

## Strategic goals and directions for development

### STRATEGIC GOAL:

To be among the leading international carriers on the global air transport market, including a dominant position in carrying between Europe and Asia, and to achieve profitable growth through consistent improvement of operating efficiency by use of the latest technologies and innovations.

Aeroflot's development strategy, approved by the Board of Directors in 2011, targets inclusion of the Company in the Top 20 largest global airlines by passenger turnover and revenue before 2025, by when Aeroflot should be carrying at least 74.2 million passengers per year. A key element of the strategy is to provide a premium service to passengers, in line with the best international standards.

### OUR MISSION:

AEROFLOT IS RUSSIA'S CALLING CARD; WE USE INNOVATIVE TECHNOLOGIES TO PROVIDE OUR PASSENGERS WITH A TOP-CLASS SERVICE, MATCHING INTERNATIONAL STANDARDS AND MAKING THE TIME SPENT FROM DEPARTURE TO ARRIVAL INTO AN UNFORGETTABLE EXPERIENCE.

### DIRECTIONS FOR STRATEGIC DEVELOPMENT:

- Increase of carrying volumes and market share
- Development of the route network
- Constant improvement of the product quality and standards of passenger service
- Expansion and modernization of the aircraft fleet
- Greater use of the latest information technologies and pursuit of innovative development
- Improving management of Aeroflot Group
- Training and raising of the level of qualification of Company personnel

### STRATEGY-2025

1. To be one of the TOP 5 European airlines by revenue and passenger turnover
2. To be one of the TOP 20 global airlines by revenue and passenger turnover
3. To carry more than 70 million passengers per year, including 30 million on domestic flights
4. To develop a main hub in Moscow where connecting passengers represent at least 60% of total passengers
5. To achieve broad market penetration and development through implementation of a multi-brand strategy

Transformation of Aeroflot Group into a global airline involves: building a multi-brand platform, which successfully addresses a broad segment of demand for air transport services; creation of Aeroflot's own global route network; development of strategic partnerships with other airlines; and successful M&A operations.

CREATING A MULTI-BRAND PLATFORM	CREATING A GLOBAL NETWORK	DEVELOPING STRATEGIC PARTNERSHIPS	INNOVATIVE DEVELOPMENT AND USE OF NEW TECHNOLOGIES
<p>Create a hub model for carrying in the premium segment (JSC Aeroflot)</p> <p>Integrate subsidiaries into Group structure (route and fleet restructuring)</p> <p>Expand and strengthen positions in the tourist charter segment</p> <p>Use M&amp;A opportunities to attain strategic goals</p>	<p>Develop the main hub at Sheremetyevo</p> <p>Increase flight frequency on main domestic and international routes</p> <p>Strengthen positions on international transit flights particularly between Europe and Asia</p> <p>Expand presence on key Russian regional markets and on the international carrying market</p>	<p><b>In air transport business</b></p> <p>Further development within the Sky Team Alliance</p> <p>Creation of strategic joint ventures with other airlines</p> <p><b>In non-core business</b></p> <p>Partnerships/Joint ventures</p> <p>MRO</p> <p>catering</p> <p>air crew training, etc.</p>	<p>Development of internal IT infrastructure</p> <p>Use of new technologies and innovation, including R&amp;D projects</p> <p>Improving the product range, launch of new products and services</p> <p>Further improvement of operating efficiency and labour productivity</p>

### STRATEGIC PRIORITIES

Since 2012 Aeroflot has been operating in a new capacity — that of an airline group. At the end of 2011, pursuing its group development strategy, OJSC Aeroflot carried out the largest-ever M&A transaction in Russian civil aviation and began the integration of newly acquired airline companies as new members of Aeroflot Group.

#### Positioning on the market

Customer demand will be met more fully by the division of airlines within the Group across market segments, based on the following definition of main "platforms":

- JSC Aeroflot serves the premium passenger segment, offering high-quality service, a high-frequency route network, access to the route network of partners in the SkyTeam Alliance, and convenient connections for international transit passengers.
- Russian regional subsidiary airlines mainly provide services to passengers in the regions where they are based, with adjustable flight frequency and prospects for serving transit flows to match growth in demand.

The low-cost carrier model is focused on short- and medium-haul routes with large passenger flows, serving passengers who are relatively price-sensitive. A tourist airline provides carriage for holidaymakers traveling to the largest international resorts mainly in association with tourist agencies.

#### Route network

The Group has set the strategic goal of building a global route network. The priorities in development of the route network are as follows:

- Increasing the number and frequency of flights, and available connections between flights at Sheremetyevo Airport.
- Major expansion of the geography of long-haul flights provided by the head Company, including long-haul routes to Asia and America.
- Improving the quality of the route network by strengthening the role of the SkyTeam Alliance and building strategic joint ventures.
- Development in the tourist segment, creation of a vertically integrated tourist airline.
- Development of feeder hubs (based on regional airlines).

#### Marketing and sales

Aeroflot Group will undertake a number of marketing and sales initiatives to help meet the challenges of substantial increase of passenger traffic, increase in the share of transit carrying and segmentation of service types within the Group. These initiatives include:

- Increasing the share of direct sales.
- Strengthening positions in international points of sale.
- Raising the level of qualification of personnel.
- Changing the brand development strategy in order to attract more international passengers.
- Significant investments in advertising and marketing abroad.
- Closer cooperation with members of the SkyTeam Alliance in order to optimize sales.

#### Innovative development

Innovative development is a key condition for the success of the Group's efforts to become one of the leading global airlines. The Company's initiatives in this field include:

- Further development of service quality.
- Reducing the costs of service provision.
- Raising operating efficiency.
- Reduction of fuel and energy spending.
- Making operations more environmentally friendly.
- Raising labour productivity.

#### Non-organic growth

Non-organic growth is designed to help increase passenger numbers while minimizing business risks. The Group has differing policies for different geographical areas, as follows:

- In Russia: completing integration of the airline assets, which were acquired from State Corporation Rostec, and developing sales cooperation with other carriers on the domestic market.
- In the CIS: developing sales cooperation with airlines, whose business objectives do not conflict with those of Aeroflot.
- On foreign markets: expanding Company presence on the international market, development of sales cooperation with European airlines.

### STRATEGY IN ACTION

Progress during Aeroflot's first year as an airline group included the launch of centralized planning and coordination throughout Group operations, as well as the optimization of route networks and integration of sales systems. Work began to build a unified marketing strategy, financial policy and set of tax accounting rules. Measures were successfully implemented in 2012 to improve the efficiency of subsidiaries and integrate them with Aeroflot Group in order to maximize synergies. The integration of Donavia airline was completed, including the transfer of all its sales functions to Aeroflot Group, introduction of the "region" service standard for Donavia operations, and application of a unified system of financial policy, tax accounting and sales accounting, as well as comprehensive restructuring of the Donavia fleet. Actions at Vladivostok Air included the optimization of the route network and transfer of sales functions to Aeroflot Group. At Rossiya Airlines the network timetable was optimized and coordinated within Aeroflot Group, route numbers were reduced from 120 to about 80 (with seasonal variations), and improvements were achieved in operation of the aircraft fleet. Orenburg Airlines implemented the Group's unified fiscal policy and tax accounting rules, and improved its operating indicators. And SAT Airlines completed the transfer of sales functions to Aeroflot Group and introduced a unified financial policy and tax accounting rules.

STRATEGIC OBJECTIVES	PLANS FOR 2013 AND BEYOND
Increase of carrying volumes and market share	Increase passenger turnover by 23% in 2013. Aeroflot Group to carry more than 33 million passengers in 2013.
Development of the route network	Increase of the number and frequency of flights, and of flight connectivity at Sheremetyevo Airport. Expand the long-haul network in Asia and America. Develop cooperation with partners in the SkyTeam Alliance and with other market participants.
Expand and modernize the aircraft fleet	Contracts have been made for aircraft deliveries in 2013, of which: 17 new aircraft for Aeroflot (13 Airbus A320s and 4 Boeing 777-300ERs); and 9 aircraft for subsidiaries (8 Airbus A320s and 1 Boeing 737). A contract is planned for delivery of new Boeing 737-800s.
Raising product quality and the quality of passenger service	Further implementation of programmes to raise service quality and to expand the range of services available in flight and on the ground. Introduction of innovative technologies and new self-service options for passengers at all stages of planning and provision of air transportation services. Development of the new "Comfort" service class on Boeing 777 aircraft, which are to be delivered in 2013. Features of the new class include more leg-room, an improved in-flight menu and extra baggage space.
Greater use of modern information technologies and more focus on innovative development	Implementation of an Innovative Development Programme, including the design and application of new technologies, innovative products and services conforming to international standards. Carrying out the second stage of implementation of the SAP enterprise management system. Expanding application of the latest technologies in all spheres of business, including flight safety and improvement of service standards.
Improvement of group management	Creation of an airline holding, offering air transport services in all customer segments, from premium to low-cost. Asset integration based on specialization by separate Group companies in main customer segments: premium, regional and tourist carrying. Implementation of the programme approved by the Board of Directors for disposal of non-core assets.
Training and raising the qualifications of personnel	Increasing provision of air crew training at the Aeroflot Aviation School in order to reduce the shortage of pilots. Programmes to raise personnel qualifications and labour productivity. Provision of training services for pilots of other airlines after 2013.