



# LETTER FROM THE CHIEF EXECUTIVE OFFICER

## DEAR SHAREHOLDERS,

For Russia's air transportation market, 2015 was a challenging year. In this context I am pleased to report that Aeroflot Group in 2015 continued to build on its achievements of the past several years, and completed the year securer than ever in its position as Russia's leading airline group.

This can be seen first of all in the impressive growth of the Group's passenger traffic of 13.4%, which was faster than the global average. Traffic for the year reached 39.4 million passengers. Group revenue passenger-kilometres grew by 8.4% in 2015, despite an overall decline in the domestic market, with available seat-kilometres increasing by 7.7% year-on-year. Passenger load factor remained strong with a figure for the Group of 78.3%, up 0.5 percentage points (p.p.). As of the end of the year, the Group's global network encompassed 319 scheduled flights to destinations in 54 countries, including 36 unique destinations served by our fast-growing low-cost carrier Pobeda.

The Group's financial results for 2015 reflected our achievements in delivering operational growth. Revenue reached RUB 415,173 million, and operating profit almost quadrupled to RUB 44,107 million. A particular high point was our impressive profitability. According to the authoritative Centre for Aviation (CAPA), Aeroflot's operating margin of 10.6% was the second-highest among European legacy carriers for the year. Our EBITDAR margin increased 9.6 p.p. year-on-year to 24.8%, while the EBITDA margin increased 6.3 p.p. year-on-year to 14.1%.

Our product and service have received recognition of international industry expert. At the Skytrax World Airline Awards 2015 held at Paris air show in Le Bourget our flagship carrier, Aeroflot – Russian Airlines, was named Best Airline in Eastern Europe for the third year in succession – and fourth occasion overall. In 2016 we have made a further breakthrough with the award of Skytrax 4-Star Airline status, putting the Russian national carrier in the same bracket as other leaders in our sector from around the world.

The Group's premium carrier, Aeroflot airline, has continued to cement its reputation as a leading global airline with a burgeoning reputation for outstanding service. Passenger numbers for the airline reached 26.1 million in 2015, up 10.6% year-on-year. According to Airline Business, Aeroflot ranked

among Europe's top-five airlines by passenger turnover with 74.1 billion RPKs, an increase of 10.4% year-on-year and more than double the European average.

Alongside its unquestionable operational successes, in 2015 Aeroflot also completed a "digital take-off", nothing less than a revolution in the way that we use the latest IT systems. All of the Group's business processes are automated, with the introduction of three major platforms – Sabre, SAP and Lufthansa Systems – slashing the number of systems in use, removing the possibility of data duplication and cutting operating costs. By 2017, the programme provisionally named Aeroflot Digital will encompass a number of projects to support the Group's competitiveness and bring a qualitatively new level of service to our passengers.

Aeroflot Group has continued to grow apace even in challenging economic conditions by adhering to our core principles: maintaining our focus on operational efficiency, minimising our costs wherever possible and adapting the Group's business model to changing market conditions.

One consequence of this has been fundamental changes to the Group's structure. One of the undoubted success stories of the year has been the growth of Pobeda, our low-cost carrier, which has fully justified its name, meaning "Victory" in Russian and chosen in honour of the 70th anniversary of the end of the Second World War. Pobeda carried 3.1 million passengers in its first full year of operations, establishing itself among the top-five airlines in Russia by passenger numbers in early 2016. Secure in its position in Russia, in late 2015 launched international flights with the introduction of service to Bratislava. We are firm believers in the attraction of the low-cost model for the Russian market, and expect it to continue to be a major driver of growth for the Group in years to come.

Following a review of the Group's operating structure we decided to combine three of our regionally focused airlines – Rossiya, Donavia and Orenair – into a single mid-market carrier under the Rossiya brand. By doing this, in addition to the financial synergies gained from streamlining three companies into one, we will create an efficient network that brings affordable air transport option

to millions of Russians nationwide. Our aim is for the new-look Rossiya to become the second largest carrier on the Russian market after its parent company, Aeroflot. This will represent a major step towards our main strategic goal of becoming a global top-tier player combining commercial success while at the same time efficiently fulfilling the function of a national carrier to increase social mobility.

Aeroflot today is more than just a group of companies operating in all key market segments. We also play a number of important roles of importance to Russia as a whole. Aeroflot has a unique role as the key customer for and recipient of the latest innovations of Russia's aircraft manufacturing industry. We plan to increase the share of Russian-built aircraft in our fleet up to 100, comprising 50 Sukhoi Superjet 100s and the same number of MC-21s.

Aeroflot Group today is leading the way for the Russian aviation industry in the global marketplace. We believe that our strategy and continued focus on efficiency and execution will help us continue operational growth and achieve our strategic goals and therefore contribute to the development of Russia and well-being of its people and deliver results to the shareholders and investors.



**Vitaly Saveliev**  
Chief Executive Officer,  
PJSC Aeroflot