

Aeroflot to Buy 75 Percent of Competitor Transaero

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Russia's flagship airline, Aeroflot, will buy one of its largest competitors, Transaero, after the deal was approved by Deputy Prime Minister Igor Shuvalov, the RIA Novosti news agency reported Tuesday.

Aeroflot will purchase 75 percent plus one of Transaero's shares, an Aeroflot spokesman was quoted by RIA Novosti as saying.

Transaero has grown to become Russia's second-largest airline since its humble beginnings in 1990 as a St. Petersburg-based charter company, flying airplanes leased from Aeroflot. This year, the company was looking to purchase large modern airplanes such as the most recent model of Boeing's 747 and Airbus' new double-decker A380 for flights between Moscow and New York. It operates scheduled and charter flights to 103 domestic and international

destinations.

But the company has also fallen on hard times financially. In the first half of 2015, the company posted a net loss of 8.5 billion rubles (\$128 million) under Russian accounting standards, Interfax news agency reported.

The company's net debt totaled 106 billion rubles (\$1.6 billion) at the end of 2014.

The government has been supporting the company since late last year with government loan guarantees, Interfax reported. While passenger numbers increased by 2.7 percent in the first half of 2015, the collapse of the ruble has kept Russians from flying internationally and Russian carriers are hurting.

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Transaero explained the sale as a move to further develop Russia's civil aviation industry and to establish one of the world's largest air transport groups, Interfax reported, citing the company statement. An unidentified source told Interfax that Aeroflot paid one ruble for Transaero's shares.

Newspaper Vedomosti reported earlier on Tuesday that the company's integration into Aeroflot will take a year to complete.

The Russian aviation industry lost around 30 billion rubles (\$461.18 million) last year, according to the Russian Association of Air Transport Operators, compared with a 4.7 billion ruble loss in 2013.

Aeroflot itself on Monday reported a net loss of 3.54 billion rubles (\$54.42 million) for the first six months of 2015, compared to 1.91 billion rubles a year ago. Passenger numbers were up 8.7 percent year-on-year in the same period, the company said.

Material from Reuters was included in this report.

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