

Operational Growth

❖ **15.4%**
Aeroflot Group
passenger traffic increase

❖ **82.8%**
Aeroflot Group
passenger load factor

ABOUT AEROFLOT GROUP

Aeroflot Group Airlines	4
2017 Results	6
Operating and Financial Highlights	8
Investment Case	10
Key Events	12
Industry Recognition and Awards	14
Company History: Key Milestones	16

Aeroflot Group Airlines



Aeroflot is Russia's biggest carrier, leader of the Russian civil aviation industry, and one of the oldest airlines in the world celebrating its 95th anniversary in 2018. Is based at Moscow Sheremetyevo Airport.



Rossiya is one of Russia's largest carriers and the market leader in the North-West of the country. Based in Saint Petersburg, the company also operates flights from Moscow's Vnukovo airport. In addition to its scheduled flights, Rossiya operates charter flights.



Pobeda is a low-cost carrier, launched to improve access to air transportation and further increase social mobility. Is based at Moscow Vnukovo Airport.



Aurora is the Group's carrier in the Russian Far East. It is based at Vladivostok, Yuzhno-Sakhalinsk, and Khabarovsk airports and operates flights between the key population centres in the Far East and Siberia, regional flights, and flights on the most popular routes.



32.8 million PAX

Passengers carried

91.8 billion RPK

Passenger turnover

112.2 billion ASK

Available seat-kilometres

81.8%

Passenger load factor

224 aircraft

Scheduled routes in 2017

Domestic	50
International	89
TOTAL	139

Share of the Group's passenger traffic

65.5%

11.2 million PAX

Passengers carried

28.1 billion RPK

Passenger turnover

33.3 billion ASK

Available seat-kilometres

84.4%

Passenger load factor

61 aircraft*

Scheduled routes in 2017

Domestic	66
International	44
TOTAL	110

Share of the Group's passenger traffic

22.3%

¹ Excluding leased aircraft.

4.6 million PAX

Passengers carried

7.9 billion RPK

Passenger turnover

8.4 billion ASK

Available seat-kilometres

94.2%

Passenger load factor

16 aircraft

Scheduled routes in 2017

Domestic	48
International	16
TOTAL	64

Share of the Group's passenger traffic

9.1%

1.5 million PAX

Passengers carried

2.4 billion RPK

Passenger turnover

3.2 billion ASK

Available seat-kilometres

72.8%

Passenger load factor

24 aircraft*

Scheduled routes in 2017

Domestic	43
International	14
TOTAL	57

Share of the Group's passenger traffic

3.1%

² Excluding subleased aircraft.

2017 Results

2017 marked another major milestone for Aeroflot Group with over 50 million passengers carried. Aeroflot Group entered the world's Top 20 carriers by passenger traffic, achieving a key goal set in its Strategy 2025 ahead of schedule.

The Group took full advantage of the growing passenger air transportation market including scheduled and chartered flights on both domestic and international routes. Aeroflot Group ensured a high utilisation rate of its much increased capacity, with the passenger load factor up to 82.8%.

Top 20

Airlines globally by passenger traffic



FAST-GROWING OPERATIONS



EXTENSIVE ROUTE NETWORK AND A YOUNG AIRCRAFT FLEET



SKY-HIGH SERVICE STANDARDS



FOCUS ON SOCIAL RESPONSIBILITY



ADVANCED CORPORATE GOVERNANCE PRACTICE



FINANCIAL STABILITY

50.1 million

Passengers carried

313

Scheduled routes

4 stars

In the Skytrax rating

38.9 thousand

People employed by the Group companies

7++

Corporate governance rating assigned by the Russian Institute of Directors

RUB 532.9 billion

Revenue (+7.5%)

+15.4%

Passenger traffic increase

52

Countries

Best Airline in Eastern Europe

Skytrax World Airline Awards 2011, 2013–2017

>1.5 million

Passengers carried under the flat fare programme

4

Independent directors on the Board of Directors

RUB 121.8 billion

EBITDAR, 22.9% EBITDAR margin

+23.3%

International passenger traffic increase

158

Anique destinations in the summer schedule, 153 in the winter schedule

38 aircraft

Have Wi-Fi access points (all of Aeroflot airline's wide-body aircraft)

6.2 thousand

Free tickets issued as part of the Mercy Miles project

Compliance

With the key requirements of the Russian Corporate Governance Code

RUB 23.1 billion

Net profit

+9.7%

Domestic passenger traffic increase

SkyTeam

Aeroflot is a member of the global alliance

72.5%

Aeroflot airline's Net Promoter Score (NPS)

Support for Russian sports, culture, and cinema

45.2%

Free float

RUB 56.2 billion

Decrease of net debt

82.8%

Passenger load factor

332

Aircraft in the fleet

+1.4 p.p.

Passenger load factor increase

+40

Aircraft – net increase in the fleet

40.5%

Share of the Russian air transportation market

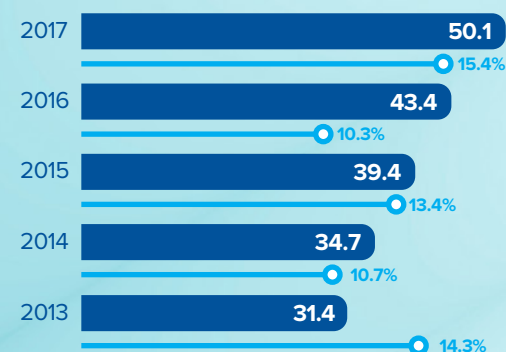
4.1 years

Average age of Aeroflot airline's fleet



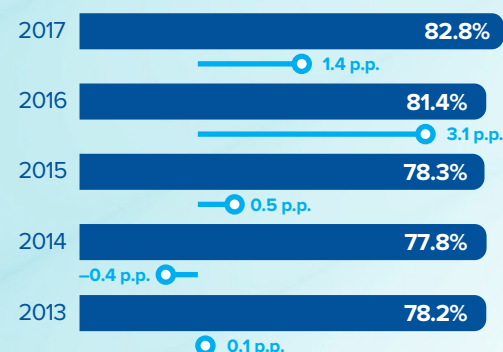
Operating and Financial Highlights

Passenger traffic
MILLION PAX



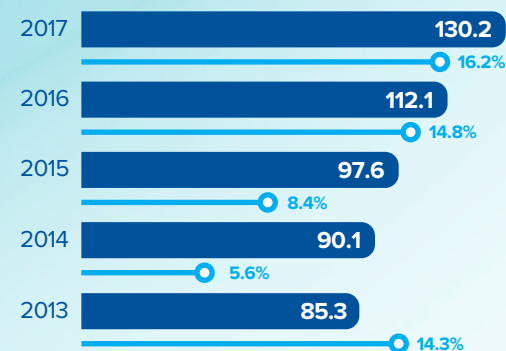
■ Passenger traffic
● Growth rate

Passenger load factor
%



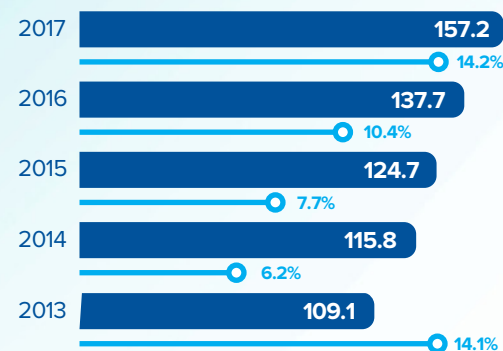
■ Passenger load factor
● Change

Passenger turnover
BILLION RPK



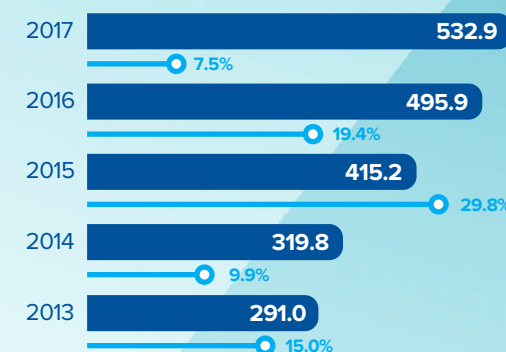
■ Passenger turnover
● Growth rate

Available seat-kilometres
BILLION ASK



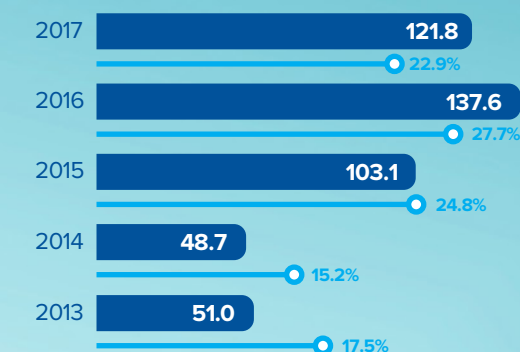
■ Available seat-kilometres
● Growth rate

Revenue
RUB BILLION



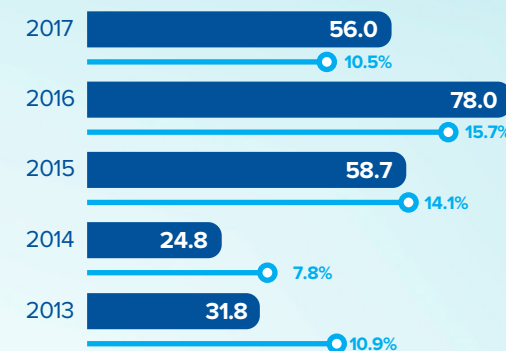
■ Revenue
● Growth rate

EBITDAR and EBITDAR margin
RUB BILLION AND %



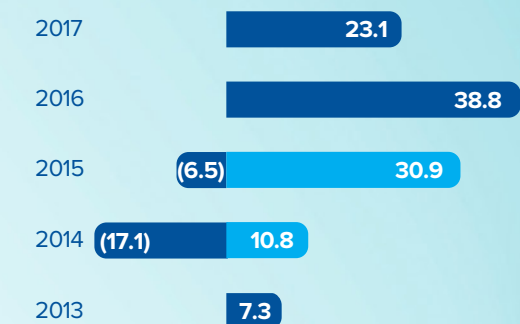
■ EBITDAR
● EBITDAR margin

EBITDA and EBITDA margin
RUB BILLION AND %



■ EBITDA
● EBITDA margin

Net Profit / (Loss)
RUB BILLION



■ Net Profit / (Loss)
● Adjusted Net Profit

Note. Adjusted net profit for 2014 and 2015 excludes the result from derivatives, reserves, and other one-off effects.

Investment Case

AEROFLOT GROUP

- Leader of the Russian air transportation market, one of the largest carriers in Europe ranked among the world’s Top 20 airlines
- Young and efficient aircraft fleet
- Business highly adaptable to macroeconomic environment
- Promotion of international transfer operations via Moscow
- Stable operational growth and strong financial results
- Long-term vision

2025 GOALS

- Join the **Top 5** European airlines by passenger traffic and revenue
- Join the **Top 20** global players by passenger traffic and revenue
- Carry **over 70 million** passengers, including **at least 30 million** within Russia
- **Increase passenger traffic** via the main hub in Moscow
- **Ensure strong presence** in the market



BUSINESS DIVERSIFICATION BASED ON A MULTI-BRAND STRATEGY

Description/goal
Diversification of the Group’s operations by segment to maximise flexibility in any economic environment

Progress in 2017

- Expansion of Rossiya airline: 11.2 million passengers carried (+26.7%)¹
- Expansion of Pobeda airline: 4.6 million passengers carried (+6.9%)



PRESENCE IN ATTRACTIVE MARKET SEGMENTS

Description/goal
Expansion in profitable segments and promising markets

Progress in 2017

- Launched flights to Lisbon and Kostanay (about 40 thousand passengers carried)
- Launched flights to Belgorod, Khanty-Mansiysk, and Salekhard (about 130 thousand passengers carried)
- Aeroflot Group’s passenger traffic on international routes increased by 23.3%



STANDARDISED HIGH-QUALITY PRODUCT

Description/goal
Ensuring consistently high product quality to attract and retain passengers

Progress in 2017

- Aeroflot airline is certified with the 4 Star airline rating by Skytrax
- Aeroflot airline was recognised as the Best Airline in Eastern Europe by Skytrax World Airline Awards for the sixth time



BALANCED ROUTE NETWORK BUILT AROUND THE HUB AT MOSCOW SHEREMETYEVO AIRPORT

Description/goal
Diversification of destinations to optimise presence in regions with different demand patterns and network development to promote synergies

Progress in 2017

- The Group continued to improve its route network quality by increasing the flight frequency on the most popular routes, and the frequency of scheduled flights, up 6.0%
- Route network expansion promotes international transit traffic growth: Aeroflot carried 4.4 million passengers in the segment (up 18.6%)



CONTINUED IMPROVEMENT OF OPERATING AND FINANCIAL PERFORMANCE

Description/goal
Optimised use of existing resources, lower fuel consumption, improved specific performance metrics

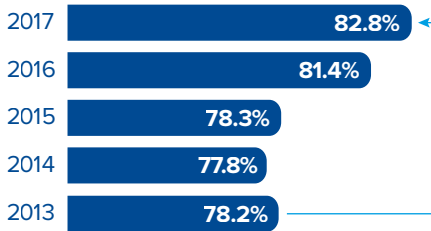
Progress in 2017

- Continued increase in the passenger load factor (up 1.4 p.p. to 82.8%)
- Reduced specific fuel consumption rate (to 22.8 grams per available seat-kilometre)

KEY LONG-TERM PERFORMANCE IMPROVEMENTS: 2013–2017

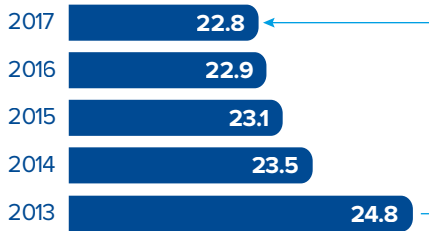
Passenger load factor
%

+4.6 p.p.



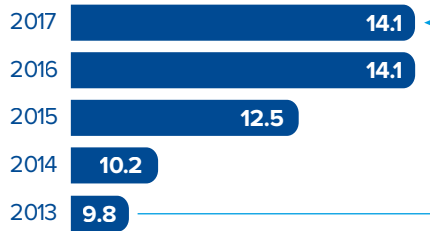
Specific fuel consumption rate
GRAMS PER ASK

(8.1)%



Revenue per employee
RUB MILLION

1.4x increase



¹ The increase includes the results of Donavia and Orenair integrated into united Rossiya airline in 2016.

Key Events

2017

6 MARCH Fitch Ratings affirmed PJSC Aeroflot's Long-Term Foreign Currency Issuer Default Rating (IDR) at B+, outlook Stable.

17 MAY Aeroflot introduced an automated IT training system for flight personnel.

29 MAY Aeroflot successfully passed the IATA Operational Safety Audit for IOSA compliance for the seventh time.

31 MAY Tula honey-cake and Russian menu were added to the meal options on Aeroflot flights.

31 AUGUST Mikhail Poluboyarinov was elected as the new Chairman of Aeroflot's Board of Directors.

14 SEPTEMBER Aeroflot held its second High Flyers all-Russian cooking competition for young chefs.

20 SEPTEMBER Aeroflot successfully completed the sale of its quasi-treasury stock totalling 4.84% of its charter capital, thereby increasing its free float (shares held by institutional investors and individuals) to 45.2%.

DECEMBER Russian President Vladimir Putin held a meeting with Aeroflot's Chief Executive Officer Vitaly Saveliev to discuss the most important matters such as access to air transportation, flat fares, and flight services for the upcoming 2018 FIFA World Cup.

7 DECEMBER Aeroflot held its Best in the Sky contest for students – future pilots of the Russian commercial aircraft Sukhoi Superjet 100.

21 DECEMBER Aeroflot became the first airline in Russia to introduce SITA to deliver an online end-to-end baggage tracking.

FEBRUARY

MARCH

APRIL

MAY

JUNE

JULY

AUGUST

SEPTEMBER

OCTOBER

NOVEMBER

DECEMBER

3 APRIL Aeroflot launched its in-flight magazine in English.

7 APRIL Aeroflot and the Russian Olympic Committee signed a sponsorship agreement.

1 JUNE Aeroflot launched scheduled flights from Moscow to three new destinations: Belgorod, Salekhard, and Khanty-Mansiysk.

3 JUNE Aeroflot launched scheduled flights from Moscow to Kostanay.

13 JUNE Aeroflot introduced incentive payments for new crew members.

27 JUNE Pobeda carried 10 million passengers since its launch.

14 JULY Moscow Exchange's Derivatives Market launched trading of futures contracts on Aeroflot shares.

15 JULY Aeroflot launched direct flights from Moscow to Lisbon.

18 JULY Aeroflot signed a firm contract for the delivery of 20 new SSJ100s.

29 DECEMBER Aeroflot extended its flat fare programme into 2018 to include its Rossiya subsidiary's flights to the cities of the Far East.

31 DECEMBER Aeroflot Group's airlines carried a total of more than 50 million passengers in 2017.

EVENTS AFTER THE REPORTING PERIOD:

2018

2 MARCH Fitch Ratings raised Aeroflot's credit rating to BB-.

1 FEBRUARY Aeroflot signed a landmark contract with Rostec State Corporation for 50 of the state-of-the-art MC-21 passenger aircraft.

2 FEBRUARY Aeroflot added a bank-card recognition module together with document scanning and recognition functions to its iOS and Android apps.

10 JANUARY Aeroflot received the highest Level 3 status under the New Distribution Capability (NDC) programme developed by IATA.

25 JANUARY Aeroflot sold its first 2018 FIFA World Cup fan ticket worth five roubles.

JANUARY

FEBRUARY

MARCH

Industry Recognition and Awards



4 stars in the Skytrax rating



Best Airline in Eastern Europe Skytrax World Airline Awards



World's Leading Airline World Travel Awards 2017



Five-star rating in the Global Airline category by APEX



Sector Leadership Airline Strategy Awards 2017



World's Most Powerful Airline Brand and Strongest Brand in Russia according to Brand Finance



Best European Airline, Best Business Class, and Best Airline in Russia TripAdvisor Travellers' Choice Award



Favourite International Airline in China Flyer Award Ceremony 2017



Awards

Aeroflot, for the second year in a row, won the Air Transport News Readers' Choice Award, one of the world's most prestigious aviation awards.

Aeroflot won three key categories at the prestigious international Business Traveller Russia & CIS Awards 2017, retaining the titles of the Best European Airline, the Best Airline in Russia & CIS, and the Best Flight Attendant's Uniform.

Aeroflot, for the third time, was named the Best Russian Airline according to the National Geographic Traveller Awards 2017.

Aeroflot won two categories at the regional stage of the World Travel Awards 2017: Europe's Leading Airline Brand and Europe's Leading Airline – Business Class.

Aeroflot won the High Taste Award established by Business Traveller, the world's leading magazine in the travel industry.

Aeroflot won East Capital's Best Growth Award.

Aeroflot, for the third year in a row, won the prestigious international Randstad Award as the most attractive Russian employer in the Transport category.

Aeroflot received a special SAP Expanding Horizons Award for pioneering SAP Audit Management system in Russia.

Aeroflot's in-flight magazine for children, "Aeroflot. The Young Traveller", came third in the international ASTRID Awards.

Aeroflot's Internal Audit Department won the Internal Auditor of the Year Award.

Aeroflot's Legal Department won the Best Legal Department in Russia – 2017 in the Transport and Logistics category.

Aeroflot's Annual Report received an award in the Best Annual Report of the Company with the Market Capitalisation of RUB 40 Billion to RUB 200 Billion category of the Annual Report Competition hosted by the Moscow Exchange and the RCB Media Group.

The interactive version of Aeroflot's 2016 Annual Report received a platinum medal in the Transport and Logistics category of the international Vision Awards.

Aeroflot received the TADVISER IT-PRIZE 2017 in the Mobile App of the Year category.



High ratings

Aeroflot officially reclaimed its place in the global aviation elite, having entered world's Top 20 largest airlines by passenger traffic according to Flight Airline Business.

For the second year in row Aeroflot was ranked 4th globally in the list of digitalised airlines by Bain & Co.

OAG, a heavyweight British agency, named Aeroflot as one of the world's 20 largest airlines by available seat-kilometres.

Aeroflot was named the world's leader in connecting passenger traffic between Europe and Asia according to a rating compiled by Airline Network News & Analysis (anna.aero).

Aeroflot came out on top among the world's traditional air carriers by capacity growth (the British OAG's rating).

Aeroflot topped the Transport category of Russia's Top 100 Most Capitalised Companies according to the RIA Rating Agency.

Aeroflot was named the Most Child-Friendly Russian Airline in the travel search engine Aviasales' rating.

Flight Airline Business named Pobeda the world's top low-cost carrier by revenue growth.

Company History: Key Milestones

AEROFLOT'S HISTORY represents an era rich in numerous events leading us to Aeroflot's 95th anniversary celebrated in 2018. Below are selected milestones that mark the path of Aeroflot's development.

1923–1940 Take-off

In less than 20 years, by the late 1930s, Aeroflot became the largest airline in the world.

9 FEBRUARY 1923 Russian civil aviation was born.

17 MARCH 1923 Joint Stock Company Dobrolet (the Russian Society for Voluntary Air Fleet) was established.

15 JULY 1923 The first scheduled Moscow – Nizhny Novgorod route was launched.

Distance of 420 kilometres

Four passengers

Two flight crew members

26 MARCH 1932 The abbreviated name, "Aeroflot", was adopted by the Soviet Civil Aviation Fleet, the crew uniform and insignias were introduced.

1940 410 thousand passengers were carried.

1941–1945 Thunderstorm

Since the start of the Great Patriotic War, the Soviet Government suspended all civil aviation flights and Aeroflot switched to supporting the Red Army, with many of its pilots going to the War. Soviet aviators made daily flights to the besieged Leningrad, bringing people food and weapons. One of the hardest and most difficult tasks during the War was ferrying the crucial lend-lease military aircraft supplied by the United States to the USSR via the Alaska–Siberia–Urals route.

Over 1.5 million flights were made during the war. Over 20 thousand Aeroflot aviators were decorated with orders and medals. During the war, Aeroflot pilots carried 2.5 million wounded and paratroopers, as well as 300 thousand tonnes of military and strategic cargo. Fifteen Aeroflot employees were awarded the highest title of the Hero of the Soviet Union.

1946–1990 Reaching the flight level

The post-war period saw the air transportation industry recover and grow stronger with Aeroflot becoming the national symbol of progress in aviation. The Company launched the world's longest routes, operating transatlantic and transcontinental flights, and became the global leader by passenger traffic.

The world's first civilian jet air service using Tu-104 and, later, supersonic Tu-144 was launched. Aeroflot took on the new Soviet aircraft Il-12, Il-14, and Il-18 with higher-speed aircraft enabling flights to the USA, Canada, Cuba, Japan, and other countries.

1959 The new Sheremetyevo airport opens, with its ground service handling the first Aeroflot's Tu-104 flight from Leningrad to Moscow.

1967 The Flight Attendant Service was established.

1971 The Aeroflot Central Administration of International Air Traffic was set up.

1980 Aeroflot was appointed the XXII Olympic Games general carrier, with the new Sheremetyevo-2 international air terminal inaugurated to support the event.

Aeroflot set an absolute passenger traffic record of 120 million passengers.

1989 Aeroflot became the first Russian airline to join the International Air Transport Association (IATA).



1990–2008 Turbulent times

Following the collapse of the Soviet Union, the unified civil aviation fleet was split into several hundred airlines. However, the state stepped in to prevent unregulated industry fragmentation and saved Aeroflot as a national carrier.

Cutting-edge foreign aircraft came into service: Airbus A310-300, Boeing 777-200, Boeing 737-400, and Boeing 767-300ER. The 2008–2009 global financial crisis left the Company in a challenging financial situation.

1992 Joint Stock Company Aeroflot Russian International Airlines was established.

1997 Aeroflot shares started trading on the RTS exchange (Moscow Exchange).

1999 Launch of Aeroflot's website (www.aeroflot.ru).

2006 Aeroflot became a member of SkyTeam Airline Alliance.

2009–2017 Flying high

A new management team took charge and implemented an anti-crisis action plan including massive fleet additions, the launch of the 24/7 call centre and the new website, the optimized schedule, and improved service standards. New services were launched to enhance passenger experience.

10 APRIL 2009 Vitaly Saveliev was appointed as CEO of Aeroflot by the Russian Government.

2011 Aeroflot was awarded the prestigious Skytrax World Airline Award as the Best Airline in Eastern Europe for the first time and successfully lived up to this rating five more times.

2011 Adoption of Aeroflot Group Development Strategy 2025.

2011 As per the resolution of the Russian Government, five regional carriers were transferred from Rostec State Corporation to Aeroflot. Launch of a large-scale integration.

2013 The Internet On-Board programme progressed to the next stage targeting phased rollout of Wi-Fi networks on board all Aeroflot's wide-body aircraft.

2013 The Group established a unified carrier in the Russian Far East, Aurora airline, through consolidating regional Sakhalin Airways and Vladivostok Avia.

2014 Aeroflot was appointed the official carrier of the XXII Olympic Winter Games and XI Paralympic Winter Games in Sochi.

2014 Launch of Pobeda airline – Group's low-cost carrier.

2015 100% of Aeroflot's business processes were digitised.

2016 Aeroflot was certified with the 4 Star airline rating by the global rating agency Skytrax for its high-quality service.

2016 Big Data solutions were introduced as part of Aeroflot's effort to develop digital projects.

2016 Aeroflot ranked 4th among its global peers by digitalisation.

2016 Aeroflot's subsidiaries Rossiya, Donavia, and Orenair were consolidated to create a new united carrier, Rossiya Airlines. The Group's multi-brand platform was finalised.

2017 Aeroflot Group carried over 50 million passengers, ranking among the Top 20 largest global players.