersburg route together with Aeroflot ■ Optimised sales network (integration with Aeroflot sales offices) ■ Unification of fleet composition (phase out of B-737 / improved operating efficiency of other aircraft) ■ Streamlined costs/integrated support functions into Aeroflot Group ■ Optimisation of organisational structure ■ Next steps: further integration of network and revenue management function with Aeroflot and optimisation of aircraft acquisition process
	(104) / (107)	(8) / (63)	96 / 44	<ul style="list-style-type: none"> ■ Completed Vladavia network optimisation, code-sharing agreement in place, fleet optimisation, MRO, sales and ground handling integrated ■ Merging Vladavia into Aurora Airlines
	(4) / (4)	(1) / (3)	3 / 1	<ul style="list-style-type: none"> ■ 49% stake in Aurora Airline disposed to Sakhalin regional administration in January 2014 ■ Next steps: further optimisation of fleet and further improvement of profitability
	(19) / (25)	(15) / (17)	4 / 8	<ul style="list-style-type: none"> ■ Full integration into Aeroflot group completed <ul style="list-style-type: none"> — Increased share of tourist passenger traffic — Offering tourist packages, including sale of block of seats — Unified financial policy and tax accounting ■ Next step: Long-haul fleet expansion
Total	(146)/(187)	14/(105)	161 / 80	

- Successful integration and turnaround of 5 subsidiaries via focus on operational optimisation and cost improvement
- Donavia and Orenair are fully integrated
- Aeroflot is on track with integration plan. Key next steps are (1) creating Aurora, the sole airline in the Far East with a 6m potential passenger market (2) transferring Rossiya operations under full commercial management of Aeroflot

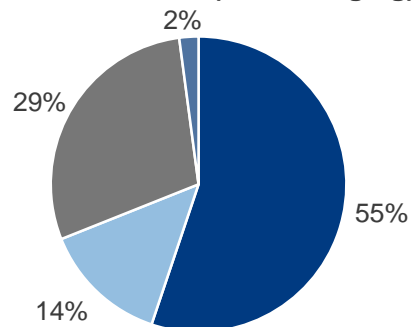
Active Financial Risk Management

Foreign Exchange – Revenue and Cost Structure by Currency

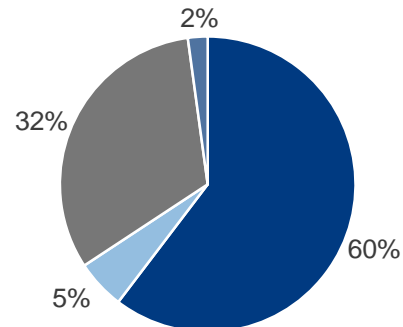
Revenue Structure (Before Hedging)



Revenue Structure (After Hedging)



Cost Structure



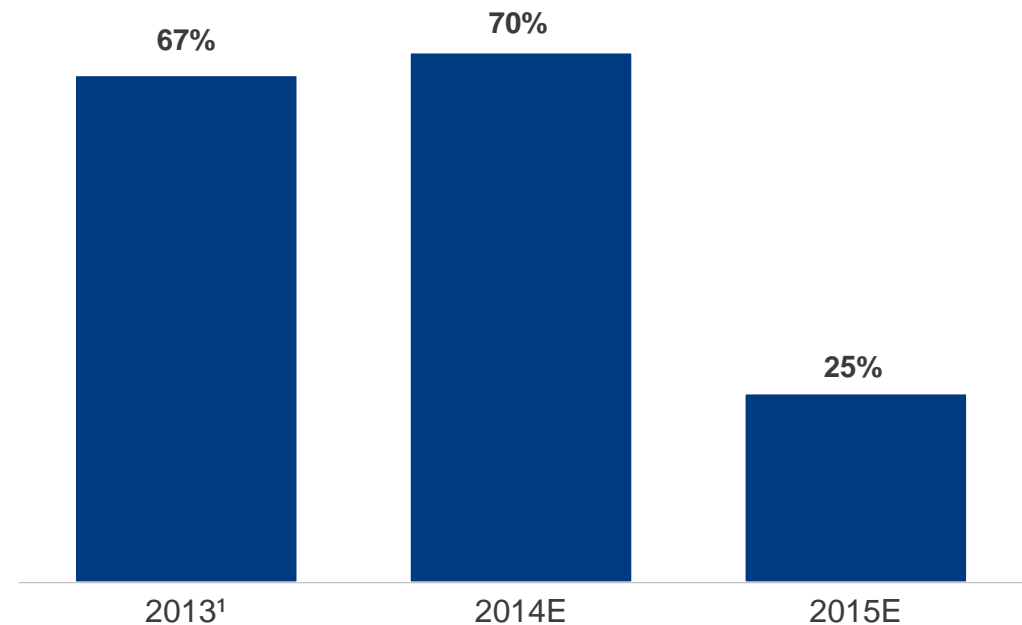
■ RUB ■ EUR ■ USD ■ Other

- 12-month rolling forward target - hedging 80% of FX risk exposure
- Hedged at FX rates used for annual budget

■ **Financial risk management aimed at achieving budgeted financial targets**

¹ Up to 35% of fuel consumption was hedged in Jan-Sept and 67% afterwards.

Fuel – Share of Fuel Consumption Hedged



- 12-month rolling forward target - hedging 70% of fuel consumption
- Hedged at price level used for annual budget
- Complex approach to hedging using collar strategy

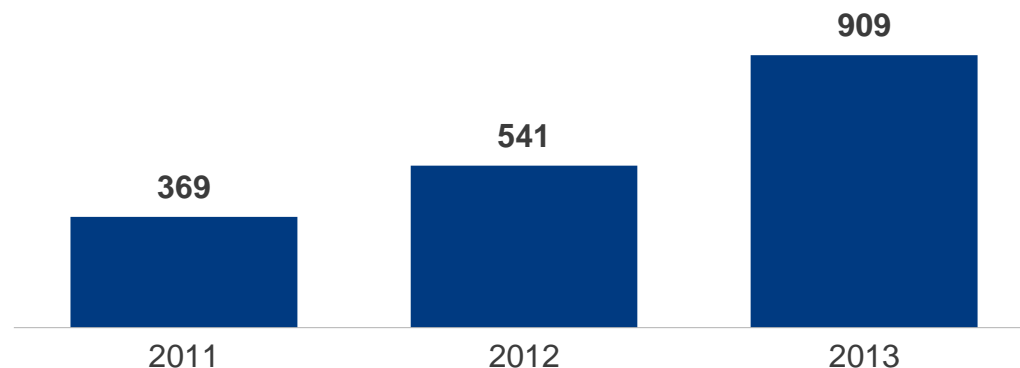
Approach to Capital Investments

Summary Overview

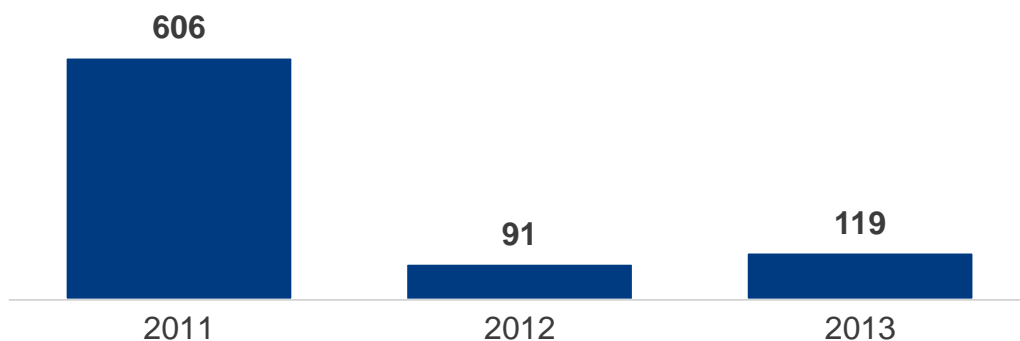
- Approach to aircraft replacement and acquisition
 - Earnings/Cash flow generation potential
 - Discounted cash flow analysis over asset life
- Focus on operating leasing
 - Flexibility in returning aircraft to lessor or transferring it to subsidiary airlines
 - Ability to sustain a young and modern fleet
- Ground facilities
 - Development of ground facilities to match expanding fleet requirements. Recent projects entail second hangar for Orenair and fourth hangar for Aeroflot (in SVO)
- Other investments
 - Investing into non-aviation subsidiaries. Recent investments entail significant modernisation of food catering business (Aeromar)
- In 2014, capital investments¹ are estimated to be c. \$150m

■ **Majority of capital expenditures are associated with pre-delivery lease payments for aircraft and investments in ground facilities and non-aviation assets**

Net Cash Flow from Operating Activities (\$m)



Capital Investments¹ (\$m)



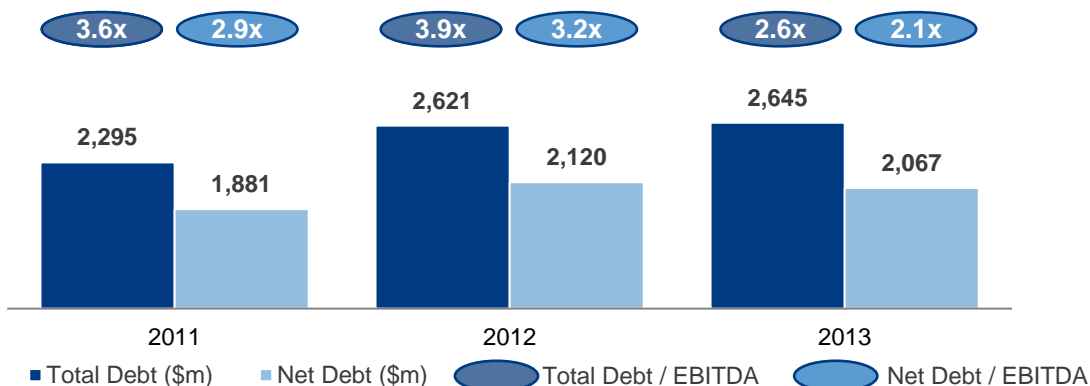
¹ Capital investments include capital expenditure on PP&E and intangible assets and net pre-delivery lease payments.

Strong Balance Sheet and Comfortable Leverage Level

Debt Overview

- Significant deleveraging: 2013YE Total Debt/EBITDA decreasing to 2.6x and Net Debt/EBITDA – 2.1x (vs. 3.9x and 2.6x respectively for 2012YE) on the back of strong operating results
- Comfort debt redemption schedule and robust liquidity position of \$1.1bn, covering the Group's redemptions for almost 3 years
- Low portion of short-term debt equaling 16% of gross debt

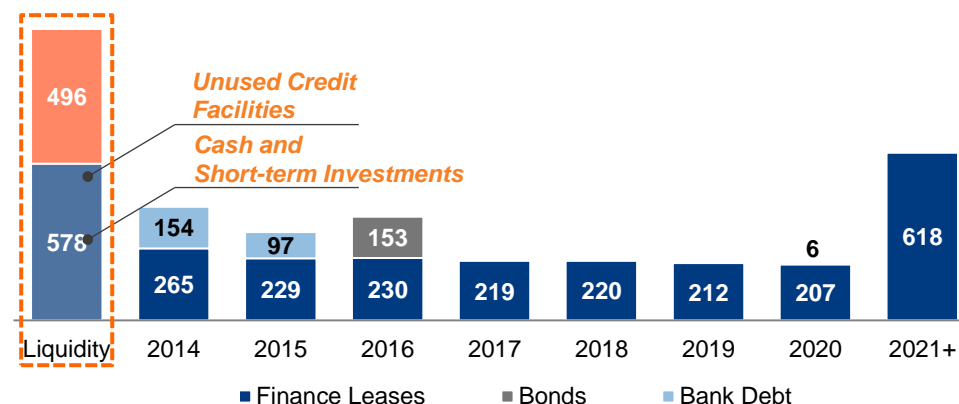
Leverage Overview



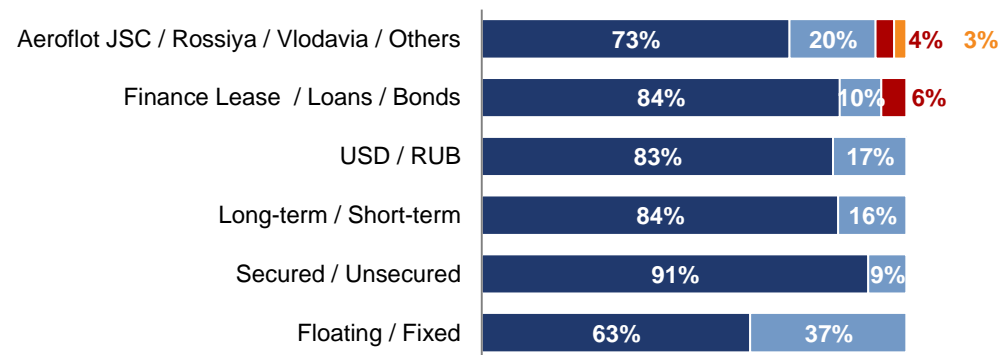
- Decrease in net debt as result of higher cash position
- Declining leverage ratio driven by expanding earnings
- Well-balanced maturity profile

¹ Including outstanding interest.

Borrowings and Finance Lease Repayment Schedule (\$m)¹



Borrowings and Finance Lease Repayment Structure¹

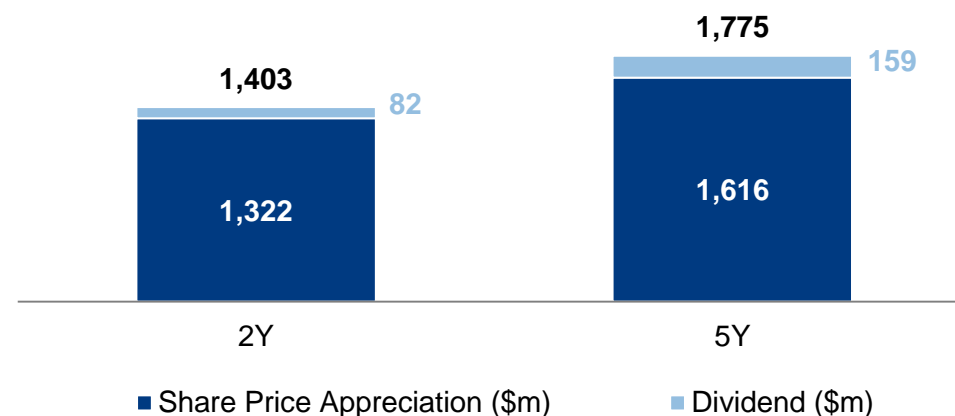


Improving Value for Shareholders

Summary Overview

- Dividend per share – 49.3% CAGR in 2009-2013
- Strong cash flow generation
 - Strong growth of net cash flow from operating activities (\$909m in 2013 vs \$229m in 2009)
- Improved capital structure
 - Disposal of controlling stake in Terminal D at Sheremetyevo in 2011 and deconsolidating of related debt obligations

Value Creation Track Record



5-Year Dividends Payments

(\$m)	2008	2009	2010	2011	2012
Net Profit	24	86	253	491	166
Dividend Paid	62	9	16	36	62
Dividend growth	-	(85)%	78%	125%	72%
Payout Ratio	259%	10%	6%	7%	37%

- **Leading market position and increased operational efficiency enabled Aeroflot to continue delivering stable and competitive returns to shareholders**

Market data as of Mar-2014.

Marketing Strategy: Customer Service Excellence

Mikhail Fandeyev
Marketing Director

Key Highlights

- Aeroflot captures growth across domestic and international markets by offering high quality services to a wide range of customers
- Customer excellence at all touch points increases loyalty
 - Extraordinary customer pre-flight experience is sustained by user friendly online environment, global customer offices network and customer support through a multi-lingual call centre available 24/7/365
 - Superior ground experience is achieved through offering comfort and convenience to customers and constant focus on operational efficiencies
 - Outstanding flight experience across all classes is built around wide selection of high-quality food and beverages, inflight entertainment programmes and connectivity
- Aeroflot Bonus programme helps sustain customer loyalty
- Advertising campaigns aimed at promoting services in Russia and strengthening Aeroflot's brand internationally in a cost-efficient manner

Wide Product Offering Capturing All Customer Segments in Russia and Attractive Customer Groups in Global Market Niches

High Income



- Premium product offering
 - Frequency and convenience of flights
- Wide network, regular flights to major business and financial centres
- Hub-spoke model



Middle Class



- Standardised high quality product offering
 - Value-for-money proposition
- New comfort class introduced in 2013
- Wide network, regular direct flights to major domestic and international destinations



Leisure



- Efficient product offering
 - Attractive locations and frequencies
 - Direct flights to major tourist destinations



Price Sensitive

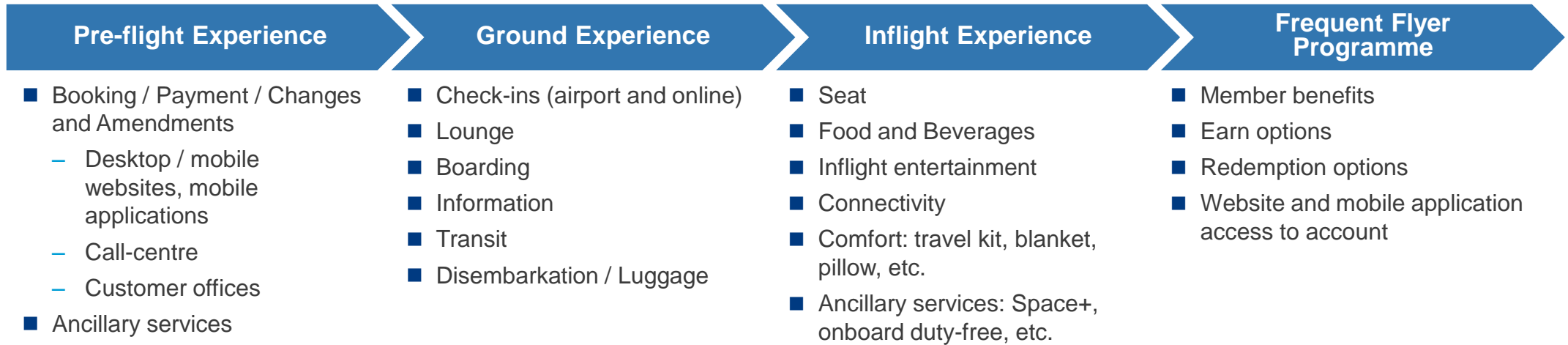


- Low cost and lean product offering
 - Quality “no-frills” service
 - Affordability of travel
- Flights to major Russian cities with adequate frequency



- Capturing growth across domestic and international markets by offering high quality of services to a wide range of customers

Customer Excellence at All Touch Points



Aeroflot Awards



Best Airline in Eastern Europe (2013 and 2011)



Most Trusted Airline in Russia (2013)
Top 10 Airlines with the Best Onboard Menu (2013)
Most Stylish Cabin Crew (2013)



Best Russian Airline (2013)



Top 5 European Most Punctual Airlines (2013)



Airline of the year—Domestic Passenger Carrier and International Scheduled Passenger Carrier (2013)



Transport Company (2013)



Best Company for Business Travellers (2013)

■ **Wide range of services at all touch points increases customer loyalty, as proven by the number of Russian and international awards**

Pre-flight Experience – User-Friendly Online Environment

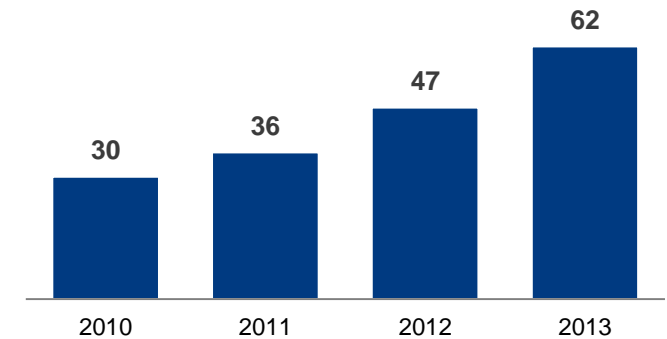
Desktop Platform

- Service offering: booking, check-in and flight status update
 - New online booking system (Q1 2015)
- Flexible payment options: multi-currency, payment over phone, wire payment for SME customers, online payment systems
- Auxiliary services: Aeroexpress tickets, travel insurance, car hire, travel card purchase and hotel booking
- Strong presence in social media

Desktop Website



Desktop Site Visitors per Annum (m)



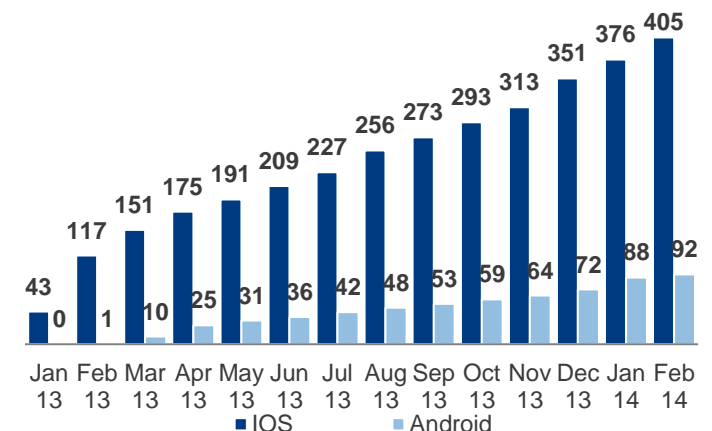
Mobile Platform

- Enhancing customer experience before and after flight
- Basic services and access to Aeroflot Bonus account will be supplemented with price calendar and Aeroflot Bonus eCard in 2014/2015
- iOS application for iPads launched in 2013 and to be further upgraded in 2014

Mobile Applications



Aeroflot Application Downloads ('000)



■ Improving customer experience and lowering costs through wider implementation of online services

Pre-flight Experience – Offline Customer Offices Network and Call Centre

Customer Offices

- Wide network in major Russian cities and internationally
- Services provided in offices
 - Corporate, group and bonus ticket sales
 - Ticket sales on SkyTeam members' and other airlines' flights
- Ongoing optimisation of network (e.g. closing of two offices in Moscow)

Network of Customer Offices

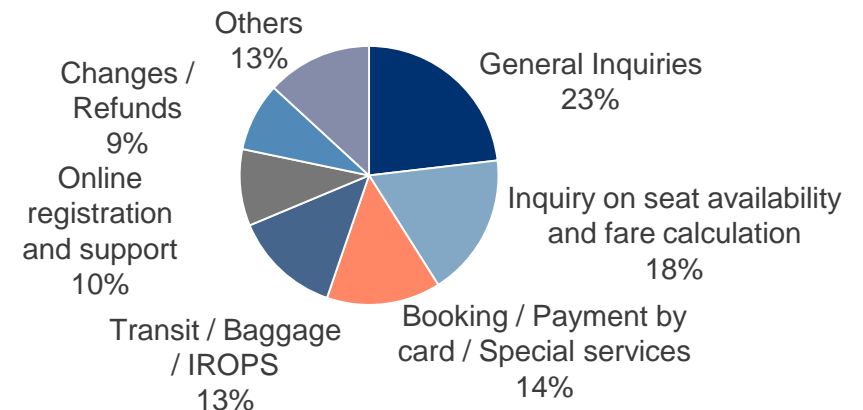


- **Global network of customer offices supported by a multi-lingual call centre available 24/7/365 which contributes to customers' superior pre-flight experience**

Call Centre

- Toll-free dedicated lines available in 14 countries. Multi-language: English, French, German, Spanish, Italian, Japanese and Chinese
- c.270 lines in Russia
- 24/7/365 availability
- Services provided by call centre
 - Sale of tickets
 - Dedicated lines for Aeroflot Bonus Gold/Silver members, concierge service for Platinum members
 - Information services (schedule, tickets availability etc.)

Call Centre Requests by Type



Improving Customers' Ground Experience Through Operational Efficiency

Consistent Improvement of Ground Experience

- Consistent focus on and investment in operational efficiency resulting in better customer experience and cost savings
- Focus on optimising check-in and baggage flow processes
 - Registration kiosks in international airports and at Aeroexpress train stations
 - Baggage flow optimisation initiatives
- Grouping flights at Sheremetyevo Terminal D to ensure minimum security control and boarding time
- Offering business class domestic and transit passengers premium services at Aeroflot's lounge at Sheremetyevo D Terminal
- Faster and more streamlined connecting process for transit passengers following roll-out of new IT infrastructure, streamlined check-in and boarding procedures and training for front line staff

Sky Priority Programme

- Worldwide roll-out of programme since 2012; Aeroflot joined in 2013
- Currently available in 85 destinations
- Priority check-in, baggage drop-off, security and boarding lines
- Ensuring consistent quality of service and long-term loyalty of priority customers

■ Improving operational efficiency through faster and more streamlined processes

Efficiency and Quality



Wide presence of registration kiosks



Priority check-in



Baggage drop-off

Comfort and Security



Business Class Lounge



Boarding

Offering Superior Flight Experience to All Customers

Business Class

- High standards of comfort and service, individual approach, maximum choice and attention to details from highly-trained multi-lingual cabin crew
- Separate cabin with comfortable spacious seats on A-330 and B-777 (full flatbed on A300-300 and B-777)
- Exquisite food by world class chefs with multi course gourmet meals
- Special comfort – premium quality travel kit, pillows and blankets
- Entertainment system: in-seat back display on A330 and on B777 and touch screen digEplayers on certain flights on A319/320/321

Comfort Class

- Offered on B777-300ER
- Separate cabin with enhanced seating
 - Spacious and comfortable seats with increased row space
- Wide menu options
- Travel kits, blankets and pillows
- In-seat back 10.6" display entertainment system

Economy Class

- Optimum level of comfort and service
- Ergonomic seats, blankets and pillows
- In-seat back 9" display entertainment system (A330 and B777)

■ Superior products across all classes for all customer segments

Business Class Offering



Full flatbed seats



Friendly environment for leisure and work



Touch screen digEplayer



Exquisite food by world class chefs

Comfort Class Offering



Comfort seats with increased row space



Brand new entertainment system

Economy Class Offering



B777
Economy class



A320
Economy class



Food offering

Industry Leading Inflight Environment

Food and Beverages

- Industry-leading inflight menu by quality and variety
 - Long-haul flight menu ranked No.2 by SkyScanner
- Menu for business class passengers developed by restaurant chefs since 2011
- 15 types of food offerings to suit dietary, medical and religious preferences
- Wide selection of wines from Europe and the new world
- Own catering production subsidiary to control quality and cost



Inflight Entertainment

- Available to all passengers on long-haul flights and business class passengers on majority of flights
- One of the largest media content libraries among European airlines, updated every two months
 - 166 international and Russian movies, including the latest releases and 80 Oscar-winning films
 - TV series and shows
 - Children's channel
 - News
 - Sport
 - Music and audio books



Inflight Connectivity

- Onboard Wi-Fi
 - Launched jointly with OnAir in Jan 2013
 - Available on 15 A-330 and 5 B-777
 - Roll-out on additional 7 A-330 and 4 B-777 aircraft by the end of 2014
 - “Twice for two” promotion campaign in November-December 2013



- Outstanding flight experience built around a wide selection of high-quality food and beverages, inflight entertainment and connectivity

Aeroflot Bonus Frequent Flyer Programme

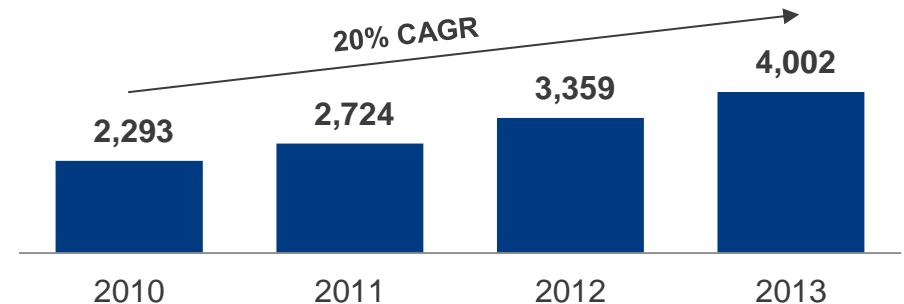
Programme Overview

- Marketing campaigns to boost traffic on new and under-utilised routes (e.g. selected domestic and international routes in summer 2013), joint promotions with partners
- More than half of bonus miles awarded by programme's non-aviation partners
- Recent developments: SMS notifications, ability to upgrade service class for bonus miles, purchasing tickets for bonus miles via mobile application, etc.
- 2014 initiatives: platinum level introduction (concierge service), renewal of corporate style and logo

Selected Earn Options



Aeroflot Bonus Members ('000)



Selected Redemption Options

- Flights with Aeroflot and selected SkyTeam alliance members
- Upgrade of service class at Aeroflot
- Hotels
- Car hire
- Restaurants

■ Bonus programme aimed at retaining customers and increasing their loyalty

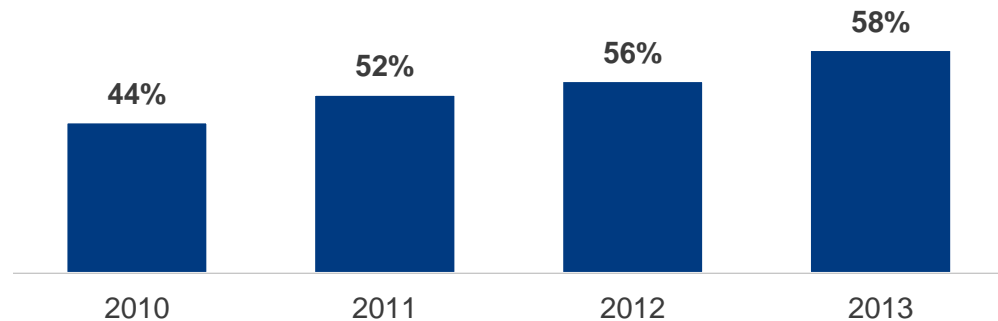
Widely Recognised Brand and Targeted Advertising

Brand

- Aeroflot's modern and attractive image as a global airline offering passengers a premium level of service
- One the most valuable transportation brands globally and in Russia (valued c.\$1.4bn) according to Brand Finance (2013)
- Strong customer loyalty confirmed by consistently improving Net Promoter Score (NPS) Index – 1% increase in NPS Index is expected to result in incremental passenger traffic and revenue growth of c.\$18.5m
- Active sponsorship of sport as brand promotion



Net Promoter Score Index



- Targeted marketing and advertising campaigns aimed at promoting services in Russia and strengthening Aeroflot's brand internationally in a cost-efficient manner

Advertising

- Advertising in Russia aimed at promoting new and existing routes, products and services
- Advertising internationally aimed at strengthening brand recognition and promoting selected transit routes
- Wide range of advertising channels used in Russia and internationally (TV, digital, OOH and press)
 - Recent outdoor and press advertising campaign internationally to promote Europe – Asia transit routes
 - Advertising on and inside 150 London cabs
 - Outdoor and press campaign in the UK, France, Germany, China, Japan and South Korea

Russia



International



Sales Organisation

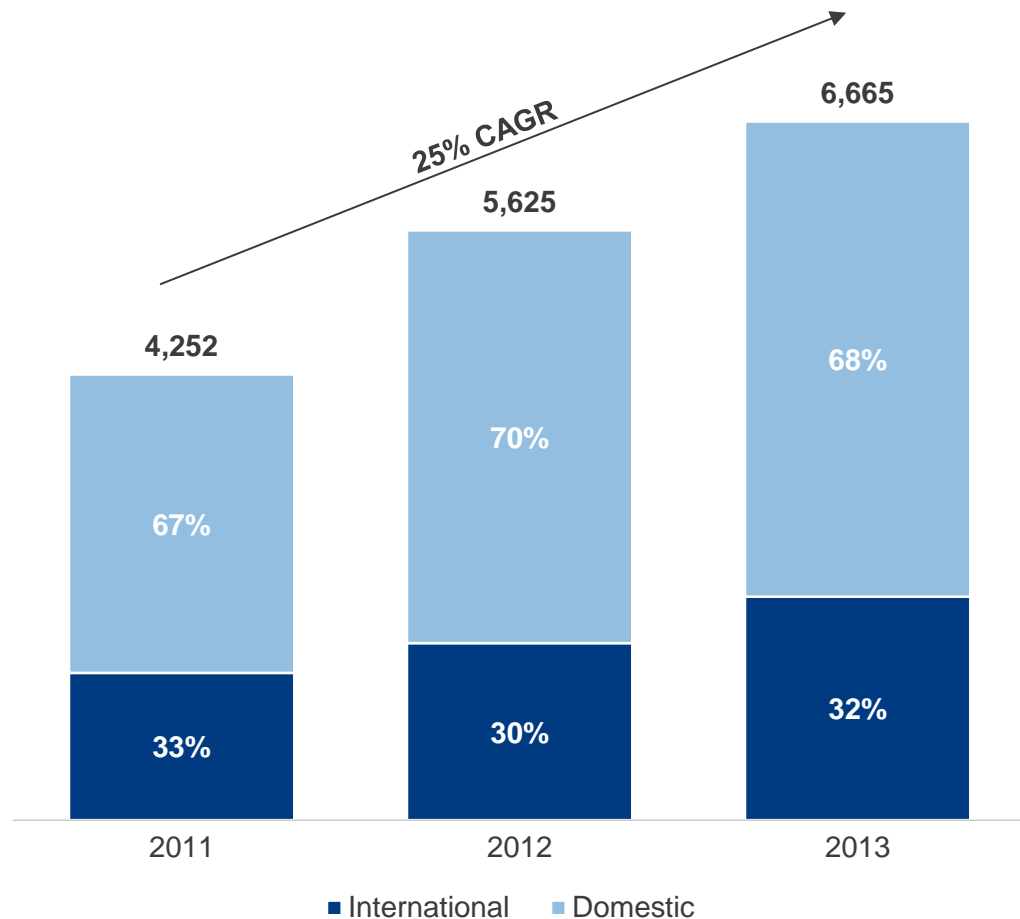
Dmitry Saprykin
Deputy CEO for Sales and Property

Key Highlights

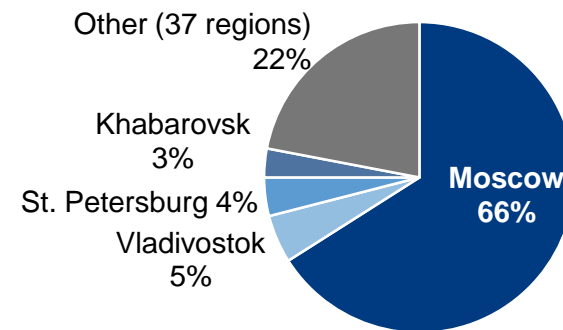
- Aeroflot **sales** both in Russia and internationally demonstrated **c. 25% CAGR since 2011**
- **Ongoing shift towards a more cost efficient online channel** model mainly by reducing the share of agent sales
 - Online sales have been growing rapidly, reaching c. \$1.2bn in 2013 (18% of total sales), and are expected to grow further
- Ongoing **optimisation across all sales channels**
 - Significant savings as a result of new agents' commission structure implementation
 - Optimisation of international sales offices resulted in significant sales growth
- Aeroflot's sales function improvement resulted in **above market growth of operating and financial results**

Wide Sales Network in Russia and Internationally

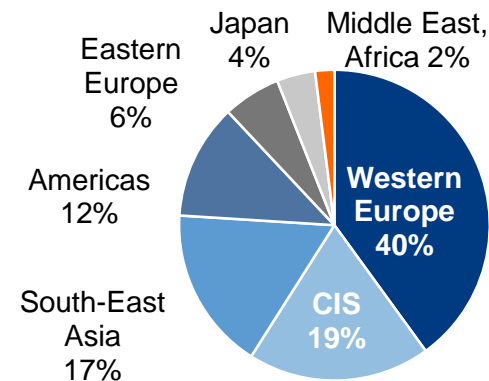
Aeroflot Passenger Tickets Sales (\$m)¹



Domestic Sales by Region (2013)



International Sales by Region (2013)

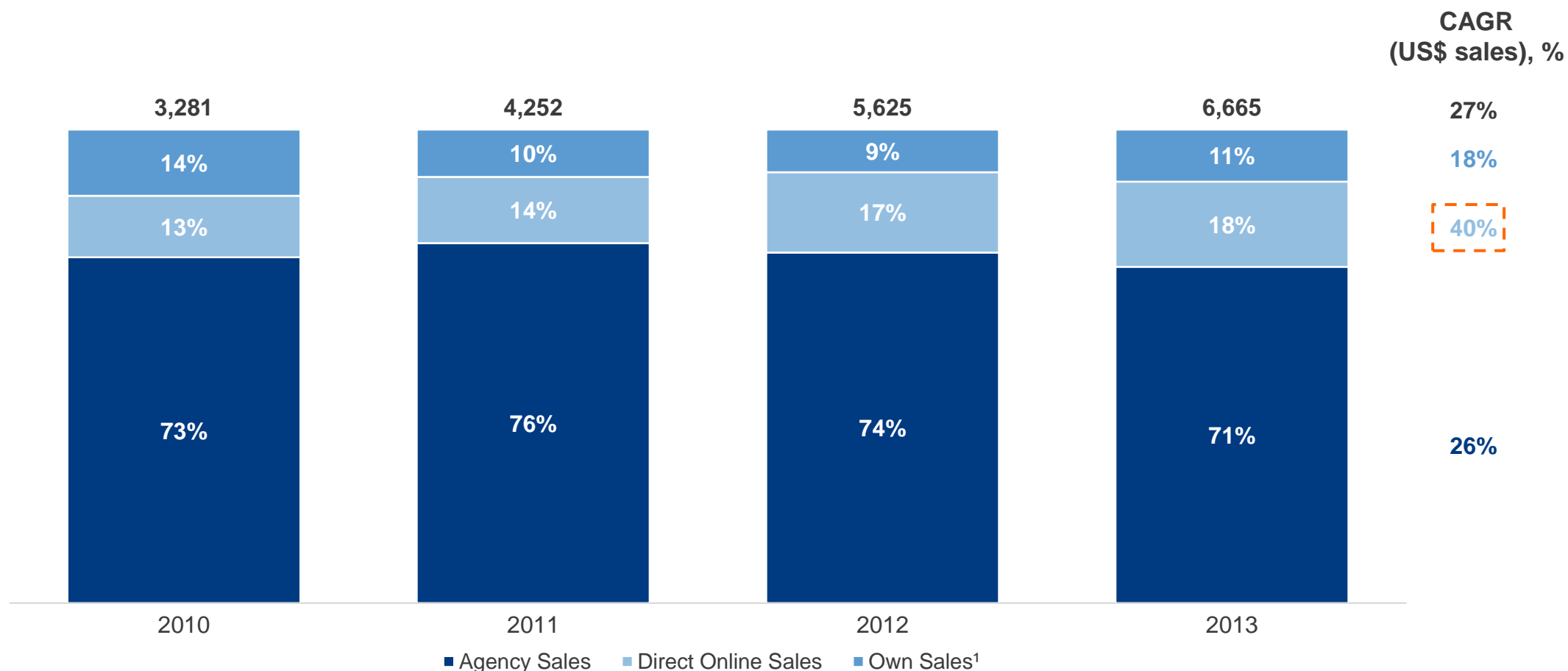


■ Aeroflot ticket sales demonstrated c. 25% CAGR since 2011, showing similar growth rates both in Russia and internationally

¹ Total sales of Aeroflot and subsidiaries flights operated under SU code, excluding clearing payments to other airlines and excluding charter flights in Russia.

Aeroflot Sells and Distributes Tickets via Three Key Channels





Passenger Ticket Sales by Channels (\$m)



■ In recent years Aeroflot's sales structure has been shifting towards a more cost efficient online channel

¹ Including sales via own customer offices and call centre.

Tailored Approach to Various Agent Segments

Typical Agent Segments Globally		Typical Instruments and Toolkit				Agent Sales in Germany
		Commission	Fares	Fare Rules	Marketing	
Travel Management Companies ¹		Overrides	Route Deals		Preferred Carrier	100%
		1-2% bonus for meeting growth targets	Discounts for corporate clients		<ul style="list-style-type: none"> Newsletters GDS advertising Trade shows Training for bookers 	TMCs ¹
Tour Operators		Tour Operator Fares				Tour Operators
			Fixed fares on all destinations (with or without discounts)	<ul style="list-style-type: none"> Ticketing time limits Provision of fares one year in advance 	Inclusion in tour operator booklets	Online Agents
Online Agents		Regular Promotions			Online Advertising	Ethnic Agents
		Temporary discounts in low season			<ul style="list-style-type: none"> Banners on web-sites Newsletters Targeting² 	
Ethnic Agents		Ethnic fares				Other
			Discounts to particular countries, group fares	<ul style="list-style-type: none"> 2 pieces of baggage Change of departure date 		
Other Segments		Unique combination of tools (bonuses, fares, fare rules, etc.), accounting for the needs of particular segments				Agent Sales in Germany (Largest International Market)

■ Aeroflot individually incentivises agents using tools best suited for each agent segment

Sources: BSPLink

¹ Travel management company – travel agency specialising on servicing corporate clients.

² Targeting implies improving airline's position in search results on agent's website regardless of ticket price.

Maintaining Revenue Growth while Significantly Reducing Sales and Distribution Expenses

	2011-2012		2013 Estimates		2014 Assumption ¹	
	Russia	International	Russia	International	Russia	International
Base Commission		Reduction of base rate to 0.1% across the majority of international markets (from up to 9%)	Reduction of base rate to 4% for all classes (from 7% in economy and 9% in business)		Reduction of base rate to 0.1% for all classes (from 4% for both economy and business classes)	Reduction of base rate to 5% in China, Hong Kong, Taiwan ³ (from 7%)
Bonus Commission		Introduction of growth bonus and correction of volume bonus in the majority of markets	Introduction of route (line) bonus		Introduction of growth, volume and retention bonuses	Introduction of volume bonus (up to 2%) in China, Hong Kong, Taiwan ³
Effective Rate ²		~6%		~5%		~4%

■ New agents' commission structure resulted in c. \$60m of annualised savings

¹ Subject to market condition and relationship with agents .

² Preliminary estimate.

³ China, Hong Kong and Taiwan are the largest markets among a few with a high base commission.

Optimisation of International Sales Network: Europe

2012 – early 2013

People

- Recruiting **sales managers** with local market knowledge

Early 2013

Toolkit and Processes

- Detailed **market analysis**
- Development of individual approach to **Top-20 agents** in each market

2013

Results

- **Sales growth** in local markets

Europe



Local sales managers in **major European countries** hired (previous experience with European, North American and other airlines)

Examples of Initiatives

Agents	Country	Segment	Approach
E-Dreams, Lastminute	Various countries	Online	Marketing budget for online advertising
HRG	UK	TMC	Obtaining “preferred carrier” status
AMEX	Entire Europe		
BCD, CWT, etc.	Various countries	TMC	Fam-trips to educate about the product – on board and in Sheremetyevo airport
East Sea, Asia Special, etc.	Czech Rep.	Ethnic (Vietnamese)	Special fares and additional piece of baggage to Hanoi

- Sales growth **+c.15%** or **+c.\$100m** in 2013

- **Hiring of sales managers with local market knowledge, conducting detailed market analysis and roll-out of individual approach to the largest agents resulted in 15% sales growth in Europe in 2013**

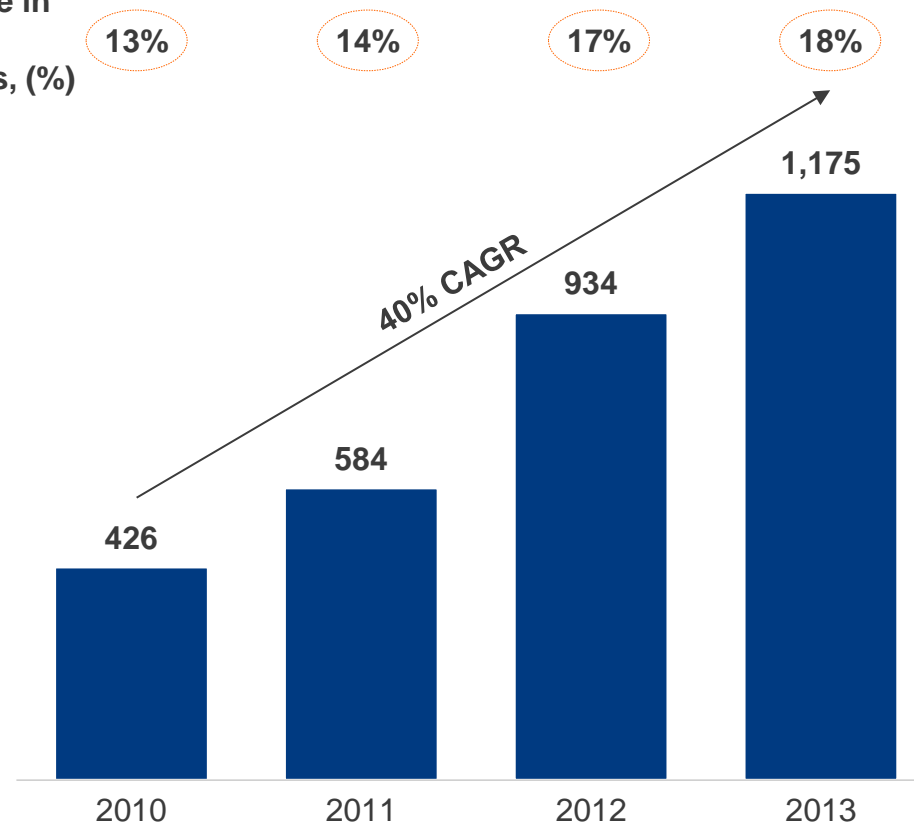
Constantly Expanding Direct Sales via Online Platform

Online Channel Development Areas

- Online platform development
 - Launch of new services and functionality
 - Development of online services suite (“my account manager”, Aeroflot Bonus services, online check-in, etc.)
 - Launch of locally-adapted websites
 - Mechanisms to support all popular payment methods
- Online sales promotion
 - Rapid development of tools to optimise and promote Aeroflot’s website and mobile apps
- Improvement of the conversion rate (sales vs. visits)
 - Redesign of the website with focus on conversion
 - Cross-selling of ancillary services
- Client analysis and targeting
 - Introducing integrated analytics and forecast software
 - Micro-targeting of clients with unique offers

Online Sales (\$m)

Share in
Total
Sales, (%)



- Online sales have been growing rapidly in recent years, reaching c. \$1.2bn in 2013 (18% of total sales), and are expected to grow further

Other Improvements Within Sales Channel

Agents

- Hiring experienced sales managers with local knowledge in large international markets
- Increasing awareness and familiarity with Aeroflot and its products among key international agents (visits, presentations, fam-trips, etc.)
- Signing incentive contracts with key agents
- Providing net fares for specific agent segments (tour operators, ethnic agents, etc.)
- Introducing joint budget for marketing events with agents
- Conducting regular promotions and providing special offers to online agents

Corporate Clients

- Establishing a dedicated Corporate Clients Department
- Introducing corporate sales KPIs
- Optimising discount system, terms and conditions for corporate clients targeted at increasing Aeroflot's share of wallet
- Initiating and developing direct relationships with corporate clients
- Introducing corporate loyalty programme targeted at small and medium enterprises in Russia

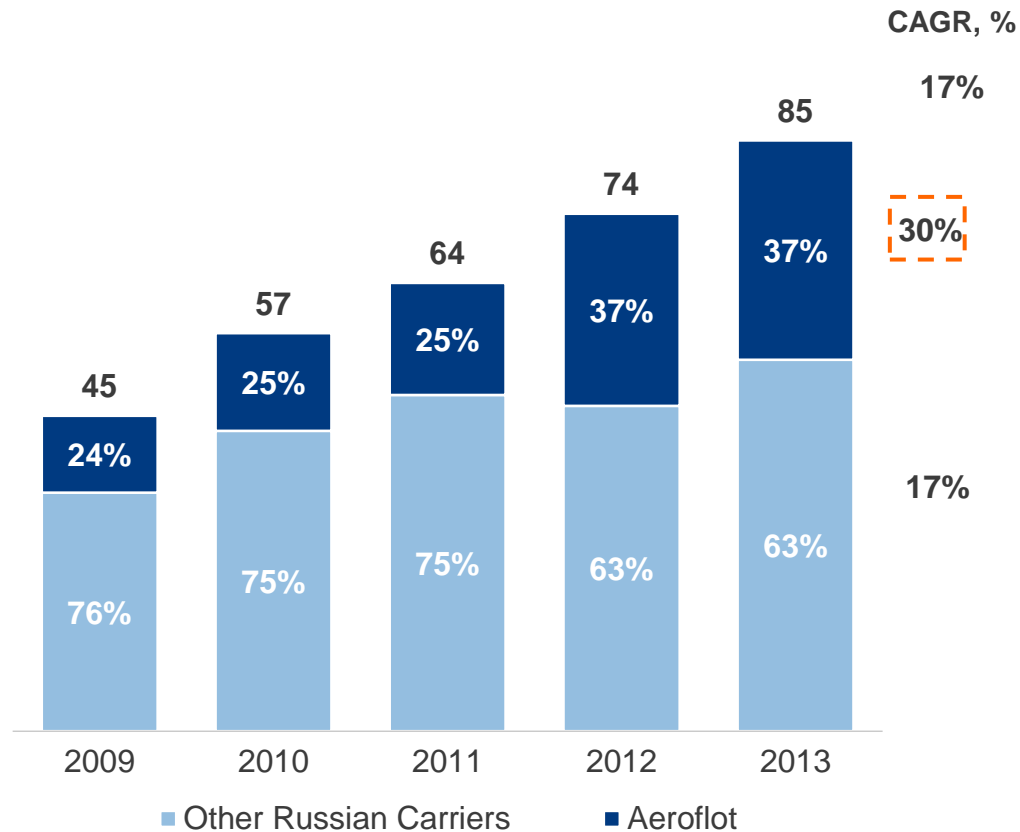
Online

- Expanding alternative online payment methods
- Strengthening cooperation with travel metasearch engines (Kayak, Skyscanner, etc.)
- Develop and improve discounted coupon programme
- Introducing 'call from the website' service

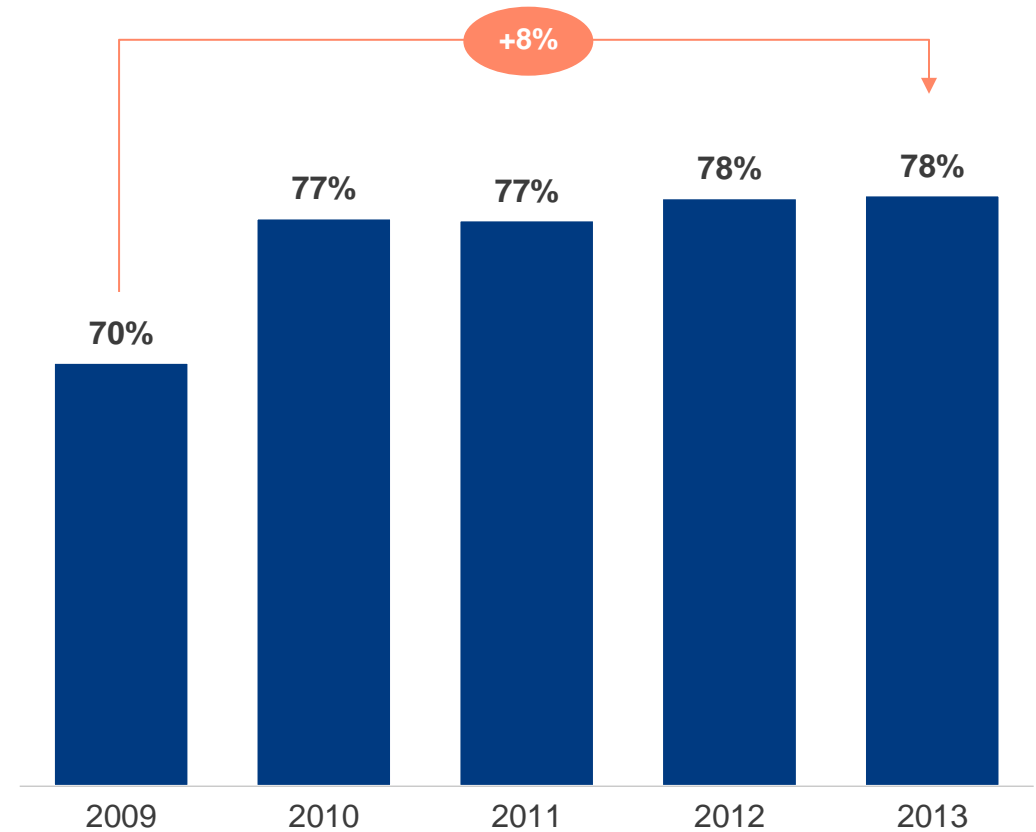
■ Continuous optimisation across all sales channels delivers a positive impact on sales growth

Focused Sales Development Efforts Resulting in Rapid Passenger Traffic and Seat Load Factor Growth

Passenger Traffic Evolution (m PAX)



Seat Load Factor Evolution (%)



■ Aeroflot's sales function improvement resulted in above market growth of operating and financial results

Source: Rosaviatsia

Corporate Governance

Dmitry Saprykin
Deputy CEO for Sales and Property

Corporate Governance Overview

Corporate Governance Highlights

- Key Corporate Governance principles
 - Transparency of operations
 - Extensive access to information for shareholders
 - Preserving balance between interests of all groups of shareholders
- Approved internal Code of Corporate Governance and Code of Ethics
- Unified standards of corporate governance across Aeroflot and subsidiaries
- Safeguarding interests of minority shareholders at Aeroflot and subsidiaries level
- Corporate Governance awards
 - Aeroflot's chairman and selected directors named among best corporate directors in 2012/2013 in Russia

Key Corporate Governance Areas

Board Structure

- Balanced structure of the Board of Directors with representatives of the Government, minority shareholders, management and independent directors
- 3 independent non-executive directors out of 11

Chairman

- Non-executive chairman

Committees

- Audit committee chaired by independent non-executive director and includes directors with financial experience
- HR and compensation committee chaired by non-executive director and includes non-executive director
- Strategy Committee chaired by independent non-executive director and includes non-executive directors

Evaluation of Board Performance

- Variable compensation based on share price performance versus the market

Transparency on Appointments and Remuneration

- Power to make appointments lies with the Board of Directors
- Disclosure of total board remuneration and respective methodology

Effective Rights for Shareholders

- Shareholders meeting as key governing body and Board of Directors represent interests of shareholders
- Shareholders rights and corporate governance procedures at company level overseen by Deputy CEO and Board member

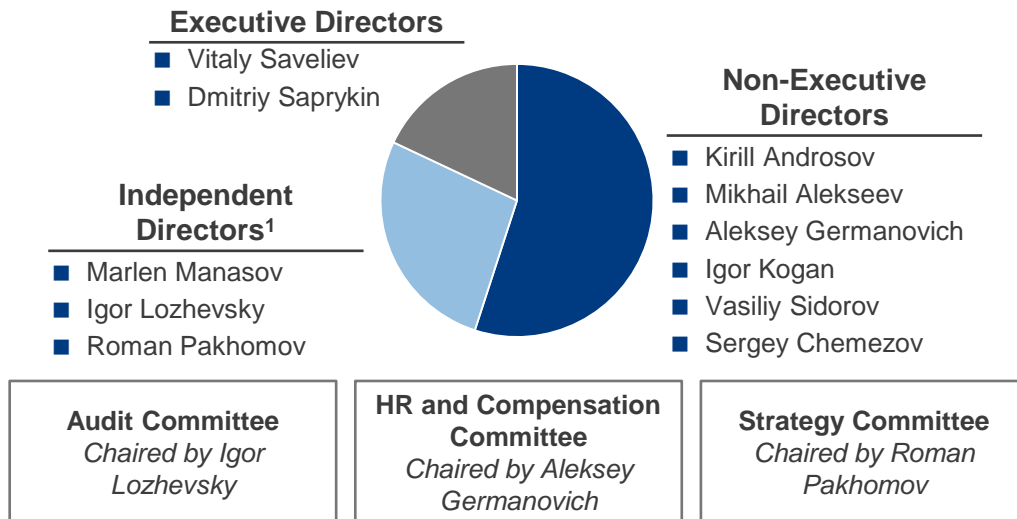
- **Aeroflot is committed to constant improvement of corporate governance procedures to meet high standards and international best practices**

Key Management Bodies Role in Corporate Governance

Board of Directors Role in Corporate Governance

- Key priorities for the Board are
 - Ensuring Aeroflot's long-term sustainable development
 - Supervision of Aeroflot's executive bodies
 - Uncompromising observance and defence of the rights and interests
- Professional and qualified team of directors with significant experience in airline industry, capital markets and strategic management
- Active involvement of Board members in Aeroflot's strategic development
- Extensive scope of approving major transactions by the Board
- D&O insurance for Board members in place

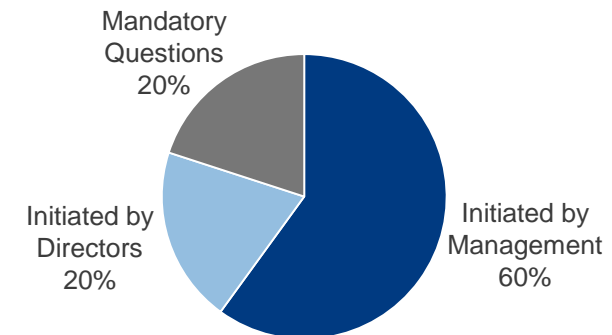
Board of Directors Composition



Management Board Role in Corporate Governance

- Aeroflot's day-to-day operations are directed by the CEO and Executive Board
- Management plays an active role in corporate governance
 - More than half of Board of Directors meeting agendas are formed as a result of management's initiatives and proposals
 - **Recent audit of corporate governance procedures initiated by the management**

Board Meetings Agenda – Questions Discussed



■ Both board members and management play an active role in corporate governance and complement each other in developing and implementing Aeroflot's strategy for the benefit of all shareholders

¹ In accordance with the definition of independency governance as per Russian corporate law and code of corporate conduct.

Closing Remarks

Giorgio Callegari
Deputy CEO for Strategy and Alliances

Charting Our Course into the Future

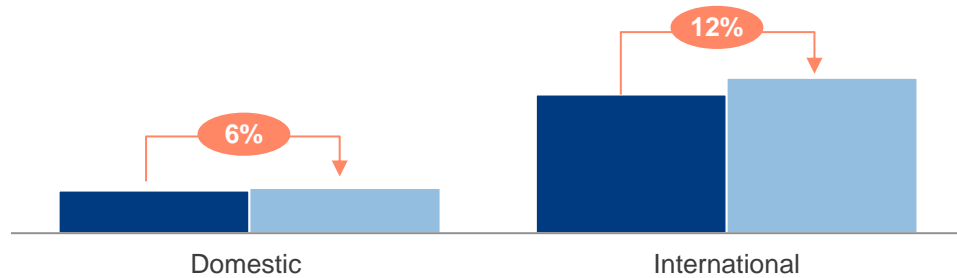
- Aeroflot is Russia's #1 carrier and a market leader with a viable business model
- Aeroflot is well positioned to benefit from further passenger traffic growth, ongoing market consolidation and modernisation of aviation infrastructure in Russia
- Multi-brand strategy to serve a broad range of customer segments, capture growth across all market niches and sustain market leadership
- Innovation programme aimed at introducing the newest processes, technologies and solutions to optimise operations and enhance customer experience
- Wide domestic and international network covers the most attractive destinations – further strengthening Aeroflot's position on existing routes and business case driven additions of selected new routes
- Customer service excellence across all touch points aims to differentiate our product and increase customer loyalty
- Strong and profitable revenue growth from higher passenger traffic and sustainable yields and RASK
- Increased operational efficiency and margins translating into improved profitability and sustainable returns to shareholders

Appendix: Supplementary Materials

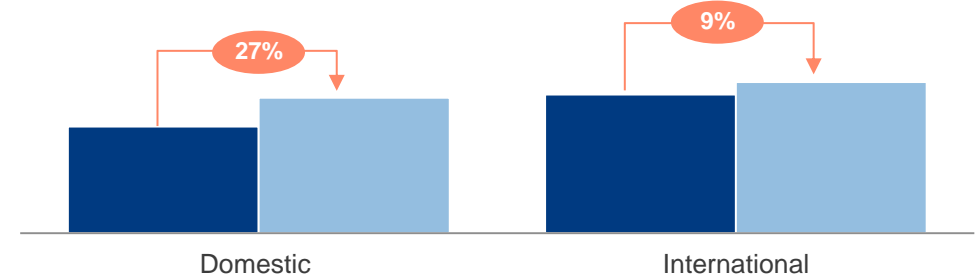
Summer 2014 Schedule

Increase in Available Seat-Kilometres (ASK) in Summer 2014 compared with Summer 2013

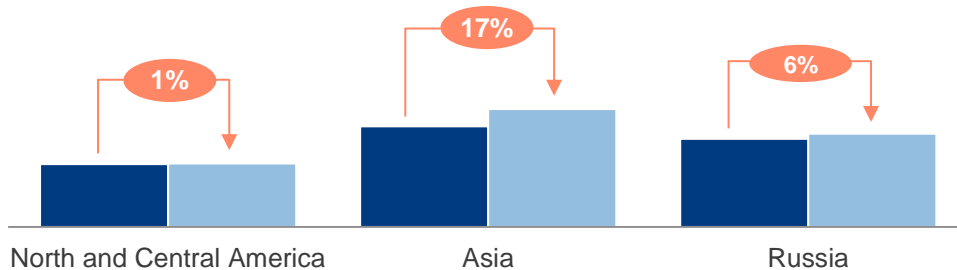
Long-Haul Destinations



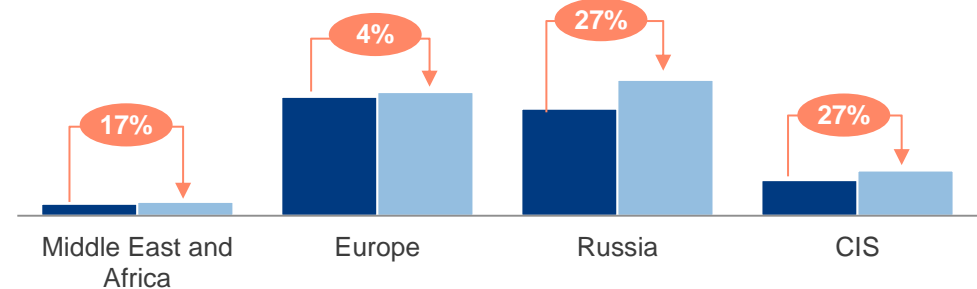
Mid-Haul Destinations



Long-Haul Destinations



Mid-Haul Destinations



■ Summer 2013

■ Summer 2014

- In the Summer 2014 season, Aeroflot Group will operate flights to 141 destinations in 54 countries (incl. Russia)
- Aeroflot and its partner airlines under code share agreements will operate 356 destinations in 66 countries
- Transit passenger traffic of JSC Aeroflot in the Summer 2014 season is expected to increase by approximately 17% compared to the Summer 2013 season, reaching c. 5.9m passengers (40% of total passenger traffic)

Aeroflot Group Fleet in Operation

	Type ¹	Aeroflot	Subsidiaries	Total	Owned	Financial Lease	Operating Lease
Long-haul	Boeing B-767	5	3	8	-	-	8
	Airbus A-330	22	-	22	-	8	14
	Tu-204	-	6	6	-	6	-
	Boeing B-777	5	3	8	-	5	3
	Ilyushin Il-96-300 ²	6	-	6	6	-	-
	McDonnell Douglas MD-11	3	-	3	-	-	3
	Total	41	12	53	6	19	28
Medium-haul	Airbus A-319	10	30	40	-	13	27
	Airbus A-320	53	15	68	-	1	67
	Airbus A-321	26	-	26	-	21	5
	Boeing B-737	4	26	30	-	-	30
	Total	93	71	164	-	35	129
Short-haul	DHC 8 Series 200	-	2	2	-	-	2
	DHC 8 Series 300	-	4	4	-	-	4
	Antonov An-148	-	6	6	-	6	-
	SSJ-100	10	-	10	-	10	-
	Total	10	12	22	-	16	6
	Total fleet³	144	95	239	6	70	163

- Continued renewal of aircraft fleet, substituting old aircraft with modern fuel-efficient aircraft
- Average age of JSC Aeroflot's aircraft fleet is 5.4 years, one of the youngest fleets in the industry

¹ As of 31-Jan-2014.

² 6 aircraft to be phased out in 2014.

³ Excluding 4 Mi-8 helicopters and 1 An-24 aircraft.

Aeroflot Group Fleet Order and Phase-Out Schedule

Total Aircraft Delivery Schedule in Accordance with Existing Contracts¹

Type of Aircraft	Delivered as at 31-Jan-2014	2014	2015	2016	2017
Long-haul	53	5	3	5	9
A-330	22	-	-	-	-
B-767	8	-	-	-	-
B-777	8	5	3	3	-
B-787	0	-	-	2	9
Ilyushin Il-96	6	-	-	-	-
Tu-204	6	-	-	-	-
MD-11	3	-	-	-	-
Medium-haul	164	23	12	22	22
A-319	40	0	0	0	0
A-320	68	14	0	5	5
A-321	26	0	0	2	2
B-737	30	9	12	15	15
Short-haul	22	8	12	0	0
An-148	6	0	0	0	0
SSJ-100	10	8	12	0	0
DHC-8	6	0	0	0	0
Total	239	36	27	27	31

Aircraft Phase-Out Schedule¹

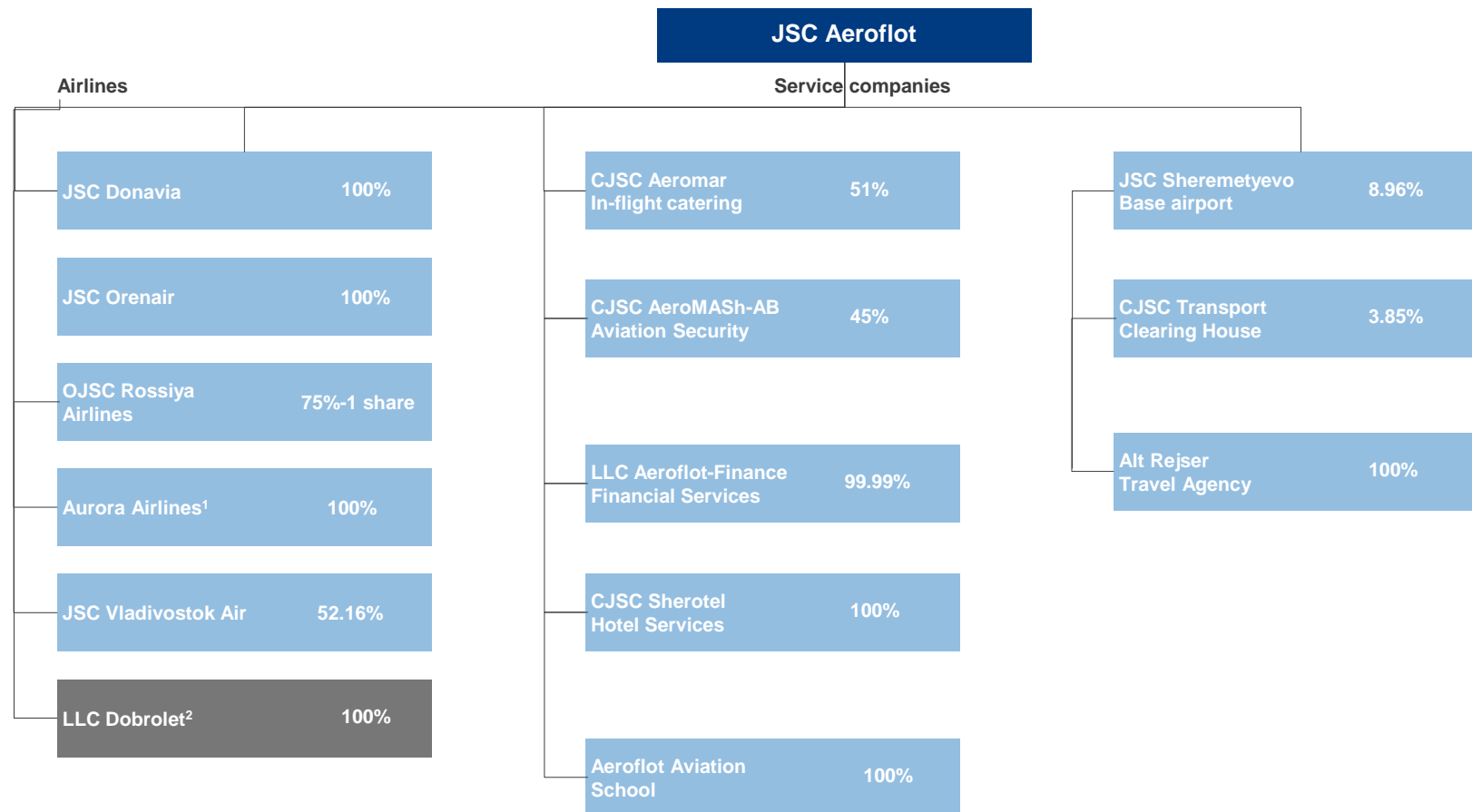
Type of Aircraft	Total Phase-Out: 2014-2017	2014	2015	2016	2017
Long-haul	19	11	3	4	1
B-767	8	5	3	0	0
B-777	2	0	0	1	1
Ilyushin Il-96	6	6	0	0	0
MD-11	3	0	0	3	0
Medium-haul	55	15	8	13	19
A-319	9	2	4	0	3
A-320	20	8	3	6	3
A-321	4	0	0	2	2
B-737	22	5	1	5	11
Short-haul	4	0	2	1	1
DHC-8	4	0	2	1	1
Total	78	26	13	18	21

■ In 2015-2017, 85 new aircraft will join the fleet

■ By the end of 2014, Aeroflot plans to phase out Il-96, majority of B-767 and A-320 family aircraft, for which the lease term is expiring

¹ Excluding 4 Mi-8 helicopters and 1 An-24 aircraft.

Aeroflot Group Structure



■ Ongoing subsidiary airline integration and streamlining of the corporate structure

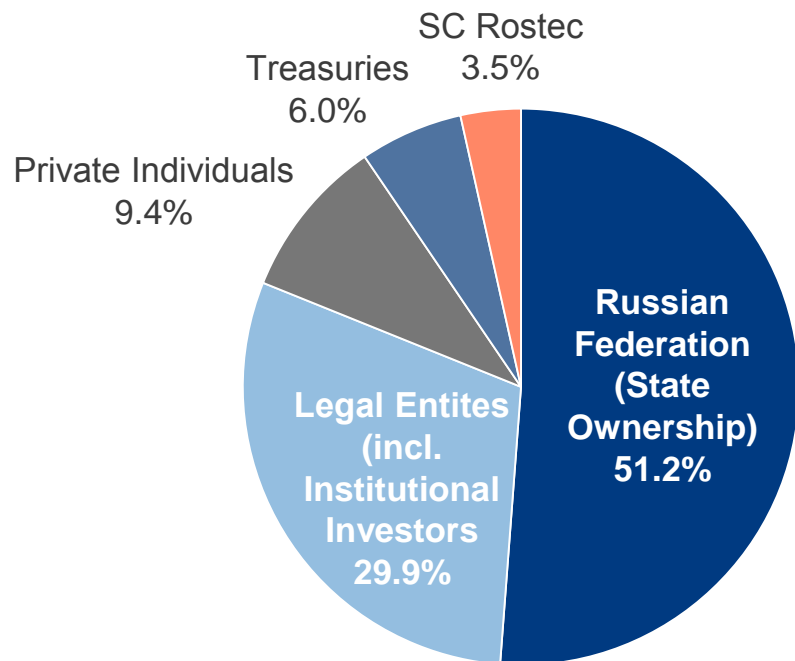
Note: Aeroflot Group consolidates all entities: JSC Aeroflot and all subsidiaries

¹ Previously was operating as SAT Airlines. In January 2014, 49% stake disposed to Sakhalin regional administration.

² Legal entity established, ongoing preparatory work before launch.

Aeroflot Shareholding Structure and Privatisation Update

Aeroflot Shareholding Structure¹



Privatisation and Listing Update

- Aeroflot is on the list of Russian state-controlled companies potentially to be privatised in 2014-2016
 - Final decision has not been issued by the Russian Government
- Aeroflot shares are traded on MICEX (Ticker: Aeroflot)
- Aeroflot GDRs are traded over-the-counter on the Frankfurt Stock Exchange (Ticker: AETG)
- In January 2014, Aeroflot launched Level 1 ADR Programme as part of its efforts to gain access to a wider pool of investors

Source: Company filings
¹ As of 06-May-2013.