

Aeroflot Group

6 Months 2016 Financial Results

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Moscow, Russian Federation

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Aeroflot Group



- **Aeroflot Group carried 1.8 million more passengers in 6M 2016** compared to 6M 2015 (+10.3% passenger traffic; growing seat load factor of 78.6%).
- Expansion in the number of customers resulted in **market share increase by 7.6 p.p.** from 37.0% in 6M 2015 to 44.6% in 6M 2016.
- **Strong 6M 2016 financials results:**
 - Total revenue up 26.8% y-o-y
 - Strong yield performance on scheduled flights (+14.6%) exceeding CASK inflation (+8.6%)
 - EBITDAR and EBITDA margins of 26.1% and 13.4%
 - Strong operating and free cash flow generation
 - Deleveraging due to debt repayment ahead of the schedule and positive lease revaluation (Net debt/EBITDA down to 1.6x)

Macro and Aviation Market



- **Russian aviation market is under continuing pressure** having demonstrated a traffic decline of 8.5% y-o-y in 6M 2016 on the back of challenging economic environment.
- **Domestic flights traffic growth** of 7.7% y-o-y driven by continued refocusing from international destinations as well as additional demand stemming from low-cost segment.
- **Traffic in international segment declined** by 23.1% y-o-y as a result of RUB depreciation and respective weakening of consumer confidence.
- **Foreign and domestic carriers further optimizing capacity** either by suspending flights, or reducing frequencies and seating capacities.

1. Market Update

2. Aeroflot Group Overview

3. Operating Performance

4. Revenue and Yield Management

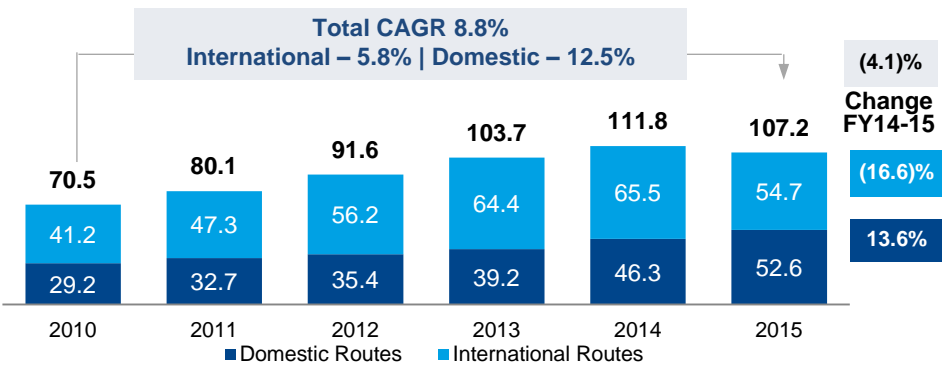
5. Fleet Overview

6. Financial Performance

7. Capital Structure and Liquidity

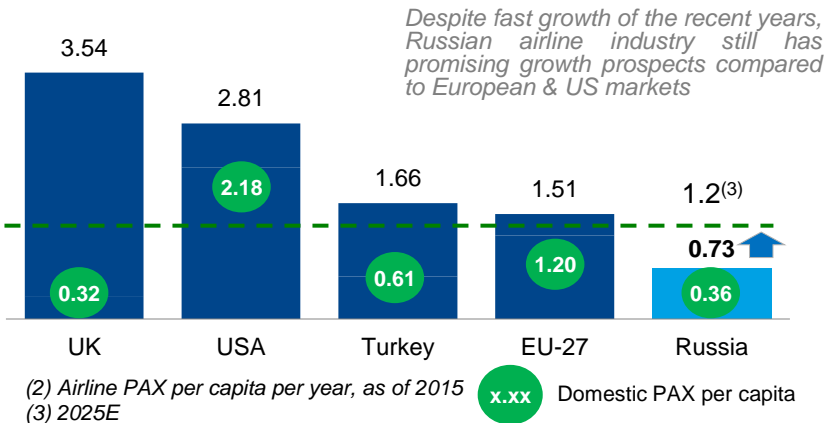
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Russian Total Passenger Traffic Growth, mn PAX⁽¹⁾

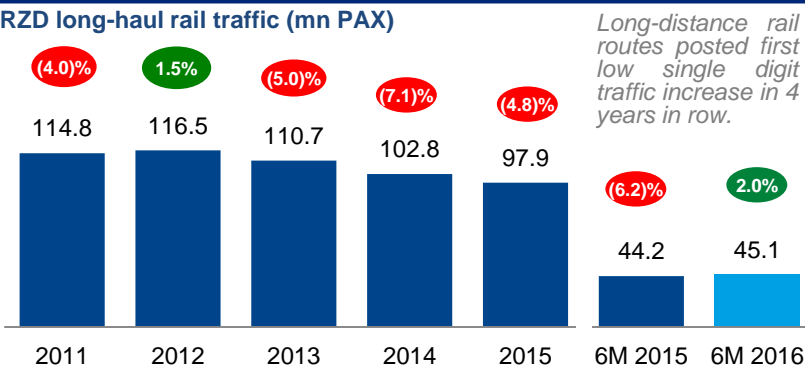


Notes: (1) Total local and foreign carriers' traffic
Sources: FAAT, Aeroflot estimates

Trips per Capita ⁽²⁾

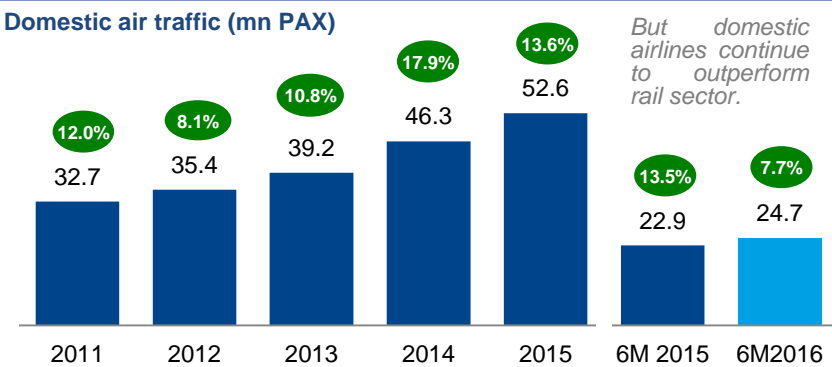


Railways facing increasing competition...



Growth in the number of domestic air passengers was supported by huge decline of Russian Railways' long-distance traffic (mostly domestic) in the recent years as air transportation becomes more affordable

... from airlines on domestic routes



- **Russian market is well positioned for long-term growth on the back of still low penetration, additional potential from ongoing structural changes and increasing propensity to travel by air as well as advantageous geographical location.**

*In the charts, tables and text of this presentation, immaterial deviations in calculation of % change, subtotals and totals are due to rounding

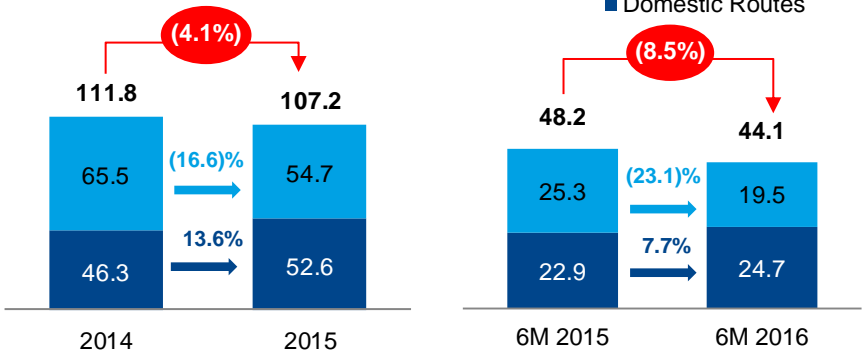
Aeroflot Group vs Air Transportation Market: 6M 2016



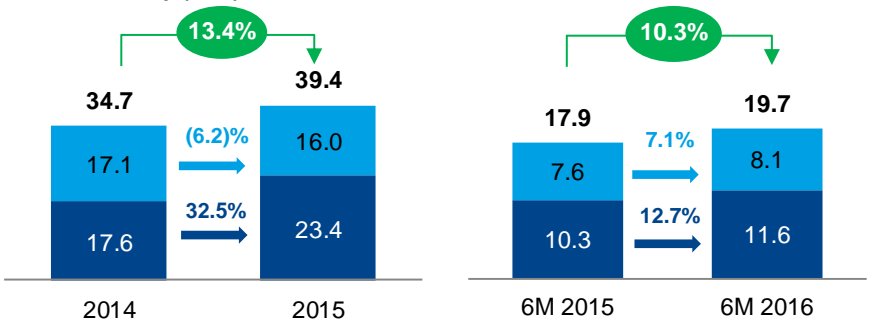
Passenger Traffic: Market vs Aeroflot Group

Russian Air Transportation Market (PAX)

International Routes
Domestic Routes



Aeroflot Group (PAX)



Market Dynamics Net of Aeroflot

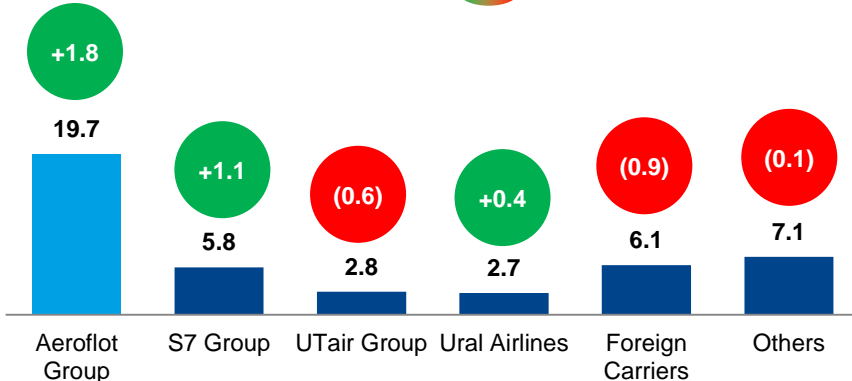


Source: TCH, Company estimates
Note: Incl. foreign carriers' traffic.

Change in Airlines' Passenger Numbers

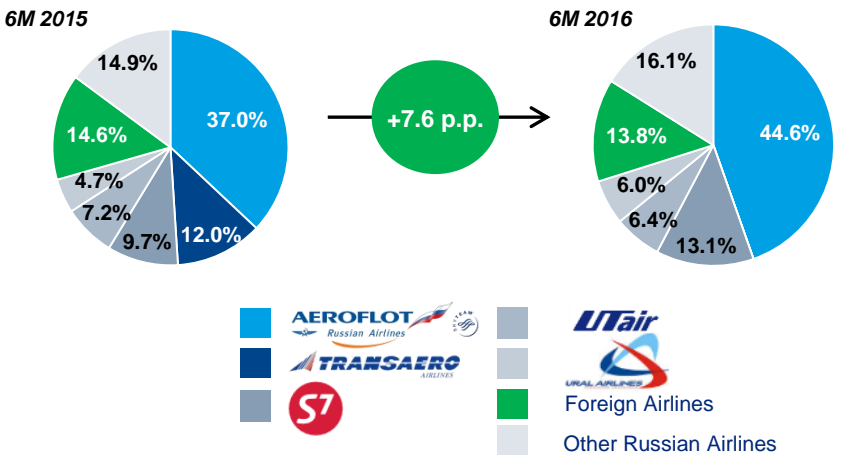
mn PAX, 6M 2016

Increase/decrease in PAX million



Source: TCH, Rosaviatsia, Company estimates

Increasing Market Share¹ (PAX)



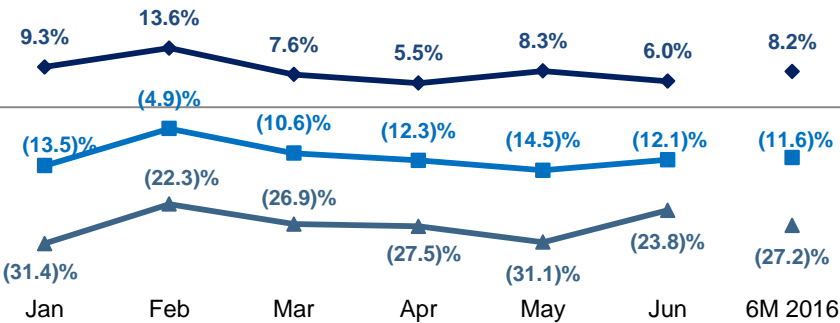
- Aeroflot Group succeeded to convert market instability and competitors' weakness into an advantage and continued outperforming Russian market in 6M 2016 growing PAX by 10.3% with acceleration on both domestic and international routes.

Capacity Optimization by Russian and Foreign Airlines



Russian Carriers Capacity Dynamics¹ (ASK)

Change, y-o-y



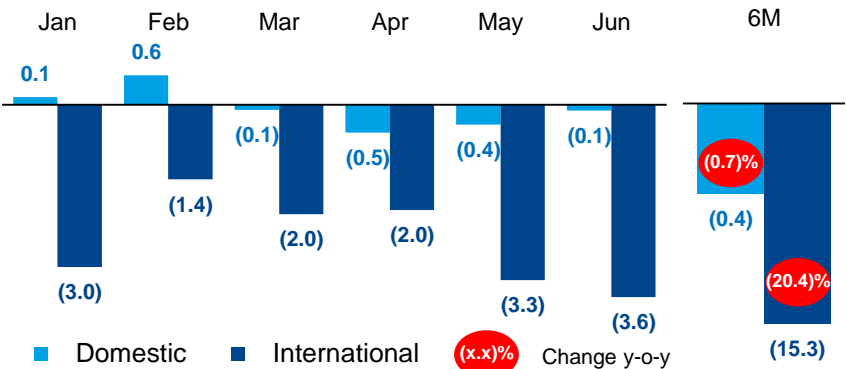
— Aeroflot Group — Russian Carriers — Russian Carriers excl. Aeroflot Group

Foreign Carriers Capacity Optimization (to Russia)

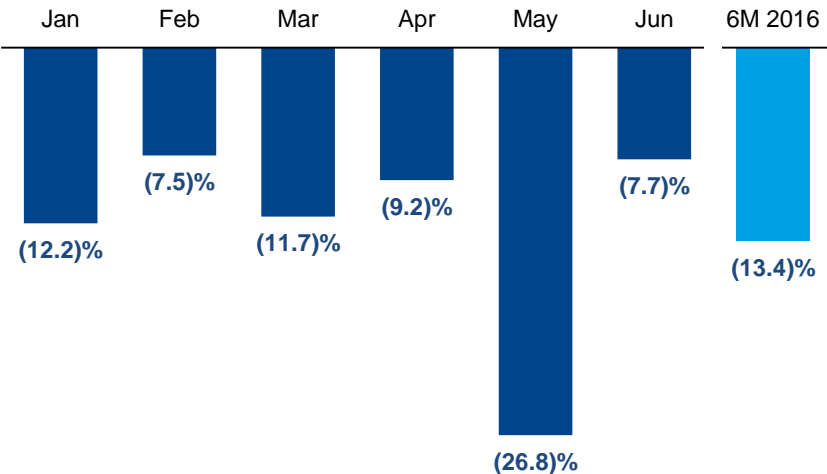
Airline	Route	Suspension	Comment
TAROM	Bucharest – Moscow	Mar 2016	
easyJet	London – Moscow	Mar 2016	
Scandinavian Airlines	Copenhagen, Stockholm – Moscow, St. Petersburg	Feb 2016	Flight frequency reduction
FINNAIR	Helsinki – N. Novgorod; Helsinki – Samara, Kazan	Sep 2015 Jan 2016	Relaunched Helsinki – Kazan, Samara flights (operated by Norra)
airberlin	Moscow – Berlin, Dusseldorf; Kaliningrad – Berlin	Jan 2016	Complete cessation of flights to Russian destinations
germanwings	Dusseldorf – St. Petersburg;	Aug 2015	Flights on the route Berlin – Moscow to be ceased from Oct 2016 (Eurowings)
Eurowings	Cologne – Moscow	Sep 2015	
Lufthansa	Frankfurt – N. Novgorod, Samara	Sep 2015	Consolidation of flights in DME
DELTA	New York – Moscow	Sep 2015	Resumed service from May 2016
CATHAY PACIFIC	Hong Kong – Moscow	Jul 2015	Complete cessation of flights to Russia
THAI	Bangkok – Moscow	Mar 2015	Considerations to reopen flights in H2 16
CZECH AIRLINES	Prague – Perm, Ufa; cancelled opening two new flights to Kaliningrad, Kazan	Feb 2015	Reopening of flights to a number of regional cities in Summer 2016 season

Domestic & Intl. Capacity Optimization (Russian Carriers)

6M 2016 vs. 6M 2015, billion ASK



...Results in Foreign Carriers' Traffic Decline (PAX)



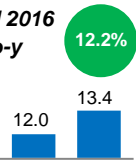


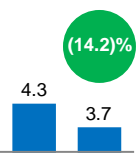


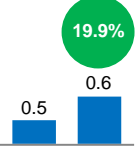


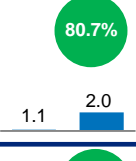

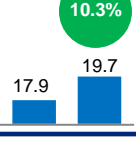


• Further capacity optimization by key major domestic and foreign players on the back of macroeconomic instability as well as lasting base effect of previous optimizations

Source: TCH, Rosaviatsia, Company estimates; ¹ Based on data for domestic carriers only.

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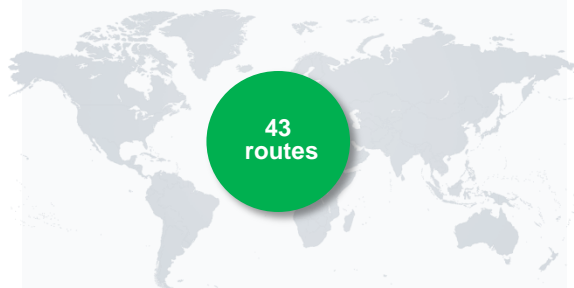
Multi-Brand Strategy: 2016 Vision

	Brand	Business Model	Focus Airport	PAX Contribution ¹	PAX Growth
Premium		<ul style="list-style-type: none"> Flagship carrier Premium product High income and middle class Hub and spoke model 	<ul style="list-style-type: none"> Moscow (Sheremetyevo) 	6M 2016  13.4 68.2%	6M 2016 y-o-y  12.0 13.4 12.2%
Regional		<ul style="list-style-type: none"> Focus on domestic regional flights Interregional flights Selected international routes, mostly out of VKO airport in Moscow Natural connectivity in VKO and LED 	<ul style="list-style-type: none"> Moscow (Vnukovo) Saint-Petersburg (Pulkovo) Rostov-on-Don Simferopol Orenburg 	 3.7 18.6%	 4.3 3.7 (14.2)%
Regional / Far-East		<ul style="list-style-type: none"> The Far East airline flying on short- and mid-haul direct international and domestic routes Regional flights to remote cities in the Far East 	<ul style="list-style-type: none"> Vladivostok Khabarovsk Yuzhno-Sakhalinsk 	 0.6 3.1%	 0.5 0.6 19.9%
Low Cost		<ul style="list-style-type: none"> Short and mid-haul flights Mostly domestic segment, selected international routes Point-to-point carriage 	<ul style="list-style-type: none"> Moscow (Vnukovo) 	 2.0 10.1%	 1.1 2.0 80.7%
Group		<ul style="list-style-type: none"> Premium segment Middle segment Low cost segment Synergies from specialized subsidiaries 		Total PAX (mn)  19.7 100%	 17.9 19.7 10.3%

- Multi-brand offering to capture customers in every market segment from premium to budget.
- In 2016 additional steps taken to simplify operational structure of regional companies – merger of Rossiya airline with Donavia and Orenair airlines – targeting subsidiaries' efficiency enhancement.

1

New routes...



Initial Plans

- New slots and designations for **56 routes** out of 141 international routes serviced by Transaero previously
- Capacity addition on non-regulated domestic market

Current Status

- Launched flights to new destinations and increased capacity on the existing utilizing most of the granted rights
- Negotiations on the slots with a number of airports underway
- Rights for 13 routes were returned to Aviation authorities voluntarily

2

... require additional fleet to service enlarged network...



Initial Plans

- Aeroflot Group planned to take up to 34 aircraft from Transaero fleet
- 10 B737 and 6 A321 from the order-book will be delivered in 2016-2017

Current Status

- Aircraft that were exploited by Transaero are joining Rossiya fleet
- 3 B747 and 2 B777 phased-in in 6M 2016
- One additional aircraft was phased in since the reporting date
- Expected additions: 3 B777 and 10 B747 + B737 and A321 from the order book

3

... and provide with ability to hire more employees



Initial Plans

- Aeroflot Group plans to employ **~6,000** former Transaero personnel
- 60% of employees to be hired – flight crew

Current Status

- After assessment of applications received **4,255** were hired:
 - ~550 cabin and 2,030 cockpit crew
 - ~720 engineers
 - ~740 ground handling and security
 - ~ 220 administrative and other

- **Additional designations received from the Russian aviation authorities (previously exploited by Transaero airline that left the market after the bankruptcy) provide Aeroflot Group with further growth opportunities.**

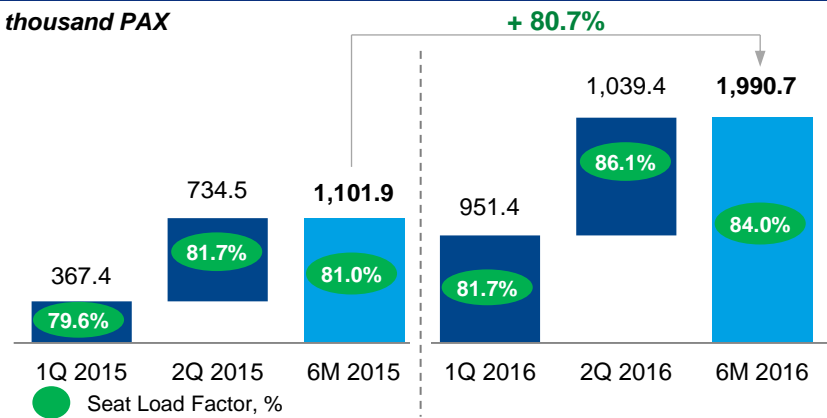
Pobeda Airline: Group's Low Cost Carrier



Overview of Pobeda pobeda

Network	<ul style="list-style-type: none">Operating from Vnukovo airport (3rd Moscow airport by PAX)Network comprising 36 unique destinations in six countriesAdditional expansion to international destinations
Fleet	<ul style="list-style-type: none">12 Boeing 737-800 NGSingle class cabin189 seats per plane
Key milestones	<p>2014</p> <ul style="list-style-type: none">December - First flight performed from Moscow to Volgograd <p>2015</p> <ul style="list-style-type: none">March - Seasonal summer route announcementApril - Pobeda becomes Top-10 airline in RussiaJune - Cumulated PAX reached 1 mnDecember - Launch of international flightsDecember - Cumulated PAX reached 3 mn <p>2016</p> <ul style="list-style-type: none">Development of international network and intra-region flights

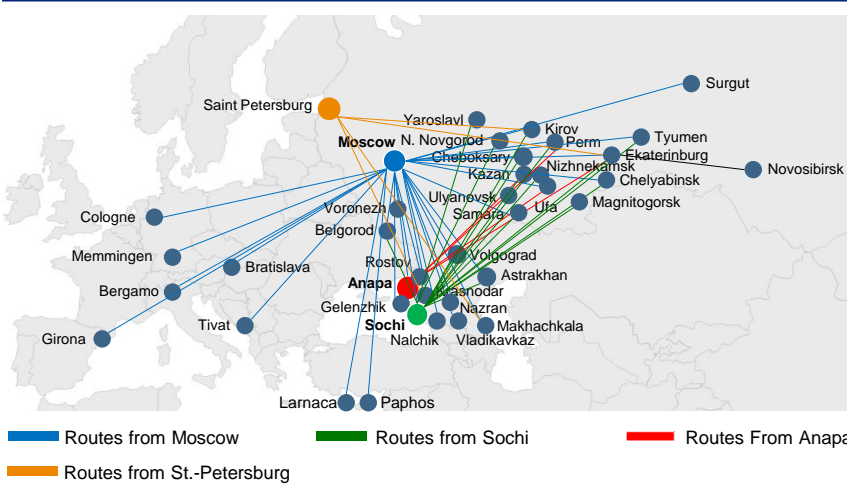
Operating Results



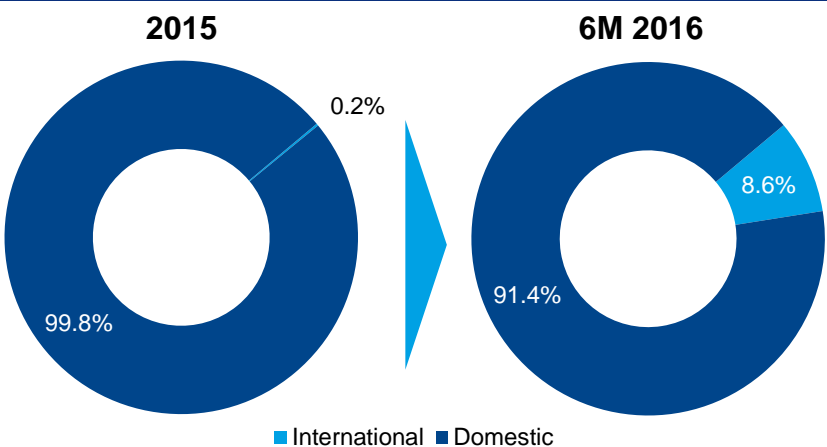
Pobeda's seat load factor on domestic routes in 6M 2016 exceeds the one of Aeroflot Group (81.1%) that contributes to the efficiency of LCC

- Pobeda, the only Russian LCC, is a timely value proposition to cost conscious passengers.
- High pace of domestic expansion maintained in 6M 2016 with tapping into new international markets.

Pobeda's Network – Summer 2016



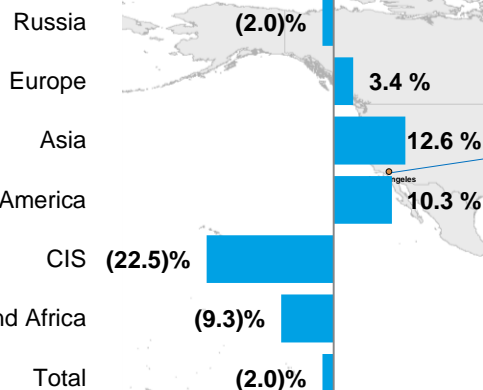
Expansion in International Segment On The Way



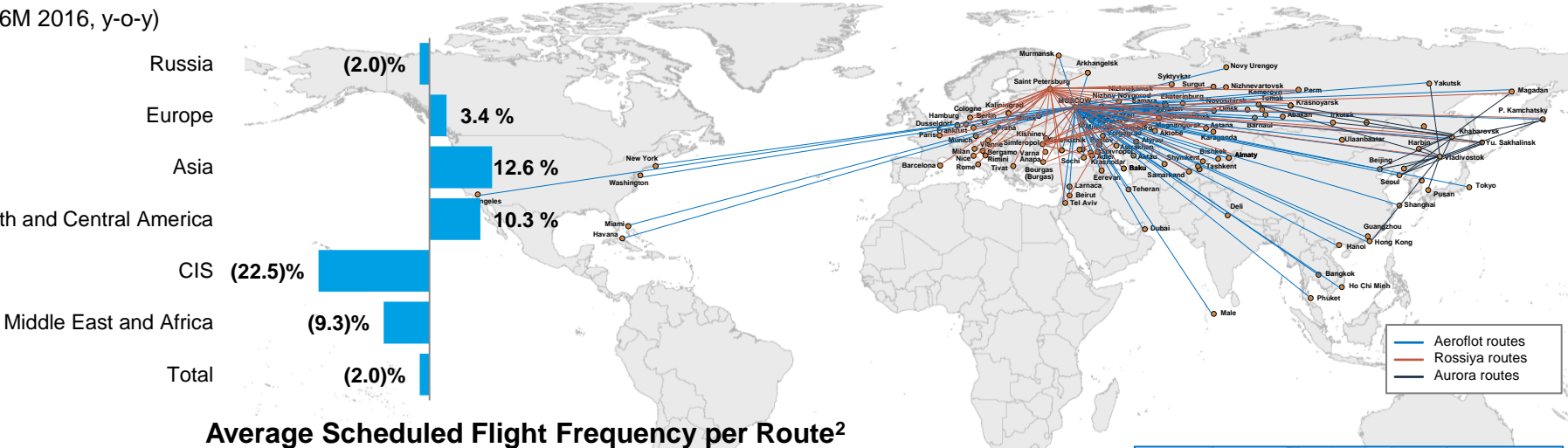
Aeroflot Group Network

of Flights Evolution by Region¹

(6M 2016, y-o-y)

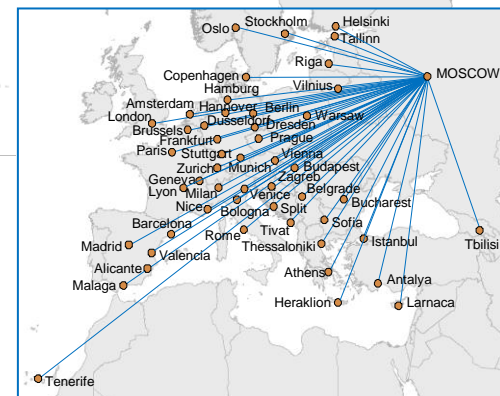
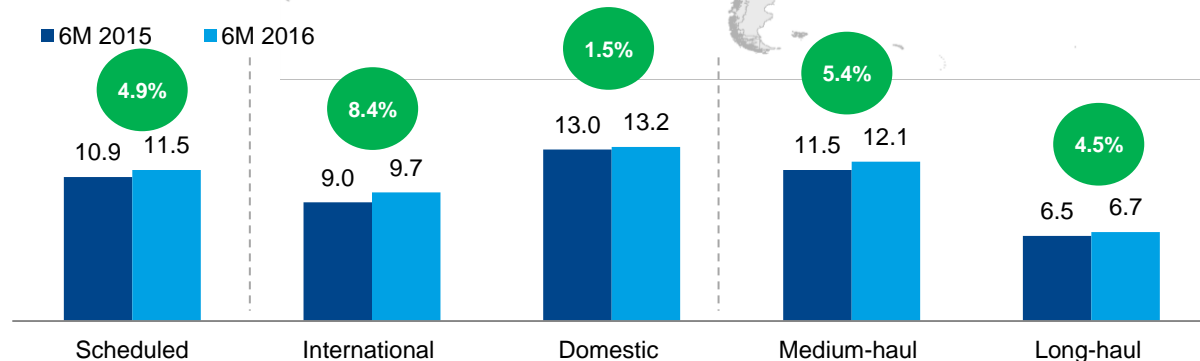


Geographic Network – 2016 Summer Schedule



Average Scheduled Flight Frequency per Route²

Increase in Group frequencies by 4.9% was supported by rapid expansion of the number of frequencies in international segment (+8.4%) due to additional rights distribution at the end of 2015 as well as launch of new destinations

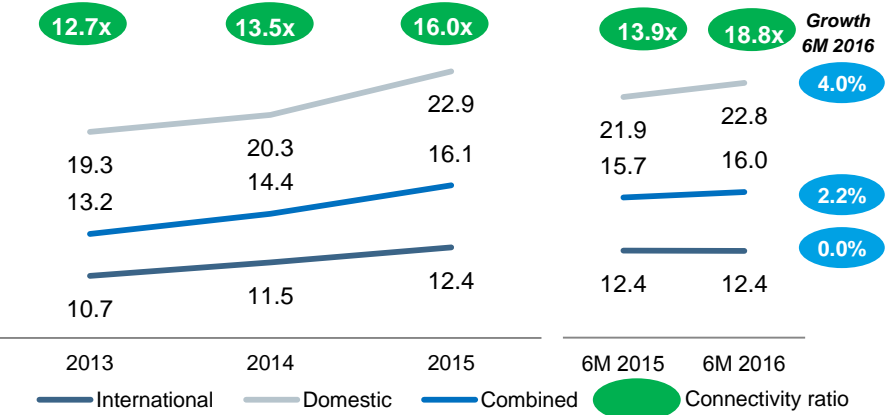


- Moderate growth of destinations, focus on increase in frequencies on scheduled routes
- Aeroflot Group operates flights to 153 unique destinations in 51 countries (in 2016 summer schedule)
- In the first six months of 2016 Aeroflot airline added flights to a number of European destinations (Alicante, Valencia, Lyon)

Note: ¹ Scheduled flights of Aeroflot Group (excluding Pobeda LCC); ² Average weekly frequency per route (excluding Pobeda LCC)

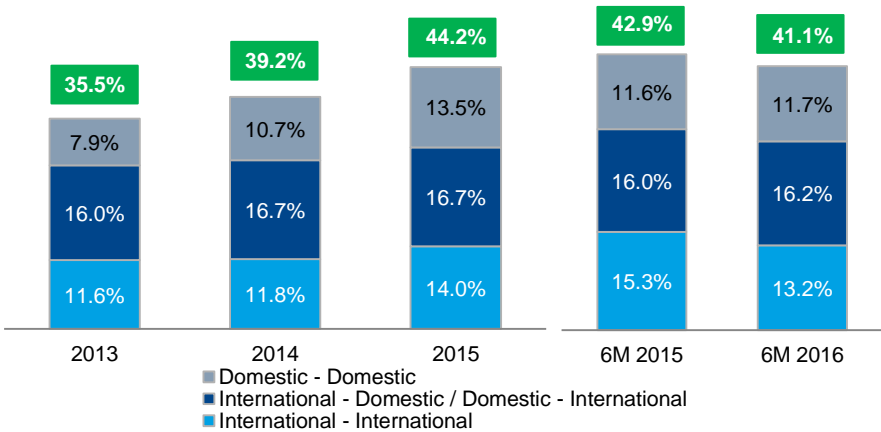
Connectivity and Frequency of Flights¹

Average weekly frequency per route



Aeroflot's Transit Traffic Growth in Sheremetyevo

Share of Transit of Aeroflot Airline in Sheremetyevo



Key International Transit Routes

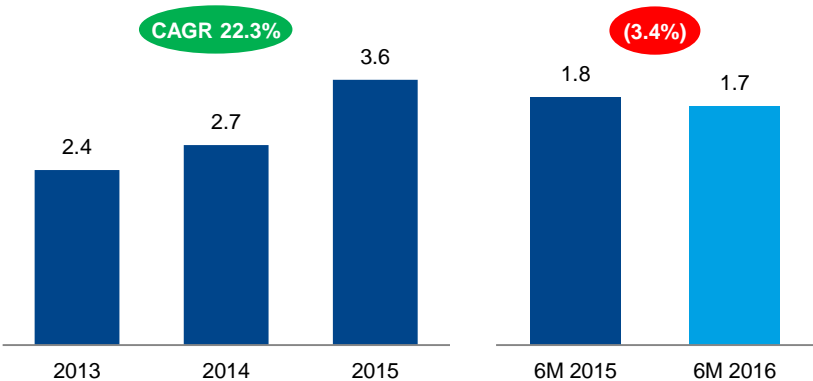
Aeroflot's top transit routes in terms of PAX, 6M 2015



Source: Company data, IMF, Eurostat, RITA, Russian State Statistics Service, Rosaviatsia
¹ Data for Aeroflot airline's own flights

Increase in International – International Traffic

Total Aeroflot airline int. – int. transit traffic, million PAX



Less focus on international-international transit market in 6M 2016 is attributable to a pickup in point-to-point demand

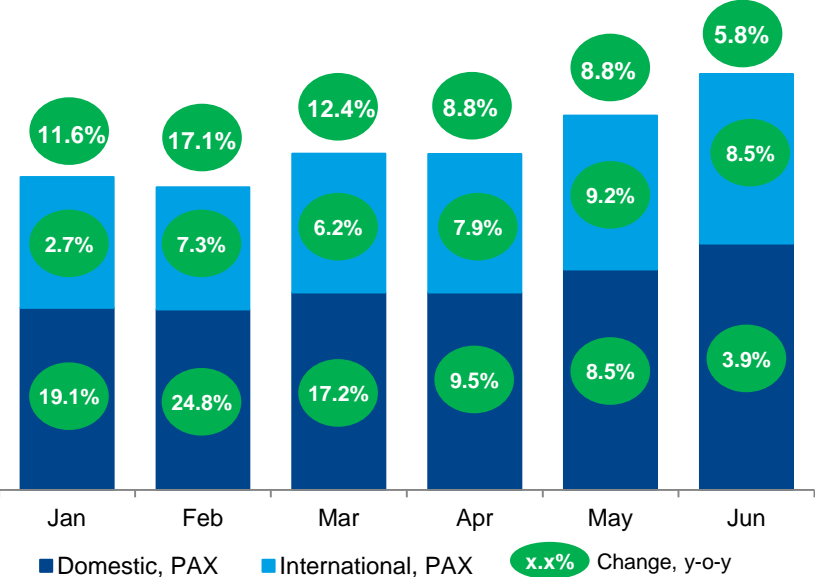
- Increasing flight frequency improves connectivity and supports Aeroflot's traffic growth in Sheremetyevo airport
- Advantageous geographical positions and Group's efforts support traffic growth on key European and Asian destinations

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Aeroflot Group Monthly Operating Results



Passenger Traffic Dynamics



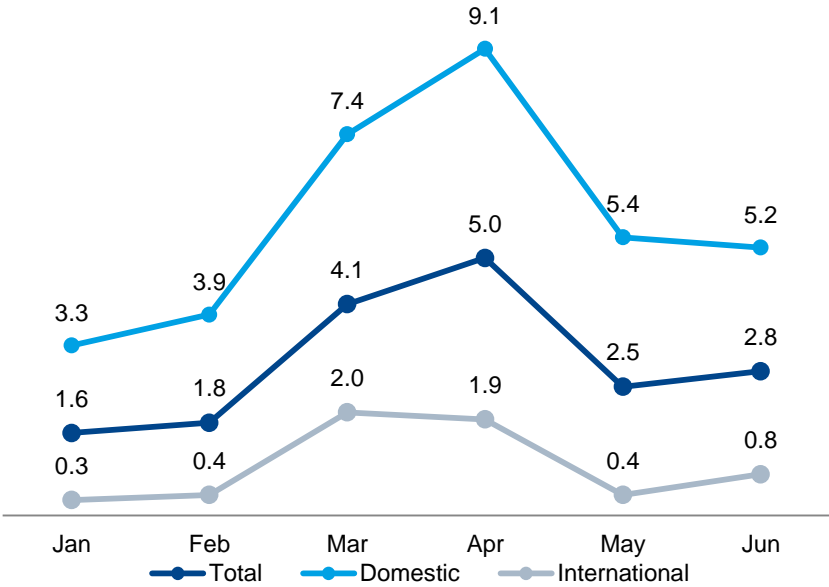
Despite deteriorating international traffic trends for the overall industry, the Group posted strong performance on international routes and outperformed market growth on domestic destinations.

6M 2016	Aeroflot Group	Aeroflot Airline	Market
Total PAX	+ 10.3%	+ 12.2%	- 7.6%
Domestic PAX	+ 12.7%	+ 18.3%	+ 7.7%
International PAX	+ 7.1%	+ 6.7%	- 26.8%

Note: Numbers on this slide are presented only for Russian carries (for comparison purposes between PAX and SLF for the market)
Source: Rosstat, TCH, Aeroflot estimates

- Strong double digit PAX growth on the back of solid domestic market numbers. Normalization of growth pace towards the 3Q is attributed to high base effect of 2015.
- Acceleration of growth on international routes on the back of stabilizing macro and due to low base effect of 2015.
- Positive PLF numbers throughout the 6M 2016 on the back of both domestic and international routes PLF dynamics.

PAX Load Factor Change (PLF_{6M 2016} – PLF_{6M 2015} for respective month)

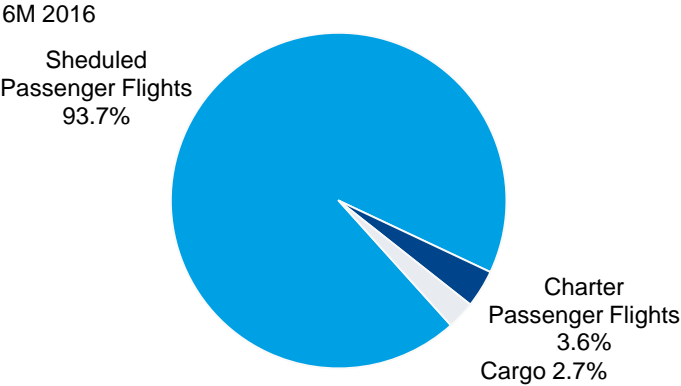


Aeroflot Group and its flagship carrier Aeroflot airline succeeded not only to maintain high load factors but also increase PLF ahead of the market's numbers which are in their turn affected by significant capacity optimizations.

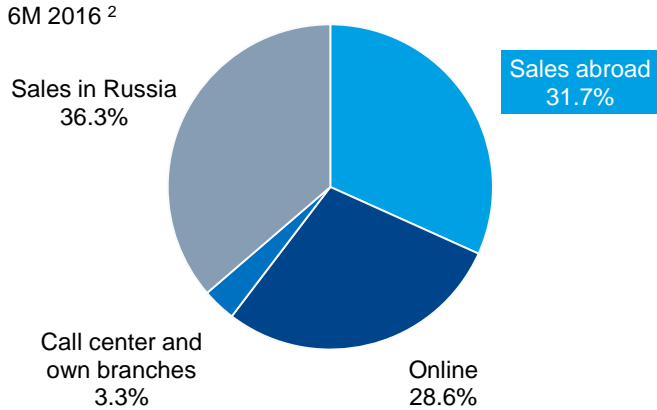
6M 2016	Aeroflot Group	Aeroflot Airline	Market
Total PLF	+ 2.9 p.p.	+ 2.0 p.p.	+ 0.6 p.p.
Domestic PLF	+ 5.6 p.p.	+ 5.5 p.p.	+ 3.3 p.p.
International PLF	+ 1.0 p.p.	+ 0.1 p.p.	- 1.0 p.p.

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Traffic Revenue Breakdown by Type



Scheduled Traffic Revenue by POS



Revenue from Scheduled Passengers (RUB mn)¹

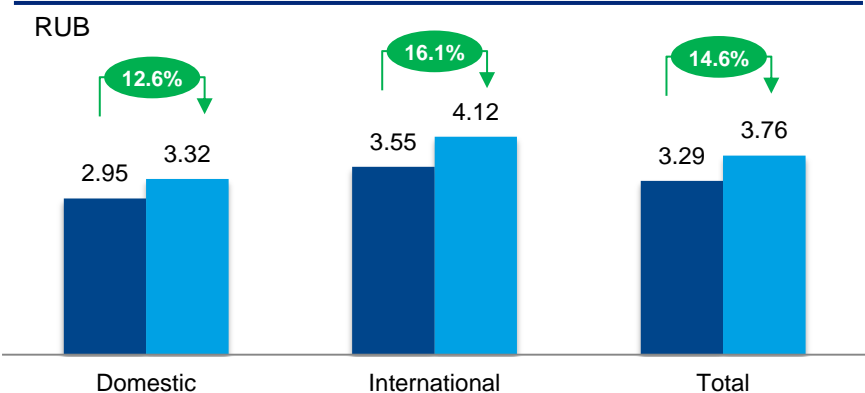
Region	6M 2015	6M 2016	Y-o-Y	6M 2016, % of total scheduled revenue
Russia	57,422	71,511	24.5%	 39.5%
Europe	36,794	48,571	32.0%	 26.8%
Asia	24,381	30,089	23.4%	 16.6%
CIS	9,076	9,901	9.1%	 5.5%
Americas	8,357	12,294	47.1%	 6.8%
Middle East	8,056	8,730	8.4%	 4.8%
Total	144,087	181,096	25.7%	 100.0%

- In 6M 2016 revenue from scheduled passengers grew by 25.2% on the back of revenue growth across all regions
- Key drivers of revenue growth are Russian, European and Asian markets

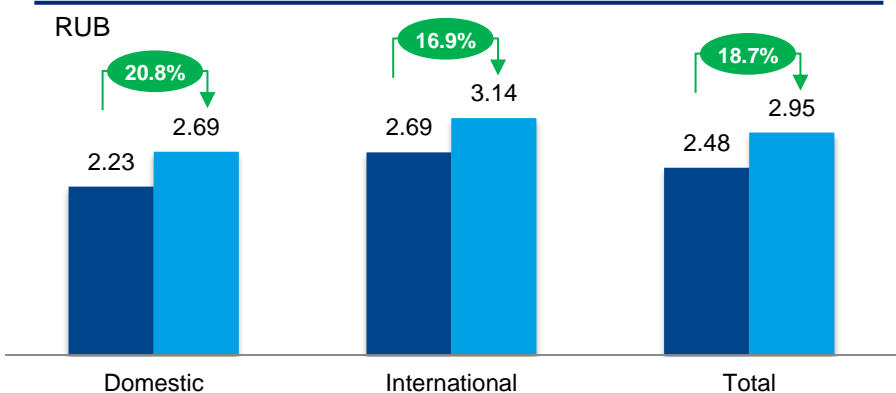
¹ Data presented based on management accounting

² Data presented based on management accounting for Aeroflot airline and routes of subsidiary airlines under commercial management of Aeroflot

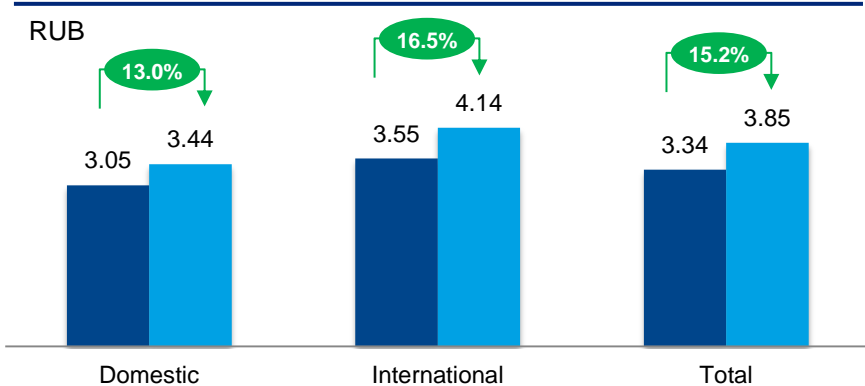
6M 2016 Yield (PAX Revenue / RPK)



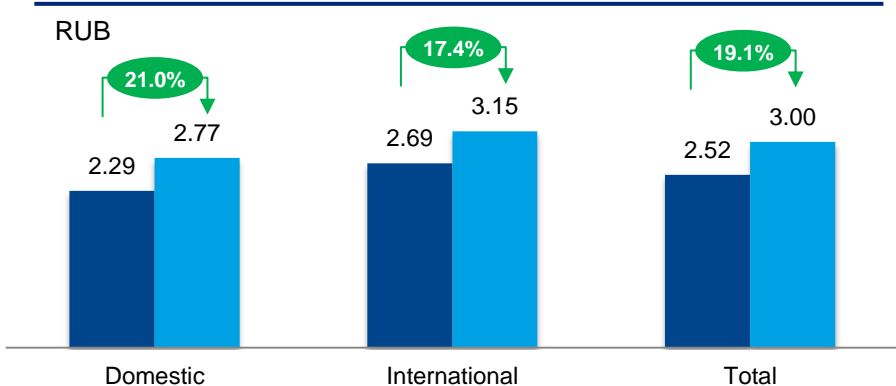
6M 2016 RASK (PAX Revenue / ASK)



6M 2016 Yield ex. Pobeda (PAX Revenue / RPK)



6M 2016 RASK ex. Pobeda (PAX Revenue / ASK)



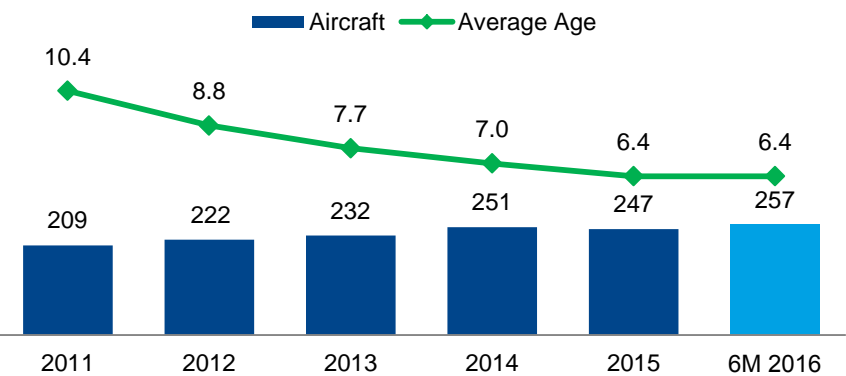
% Y-o-Y increase 6M 2015 6M 2016

- Active revenue management strategy translates into gradual increase in yields
- Positive impact of RUB devaluation and subsequent increase in RUB yields for inbound and transit routes

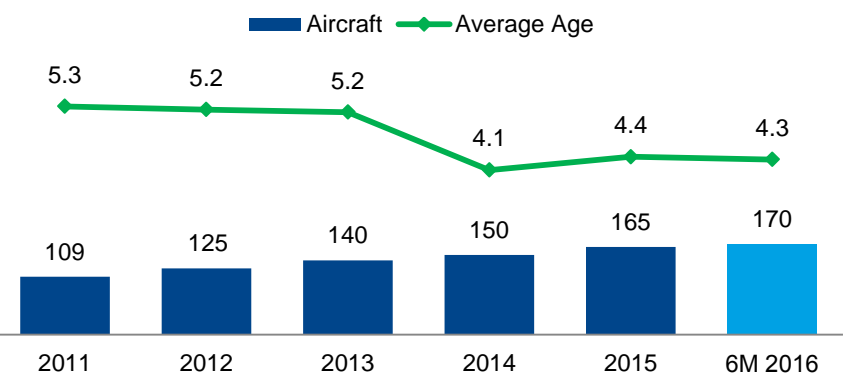
Note: Data presented based on management accounting

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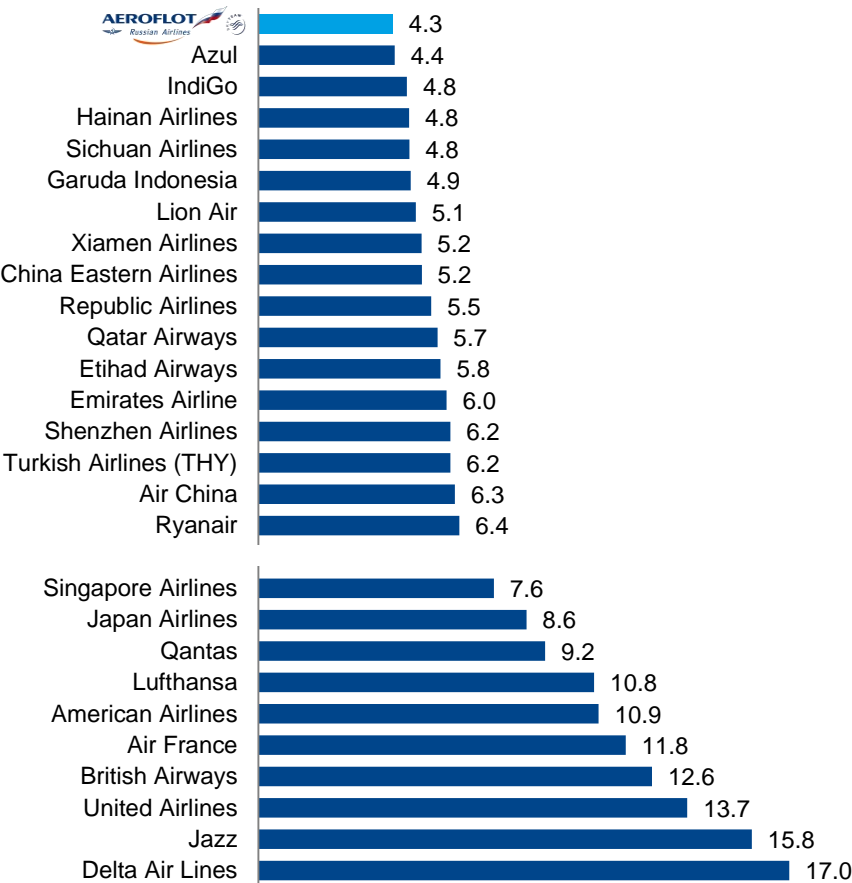
Aeroflot Group Fleet in Operation ¹



Aeroflot Airline Fleet in Operation ¹



Average Age of the Fleet ²



- Aeroflot operates the youngest fleet in the industry among airlines with active fleet of 100+ aircraft
- Aeroflot achieved significant progress in fleet renewal both for Aeroflot airline and for the Group

¹ Excludes planes out of operation

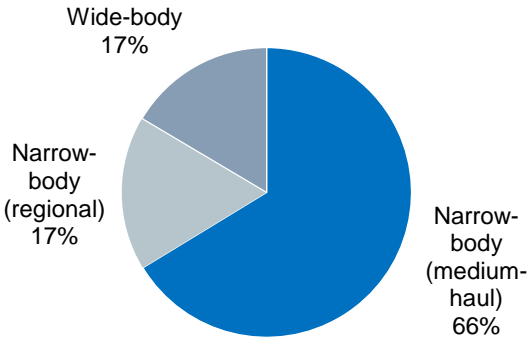
² Average Fleet Age of Selected Airlines with Active Fleet of 100+ Aircraft According to ACAS Statistics Excluding Aeroflot (as of June 2016) excluding planes out of operation

Aeroflot Group Fleet Breakdown

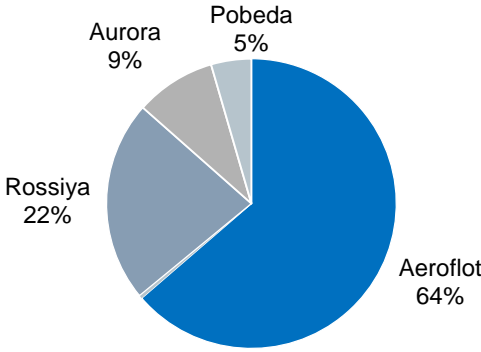


Aircraft Type	Operated by		Lease type		Owned	Total as of 30-Jun-2016	Total as of 31-Dec-2015	Change vs. 31-Dec-2015
	Aeroflot	Subsidiaries	Finance	Operating				
Wide-body	36	8	18	26	-	44	39	5
Boeing 767	-	-	-	-	-	-	1	(1)
Airbus A330	22	-	8	14	-	22	22	-
Boeing 777	14	5	10	9	-	19	16	3
Boeing 747	-	3	-	3	-	3	-	3
Narrow-body (medium-haul)	105	72	26	151	-	177	181	(4)
Airbus A319	-	36	9	27	-	36	40	(4)
Airbus A320	66	6	-	72	-	72	70	2
Airbus A321	22	-	17	5	-	22	26	(4)
Boeing 737	17	30	-	47	-	47	45	2
Narrow-body (regional)	29	17	6	36	4	46	41	5
DHC 8	-	9	-	5	4	9	9	-
DHC 6	-	2	-	2	-	2	2	-
An 148	-	6	6	-	-	6	6	-
SSJ 100	29	-	-	29	-	29	24	5
Total fleet¹	170	97	50	213	4	267	261	6

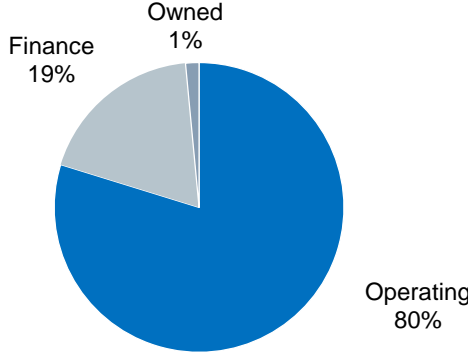
Breakdown by Aircraft Type



Breakdown by Company



Breakdown by Ownership Type



• Well-balanced fleet structure in line with Group’s strategy

¹ Excluding 1 An-24

Delivery/Phase-out Schedule in Accordance with Existing Contracts

Type of	6M 2016 (Actual)		Current fleet ⁽¹⁾	H2 2016		2017		2018		2019		2020 and beyond	
aircraft	Delivery	Phase out		Delivery	Phase out	Delivery	Phase out	Delivery	Phase out	Delivery	Phase out	Delivery	Phase out
Wide-body (long-haul)	6	(1)	44	10	(1)	6	(1)	5	(1)	3	(3)	14	(76)
A-330	-	-	22	-	-	-	-	-	-	-	(3)	-	(19)
B-777	3	-	19	4	(1)	1	(1)	-	(1)	-	-	-	(21)
B-747	3	-	3	6	-	5	-	-	-	-	-	-	(14)
B-767	-	(1)	-	-	-	-	-	-	-	-	-	-	-
A-350	-	-	-	-	-	-	-	5	-	3	-	14	(22)
Narrow-body (medium-haul)	8	(12)	177	23	(12)	39	(12)	26	(17)	-	(21)	-	(193)
A-319	1	(5)	36	-	-	-	(3)	-	(7)	-	(7)	-	(12)
A-320	4	(2)	72	5	(3)	11	(5)	10	(9)	-	(11)	-	(67)
A-321	-	(4)	22	13	(4)	8	-	4	-	-	(2)	-	(41)
B-737	3	(1)	47	5	(5)	20	(4)	12	(1)	-	(1)	-	(73)
Narrow-body (regional)	5	-	46	3	-	9	(2)	11	-	-	(3)	-	(56)
SSJ-100	5	-	29	1	-	9	-	11	-	-	-	-	(50)
An-148	-	-	6	-	-	-	-	-	-	-	-	-	(6)
DHC-8	-	-	9	2	-	-	(2)	-	-	-	(3)	-	-
DHC-6	-	-	2	-	-	-	-	-	-	-	-	-	-
TOTAL	19	(13)	267	36	(13)	54	(15)	42	(18)	3	(27)	14	(325)

Net additions ⁽¹⁾

+ 6 aircraft

+ 23 aircraft

+ 39 aircraft

+ 24 aircraft

n/a ⁽²⁾

n/a ⁽²⁾

- Aeroflot Group continues to intelligently manage capacity additions and develop its fleet taking into account market trends and opportunities.

Notes: (1) As of 30.06.2016; Not including 1 An-24

(2) Net addition after 2019 is not applicable

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RUB mn (where applicable)	6M 2015	6M 2016	Change
Revenue	176,467	223,824	26.8 %
EBITDAR¹	33,252	58,396	75.6 %
<i>EBITDAR¹ margin</i>	<i>18.8 %</i>	<i>26.1 %</i>	<i>7.3 p.p.</i>
EBITDA	13,311	30,035	x2.3
<i>EBITDA margin</i>	<i>7.5 %</i>	<i>13.4 %</i>	<i>5.9 p.p.</i>
Operating profit	5,866	23,250	x4.0
<i>Operating margin</i>	<i>3.3 %</i>	<i>10.4 %</i>	<i>7.1 p.p.</i>
Net (loss)/income	(3,542)	2,467	n/a
<i>Net margin</i>	<i>neg. margin</i>	<i>1.1 %</i>	<i>n/a</i>

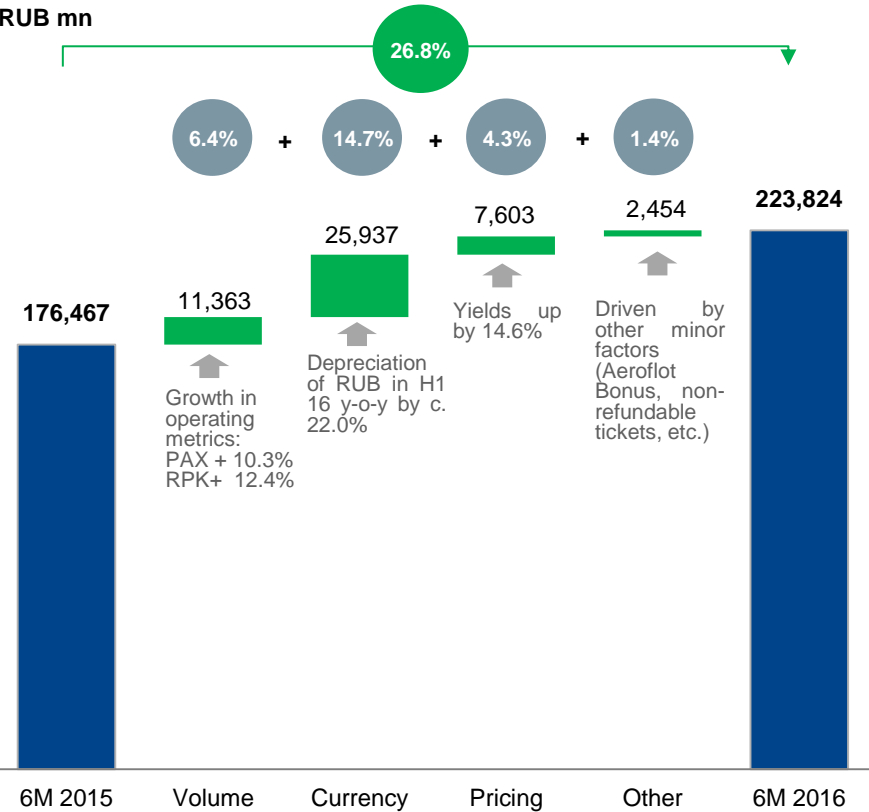
- Revenue growth driven by expanding passenger traffic, active revenue management and positive impact from currency devaluation.
- Increase in EBITDAR and EBITDA margins in 6M 2016 y-o-y on the back of revenue growth and strict effective cost control.

¹ EBITDAR = EBITDA + operating lease expenses;

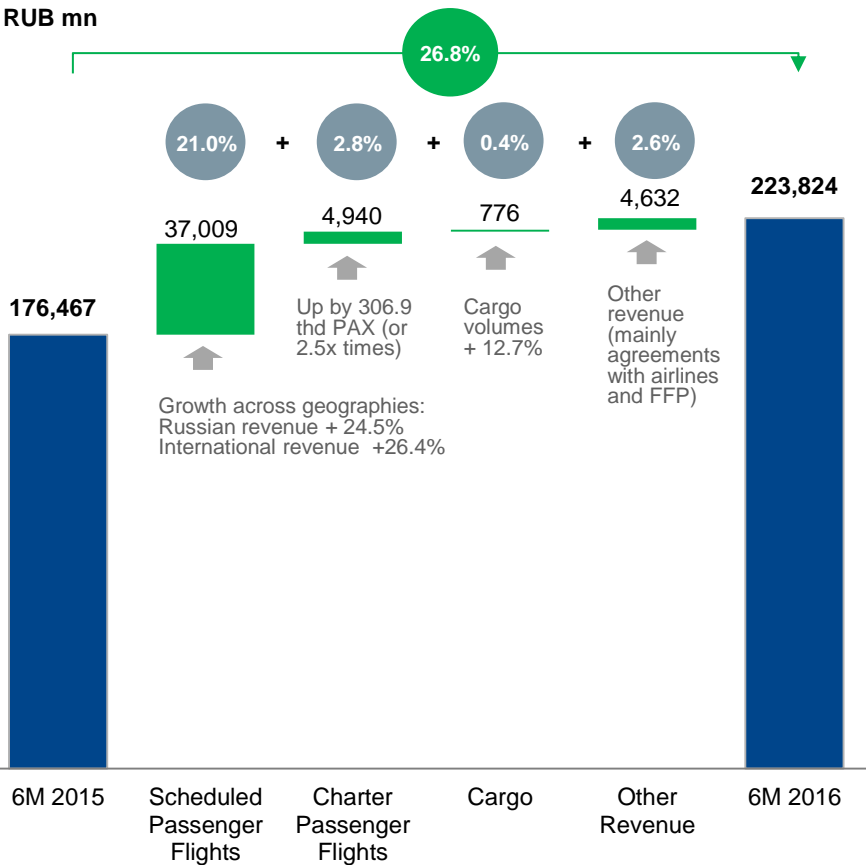
Revenue Growth Decomposition



Revenue by Key Factors












Revenue by Business Segments



- Positive contribution of volume and RUB devaluation to revenue growth was reinforced by stronger fare policy in hard currency terms notwithstanding the volatile macro environment
- Primary driver of revenue growth was expansion of scheduled passenger flights

Operating Costs

Operating Expense (RUB mn If not stated otherwise)	6M 2015	6M 2016	Change y-o-y	Change ex. FX & NRE	% of total operating expense (6M 2016)
Fuel	44,714	44,790	0.2 %	(12.6)%	 22.3%
Opex (ex. Fuel)	125,887	155,784	23.7 %	13.4 %	77.7%
Aircraft, traffic and passenger servicing	34,516	40,120	16.2 %	11.0 %	 20.0%
Staff	27,235	31,032	13.9 %	13.8 %	 15.5%
Operating lease	19,941	28,362	42.2 %	21.0 %	 14.1%
Maintenance	13,098	17,525	33.8 %	13.1 %	 8.7%
SG&A ¹	11,479	12,843	11.9 %	1.7 %	 6.4%
D&A and custom duties	7,445	6,785	(8.9)%	(8.9)%	 3.4%
Other expenses ²	12,173	19,117	57.1 %	32.2 %	 9.5%
Total Opex	170,601	200,574	17.6 %	6.6 %	 100.0%

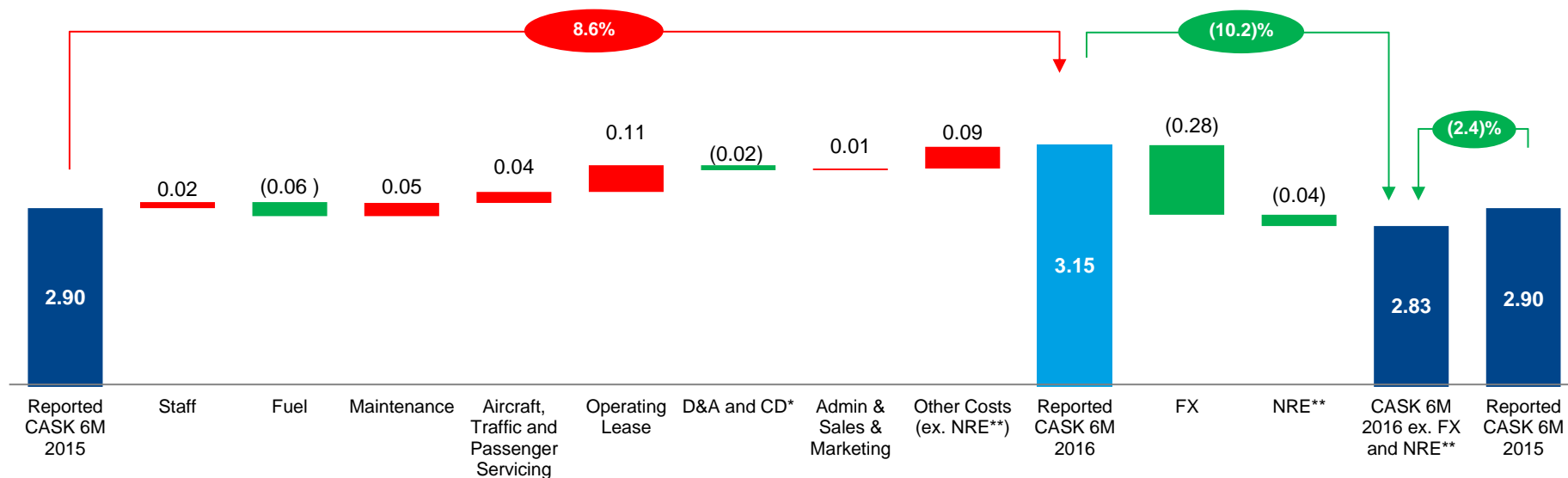
- In 6M 2016 operating costs were significantly impacted by expansion of operations and RUB depreciation which mostly affected fuel expenses, operating lease expense, maintenance and aircraft, traffic and passenger servicing costs

¹ Includes sales and marketing expenses and administration and general expenses

² Other expenses include inflation of Global Distribution Systems cost

Group Unit Costs

Operating Expense per ASK (CASK), RUB	6M 2015	6M 2016	Change
Fuel	0.76	0.70	(7.4)%
Opex (ex. Fuel):	2.14	2.45	14.4 %
Aircraft, Traffic and Passenger Servicing	0.59	0.63	7.4 %
Staff	0.46	0.49	5.3 %
Operating Lease	0.34	0.45	31.4 %
Maintenance	0.22	0.28	23.6 %
SG&A	0.20	0.20	3.4 %
D&A and Customs Duties	0.13	0.11	(15.8)%
Other Expenses	0.21	0.30	45.1 %
Total Opex	2.90	3.15	8.6 %



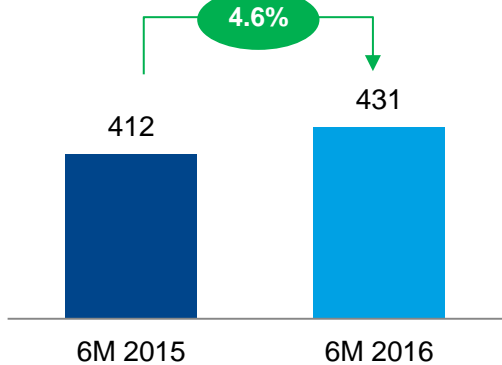
- Cost per ASK increased by 8.6% from RUB 2.90 in 6M 2015 to RUB 3.15 in 6M 2016 on the back of operating expenses increase due to negative FX effects
- Efficient CASK management during the reporting period (both reported and net of external FX effects)

* Customs duties

** Non-recurring expenses include pre-term return of aircraft at Orenair and BSP and other agents bad debt reserve

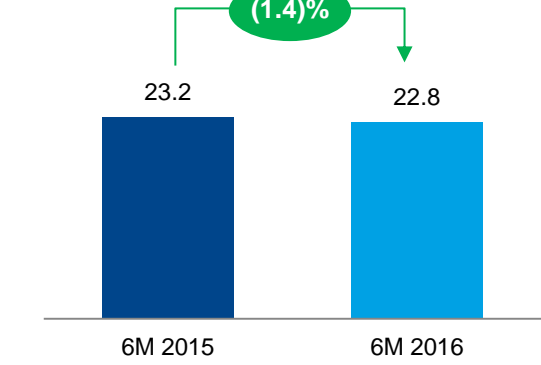
Flight Hours

(thousand hours)



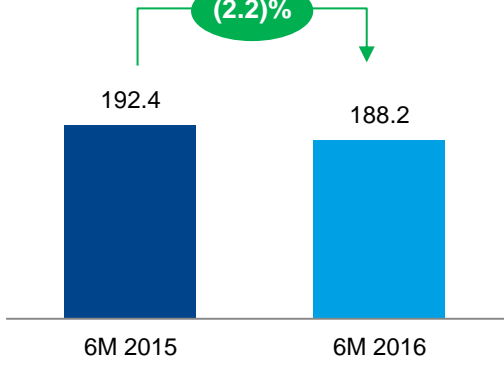
Fuel Consumption per ASK

(gr/ASK)



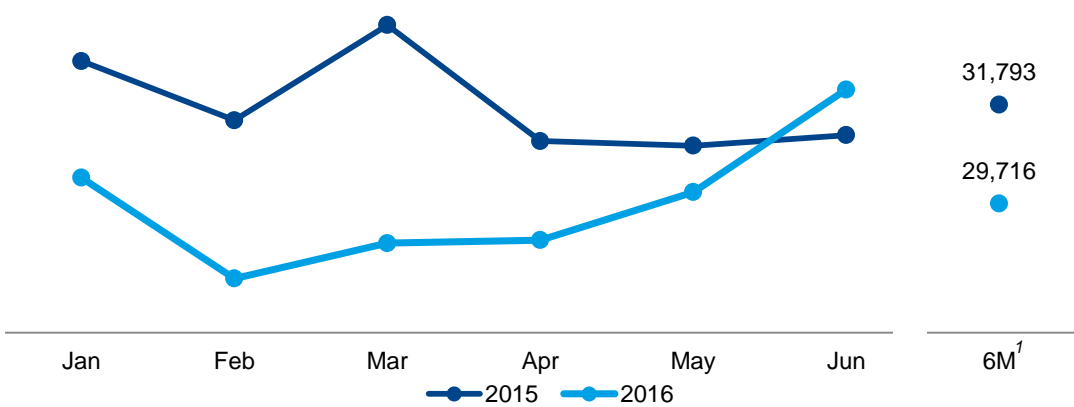
Fuel Consumption per ATK

(gr/ATK)



Aeroflot Airline Jet Fuel Price

(RUB per tonne of jet fuel)



¹ Average price for 6 months

² USD/RUB exchange rate as per the Central Bank of Russia

³ Assuming 18% VAT rate

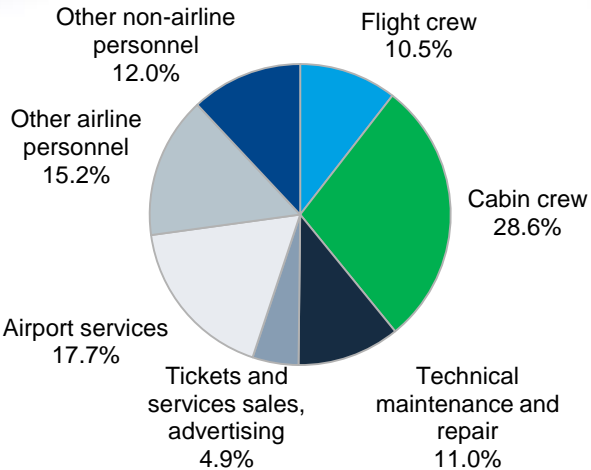
Comments

- **Continuous fuel supply optimization:** 1-year supply contracts in airports across Russia
- **Majority of fuel purchased in Russia and almost all fuel at international airports supplied at formula-linked price** - Jet fuel price = NW Europe (FOB Rotterdam) price x Discount x FX rate² x 1.18³ + Storage/Fuelling/Supply fees (if any of these applicable)
- **Decreasing average fuel price.** Average fuel purchase price of \$425/ton (c.RUB29,716/ton) in 6M 2016 vs \$557/ton (RUB31,793/ton) in 6M 2015 (6.5% y-o-y decrease in RUB terms)

- **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**
- **Oil price, RUB fluctuations and changes in taxation of oil and gas sector led to a decrease in jet fuel price for Aeroflot**

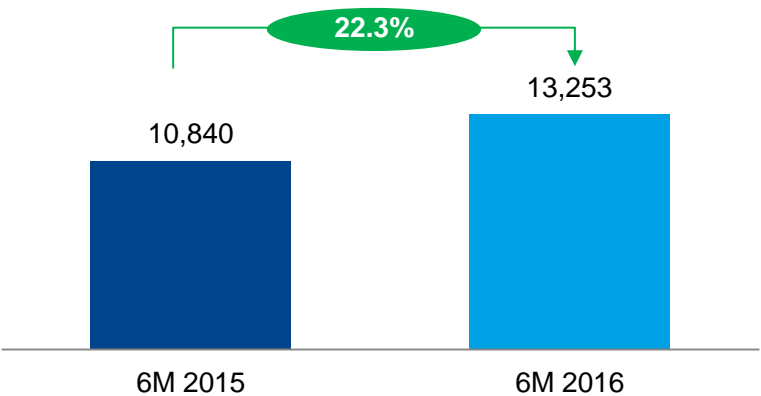
Aeroflot Group Headcount by Category

	31-Dec-2015	30-Jun-2016	Y-o-Y
Flight crew	3,524	3,802	7.9%
Cabin crew	9,758	10,368	6.3%
Technical maintenance and repair	3,871	4,000	3.3%
Tickets and services sales, advertising	1,680	1,790	6.5%
Airport services	5,726	6,410	11.9%
Other airline personnel (inc. airlines' head office)	5,557	5,503	(1.0)%
Other non-airline subsidiaries' personnel	3,915	4,338	10.8%
Total	34,031	36,211	6.4%



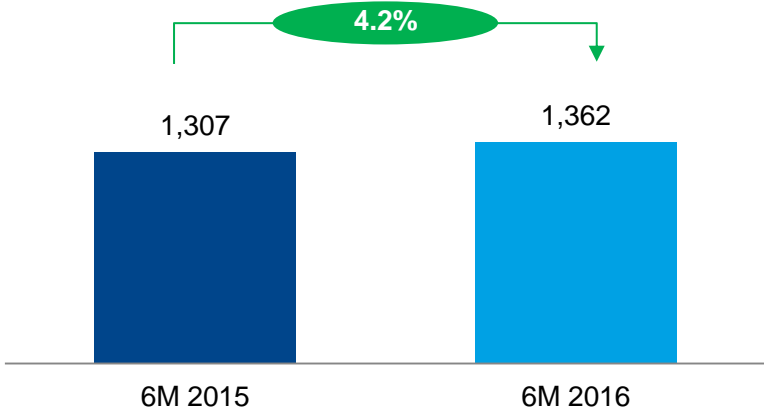
Traffic Revenue / Airlines' Headcount

(RUB '000 per employee, annualized)



PAX Traffic / Airlines' Headcount

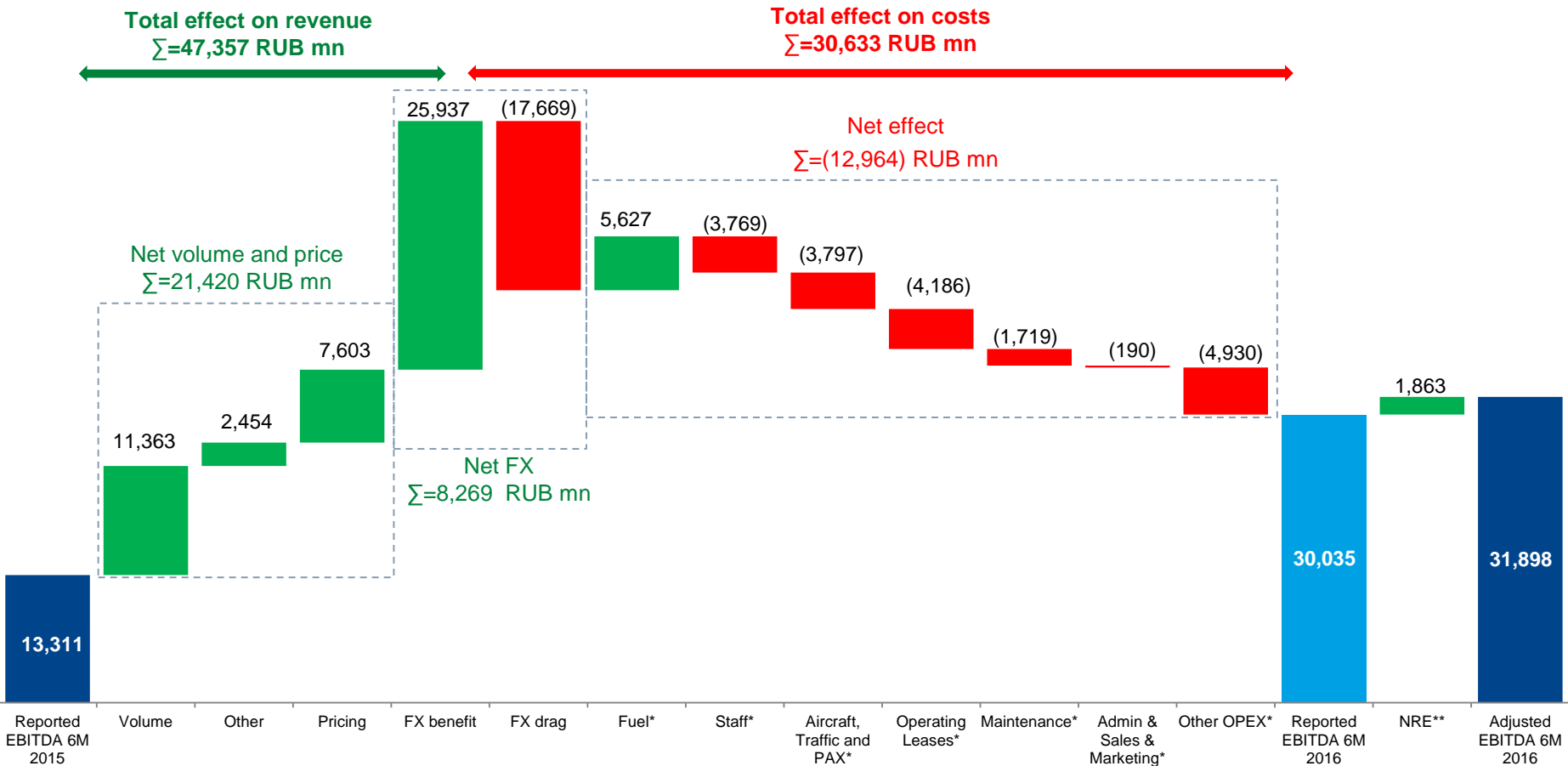
(passengers per employee, annualized)



• Significant improvement in labour productivity has resulted in increasing PAX traffic per employee

EBITDA Evolution

(RUB mn)

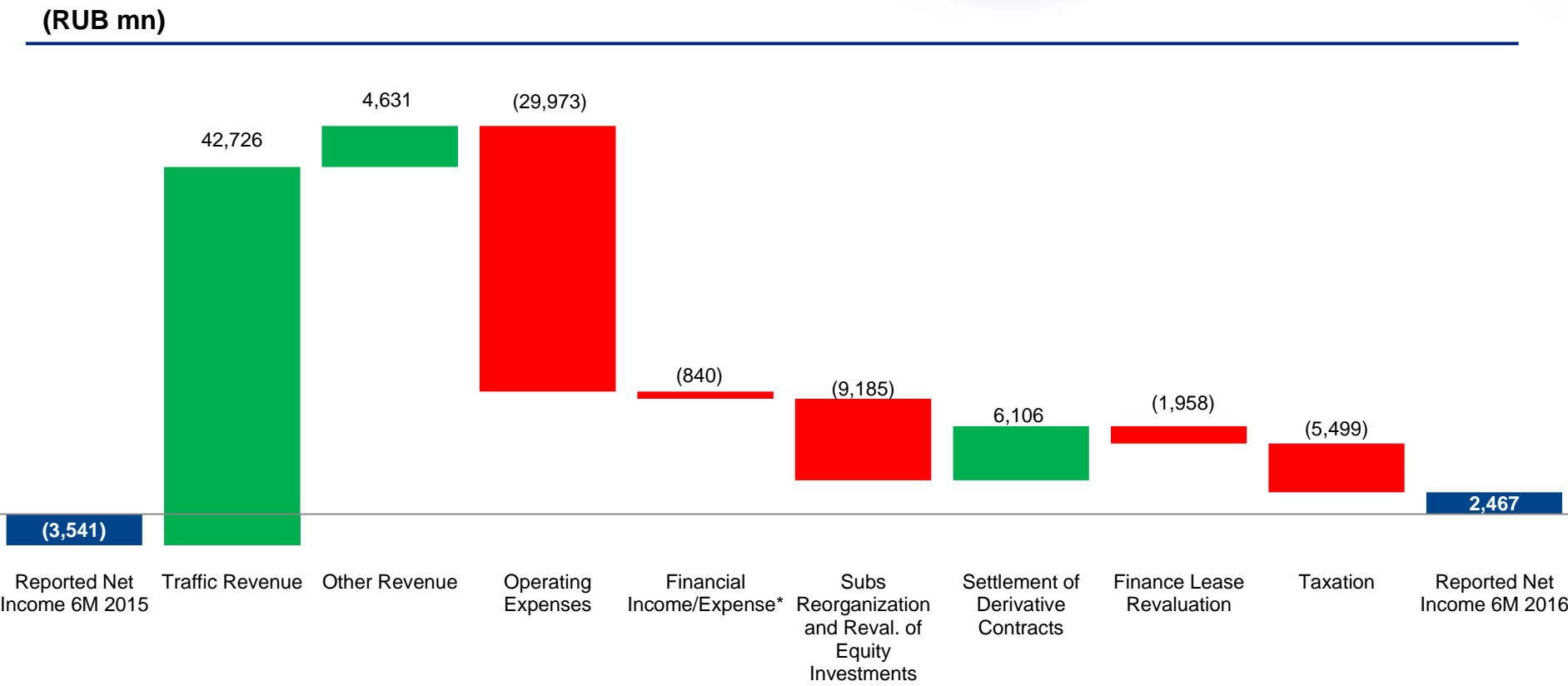


- FX impact on operating costs was completely offset by positive contribution of FX change to revenue
- Net of FX effect decrease in fuel price significantly compensated for the increase in key operating costs
- Key driver of EBITDA increase is the growth in size and scale of operations

* Excluding currency impact

** Non-recurring expenses include pre-term return of aircraft at Orenair and BSP and other agents bad debt reserve

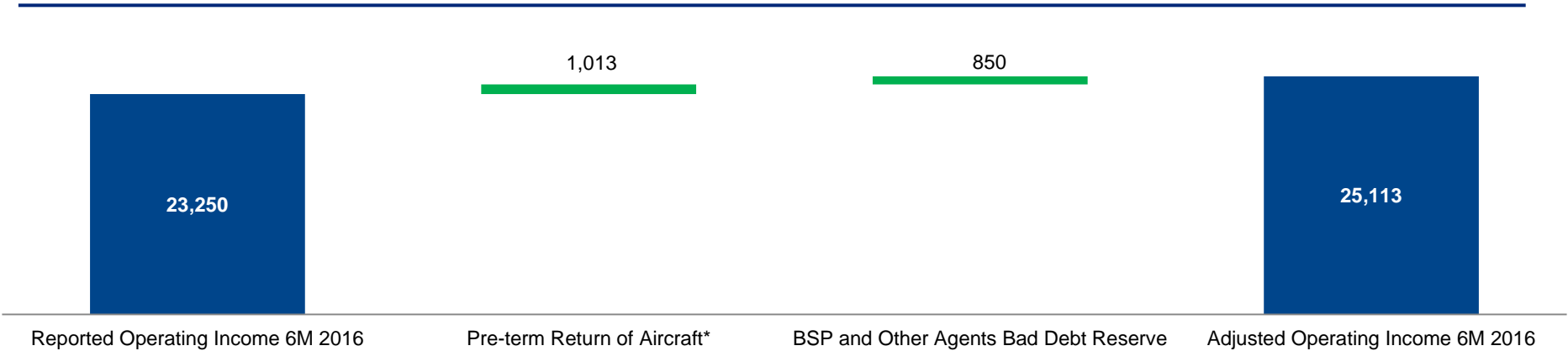
Net Income Evolution



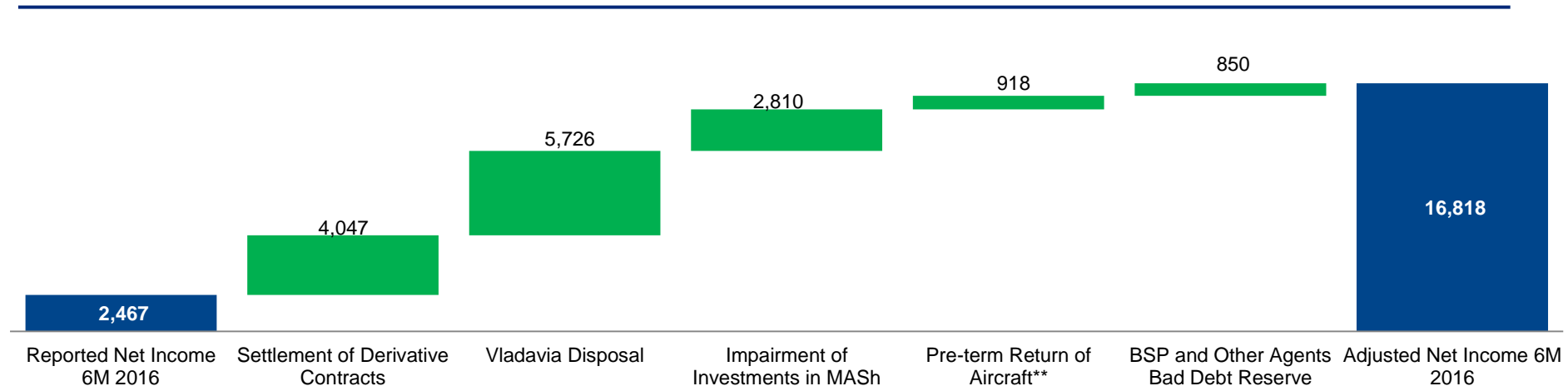
• Strong results at operating level ensured improvement of the bottom line

* Excluding financial income/expense associated with derivatives

6M Adjusted Operating Income Build-Up (RUB mn)



6M Adjusted Net Income Build-Up (RUB mn)



• Aeroflot Group delivered strong results despite significant impact of one-off effects in 6M 2016

* Orenair aircraft
** Orenair aircraft, including FX effect

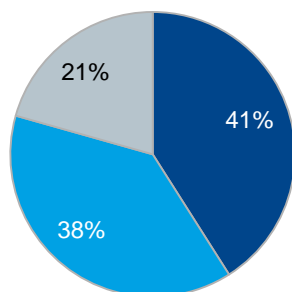
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Debt Profile

RUB mn	31-Dec-2015	30-Jun-2016	Change
Borrowings	68,460	43,078	(37.1)%
Finance Lease Liabilities	164,524	137,002	(16.7)%
Pension Liabilities	745	797	7.0 %
Total Debt	233,729	180,878	(22.6)%
Cash and Short Term Investments	36,610	58,609	60.1 %
Net Debt	197,119	122,269	(38.0)%

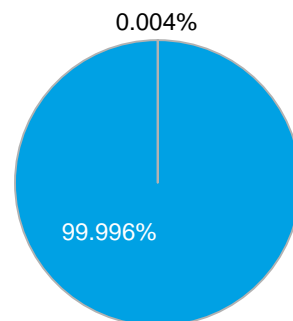
Debt breakdown by currency

Borrowings

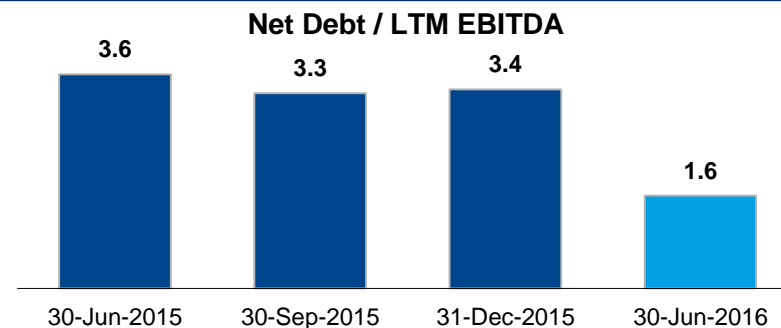


■ RUB ■ USD ■ EUR

Finance Lease

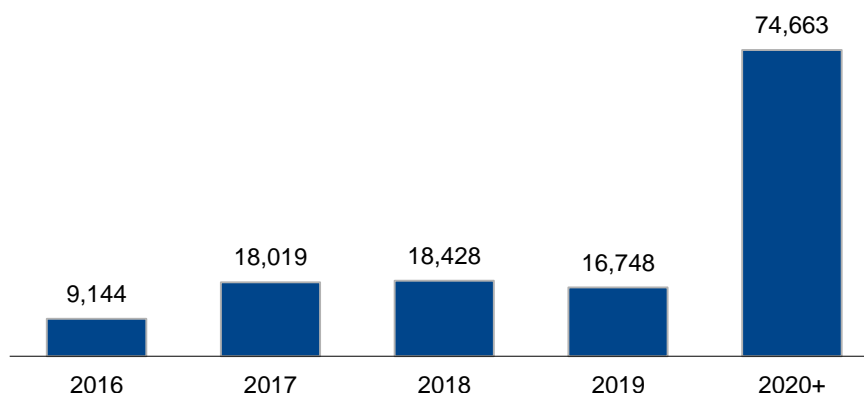


Net Debt / LTM EBITDA¹



RUB mn	30-Jun-2015	30-Sep-2015	31-Dec-2015	30-Jun-2016
Net Debt	119,649	161,880	197,119	122,269
EBITDA ¹	33,122	49,127	58,703	75,427

Finance Lease Repayment Schedule (RUB mn)²



- Total Debt decreased by 22.6% mainly due to decrease in borrowings and revaluation of finance lease obligations
- Cash position of RUB 58.6 billion and undrawn credit lines of RUB 77.8 billion

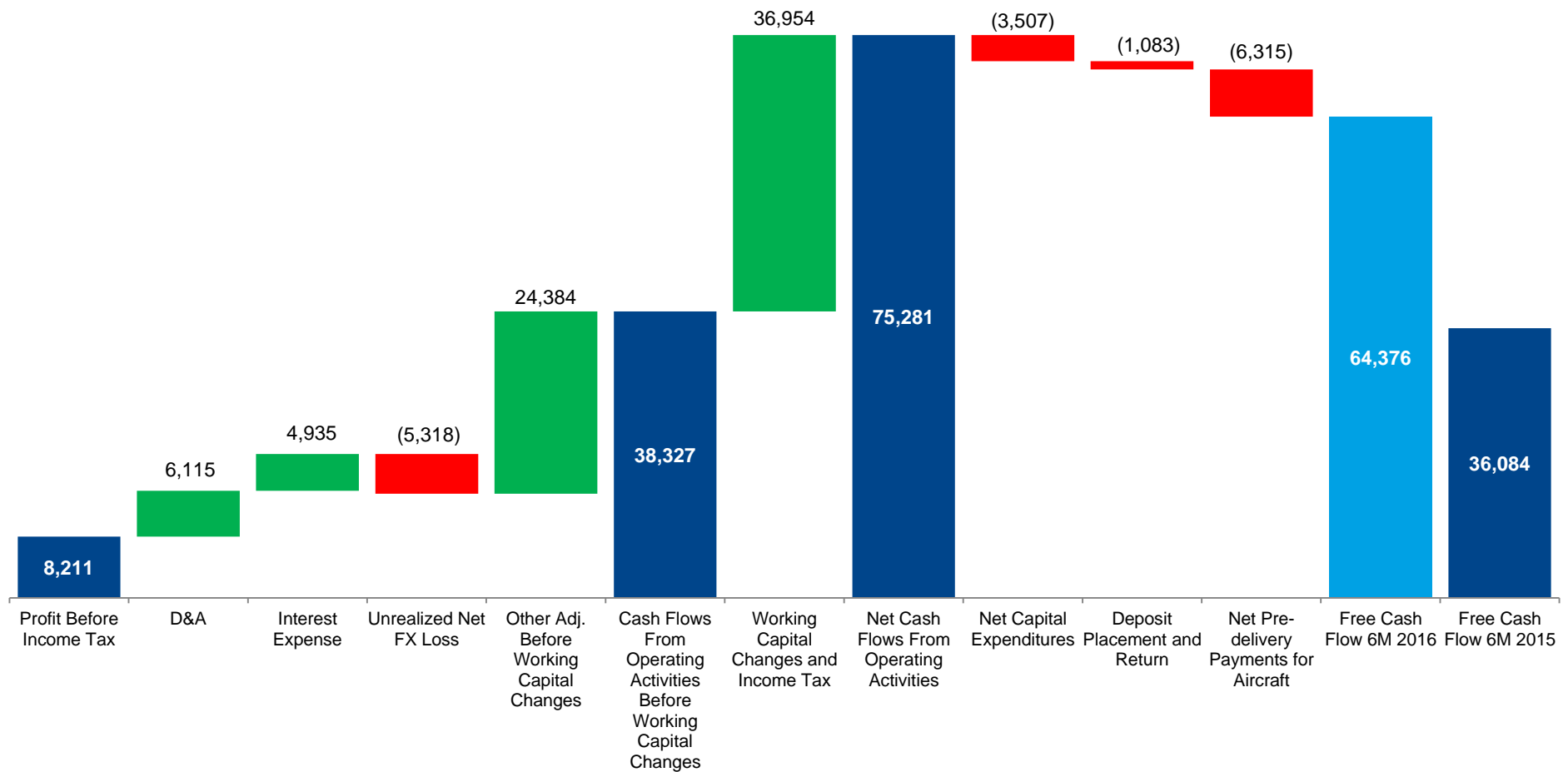
¹ Net debt does not include capitalised operating lease expenses, based on annualized EBITDA

² Not including interest; future payments in dollars converted into roubles at exchange rate of 64.2575 RUB per USD

Operating Free Cash Flow



(RUB mn)



• Strong Operating and Free Cash Flow in 6M 2016 on the back of growing business volumes, operating performance supported by working capital improvement ahead of the Q3 high season

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Operating Data – 6M 2016

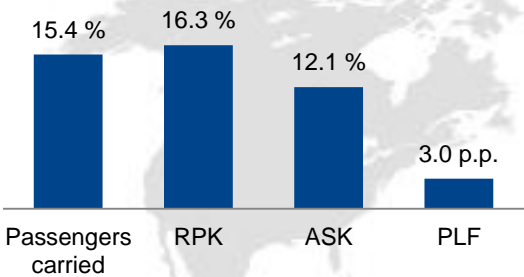
Indicator	Unit	Aeroflot airline			Aeroflot Group		
		6M 2015	6M 2016	Y-o-Y	6M 2015	6M 2016	Y-o-Y
Passenger Traffic	th PAX	11,981	13,438	12.2%	17,854	19,694	10.3%
International Routes	th PAX	6,356	6,783	6.7%	7,558	8,092	7.1%
Domestic Routes	th PAX	5,624	6,655	18.3%	10,296	11,602	12.7%
Passenger Turnover	mn pkm	34,166	38,327	12.2%	44,479	50,010	12.4%
International Routes	mn pkm	22,241	24,549	10.4%	25,019	28,277	13.0%
Domestic Routes	mn pkm	11,925	13,778	15.5%	19,460	21,734	11.7%
Passenger Capacity	mn ASK	44,419	48,603	9.4%	58,789	63,616	8.2%
International Routes	mn ASK	29,116	32,087	10.2%	33,007	36,830	11.6%
Domestic Routes	mn ASK	15,302	16,516	7.9%	25,782	26,786	3.9%
Passenger Load Factor	%	76.9%	78.9%	2.0	75.7%	78.6%	2.9 p.p.
International Routes	%	76.4%	76.5%	0.1	75.8%	76.8%	1.0 p.p.
Domestic Routes	%	77.9%	83.4%	5.5	75.5%	81.1%	5.6 p.p.
Tonne-Kilometres	mn tkm	3,371	3,794	12.5%	4,320	4,870	12.7%
International Routes	mn tkm	2,186	2,390	9.3%	2,439	2,728	11.8%
Domestic Routes	mn tkm	1,185	1,404	18.4%	1,881	2,143	13.9%
Flight Hours	hours	286,081	308,269	7.8%	411,987	430,865	4.6%

- Strong double-digit PAX growth on domestic market throughout the year on the back of increasing capacity
- Growing passenger load factor on both international and domestic routes as a result of intelligent capacity management

6M 2016 Operating Data by Region (Scheduled Routes)

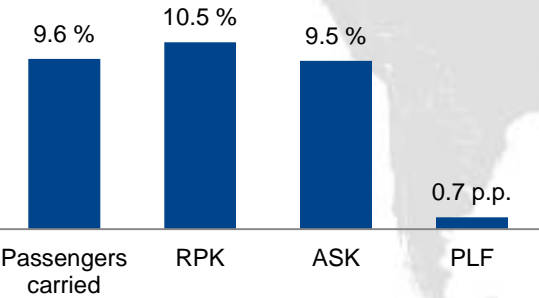


Americas



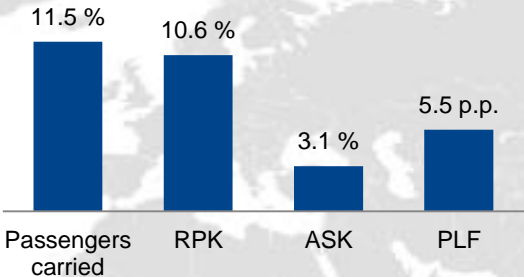
Higher demand on the flights to the region on the back of operating program expansion resulted in PLF improvement

Europe



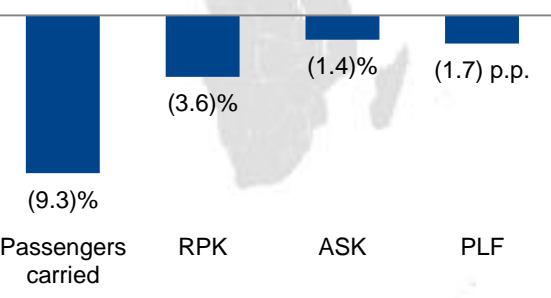
Softening of competitive landscape, intelligent capacity management and additional destinations in Europe

Russia



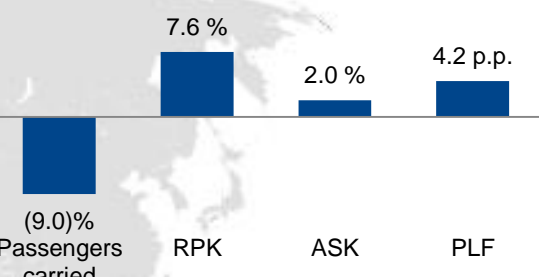
Russian market is a star performer for the third year in row, despite high base of previous year

Middle East



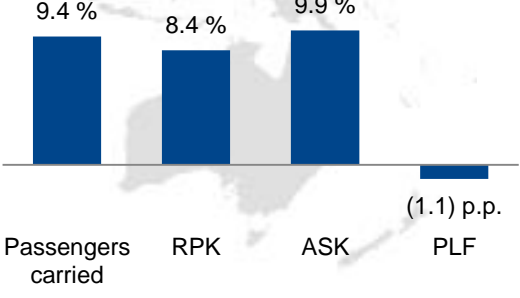
Middle East market performance affected by frequencies and destination optimization by Aeroflot and subsidiaries (incl. suspension of flights to Egypt and Turkey)

CIS



Passengers carried numbers were under pressure due to suspension of flights to Ukraine, which was compensated by additional demand on new Kazakhstan routes

Asia



Asian market indicators increase was sustained due to capacity expansion on selected routes, less competition as well as increased transit demand from Asia

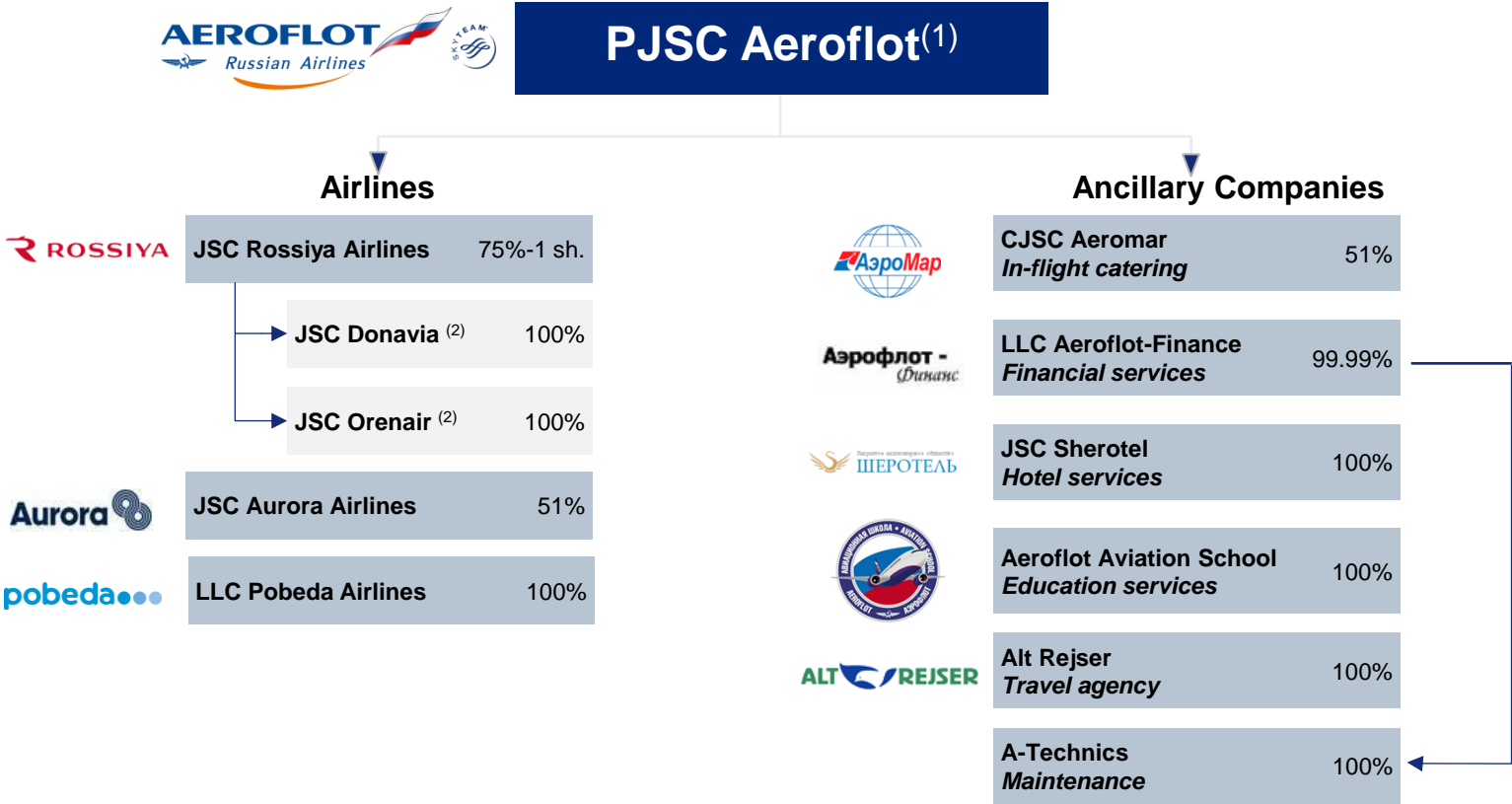
- Strong operating performance on the scheduled routes was partially offset by selective adjustments in network due to internal and external reasons

Source: Data presented based on management accounting for scheduled flights of Aeroflot Group (excluding charter flights)

Key Operating Data of Subsidiary Airlines

		Rossiya	Orenair	Donavia	Aurora	Pobeda	Total
Passenger Traffic, thousand PAX	6M 2016	2,958	491	209	607	1,991	6,256
	6M 2015	2,348	1,191	728	506	1,102	5,874
	Y-o-Y	26.0%	(58.7)%	(71.2)%	19.9%	80.7%	6.5%
Passenger Turnover, million pkm	6M 2016	5,871	1,494	268	976	3,074	11,683
	6M 2015	4,391	2,431	967	836	1,688	10,313
	Y-o-Y	33.7%	(38.5)%	(72.2)%	16.8%	82.1%	13.3%
Seat Load Factor, %	6M 2016	77.3%	77.8%	66.7%	68.0%	84.0%	77.8%
	6M 2015	71.8%	69.1%	69.4%	66.5%	81.0%	71.8%
	Y-o-Y	5.5 p.p.	8.6 p.p.	(2.7) p.p.	(1.5) p.p.	(3.0) p.p.	6.1 p.p.
Flight Hours, hours	6M 2016	63,488	10,577	4,111	18,446	25,974	122,596
	6M 2015	57,216	23,795	14,204	15,746	14,946	125,907
	Y-o-Y	11.0%	(55.6)%	(71.1)%	17.1%	73.8%	(2.6)%
Revenue ¹ , RUB mn	6M 2016	28,759	5,220	2,139	7,887	7,971	-
Net Income/(Loss) ¹ , RUB mn	6M 2016	4,525	(2,112)	306	161	545	-

¹ According to IFRS, before intercompany eliminations



- Over the past years the Group structure was refined with a focus on aviation assets and disposal of non-core assets, which is in compliance with the Group's strategy to streamline the core business
- PJSC Aeroflot also owns 45.0% of JSC AeroMASH-AB (Aviation security), 8.96% of JSC Sheremetyevo (base airport), 3.85% of PJSC Transport Clearing House (mutual settlements between agencies and airlines) and 49.0% of LLC Transnautic Aero (cargo sales, in liquidation)

Notes:

(1) The Group as of June 30, 2016; Aeroflot Group consolidates all entities: PJSC Aeroflot and all subsidiaries.

(2) Non-operating entities

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