

# Aeroflot Group

## Q4 and 12M 2018 Financial Results

5 March 2019

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## Aeroflot: 95 years in world's sky

Strengthening positions in global Top-20 ranking: 56 mn PAX



41 aircraft addition increased fleet to 366 aircraft<sup>1</sup>



Acceleration of LCC growth (+57% PAX)

**pobeda**

Updated Strategy 2023



Domestic flights transferred to brand new terminal



Rossiya airline partially moved operations from VKO to SVO

**ROSSIYA**

Cost-cutting and efficiency initiatives



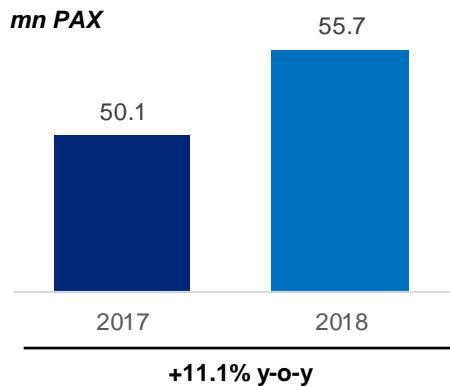
Market environment: Russia hosted World Cup 2018



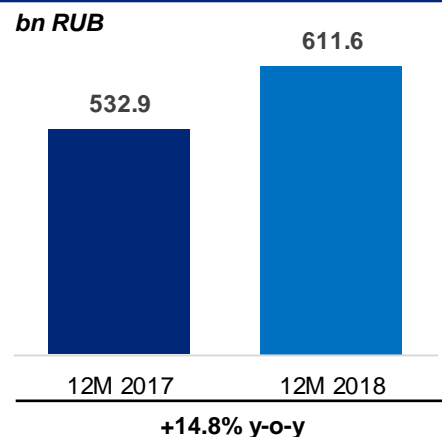
<sup>1</sup> Excluding aircraft subleased to third-parties.

Note: immaterial deviations throughout the presentation are explained by rounding

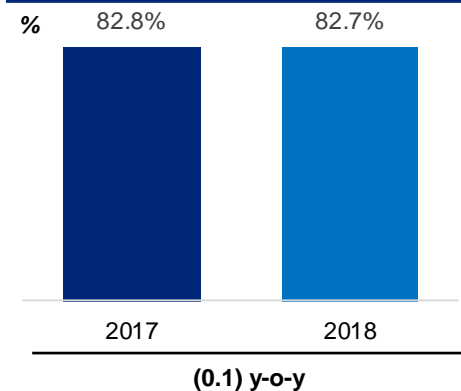
## Passengers



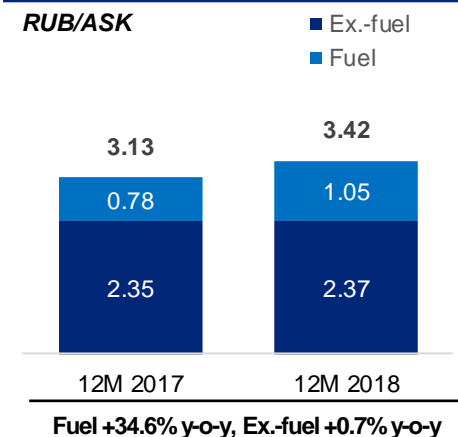
## Revenue



## Passenger Load Factor



## CASK (Fuel and Ex-fuel)



Anniversary year for Aeroflot was marked by a number of operational and financial achievements coupled with further market and infrastructure developments.

# 1. Market Update and Operating Results

2. Network and Schedule Overview

3. Fleet Overview

4. Financial Performance

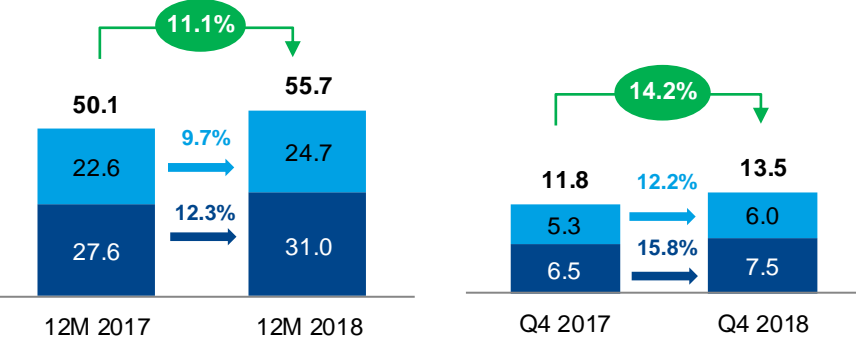
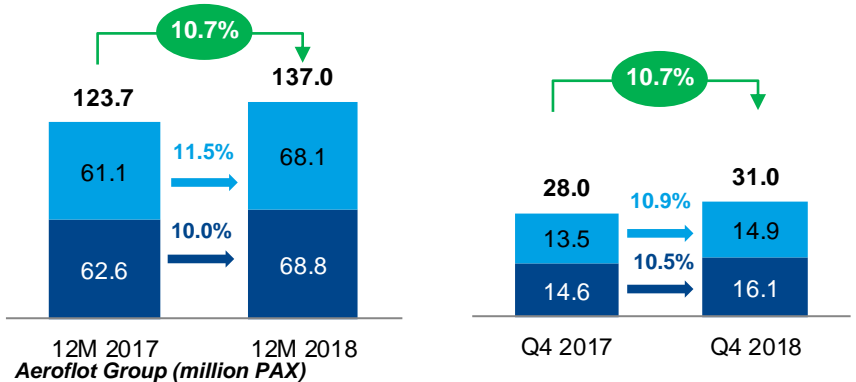
5. Strategy 2023

6. Appendix

## Passenger Traffic: Market vs Aeroflot Group

Russian Air Transportation Market (million PAX)  
inc. PAX of Russian and Foreign Carriers and int. transit PAX

■ International Routes  
■ Domestic Routes



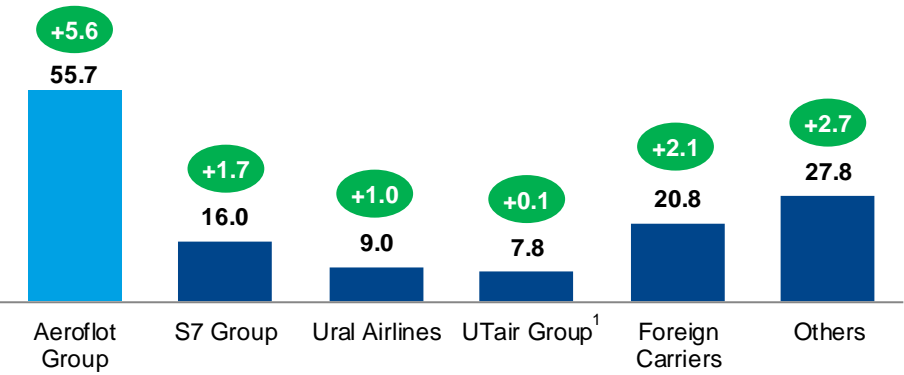
Category	12M 2017	12M 2018
Total Market	10.5%	8.2%
International	12.6%	10.0%
Domestic	8.2%	6.3%

Source: TCH, Company estimates. Figures include foreign carriers' traffic.

## Change in Airlines' Passenger Numbers

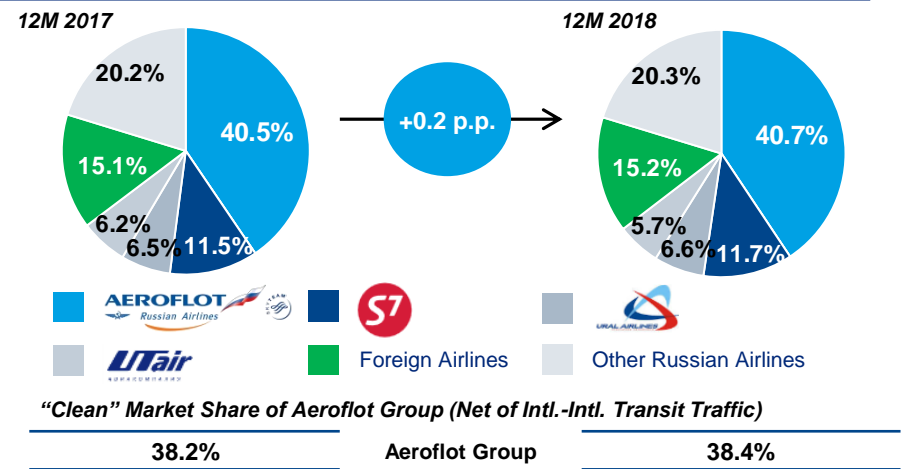
mln PAX, 12M 2018

● Increase in PAX million




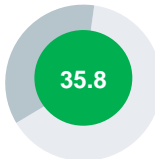
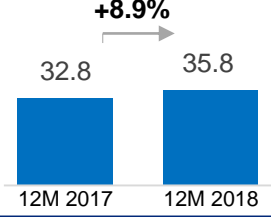


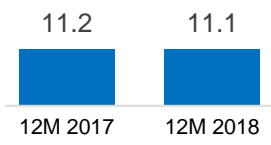


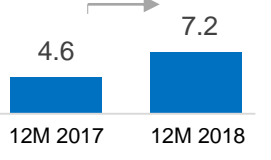

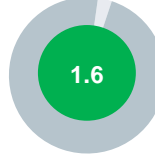
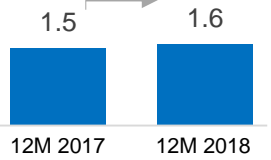
Source: TCH, Rosaviatsia, Company estimates / <sup>1</sup> UTair Group includes UTair, Utair-Cargo and Turukhan

## Growing Market Share (PAX)



• Aeroflot Group continued to deliver growth increasing PAX by 11.1% in 12M 2018 with acceleration in Q4 2018, expanding market share on annual basis.

# Aeroflot Group Multi-Brand Strategy

Brand	Business Model	Focus Airport	PAX Contribution <sup>1</sup>	PAX Growth
<b>Premium</b>	 <ul style="list-style-type: none"> <li>Flagship carrier</li> <li>Premium product (4 Stars)</li> <li>High income and middle class</li> <li>Hub and spoke model</li> </ul>	<ul style="list-style-type: none"> <li>Moscow (Sheremetyevo)</li> </ul>	<b>12M 2018</b>  35.8 64.2%	+8.9% 
<b>Regional and Charter</b>	 <ul style="list-style-type: none"> <li>Scheduled network operated under SU (Aeroflot) code</li> <li>Scheduled flights from Moscow are integrated in Aeroflot network in SVO</li> <li>Charter operations</li> </ul>	<ul style="list-style-type: none"> <li>Saint-Petersburg (Pulkovo)</li> <li>Moscow (Sheremetyevo, Vnukovo)</li> </ul>	 11.1 20.0%	(0.1)% 
<b>Low Cost</b>	 <ul style="list-style-type: none"> <li>Short and mid-haul flights</li> <li>Focus on domestic segment,</li> <li>Popular underserved international routes</li> <li>Point-to-point carriage</li> </ul>	<ul style="list-style-type: none"> <li>Moscow (Vnukovo)</li> <li>Flights from the regions</li> </ul>	 7.2 12.9%	+56.8% 
<b>Regional / Far-East</b>	 <ul style="list-style-type: none"> <li>The Far East airline flying on short- and mid-haul direct international and domestic routes</li> <li>Flights to remote cities (local flights)</li> </ul>	<ul style="list-style-type: none"> <li>Vladivostok, Khabarovsk, Yuzhno-Sakhalinsk</li> </ul>	 1.6 2.9%	+4.8% 

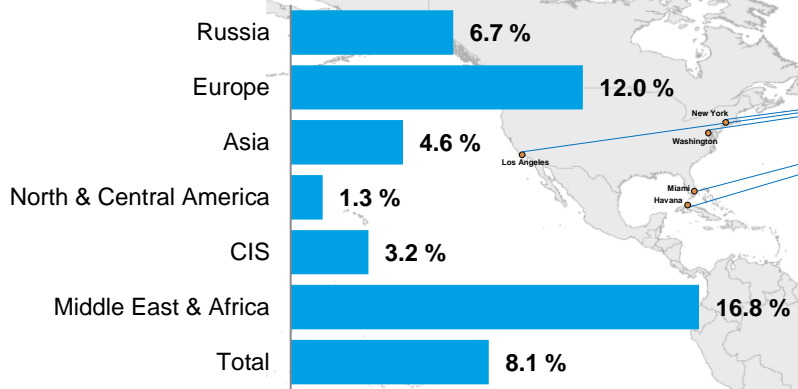
<sup>1</sup> PAX contribution as of 12M 2018. Absolute number of passengers in million in green circle

- **Simplified multi-brand product offering to capture customers in every market segment: from premium to low-cost.**
- **Aeroflot and Pobeda – key engines of the Group – increased traffic by more than two and a half million PAX each.**

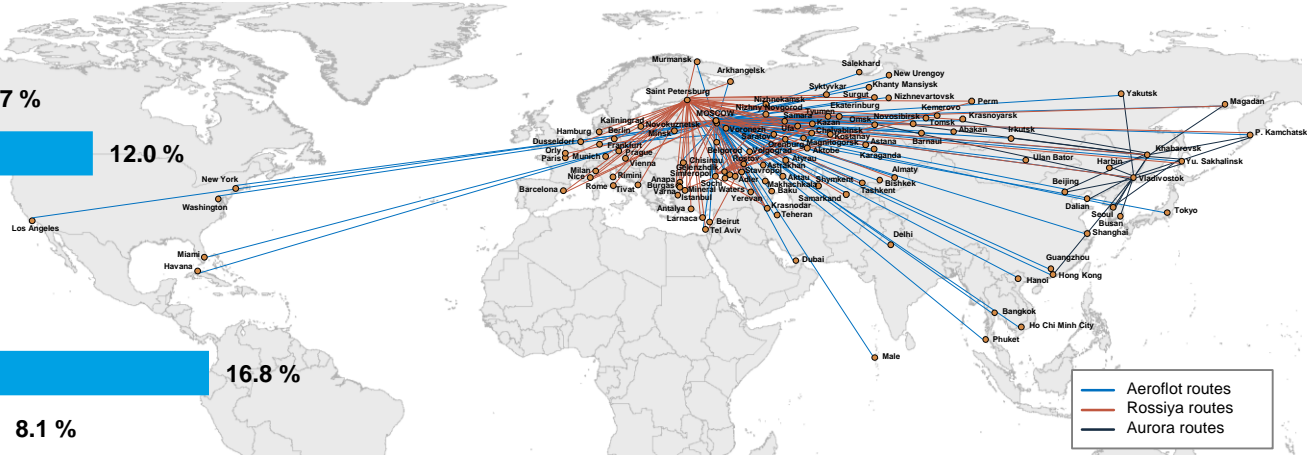
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## # of Flights Evolution by Region<sup>1</sup>

(12M 2018, y-o-y)

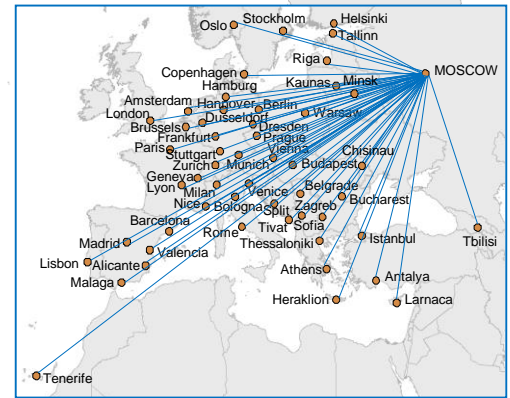
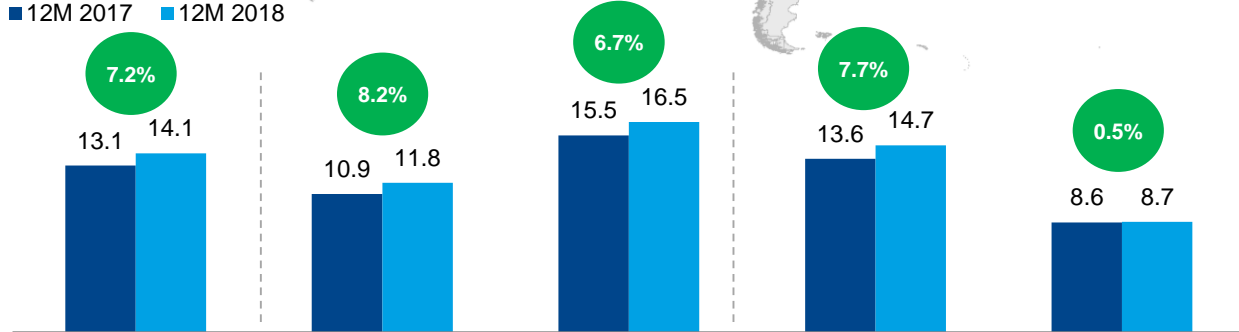


## Geographic Network



## Average Scheduled Flight Frequency per Route (Aeroflot Group ex-Pobeda)

Increase in Group frequencies by 7.2% was mainly supported by expansion of the number of frequencies in international segment (+8.2%) and in the sector of medium-haul routes (+7.7%).










Note: <sup>1</sup> Scheduled flights of Aeroflot Group (excluding Pobeda LCC)

- Accelerated growth of destinations, sustained focus on increase in frequencies on scheduled routes.
- Aeroflot Group operates flights to 173 unique destinations in 57 countries (in 2018/2019 winter schedule, incl. Russia and new destinations launched in 2018).




# Network Expansion in 2018-2019















## Destinations launched in Summer 2018

- 1 **Cairo (Egypt)**  
3 flights per week 
- 2 **Saransk (Russia)**  
14 flights per week 
- 3 **Naples (Italy)**  
7 flights per week 
- 4 **Verona (Italy)**  
7 flights per week 
- 5 **Burgas (Bulgaria)**  
7 flights per week 
- 6 **Kyzylorda (Kazakhstan)**  
4 flights per week 
- 7 **St.Pete – London (LGW)**  
7 flights per week 

## Destinations launched in Winter 2018/2019

- 1 **Nalchik (Russia)**  
7 flights per week 
- 2 **Vladikavkaz (Russia)**  
7 flights per week 
- 3 **Grozny (Russia)**  
7 flights per week 
- 4 **Izhevsk (Russia)**  
14 flights per week 
- 5 **Makhachkala (Russia)**  
21 flights per week 
- 6 **Nazran (Russia)**  
7 flights per week 
- 7 **Ulyanovsk (Russia)**  
14 flights per week 

## Destinations to be launched in Summer 2019

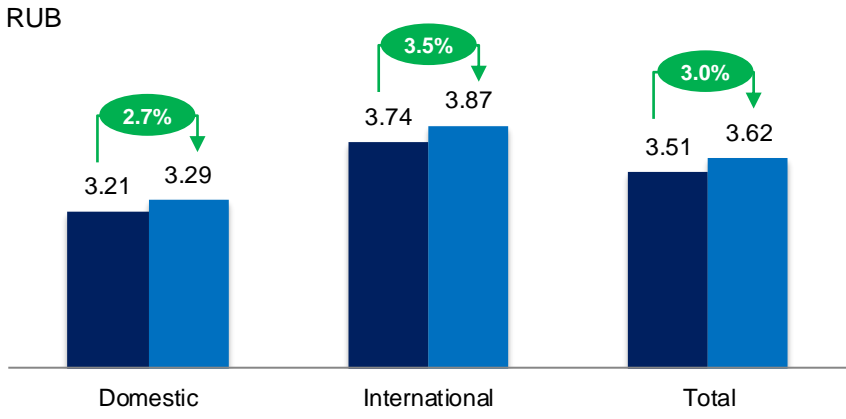
- 8 **Bukhara (Uzbekistan)**  
2 flights per week 
- 9 **Osh (Kyrgyzstan)**  
7 flights per week 
- 10 **Gothenburg (Sweden)**  
7 flights per week 
- 11 **Ljubljana (Slovenia)**  
7 flights per week 
- 12 **Dublin (Ireland)**  
7 flights per week 
- 13 **Colombo (Sri Lanka)**  
5 flights per week 
- 14 **Denpasar (Indonesia)**  
3 flights per week 
- 1 **Marseille (France)**  
5 flights per week 
- 2 **Palma (Spain)**  
4 flights per week 
- 3 **Volgograd – Sochi**  
7 flights per week 
- 4 **Regional connection in Russia**  

- 5 **Destination in Asia**  

- 6 **Destination in Asia**  

- 7 **Regional connection in Russia**  


- In Summer 2018 and Winter 2018/2019 schedules Group airlines (ex. Pobeda) launched 21 new destinations, in Summer 2019 schedule expansion continues to develop connections to cities with high point to point and transit potential.

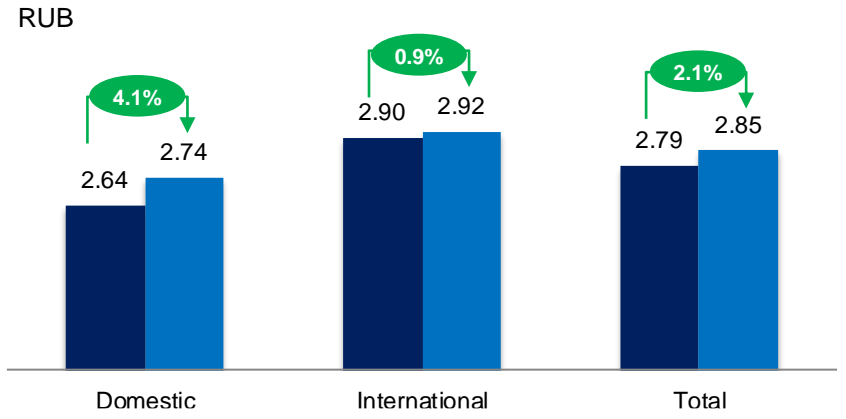
# Aeroflot Group Scheduled Flights Revenue Units



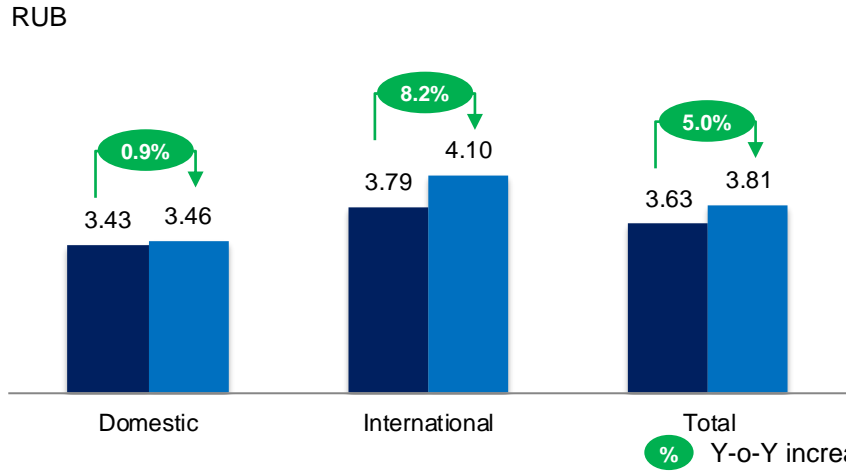
## Q4 Yield (PAX Revenue / RPK)



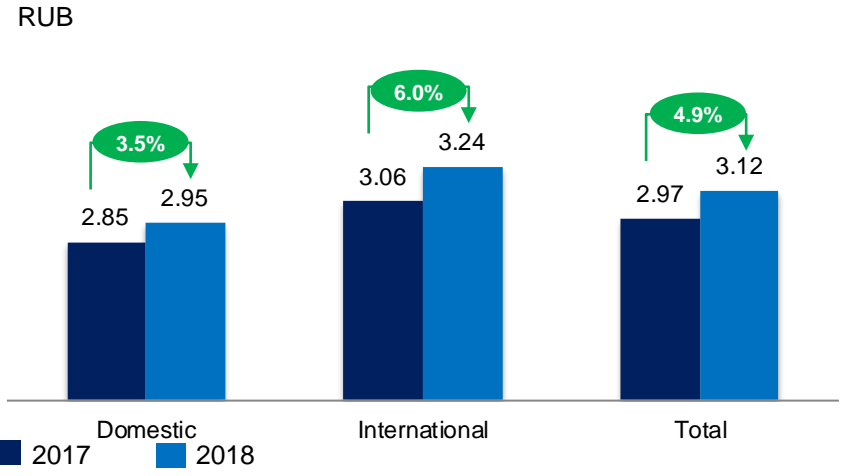
## Q4 RASK (PAX Revenue / ASK)



## 12M Yield (PAX Revenue / RPK)



## 12M RASK (PAX Revenue / ASK)



% Y-o-Y increase    ■ 2017    ■ 2018

Note: Data presented based on management accounting figures, scheduled flights revenue is used for calculations.

- RUB dynamics and changing mix of operations at subsidiaries' level due to rapid expansion of LCC affected RUB yields in Q4 and 12M 2018.

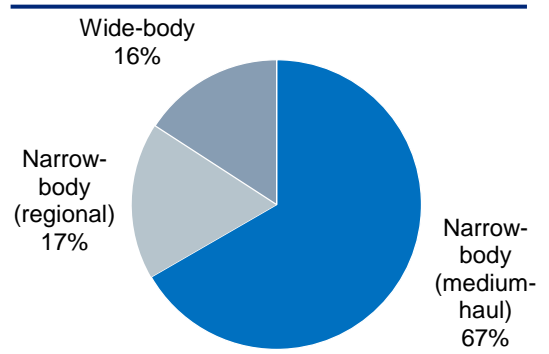
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# Aeroflot Group Fleet Breakdown

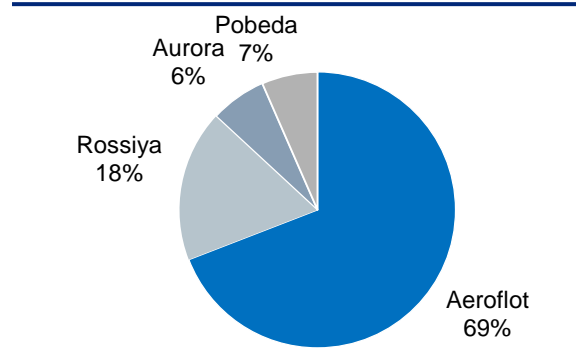


Aircraft Type	Operated by		Lease type			Total as of 31-Dec-18	Total as of 31-Dec-17	Change vs. 31-Dec-17
	Aeroflot	Subsidiaries	Finance	Operating	Owned			
<b>Wide-body</b>	<b>39</b>	<b>19</b>	<b>18</b>	<b>40</b>	<b>-</b>	<b>58</b>	<b>52</b>	<b>6</b>
Airbus A330	22	-	8	14	-	22	22	-
Boeing 777	17	10	10	17	-	27	21	6
Boeing 747	-	9	-	9	-	9	9	-
<b>Narrow-body (medium-haul)</b>	<b>164</b>	<b>80</b>	<b>16</b>	<b>228</b>	<b>-</b>	<b>244</b>	<b>222</b>	<b>22</b>
Airbus A319	-	35	9	26	-	35	36	-1
Airbus A320	80	5	-	85	-	85	80	5
Airbus A321	37	-	7	30	-	37	38	-1
Boeing 737	47	40	-	87	-	87	68	19
<b>Narrow-body (regional)</b>	<b>50</b>	<b>14</b>	<b>-</b>	<b>58</b>	<b>6</b>	<b>64</b>	<b>51</b>	<b>13</b>
DHC 8	-	11	-	5	6	11	11	-
DHC 6	-	3	-	3	-	3	3	-
SSJ 100	50	-	-	50	-	50	37	13
<b>Total fleet<sup>1</sup></b>	<b>253</b>	<b>113</b>	<b>34</b>	<b>326</b>	<b>6</b>	<b>366<sup>2</sup></b>	<b>325</b>	<b>41</b>

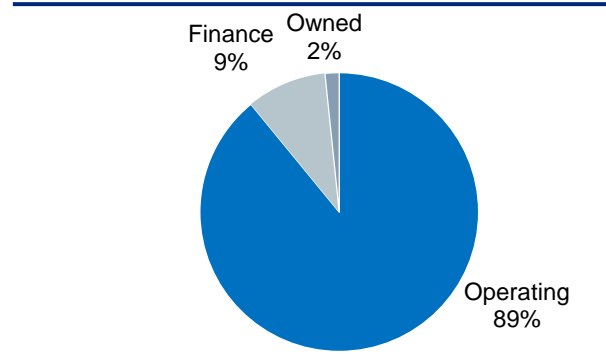
Breakdown by Aircraft <sup>1</sup>



Breakdown by Company <sup>1</sup>



Breakdown by Ownership Type <sup>1</sup>



<sup>1</sup> Excluding planes not operated by the airlines of the Group.  
<sup>2</sup> Taking into account sale of 5 An-148.

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

## Delivery/Phase-out Schedule<sup>1</sup>

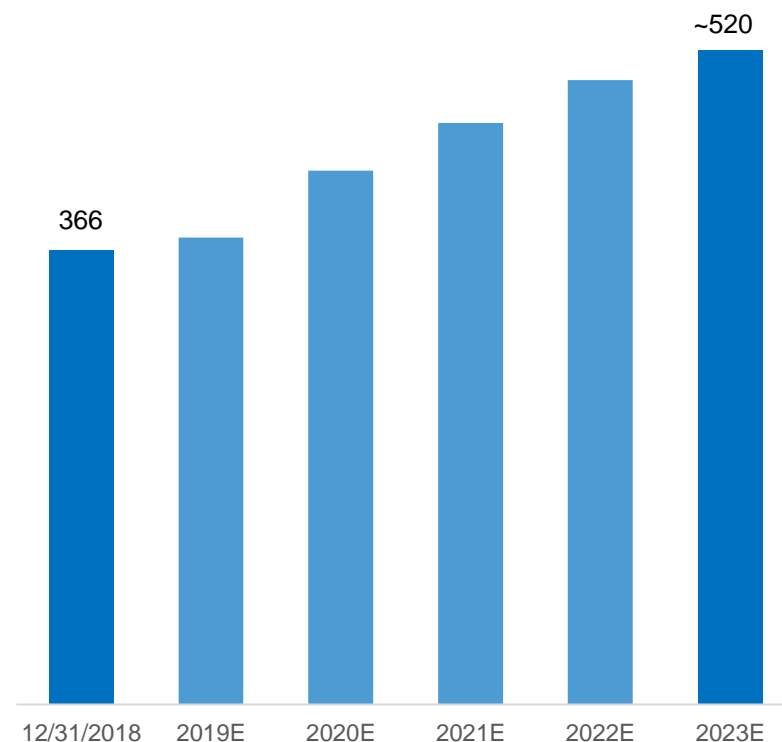
Type of aircraft	12M 2018 (Actual)		Current fleet <sup>(1)</sup>	2019 (Plan)	
	Delivery	Phase out		Delivery	Phase out
<b>Wide-body (long-haul)</b>	<b>6</b>	<b>-</b>	<b>58</b>	<b>2</b>	<b>(3)</b>
A-330	-	-	22	-	(3)
B-777	6	-	27	2	-
B-747	-	-	9	-	-
<b>Narrow-body (medium-haul)</b>	<b>36</b>	<b>(14)</b>	<b>244</b>	<b>9</b>	<b>(14)</b>
A-319	-	(1)	35	-	(4)
A-320	11	(6)	85	-	(8)
A-321	5	(6)	37	-	(1)
B-737	20	(1)	87	9	(1)
<b>Narrow-body (regional)</b>	<b>13</b>	<b>-</b>	<b>64</b>	<b>12</b>	<b>(1)</b>
SSJ-100 <sup>3</sup>	13	-	50	10	-
DHC-8	-	-	11	-	(1)
DHC-6	-	-	3	2	-
<b>TOTAL</b>	<b>55</b>	<b>(14)</b>	<b>366</b>	<b>23</b>	<b>(18)</b>

Net expected additions (plan)<sup>4</sup>

+5 aircraft

## Aeroflot Group Fleet as at Year-end<sup>2</sup>

Number of aircraft



<sup>1</sup> As of 31.12.2018, not including aircraft leased or subleased to other operators (1 An-24).

<sup>2</sup> According to existing strategy. Not including aircraft leased or subleased to other operator. Number of planes in 2023 is average for the year.

<sup>3</sup> Additions are subject to corporate approval

<sup>4</sup> Planned additions.

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

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# Financial Highlights: Q4 and 12M 2018

Q4 2017	Q4 2018	Change	RUB mln (where applicable)	12M 2017	12M 2018	Change
11,789	13,461	14.2%	Passenger Traffic (mln PAX)	50,129	55,710	11.1%
128,161	145,225	13.3%	Revenue	532,934	611,570	14.8%
107,888	124,318	15.2%	Traffic Revenue	458,390	534,292	16.6%
20,792	11,522	(44.6)%	EBITDAR <sup>1</sup>	121,808	122,479	0.6%
16.2%	7.9%	(8.3) p.p.	EBITDAR <sup>1</sup> margin	22.9%	20.0%	(2.9) p.p.
2,709	(13,591)	n/m	EBITDA	56,015	33,598	(40.0)%
2.1%	neg. margin	n/m	EBITDA margin	10.5%	5.5%	(5.0) p.p.
(4,089)	(16,777)	n/m	Net income	23,060	5,713	(75.2)%

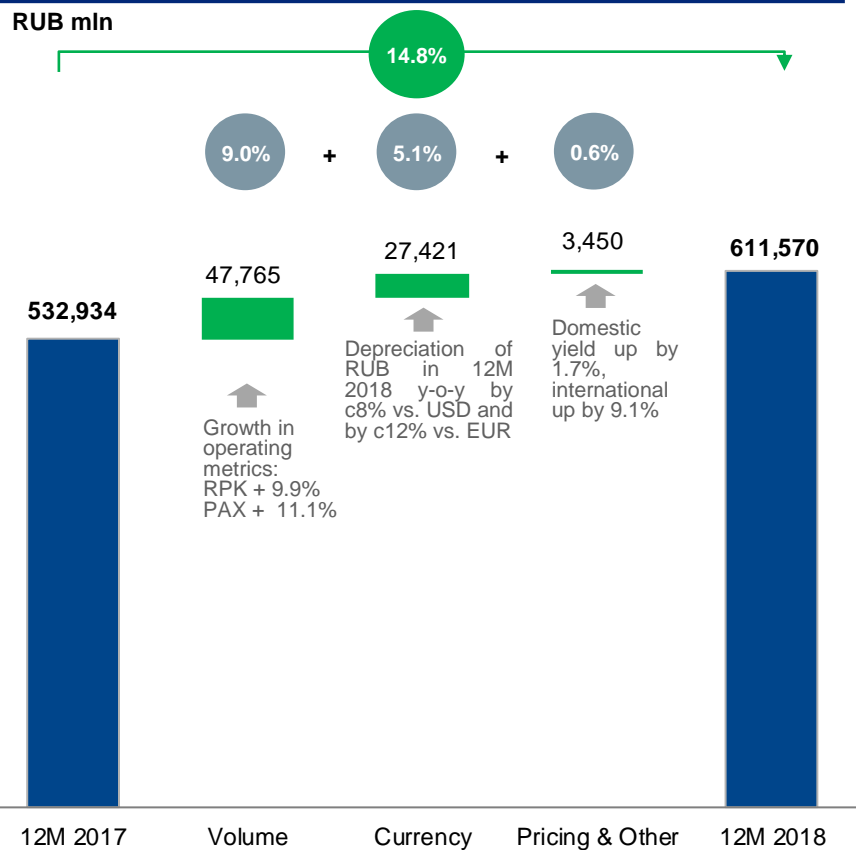
<sup>1</sup> EBITDAR = EBITDA + operating lease expenses.

- **Financial results of 12M 2018 are explained by continuing pressure of macroeconomic factors – fuel and exchange rate dynamics.**
- **Fuel cost pressure was partially offset by yield trends as well as cost-cutting initiatives.**

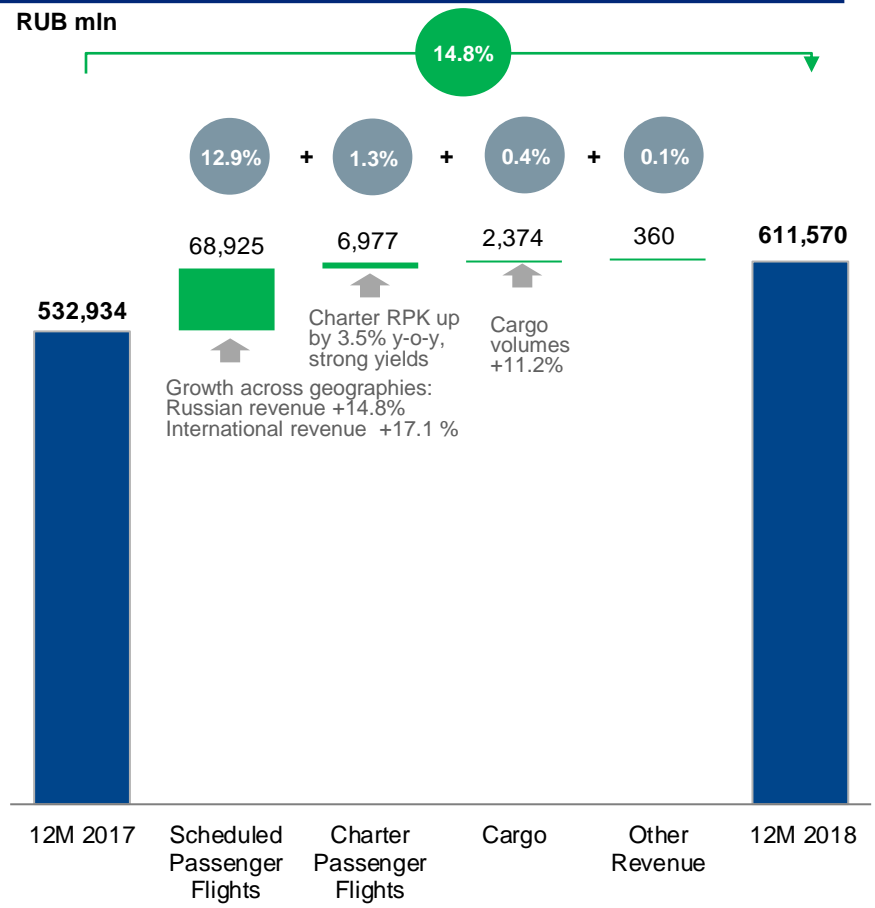
# Revenue Growth Decomposition



## Revenue by Key Factors












## Revenue by Business Segments



- Positive contribution of volume and pricing as well as support from FX were the main factors influencing revenue.
- Primary driver of revenue growth was expansion of scheduled passenger flights across all segments, notably in Russia, Europe and Asia



# Operating Costs

Q4 2017	Q4 2018	Change y-o-y	Change ex. FX & NRE	Operating Expense (RUB mln If not stated otherwise)	12M 2017	12M 2018	Change y-o-y	Change ex. FX & NRE	% of Total OpEx (12M 2018)
32,742	49,899	52.4%	28.8%	Fuel	122,685	181,864	48.2%	37.9%	 30.7%
<b>96,871</b>	<b>112,515</b>	<b>16.1%</b>	<b>7.3%</b>	<b>Opex (ex. Fuel)</b>	<b>369,838</b>	<b>410,049</b>	<b>10.9%</b>	<b>6.7%</b>	69.3%
21,712	28,321	30.4%	24.2%	Aircraft, traffic and passenger servicing	96,418	108,589	12.6%	8.1%	 18.3%
22,293	21,502	(3.5)%	(3.8)%	Staff	82,801	82,817	0.0%	2.1%	 14.0%
18,083	25,113	38.9%	22.9%	Operating lease	65,793	88,881	35.1%	25.9%	 15.0%
10,185	13,518	32.7%	19.0%	Maintenance <sup>1</sup>	36,433	45,527	25.0%	16.8%	 7.7%
12,293	9,265	(24.6)%	(28.1)%	SG&A <sup>2</sup>	36,139	31,743	(12.2)%	(15.0)%	 5.4%
4,160	3,598	(13.5)%	(13.5)%	D&A and customs duties	15,604	13,941	(10.7)%	(10.7)%	 2.4%
8,145	11,198	37.5%	7.7%	Other expenses <sup>3</sup>	36,650	38,551	5.2%	(2.6)%	 6.5%
<b>129,612</b>	<b>162,414</b>	<b>25.3%</b>	<b>12.7%</b>	<b>Total Opex</b>	<b>492,523</b>	<b>591,913</b>	<b>20.2%</b>	<b>14.5%</b>	 <b>100.0%</b>

<sup>1</sup> Normalized change in maintenance spending (including change in maintenance reserve in Other operating expenses line) in 12M 2018 amounts to +12% y-o-y, in Q4 2018 +11% y-o-y.

<sup>2</sup> Includes sales and marketing expenses and administration and general expenses.

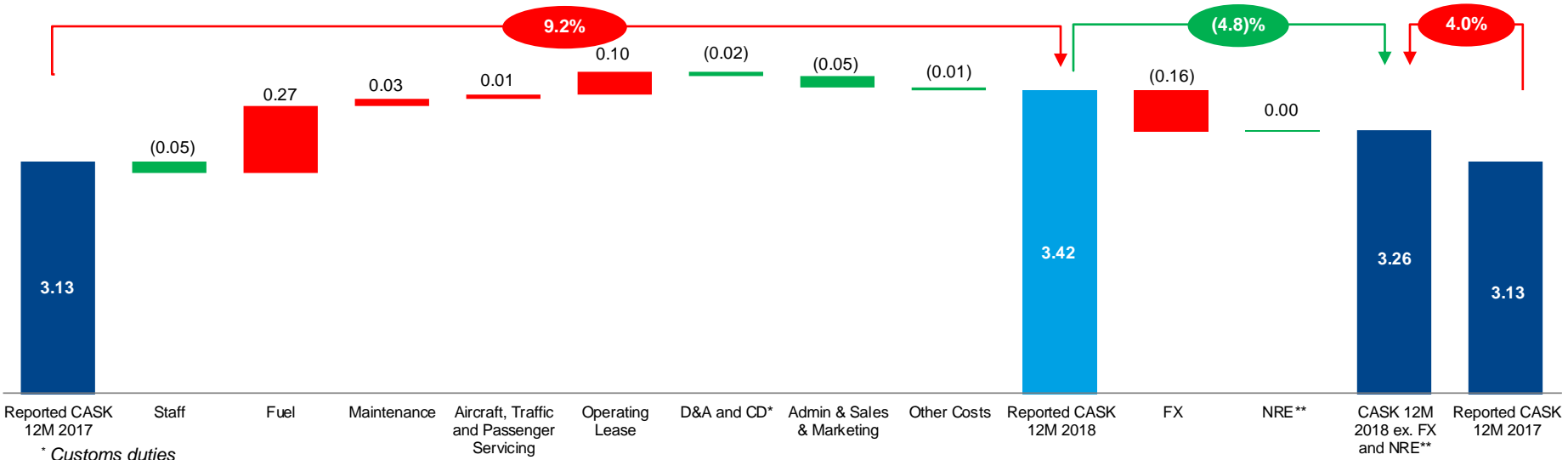
<sup>3</sup> Other expenses include Global Distribution Systems cost, reserves accrual and reversal, catering expenses, banks' commissions and other operating income and loss.

- In 12M 2018 operating costs were significantly impacted by expansion of operations, fuel price increase and growing fleet of the Group. FX dynamics also affected key operating expenses lines. 17

# Group Unit Costs



Q4 2017	Q4 2018	Change	Operating Expense per ASK (CASK), RUB	12M 2017	12M 2018	Change
0.85	1.14	34.2%	<b>Fuel</b>	0.78	1.05	34.6%
<b>2.52</b>	<b>2.58</b>	<b>2.3%</b>	<b>Opex (ex. Fuel):</b>	<b>2.35</b>	<b>2.37</b>	<b>0.7%</b>
0.56	0.65	14.8%	Aircraft, Traffic and Passenger Servicing	0.61	0.63	2.3%
0.58	0.49	(15.1)%	Staff	0.53	0.48	(9.1)%
0.47	0.57	22.3%	Operating Lease	0.42	0.51	22.7%
0.26	0.31	16.9%	Maintenance	0.23	0.26	13.5%
0.32	0.21	(33.7)%	SG&A	0.23	0.18	(20.2)%
0.11	0.08	(23.8)%	D&A and Customs Duties	0.10	0.08	(18.8)%
0.21	0.26	21.0%	Other Expenses	0.23	0.22	(4.5)%
<b>3.37</b>	<b>3.72</b>	<b>10.3%</b>	<b>Total Opex</b>	<b>3.13</b>	<b>3.42</b>	<b>9.2%</b>



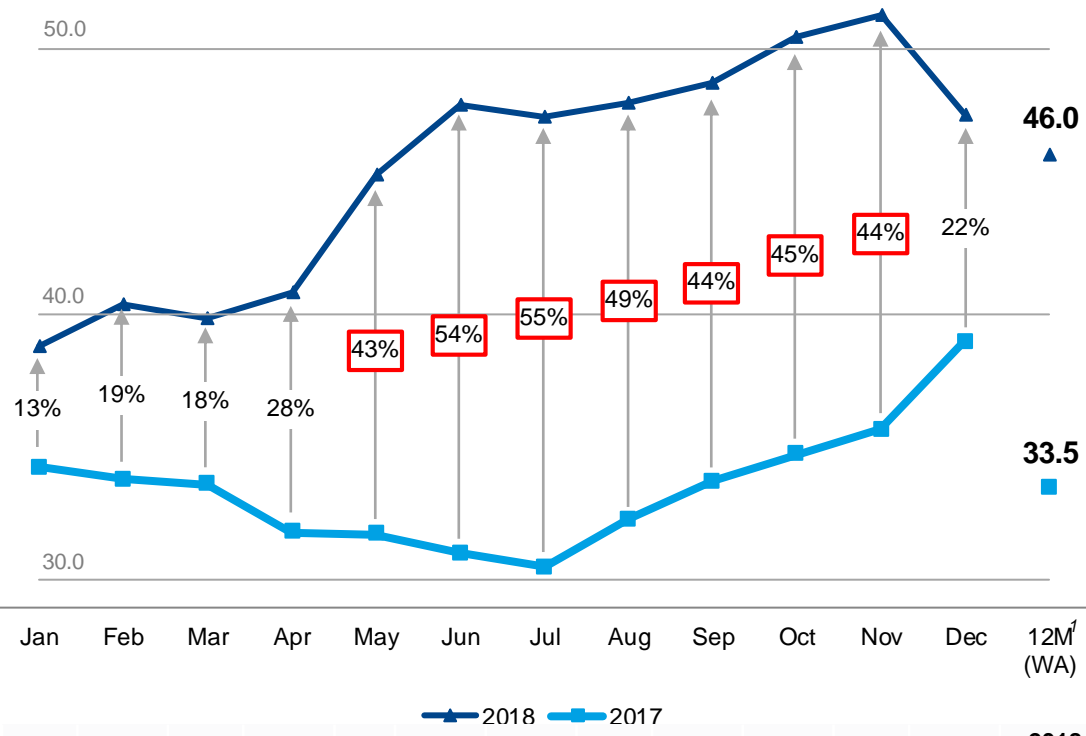
\* Customs duties

\*\* NRE includes creation of legal provision and recovery of part of the provision created for compensation under long-term motivation programs

- **Cost per ASK increased by 9.2% from RUB 3.13 in 12M 2017 to RUB 3.42 in 12M 2018 on the back of fuel, maintenance and operating lease expenses pressure.**

## Aeroflot Airline Jet Fuel Price

(thousand RUB per tonne of jet fuel)



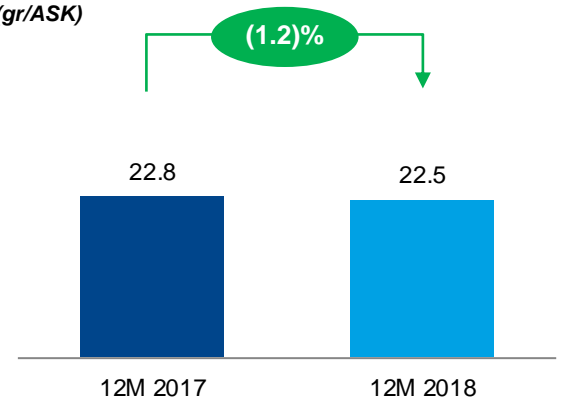
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	12M <sup>1</sup> (WA)	2018
<b>USD/RUB</b>	56.6	56.8	57.1	60.9	62.3	62.8	62.8	66.5	67.6	65.8	66.6	67.6	67.6	57.3
<b>Brent (USD)</b>	69.1	65.7	66.9	71.8	77.0	75.9	75.0	73.8	79.1	80.6	65.9	57.3	57.3	57.3

Source: Bloomberg, Company data  
<sup>1</sup> Weighted average price for 12M

<sup>2</sup> USD/RUB exchange rate as per the Central Bank of Russia  
<sup>3</sup> Assuming 18% VAT rate

## Fuel Consumption per ASK

(gr/ASK)



### Comments

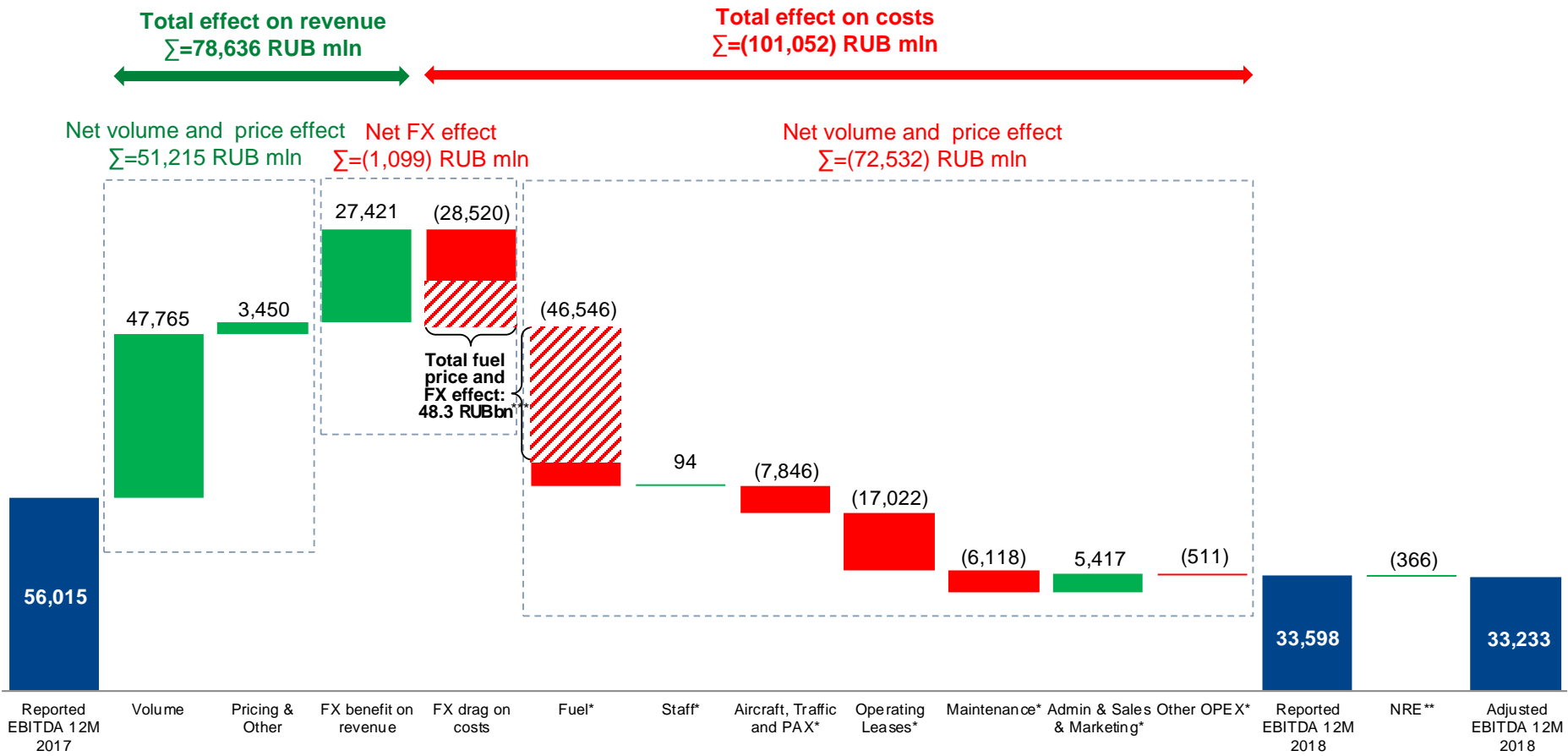
- **Efficient fuel procurement:** 1-year supply contracts in airports across Russia
- **Majority of fuel purchased in Russia and almost all fuel at international airports supplied at formula-linked price** - Jet fuel price<sub>intl</sub> = NW Europe (FOB Rotterdam) price x Discount x FX rate<sup>2</sup> x 1.18<sup>3</sup> + Storage/Fuelling/Supply fees (if any of these applicable)
- **Increasing average fuel price per tonne.**  
Aeroflot Airline:
  - 12M 2018: 46.0 thousand RUB (+37.3% y-o-y).
  - Q4 2018: 50.0 thousand RUB (+36.1% y-o-y).
- Aeroflot Group:
  - 12M 2018: 46.6 thousand RUB (+36.1% y-o-y).
  - Q4 2018: 50.6 thousand RUB (+35.9% y-o-y).

- **Aeroflot is achieving efficiency gain in fuel costs as new aircraft are put into operation.**
- **Oil price and RUB fluctuations led to further upward pressure on jet fuel price in Q4 and 12M 2018.**

# EBITDA Evolution



(RUB mln)



\* Excluding currency impact

\*\* NRE includes creation of legal provision and recovery of part of the provision created for compensation under long-term motivation programs

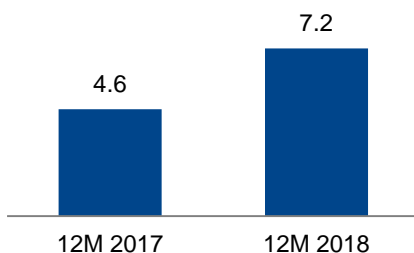
\*\*\* Decomposition of fuel cost inflation to price and FX impact is carried out via change in fuel price denominated in USD.

- **Positive FX impact was observed on revenue side on the back of weakening RUB, which outpaced pressure on operating costs.**
- **Key drivers of EBITDA adjustment along with the growth in size and scale of operations were increase in jet fuel price and operating lease costs growth.**

# Pobeda Financial Results

## Increasing PAX Traffic

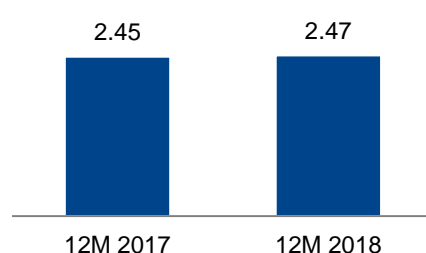
Million passengers



**PAX up by 56.8% in 12M 2018**

## RASK<sup>1</sup> dynamics

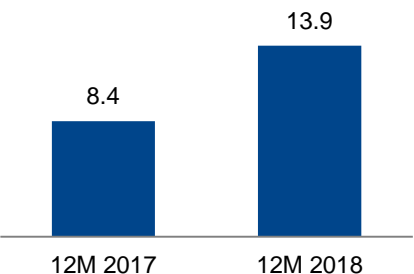
RUB



**RASK up by 0.7% in 12M 2018**

## Increasing ASK

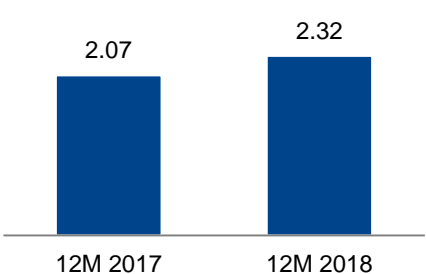
Billion ASK



**ASK up by 65.4% in 12M 2018**

## CASK dynamics

RUB



**CASK up by 12.1% in 12M 2018**

Note: based on managerial accounts transformed under IFRS principles

<sup>1</sup> Calculation based on Total Revenue of the Company

## Growing Revenues of LCC Segment

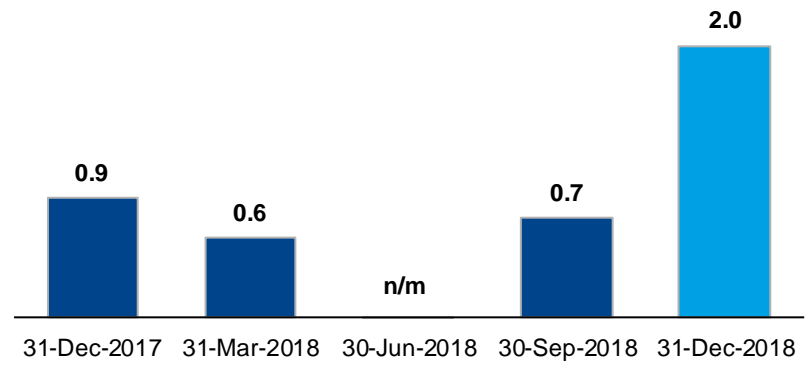
Q4 2017	Q4 2018	Change	RUB mln	12M 2017	12M 2018	Change
4,631	7,891	70.4%	Revenue	20,633	34,373	66.6%
24	212	>8x	EBITDAR <sup>1</sup>	6,727	8,305	23.5%
0.5%	2.7%	2.2 p.p.	EBITDAR margin	32.6%	24.2%	(8.4) p.p.
(963)	(1,682)	n/m	EBITDA	3,267	2,180	(33.3)%
neg. margin	neg. margin	n/m	EBITDA margin	15.8%	6.3%	(9.5) p.p.
(786)	(1,492)	n/m	Net income	2,834	1,763	(37.8)%
neg. margin	neg. margin	n/m	Net margin	13.7%	5.1%	(8.6) p.p.

- Pobeda has demonstrated solid results backed by strong demand and active expansion of the fleet in 12M 2018.**

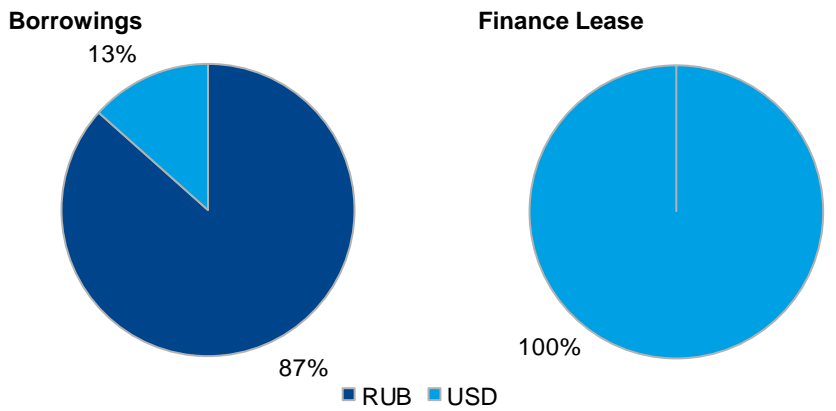
## Debt Profile<sup>1</sup>

RUB mln	31-Dec-2017	31-Dec-2018	Change
Borrowings	3,181	3,486	9.6%
Finance Lease Liabilities	100,689	93,224	(7.4)%
Pension Liabilities	922	908	(1.5)%
<b>Total Debt</b>	<b>104,792</b>	<b>97,618</b>	<b>(6.8)%</b>
Cash and Short Term Investments	54,909	30,148	(45.1)%
<b>Net Debt</b>	<b>49,883</b>	<b>67,468</b>	<b>35.3%</b>

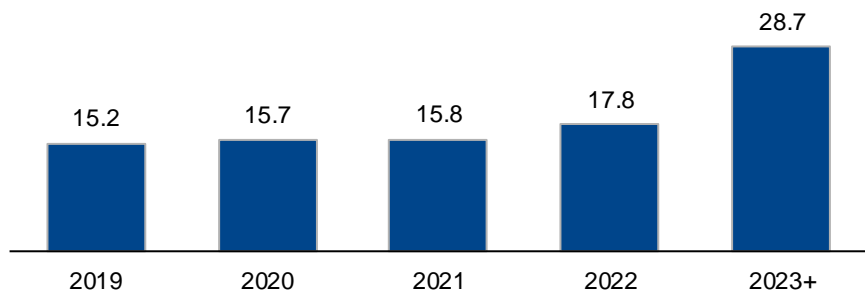
## Net Debt / EBITDA<sup>2</sup>



## Debt breakdown by currency











## Finance Lease Repayment Schedule (RUB billion)<sup>3</sup>



<sup>1</sup> 31-Dec-2017 exchange rate - 57.60 RUB per USD , 31-Dec-2018 exchange rate - 69.47 RUB per USD <sup>3</sup> Not including interest; future payments in dollars converted into roubles at exchange rate of 69.47 RUB per USD  
<sup>2</sup> Net debt does not include capitalised operating lease expenses; based on annualized EBITDA

- Total debt decreased by 6.8% on the back of lower finance lease liabilities while Net Debt increased by 35.3% due to lower cash position resulting in growth of Net Debt / EBITDA ratio.
- Cash position of RUB 30.1 billion and undrawn credit lines of RUB 84.2 billion.

Market			
Indicator	2018 Targets	Checklist	2019 Targets
Total Market (PAX)	Double digit growth (10-14%)	+11% 	Single digit growth (6%-7%, in line with long-term CAGR)
International Segment (PAX)	Key driver	+13% 	Single digit growth
Domestic Segment (PAX)	Secondary driver	+10% 	Single digit growth
Aeroflot Group			
Passenger Traffic (PAX)	+11%-12%	+11% 	+9-10%
Capacity (ASK)	+9%-10%	+10% 	+9-10%
Passenger Load Factor (%)	82.0%+	82.7% 	82.0%+
Revenue	Revenue growth of over 10% (10% vol. + positive pricing)	Revenue: +15%, RPK: +10% Blended yield: +6% 	Revenue growth of over 10% (volume + pricing)
Costs	Pressure from fuel price, cockpit wage indexation		Stabilized fuel price, Ongoing cost control

- Aeroflot Group's long-term growth strategy is intact, with tactical adjustments to address current market environment

1. Market Update and Operating Results
2. Network and Schedule Overview
3. Fleet Overview
4. Financial Performance
- 5. Strategy 2023**
6. Appendix



# Strategy 2023 in Historical Context





**Passenger  
traffic**

**90-100 mln**  
accelerated expansion of LCC  
**pobeda** (25-30 mln)



**International transit  
traffic**

**10-15 mln**



**Regional  
development**

**New international hub** (Krasnoyarsk) and  
**3 bases** (Sochi, Ekaterinburg, Novosibirsk)



**Fleet  
expansion**

**≈ 520 aircraft**







**New technologies and  
digitalization**

Strengthen **competitive edge** and  
increase in **operational efficiency**

- Aeroflot Group upgraded its long term goals targeting to further strengthen its positions both locally and globally reaching new levels of operational and financial efficiency by its 100th anniversary with the shareholder value creation among key development goals.

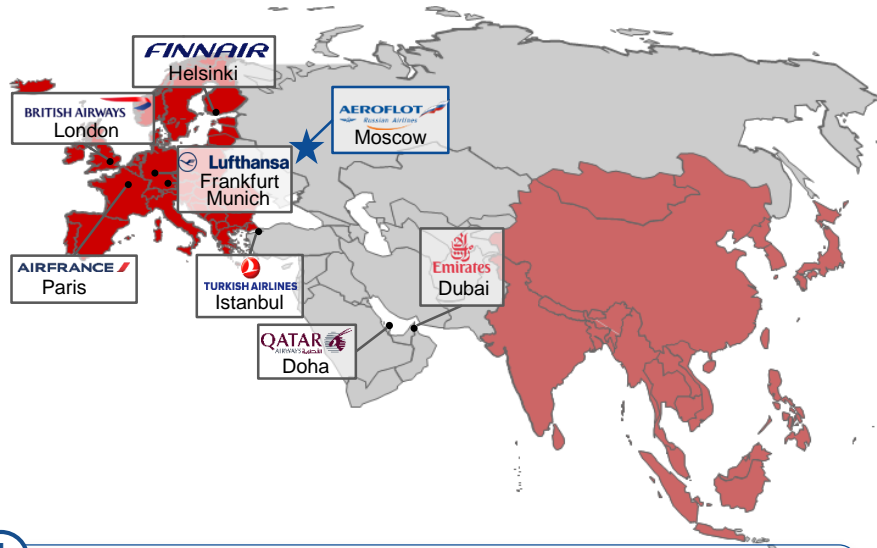
# 2023 Strategic Targets Decomposition

Airline brand	2018 mn PAX		2023 mn PAX	Development Focus
	<b>35.8</b>	<ul style="list-style-type: none"> <li>International transfer to increase 2-3x to 10-15 mn PAX</li> <li>Legacy carriers (Aeroflot+Rossiya) net of transfer to grow at <u>CAGR of 4%</u></li> </ul>	<b>52</b>	Focus on efficiency and new technologies
	<b>11.1</b>		<b>10-15</b>	Transformation of the airline (efficiency, regional transportation, flat fares to Far East)
	<b>7.2</b>	<b>~ 4x</b>	<b>25-30</b>	Roll-out of the LCC model
	<b>1.6</b>	<b>~ 2x</b>	<b>3</b>	Development of operations in the Far East

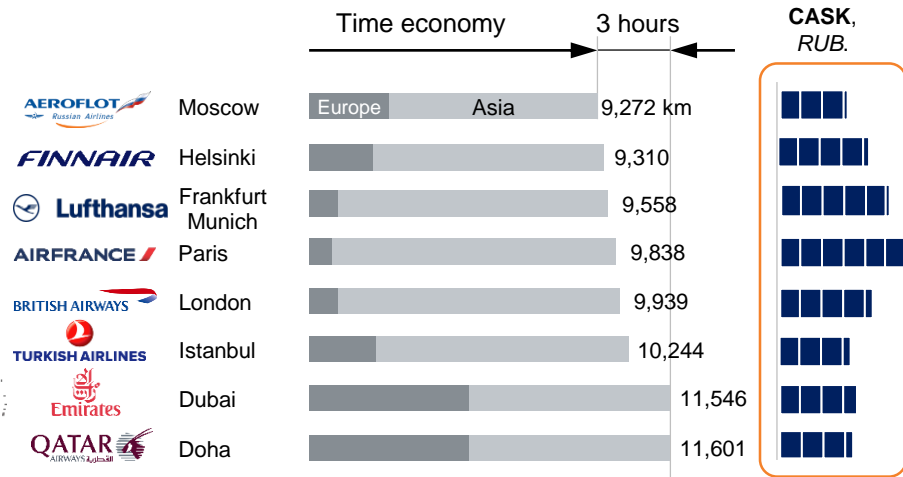
- All of the Group's airlines will contribute to achieving the Group's new strategic goals, however LCC development and transfer operations will play the most important role.

# Moscow as a Global Transfer Hub

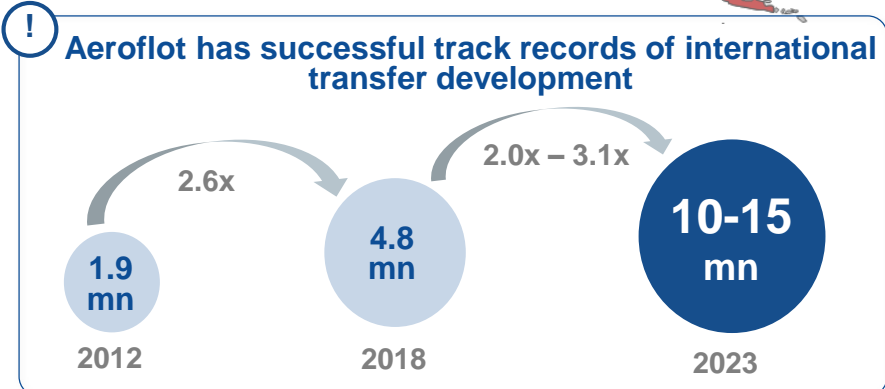
## Hubs of largest airlines offering Europe-Asia transit



## Average Europe-Asia distance via hubs, km



Note: The following cities were chosen to measure average distance: London, Paris, Rome, Frankfurt Madrid in Europe; Beijing, Shanghai, Tokyo, Seoul, Hanoi in Asia.



Note: historical transfer data is based only on Aeroflot flights, numbers adjusted for code-share and partner airline traffic are on average 5%-10% higher








Note: for winter 2018/2019, including MCT, based on Skyscanner


- Aeroflot not only has geographical and financial advantage over peers on several key transcontinental routes, but has successful track records of execution in transfer segment.

## Why Pobeda Has a Lot of Potential?

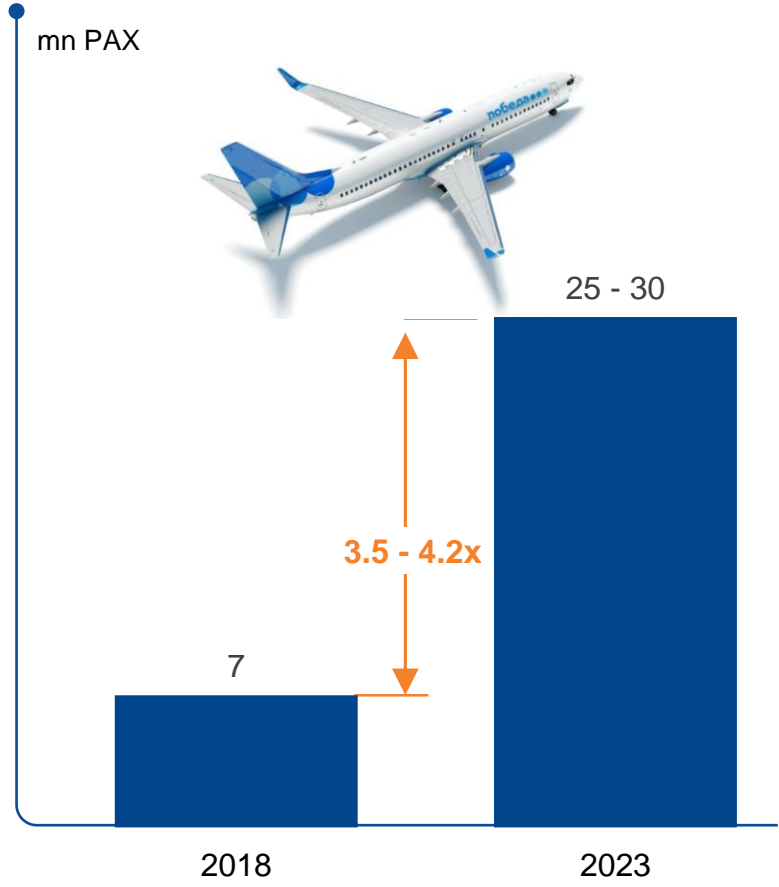
- 1 Market stimulation effect**

  - 
**30%** increase in passenger traffic on new Pobeda routes – new passengers
  - 
**>400k** number of lowest fare tickets (RUB 499/999) sold in 2018
  
- 2 Operational efficiency**

  - 
**>13h** Pobeda is the most efficient operator of Boeing 737 aircraft globally
  - 
**2.3 yrs** Young and modern fleet resulting in fuel efficiency
  - 
**94.1%** Passenger load factor in line with global LCC leaders
  
- 3 Financial efficiency**

  - 
**2.3 RUB** Lowest CASK even compared to global LCCs

## Pobeda in 2023



- LCC is the key source of Aeroflot Group’s growth in the long run.
- Pobeda, one of the most efficient LCCs globally, provides Aeroflot with unique opportunity to tap hidden opportunities of the Russian aviation market in the most efficient way.

## New Regional Bases to Be Established in the Next 5 Years



<sup>1</sup> Company estimate. Regional traffic includes all traffic originating from Saint Petersburg, Far East and interregional traffic.

- **Aeroflot Group will create new bases across Russia and a new international transit hub in Krasnoyarsk.**
- **The most sizable contribution to regional traffic growth is expected from Saint Petersburg in terms of geography and from Pobeda in terms of product offering.**

## New International Hub in Krasnoyarsk



### Russia and Asia

Potential network may include:

- Key federal markets (Moscow, Petersburg, Sochi)
- Regional flights (large cities in Siberia)
- Sizable Asian markets (e.g. China)

Boeing 737 /Airbus A320



SSJ100



### Europe and Asia

## Modern and efficient infrastructure



1. Market Update and Operating Results
2. Network and Schedule Overview
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5. Strategy 2023
- 6. Appendix**

# Operating Data – Q4 & 12M 2018

Indicator	Unit	Aeroflot airline						Aeroflot Group					
		Q4 2017	Q4 2018	Y-o-Y	12M 2017	12M 2018	Y-o-Y	Q4 2017	Q4 2018	Y-o-Y	12M 2017	12M 2018	Y-o-Y
<b>Passenger Traffic</b>	<b>th PAX</b>	<b>8,056</b>	<b>8,992</b>	<b>11.6%</b>	<b>32,845</b>	<b>35,762</b>	<b>8.9%</b>	<b>11,789</b>	<b>13,462</b>	<b>14.2%</b>	<b>50,129</b>	<b>55,710</b>	<b>11.1%</b>
International Routes	th PAX	4,197	4,526	7.8%	17,154	18,214	6.2%	5,329	5,978	12.2%	22,550	24,737	9.7%
Domestic Routes	th PAX	3,859	4,466	15.7%	15,691	17,549	11.8%	6,460	7,483	15.8%	27,579	30,973	12.3%
<b>Passenger Turnover</b>	<b>mn pkm</b>	<b>22,637</b>	<b>24,431</b>	<b>7.9%</b>	<b>91,810</b>	<b>97,956</b>	<b>6.7%</b>	<b>30,841</b>	<b>34,723</b>	<b>12.6%</b>	<b>130,222</b>	<b>143,151</b>	<b>9.9%</b>
International Routes	mn pkm	15,049	16,086	6.9%	60,669	64,044	5.6%	18,627	20,524	10.2%	77,034	83,249	8.1%
Domestic Routes	mn pkm	7,588	8,345	10.0%	31,141	33,912	8.9%	12,214	14,199	16.3%	53,188	59,901	12.6%
<b>Passenger Capacity</b>	<b>mn ASK</b>	<b>28,690</b>	<b>31,574</b>	<b>10.1%</b>	<b>112,246</b>	<b>121,662</b>	<b>8.4%</b>	<b>38,457</b>	<b>43,682</b>	<b>13.6%</b>	<b>157,211</b>	<b>173,075</b>	<b>10.1%</b>
International Routes	mn ASK	19,528	21,411	9.6%	75,316	81,465	8.2%	23,610	26,663	12.9%	93,429	102,843	10.1%
Domestic Routes	mn ASK	9,162	10,163	10.9%	36,930	40,197	8.8%	14,847	17,019	14.6%	63,781	70,231	10.1%
<b>Passenger Load Factor</b>	<b>%</b>	<b>78.9%</b>	<b>77.4%</b>	<b>(1.5) p.p.</b>	<b>81.8%</b>	<b>80.5%</b>	<b>(1.3) p.p.</b>	<b>80.2%</b>	<b>79.5%</b>	<b>(0.7) p.p.</b>	<b>82.8%</b>	<b>82.7%</b>	<b>(0.1) p.p.</b>
International Routes	%	77.1%	75.1%	(1.9) p.p.	80.6%	78.6%	(2.0) p.p.	78.9%	77.0%	(1.9) p.p.	82.5%	80.9%	(1.5) p.p.
Domestic Routes	%	82.8%	82.1%	(0.7) p.p.	84.3%	84.4%	0.1 p.p.	82.3%	83.4%	1.2 p.p.	83.4%	85.3%	1.9 p.p.
<b>Tonne-Kilometres</b>	<b>mn tkm</b>	<b>2,340</b>	<b>2,490</b>	<b>6.4%</b>	<b>9,317</b>	<b>9,862</b>	<b>5.9%</b>	<b>3,135</b>	<b>3,486</b>	<b>11.2%</b>	<b>12,951</b>	<b>14,183</b>	<b>9.5%</b>
International Routes	mn tkm	1,572	1,664	5.8%	6,199	6,515	5.1%	1,902	2,079	9.3%	7,689	8,295	7.9%
Domestic Routes	mn tkm	767	826	7.6%	3,118	3,346	7.3%	1,232	1,408	14.2%	5,263	5,888	11.9%
<b>Revenue Flights</b>	<b>flights</b>	<b>62,628</b>	<b>72,526</b>	<b>15.8%</b>	<b>243,317</b>	<b>273,177</b>	<b>12.3%</b>	<b>91,694</b>	<b>105,725</b>	<b>15.3%</b>	<b>368,473</b>	<b>411,455</b>	<b>11.7%</b>
International Routes	flights	31,259	35,328	13.0%	121,003	134,291	11.0%	38,693	45,049	16.4%	153,425	173,407	13.0%
Domestic Routes	flights	31,369	37,198	18.6%	122,314	138,886	13.5%	53,001	60,676	14.5%	215,048	238,048	10.7%
<b>Flight Hours</b>	<b>hours</b>	<b>182,141</b>	<b>206,793</b>	<b>13.5%</b>	<b>702,807</b>	<b>778,795</b>	<b>10.8%</b>	<b>252,803</b>	<b>289,770</b>	<b>14.6%</b>	<b>1,009,108</b>	<b>1,123,546</b>	<b>11.3%</b>



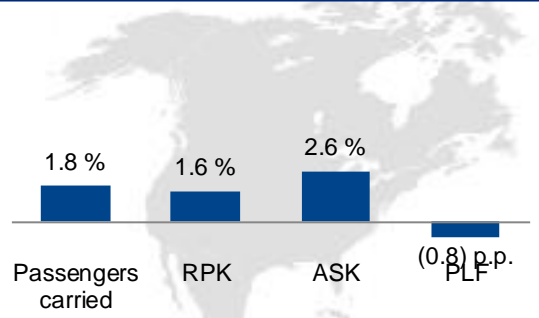
# Key Operating Data of Subsidiary Airlines

Indicator	Unit	Rossiya Airline		Pobeda Airline		Aurora Airline	
		12M 2018	Y-o-Y	12M 2018	Y-o-Y	12M 2018	Y-o-Y
<b>Passenger Traffic</b>	<b>th PAX</b>	<b>11,140</b>	<b>(0.1)%</b>	<b>7,185</b>	<b>56.8%</b>	<b>1,623</b>	<b>4.8%</b>
International Routes	th PAX	4,353	5.2%	1,766	101.8%	405	5.2%
Domestic Routes	th PAX	6,787	(3.3)%	5,419	46.1%	1,218	4.7%
<b>Passenger Turnover</b>	<b>mn pkm</b>	<b>29,601</b>	<b>5.3%</b>	<b>13,104</b>	<b>65.3%</b>	<b>2,494</b>	<b>5.5%</b>
International Routes	mn pkm	14,795	6.5%	3,829	100.0%	585	4.1%
Domestic Routes	mn pkm	14,805	4.0%	9,276	54.2%	1,908	5.9%
<b>Passenger Capacity</b>	<b>mn ASK</b>	<b>34,178</b>	<b>2.6%</b>	<b>13,925</b>	<b>65.4%</b>	<b>3,315</b>	<b>2.2%</b>
International Routes	mn ASK	16,423	7.7%	4,121	97.7%	840	7.5%
Domestic Routes	mn ASK	17,755	(1.6)%	9,803	54.8%	2,476	0.5%
<b>Passenger Load Factor</b>	<b>%</b>	<b>86.6%</b>	<b>2.2 p.p.</b>	<b>94.1%</b>	<b>(0.1) p.p.</b>	<b>75.2%</b>	<b>2.4 p.p.</b>
International Routes	%	90.1%	(1.0) p.p.	92.9%	1.1 p.p.	69.7%	(2.3) p.p.
Domestic Routes	%	83.4%	4.6 p.p.	94.6%	(0.3) p.p.	77.1%	4.0 p.p.
<b>Flight Hours</b>	<b>hours</b>	<b>200,802</b>	<b>0.0%</b>	<b>98,285</b>	<b>64.3%</b>	<b>45,663</b>	<b>0.0%</b>

# 12M 2018 Operating Data by Region (Scheduled Routes)

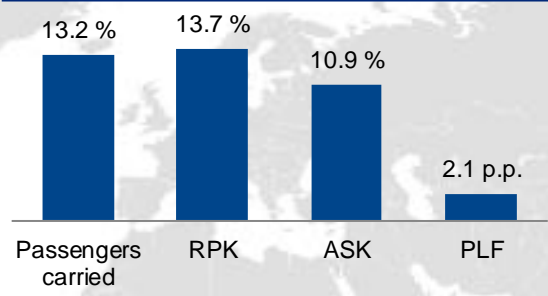


## Americas



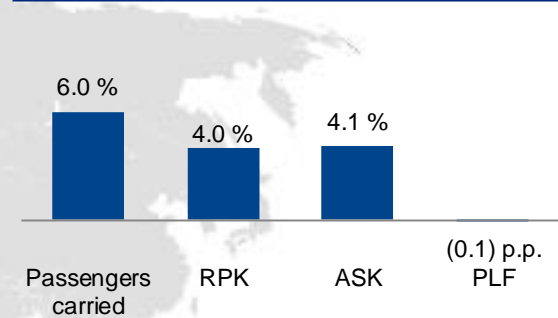
Performance of North and Central American market was supported by additional frequency to Miami in Summer schedule and increased ASK to other destinations, which weighted on PLF.

## Russia



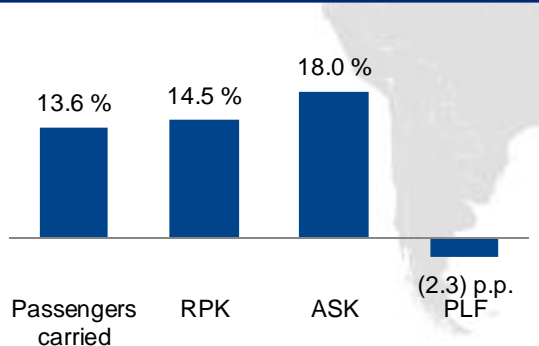
Russian market is continuing to show consistent growth in 2018 with strong PLF performance on the back of efficient capacity management and addition of new routes and frequencies.

## CIS



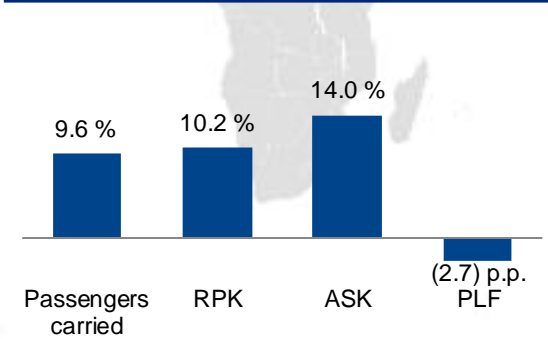
Positive contribution to regions' KPIs comes from increased frequencies of Aeroflot airline and stronger demand to local destinations, slightly dimmed by subsidiaries' operating program optimization.

## Europe



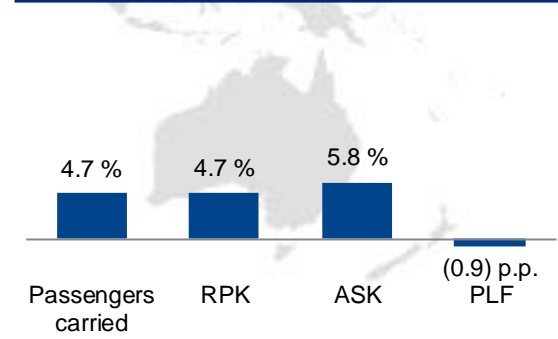
European market performance benefited from launch of additional frequencies to key destinations and from new destinations opening, putting slight pressure on PLF.

## Middle East



Operating performance of the region significantly affected by increased frequencies to Istanbul, Antalya and Dubai backed by strong demand. PLF affected by stronger competition on select routes.

## Asia



More traffic on key scheduled destinations (Beijing, Seoul) as well as popular leisure destinations (Male) amid material increase in frequencies supportive for overall performance of the region.

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

**• Strong operating performance on scheduled routes supported by FIFA World Cup and additionally influenced by selective route network adjustments and competition.**

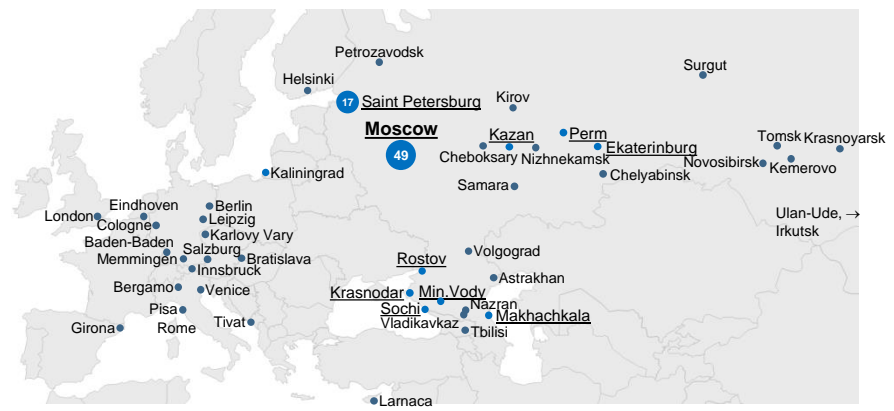
# Pobeda Airline: Acceleration of Growth



## Overview of Pobeda

<b>Network</b>	<ul style="list-style-type: none"> <li>Operating from Vnukovo airport (3<sup>rd</sup> Moscow airport by PAX)</li> <li>Network comprising 84 routes (44 unique for the Group)</li> <li>Additional expansion to international destinations (14 countries)</li> </ul>
<b>Fleet</b>	<ul style="list-style-type: none"> <li>24 Boeing 737-800 NG (31.12.2018)</li> <li>Plans for 9 aircraft to be delivered in 2019</li> <li>Single class cabin</li> <li>189 seats per plane</li> </ul>
<b>Key features and achievements in 2018</b>	<ul style="list-style-type: none"> <li>7.2 million PAX in 2018 (+56,8% y-o-y)</li> <li>2018 PLF of 94.1%</li> <li>International RPK is 29% of total Pobeda traffic</li> <li>Active development of intra-region flights, and international flights from the regions</li> </ul>
<b>2023 Goals</b>	<ul style="list-style-type: none"> <li>Accelerated expansion in domestic and international segments</li> <li>c25-30 mln PAX annually</li> </ul>

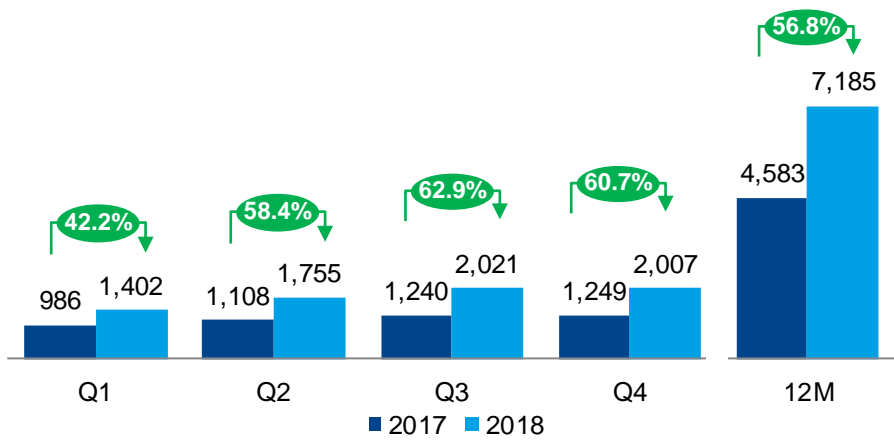
## Pobeda's Network (Winter 2018/2019)



- Cities where the airline operates to
- Cities with <10 routes served from city
- **XX** Base cities with >10 routes served from city (number of routes in circle)

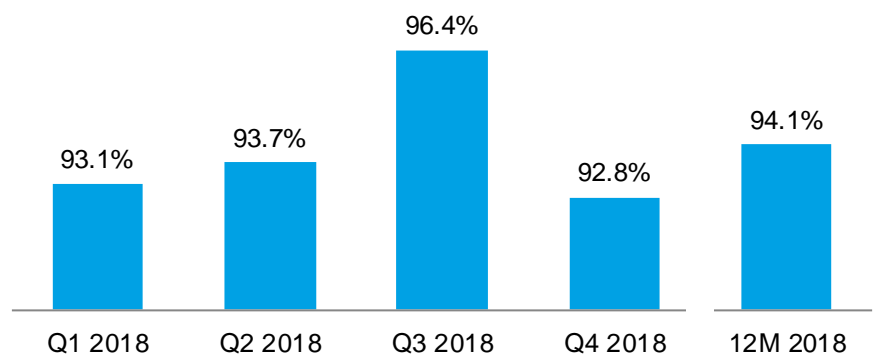
## Growing Passenger Flows

thousand PAX



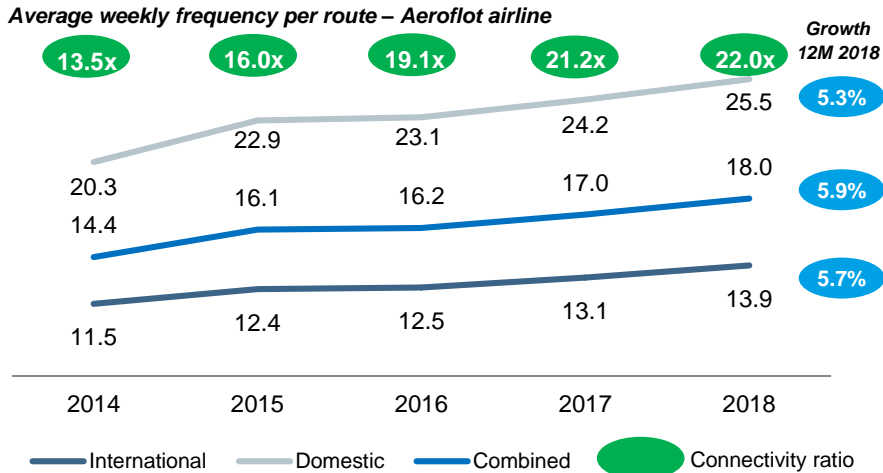
## Strong Passenger Load Factor

PLF, %



• Pobeda, the only Russian LCC, is a timely value proposition to cost conscious passengers.

## Growing Connectivity of Aeroflot Airline's Flights<sup>1</sup> ...



## Key International Transit Markets



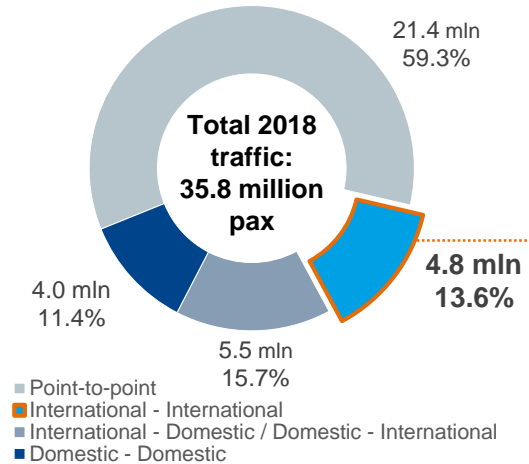
Source: Company data.

<sup>1</sup> Data for Aeroflot airline's own flights

- 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.

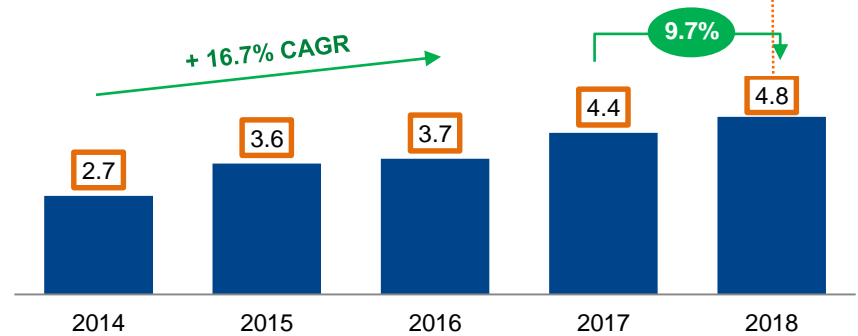
## ... Results into a Flexible Approach to Transit Flows

Considerable share of transit of Aeroflot airline in Sheremetyevo



## Increase in International – International Traffic

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



Share of international-international transit in total traffic of Aeroflot Airline

Year	Share (%)
2014	11.8%
2015	14.0%
2016	13.1%
2017	13.6%
2018	13.6%

# Infrastructure Expansion to Support Future Growth

## New Terminal B Highlights

Capacity – 20 mln PAX (4,200 PAX per hour)

Size – 110 thd sqm

New technologies implemented in the new terminal

Connected to terminal E via interterminal tunnels

## New infrastructure objects launched in 2018



Terminal B

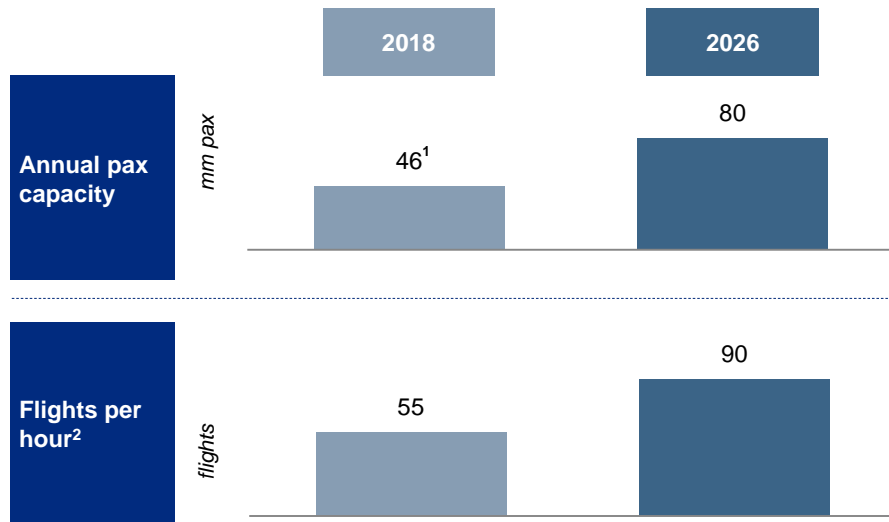


Interterminal tunnel



Express train

## Evolution of key operating indicators (max. theoretical capacity)

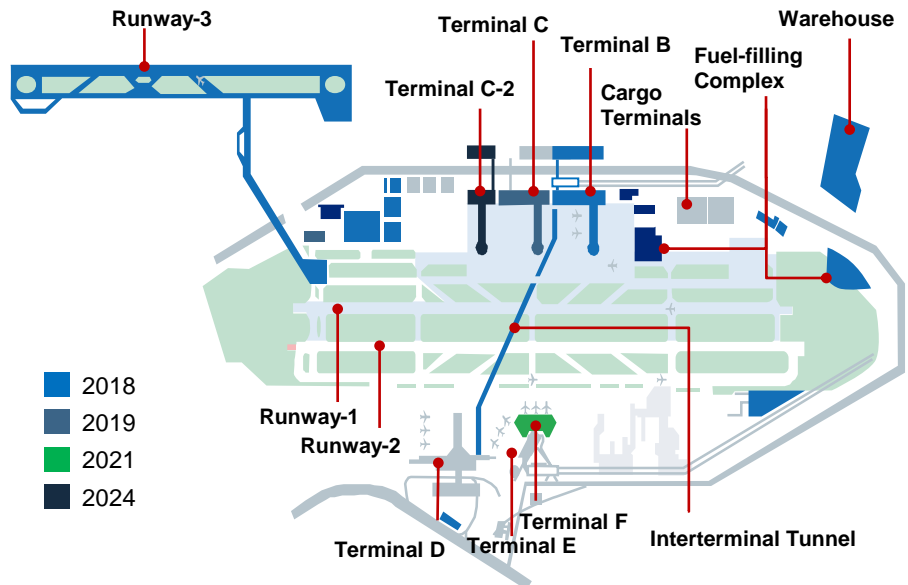


Source: Sheremetyevo press-center, aviation explorer, public sources

Note:<sup>1</sup> Actual passenger traffic of 2018

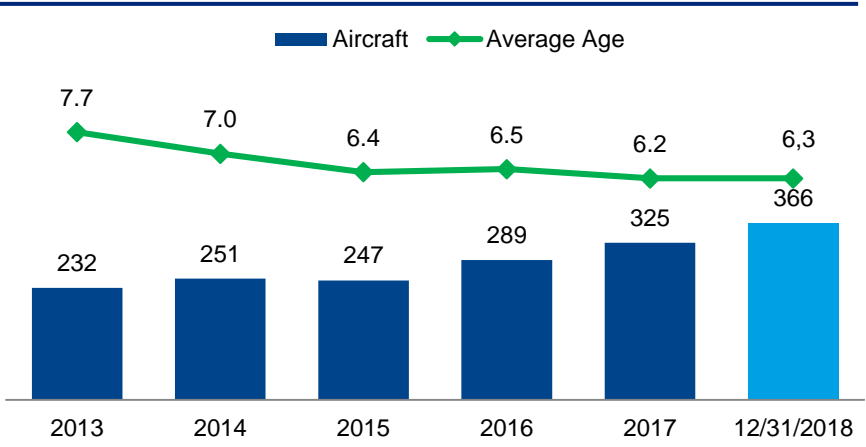
<sup>2</sup> According to IATA Methodology, 2018 numbers are based on information in media

## Sheremetyevo development plan

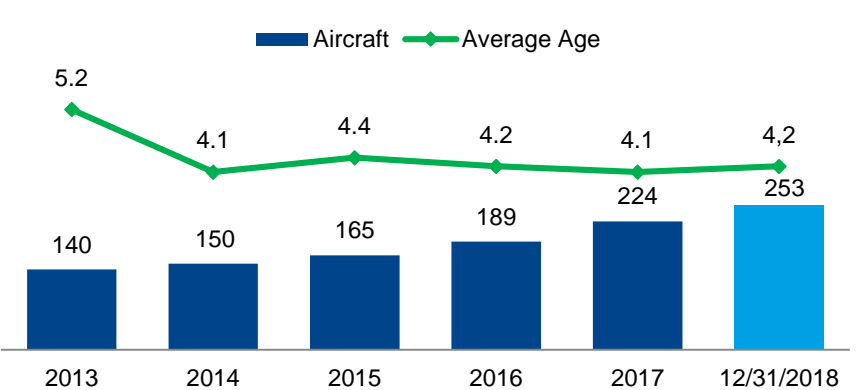


- Aeroflot finalized transfer of the majority of own domestic flights to the new Terminal B on November 15, 2018, leaving only eight daily flights to the Far East of Russia to ensure more efficient connections.

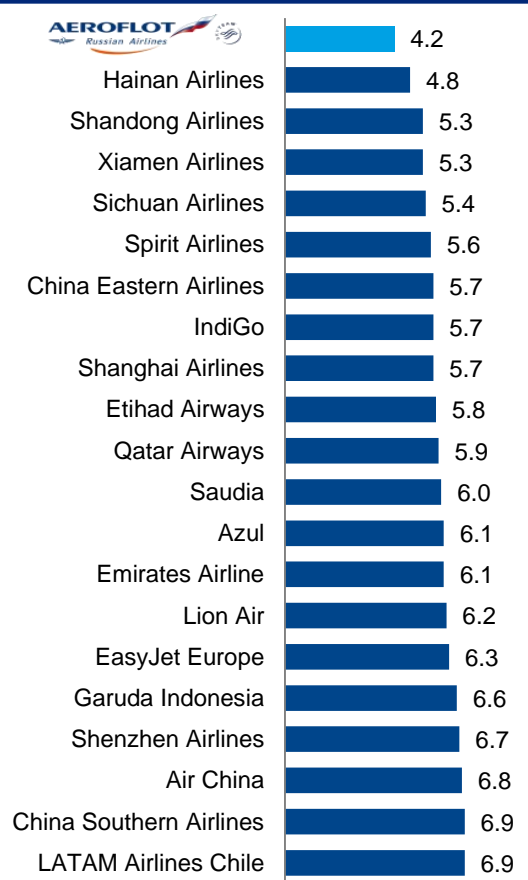
## Aeroflot Group Fleet in Operation <sup>1</sup>



## Aeroflot Airline Fleet in Operation <sup>1</sup>



## Average Age of the Fleet <sup>2</sup>

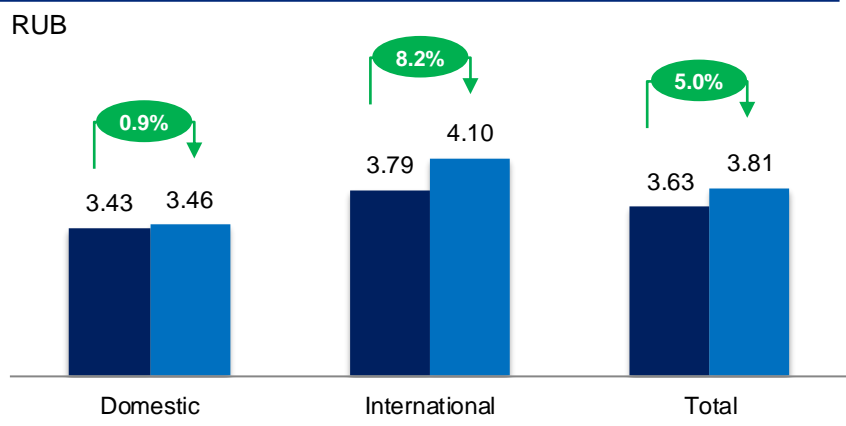


<sup>1</sup> Excludes planes out of operation

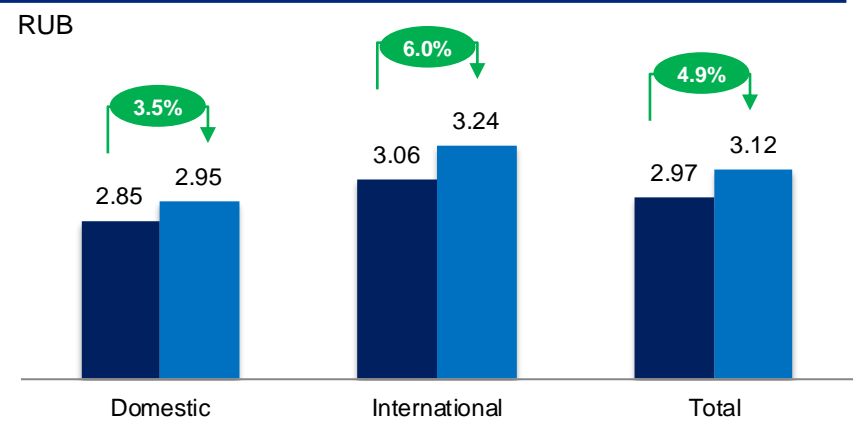
<sup>2</sup> Average Fleet Age of Selected Airlines with Active Fleet of 100+ Aircraft according to FlightGlobal data (as of January 2019, data by legal entity) excluding planes out of operation

- 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

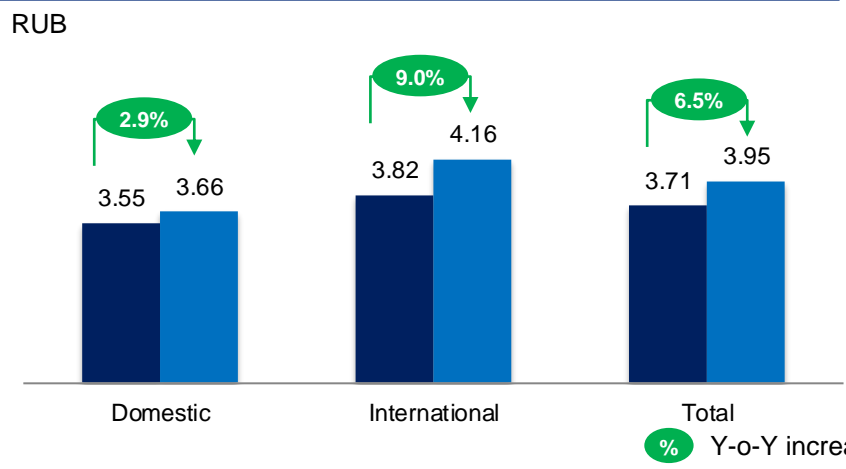
## 12M Yield (PAX Revenue / RPK)



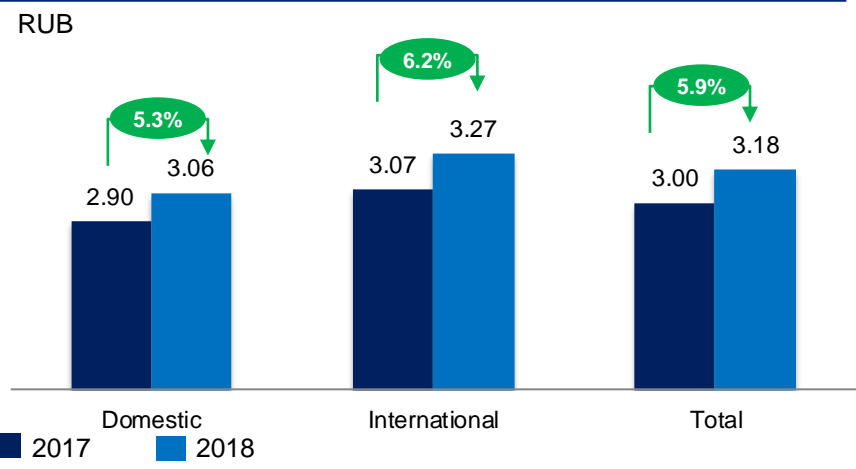
## 12M RASK (PAX Revenue / ASK)



## 12M Yield ex. Pobeda (PAX Revenue / RPK)



## 12M RASK ex. Pobeda (PAX Revenue / ASK)



% Y-o-Y increase    ■ 2017    ■ 2018

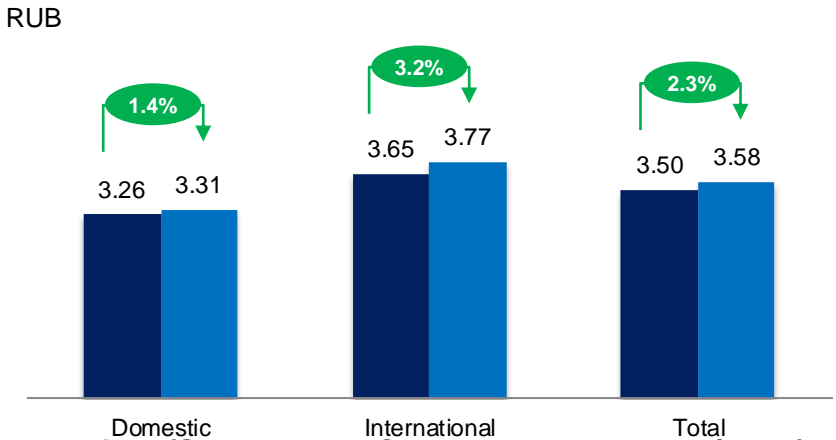
Note: Data presented based on management accounting figures, scheduled flights revenue is used for calculations.

- RUB dynamics and changing mix of operations at subsidiaries' level affected RUB yields in 12M 2018.

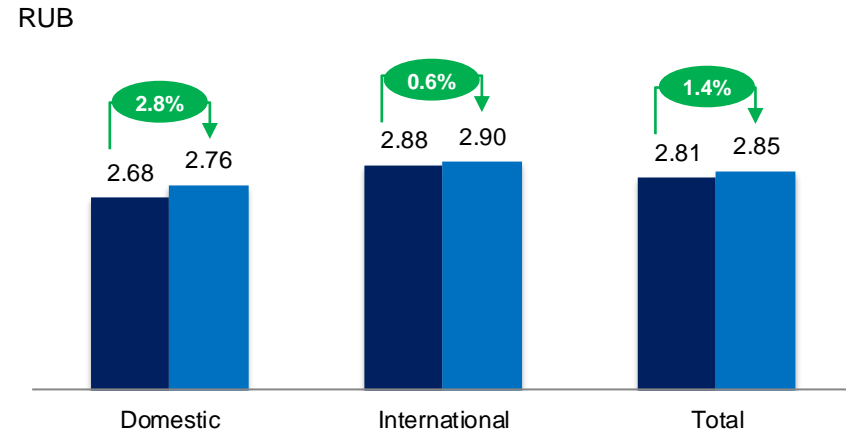
# Aeroflot Group Blended Flights Revenue Units



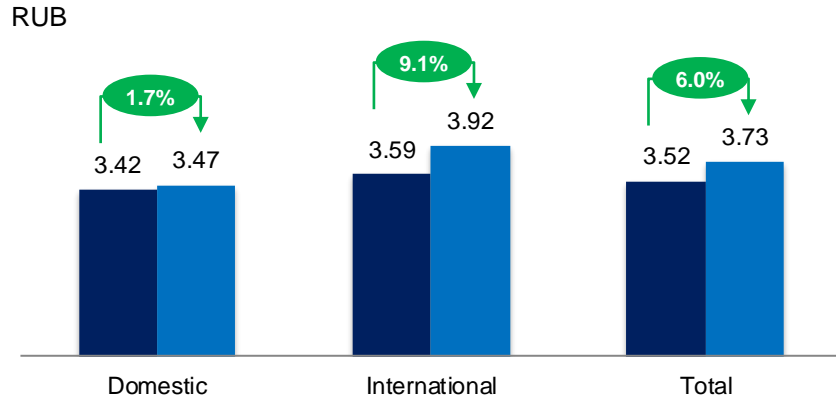
## Q4 Yield (Scheduled + Charter PAX Revenue / RPK)



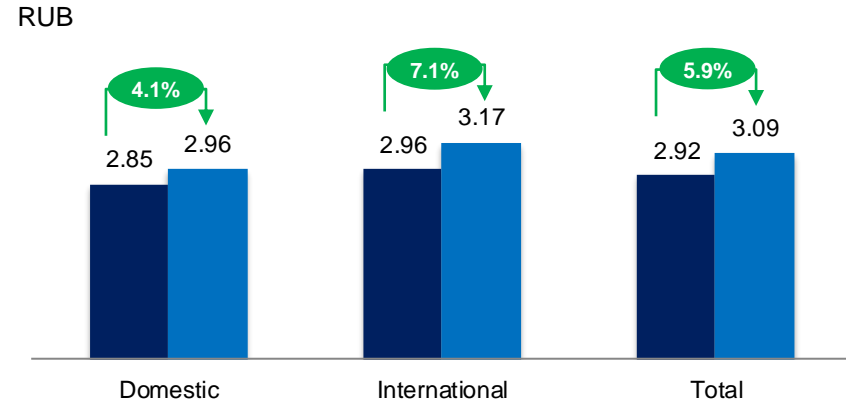
## Q4 RASK (Scheduled + Charter PAX Revenue / ASK)



## 12M Yield (Scheduled + Charter PAX Revenue / RPK)



## 12M RASK (Scheduled + Charter PAX Revenue / ASK)



% Y-o-Y increase    ■ 2017    ■ 2018

Note: Data presented based on management accounting figures, scheduled and charter flights revenue is used for calculations

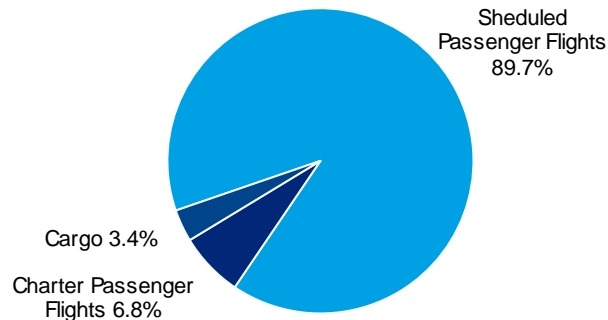
- RUB dynamics and changing mix of operations at subsidiaries' level affected RUB yields in Q4 and 12M 2018.



# Traffic Revenue Analysis

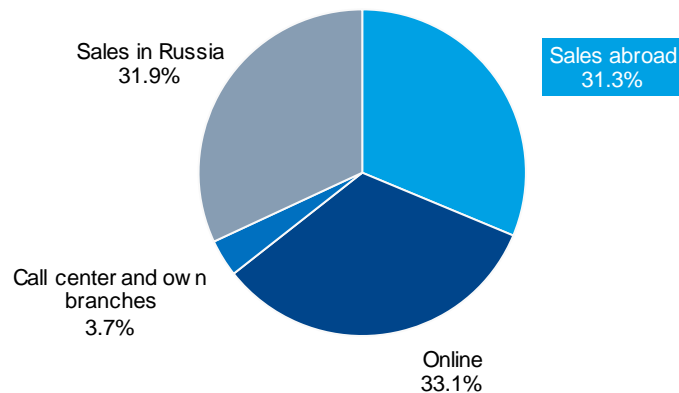
## Traffic Revenue Breakdown by Type

12M 2018



## Scheduled Traffic Revenue by POS

12M 2018<sup>2</sup>



## Revenue from Scheduled Passengers (RUB mln)<sup>1</sup>

Q4 2017	Q4 2018	Y-o-Y	Region	12M 2017	12M 2018	Y-o-Y	12M 2018, % of sch. revenue
38,767	46,300	19.4%	Russia	176,141	202,192	14.8%	40.7%
26,505	30,096	13.5%	Europe	114,656	136,673	19.2%	27.5%
17,169	21,116	23.0%	Asia	66,694	77,127	15.6%	15.5%
5,627	6,572	16.8%	CIS	22,356	25,216	12.8%	5.1%
6,034	6,206	2.9%	North and Central America	25,835	29,729	15.1%	6.0%
5,701	6,756	18.5%	Middle East and Africa	21,847	25,517	16.8%	5.1%
<b>99,803</b>	<b>117,046</b>	<b>17.3%</b>	<b>Total</b>	<b>427,529</b>	<b>496,454</b>	<b>16.1%</b>	<b>100.0%</b>

## Total Passenger Revenue (Scheduled + Charter, RUB mln)

Q4 2017	Q4 2018	Y-o-Y	Segment	12M 2017	12M 2018	Y-o-Y	12M 2018, % of revenue
39,851	46,965	17.9%	Domestic	181,651	208,127	14.6%	39.0%
68,037	77,354	13.7%	International	276,739	326,166	17.9%	61.0%
<b>107,888</b>	<b>124,318</b>	<b>15.2%</b>	<b>Total</b>	<b>458,390</b>	<b>534,292</b>	<b>16.6%</b>	<b>100.0%</b>

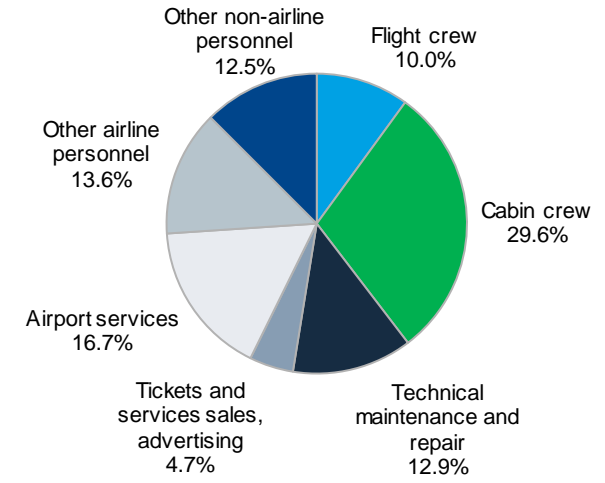
- In 12M 2018 revenue from scheduled passengers grew by 16.1% mainly driven by revenue growth on Russian, European and Asian markets.

<sup>1</sup> Data presented based on management accounting

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

## Aeroflot Group Headcount by Category

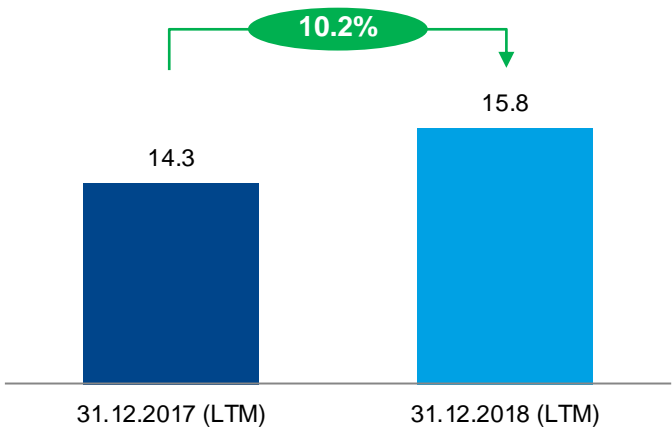
	31-Dec-2017	31-Dec-2018	%
Cabin crew	11,259	12,168	8.1 %
Airport services	7,034	6,853	(2.6)%
Technical maintenance and repair	4,702	5,313	13.0 %
Flight crew	3,846	4,119	7.1 %
Tickets and services sales, advertising	1,903	1,947	2.3 %
Other airline personnel (inc. airlines' head office)	5,430	5,577	2.7 %
Other non-airline subsidiaries' personnel	4,696	5,134	9.3 %
<b>Total<sup>1</sup></b>	<b>38,870</b>	<b>41,111</b>	<b>5.8 %</b>



<sup>1</sup> Aeroflot Group headcount table excludes Aeroflot Aviation School headcount amounting to 181 employees as at 31.12.2017 and 188 employees as at 31.12.2018.

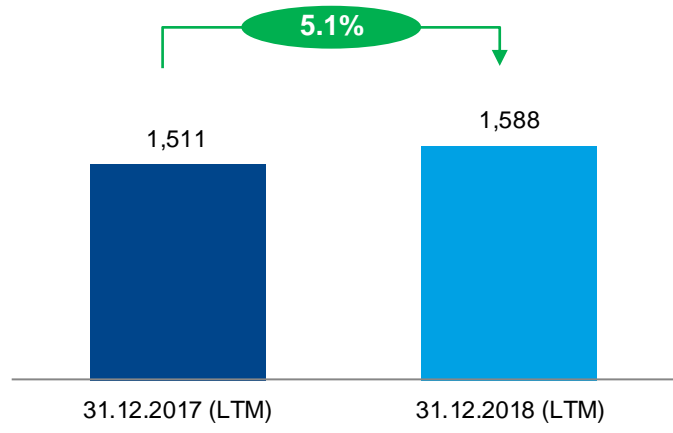
## Traffic Revenue / Average Airlines' Headcount

(million RUB per employee, annualized to 31.12.2018)



## PAX Traffic / Average Airlines' Headcount

(passengers per employee, annualized to 31.12.2018)

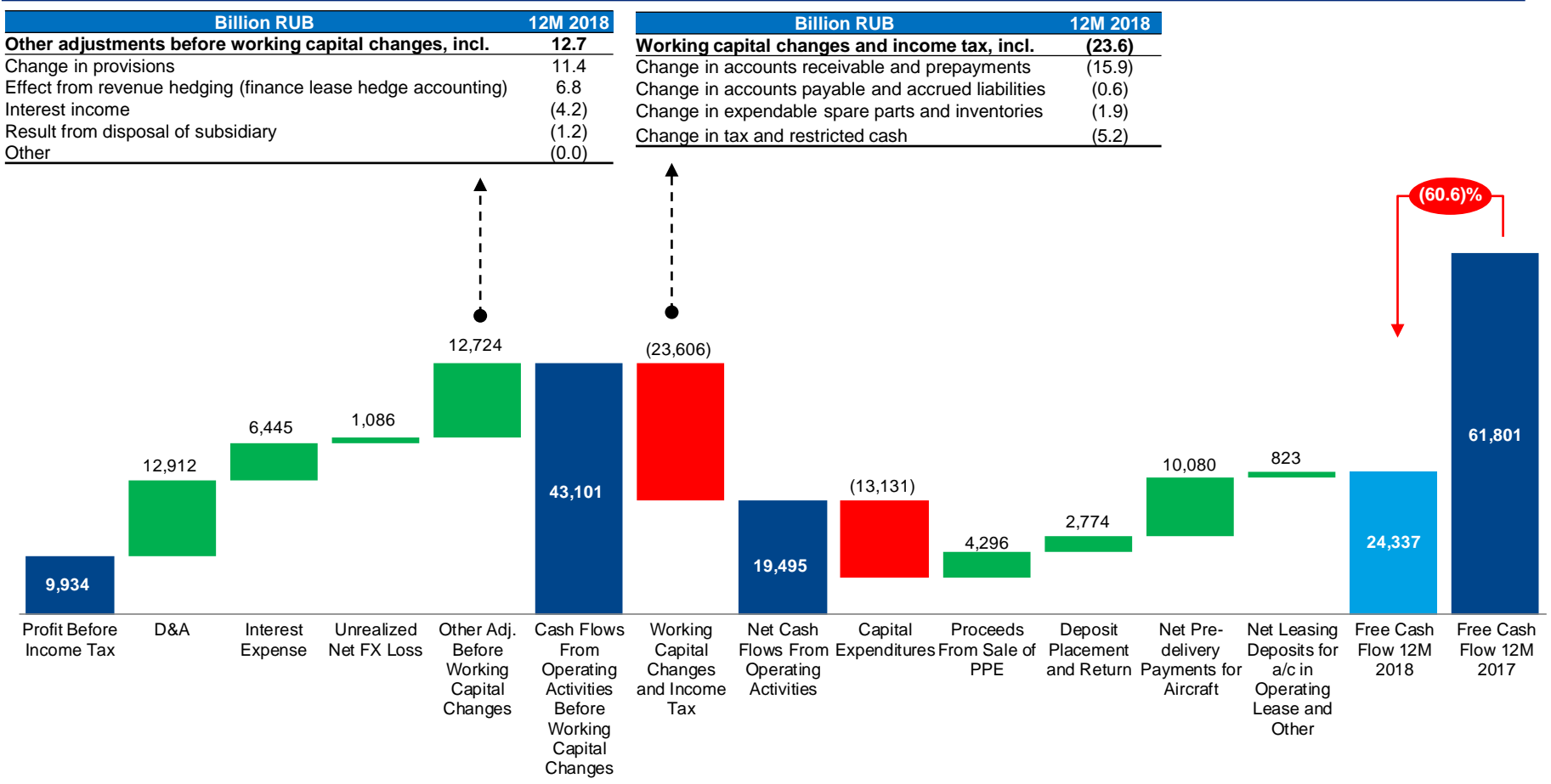


- Improvement in labour productivity has resulted in increase of key performance indicators in 12M 2018.
- Aeroflot Group headcount increased by 5.8% vs. December 31, 2017.

# Operating and Free Cash Flows



(RUB mln)



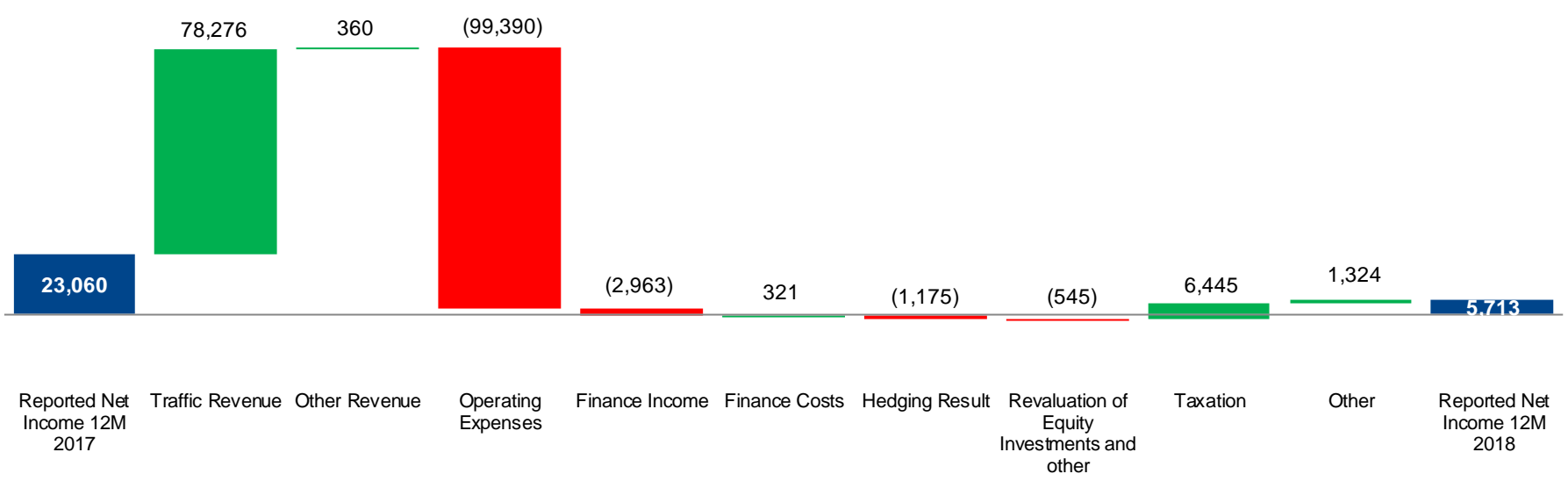
<sup>1</sup> Change in provisions line mainly consists of provision for regular repairs and maintenance as well as legal and bad debt provisions

• Strong Operating and Free Cash Flow generation in 12M 2018 notwithstanding the macro challenges.

# Net Income Evolution



(RUB mln)

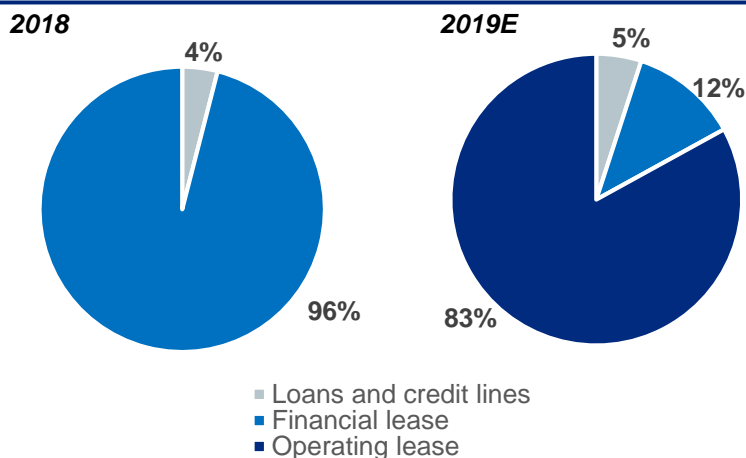


- Increase in revenue generated by growing volumes was offset by a less favorable cost environment which resulted in adjustment of the bottom line.

## Significant changes are expected in Operating lease and Maintenance lines of PnL

PnL statement	2018	2019	Explanation
Operating lease expenses	\$\$\$	\$\$\$	<ul style="list-style-type: none"> <li>Redistribution of Lease and Maintenance expenses to D&amp;A and Finance costs due to reflecting aircraft and other leased assets on Company's books.</li> <li>Operating lease expense line will still hold objects not influenced by IFRS 16.</li> </ul>
Maintenance and reserves	\$\$\$	\$\$\$	
Depreciation & amortization (D&A)	\$\$\$	\$\$\$	<ul style="list-style-type: none"> <li>D&amp;A increase due to higher volume of assets reflected in statement of financial position, growth in maintenance capitalization.</li> </ul>
Curr. translation differences	\$\$\$	\$\$\$	<ul style="list-style-type: none"> <li>Volatility in currency translation differences will be mostly "regulated" by hedge accounting.</li> </ul>
Finance costs	\$\$\$	\$\$\$	<ul style="list-style-type: none"> <li>Higher Finance costs due to larger volume of liabilities related to leased objects reflected in statement of financial position.</li> </ul>

## Debt portfolio, %

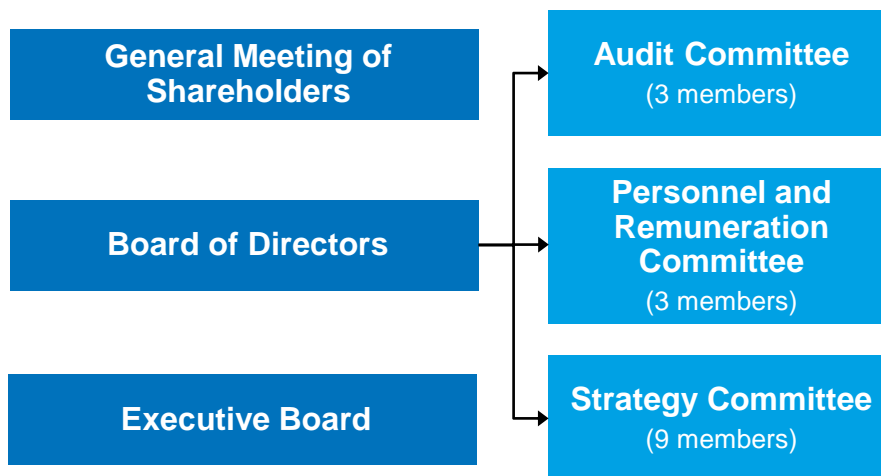


## Impact on Key financial indicators

Indicator	Impact	Explanation
Operating income	↑	Due to redistribution of Operating lease costs to Finance costs.
EBITDA	↑ ↑	Due to redistribution of Lease and Maintenance expenses to D&A and Finance costs.
Net income	↔	No significant impact.

- Introduction of IFRS 16 standard will lead to an increase in the Group's debt portfolio, higher Operating income and EBITDA due to redistribution of costs across PnL items.












## Corporate Governance



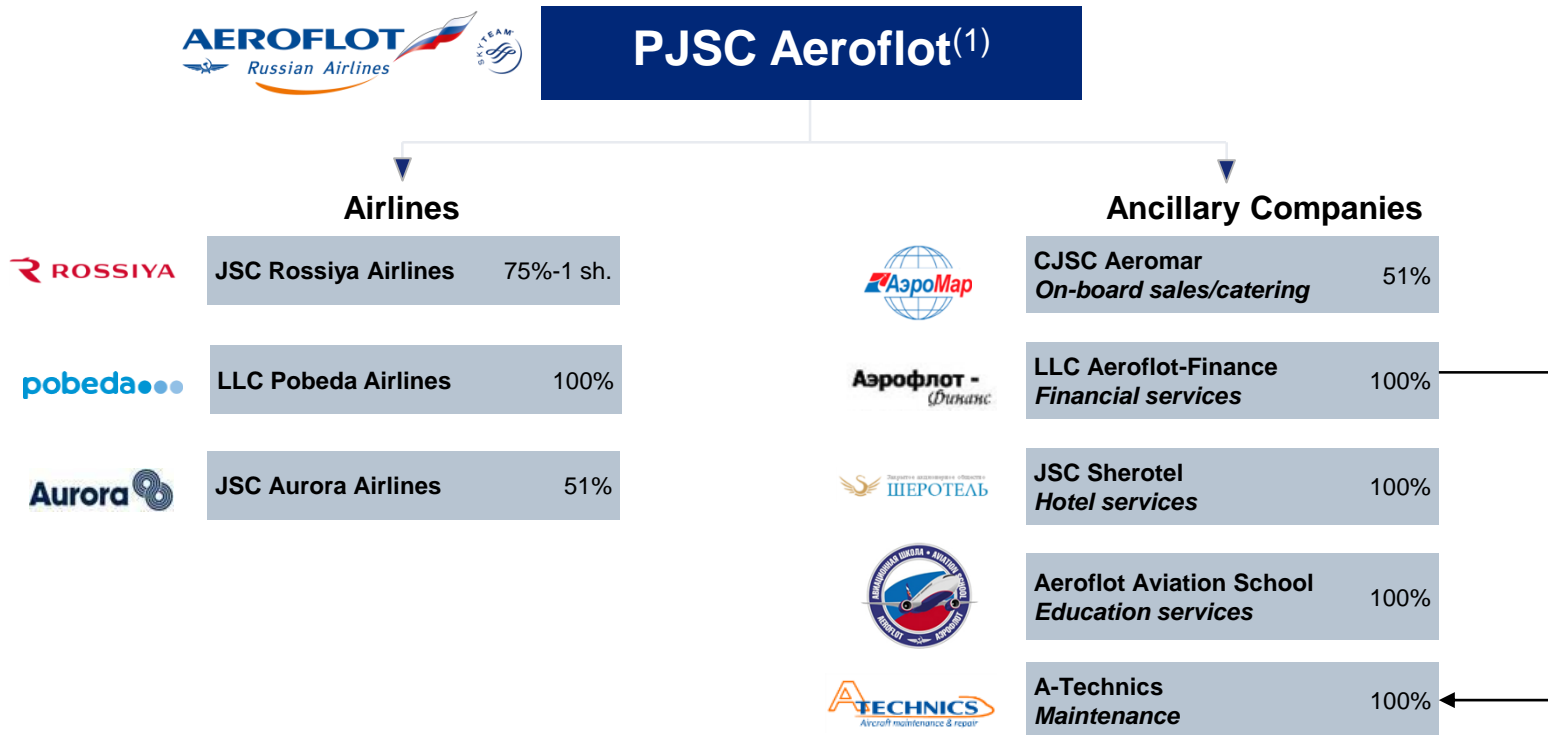
Incorporated in Russia, PJSC Aeroflot is subject to Russian corporate governance regulations and follows Russian Corporate Governance Code

The Board of Directors is currently composed of 11 members. The Board's composition is well balanced from members' background perspective.

## Board of Directors

	Name	Audit Committee	Personnel and Remuneration Committee	Strategy Committee
	Evgeny Ditrich			
	Vitaly Saveliev			
	Mikhail Poluboyarinov			
	Mikhail Voevodin		Member	Member
	Igor Kamenskoy	Member	Chairman	Member
	Roman Pakhomov	Member		Chairman
	Dmitry Peskov			Member
	Vasily Sidorov	Chairman	Member	Member
	Yuri Slyusar			Member
	Maxim Sokolov			Member
	Sergey Chemezov			

 Independent director according to the Russian Corporate Governance Code



- 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 (via JSC Rossiya) also owns 100% of JSC Donavia (non-operating entity, in liquidation), 45.0% of JSC AeroMASH-AB (Aviation security), 2.43% of JSC Sheremetyevo International Airport (base airport), 3.85% of PJSC Transport Clearing House (mutual settlements between agencies and airlines).

Notes:

(1) The Group as of 31-Dec-2018; Aeroflot Group consolidates all entities: PJSC Aeroflot and all subsidiaries.



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