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# Agenda

<table>
<thead>
<tr>
<th>Time</th>
<th>Content</th>
<th>Speakers</th>
</tr>
</thead>
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<tr>
<td>9.00 – 10.00</td>
<td>Registration and Coffee</td>
<td></td>
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<tr>
<td></td>
<td><strong>Part I – Management Presentations</strong></td>
<td></td>
</tr>
<tr>
<td>10.00 – 10.15</td>
<td>Aeroflot Today and Tomorrow</td>
<td>Vitaly Saveliev (CEO)</td>
</tr>
<tr>
<td>10.15 – 10.50</td>
<td>Market Update and Strategy Overview</td>
<td>Giorgio Callegari (Deputy CEO for Strategy and Alliances)</td>
</tr>
<tr>
<td>10.50 – 11.30</td>
<td>Network, Fleet and Financial Overview</td>
<td>Shamil Kurmashov (Deputy CEO for Commerce and Finance)</td>
</tr>
<tr>
<td>11.30 – 11.50</td>
<td>Marketing Strategy and Customer Service</td>
<td>Mikhail Fandeyev (Marketing Director)</td>
</tr>
<tr>
<td>11.50 – 12.40</td>
<td>Q&amp;A Session</td>
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</tr>
<tr>
<td><strong>12.40 – 13.00</strong></td>
<td>Lunch Break</td>
<td></td>
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<tr>
<td></td>
<td><strong>Part II – Site Visits</strong></td>
<td></td>
</tr>
<tr>
<td>13.00 – 15.00</td>
<td>Flight Crew Training Center</td>
<td>IR, Heads of Divisions</td>
</tr>
<tr>
<td>15.30 – 16.30</td>
<td>Hangar</td>
<td>IR, Heads of Divisions</td>
</tr>
<tr>
<td>17.00 – 17.30</td>
<td>Hub Control Center</td>
<td>IR, Heads of Divisions</td>
</tr>
<tr>
<td>17.50 – 18.20</td>
<td>Operational Control Center</td>
<td>IR, Heads of Divisions</td>
</tr>
</tbody>
</table>
AEROFLOT TODAY AND TOMORROW
VITALY SAVELIEV
CHIEF EXECUTIVE OFFICER
Aeroflot – #1 Russian Carrier with a Global Network

1. #1 airline in one of the world’s largest markets with leading positions on both domestic and international routes

2. Global network with 153 unique destinations (300+ routes) in 51 countries serviced by one of the youngest fleet globally\(^1\)

3. Multi-brand offering to appeal to a broad customer spectrum across geographies

4. Superior product and customer experience (Aeroflot awarded Four Star Airline status by Skytrax)

5. Efficient operating model underpinned by effective yield and cost management

6. Experienced management team and international standards of corporate governance

Note: Network statistics are based on summer 2016 schedule. Youngest average fleet among airlines with fleet over 100 aircraft as of October 2016.
Transformation of Aeroflot Group: Operational Improvements

- Over the course of the last 7 years the Group has shown an extraordinary operational and financial transformation.

Note: Fleet age for 2009 as of the beginning of the year. Average age of 6.4 in 2015 is for Aeroflot Group (for comparability purposes). For Aeroflot airline average age is 4.3 years.
Transformation of Aeroflot Group: Optimization of Structure

From Non-integrated Subsidiaries to Product-focused Model

- Not-integrated subsidiaries:
  - Aeroflot
  - Aurora
  - Pobeda
  - Donavia
  - Rossiya
  - Orenair

- Multi-brand product offering:

<table>
<thead>
<tr>
<th>Premium</th>
<th>Mid-priced</th>
<th>Low-cost</th>
<th>Far East</th>
</tr>
</thead>
</table>

Development of LCC Pobeda

1. Established in 2014 Pobeda has quickly become one of the largest airlines in the Russian market
2. Leading (and only) true low-cost carrier in Russia (with 3.1 mn PAX transported in 2015)
3. One of the fastest developing LCCs globally (according to Airline Business magazine)
4. Developed domestic route network with 35 unique routes
5. Focus on domestic market (10-15% capacity abroad on highly-demanded routes)
6. High share of promo to attract public attention: 10% of tickets sold for 999 RUB
7. Financial performance ahead of the initial expectations

- Aeroflot Group completed reorganization and established airline holding with presence in all market segments.
Recognized Level of Excellence

- **Skytrax**
  - 4-star Airline Rating (2016)

- **Best Russian Airline**
  - Best European Airline, Best Airline in Russia and CIS, Best Business-class in Mid-haul Segment
  - Readers' Choice Prize
  - Best Airline Cuisine Top-10
  - 7-star Safety Rating

- Aeroflot service quality is recognized by a number of prestigious industrial awards and prizes.
Aeroflot’s current strategic focus is to further develop IT systems and introduce new digital technologies to promote operational efficiencies and customer experience.
<table>
<thead>
<tr>
<th>2025 Strategic Target</th>
<th>Ranking in 2009</th>
<th>Ranking in 2015</th>
<th>2025 (Achievement Estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOP-20 airlines by PAX globally</td>
<td>68</td>
<td>24</td>
<td>✓</td>
</tr>
<tr>
<td>TOP-5 airlines by PAX in Europe</td>
<td>15</td>
<td>7</td>
<td>✓</td>
</tr>
<tr>
<td>Over 70 million passengers</td>
<td>11.1 mn</td>
<td>39.4 mn</td>
<td>✓</td>
</tr>
<tr>
<td>Over 30 million domestic passengers</td>
<td>4.9 mn</td>
<td>23.4 mn</td>
<td>✓</td>
</tr>
</tbody>
</table>

- Aeroflot has made significant progress towards achieving its long-term goals.
- To achieve its long-term goals, Aeroflot plans to continue development of IT and introduce digital solutions, further consolidate its position in Skytrax rankings and continue active development of low-cost operations.

Note: 2009 traffic number for Aeroflot and subsidiaries (Nordavia and Donavia). Aeroflot standalone – 8.6 mn PAX.
Source: Flightglobal, Company estimates.
MARKET UPDATE
GIORGIO CALLEGARI
DEPUTY CEO FOR STRATEGY
AND ALLIANCES
Global Industry Trends

Global Airline Industry Continues to Show Resilience…

Passenger Traffic

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2010</th>
<th>2014</th>
<th>2015E</th>
</tr>
</thead>
<tbody>
<tr>
<td>bn PAX</td>
<td>2.1</td>
<td>2.7</td>
<td>3.3</td>
<td>3.6</td>
</tr>
</tbody>
</table>

Revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2010</th>
<th>2014</th>
<th>2015E</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ bn</td>
<td>413</td>
<td>564</td>
<td>751</td>
<td>718</td>
</tr>
</tbody>
</table>

Operating Profit

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2010</th>
<th>2014</th>
<th>2015E</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ bn</td>
<td>4.4</td>
<td>27.6</td>
<td>35.1</td>
<td>59.5</td>
</tr>
</tbody>
</table>

ROIC

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2010</th>
<th>2014</th>
<th>2015E</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>2.8</td>
<td>5.9</td>
<td>3.3</td>
<td>9.3</td>
</tr>
</tbody>
</table>

… on the Back of Operational Improvements in the Time of a Variety of External Challenges

- Global airline industry shows strong growth in traffic and profitability and improved efficiency backed by growing demand, connectivity and other factors despite external challenges.

Sources: IATA, EIU, AirlineMonitor, US Energy Information Administration.

1 Expenditures by international inbound visitors in 51 largest countries.
2 Aviation Turbine Kerosene.
Aeroflot Group in the Global Context

Top-25 Airline Groups Globally and #7 in Europe

<table>
<thead>
<tr>
<th>#</th>
<th>Company</th>
<th>mn PAX, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1</td>
<td>American Airlines</td>
<td>201</td>
</tr>
<tr>
<td>#2</td>
<td>Delta Airlines</td>
<td>179</td>
</tr>
<tr>
<td>#3</td>
<td>United Airlines</td>
<td>140</td>
</tr>
<tr>
<td>#4</td>
<td>Southwest Airlines</td>
<td>118</td>
</tr>
<tr>
<td>#5</td>
<td>China Southern Airlines</td>
<td>109</td>
</tr>
<tr>
<td>#6</td>
<td>Lufthansa Group</td>
<td>108</td>
</tr>
<tr>
<td>#7</td>
<td>Ryanair</td>
<td>94</td>
</tr>
<tr>
<td>#8</td>
<td>China Eastern Airlines</td>
<td>91</td>
</tr>
<tr>
<td>#9</td>
<td>Air China</td>
<td>90</td>
</tr>
<tr>
<td>#10</td>
<td>IAG</td>
<td>88</td>
</tr>
<tr>
<td>#11</td>
<td>Air France-KLM</td>
<td>79</td>
</tr>
<tr>
<td>#12</td>
<td>EasyJet</td>
<td>70</td>
</tr>
<tr>
<td>#13</td>
<td>LATAM Airlines Group</td>
<td>68</td>
</tr>
<tr>
<td>#14</td>
<td>Turkish Airlines</td>
<td>61</td>
</tr>
<tr>
<td>#15</td>
<td>SkyWest Inc</td>
<td>56</td>
</tr>
<tr>
<td>#16</td>
<td>Emirates Group</td>
<td>52</td>
</tr>
<tr>
<td>#17</td>
<td>Qantas 1</td>
<td>49</td>
</tr>
<tr>
<td>#18</td>
<td>AirAsia Group</td>
<td>49</td>
</tr>
<tr>
<td>#19</td>
<td>ANA Holdings</td>
<td>47</td>
</tr>
<tr>
<td>#20</td>
<td>Lion Group</td>
<td>45</td>
</tr>
<tr>
<td>#21</td>
<td>Etihad Group</td>
<td>43</td>
</tr>
<tr>
<td>#22</td>
<td>Air Canada</td>
<td>41</td>
</tr>
<tr>
<td>#23</td>
<td>Avianca</td>
<td>40</td>
</tr>
<tr>
<td>#24</td>
<td>Aeroflot</td>
<td>39</td>
</tr>
<tr>
<td>#25</td>
<td>Air Berlin</td>
<td>35</td>
</tr>
</tbody>
</table>

One of the Youngest Fleets Globally

<table>
<thead>
<tr>
<th>Company</th>
<th>Average fleets' age of largest airlines (selected), years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hainan</td>
<td>4.3</td>
</tr>
<tr>
<td>Garuda</td>
<td>4.8</td>
</tr>
<tr>
<td>China Eastern Airlines</td>
<td>4.9</td>
</tr>
<tr>
<td>Emirates</td>
<td>5.2</td>
</tr>
<tr>
<td>Emirates</td>
<td>6.0</td>
</tr>
<tr>
<td>Turkish Airlines</td>
<td>6.2</td>
</tr>
<tr>
<td>Air China</td>
<td>6.3</td>
</tr>
<tr>
<td>Ryanair</td>
<td>6.4</td>
</tr>
<tr>
<td>Qantas</td>
<td>9.2</td>
</tr>
<tr>
<td>Lufthansa Group</td>
<td>10.8</td>
</tr>
<tr>
<td>American Airlines</td>
<td>10.9</td>
</tr>
<tr>
<td>Air France</td>
<td>11.8</td>
</tr>
<tr>
<td>British Airways</td>
<td>12.6</td>
</tr>
<tr>
<td>United Airlines</td>
<td>13.7</td>
</tr>
<tr>
<td>Delta Airlines</td>
<td>17.0</td>
</tr>
</tbody>
</table>

153 Unique Destinations Including 98 International

Partnership with Leading Global Companies

Within SkyTeam... and other partners

• Operational strength and global partnerships put Aeroflot among the leading global players in the airline industry.

Source: Company data, ACAS.

1 Fiscal year ends in June.
There is great potential for growth of the Russian air traffic market, which is demonstrated by recent structural changes.

Sources: Rosaviatsia, World Bank, UK Civil Aviation Authority, USA Bureau of Transportation Statistics, General Directorate Of State Airports Authority of Turkey, Eurostat, World Development Indicators, Rosstat. Company estimates based on data from Transport Clearing House, Center for Strategic Development in Civil Aviation, Russian Railways.

1 Calculated as passenger revenue divided by PAX.
Aeroflot as the Market Leader

Leader on the Russian Market…

PAX, 6M 2015

- Aeroflot Group: 14.9%
- UTair: 14.6%
- S7 Group: 7.2%
- Foreign Airlines: 9.7%
- Other Russian Airlines: 12.0%

PAX, 6M 2016

- Aeroflot Group: 16.1%
- UTair: 13.8%
- S7 Group: 6.0%
- Foreign Airlines: 6.4%
- Other Russian Airlines: 13.1%

…the which Continues to See Consolidation by Key Players

Top-20 Russian Airlines

<table>
<thead>
<tr>
<th>Airline</th>
<th>PAX, 6M 2016</th>
<th>Business model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aeroflot</td>
<td>13,438,100</td>
<td>Premium segment with wide regional and international network</td>
</tr>
<tr>
<td>S7 AIRLINES</td>
<td>4,327,139</td>
<td>Middle segment with wide regional and international network</td>
</tr>
<tr>
<td>Rossiya</td>
<td>3,658,422</td>
<td>Regional charter operating in the middle price segment</td>
</tr>
<tr>
<td>UTair</td>
<td>2,823,985</td>
<td>Big player in regional flights</td>
</tr>
<tr>
<td>S7 Group</td>
<td>2,659,801</td>
<td>Regional and international airline with both scheduled and charter flights</td>
</tr>
<tr>
<td>Pobeda</td>
<td>1,990,762</td>
<td>Low-cost regional and international airline</td>
</tr>
<tr>
<td>Globus</td>
<td>1,458,741</td>
<td>Operates under S7 brand targeting regional destinations</td>
</tr>
<tr>
<td>Ural Airlines</td>
<td>855,219</td>
<td>Charter airline targeting main holiday destinations</td>
</tr>
<tr>
<td>Rossiya Group</td>
<td>753,630</td>
<td>Operating scheduled international flights</td>
</tr>
<tr>
<td>Aurora</td>
<td>607,040</td>
<td>Connecting Far East and Siberia regions</td>
</tr>
<tr>
<td>Nordwind Airlines</td>
<td>585,722</td>
<td>Primarily links airports in Russia with holiday destinations around the Mediterranean Sea and the Indian Ocean</td>
</tr>
<tr>
<td>NordStar</td>
<td>541,463</td>
<td>Regional airline targeting Krasnoyarsk region</td>
</tr>
<tr>
<td>GMJL</td>
<td>534,357</td>
<td>Regional airline targeting Tyumen region</td>
</tr>
<tr>
<td>Red Wings</td>
<td>375,253</td>
<td>Charter flights to Russian regions and main holiday destinations</td>
</tr>
<tr>
<td>Pegas Fly</td>
<td>360,840</td>
<td>Scheduled and charter flights for Pegas Touristik</td>
</tr>
<tr>
<td>Royal Flight</td>
<td>330,093</td>
<td>Charter flights for Coral Travel and Sunmar travel agencies</td>
</tr>
<tr>
<td>Nordavia</td>
<td>324,708</td>
<td>Regional airline targeting Arkhangelsk region</td>
</tr>
<tr>
<td>Yakutia</td>
<td>265,044</td>
<td>Regional airline targeting Yakutia region</td>
</tr>
<tr>
<td>Rustline</td>
<td>249,674</td>
<td>Charter and VIP flights</td>
</tr>
<tr>
<td>Saratov Airlines</td>
<td>189,866</td>
<td>Operate regional and international flights from Saratov</td>
</tr>
</tbody>
</table>

Aeroflot Group
S7 Group
UTair
Foreign Airlines
Other Russian Airlines

- Aeroflot keeps a leading position on the Russian market due to its efficient business model and unique capabilities.

Source: TCH, Rosaviatsia, Company estimates.
STRATEGY UPDATE
GIORGIO CALLEGARI
DEPUTY CEO FOR STRATEGY AND ALLIANCES

AEROFLOT
Russian Airlines
Key Pillars of Aeroflot’s Corporate Strategy

2025 Strategic Goals

- Top-5 European airline by revenue and passenger traffic
- Top-20 global airline by revenue and passenger traffic
- Total annual passenger traffic of more than 70 mn passengers, including 30 mn on the Russian market
- Share of transit passengers through Aeroflot's hub in Moscow at least 32%
- Market expansion based on implementation of multi-brand strategy
• Aeroflot Group has achieved substantial progress on its way to meeting its long-term strategic goals.
Identifying Sources of Future Aeroflot Group’s Growth

Aeroflot Group Traffic Growth

<table>
<thead>
<tr>
<th>Year</th>
<th>Russian market</th>
<th>International transit traffic</th>
<th>PAX, mn</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>39.4</td>
<td>0</td>
<td>61.5</td>
</tr>
<tr>
<td>2016</td>
<td>43.6</td>
<td>0</td>
<td>47.2</td>
</tr>
<tr>
<td>2017</td>
<td>47.2</td>
<td>0</td>
<td>54.4</td>
</tr>
<tr>
<td>2018</td>
<td>54.4</td>
<td>0</td>
<td>61.5</td>
</tr>
<tr>
<td>2019</td>
<td>61.5</td>
<td>0</td>
<td>68.6</td>
</tr>
<tr>
<td>2020</td>
<td>68.6</td>
<td>0</td>
<td>75.7</td>
</tr>
<tr>
<td>2021</td>
<td>75.7</td>
<td>0</td>
<td>82.8</td>
</tr>
</tbody>
</table>

CAGR: 7.6%

Projected Sources of Growth

- Aeroflot and Pobeda are expected to be the main contributors to the growth of the Group in 2016–2021.

Key growth drivers:

- Expansion: Creation of united airline company Rossiya, Capturing new market opportunities
- Realization of Potential: New Rossiya reaches full potential
- Sustainable Growth: Sustainability of profit margins, Strategic use of the multi-brand product strategy
Simplified multi-brand product offering to capture customers in every market segment: from premium to low-cost.

1 Data as of H1 2016.
Aeroflot Airline: the Group’s Flagship Carrier

Aeroflot’s Strategic Priorities

Positioning
- Premium airline with young fleet and high service standards
- Based in SVO in Moscow
- Hub and spoke model

Network
- Focus on the long-haul network development (6-7 destinations points to be added annually over the next 5 years)
- Further transformation of SVO to the rolling hub model
- Frequency and capacity reduction on a number of domestic routes
- Use of JVs / code sharing agreements to grow market presence

Fleet
- Fleet renewal to maintain modern and efficient fleet
- Increasing share of Russian aircraft in the fleet (50 MC-21 planned for 2018-2024 deliveries)
- 2021 target fleet size – 225 aircraft

Transit
- Growing share of one connection transit traffic due to network expansion, hub development and general transit market growth
- Retaining transit market share due to closed nature of Russian market and high competition

Key Operating Results

<table>
<thead>
<tr>
<th></th>
<th>FY 2014</th>
<th>FY 2015</th>
<th>Change</th>
<th>H1 2015</th>
<th>H1 2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>PAX (mn)</td>
<td>23.6</td>
<td>26.1</td>
<td>10.6%</td>
<td>12.0</td>
<td>13.4</td>
<td>12.2%</td>
</tr>
<tr>
<td>International</td>
<td>12.5</td>
<td>13.4</td>
<td>7.8%</td>
<td>6.4</td>
<td>6.8</td>
<td>6.7%</td>
</tr>
<tr>
<td>Domestic</td>
<td>11.1</td>
<td>12.7</td>
<td>13.7%</td>
<td>5.6</td>
<td>6.7</td>
<td>18.3%</td>
</tr>
<tr>
<td>RPK (bn pkm)</td>
<td>67.1</td>
<td>74.1</td>
<td>10.4%</td>
<td>34.2</td>
<td>38.3</td>
<td>12.2%</td>
</tr>
<tr>
<td>International</td>
<td>42.7</td>
<td>46.8</td>
<td>9.6%</td>
<td>22.2</td>
<td>24.5</td>
<td>10.4%</td>
</tr>
<tr>
<td>Domestic</td>
<td>24.4</td>
<td>27.3</td>
<td>11.8%</td>
<td>11.9</td>
<td>13.8</td>
<td>15.5%</td>
</tr>
<tr>
<td>PLF</td>
<td>78.2%</td>
<td>79.3%</td>
<td>1.1 p.p.</td>
<td>76.9%</td>
<td>78.9%</td>
<td>2.0 p.p.</td>
</tr>
<tr>
<td>International</td>
<td>75.9%</td>
<td>77.7%</td>
<td>1.8 p.p.</td>
<td>76.4%</td>
<td>76.5%</td>
<td>0.1 p.p.</td>
</tr>
<tr>
<td>Domestic</td>
<td>82.5%</td>
<td>82.2%</td>
<td>(0.3 p.p.)</td>
<td>77.9%</td>
<td>83.4%</td>
<td>5.5 p.p.</td>
</tr>
</tbody>
</table>

Focus on Servicing Transit Passenger Flows

Focus on servicing transit passenger flows

2021 Strategy Highlights

PAX, mn

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAGR: 7%</td>
<td>26.1</td>
<td>38.8</td>
</tr>
</tbody>
</table>

Fleet size

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAGR: 5%</td>
<td>170</td>
<td>225</td>
</tr>
</tbody>
</table>

Aeroflot is and will continue to be the engine of the Group’s growth.

1 O&D passenger traffic (direct traffic) – both Aeroflot and competitor conduct direct flights, Passenger traffic on highly competitive markets – Aeroflot offers flights with stopover in the hub while competitor conducts direct flights. Competitive pressure – Aeroflot performs direct flights while competitor offers connecting flights, Transit market – both Aeroflot and competitor offer flight only via respective hub.

2 Average aircraft in the fleet during the year (may not coincide with the aircraft in the fleet as of the end of the period).
Rossiya Airline: the New Vision

Rossiya’s Strategic Priorities

Positioning
- Focus on regional operations in the mid price segment with selective exposure to international routes
- Unite Rossiya, Donavia and Orenair under one brand to better cope with the current macro conditions and improve efficiency

Network
- Based in LED, VKO, ROV, subsidiary in Orenburg, take-off from Simferopol
- Focus on regional operations, limited charter programme
- Not targeted transit of c. 20% of airline’s PAX

Fleet
- Increasing share of Russian aircraft in the fleet – 20 SSJ to be added over 2016 – 2021 and simultaneous phasing out of 15 A319
- 2021 target fleet size – 78 aircraft

PAX
- Target PAX to grow to 13 mn due to capturing market opportunities in the Moscow market as well as in leisure and charter segment

Consolidated Share of Rossiya, Orenair and Donavia

% of Aeroflot Group's PAX, as of H1 2016
- Rossiya: 19%

Key Operating Results

<table>
<thead>
<tr>
<th></th>
<th>FY 2014</th>
<th>FY 2015</th>
<th>Change</th>
<th>H1 2015</th>
<th>H1 2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>PAX (mn)</td>
<td>10.0</td>
<td>9.1</td>
<td>(9.0%)</td>
<td>4.3</td>
<td>3.7</td>
<td>(14.2%)</td>
</tr>
<tr>
<td>International</td>
<td>4.4</td>
<td>2.3</td>
<td>(46.9%)</td>
<td>1.1</td>
<td>1.0</td>
<td>(8.6%)</td>
</tr>
<tr>
<td>Domestic</td>
<td>5.5</td>
<td>6.7</td>
<td>21.2%</td>
<td>3.2</td>
<td>2.7</td>
<td>(16.2%)</td>
</tr>
<tr>
<td>RPK (bn pkm)</td>
<td>21.1</td>
<td>17.0</td>
<td>(19.4%)</td>
<td>7.8</td>
<td>7.6</td>
<td>(2.0%)</td>
</tr>
<tr>
<td>International</td>
<td>12.1</td>
<td>5.8</td>
<td>(52.1%)</td>
<td>2.6</td>
<td>3.1</td>
<td>20.2%</td>
</tr>
<tr>
<td>Domestic</td>
<td>9.0</td>
<td>11.2</td>
<td>24.7%</td>
<td>5.2</td>
<td>4.5</td>
<td>(13.1%)</td>
</tr>
<tr>
<td>PLF</td>
<td>76.6%</td>
<td>74.1%</td>
<td>(2.5 p.p.)</td>
<td>70.6%</td>
<td>77.0%</td>
<td>6.3 p.p.</td>
</tr>
<tr>
<td>International</td>
<td>77.9%</td>
<td>76.1%</td>
<td>(1.8 p.p.)</td>
<td>72.5%</td>
<td>81.1%</td>
<td>8.6 p.p.</td>
</tr>
<tr>
<td>Domestic</td>
<td>74.9%</td>
<td>73.1%</td>
<td>(1.8 p.p.)</td>
<td>69.7%</td>
<td>74.3%</td>
<td>4.6 p.p.</td>
</tr>
</tbody>
</table>

2021 Strategy Highlights

<table>
<thead>
<tr>
<th></th>
<th>PAX, mn</th>
<th>Fleet size</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015</td>
<td>2021</td>
</tr>
<tr>
<td>• New Rossiya airline is expected to crystalize the Group’s proposition in the mid-price market segment.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 Average aircraft in the fleet during the year (may not coincide with the aircraft in the fleet as of the end of the period).
1. **Leisure Market & Charter Programme**

**Russian Leisure Market Evolution**

<table>
<thead>
<tr>
<th>Year</th>
<th>PAX, mn</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>19.5</td>
</tr>
<tr>
<td>2015</td>
<td>18.8</td>
</tr>
</tbody>
</table>

**Key Players by PAX**

- Rossiya: 25%
- UTair: 17%
- Royal Flight: 15%
- Others: 32%

**Group’s Proposition for Leisure and Charter Segment**

- Charter airline business model
- 60% charter / 40% regular routes
- Plans to consolidate Aeroflot Group’s charter operations

**Before 2015**

- Charter flights were transferred under united regional brand
- Limited charter programme due to general market decline and Group’s decision to reduce its presence in the segment
- Cooperation with Biblio Globus

**After 2015**

- Cooperation with Biblio Globus

**Aeroflot Group Charter Flights**

<table>
<thead>
<tr>
<th>Year</th>
<th>PAX (mn)</th>
<th>RPK (bn pkm)</th>
<th>ASK (bn)</th>
<th>Revenue (RUB, bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>0.2</td>
<td>0.5</td>
<td>0.6</td>
<td>2.1</td>
</tr>
<tr>
<td>2016</td>
<td>1.9</td>
<td>2.2</td>
<td>0.8</td>
<td>7.0</td>
</tr>
</tbody>
</table>

- **In 2014** Aeroflot Group decided to reduce its exposure to the leisure segment due to a negative market outlook; however Group has revisited its approach after changes in competitive landscape in the segment.

**Source:** Company data, Euromonitor, EIU, IMF, Development center, Gfk, Federal Agency for Tourism (Russia Federation), TUI, Bain.

Includes companies that approved publication.

1 Multi-Brand Strategy
2 Global Network
3 Strategic Partnership
4 Infrastructure Expansion

23
Pobeda Airline: Group’s Low Cost Carrier

Pobeda’s Strategic Priorities

**Positioning**
- The only Russian LCC, a timely value proposition to cost-conscious passengers

**Network**
- Based in VKO
- P2P low frequency flights
- Increased focus on regional network development (intra-regional flights)
- Limited focus on international flights (less than 15% of PAX)

**Fleet**
- B737-800 as the major aircraft
- Up to 5 aircraft to be added in 2017
- 2021 target fleet size – 26 aircraft

**PAX**
- 2021 target PAX of 8.1 mn

Key Operating Results

<table>
<thead>
<tr>
<th></th>
<th>FY 2014</th>
<th>FY 2015</th>
<th>Change</th>
<th>1H 2015</th>
<th>1H 2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PAX (mn)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International</td>
<td>0.1</td>
<td>3.1</td>
<td></td>
<td>1.1</td>
<td>2.0</td>
<td>80.7%</td>
</tr>
<tr>
<td>Domestic</td>
<td>0.1</td>
<td>3.1</td>
<td></td>
<td>1.1</td>
<td>1.8</td>
<td>65.1%</td>
</tr>
<tr>
<td><strong>RPK (bn pkm)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>International</td>
<td>0.1</td>
<td>4.7</td>
<td></td>
<td>1.7</td>
<td>3.1</td>
<td>82.1%</td>
</tr>
<tr>
<td>Domestic</td>
<td>0.1</td>
<td>4.7</td>
<td></td>
<td>1.7</td>
<td>2.7</td>
<td>59.8%</td>
</tr>
<tr>
<td><strong>PLF</strong></td>
<td>78.0%</td>
<td>81.2%</td>
<td>3.2 p.p.</td>
<td>81.0%</td>
<td>84.0%</td>
<td>3.0 p.p.</td>
</tr>
<tr>
<td>International</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Domestic</td>
<td>78.0%</td>
<td>81.3%</td>
<td>3.3 p.p.</td>
<td>81.0%</td>
<td>86.8%</td>
<td>5.8 p.p.</td>
</tr>
</tbody>
</table>

Pobeda’s Network – Summer 2016

- **Pobeda is expected to be one of the main contributors to the growth of the Group in 2016–2021.**

2021 Strategy Highlights

**PAX, mn**

- CAGR: 17%
- 2015: 3.1
- 2021: 8.1

**Fleet size**
- CAGR: 14%
- 2015: 12
- 2021: 26

1 Average aircraft in the fleet during the year (may not coincide with the aircraft in the fleet as of the end of the period).
Pobeda Competitive Strength: Air and Rail Ticket Pricing

Air Ticket Prices Have Been Decreasing Relative to Rail Ones…

<table>
<thead>
<tr>
<th>Year</th>
<th>Aeroflot Group domestic routes</th>
<th>Russian Railways</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>8.0% 6.8% (7.9%)</td>
<td>13.4% 3.8% 5.5% 6.0% (7.5%)</td>
</tr>
<tr>
<td>2013</td>
<td>13.4% 3.8% 5.5% 6.0% (7.5%)</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>3.8% 5.5% 6.0% (7.5%)</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>5.5% 6.0% (7.5%)</td>
<td></td>
</tr>
</tbody>
</table>

... Competing with the Deregulated Rail Segment…

Average fare¹, RUB

- 3,640 for Rail deregulated (1st and 2nd class sleeping, compartment, int. routes)
- 2,439 for Rail regulated (3rd class open sleeping and sitting)
- 1,513 for Pobeda

...which Represents c. 30 mn Rail Passengers

Russian Railways passengers 2015, mn

<table>
<thead>
<tr>
<th>Segment</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deregulated segment (compartments and premium compartments)</td>
<td>30.3 (33%)</td>
</tr>
<tr>
<td>Regulated segment (open sleeping and sitting cars)</td>
<td>60.9 (67%)</td>
</tr>
<tr>
<td>Total</td>
<td>91.2</td>
</tr>
</tbody>
</table>

Aeroflot Ticket Prices are Very Close to Russian Railways 2-class Compartment

<table>
<thead>
<tr>
<th>Route</th>
<th>Distance</th>
<th>Av. travel time by rail</th>
</tr>
</thead>
<tbody>
<tr>
<td>St. Petersburg</td>
<td>651 km</td>
<td>6h 20min</td>
</tr>
<tr>
<td>Volgograd</td>
<td>1,073 km</td>
<td>22h</td>
</tr>
<tr>
<td>Ekaterinburg</td>
<td>1,667 km</td>
<td>28h 50min</td>
</tr>
<tr>
<td>Sochi</td>
<td>1,622 km</td>
<td>30h 50min</td>
</tr>
<tr>
<td>Tyumen</td>
<td>2,144 km</td>
<td>34h</td>
</tr>
<tr>
<td>Novosibirsk</td>
<td>3,191 km</td>
<td>49h 50min</td>
</tr>
<tr>
<td>Vladivostok</td>
<td>9,302 km</td>
<td>156h</td>
</tr>
</tbody>
</table>

Effective Market Segmentation

Sochi destination PAX (thd) and PLF

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aeroflot</td>
<td>628.0</td>
<td>624.2</td>
</tr>
<tr>
<td>Rossiya</td>
<td>523.8</td>
<td>595.4</td>
</tr>
<tr>
<td>Pobeda</td>
<td>474.6</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Moscow - Ekaterinburg PAX (thd) and PLF

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aeroflot</td>
<td>578.1</td>
<td>548.4</td>
</tr>
<tr>
<td>Pobeda</td>
<td>353.2</td>
<td>n/a</td>
</tr>
</tbody>
</table>

- Air ticket prices have become competitive vs. rail ticket prices.
- Travel time by air has an outstanding advantage over other transport means on the Russian market.

Source: Company estimates, Federal Passenger Company, Russian Railways, Rosstat.

¹ Calculated as passenger revenue divided by PAX.
² Calculated on the basis of the lowest available price for air tickets with departure in mid-November 2016 as of September 27, 2016.
### Aurora’s Strategic Priorities

**Positioning**
- The Group’s carrier in the Russian Far East, operating scheduled commercial and subsidized local flights between distantly located cities in the Far East

**Network**
- Based in Vladivostok, Yuzhno-Sakhalinsk and Khabarovsk airports
- Scheduled flights to 23 destinations:
  - 11 domestic regional
  - 12 international routes
- 13 domestic local flights (10.1% of carrier’s PAX in 6M 2016)

**Fleet**
- Focus on fleet optimization and unification
- Target fleet size – 17 aircraft

**PAX**
- 2021 target PAX of 1.4 mn

### Aurora’s Network – Summer 2016

- Routes from Khabarovsk
- Routes from Vladivostok
- Routes from Y.-Sakhalinsk

### Key Operating Results

<table>
<thead>
<tr>
<th></th>
<th>FY 2014</th>
<th>FY 2015</th>
<th>Change</th>
<th>1H 2015</th>
<th>1H 2016</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>PAX (mn)</td>
<td>1.1</td>
<td>1.1</td>
<td>7.1%</td>
<td>0.5</td>
<td>0.6</td>
<td>19.9%</td>
</tr>
<tr>
<td>International</td>
<td>0.2</td>
<td>0.2</td>
<td>10.3%</td>
<td>0.1</td>
<td>0.1</td>
<td>28.5%</td>
</tr>
<tr>
<td>Domestic</td>
<td>0.8</td>
<td>0.9</td>
<td>6.2%</td>
<td>0.4</td>
<td>0.5</td>
<td>17.6%</td>
</tr>
<tr>
<td>RPK (bn pkm)</td>
<td>1.7</td>
<td>1.9</td>
<td>7.1%</td>
<td>0.8</td>
<td>1.0</td>
<td>16.8%</td>
</tr>
<tr>
<td>International</td>
<td>0.3</td>
<td>0.4</td>
<td>11.5%</td>
<td>0.2</td>
<td>0.2</td>
<td>27.8%</td>
</tr>
<tr>
<td>Domestic</td>
<td>1.4</td>
<td>1.5</td>
<td>6.1%</td>
<td>0.7</td>
<td>0.8</td>
<td>13.9%</td>
</tr>
<tr>
<td>PLF</td>
<td>75.1%</td>
<td>71.6%</td>
<td>(3.5 p.p.)</td>
<td>66.5%</td>
<td>68.0%</td>
<td>1.5 p.p.</td>
</tr>
<tr>
<td>International</td>
<td>68.8%</td>
<td>57.2%</td>
<td>(11.6 p.p.)</td>
<td>58.5%</td>
<td>66.4%</td>
<td>7.9 p.p.</td>
</tr>
<tr>
<td>Domestic</td>
<td>76.8%</td>
<td>76.4%</td>
<td>(0.4 p.p.)</td>
<td>69.1%</td>
<td>68.5%</td>
<td>(0.6 p.p.)</td>
</tr>
</tbody>
</table>

### 2021 Strategy Highlights

- **PAX, mn**
  - 2015: 1.1
  - 2021: 1.4

- **Fleet size**
  - 2015: 21
  - 2021: 17
  - CAGR: (3.5%)
• Aeroflot gradually but consistently increased presence in key international markets.
### Expanding Network via Alliances and Agreements

#### SkyTeam
- Active member of the alliance since 2006
- Participation in alliance’s initiatives (Sky Transfer Accelerator, Sky Link Sprint, Sky Port and Sky Priority)
- Access to 87 incremental markets (up from 63 in 2009) via SkyTeam in H1 2016
- Strengthened relationship with Air France, KLM, Alitalia and China Eastern Airlines
- SkyTeam encompasses 1,062 destinations in 177 countries in 2016

#### Code Sharing
- Expansion of own network and more efficient utilisation of fleet
- 29 existing code-share agreements, including 26 with foreign partners and 3 with Russian airlines
- Signed a new code-share agreement with S7 Airlines, start of code-share flights - from 1 July 2016
- Access to 79 incremental markets (up from 76 in H1 2015) via code sharing agreements in H1 2016
- Improving connectivity and capturing more transit passengers
- Number of marketing routes 263 in H1 2016

#### Selected Airlines

### Summary Overview

#### Segment
- **SkyTeam**
- **Code Sharing**

#### Passenger Traffic
- **SkyTeam**: 665.4 mn (annualized)
- **Code Sharing**: 168,511 (H1 2016)

#### Multi-Brand Strategy
- **Global Network**
- **Strategic Partnership**
- **Infrastructure Expansion**

- SkyTeam membership and code share agreements allow Aeroflot to increase presence on existing markets and enter new markets.
Aeroflot is actively developing strategic partnerships with multiple global carriers to increase its competitive position, brand visibility and increase economies of scale.
2015–2017 SVO Hub Development Programme

1. Construction of 3-rd runway
   - 44 additional take-offs and landings per hour
   - Completion date – 2018

2. Terminal B
   - Focused on domestic flights
   - Annual passenger capacity – 15 mn
   - Area – 100 th m²

3. Cargo (freight) terminal
   - Annual cargo capacity – 680 th tones
   - Area – c. 90 th m²

4. Fuel-filling complex
   - Capacity – 1 mn tones in 2017 (30% of total airport volume)

5. Interterminal tunnel
   - 2 terminal-to-terminal tunnels (passengers and baggage)
   - Length – 2,100 m
   - Max connecting time – 50 min

6. Reconstruction of roads
   - Better connection between South and North terminals
   - Comfortable direct entrance to the airport terminal, 4 lanes

7. Railway terminal
   - New railway track
   - 15 minutes time interval between “Aeroexpress” trains

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

Source: Public domain, Sheremetyevo International Airport corporate presentation.
NETWORK AND FLEET OVERVIEW
SHAMIL KURMASHOV
DEPUTY CEO FOR COMMERCE AND FINANCE
**Approach to Network Development**

<table>
<thead>
<tr>
<th>Network convenience and coverage</th>
<th>Origin &amp; destination principle</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increasing flight frequencies</td>
<td>Selective addition of destinations</td>
</tr>
</tbody>
</table>

**Network synergies:** viable and competitive connectivity options

**Network development goal/result**

**Network development instruments**

**Fundamental network development principles**

---

**Network of Aeroflot Group’s Airlines**

- **Aeroflot**
  - Based in Moscow (SVO)
  - Hub-based model with focus on network quality
  - Exploiting transit market opportunities
  - Transit potential of ~20%

- **Rossiya**
  - Based in LED, VKO, ROV; branch in REN
  - Mainly scheduled, limited charter flights
  - Performs commercial regional flights and subsidized local flights

- **Aurora**
  - Based in VVO, KHV and UUS
  - Performs commercial regional flights and subsidized local flights

- **Pobeda**
  - Based in Moscow (VKO)
  - Low-frequency P2P flights
  - Focused on the development of domestic routes, limited number of international routes (≤ 15%)

---

- **Network development is based on the multi-brand model ensuring maximum coverage of the air transportation market and presence in various price segments across different regions.**
Aeroflot Group Network Development Strategy (2/3)

Relatively Stable Number of Destinations…

- # of destinations\(^1\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Summer Schedule</th>
<th>Winter Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>152</td>
<td>142</td>
</tr>
<tr>
<td>2014</td>
<td>141</td>
<td>142</td>
</tr>
<tr>
<td>2015</td>
<td>137</td>
<td>137</td>
</tr>
<tr>
<td>6M 2016</td>
<td>153</td>
<td></td>
</tr>
</tbody>
</table>

… due to Focus on Network Quality and Frequency…

- Average scheduled flight frequency\(^2\)

<table>
<thead>
<tr>
<th>Year</th>
<th>International</th>
<th>Domestic</th>
<th>Mid-haul</th>
<th>Long-Haul</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>9.6</td>
<td>11.1</td>
<td>11.8</td>
<td>10.9</td>
</tr>
<tr>
<td>2014</td>
<td>11.1</td>
<td>10.9</td>
<td>11.5</td>
<td>13.2</td>
</tr>
<tr>
<td>6M 2015</td>
<td>10.9</td>
<td>11.5</td>
<td></td>
<td>12.1</td>
</tr>
<tr>
<td>6M 2016</td>
<td>11.5</td>
<td></td>
<td></td>
<td>12.1</td>
</tr>
</tbody>
</table>

CAGR: 10.9% 4.9%

55 in Russia 98 abroad

- Summer schedule
- Winter schedule

… with Further Improvements Possible Across the Segments.

- Average scheduled flight frequency\(^2\)

- CAGR:
  - International: 9.7
  - Domestic: 13.2
  - Mid-haul: 12.1
  - Long-Haul: 6.7

- 2016 summer schedule.

- Average weekly frequency per route for Aeroflot Group excl. Pobeda.

- Moderate growth of destinations, focus on increase in frequencies on scheduled routes across all segments (international and domestic, long- and mid- haul) to improve network quality.

\(^1\) 2016 summer schedule.
\(^2\) Average weekly frequency per route for Aeroflot Group excl. Pobeda.
Aeroflot Group Network Development Strategy (3/3)

Growing Connectivity of Aeroflot Flights¹ ...

Average weekly frequency per route

<table>
<thead>
<tr>
<th>Year</th>
<th>International</th>
<th>Domestic</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>12.7x</td>
<td>13.2</td>
<td>13.9x</td>
</tr>
<tr>
<td>2014</td>
<td>13.5x</td>
<td>14.4</td>
<td>16.0x</td>
</tr>
<tr>
<td>2015</td>
<td>16.0x</td>
<td>16.1</td>
<td>18.8x</td>
</tr>
</tbody>
</table>

... Results into Growing Aeroflot Airline’s Transit Flows

Growing share of transit of Aeroflot airline in Sheremetyevo

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic-Domestic</td>
<td>11.6%</td>
<td>11.8%</td>
<td>14.0%</td>
<td>15.3%</td>
<td>13.2%</td>
</tr>
<tr>
<td>International-Domestic</td>
<td>35.5%</td>
<td>39.2%</td>
<td>44.2%</td>
<td>42.9%</td>
<td>41.1%</td>
</tr>
<tr>
<td>International-International</td>
<td>0.0%</td>
<td>2.2%</td>
<td>4.0%</td>
<td>6.2%</td>
<td>6.4%</td>
</tr>
</tbody>
</table>

... Backed by Convenient Location of Aeroflot Hub

Shortest geographical distance


¹ 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.
Aeroflot has developed its base airport – SVO – into a hub based on connectivity waves with convenient options for transit passengers.

Migration from wave model to “rolling hub” and increasing average aircraft capacity target to overcome infrastructure constraints in SVO and promote efficiency of operations.

Source: Company data

1 Wide-body aircraft
• Aeroflot still sees development opportunities in SVO airport with the current infrastructure capacities before launch of the new terminal and third runway.

• Current initiatives are based on the development of the new wave and expansion of underutilized (less intense) waves that will help to further boost connectivity.
Network Overview: Balanced Development Across Regions

<table>
<thead>
<tr>
<th>Region</th>
<th>mn PAX</th>
<th>bn ASK</th>
<th>PLF</th>
<th>Trends (2013-16 YTD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Asia</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CIS</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Middle East</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Americas</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **Russia**: 
  - CAGR 13-15: 29% 
  - Share (6M 2016): 59% 
  - Russian market is a star performer for the third year in row 
  - Increasing frequencies 
  - Selected addition of new destinations

- **Europe**: 
  - CAGR 13-15: 2% 
  - Share (6M 2016): 21% 
  - Intelligent capacity management: additional destinations and increasing frequencies 
  - Operating numbers supported by increased transit passenger flows

- **Asia**: 
  - CAGR 13-15: 6% 
  - Share (6M 2016): 8% 
  - Capacity expansion on selected routes 
  - Increased transit demand from Asia 
  - Addition of new destinations

- **CIS**: 
  - CAGR 13-15: -5% 
  - Share (6M 2016): 6% 
  - Positive demand trends for Caucasian republics and launch of Kazakhstan 
  - Negative contribution from suspension of flights to Ukraine

- **Middle East**: 
  - CAGR 13-15: -15% 
  - Share (6M 2016): 5% 
  - Frequencies and destination optimization (incl. suspension of flights to Egypt and decrease in frequencies to Turkey) 
  - Increased frequencies to key routes in the region

- **Americas**: 
  - CAGR 13-15: 4% 
  - Share (6M 2016): 2% 
  - Higher demand resulted in PLF improvement 
  - Exploiting transit potential 
  - Optimization of capacity to leisure markets in the region

Aeroflot Group maintains presence in all major regions with intelligent expansion and capacity management taking into account market conditions.

Aeroflot succeeded to reverse and/or mitigate downward trends in the key markets.
Network Overview: Key Markets and Growth Decomposition

Top 10 International Markets

6M 2016

Total Share of Group’s PAX – 19.1%

Top 10 Domestic Routes

6M 2016

Total Share of Group’s PAX – 21.1%

• Constant focus on domestic and international destinations with highest demand and expansion in the new market segment (LCC) paired with a low risk growth strategy.

1 All Pobeda’s traffic (incl SVX and AER) is included in other domestic routes as it serves respective markets from VKO airport and targets completely different market segment.
Aeroflot Group Fleet Development Strategy

Approach to Fleet Development

<table>
<thead>
<tr>
<th>Airline</th>
<th>General Considerations and Fleet Development Principles</th>
<th>Focus Producers</th>
<th>Type Number</th>
<th>Classes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Utilization of several (but limited) aircraft types from several producers due to the larger fleet and focus on premium segment:</td>
<td>• A320 family</td>
<td>Narrow b.</td>
<td>Economy</td>
</tr>
<tr>
<td></td>
<td>— Enables targeting different markets of various size (example: use of Airbus and Boeing aircraft in different passenger capacity classes for long-haul flights - Airbus A330 (300 seats) and Boeing 777 (400 seats)</td>
<td>• B737 NG</td>
<td></td>
<td>Comfort</td>
</tr>
<tr>
<td></td>
<td>— Enables flexibility, maximization of operational efficiency and load factors</td>
<td>• SSJ100</td>
<td></td>
<td>Business (extended seat or full-flat)</td>
</tr>
<tr>
<td></td>
<td>— Allows receiving the best possible offers from suppliers (and lessors)</td>
<td>• A320 family</td>
<td>Wide b.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Utilization of Airbus A320 and Boeing 737-800 aircraft on scheduled flights</td>
<td>• B737</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Boeing 777 and 747 are used on charter and tourist flights and flights to Far East</td>
<td>• B777</td>
<td></td>
<td></td>
</tr>
<tr>
<td>pobeda</td>
<td>• Focus on narrow-body aircraft</td>
<td>• DHC-6</td>
<td>Total: 4 types</td>
<td>Economy</td>
</tr>
<tr>
<td></td>
<td>• Optimization and unification of the fleet</td>
<td>• DHC-8 (2 subtypes)</td>
<td></td>
<td>Business</td>
</tr>
<tr>
<td></td>
<td>• Utilization of Airbus A320 aircraft on scheduled flights</td>
<td>• A319</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Utilization of a standardisation approach</td>
<td></td>
<td>Total: 1 type</td>
<td>Economy</td>
</tr>
<tr>
<td></td>
<td>• The fleet is completely comprised of Boeing 737-800</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Ownership Structure

<table>
<thead>
<tr>
<th>by # of aircraft</th>
<th>2012</th>
<th>6M 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owned</td>
<td>9%</td>
<td>1%</td>
</tr>
<tr>
<td>Finance lease</td>
<td>26%</td>
<td></td>
</tr>
<tr>
<td>Operating lease</td>
<td>65%</td>
<td></td>
</tr>
<tr>
<td>Total: 233</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance lease</td>
<td>19%</td>
<td></td>
</tr>
<tr>
<td>Operating lease</td>
<td>80%</td>
<td></td>
</tr>
<tr>
<td>Total: 257</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Fleet Evolution

<table>
<thead>
<tr>
<th># of aircraft (average number for the year)</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aeroflot</td>
<td>273</td>
<td>296</td>
<td>315</td>
<td>324</td>
<td>335</td>
<td>346</td>
</tr>
<tr>
<td>Rossiya</td>
<td>12</td>
<td>59</td>
<td>182</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aurora</td>
<td>20</td>
<td>78</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pobeda</td>
<td>26</td>
<td>78</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

X% - CAGR, 2016-2021

-5%  17%  -3%  6%  4%

- Aeroflot maintains a balanced fleet expansion strategy focusing on consistent fleet renewal and long-term strategic goals for each brand.
### Execution of Fleet Strategy: Enhancing Fleet Standardization

**Irkut MC-21** is a twin-engine mid-range Russian jet airliner, which is now being developed and to be produced by the United Aircraft Corporation (UAC) Group.

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2015</th>
<th>2018</th>
<th>Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Narrow-body (regional)</td>
<td>SSJ100 An-148 Yak-42 An-12 An-24 An-26 DHC-8-200/300 Tu-134</td>
<td>SSJ100 An-148 DHC-8-200/300 DHC-6-400</td>
<td>SSJ100 DHC-6-400 DHC-8-300 DHC-8-400</td>
<td>17%</td>
</tr>
<tr>
<td>Narrow-body (medium-haul)</td>
<td>A319/320/321 B737 (Classic) B737 (NG) Tu-154</td>
<td>A319/320/321 B737 (Classic) B737 (NG)</td>
<td>A319/320/321 B737 (NG) MC-21(^1)</td>
<td>66%</td>
</tr>
<tr>
<td>Wide-body (long-haul)</td>
<td>A330 B767 B777 Il-96 Tu-204 MD-11F</td>
<td>A330 B767 B777</td>
<td>A330 B747 B777</td>
<td>17%</td>
</tr>
</tbody>
</table>

- **18 types**
- **10 types**
- **10 types**

**Focus on modern aircraft types is the main principle for the fleet development strategy ensuring long-term efficiency.**
F INANCIAL O VERVIEW
S HAMIL K URMASHOV
D EPUTY CEO FOR C OMMERCE AND F INANCE
### Revenue (RUB bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>H1 2015</th>
<th>H1 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>291.0</td>
<td>319.8</td>
<td>415.2</td>
<td>176.5</td>
<td>223.8</td>
</tr>
<tr>
<td>CAGR:</td>
<td>19.5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### EBITDA (RUB bn) and Margin

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>H1 2015</th>
<th>H1 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Margin</td>
<td>10.9%</td>
<td>7.8%</td>
<td>14.1%</td>
<td>7.5%</td>
<td>13.4%</td>
</tr>
<tr>
<td>CAGR:</td>
<td>35.8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### FCF (RUB bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>H1 2015</th>
<th>H1 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating CF (RUB bn)</td>
<td>28.9</td>
<td>36.0</td>
<td>69.7</td>
<td>42.7</td>
<td>75.3</td>
</tr>
<tr>
<td>CAGR:</td>
<td>10.4%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Strong revenue growth on the back of increasing RASK and yields and expanding passenger traffic
- Pro-active approach to revenue management helped to materialize FX effect on international fares despite macro headwinds
- Profitability improvement over the years on the back of efficiency initiatives and tight cost control in the volatile environment
- Continued EBITDA and EBITDA margin expansion in 2016
- Positive free cash flow generation due to operating strengths
- Significant improvement in FCF and OCF in H1 2016 on the back of demand pickup and stronger bookings

- **Aeroflot Group delivers strong results amid expanding operations, active revenue management and strict cost control.**
- **The Group consistently generates positive and growing cash flows adjusting to volatile external environment.**
In order to deliver results and improve profitability, Aeroflot focuses both on exploring revenue opportunities and control over cost inflation where possible and introducing dedicated cost cutting projects.
**Approach to Revenue Management**

**Sophisticated Approach to Revenue and Capacity Management …**

### Principles

<table>
<thead>
<tr>
<th>Origin &amp; Destination</th>
<th>Core principle of the revenue management</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Network management based on O&amp;D flows rather than particular flight legs</td>
</tr>
<tr>
<td></td>
<td>Accessing profitability based on the network effect in addition to the performance of each route and particular flight</td>
</tr>
<tr>
<td></td>
<td>Offering various booking classes depending on consumer strength and demand</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Consistent Pricing</th>
<th>Core principle of pricing policy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Consistent fare adjustment to avoid price shocks to the consumer in case of significant FX fluctuations - PLF implication is taken into account</td>
</tr>
<tr>
<td></td>
<td>High flexibility with capacity deployment closer to the departure (and various business/economy composition) – to optimise PLF</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Diversified Revenue Streams by Currency</th>
<th>Core fare setting principle</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Group collects revenue in various currencies (RUB, EUR, USD and other) as fares are set in various currencies</td>
</tr>
<tr>
<td></td>
<td>Domestic - in RUB</td>
</tr>
<tr>
<td></td>
<td>Outbound international – EUR</td>
</tr>
<tr>
<td></td>
<td>Inbound and transit (EUR, USD and other currencies)</td>
</tr>
</tbody>
</table>

### Key Pricing and Revenue Management Factors

- **Price**
- **Sales speed**
- **Web demand**
- **Past data**
- **Competitor prices**
- **Promo level**
- **Ancillary**
- **Current bookings**
- **Seasonality**
- **Seat availability by class**
- **Booking cancelations**

### … Delivers Results

#### Related Metric

**Growing share of transit of Aeroflot airline (% of AFL PAX)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>35.5%</td>
<td>39.2%</td>
<td>44.2%</td>
<td>42.9%</td>
<td>41.1%</td>
<td></td>
</tr>
</tbody>
</table>

**Improving RASK - better yields without compromising on PLF (RUB)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2.4</td>
<td>2.4</td>
<td>2.8</td>
<td>2.5</td>
<td>3.0</td>
<td></td>
</tr>
</tbody>
</table>

**Diversified revenue (Aeroflot Group revenue 6M 2016)**

- **USD and other** 20.5%
- **EUR-linked** 25.7%
- **EUR** 14.3%

### Key Points

- Aeroflot has significant share of revenue denominated and/or linked to FX which helps to the mitigate FX effect on operating expenses due to its pro-active approach to revenue management.
- Pro-active approach implies relevant actions based on the demand and market environment that targets positive RASK dynamics (important both in RUB depreciating and appreciating environment).
Growing Demand for Air Transportation…

PAX, mn

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>H1 2015</th>
<th>H1 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>31.4</td>
<td>34.7</td>
<td>39.4</td>
<td>17.9</td>
<td>19.7</td>
</tr>
</tbody>
</table>

CAGR: 12.0%

...Backed by Intelligent Capacity Management…

ASK, bn

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>H1 2015</th>
<th>H1 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>109.1</td>
<td>115.8</td>
<td>124.7</td>
<td>58.8</td>
<td>63.6</td>
</tr>
</tbody>
</table>

CAGR: 6.9%

PLF (% and y-o-y p.p. change)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>H1 2015</th>
<th>H1 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>78.2%</td>
<td>77.8%</td>
<td>78.3%</td>
<td>75.7%</td>
<td>78.6%</td>
</tr>
<tr>
<td>2014</td>
<td>78.6%</td>
<td>78.3%</td>
<td>78.3%</td>
<td>78.6%</td>
<td>78.6%</td>
</tr>
<tr>
<td>2015</td>
<td>78.3%</td>
<td>78.3%</td>
<td>78.3%</td>
<td>78.6%</td>
<td>78.6%</td>
</tr>
</tbody>
</table>

Well-planned capacity growth that took into account markets trends and balance of supply and demand helped to increase load-factors and unit revenues at the same time.

...Translated into Solid Unit Revenue Growth

Yield for scheduled flights (RUB/RPK)

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>H1 2015</th>
<th>H1 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>3.06</td>
<td>3.04</td>
<td>3.58</td>
<td>3.29</td>
<td>3.76</td>
</tr>
</tbody>
</table>

CAGR: 8.2%

14.6%
Despite Proactive Approach to International Yields…

RUB/RPK

CAGR: 12.6%

16.1%

3.05 3.07 3.86 3.55 4.12

2013 2014 2015 H1 2015 H1 2016

… as well as Domestic Yield Management…

RUB/RPK

CAGR: 3.0%

12.6%

3.07 2.98 3.26 2.95 3.32

2013 2014 2015 H1 2015 H1 2016

… Aeroflot Group Still Secures Pricing Advantage in the Global Context

6M 2016 yields – USD cents /RPK

8.37 7.94 7.44 6.61 5.66 5.36

Qantas Air Canada easyJet Latam Turkish Airlines Aeroflot

• Attractive value proposition for consumers is one of the key strengths of the Group vis-à-vis foreign carriers which attracts new passengers and retains them thanks to superior product quality.
Exploring Additional Revenue Opportunities

**New Markets and Segments**
- New routes in the markets of presence in (H1 2016 vs H1 2015):
  - Domestic routes: Saratov, Magadan
  - International routes: Alicante, Valencia, Lyon
- New markets: Kazakhstan (Aktau, Aktobe, Almaty, Astana, Atyrau, Shymkent)

Incremental revenue in H1 2016 from new destinations opened in LTM RUB 3.3 bn

Total revenue in H1 2016 from new destinations added in 2013 – H1 2016 amounted to RUB 8.1 bn

**New Products**
- Pobeda addresses the LCC market segment that previously was underserved in Russia

Incremental revenue from Pobeda airline amounted to RUB 4.7 bn in H1 2016

**Ancillary Revenue**
- Partners, including under frequent flyer programme
- Third-party refueling services, ground handling and MRO
- Catering services onboard and Duty Free sales
- Hotel revenue
- Baggage fees
- Seat upgrades (Space + business)
- Other partnerships – Europcar and DreamLines cruise operator

Incremental revenue from ancillary services and other revenue amounted to RUB 0.7 bn RUB in H1 2016

• Aeroflot Group strategy pursues opportunities for generating incremental revenue through new market and routes, as well as an ever-expanding range of value-added ancillary services.

1 Other revenue as reported in IFRS accounts (excluding the line with airline agreements). This amount doesn't include income from various fees accounted as part of airline revenue (i.e. baggage fees).

**RUB 12.5 bn**
Ancillary revenue in H1 2016

48.6%
Share of revenue from partners under frequent flyer programme in other (ancillary) revenue

6.2%
Ancillary revenue growth in H1 2016 y-o-y

**RUB 8.0 bn**
LCC revenue in H1 2016

Revenue Management  New Revenue Streams  Efficiency Based Strategy  Efficiency Initiatives  Cost-cutting Initiatives
Continuous Quest for Cost Efficiencies

1. Efficiency Based Strategy
   Aeroflot Group’s corporate strategy, fleet and network strategy result in enhancing operational efficiencies that drives financial results improvements.

   Examples:
   - Operation of standardized modern and fuel efficient fleet and fuel consumption optimizations
   - Effective fuel supply management
   - Focus on connectivity and development of hub in SVO
   - Development of multibrand strategy

2. Long-Term Efficiency Initiatives
   Strategic initiatives that particularly target operational and financial efficiency.

   Examples:
   - Installation of sharklets
   - Optimization of printed products
   - Optimization of loading of meals, water, etc.

3. Cost-Cutting Initiatives
   Initiatives that have been implemented to cut specific costs, including programmes related to crisis trends in the Russian market in the beginning of 2015.

   Examples:
   - Fleet optimization (order book and phase-out of existing aircraft)
   - Network and headcount optimization by regional subsidiaries
   - Administrative costs optimization
   - Merger of regional subsidiaries

Continuous growth of business efficiency
Ongoing incremental savings represent additional contribution to improving profitability
Prompt reaction to changing environment helped minimize adverse external effects

- Aeroflot is committed to operational and financial efficiency achieved via various means - from fundamental principles of business strategy to dedicated efficiency programmes.
### Operational Costs Overview

<table>
<thead>
<tr>
<th>Cost Item</th>
<th>% of OpEx</th>
<th>% of FX portion</th>
<th>Aeroflot Approach</th>
</tr>
</thead>
</table>
| **Fuel**                          | 22.3%     | 69.8%           | - Monitoring and controlling of fuel consumption via optimizing routing and refuelling  
                                  |           |                 | - Focus on maintaining efficient fleet                                             
                                  |           |                 | - Continuous negotiations with suppliers (focus on formula-linked pricing)         |
| **Aircraft, Traffic and Passenger Servicing** | 20.0% | 42.2%         | - Optimizing operations (i.e. overnight stop and parking etc) to reduce cost       
                                  |           |                 | - In-house catering company promoting synergies for on-board service              
                                  |           |                 | - Negotiations with airports on non-regulated tariffs                             |
| **Staff**                         | 15.5%     | 7.6%            | - Indexation strictly linked to productivity, variable compensation - to KPIs      
                                  |           |                 | - Optimizing headcount in subsidiaries (reduction of duplicate functions)         
                                  |           |                 | - Continuous focus on productivity is further supported by LCC roll-out           |
| **Operating Lease**              | 14.1%     | 99.5%           | - Established relations with key global lessors and producers                     
                                  |           |                 | - Deployment of various aircraft types promotes flexibility and efficiency        
                                  |           |                 | - Continuous market monitoring for efficient deal structures                      |
| **Maintenance**                  | 8.7%      | 81.6%           | - Continuous negotiations with MRO service providers to improve pricing          
                                  |           |                 | - Increasing share of in-house MRO (A-Tekhnics)                                   
                                  |           |                 | - Fleet renewal strategy – new aircraft required less MRO time and money         |
| **SG&A**                         | 6.4%      | 26.2%           | - Optimizations of duplicate functions in subsidiaries                           
                                  |           |                 | - Introduction of IT software to increase administrative personnel productivity    
                                  |           |                 | - Stringent control of marketing and administrative costs                         |
| **D&A and Customs Duties**       | 3.4%      | 0.0%            | - Decreased focus on finance lease (due to higher cost)                          
                                  |           |                 | - Steps taken to phase-out aircraft in finance lease (to be replaced by new aircraft) |
| **Other OpEx**                   | 9.5%      | 63.3%           | - Promoting efficiency of sales channels (i.e. growing share of on-line)          
                                  |           |                 | - Establishing procedures to minimize one-off effects                              
                                  |           |                 | - Cost control over other minor operating expenses                                 |

- Dealing with large portion of costs affected by external factors Aeroflot has to focus not only on controllable expenses (RUB), but also on cost items influenced by macro factors (FX) executing dedicated optimization initiatives.
Unit Cost Evolution: Aeroflot and International Peers

Controlled CASK Inflation

Cost Advantage vs. Foreign Peers

- Total RASK\(^1\) growth

X%  
CAGR: 11.1%

CAGR: 9.4%

- Total RASK\(^1\) growth

2013  2014  2015  H1 2015  H1 2016
2.49  2.66  2.97  2.90  3.15
0.73  0.75  0.76  0.76  0.70
1.76  1.91  2.22  2.14  2.45

H1 2016  H1 2016  H1 2016  H1 2016  H1 2016
4.40  4.95  5.11  6.81
1.10  0.86  1.31  1.47
3.30  4.08  3.79  5.34

RUB/ASK

RUB/ASK\(^2\)

- Limited expansion of CASK due to strict cost control and efficiency initiatives within the Group.
- Consistent excess of total RASK growth over CASK inflation which drives profitability growth.
- Aeroflot is the leader among international peers in both fuel and non-fuel cost efficiency.

---

\(^1\) PAX Revenue/ASK.
\(^2\) Converted to RUB using average CBR FX rates.
\(^3\) 6 months ended 31 March 2016.
Modern Fleet Reducing Fuel Costs

Track Record of Increasing Fuel Efficiency

Fuel consumption per ASK (gr/ASK)

- Aeroflot Group has achieved efficiency gains in fuel costs (across all subsidiaries, including Aurora) as new generation aircraft were put into operation and old and less fuel-efficient were phased out.
- Aeroflot Group will continue its strategy of deploying modern aircraft and therefore additional fuel savings should come from regional subsidiaries and increasing LCC contribution effect.

Aeroflot Group Fuel Consumption by Subsidiary

<table>
<thead>
<tr>
<th>Airline</th>
<th>% of Fuel Consumed</th>
<th>Relative Fuel Consumption</th>
<th>Contribution to Unit Fuel Savings (FY15 vs 13)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aeroflot</td>
<td>In line</td>
<td>In line</td>
<td>~85%</td>
</tr>
<tr>
<td>Rossiya</td>
<td>In line</td>
<td>No material contribution to Group's fuel savings</td>
<td></td>
</tr>
<tr>
<td>Pobeda</td>
<td>Below average</td>
<td>~15%</td>
<td></td>
</tr>
<tr>
<td>Aurora</td>
<td>Above average</td>
<td>No material contribution to Group's fuel savings</td>
<td></td>
</tr>
<tr>
<td>Aeroflot Group</td>
<td>Average consumption per ASK</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>
Aeroflot deploys dedicated IT solutions for tankering to optimise fuel consumption given the price differential in the airports in Russia and abroad.
Efficient Operations and High Utilisation Rates

Despite High Pace of Fleet Expansion Aeroflot Group Was Able to Maintain Utilization…

Flight hours per day

- Aircraft utilization is a derivative of aircraft type deployed, flight leg and network, share of low-cost vs. premium operations as well as seasonality factor.
- Widebodies tend to have higher utilization than narrow bodies and narrow bodies for regional flights.

Aeroflot has already achieved high utilization rates and targets to maintain and improve utilization on the back of LCC expansion.

...on the back of Strong Performance of Subsidiaries and Key Aircraft Types

- Efficient exploitation of Aeroflot wide-body fleet, potential to further improve utilization of narrow bodies.
- Narrow bodies for regional transportation allow us to efficiently operate with high PLF at the certain markets with less demand and pronounced seasonality and add frequencies to increase convenience (frequencies = market share).

1 Utilization and average flight leg for particular airline is shown for comparison purposes (rather than to indicate exact flight leg).
**Track Record of Improved Productivity**

Aeroflot Group Headcount is Efficient in Terms of…

- **Employees, thd**
  - 2013: 30.4, CAGR 5.8%
  - 2014: 32.2, 3.2%
  - 2015: 34.0, 3.9%
  - H1 2015: 32.4, 3.7%
  - H1 2016: 36.2, 4.3%

... Number of PAX Serviced by both Group’s and Airlines’ Employees …

- **PAX per employee (Aeroflot Group)**
  - 2013: 1,059
  - 2014: 1,109
  - 2015: 1,189
  - H1 2015: 1,157
  - H1 2016: 1,202

... and Traffic Revenue Attributed to Airlines’ Employee

- **RUB mn per airline employee**
  - 2013: 9.7
  - 2014: 9.9
  - 2015: 12.2
  - H1 2015: 10.8
  - H1 2016: 13.3

**Note:** H1 numbers are presented on annualized basis.

- **Aeroflot airline**
- **Airline subsidiaries**
- **Non-airline subsidiaries**

- **CAGR**
  - 12.1%
  - 22.5%

- **PAX per employee (Airlines)**
  - 2013: 1,188
  - 2014: 1,244
  - 2015: 1,342
  - H1 2015: 1,307
  - H1 2016: 1,362

- **Employees, thd**
  - 2013: 17.9
  - 2014: 19.0
  - 2015: 20.4
  - H1 2015: 19.4
  - H1 2016: 21.2

**Note:** H1 numbers are presented on annualized basis.

- **CAGR**
  - 5.8%
  - 11.8%

- **PAX per employee**
  - 2013: 9.3
  - 2014: 9.6
  - 2015: 9.7
  - H1 2015: 9.3
  - H1 2016: 10.7

- **CAGR**
  - 11.8%

- **Number of PAX per employee**
  - 2013: 3.2
  - 2014: 3.6
  - 2015: 3.9
  - H1 2015: 3.7
  - H1 2016: 4.3

- **CAGR**
  - 5.8%

- **RUB mn per employee**
  - 2013: 3.2
  - 2014: 3.6
  - 2015: 3.9
  - H1 2015: 3.7
  - H1 2016: 4.3

- **CAGR**
  - 11.8%

- **Revenue Management**
- **New Revenue Streams**
- **Efficiency Based Strategy**
- **Efficiency Initiatives**
- **Cost-cutting Initiatives**

- **Aeroflot airline**
- **Airline subsidiaries**
- **Non-airline subsidiaries**

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  - 5.8%
  - 11.8%

- **PAX per employee**
  - 2013: 9.3
  - 2014: 9.6
  - 2015: 9.7
  - H1 2015: 9.3
  - H1 2016: 10.7

- **CAGR**
  - 11.8%

- **Number of PAX per employee**
  - 2013: 3.2
  - 2014: 3.6
  - 2015: 3.9
  - H1 2015: 3.7
  - H1 2016: 4.3

- **CAGR**
  - 5.8%

- **Revenue Management**
- **New Revenue Streams**
- **Efficiency Based Strategy**
- **Efficiency Initiatives**
- **Cost-cutting Initiatives**

**Note:** H1 numbers are presented on annualized basis.

### Key Points:

- **Headcount growth linked to operational and top-line growth resulting in sizeable improvement in labour productivity and translates into increasing operational profitability.**

---

**Key Points:**

- Headcount growth linked to operational and top-line growth resulting in sizeable improvement in labour productivity and translates into increasing operational profitability.
Current Status and Plans Overview

**MRO facilities**
- Strong team of approximately 2,000 MRO specialists
  - 7 hangars for MRO in SVO, LED, VKO and REN and additional hangar for regional aircraft in UUS
  - Plans for construction of 1 hangar in SVO by 2018
  - EASA certification for Boeing and Airbus aircraft maintenance

**Organization of MRO by subsidiary**
- Currently over 85% checks conducted in-house

**Third party clients**
- 60 third-party customers and 14 airlines served helping to increase efficiency of hangars utilization (between scheduled checks of Group’s aircraft)

**A-Technics goals and rationale**
- Becoming key MRO facility of Aeroflot Group to implement technical inspection in hangar facilities in Vnukovo airport and Orenburg
- Utilization of industry best practices and realization of synergies with existing technical inspection platform of the Group
- Building effective technical inspection company by utilizing unique technical personnel competencies (i.e. wide-body fleet (B777, B747) maintenance
- Focus on reduction of the volume of Aeroflot Group’s technical inspection outsourcing and increase provision of services to third-party airlines
- Achieving operational profit by the end of 2017

- Young fleet promotes improvement of fleet reliability and results in less time and money spent on MRO.
- Aeroflot Group focuses on developing its own MRO facilities to further improve efficiencies: creation of A-Technics will reduce the volume of maintenance outsourcing as well as to realize synergies with existing technical inspection platform of the Group.

### Maintenance Man-Hour / Flight Hour Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>CAGR: (10.4%)</th>
<th>0.4%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>2.98</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>2.52</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>2.39</td>
<td></td>
</tr>
<tr>
<td>H1 2015</td>
<td>2.39</td>
<td></td>
</tr>
<tr>
<td>H1 2016</td>
<td>2.40</td>
<td></td>
</tr>
</tbody>
</table>
Aeroflot is constantly pursuing various optimization initiatives to deliver better results for its shareholders. Generated savings of approximately 300 mn RUB only in 2015 (despite postponement of initiatives roll-out to subsidiaries after decision on regional subsidiary airlines integration).
Response to Changing Market Environment

Optimizations in the Subsidiaries
- Network and fleet optimization
- Optimization of administrative expenses

Operational Improvements to Stimulate Profitability of Aeroflot Airline
- Network and fleet optimization
- Rescheduling deliveries

Cost-cutting – General and Administrative Costs
- Headcount optimizations
- Cutting of administrative costs

RUB 7.2 bn savings in 2015
RUB 4.0 bn savings in 2015
RUB 2.0 bn savings in 2015

- Aeroflot Group’s prompt reaction to the changing market environment shows Company’s flexibility and readiness to promptly implement complicated decisions.
- Initiatives helped to generate substantial costs savings due to termination or substantial reduction in loss-making operations.
- Positive effect of 2015 translated into 2016 and helped to improve profitability.
The merger of Rossiya, Donavia and Orenair simplifies operational structure of regional subsidiaries and over the medium term will deliver tangible strategic, sales and cost synergies (worth several billion roubles going forward despite integration costs in 2016).
### Financial Management Strategy

<table>
<thead>
<tr>
<th>Financial Targets</th>
<th>Comments</th>
<th>6M 2016 Status</th>
</tr>
</thead>
</table>
| **Financial leverage**                                 | • Maintain leverage over the cycle (excl. one-off and external effects) in line with the global industry average                                                                                                                                                                                                                           | • Net Debt/EBITDA – 1.6x  
• Adjusted Net Debt/EBITDAR – 3.9x                                                                 |  
| **Liquidity targets**                                  | • Maintain minimum cash balance to cover scheduled payments, excess liquidity is placed on overnight deposits  
• Conservative management of excess liquidity based on cash flow forecast  
• Top tier banks placement and limit of cash concentration                                                                                                                                                                                                                               | • Cash – RUB 58.6 bn  
• Undrawn credit lines RUB 77.8 bn                                                                 |  
| **Funding targets and debt structure**                 | • Borrowing by both PJSC Aeroflot and subsidiaries based on alternative analysis  
• Diversified sources of funding by maturity and currency  
• Unsecured debt (borrowings)                                                                                                                                                                                                                                                                 | • Borrowings RUB 43.1 bn  
• 41% RUB, 38% USD, 21% EUR                                                                                  |  
| **Aircraft leasing**                                   | • Decision is based on the total funding cost and financial implications                                                                                                                                                                                                                                                                                                                                 | • Operating leasing                                                                                                                                  |  
| **Hedging policy**                                     | • Awaits BoD approval                                                                                                                                                                                                                                                                                                                                                                         | • Awaits BoD approval                                                                                                                                  |  
| **Dividend policy**                                    | • 25% of the net income under IFRS according to the approved by the AGM dividend policy  
• Subject to the guidelines from the major shareholder on dividend pay-out (possibility to increase pay-out – decree for SOE – up to 50%)                                                                                                                                                                         | • No dividends paid for 2015 in 2016  
• Dividend pay-out for 2016 will be determined in 2017                                                                 |  

- **Financial Targets**
  - **Financial leverage**
  - **Liquidity targets**
  - **Funding targets and debt structure**
  - **Aircraft leasing**
  - **Hedging policy**
  - **Dividend policy**

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  - Maintain leverage over the cycle (excl. one-off and external effects) in line with the global industry average
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  - Undrawn credit lines RUB 77.8 bn
  - Borrowings RUB 43.1 bn
  - 41% RUB, 38% USD, 21% EUR
  - Operating leasing
  - Awaits BoD approval
  - No dividends paid for 2015 in 2016
  - Dividend pay-out for 2016 will be determined in 2017

- **Stringent financial policy to ensure successful development of the Group.**
MARKETING STRATEGY AND CUSTOMER SERVICE
MIKHAIL FANDEYEYEV
MARKETING DIRECTOR
Pillars of the Marketing Strategy

- **Aeroflot captures growth across domestic and international markets** by offering high-quality services to a wide range of customers.

- **Target customers across a diversified range of brands**

- **Ensure customer service excellence**

- **Strengthen loyalty through Aeroflot Bonus**

- **Lead in digital integration**

- **Carry out effective advertising, PR and social media campaigns**

- **Remain at the forefront of the airline industry’s digital innovation** by integrating cutting-edge solutions to drive future brand and efficiency gains.

- **Customer excellence at all touch points** increases loyalty:
  - Extraordinary customer pre-flight experience is sustained by user-friendly online environment, global customer office network and customer support through a multi-lingual call centre available 24/7/365.
  - Superior ground experience is achieved through offering comfort and convenience to customers and constant focus on operational efficiencies.
  - Outstanding flight experience across all classes is built around a wide selection of high-quality food and beverages, inflight entertainment programmes and connectivity.

- **Aeroflot Bonus programme and co-branded partnerships** help sustain customer loyalty.

- **Advertising campaigns** aimed at promoting services in Russia and strengthening Aeroflot’s brand internationally in a cost-efficient manner.

- **Aeroflot focuses on all stages of the passenger flight cycle from attracting new passengers to ensuring high standards of our product to analyzing feedback and developing effective FFP and marketing campaigns to retain our clients.**
Customer Targeting Across a Diversified Range of Brands

<table>
<thead>
<tr>
<th>Positioning</th>
<th>Targeting the Following Types of Passengers</th>
<th>Promotional Concept</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia’s #1 airline. Modern and comfortable aircraft. Premium service offering</td>
<td>Ideal combination of quality and price for travel in Russia and abroad</td>
<td>Fulfilling a socially important mission of facilitating travel to/from the Russian Far East</td>
</tr>
</tbody>
</table>

**Positioning**

- **Traveller (comfort)**
  - Primary goal: travel frequently
  - Priorities: schedule, comfort

- **Vacationer (comfort)**
  - Primary goal: travel once a year
  - Priorities: schedule, comfort, VFR

- **Business (comfort)**
  - Primary goal: business travel
  - Priorities: schedule, comfort

- **Charter**
  - Primary goal: leisure travel
  - Priorities: price, schedule

- **Practical (value)**
  - Primary goal: business travel
  - Priorities: price, schedule, fare conditions

- **Business (price-sensitive)**
  - Primary goal: business travel
  - Priorities: price, fare conditions, schedule

- **Traveller (value)**
  - Primary goal: leisure travel
  - Priorities: price, schedule

- **Business (value)**
  - Primary goal: business travel
  - Priorities: schedule, price, comfort

- **Business (price-sensitive)**
  - Primary goal: business travel
  - Priorities: price, fare conditions, schedule

**Promotional Concept**

- Tactical advertising (new routes, seasonal sales, etc.)
- Image promotion via partnerships & sponsorships
- Online: web, social, targeting using Big Data
- Creation/support of brand awareness
- Focus on regional markets
- Charter program
- Leverage Group umbrella effect
- Focus on relevant regional media markets
- Minimal effort expended on brand positioning
- Leverage Group umbrella effect
- Focus on word-of-mouth and recommendations from friends and family
- Strong social media focus
- Promotional sales offers

1 Traveller Comfort are those who travel frequently, while Vacationer Comfort are those who travel around once per year.

2 VFR = Visiting friends and relatives.
Brand Diversification: Livery and Concept

- Livery aims to strengthen customer perception of airlines’ product diversification.
Marketing Additionally Targets Customers by Geography

**Targeting Russian Consumers: Moscow and the Regions**

Across all of Russia, mainly targeting cities where Aeroflot operates its flights

- Promoting newly launched flights to consumers
- Maintaining high level of brand recognition via sponsorship programmes

**Targeting Asian Consumers: Fly from Asia to Europe via Moscow**

China, Hong Kong, South Korea, Japan

- Informing international passengers on flight options to Russia
- Informing international passengers on international transit options via Moscow

**Targeting European Consumers: Fly from Europe to Asia via Moscow**

Germany, UK, Spain, Italy, France and others countries

- Informing international passengers on flight options to Russia
- Informing international passengers on international transit options via Moscow

- Driving growth across domestic and international markets with targeted marketing campaigns.
The Role of Marketing at Aeroflot

Key Elements of Experience

**Attracting passengers**
- Booking and Payment
- Itinerary changes
- Ancillary services

**Pre-flight Experience (purchasing tickets)**
- Check-in (airport and online)
- Updated information
- Lounge
- Boarding, Disembarkation, Luggage

**Pre-flight Experience (at the airport)**
- Seat and Comfort (travel kit, blanket, etc)
- Food and Beverages
- Inflight entertainment
- Other: Space+, duty-free, etc

**Inflight Experience**
- Schedule (departure/arrival)
- Connectivity and transit
- Frequency

**Flight and Trip Related Experience**
- Frequency

**Focus in 2015-2016**
- Developing Aeroflot website to facilitate bookings, payments and attract passengers’ focus on the relevant information
- Improving passenger experience in home airports in Russia
- Better service abroad – Sky Priority
- Improvements in business class across all aspects of experience
- Selected improvements in economy class
- Developing network, offering optimal schedule, promoting connectivity in hubs

- Marketing is integral to the Aeroflot business model, in particular driving customer acquisition and retention.
Customer Service Excellence: Pre-flight

Online Booking and Support

Overview
- Booking, check-in and flight status updates from desktop, mobile or Aeroflot app
- Flexible payment options: multi-currency, payment over phone, wire payment for SME customers, online payment systems
- Ancillary services: Aeroexpress tickets, travel insurance, car hire, virtual gift certificates and hotel booking

Ticket Offices and Call Centre

Overview
- Wide network of customer service offices and call centre to support customers before they travel
  - 8 offices in Moscow, 3 at Sheremetyevo airport, 74 elsewhere in Russia and 91 in foreign countries
  - Multi-language call-centre and dedicated lines for Aeroflot Bonus elite level members

Overview of Aeroflot International Offices

Key achievements in 2015-2016
- Development of the call-center:
  - Opening of additional premises in Volgograd (in addition to Vladimir)
  - Launch of Korean language call-center line
  - Introduction of free Internet Call to call centre directly from all nine language versions of the website
  - Further improvements of the IVR
- Launch of SMS notifications to inform passengers they can register for flights online
- Optimisation of offices, with 5 facilities closed in order to focus resources on more profitable locations

Website

Mobile applications

Fast growth - ticket sales via web site rose from 10% of sales in 2009 to 25% in 2015
User-friendly - translated into 9 languages (added Chinese and Korean)
Customer-oriented - self registration via the website
Design – continuous introduction of improvements, crowdsourcing project launched in September 2016

Wide - support for all main mobile operating systems (iOS, Android and WindowsPhone)
Supportive - iOS support features (PassBook, Apple Watch and iBeacons)
Best in class - App store ratings of at least 4 out of 5 stars

• Aeroflot prides itself on excellence in every interaction with passengers, including before the flight.
Customer Service Excellence: At the Airport

Consistent Improvement of Ground Experience

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

Efficiency and Quality – Access to Sky Team Lounges

- SkyPriority, available in 85+ destinations, allows for priority check-in, baggage drop-off, security and boarding lines
- Ensures consistent quality of service and long-term loyalty of priority customers

Key Achievements in 2015-2016

- 125 Wi-Fi hotspots in all terminals
- Fast Track service rolled out in 16 key European airports plus Bangkok and Tokyo
- New electronic scales for hand luggage at boarding gates
- Business Class lounges reaching international standards, e.g. Sheremetyevo lounges equipped with individual charging stations
- Launch of online Baggage Tracing Service by Aeroflot

- Improving operational efficiency through faster and more streamlined processes.
Customer Service Excellence: On Board

Economy Class
- Skytrax 4-star passenger service from a highly trained multilingual cabin crew
- Optimum level of comfort and service
- Ergonomic seats, blankets and pillows
- In-seat back 9” display entertainment system (A330 and B777) offering a wide range of Western and Russian film and television programming

Ergonomic seats in Economy class

Comfort Class
- Offered on B777-300ER
- Spacious and comfortable seats with increased row space
- Up-scale and wide menu options
- Travel kits, blankets and pillows
- In-seat back 10.6” display entertainment system

Nearly 100 cm of space between seats

Business Class
- High standards of comfort and service, individual approach, maximum choice and attention to details from highly-trained multilingual cabin crew
- Spacious seats on narrow-bodies and separate cabin with comfortable spacious full-flat seats on A330 and B777
- Multi-course gourmet meals

Fully flat beds on A330 and B777

Key achievements 2015-2016:
- All 36 long-haul aircraft are equipped with wireless internet access (new Wi-Fi fares introduced)
- Portable electronic devices are allowed to be used in Airplane Mode throughout the entire flight

Key achievements 2015-2016:
- Increased bookings in comfort class by 20.7% for 1H 2016, year-on-year
- All Comfort Class seats equipped with USB charging ports for mobile devices
- New menus rolled out featuring exquisite food by world class chefs

Key achievements 2015-2016:
- Replacement of entertainment system - Samsung Galaxy Tab S 8.4 with Premier IFE
- Upgrade of travel kits - Salvatore Ferragamo (for flights of 6 hours+)
- CAUDALIE brand cosmetics in business class lavatories (for flights of 8 hours+)
- National dishes on flights to Asia

- Tactical projects to further improve service on board.
Enhanced Loyalty through Aeroflot Bonus Programme

Continuing Efforts to Improve the Programme

• Developing programme to increase its attractiveness to members
  — Strengthening partnerships - 60 new programme partners added since the start of 2016
  — Expanded geography of mile redemptions for travel class upgrades at check-ins.
• Developing IT solutions to enhance convenience of FFP members
  — Interactive route map with Aeroflot Bonus mile calculator added to customer dashboard as well as enhanced feedback messaging
  — SMS notifications, ability to upgrade service class for bonus miles, purchasing tickets for bonus miles via mobile application, etc.
• IT solutions for targeting and increasing marketing campaigns efficiency
  — Big Data and CRM projects launched to develop recommendations for members and develop customized email campaigns

Largest FFP in Russia and Eastern Europe

<table>
<thead>
<tr>
<th>Aeroflot Bonus membership (mn)</th>
<th>Growth by Segments (1H 2016 y-o-y)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Basic</td>
<td>4.0</td>
</tr>
<tr>
<td>Silver</td>
<td>+19.1%</td>
</tr>
<tr>
<td>Gold</td>
<td>+17.5%</td>
</tr>
<tr>
<td>Platinum</td>
<td>+16.2%</td>
</tr>
</tbody>
</table>

Over 5.5 million members to date, with 143 thousand Elite and Elite+ members (Silver, Gold and Platinum)

Partners of the Programme

- Bonus programme aimed at retaining customers and increasing their loyalty.
Promoting the Brand

Smart Advertising and High-Profile Sponsorships

- Wide range of advertising channels used in Russia and internationally (TV, digital, OOH and press)
- One the most valuable transportation brands globally and in Russia according to Brand Finance
- Active sponsorship of sport as brand promotion, including official carrier of Manchester United and CSKA football teams

Top-rate social media with large following

- Over 150,000 followers on Instagram
- Over 140,000 followers on Facebook
- Over 130,000 followers on Twitter
- Over 500,000 views on YouTube

Media Engagement Generates Right Kind of Press

- Aeroflot leverages the full marketing toolkit to engage with its target audiences.
### Key Partners

<table>
<thead>
<tr>
<th>Football</th>
<th>Basketball</th>
<th>Chess</th>
<th>Cinema</th>
<th>Golden Mask</th>
<th>KVN</th>
<th>Cultural Projects</th>
<th>Other Sports Initiative</th>
<th>Football-Related Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>FC Manchester United (official carrier)</td>
<td>Russian Football Union</td>
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<td></td>
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<td></td>
<td>67.5%</td>
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<tr>
<td>FC CSKA (official carrier)</td>
<td>Russian Basketball Federation</td>
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<tr>
<td>BC CSKA (official carrier)</td>
<td>Russian Chess Federation</td>
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<td>Russian Olympic Committee</td>
<td>Russian Cinema</td>
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<tr>
<td>Russian Paralympic Committee</td>
<td>Theatre festival Golden Mask</td>
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<td>Russian Golf Association</td>
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<td>Russian Cycling Federation</td>
<td>SPIEF’16</td>
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<td>Volleyball Federation of Russia</td>
<td>Eastern Economic Forum</td>
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</table>

### Spending on Sponsorship Programmes

- **2015**

  - Football-related projects: 67.5%
  - Cultural projects: 9.5%
  - Other sports initiatives: 23.0%

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- High level of strategically-chosen sponsorship activity aimed at increasing brand loyalty among target audience.
Increase sales of tickets and ancillary services
by displaying alternative or additional offers on possible destinations/services based on past flights, correlations and partner data (Service Recommendations Module)

Enhance the precision and commercial efficiency of marketing communications by using information about passengers and potential clients from various sources (Client 360 module)

Retain and develop high-margin customers through estimating income levels of each client on the basis of their lifecycle (Customer Lifetime Value module) and acquisition of new high-margin customers using “look-alike” methodology

Determine customer propensity to respond to communications/offers across various channels (Customer Propensity and Price Sensitivity Module), while identifying which channels play a role in a successful transactions (Channel Efficiency Module) to enhance effectiveness of communications and increase the share of sales via Aeroflot’s own channels

Understand social network activity to identify customer preferences and communicate with clients based on this knowledge

• Big Data will allow us to micro-target customers to boost sales, market more effectively and increase loyalty.
• Big Data has the potential to generate incremental revenue and enhance the Group’s competitive advantage.
Recognized Service Leadership and NPS

Recognition for Outstanding Service and Achievements

- **4th Star awarded in 2016**
- **7-star safety rating**
- **Best European airline (best business-class in mid-haul segment)**
- **Best Airline Cuisine Top-10**
- **Readers’ Choice**

Results in Consistent Improvements in NPS

- 2011: 52%
- 2012: 56%
- 2013: 58%
- 2014: 67%
- 2015: 72%

- Dedication to high level of client service backed by relevant and effective marketing strategy has helped us to increase NPS (Net Promoter Score) for several years in row.
  - According to estimates, our NPS remained stable in H1 2016.
- Increase in NPS Index translates into incremental passenger traffic and revenue growth.

- Aeroflot’s achievements in client services have been recognized by independent industry experts, professional community and passengers and helped to significantly increase NPS.
QUESTIONS AND ANSWERS SESSION