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About this Report
This Annual Report presents data on operations of Public Joint Stock Company Aeroflot – Russian Airlines (“PJSC Aeroflot”, “Aeroflot airline”, or the “Company”) from 1 January 2018 through 31 December 2018. “Aeroflot Group” or the “Group” refers to PJSC Aeroflot and its controlled entities.

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PJSC Aeroflat's Annual Report was approved by the Annual General Meeting of Shareholders on 25 June 2019 (Minutes No. 44 dated 26 June 2019).
In 2018, Aeroflot celebrated its 95th anniversary, making it one of the oldest airlines in the world -- yet it operates one of the youngest and most modern fleets. Together with its subsidiaries Aeroflot is a market leader in Russia and ranks among top 20 global airlines.
Aeroflot Group Today

In 2018, Aeroflot turned 95. The anniversary year saw a number of milestone events highlighting the Group’s rapid growth:

**Strengthening position in Top 20 globally**
Group airlines carried 55.7 million passengers strengthening its position in the world’s Top 20 largest players.

**Accelerated low-cost carrier growth**
Low-cost carrier Pobeda grew at an accelerated rate with passenger traffic up by 56.8% to 7.2 million passengers.

**Updated Aeroflot Group Development Strategy 2023**
Updated Aeroflot Group Development Strategy 2023 was adopted.

**Domestic flights moved to a new terminal**
Aeroflot airline’s domestic flights were moved to Terminal B at Sheremetyevo airport.

**Rossiya airline’s scheduled flights moved from Vnukovo to Sheremetyevo airport**
Rossiya airline’s scheduled flights operated from Moscow were moved from Vnukovo to Sheremetyevo airport.

**Cost optimisation and operational excellence**
Following high growth in jet fuel prices, Aeroflot Group launched a major cost optimisation program.

**Financiaw Highlights**
- **Revenue**: RUB 611.6 billion
- **Revenue growth**: +14.8%
- **EBITDAR**: RUB 122.5 billion
- **EBITDAR margin**: 20.0%
- **Net profit**: RUB 5.7 billion

**Reconocimientos and Awards**
- **4 stars** in the Skytrax rating
- **Best Airline in Eastern Europe**
- **Skytrax World Airline Awards 2011 and 2013–2018**
- **5 stars** in the APEX rating
- **Aeroflot airline’s Net Promoter Score (NPS)**
- **72%**

**Emploeees**
The largest employer in the industry
41.1 thousand
People employed by the Group companies

**Passengers**
55.7 million
Passengers carried
+11.1%
Passenger traffic increase
82.7%
Passenger load factor
40.7%
Share of the Russian air transportation market

**Route Network and Aircraft Fleet**
- **>350** Scheduled routes
- **57** Countries
- **366** Aircraft in the fleet
- **4.2** Average age of Aeroflot airline’s fleet
- **6.3** Average age of Aeroflot Group’s fleet

**SkyTeam**
Aeroflot is a member of the SkyTeam global alliance

**RECOGNITIONS AND AWARDS**
- 4 stars in the Skytrax rating
- Best Airline in Eastern Europe
- Skytrax World Airline Awards 2011 and 2013–2018
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**Financial Highlights**
- **Revenue**: RUB 611.6 billion
- **Revenue growth**: +14.8%
- **EBITDAR**: RUB 122.5 billion
- **EBITDAR margin**: 20.0%
- **Net profit**: RUB 5.7 billion

**Shareholders and Investors**
- **Paid in dividends in 2017**: RUB 14.2 billion
- **Free float**: 40.9%
Aeroflot Group Airlines

**AEROFLOT**
Aeroflot is Russia’s leading carrier and one of the oldest airlines in the world which celebrated its 95th anniversary in 2018. Airline is based at Moscow Sheremetyevo airport.

**ROSSIYA**
Rossiya is one of Russia’s largest carriers and the market leader in the North-West of the country. Based in Saint Petersburg, the company also operates flights from the Moscow air transport hub (Sheremetyevo and Vnukovo airports). In addition to its scheduled flights, Rossiya operates charter flights.

**POBEDA**
Pobeda is the leading low-cost airline in Russia. The goal of the airline is to improve accessibility of the regions via more affordable fares. Airline is primarily based at Moscow Vnukovo Airport.

**AURORA**
Aurora is the leading regional carrier in the Russian Far East. Airlines are based at Vladivostok, Yuzhno-Sakhalinsk, and Khabarovsk airports and operates flights between the key population centres in the Far East and Siberia, as well as social flights to remote cities and villages of the region.

### Key Figures

- **AEROFLOT**
  - 35.8 Million PAX
  - 253 Aircraft
  - 98.0 Billion RPK
  - 121.7 Billion ASK
  - 80.5% Load factor
  - 163 Scheduled routes
  - 24.3 Thousand employees

- **ROSSIYA**
  - 11.1 Million PAX
  - 65 Aircraft
  - 86.6% Load factor
  - 144 Scheduled routes
  - 7.4 Thousand employees

- **POBEDA**
  - 7.2 Million PAX
  - 24 Aircraft
  - 94.1% Load factor
  - 103 Scheduled routes
  - 1.1 Thousand employees

- **AURORA**
  - 1.6 Million PAX
  - 24 Aircraft
  - 75.2% Load factor
  - 49 Scheduled routes
  - 2.2 Thousand employees
Operating and Financial Highlights

Operational Highlights

**Passenger traffic** (million PAX)

- **55.7**
  - 2018: 55.7
  - 2017: 50.1
  - 2016: 43.4
  - 2015: 38.4
  - 2014: 34.7

**Passenger load factor (%)**

- **82.7**
  - 2018: 82.7
  - 2017: 82.8
  - 2016: 81.4
  - 2015: 78.3
  - 2014: 77.8

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Financial Highlights

**Revenue** (RUB billion)

- **611.6**
  - 2018: 611.6
  - 2017: 532.9
  - 2016: 496.9
  - 2015: 415.3
  - 2014: 319.8

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**EBITDA** (RUB billion) and **EBITDA margin (%)**

- **33.6**
  - 2018: 33.6
  - 2017: 54.8
  - 2016: 78.0
  - 2015: 58.7
  - 2014: 24.8

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**Net profit / (loss)** (RUB billion)

- **5.7**
  - 2018: 5.7
  - 2017: 23.1
  - 2016: 38.8
  - 2015: (6.5)
  - 2014: (17.1)
**Investment Case**

**Market leader**
- As a major European airline, Aeroflot Group ranks among the world’s Top 20 air carriers by passenger traffic.
- Leadership in the Russian air transportation market in both domestic and international network flights.
- The Russian market is one of the world’s largest air markets still in the process of growth and evolution.

**Balanced route network built around the hub at Moscow Sheremetyevo airport and one of the youngest aircraft fleets globally**
- The high-quality network, ever increasing flight frequency, and new destinations unlock more potential for transfer traffic.
- Conveniently located at the intersection of transportation flows between Europe and Asia, Aeroflot is well-positioned to develop its international transit segment.
- A young and fuel-efficient fleet with highly standardised types of operated aircraft.

**Aeroflot Group’s share in the Russian market was 40.7% in 2018.**

**Diversified multi-brand offering**
- Group companies operate in all market segments providing a wide coverage of the market by product and geography.
- Pobeda, the Group’s vibrant LCC extremely popular in Russia, is among the world’s most efficient low-cost airlines.

**To improve flight connectivity, Rossiya airline moved its scheduled flights to Aeroflot’s hub at Sheremetyevo. Aeroflot and Rossiya launched 20 new destinations with high potential of transfers from the base airport.**

**Standardised high-quality product**
- Aeroflot’s commitment to customer service excellence is recognised by both experts and passengers.
- A high customer satisfaction index (NPS).

**The expansion of Pobeda’s fleet accelerated its growth and added to the Group’s operational and financial performance: 12.9% of all passengers and 17.5% of all domestic passengers of the Group are carried by Pobeda, an almost 4 p.p. increase year-on-year.**

**Aeroflot is certified with the 4 Star airline rating by British Skytrax. We are a seven-time winner of the Skytrax World Airline Awards as the Best Airline in Eastern Europe, and have also been recognised a Five Star Global Airline by APEX, a US-based airline passenger experience association.**

**2023 strategic goals**

**Aeroflot sees continued growth potential in both domestic and international transfer markets.**

**Our updated Strategy 2023 provides for the Group’s growth to be focused on creating more shareholder value.**

- **Grow the number of passengers carried by Aeroflot Group**
  - **90–100 million**
- **Grow the number of passengers carried by Pobeda**
  - **25–30 million**
- **Ramp up our international transit passenger traffic**
  - **10–15 million**
- **Set up an international hub in Krasnoyarsk and three regional bases in Sochi, Yekaterinburg, and Novosibirsk**
- **Increase the fleet of the newest Russia-made aircraft**
- **Drive digitalisation across Aeroflot Group airlines**
Key Events

- Aeroflot launched the summer schedule introducing six new routes from Moscow which include Saransk, Kyzylorda, Burgas, Naples, Verona and Cairo.
- The State Kremlin Palace hosted a ceremony celebrating the 95th anniversary of Aeroflot.
- Vitaly Saveliev was awarded the Order of Alexander Nevsky, the fourth high-level award received by the Aeroflot CEO.
- Aeroflot airline was recognised as the Best Airline in Eastern Europe by Skytrax World Airline Awards for the seventh time.
- It also became the first-time winner of the Best Premium Economy Class Onboard Catering award.
- Aeroflot embarked on a gradual process to move its domestic flights to Terminal B of Sheremetyevo airport.
- Vitaly Saveliev was re-elected as CEO of PJSC Aeroflot for a term of five years.
- Aeroflot attained the highest (Level 3) New Distribution Capability (NDC) certification level offered by the International Air Transport Association (IATA).
- Aeroflot’s CEO Vitaly Saveliev signed a landmark contract with CEO of Rostec Sergey Chemezov for 50 MC-21 aircraft.
- Aeroflot and its subsidiary Aurora carried Russian Olympic athletes to South Korea for the XXIII Olympic Winter Games.
- The Board of Directors of PJSC Aeroflot recommended the 2017 dividend at RUB 12.81 per share, i.e. 50% of net profit under RAS, or RUB 14.2 billion.
- The rating agency Fitch upgraded PJSC Aeroflot’s credit rating to B+, assigning a Stable outlook.
- Andrey Chikhanchin was appointed Deputy CEO of PJSC Aeroflot for Commerce and Finance.
- The Board of Directors of PJSC Aeroflot recommended the 2017 dividend at RUB 12.81 per share, i.e. 50% of net profit under RAS, or RUB 14.2 billion.
- Aeroflot launched joint flights with Aerolineas Argentinas from Moscow to Buenos Aires under a code share agreement.
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- Aeroflot launched joint flights with Aerolineas Argentinas from Moscow to Buenos Aires under a code share agreement.
- The law On Amending the Aviation Code of the Russian Federation, which was initiated by Aeroflot, came into force. The law allows airlines to blacklist disruptive passengers and refuse to carry them.
- Aeroflot airline was recognised as the Best Airline in Eastern Europe by Skytrax World Airline Awards for the seventh time. It also became the first-time winner of the Best Premium Economy Class Onboard Catering award.
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2019 Events after the reporting period

**JANUARY**
- Evgeny Ditrich, Minister of Transport of the Russian Federation, was elected as Chairman of PJSC Aeroflot’s Board of Directors.
- Sergey Alexandrovskiy was elected as CEO of Rossiya airline.

**FEBRUARY**
- Aeroflot and AeroMexico signed a code share agreement.

**MARCH**
- Krasnoyarsk Territory authorities, Aeroflot, and Krasnoyarsk International Airport signed an agreement to create an Aeroflot Group hub in Krasnoyarsk.
- Aeroflot launched its 2019 summer schedule adding two new international destinations: Marseille and Palma.
- Aeroflot Group introduced baggage-free fares for a number of medium-haul flights operated by Rossiya airline and Aeroflot, which have seen a high demand for this service.

**APRIL**
- Head of Russia’s Federal Tax Service Mikhail Mishustin and Aeroflot’s CEO Vitaly Savelyev presented a digital project titled Tax Monitoring Data Mart to Russian Prime Minister Dmitry Medvedev.

**SEPTEMBER**
- Aeroflot launched its 2018/2019 winter schedule offering 14 new destinations from Sheremetyevo: from Moscow to the North Caucasus (Vladikavkaz, Grozny, Makhachkala, Nazran, and Nalchik) and to Izhevsk and Ulyanovsk. New flights were launched to CIS countries: from Moscow to Bukhara and Osh, as well as to European destinations – Gothenburg, Dublin and Ljubljana. The new destinations to Southeast Asia are Denpasar and Colombo.

**OCTOBER**
- Andrey Panov was appointed Deputy CEO of PJSC Aeroflot for Strategy and Marketing.

**NOVEMBER**
- Aeroflot completed moving its long-haul domestic flights to Terminal B of Sheremetyevo International Airport.

**DECEMBER**
- Aeroflot signed an agreement for 100 more SSJ100s. The document was signed in the presence of Russian President Vladimir Putin.
- Rossiya airline moved its scheduled flights from Moscow’s Vnukovo airport to Terminal D at Sheremetyevo airport, Aeroflot’s hub.
- Aeroflot received its 50th Russian-built Superjet 100. This marked the completion of two firm contracts to buy 30 and 20 jets of this type.

For the third consecutive year, Skytrax, the world’s leader in assessing airline service quality, affirmed its 4 Star rating for Aeroflot.

The Board of Directors of PJSC Aeroflot approved the Group’s new Growth Strategy titled 100 Million Passengers by Our 100th Anniversary (100 by 100).
Aeroflot was once again named one of the world’s Top 20 air carriers by passenger traffic according to Air Transport World and Flight Airline Business.

Aeroflot placed fourth in Bain & Company’s ranking of digitalisation of airlines.

Aeroflot was named one of the world’s ten leading full-service airlines by reputable global booking portal eDreams, based on passenger reviews.

Once again the airline was listed among Forbes Global 2000 companies – the biggest, most powerful and most valuable public companies in the world.

The frequent-flyer programme offered by Aeroflot won three categories at the 2018 Freddie Awards: Best Customer Service, Best Redemption Ability, and Best Elite Program. Aeroflot also won the 210 AWARD for the greatest growth potential.

Aeroflot’s legal team was named among Russia’s top corporate legal services by The Legal 500.

Aeroflot for the fourth time won Randstad Award as the most attractive Russian employer in the Transport category.

Aeroflot won the Skyway Service Award in four categories: Best Airline in Business Class (scheduled international and domestic flights), Best Airline in Economy Class (scheduled international flights), and Best Loyalty Program.

Aeroflot Group was named Airlane of the Year at the Wings of Russia National Airline Award in the International Scheduled Passenger Carrier category, also winning the Russian Airline of the Year – People’s Choice Prize, Airline of the Year – Domestic Passenger Carrier, Group 2, Airline of the Year – Domestic Passenger Carrier, Group 2 (Pobeda), and Domestic and Regional Passenger Carrier (Aurora).

Aeroflot won the Russian Business Travel & MICE Award as the Best Airline for Business Travellers.


Aeroflot became the first ever Russian company to win the Grand Prix and three more categories at IPRA Golden World Awards, the leading international PR awards.

Pobeda airline won a special award established by Boeing for record utilization of Boeing 737 NG aircraft at the 16th Wings of the Future forum.
Aeroflot’s history represents an era rich in numerous events leading us to Aeroflot’s 95th anniversary celebrated in 2018. Below are selected milestones that mark the path of Aeroflot’s development.

**Company History: Key Milestones**

### 1923–1940
**Take-off**
- 17 March 1923: Joint Stock Company Dobrolet (the Russian Society for Voluntary Air Fleet) was established.
- 15 July 1923: The first scheduled Moscow–Nizhny Novgorod route was launched. (Distance of 400 Kilometres. Four passengers. Two flight crew members.)
- 26 March 1923: The abbreviated name, “Aeroflot”, was introduced.
- 1940: 410 thousand passengers were carried.

### 1941–1945
**Thunderstorm**
- Since the start of the Great Patriotic War, the Soviet Government suspended all civil aviation flights and Aeroflot switched to supporting the Red Army, with many of its pilots participating in the war.
- Soviet aviators made daily flights to the besieged Leningrad, bringing people food and weapons. One of the hardest and most difficult tasks during the war was ferrying the crucial lend-lease military aircraft supplied by the United States to the USSR via the Alaska–Siberia–Urals route.
- Over 1.5 million flights were made during the war. Over 20 thousand Aeroflot aviators were decorated with orders and medals. During the war, Aeroflot pilots carried 2.5 million wounded and paratroopers, as well as 300 thousand tonnes of military and strategic cargo. 15 Aeroflot employees were awarded the highest title of the Hero of the Soviet Union.

### 1946–1990
**Reaching the flight level**
- The post-war period saw the air transportation industry recover and grow stronger with Aeroflot becoming the national symbol of progress in aviation. The Company launched the world’s longest routes, operating transatlantic and transcontinental flights, and became the global leader by passenger traffic.
- The world’s first civilian jet air service using Tu-104 and, later, supersonic Tu-144 was launched. Aeroflot took on the new Soviet aircraft Tu-12, Tu-14, and Tu-18 with higher-speed aircraft enabling flights to the USA, Canada, Cuba, Japan and other countries.
- The new Sheremetyevo airport opens, with its ground service handling the first Aeroflot’s Tu 104 flight from Leningrad to Moscow.
- The Flight Attendant Service was established.

### 1991–2008
**Turbulent times**
- Following the collapse of the Soviet Union, the unified civil aviation fleet was split into several hundred airlines. However, the state stepped in to prevent unregulated industry fragmentation and saved Aeroflot as a national carrier.
- Cutting-edge foreign aircraft came into service: Airbus A310-300, Boeing 777 200, Boeing 737 400, and Boeing 767 300ER. The 2008–2009 global financial crisis left the Company in a challenging financial situation.
- Since the start of the Great Patriotic War, Aeroflot pilots carried 2.5 million wounded and paratroopers, as well as 300 thousand tonnes of military and strategic cargo. 15 Aeroflot employees were awarded the highest title of the Hero of the Soviet Union.

### 2009–2018
**Flying high**
- A new management team took charge and implemented an anti-crisis action plan including massive fleet additions. Aeroflot launched business process digitisation projects and improved service standards. New services were launched to enhance passenger experience, including the use of mobile phones and Wi-Fi access on-board.
- Aeroflot ranked 4th among its global peers by digitisation. Aeroflot’s subsidiaries were consolidated to create a new united carrier, Rossiya Airlines. The Group’s multi-brand platform was finalised.
- Aeroflot Group carried over 50 million passengers, ranking among the Top 20 largest global players for the first time in 30 years.
- Aeroflot was awarded the prestigious Skytrax World Airline Award as the Best Airline in Eastern Europe for the first time and successfully lived up to this rating six more times.
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Aeroflot is proud of the 95-year history of its brand and is confident about its future. Today Aeroflot is defined by its commitment to innovation and development of digital technologies. Aeroflot’s new strategy was adopted after the Company achieved some of its previous key strategic goals ahead of schedule. The new strategy is expected to take Aeroflot to a qualitatively new level of development.
Message from the Chairman of the Board of Directors

DEAR SHAREHOLDERS!

For Aeroflot, 2018 was a launchpad for future achievements. We have a number of very important goals ahead of us – Aeroflot will play a significant role in implementing projects of national importance.

In 2018, Aeroflot celebrated its 95th anniversary. On 17 March 1923, OJSC Dobrolet (“Russian Voluntary Air Fleet”), Aeroflot’s predecessor, was established. According to its charter, the aim of Dobrolet was to develop civil aviation by “opening routes to carry passengers, mail and cargo”. Aeroflot Group’s 2023 development strategy once again focuses on our historic mission – efficient transport integration of the world’s largest country. A twofold increase in passenger numbers is one of our key goals. However, the structure of our passenger traffic is equally important to us, particularly the share of interregional passengers. One of President Putin’s May 2018 decrees emphasizes the importance of modernising the existing infrastructure of regional airports and increasing the share of regular interregional routes bypassing Moscow to 50% of the total number of domestic routes.

We have incorporated this into our Strategy-2023, according to which we plan to open four regional bases in Russia and significantly increase our capacities on domestic routes.

Aeroflot is already offering direct flights between major cities in southern Russia, and is planning to launch routes to new regions. This will help achieve the goal set out by the Russian Government of increasing transport mobility by one-third by 2024.

The flat fare programme run by Aeroflot and its subsidiary Rossiya Airlines continues to play an important role in improving transport accessibility, particularly in Russia’s Far East. In 2018, over 2.2 million people used the flat fare to travel between Moscow and cities in the Far East, as well as Simferopol and Kaliningrad. That is 41% more than in 2017.

One of Aeroflot Group’s airlines is Pobeda, a classic low-cost carrier, whose services are in high demand in Russia. Pobeda is not only delivering impressive results in the Russian market – it is also one of the most efficient low-cost carriers in the world. The high levels of demand for Pobeda’s services are due to its pricing policy, which in turn is supported by its high fleet utilisation rate. Pobeda operates an extensive route network, which includes interregional routes. Aeroflot Group’s target growth rates depend to a significant degree on Pobeda’s continued growth and its contribution to increasing transport mobility and accessibility in Russian regions.

In 2018, Aeroflot Group delivered positive net income as a result of an extensive cost-optimisation programme and active revenue and capacity management.

The positive outlook for Aeroflot and the high standards of the company’s corporate governance are widely recognised. In 2018, credit ratings agency Fitch revised PJSC Aeroflot’s rating from “B+” to “BB-” and affirmed its outlook at stable. Aeroflot also received a National Corporate Governance Rating of 7++ from the Russian Institute of Directors. This rating represents Advanced Corporate Management Practices according to the approved National Corporate Governance Rating scale.

Aeroflot is continuously working to improve civil aviation regulation. The Company has lobbied a number of laws that benefit the whole industry, including legislation to support the development of low-cost carriers and the introduction of stricter measures against obstructive passengers.

Aeroflot’s “100 by 100” development strategy was presented to President Vladimir Putin and received his approval. Aeroflot is an acknowledged leader in the new digital economy that will largely define the future development of Russia. Aeroflot is one of Russia’s best service companies, while the company’s brand is one of the oldest and most recognizable in global aviation.

Ambitious goals have been set for Aeroflot and its subsidiaries, and by achieving them Aeroflot Group acts in the interests of Russia and its citizens. I count on your support in making and implementing decisions that will help unleash the potential of the Aeroflot Group – one of the most important assets of the Russian economy.
Throughout the year we continued to increase our operational efficiency. As a result, Aeroflot significantly strengthened its position among the most punctual airlines. In 2018, 82.98% of Aeroflot flights operated according to schedule. According to authoritative UK aviation publication FlightGlobal, Aeroflot was the world’s fifth most punctual airline and second in Europe. Punctuality makes trips more comfortable for our passengers and allows us to avoid additional costs, which directly impact our finances.

Our operating results reflect our efforts to grow and develop the company further. In 2018, the airlines of Aeroflot Group carried 55.7 million passengers, up 11.2% year-on-year. Aeroflot, our flagship airline, carried 35.8 million passengers, an 8.9% increase year-on-year. We achieved a number of the goals of our Strategy-2025 well ahead of schedule, and having reassessed our capabilities we have now set ourselves even more ambitious goals.

In 2018, the Board of Directors approved the Group’s new Growth Strategy through 2023, with the title “100 Million Passengers by Our 100th Anniversary” (or “100 by 100”). The Group is now targeting 90-100 million passengers in 2023, when Aeroflot will celebrate its centenary. The strategy calls for the Group’s low-cost carrier Pobeda to be a key growth driver. By 2023, Pobeda is expected to carry 25-30 million passengers annually. In the next five years we plan to further develop our Europe-Asia transit service via Moscow. Aeroflot has indisputable competitive advantages in the Europe-Asia transit segment and offers flights up to three hours shorter than peers on these routes. By 2023, we plan to increase our international transit traffic to 10-15 million passengers, an 80% increase over 2018. Aeroflot has set an ambitious goal: to enter the top three European airlines in terms of passenger traffic by 2023.

Aeroflot currently ranks fourth globally in US-based consultancy Bain & Co.’s ranking of digitisation of airlines. We are implementing major digital projects, including Big Data projects, working with AI technology and expanding our onboard internet programme.

Aeroflot believes that technology is an important tool that will help the Group to enhance customer service and improve cost-effectiveness, and will contribute to a more stable financial position even in a challenging market environment. Digitalisation coupled with an effective cost optimisation programme allowed Aeroflot Group to deliver positive FY 2018 results despite unprecedented fuel price growth and ruble depreciation. The Group’s posted IFRS net income of RUB 5.7 billion, Aeroflot has once again demonstrated its ability to deliver growth even in a challenging market environment.

We are optimistic about our future and expect our operational development to have an impact on our financial results. According to the updated Strategy, by 2023, Aeroflot Group’s revenue will reach RUB 1.3 trillion, compared to RUB 0.6 trillion in 2018. Together with revenue growth we focus on operating margins. Overall, we can say that one of the key goals of our strategy is to increase shareholder value.

Achieving strategic goals means entering a qualitatively new stage of development and further strengthening the Group’s position in the global aviation market. Aeroflot can achieve historic passenger traffic records and give a new impetus to our century-old brand.

Aeroflot Group develops together with the country. We continue to focus on promoting sustainable business practices through our commitment to ESG standards. We support socio-economic growth and technological development and set the pace for the whole industry. Aeroflot plans to continue to deliver on its most important mission: to provide Russian citizens with a modern and reliable fleet. The interests of Russia and its citizens remain Aeroflot’s key guidance.
Market Overview

Global airline industry

According to the IATA’s estimates, the global scheduled passenger traffic grew by 6.3% in 2018 to 4.3 billion people, with the global passenger turnover up 6.5%. The passenger load factor was 81.9%, up 0.4 p.p.

Asia-Pacific was the fastest growing market in 2018, with the passenger turnover up 8.5% year-on-year. Europe ranked second in terms of growth, with its passenger turnover growing by 6.4%. The passenger traffic in Latin and North America rose by 6.0% and 5.0%, respectively. The passenger turnover grew by 4.6% in the Middle East and by 3.6% in Africa.

According to the ICAO, low-cost airlines carried 1.3 billion passengers in 2018, or about 30% of the total global air passenger traffic. Low-cost carriers have strong positions on European market with combined market share of 36%. The segment market shares Latin America (including the Caribbean) North America and Asia-Pacific are 35%, 30% and 29% respectively.

The IATA pre-estimated an increase of 8.7% year-on-year in industry-wide revenue in 2018 to USD 821 billion. Passenger flights consistently account for the bulk of the industry’s revenue, their share standing at 68.7%.

The industry’s costs went up by 9.8% to USD 765 billion, largely driven by the substantial increase of oil prices during the year. The average global price per barrel of jet fuel was up 31.3%, putting pressure on the EBIT margin, which was down 0.9 p.p. year-on-year to 6.8%. Profitability levels still vary by region, with the highest level of 9.8% in North America, 6.1% in Asia-Pacific, 6.0% in Europe, 5.6% in Latin America, 1.2% in the Middle East, and 0.6% in Africa. The EBIT margin declined year-on-year across all regions.

The IATA pre-estimated the 2018 industry net profits at USD 32.3 billion, or down from USD 37.7 billion last year. North America contributed almost half of the global net profits, while the Africa airline industry was loss-making.

<table>
<thead>
<tr>
<th>Year</th>
<th>Global scheduled passenger traffic (billion Pax)</th>
<th>Passenger load factor (%)</th>
<th>Global revenue (USD billion)</th>
<th>Global net profits (USD billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>4.3</td>
<td>81.9</td>
<td>821</td>
<td>32.3</td>
</tr>
<tr>
<td>2017</td>
<td>4.1</td>
<td>81.5</td>
<td>755</td>
<td>37.7</td>
</tr>
<tr>
<td>2016</td>
<td>3.9</td>
<td>80.2</td>
<td>721</td>
<td>34.2</td>
</tr>
<tr>
<td>2015</td>
<td>3.6</td>
<td>79.8</td>
<td>714</td>
<td>28.9</td>
</tr>
<tr>
<td>2014</td>
<td>3.3</td>
<td>80.4</td>
<td>767</td>
<td>13.8</td>
</tr>
</tbody>
</table>

Source: IATA.

Note. Calculated based on data for regions with positive net profits. Excluding Africa, which generated a net loss of USD 0.4 billion in 2018. Source: IATA.
MARKET OVERVIEW

Russian airline industry

In 2018, the Russian civil aviation continued to build up its passenger traffic. The total size of the Russian market, including air transportation by foreign carriers from Russian airports, totalled 1370.7 million passengers, up 10.7% year-on-year. Russian airlines carried 116.2 million passengers, with their total passenger turnover up 10.6% to 286.9 billion RPK.

Key growth drivers during the year included Russia’s economic growth, improved capacities of Russian and foreign carriers, and the growth in the low-cost segment and transfer traffic.

Stronger demand for air transportation during the 2018 World Cup in 11 Russian host cities was a major contribution to the growth of the Russian market. According to a Russian travel agency, the host cities were visited by 6.8 million fans and tourists, including 3.4 million foreigners. The tourist flow grew by about 40.0% in total. However, the number of “unique” tourists who received their FAN IDs was lower as only 1.8 million FAN IDs were issued. Although some fans also used other modes of transport, airports recorded an increase in passenger traffic during the World Cup. In particular, passenger numbers were up 13.8% year-on-year at Sheremetyevo airport, up 17.1% at Vnukovo airport, up 13.3% in Sochi, and up 11.1–29.2% in other regions of Russia.

The impact by the championship was especially noticeable in the higher year-on-year growth rates of domestic passenger traffic recorded in June 2018 compared to growth rates in prior and subsequent periods.

68.1 million passengers were carried on international routes in 2018 (including by foreign airlines), up 11.5% year-on-year. The increase in the international traffic was heavily influenced by charter flights to Turkey and the Turkish aviation authorities and air carriers continuing to actively incentivise Russian customers. The average passenger load factor for Russian airlines on international routes was 64.0%, down 0.6 p. p. year-on-year.

In 2018, Russian airlines carried 68.8 million passengers in the domestic market, up 10.0% year-on-year. The average passenger load factor for domestic flights was 82.8%, up 2.1 p. p. year-on-year.

The Russian air passenger market is highly consolidated, with four largest players accounting for 64.6% of the total passenger traffic in 2018. The structure of the Russian market remained virtually unchanged year-on-year.

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**Passenger traffic in Russia (including foreign carriers) (million PAX)**

<table>
<thead>
<tr>
<th>Month</th>
<th>2018</th>
<th>2017</th>
<th>Growth (y-o-y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>8.6</td>
<td>7.5</td>
<td>14.4%</td>
</tr>
<tr>
<td>February</td>
<td>9.1</td>
<td>7.9</td>
<td>13.8%</td>
</tr>
<tr>
<td>March</td>
<td>9.1</td>
<td>8.2</td>
<td>10.8%</td>
</tr>
<tr>
<td>April</td>
<td>9.8</td>
<td>8.9</td>
<td>10.8%</td>
</tr>
<tr>
<td>May</td>
<td>11.4</td>
<td>10.5</td>
<td>8.7%</td>
</tr>
<tr>
<td>June</td>
<td>14.0</td>
<td>12.5</td>
<td>11.7%</td>
</tr>
<tr>
<td>July</td>
<td>15.5</td>
<td>14.1</td>
<td>9.9%</td>
</tr>
<tr>
<td>August</td>
<td>15.6</td>
<td>12.3</td>
<td>26.5%</td>
</tr>
<tr>
<td>September</td>
<td>14.1</td>
<td>11.6</td>
<td>21.8%</td>
</tr>
<tr>
<td>October</td>
<td>12.7</td>
<td>11.0</td>
<td>16.3%</td>
</tr>
<tr>
<td>November</td>
<td>9.7</td>
<td>8.5</td>
<td>14.1%</td>
</tr>
<tr>
<td>December</td>
<td>9.6</td>
<td>8.0</td>
<td>18.8%</td>
</tr>
</tbody>
</table>

**Passenger turnover in Russia (excluding foreign carriers) (billion RPK)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>Growth (y-o-y)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>241.4</td>
<td>226.8</td>
<td>6.0%</td>
</tr>
<tr>
<td>2015</td>
<td>286.9</td>
<td>259.4</td>
<td>10.1%</td>
</tr>
<tr>
<td>2016</td>
<td>311.8</td>
<td>284.6</td>
<td>8.8%</td>
</tr>
<tr>
<td>2017</td>
<td>342.4</td>
<td>311.8</td>
<td>9.8%</td>
</tr>
<tr>
<td>2018</td>
<td>320.5</td>
<td>342.4</td>
<td>6.8%</td>
</tr>
</tbody>
</table>

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**Sources:** Transport Clearing House, Federal Air Transport Agency
In 2018 Aeroflot Group’s market share amounted to 40.7% of the market measured by passenger traffic (40.5% in 2017). Aeroflot Group’s “net” market share was 38.4% in 2018.

Aeroflot Group’s closest competitors are S7 Group (11.7%), Ural Airlines (6.6%), and UTair Group (5.7%). The market shares of other Russian airlines and foreign carriers were 20.3% and 15.2%, respectively.

Overall, 2018 was a year characterised by intensified competition. Capacity build-up by foreign carriers had a significant impact on the industry. Foreign carriers started to increase flight frequencies and redeploy capacity previously pulled out of the Russian market as early as in 2017. Despite the market share of the foreigners remained more or less unchanged, market growth implied higher seat capacity and passenger traffic in the segment. Hence, in 2018, foreign airlines carried 20.8 million passengers in the Russian market (up 11.5% year-on-year), which is a material from a five-year low of 14.2 million passengers posted in 2016.

Air cargo market

According to the IATA, the global air cargo market totalled 63.7 million tonnes in 2018, up 3.6% year-on-year. The global cargo turnover increased by 4.1% with the industry’s cargo revenue up 14.5% to USD 109.8 billion.

The Russian air cargo market grew by 4.4% year-on-year in 2018 to 1.3 million tonnes, or about 1.9% of the global market. The international cargo traffic accounted for the bulk of the Russian market at 77.0%, having increased by 5.2% to 980.0 thousand tonnes. The domestic cargo traffic was up 1.6% to 292.6 thousand tonnes.

As at the year-end, Volga-Dnepr Group remained the air cargo market leader in Russia (47.6%). Aeroflot Group ranked second with 23.9% (22.4% in 2017). The four largest players account for 77.4% of the total cargo traffic in the Russian market.

Sources: Transport Clearing House, Federal Air Transport Agency.
Updated Aeroflot Group Development Strategy

In 2018, the Board of Directors of PJSC Aeroflot approved the new Aeroflot Group Development Strategy 2023 (Minutes No. 5 dated 27 September 2018) as the key goals of the previous strategy, Aeroflot Group Development Strategy 2025, had been achieved ahead of schedule.

The new Aeroflot Group Strategy aims to further strengthen its position in the global air transportation market and to improve social mobility and air transport accessibility across Russian regions.

The Strategy outlines the key growth areas for the Group, its operational and financial performance targets, in line with the Development Strategy and pursuant to the directives of the Russian Government. Aeroflot Group has developed and updates annually its Long-Term Development Programme, which covers management-related activities, goals, and KPIs.

The Group’s consolidated IFRS budget and KPIs for the budget year are developed in line with the targets of the Aeroflot Group Strategy and the Long-Term Development Programme.

MISSION

We work to ensure that our customers can quickly and comfortably travel great distances, and thus be mobile, meet more often, work successfully, and see the world in all its diversity.

We give our customers a choice through an extensive route network and different carriers operating within our Group, from low-cost to premium class airlines.

AEROFLOT GROUP’S STRATEGIC GOAL is to strengthen leadership in the global airline industry by seizing opportunities in the Russian and international air transportation markets.

Key growth areas and goals of Aeroflot Group

- **Pobeda airline** is a key growth driver leveraging its strong operational efficiency to offer the lowest fares and extensive opportunities for passengers in all income brackets. By 2023, the Group’s low-cost carrier is expected to carry 25–30 million passengers a year.
- **Aeroflot airline** will continue to grow as a premium carrier making a stronger focus on the transfer market.
- **Rossiya airline** will continue to expand its regional flights becoming the principal carrier offering flat fares on routes sponsored by the government.
- **Aurora airline** is expected to double its local operations in the Far Eastern Federal District.

INTERNATIONAL TRANSIT

International transit traffic of 10–15 million passengers in 2023

Aeroflot airline intends to leverage its competitive advantages to ramp up its international transit traffic. In particular, Aeroflot has an up to three-hour advantage over its competitors in transit time between Europe and Asia, a key air transportation market, while offering excellent customer experience at the lowest unit costs. It is already the number one carrier by transfer traffic at some routes from large European cities to Asian destinations.

REGIONAL BASES

Launch an international hub in Krasnoyarsk and three new regional bases in Sochi, Yekaterinburg, and Novosibirsk.

Increase regional traffic to 19 million passengers in 2023. Aeroflot Group will make a significant contribution to carrying out the instructions given by the Russian President to the Government to expand the network of scheduled inter-regional passenger routes, bypassing Moscow, to 50% of the total scheduled domestic flights by 2024.

AIRCRAFT FLEET

Bring 200 Russian-built Superjet 100 and MC 21 aircraft online by 2026

Aeroflot Group will work with the United Aircraft Corporation to ensure that all Russian-built aircraft meet the highest international standards of aircraft operations. The Group will have to operate a total of approximately 520 aircraft to achieve its target passenger traffic.

DIGITALISATION

Deliver a leading-edge level of digitalisation across Aeroflot Group

Aeroflot will retain its focus on the extensive integration of cutting-edge digital technology, including artificial intelligence.
KEY DEVELOPMENT AREAS

Develop Aeroflot Group’s route network through penetrating new markets and increasing the number of flights
Continuously upgrade the fleet
Develop Aeroflot Group’s operations base
Improve the employee performance and labour productivity
Support innovative development of Aeroflot Group

DEVELOPMENT SEGMENTS

Develop the premium passenger segment through improving the passenger experience, flight schedule, and expanding the route network
Develop the low-cost passenger transportation segment
Promote transfer traffic, including the international transit traffic
Support national and regional passenger service programmes sponsored by the Government

Passenger traffic targets across Aeroflot Group

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seats</td>
<td>35.6</td>
<td>35.6</td>
<td>35.6</td>
<td>35.6</td>
<td>35.6</td>
</tr>
<tr>
<td>Flights</td>
<td>52</td>
<td>52</td>
<td>52</td>
<td>52</td>
<td>52</td>
</tr>
</tbody>
</table>

Impact of risks on the Group’s strategy

The key potential risks that may affect the Group’s development strategy are:

- risk of changes in the external business environment
- risk arising from infrastructure constraints
- macroeconomic risks...

To mitigate the key risks, the medium-term strategy of the Group provides for:

- development of an efficient hub at Moscow Sheremetyevo airport to promote international transfer traffic
- availability of different capacity aircraft in the fleet and a reasonable balance between fleet diversification and standardisation to maximise operational flexibility
- growth planning and control at each of Aeroflot Group companies to maintain the Group’s effective presence in all market segments
- monitoring the progress of infrastructure development and new facilities construction at Moscow Sheremetyevo airport
- diversification of revenue streams by currency and geography.

Key initiatives and work streams within the long-term strategy

The Investment Programme for 2019 was approved by PJSC Aeroflot’s Board of Directors on 13 December 2018 (Minutes No. 10). It is designed to address long-term strategic objectives, improve the operations of business units, and continue the overall dynamic development of the Company’s investment activities.

The 2019 Investment Programme focuses on the established investment agenda such as property, plant and equipment, capital construction, and software, and sets new development projects designed to:

- ensure maintenance operations; procurement of tools and equipment to perform maintenance for all types of aircraft; fitting out of hangar facilities
- develop a training platform; purchasing and delivering an FFS A350 flight simulator; purchasing A321 and SSJ100 Door Trainers; upgrading the software for the FFS B737 flight simulator; purchasing airport visuals for the FFS SSJ100 flight simulator, etc.
- upgrade aircraft: ongoing equipment of aircraft with WIFEC; replacement of business class seats aboard Airbus A330s, having wheelchairs aboard Boeing 777 aircraft
- construct new facilities: continued construction of a new hangar for aircraft servicing; designing a building for the training platform; designing a facility for composite materials maintenance and repair, etc.
- develop the IT infrastructure: maintaining the existing and developing new information systems and further business process digitisation; developing digitisation projects; purchasing communication, telephone, and computer equipment

Cost cutting management plan for 2018

An emergency team was set up in 2018 to optimise costs and improve performance. Emergency measures developed by the team to improve operational performance helped achieve positive financial results for the year despite the strong growth of the average jet fuel prices.

KEY COST CUTTING INITIATIVES INCLUDED:

- reducing selling, general, and administrative expenses
- streamlining the marketing budget
- negotiating discounts and special terms with service providers, including fuel suppliers
- postponing further investment in customer service (to avoid any undue increase in operating costs)
- reducing management remuneration, including through releasing funds by early completion of the Long-Term Incentive Programme, etc.

Along with these initiatives, the Company focused on its income, including by optimising the day-to-day management of flight profitability and network operation, improving fares, adjusting the fuel surcharge, enhancing sales and load factor supervision and monitoring, developing additional revenue sources, and adopting operational changes.
Aeroflot Group successfully implemented its Development Strategy 2025 adopted by PJSC Aeroflot’s Board of Directors in 2011, having reached a number of milestone targets ahead of schedule. In particular, Aeroflot Group achieved the goal of its Strategy 2025 to become one of the world’s largest airlines ahead of schedule: the Group joined Top 20 global air carriers by passenger traffic and Top 5 European traditional air carriers by revenue and passenger traffic.

During the years of the Strategy implementation, Aeroflot Group has built an innovative multi-brand platform providing a wide coverage across market segments and niches and has considerably increased its passenger traffic, including on domestic routes. As a result, the Company has cemented its position in the Russian market and has become a leader in the European and global airline industry. Analysis of Aeroflot Group’s growth trends and changes in external business environment during 2018 proved that the Group was well-positioned to achieve all goals set in its Strategy 2025 ahead of schedule. This, the continuing rapid growth of the Russian airline industry, and a considerable improvement of the global industry’s overall performance, helped the Company to raise its strategic goals and projections for 2023.

2018 saw an upward trend in key operational KPIs, in line with the Group’s Strategy and mid-term plans, including higher passenger and transfer traffic supported by the expansion of the route network. Aeroflot maintained a focus on low-cost flights, innovative technology, and customer service excellence. With jet fuel prices on the rise, a large-scale cost optimisation programme was launched.

**TRANSFERRING LONG-HAUL DOMESTIC FLIGHTS TO TERMINAL B**

In 2018, Aeroflot airline moved its domestic flights to the new Terminal B of Sheremetyevo International Airport.

The airline began to gradually transfer the flights in May 2018 and fully completed the transfer in November, by the start of its winter 2018/2019 season. Since the start of the winter season, the terminal has been handling a daily total of about 400 domestic flights.

According to the winter 2018/2019 schedule, Terminal D handled 40 domestic round trip flights: 8 flights to the Russian Far East by Aeroflot airline (3 routes: Vladivostok, Khabarovsk, Petropavlovsk-Kamchatsky) and 32 flights operated jointly with Rossiya airline (11 routes: Sochi, Magadan, Khabarovsk, Krasnodar, Mineralnye Vody, Petropavlovsk-Kamchatsky, Orenburg, Rostov-on-Don, Simferopol, Yuzhno-Sakhalinsk, and Vladivostok).

The new passenger Terminal B at Sheremetyevo airport is located within the northern sector of the airport and has an annual throughput of 20 million passengers. The terminal is connected to the airport’s southern sector (Terminals D, E, and F) by passenger and baggage tunnels with automatic trains.

Travelling between the airport’s terminals takes four minutes. This inter-terminal link enables an extremely fast and efficient connection between different terminals of the airport.

### Strategy implementation report

<table>
<thead>
<tr>
<th>2009</th>
<th>2018</th>
<th>Outlook for 2025</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Join the Top 20 global players by passenger traffic</strong></td>
<td>68th globally by passenger traffic</td>
<td>19th globally*</td>
</tr>
<tr>
<td><strong>Join the Top 5 European players by passenger traffic</strong></td>
<td>15th in Europe</td>
<td>5th in Europe*</td>
</tr>
<tr>
<td><strong>Carry over 70 million passengers</strong></td>
<td>11.1 million passengers</td>
<td>55.7 million passengers</td>
</tr>
<tr>
<td><strong>Carry at least 30 million domestic passengers</strong></td>
<td>4.9 million passengers</td>
<td>31.0 million passengers</td>
</tr>
</tbody>
</table>


New Terminal B

The terminal is connected to the airport’s southern sector (Terminals D, E, and F) by passenger and baggage tunnels with automatic trains.

Located within the northern sector of the airport

Annual throughput of 20 million passengers

Travelling between the airport’s terminals takes four minutes

This inter-terminal link enables an extremely fast and efficient connection between different terminals of the airport.
TRANSFERRING SCHEDULED FLIGHTS OF ROSSIYA TO SHEREMETYEVO INTERNATIONAL AIRPORT

As part of reinforcing the hub at Sheremetyevo airport, scheduled flights of Rossiya airline under commercial operation of PJSC Aeroflot were transferred from Vnukovo airport to Sheremetyevo International Airport (Terminal D) as of winter 2018/2019. This initiative enhances the transfer potential of Rossiya airline flights through higher connectivity with Aeroflot’s core network, thus drastically improving flight planning flexibility for passengers and making flights more cost effective.

SIGNING A CONTRACT FOR 50 LATEST MC-21 AIRCRAFT

In February 2018, PJSC Aeroflot and Rostec Corporation signed a firm contract for 50 Russian-built next generation MC-21 passenger aircraft. Under the contract, AviaCapital-Service (a leasing subsidiary of Rostec) will provide Aeroflot airline with 50 MC 21 300 aircraft on operating lease. The aircraft’s configuration for Aeroflot is designed to carry 169 passengers (16 business class and 153 economy class seats). The deal was approved by the Annual General Meeting of Shareholders on 25 June 2018.

Long-term development programme

Aeroflot Group’s Long-Term Development Programme (the LDP) was designed in accordance with instruction of the President of the Russian Federation No. Pr-3086 dated 27 December 2013, and approved by PJSC Aeroflot’s Board of Directors on 2 December 2014 (Minutes No. 8). On 13 December 2018 (Minutes No. 10), PJSC Aeroflot’s Board of Directors gave a general approval to the main provisions of Aeroflot Group’s LDP for 2019–2023 updated to reflect the new Aeroflot Group Development Strategy 2023.

This involved a review of the Programme’s key initiatives to support its implementation.

The LDP’s key goal is to ensure the Group’s long-term sustainable development, strengthen its competitive position, create and develop a competitive edge, and improve performance and financial stability.

THE LONG-TERM DEVELOPMENT PROGRAMME’S KEY OBJECTIVES ARE TO:

→ Develop the list of activities to ensure the achievement of the Group’s strategic growth targets
→ Identify areas and initiatives to improve the Group’s competitive edge and performance
→ Analyse risks to, and opportunities for, achieving the strategic targets and implementing the LDP initiatives.

The LDP details strategic areas for the Group’s development and includes a list of key initiatives and activities aimed at the strategy implementation in the medium term. The LDP complements and expands the key strategic initiatives set out in the Aeroflot Group Development Strategy 2023.

KEY INITIATIVES TO SUPPORT THE LONG-TERM DEVELOPMENT PROGRAMME PROGRESS:

→ Develop within Aeroflot Group’s multi-brand platform
→ Expand the route network and aircraft fleet
→ Enhance the production capacity
→ Implement Aeroflot Group’s Innovative Development Programme
→ Implement the investment programme
→ Ensure an adequate talent pipeline
→ Increase labour productivity.

The 2018 progress on Aeroflot Group’s Long-Term Development Programme was audited by an external auditor, Nexia Pacioli. The auditor’s opinion was issued on 29 March 2019.

Following the independent audit, the auditor expressed an opinion that the report reflecting the progress on Aeroflot Group’s Long-Term Development Programme and achievement of the 2018 target KPIs was reliable in all material respects and was prepared in compliance with Aeroflot Group’s Long-Term Development Programme for 2018–2022 which was approved by PJSC Aeroflot’s Board of Directors on 21 December 2017 (Minutes No. 7).

The auditor confirmed the reliability, in all material respects, of the following data in the 2018 LDP progress report:

→ Actual KPI performance: 7 out of 11 KPIs were achieved in 2018
→ Progress on the initiatives and their current status: most of the initiatives had been completed
→ Spending budgets in line with their intended purpose (compensations for the carrier’s lost earnings and partial compensations for lease payments made under the Russian-built aircraft operating lease)
KPI system

The 2018 KPI list, weights, and targets for PJSC Aeroflot's CEO, which reflect the Company’s KPI system, were approved by PJSC Aeroflot's Board of Directors on 21 December 2017 (Minutes No. 7), and updated by PJSC Aeroflot's Board of Directors on 26 April 2018 (Minutes No. 13) for the second quarter of 2018 and then on 31 October 2018 (Minutes No. 7) for the third quarter of 2018, in line with Aeroflot Group's adjusted 2018 budget.

From 2015 onward, the scope of the CEO’s KPI list (with KPI weights and targets) is fully in line with the KPIs of our Long-Term Development Programme and extended to include all members of PJSC Aeroflot’s Management Board to provide incentives for the management to pursue Group-wide corporate objectives. The list now also includes individual KPIs for Deputy CEOs and other members of the Management Board, with the aim to improve the Group’s overall performance.

The KPIs for other employees of PJSC Aeroflot were approved by the CEO's Order No. 539 dated 29 December 2017; they were updated by the CEO’s Order No. 375 dated 14 September 2018 for the second quarter of 2018 and then by the CEO’s Order No. 490 dated 17 December 2018 for the third quarter of 2018, in line with Aeroflot Group's adjusted 2018 budget.

2018 KPI targets and actual performance by PJSC Aeroflot's CEO

<table>
<thead>
<tr>
<th>KPI</th>
<th>Unit</th>
<th>2017</th>
<th>2018</th>
<th>Reasons for variance (2018A vs 2017P)</th>
<th>Weight Plan</th>
<th>Actual Performance</th>
<th>to plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Shareholder Return (TSR)</td>
<td>%</td>
<td>10.0</td>
<td>14.9</td>
<td>Negative macroeconomic impact on Aeroflot Group operating weights and income during the year due to higher fuel costs</td>
<td>10.0</td>
<td>5.0</td>
<td>87.0</td>
</tr>
<tr>
<td>ROIC</td>
<td>%</td>
<td>14.0</td>
<td>14.9</td>
<td>100.00</td>
<td>20.0</td>
<td>12.9</td>
<td>12.0</td>
</tr>
<tr>
<td>Long-term debt/EBITDA</td>
<td>–</td>
<td>5.0</td>
<td>0.93</td>
<td>Higher fuel costs</td>
<td>107.53</td>
<td>0.75</td>
<td>8.0</td>
</tr>
<tr>
<td>Integrated Innovation Key Performance Indicator (IKPI)</td>
<td>%</td>
<td>10.0</td>
<td>80.0</td>
<td>Higher fuel costs</td>
<td>100.00</td>
<td>10.0</td>
<td>100</td>
</tr>
<tr>
<td>Investment Programme Efficiency</td>
<td>–</td>
<td>5.0</td>
<td>5.22</td>
<td>High returns on the 2018 investment projects and lower capital</td>
<td>131.80</td>
<td>5.0</td>
<td>10.5</td>
</tr>
<tr>
<td>CASK</td>
<td>cent per ASK</td>
<td>5.0</td>
<td>4.9</td>
<td>5.32</td>
<td>91.43</td>
<td>5.0</td>
<td>4.9</td>
</tr>
<tr>
<td>Share of State-Subsidised Funding in Total Funding Secured</td>
<td>%</td>
<td>5.0</td>
<td>0</td>
<td>0</td>
<td>100.00</td>
<td>5.0</td>
<td>0</td>
</tr>
</tbody>
</table>

* The value shown is the minimal value achieved in 2017.
** According to Minutes No. 1 dated 27 February 2018 of a meeting of Inter-Agency Working Group on Supporting Innovative Development Priorities, the IKPI bonus can be paid in full if the variance between the target KPI and actual performance does not exceed 10%.
Note: 2015 and 2018 KPIs are calculated for Aeroflot Group, except for PJSC Aeroflot’s Flight Safety KPIs.
Pursuant to the directives of the Russian Government, PJSC Aeroflot’s KPI system embraces financial, economic, and industry-specific indicators, including:

- mandatory financial KPIs – Total Shareholder Return (TSR) and ROIC for Aeroflot Group
- Overall Productivity KPI (for Aeroflot Group) – in line with the Russian Government’s Directive No. 6362p-P13 dated 24 October 2013
- Share of Supplies from Small and Medium-Sized Businesses, Efficient Energy Use, and Environmental Friendliness KPIs were incorporated into PJSC Aeroflot’s KPI system and KPI lists for relevant department heads – in line with the Russian Government’s Directive No. 6362p-P13 dated 24 October 2013

- CASK KPI (for Aeroflot Group). As per the resolution of PJSC Aeroflot’s Board of Directors dated 20 April 2017 (Minutes No. 14), the Company achieved the CASK reduction target in line with Directives of the Russian Government No. 2303p-P13 dated 16 April 2015 and No. 4750p-P13 dated 4 July 2016. Since 2017, the Company’s objective is to maintain the achieved level
- Share of State-Subsidised Funding in Total Funding Secured KPI – in line with paragraph 2 of Instruction of the Russian Prime Minister of Director Mr. Medvedev No. AD P36-4617 dated 11 July 2015 on including the indicator showing investment capital raised in the private equity market.

As per the resolution of PJSC Aeroflot’s Board of Directors adopted in 2017, Aviation Accident with Fatalities (Plane Crash) was set as the disqualification indicator (cancelling the bonus) in the KPI system.

In 2018, the majority of the Long-Term Development Programme KPIs for PJSC Aeroflot’s CEO were met/exceeded as a result of efficient operations. KPI performance was affected by negative macroeconomic factors and higher potential sanctions risks.

Aeroflot Group Development Strategy 2023 involves a considerable increase in operational KPIs and development of new growth areas, including the launch of a new hub and regional bases. In view of these projects and the significant increase and volatility of fuel costs, the existing financial KPIs – TSR and ROIC – which were earlier adopted as part of Aeroflot Group’s Long-Term Development Programme and PJSC Aeroflot’s CEO incentives, will not be used in 2019.

To bring the management incentive system in line with Aeroflot Group’s short-term strategic priorities, PJSC Aeroflot’s Board of Directors approved the following 2019 KPIs for PJSC Aeroflot’s CEO (Minutes No. 12 dated 7 February 2019).

The CEO’s KPI list and weights for 2019 reflect the Company’s profile and strategic priorities and have been approved by the Russian Ministry of Transport, a federal executive body that oversees PJSC Aeroflot’s activities.
Multi-brand platform

Aeroflot airline focuses on addressing the needs of the premium passenger segment by offering best-in-class services, a high frequency route network with extensive flight geography, access to the route network of partners from the SkyTeam Alliance, an effective flight schedule, convenient connecting flights for transfer passengers, and a young aircraft fleet.

Rossiya airline has three focal areas: scheduled flights from Saint Petersburg, scheduled flights from Moscow (mostly flat fares), and charter flights for tour operators. Rossiya’s business scheduled flights is governed by Aeroflot, which means that tickets are sold via a shared website and that the two airlines are code sharing, thus ensuring connectivity between their networks.

Pobeda airline targets the low-cost segment. Domestic flights from Moscow to Russia’s regions, along with interregional flights within Russia, make up the bulk of the airline’s route network, building stronger ties between Russian regions. The airline also expands its international route network.

Aurora airline focuses on local and inter-regional flights in the Far Eastern Federal District, connecting large cities in Russia’s Far East and offering flights between major cities and remote towns.

Aeroflot Group’s strategic approach continues to be based on multi-brand offering, which helps maximise the coverage of all the key market segments. Each of the Group’s airlines targets a dedicated market segment, thereby minimising inter-Group competition. Rossiya’s scheduled flights were moved from Vnukovo airport to Aeroflot’s hub, Sheremetyevo airport to drive internal synergies through additional transit flows between the route networks of Aeroflot Group airlines.
Aeroflot Group is the largest aviation holding in Eastern Europe operating in key market segments: from premium to budget air travel, from long-haul to regional. The low-cost airline created in 2014 allowed the Group to benefit from this market segment and contribute to the improvement of transport accessibility across Russia.
Operating Highlights

Aeroflot Group: all flights

<table>
<thead>
<tr>
<th>Item</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger traffic, million PAX</td>
<td>17.1</td>
<td>16.0</td>
<td>18.3</td>
<td>22.5</td>
<td>24.7</td>
</tr>
<tr>
<td>change, %</td>
<td>(0.6)</td>
<td>(1.4)</td>
<td>14.1</td>
<td>22.3</td>
<td>9.7</td>
</tr>
<tr>
<td>Passenger turnover, billion RPK</td>
<td>55.1</td>
<td>52.9</td>
<td>63.4</td>
<td>77.0</td>
<td>83.2</td>
</tr>
<tr>
<td>change, %</td>
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<td>(3.9)</td>
<td>19.8</td>
<td>21.4</td>
<td>8.1</td>
</tr>
<tr>
<td>Available seat-kilometres, billion ASK</td>
<td>72.2</td>
<td>68.5</td>
<td>79.4</td>
<td>93.4</td>
<td>102.8</td>
</tr>
<tr>
<td>change, %</td>
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<td>(5.2)</td>
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<td>17.6</td>
<td>10.1</td>
</tr>
<tr>
<td>Passenger load factor, %</td>
<td>76.3</td>
<td>77.3</td>
<td>80.0</td>
<td>82.5</td>
<td>80.9</td>
</tr>
<tr>
<td>change, p.</td>
<td>(0.1)</td>
<td>2.0</td>
<td>2.7</td>
<td>2.5</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Cargo and mail, thousand tonnes</td>
<td>84.3</td>
<td>77.2</td>
<td>98.0</td>
<td>133.3</td>
<td>171.1</td>
</tr>
<tr>
<td>change, %</td>
<td>(30.8)</td>
<td>(3.5)</td>
<td>27.0</td>
<td>56.5</td>
<td>11.6</td>
</tr>
<tr>
<td>Revenue tonne-kilometres, billion TKM</td>
<td>5.3</td>
<td>5.2</td>
<td>6.2</td>
<td>7.7</td>
<td>8.3</td>
</tr>
<tr>
<td>change, %</td>
<td>(0.1)</td>
<td>(0.3)</td>
<td>20.3</td>
<td>24.5</td>
<td>7.9</td>
</tr>
<tr>
<td>Flights, thousand</td>
<td>286.7</td>
<td>323.8</td>
<td>331.9</td>
<td>368.5</td>
<td>411.5</td>
</tr>
<tr>
<td>change, %</td>
<td>8.2</td>
<td>13.0</td>
<td>2.5</td>
<td>11.0</td>
<td>11.7</td>
</tr>
<tr>
<td>Stage length, km</td>
<td>2,583</td>
<td>2,479</td>
<td>2,581</td>
<td>2,598</td>
<td>2,570</td>
</tr>
<tr>
<td>change, %</td>
<td>(4.5)</td>
<td>(4.4)</td>
<td>4.1</td>
<td>0.7</td>
<td>(1.3)</td>
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</tbody>
</table>

Aeroflot Group: domestic flights

<table>
<thead>
<tr>
<th>Item</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger traffic, million PAX</td>
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<td>17.6</td>
<td>18.3</td>
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<td>24.7</td>
</tr>
<tr>
<td>change, %</td>
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<td>13.4</td>
<td>10.3</td>
<td>15.6</td>
<td>11.4</td>
</tr>
<tr>
<td>Passenger turnover, billion RPK</td>
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<td>97.6</td>
<td>112.1</td>
<td>139.2</td>
<td>143.2</td>
</tr>
<tr>
<td>change, %</td>
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<td>14.8</td>
<td>16.2</td>
<td>9.9</td>
<td></td>
</tr>
<tr>
<td>Available seat-kilometres, billion ASK</td>
<td>115.8</td>
<td>124.7</td>
<td>137.7</td>
<td>157.2</td>
<td>173.1</td>
</tr>
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<td>change, %</td>
<td>8.2</td>
<td>10.4</td>
<td>14.7</td>
<td>10.3</td>
<td></td>
</tr>
<tr>
<td>Passenger load factor, %</td>
<td>77.8</td>
<td>78.3</td>
<td>81.4</td>
<td>82.8</td>
<td>82.7</td>
</tr>
<tr>
<td>change, %</td>
<td>(0.4)</td>
<td>3.1</td>
<td>1.4</td>
<td>(0.1)</td>
<td></td>
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<tr>
<td>Cargo and mail, thousand tonnes</td>
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<td>156.3</td>
<td>205.8</td>
<td>273.4</td>
<td>303.8</td>
</tr>
<tr>
<td>change, %</td>
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<td>(8.0)</td>
<td>31.6</td>
<td>38.8</td>
<td>11.2</td>
</tr>
<tr>
<td>Revenue tonne-kilometres, billion TKM</td>
<td>8.8</td>
<td>9.5</td>
<td>11.0</td>
<td>13.0</td>
<td>14.2</td>
</tr>
<tr>
<td>change, %</td>
<td>1.9</td>
<td>7.0</td>
<td>16.5</td>
<td>17.7</td>
<td>9.7</td>
</tr>
</tbody>
</table>

Aeroflot Group: international flights

<table>
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<tr>
<th>Item</th>
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<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger traffic, million PAX</td>
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</tr>
<tr>
<td>change, %</td>
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<td>9.7</td>
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<td>(3.9)</td>
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<td>21.4</td>
<td>8.1</td>
</tr>
<tr>
<td>Available seat-kilometres, billion ASK</td>
<td>72.2</td>
<td>68.5</td>
<td>79.4</td>
<td>93.4</td>
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</tr>
<tr>
<td>change, %</td>
<td>(1.9)</td>
<td>(5.2)</td>
<td>11.9</td>
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</tr>
<tr>
<td>Passenger load factor, %</td>
<td>76.3</td>
<td>77.3</td>
<td>80.0</td>
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<td>80.9</td>
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<td>2.7</td>
<td>2.5</td>
<td>(0.1)</td>
</tr>
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<td>171.1</td>
</tr>
<tr>
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<td>27.0</td>
<td>56.5</td>
<td>11.6</td>
</tr>
<tr>
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<td>7.7</td>
<td>8.3</td>
</tr>
<tr>
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<td>7.9</td>
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<tr>
<td>change, %</td>
<td>(4.5)</td>
<td>(4.4)</td>
<td>4.1</td>
<td>0.7</td>
<td>(1.3)</td>
</tr>
</tbody>
</table>

Aeroflot Group

Aeroflot Group carried a total of 55.7 million passengers in 2018, up 11.1% year-on-year, making a total 411,500 flights, or over 1,100 flights per day on average. The Group's capacity grew by 10.1% to 173.1 billion ASK, with the passenger turnover growing by 9.9% to 143.2 billion RPK and the passenger load factor staying almost flat year-on-year at 82.7%, down 0.1 p. p.
Operating Results

Domestic flights

Aeroflot Group’s airlines carried 31.0 million passengers on domestic routes in 2018, up 12.3% year-on-year, with the capacity growing by 10.3% to 70.2 billion ASK and the passenger turnover reaching 59.9 billion RPK, up by 12.6%. The passenger load factor was 85.3%, up 1.9 p. year-on-year.

The accelerated growth in domestic passenger traffic pushed the share of domestic flights in total passengers carried to 55.6%, up 0.6 p. year-on-year. In terms of passenger turnover, domestic flights account for 41.8% of the Group’s total due to a lower stage length.

The positive trend in operational performance was driven by a continued increase in demand for domestic flights supported by the Group’s route network expansion – new destinations and increased frequencies of flights to the most popular destinations. The development of the low-cost carrier Pobeda which accounted for half of the increase in the Group’s domestic passenger traffic also played a major role.

Our stronger performance in the summer was also due to the World Cup held across eleven Russian cities, which led to an accelerated growth and higher passenger loads during the days of the event.

International flights

Increased capacity, new flights, the expansion of charter programme, and higher transfer traffic between Europe and Asia backed by the stable demand pushed the Group’s international traffic up 9.7% year-on-year to 24.7 million passengers. The capacity grew by 10.1% to 102.8 billion ASK with the passenger turnover going up by 8.1% to 83.2 billion RPK, and the passenger load factor for international destinations going down by 1.5 p. year-on-year to 80.9%.

The changing competitive environment, in particular, the return of foreign carriers to the Russian market, also influenced Aeroflot’s operational performance. While their market share remained flat, the capacity and, accordingly, passenger traffic were up.

In 2018, the strongest growth in scheduled passenger traffic was on European routes due to the launch of flights to new destinations: popular resorts (Verona, Naples, Burgas), business travel destinations (Dublin and Gothenburg), as well as the increased frequencies of flights to best-selling, including among international travellers, destinations (such as Barcelona, Belgrade, Brussels, Lyon, Sofia, Stuttgart, and Tenerife).

The World Cup bolstered the Group’s operational performance across international and domestic routes in the summer, with European destinations accounting for the bulk of the passenger traffic.

Aeroflot Group’s operational performance by region (scheduled and charter flights)

<table>
<thead>
<tr>
<th>Region</th>
<th>Passenger traffic, million PAX</th>
<th>Passenger turnover, billion RPK</th>
<th>Available seat-kilometres, billion ASK</th>
<th>Passenger load factor, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>26.7</td>
<td>30.2 14.2</td>
<td>51.4</td>
<td>58.4 13.7</td>
</tr>
<tr>
<td>Europe</td>
<td>10.5</td>
<td>12.0 13.6</td>
<td>23.8</td>
<td>27.3 14.5</td>
</tr>
<tr>
<td>Asia</td>
<td>3.4</td>
<td>3.6 1.7</td>
<td>21.9</td>
<td>23.0 4.7</td>
</tr>
<tr>
<td>CIS</td>
<td>2.8</td>
<td>3.0 6.2</td>
<td>6.2</td>
<td>6.5 4.0</td>
</tr>
<tr>
<td>Middle East</td>
<td>1.9</td>
<td>2.1 6.3</td>
<td>5.7</td>
<td>6.3 10.2</td>
</tr>
<tr>
<td>Americas</td>
<td>1.0</td>
<td>1.0 1.0</td>
<td>8.6</td>
<td>8.7 1.6</td>
</tr>
<tr>
<td>Total scheduled flights</td>
<td>46.4</td>
<td>51.8 11.8</td>
<td>117.7</td>
<td>130.2 10.6</td>
</tr>
<tr>
<td>Charter flights</td>
<td>3.7</td>
<td>3.8 2.5</td>
<td>12.5</td>
<td>16.0 3.5</td>
</tr>
<tr>
<td>Total flights</td>
<td>50.1</td>
<td>56.7 11.1</td>
<td>130.2</td>
<td>143.2 9.9</td>
</tr>
</tbody>
</table>
In 2018, Aeroflot airline carried a total of 35.8 million passengers, up 8.9% year-on-year, making 273,177 flights. The airline’s passenger turnover grew 6.7% to 98.0 billion RPK, backed by a 8.4% capacity growth to 121.7 billion ASK. The passenger load factor declined by 1.3 p.p. to 80.5%.

In 2018, the total number of passengers carried by Aeroflot airline on domestic routes increased by 11.8% year-on-year to 17.5 million. The passenger turnover grew 8.9% to 33.9 billion RPK, with the capacity up by 8.8% to 40.2 billion ASK. The passenger load factor increased by 0.1 p.p. to 84.4%. Domestic flights accounted for 43.1% of Aeroflot airline’s total passenger traffic.

The total number of passengers carried by Aeroflot airline on international routes increased by 6.2% year-on-year in 2018 to 18.2 million. The passenger turnover grew 5.6% to 64.0 billion RPK, with the capacity up by 8.2% to 81.5 billion ASK. The passenger load factor decreased by 1.3 p.p. to 78.2%.

Aeroflot airline implemented a number of high-impact initiatives in 2018 to improve its on-time performance, including through strict enforcement of the boarding rules and baggage requirements.

In 2018, Aeroflot airline’s on-time performance was at 82.98%, one of the best scores globally, and the carrier was ranked 5th most punctual airline globally and 2nd in Europe according to the UK’s leading aviation publication FlightGlobal.
Pobeda airline

In 2018, Pobeda’s passenger traffic increased by 56.8% year-on-year to 7.2 million passengers. Eight new Boeing 737-800 aircraft were added to the carrier’s fleet, expanding it from sixteen aircraft in early 2018 to twenty-four by 2018 year-end and becoming the primary driver of a 65.4% increase in capacity in 2018. The passenger load factor remained high at 94.1%, down 0.1 p. p. year-on-year, while Pobeda’s on-time performance stood at 92.8%.

Pobeda is the market leader across a number of metrics:

- Boeing 737 NG utilisation globally according to Boeing
- Lowest fares in Russia according to Biletix, Aviasales, and OneTwoTrip
- Passengers carried per aircraft
- Cost per flight hour
- Aircraft turnaround time in airports in Russia

Aurora airline

Aurora airline continued to expand into the Far East and increase the mobility of the population in the region. In 2018, the airline carried 1.6 million passengers, up 4.8% year-on-year. Traffic on local flights to remote destinations was also growing quite rapidly.

In 2018, Aurora carried 75,700 passengers on socially important flights within the Sakhalin Region, up 20% year-on-year, and 35 thousand passengers to destinations within the Primorsky Region. Since June 2018 (the commencement of flights), the company carried 19,700 passengers within the Khabarovsk Region. Thus, the total passenger traffic on the local flights (within a region) grew by 31.2% year-on-year to 130,500 passengers (99,500 passengers in 2017).

Cargo and mail operations

In 2018, Aeroflot Group carried 303,800 tonnes of cargo and mail, up 11.2% year-on-year. Aeroflot Group uses a belly cargo model, transporting cargo and mail in aircraft cargo holds on passenger flights.

In the reporting period, the cargo/mail tonne-kilometres (TKM) increased by 9.5% to 14.2 billion TKM, while the revenue load factor went up by 0.5 p. p. to 69.3%.

The growth in cargo and mail operations was associated, among other factors, with the expansion of the Group’s wide-body aircraft fleet with six high cargo capacity Boeing 777-300 aircraft.

In 2018, Aeroflot airline carried 223,300 tonnes of cargo and mail, down 1.2% year-on-year. The cargo/mail tonne-kilometres increased by 5.9% to 9.9 billion TKM, with the revenue load factor at 67.4%, down by 0.7 p. p. year-on-year.
Route Network

Aeroflot Group’s route network development

In 2018, Aeroflot Group’s airlines (Aeroflot, Rossiya, and Aurora) operated 238 scheduled routes to 56 countries (including Russia). Pobeda airline network comprises 103 destinations, including 57 unique for the Group. With Pobeda taken into account, the Group’s airlines operated flights to 57 countries.

During 2018, Aeroflot and Rossiya airlines launched scheduled flights from Sheremetyevo airport to 20 new destinations, including 8 domestic and 12 international.

New scheduled routes in 2018

In 2018, the number of Aeroflot Group’s scheduled routes grew 14.4% year-on-year, with domestic and international scheduled routes increasing by 23.2% and 5.1%, respectively. The total number of the Group-operated routes increased by 8.4% to 465.

During 2018, the number of Aeroflot Group’s scheduled routes grew 14.4% year-on-year, with domestic and international scheduled routes increasing by 23.2% and 5.1%, respectively. The total number of the Group-operated routes increased by 8.4% to 465.

Rossiya airline’s flights from Saint Petersburg to Almaty and Astana under commercial management of PJSC Aeroflot were discontinued as part of the Group network optimisation effort and performance improvement. Following the transfer of Rossiya airline’s scheduled flights operated from Moscow to Sheremetyevo airport and the network optimisation, flights from Moscow to Anapa, Kazan, Barcelonais, and Melshchakskaya were discontinued as these routes are serviced by Aeroflot airline.

Aeroflot Group continued increasing the frequency of scheduled service to the most popular destinations, with the average weekly frequency of scheduled flights in 2018 growing by 7.2% year-on-year (from 13.1 to 14.1). This figure grew 8.2% (from 10.9 to 11.8) for international and 6.7% (from 15.5 to 16.5) for domestic scheduled routes. The number of Aeroflot Group’s scheduled flights grew by 8.1% year-on-year.

In planning its flight schedule, Aeroflot Group focuses on:

- improving the accessibility of Russia’s regions
- improving customer experience of non-stop flights
- optimising targeted connections on intercontinental (Asia–Europe, North America–Middle East), and inter-regional routes (Far East/Urals–Centre/South)
- developing hub at Sheremetyevo airport
- growing the market share on the routes of presence and launching new services to destinations with high transfer traffic potential.

Number of Aeroflot Group’s routes

<table>
<thead>
<tr>
<th>Route Type</th>
<th>2017</th>
<th>2018</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>sch.</td>
<td>chart.</td>
<td>total</td>
</tr>
<tr>
<td>International</td>
<td>136</td>
<td>146</td>
<td>282</td>
</tr>
<tr>
<td>Domestic</td>
<td>142</td>
<td>86</td>
<td>228</td>
</tr>
<tr>
<td>Medium-haul</td>
<td>26</td>
<td>13</td>
<td>39</td>
</tr>
<tr>
<td>Long-haul</td>
<td>252</td>
<td>219</td>
<td>471</td>
</tr>
<tr>
<td>Total</td>
<td>278</td>
<td>232</td>
<td>510</td>
</tr>
</tbody>
</table>

- In December 2018, Aeroflot airline’s flight to Colombo was switched to Rossiya’s operations.
- In 2018, Rossiya launched flights to Mahachkala from Sheremetyevo airport. The route was previously serviced by Rossiya airline from Vnukovo airport.

Aeroflot Group’s scheduled flights by region (2018 vs 2017)

<table>
<thead>
<tr>
<th>Region</th>
<th>2018</th>
<th>2017</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>23.2</td>
<td>22.8</td>
<td>0.5</td>
</tr>
<tr>
<td>International</td>
<td>5.1</td>
<td>4.8</td>
<td>0.3</td>
</tr>
<tr>
<td>Medium-haul</td>
<td>15.1</td>
<td>14.9</td>
<td>0.2</td>
</tr>
<tr>
<td>Long-haul</td>
<td>7.7</td>
<td>8.0</td>
<td>-0.3</td>
</tr>
<tr>
<td>Total</td>
<td>14.4</td>
<td>14.5</td>
<td>-0.1</td>
</tr>
</tbody>
</table>

Average weekly frequency of Aeroflot Group’s Flights

<table>
<thead>
<tr>
<th>Flight Type</th>
<th>2018</th>
<th>2017</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scheduled flights</td>
<td>14.1</td>
<td>13.8</td>
<td>+0.3</td>
</tr>
<tr>
<td>International</td>
<td>11.8</td>
<td>10.9</td>
<td>+9.1</td>
</tr>
<tr>
<td>Domestic</td>
<td>16.5</td>
<td>15.5</td>
<td>+6.0</td>
</tr>
<tr>
<td>Medium-haul</td>
<td>8.7</td>
<td>8.6</td>
<td>+6.0</td>
</tr>
<tr>
<td>Long-haul</td>
<td>14.7</td>
<td>13.6</td>
<td>+7.6</td>
</tr>
<tr>
<td>Charter flights</td>
<td>1.4</td>
<td>1.3</td>
<td>+7.7</td>
</tr>
</tbody>
</table>
Air services during the World Cup

Aeroflot's route network comprises scheduled flights between Moscow and all the cities that hosted World Cup in 2018. With Rossiya subsidiary’s route network and Pobeda’s flights taken into account, we have provided a wide range of travel options for direct and transfer passengers. To improve air services between the host cities, additional domestic flights were launched during the days of the period of the championship. Specifically, during the group stage, Aeroflot airline operated services on the Sischi–Kazan, Kazan–Kaliningrad, Kazan–Yekaterinburg, Volgograd–Nizhny Novgorod, and Volgograd–Kazan routes. Aeroflot also flew 11 additional flights on the Moscow–New York–Moscow route, as well as operated high-capacity aircraft on the most popular routes in Europe and the Americas accounting for the bulk of the passenger traffic.

In 2018, Aeroflot airline's scheduled flights grew 12.1% year-on-year due to the increase in capacity on the most popular routes and the launch of new destinations.

→ The Middle East segment reported the highest growth due to increased frequencies of flights to Turkey and Dubai. In addition, scheduled flights to Cairo, Egypt's capital, were resumed after a long hiatus.

→ European destinations saw the number of scheduled flights increase by 12.0% driven by increased frequencies and the launch of direct service from Moscow to Naples, Verona, and Burgas.

→ The number of scheduled flights to the CIS increased by 3.2%, driven by the launch of direct services to Buhkara, Kyzyorda, and Osh routes and more frequent flights to Astana and Aktobe.

→ The number of scheduled flights to Southeast Asia was up 4.6%, including due to the higher frequency of flights to Bangkok, Malé, Phuket, and Ho Chi Minh City, as well as the launch of flights to Denpasar and Colombo.

→ The number of scheduled flights to North and Central America was up by 1.3% driven by the higher frequency of flights to Miami.

→ Domestic destinations saw the number of scheduled flights increase by 6.7%. In particular, we increased the number of flights from Moscow to Arkhangelsk, Belgorod, Volgograd, Yekaterinburg, Kazan, Kemerovo, Krasnoyarsk, Murmansk, Nizhnevartovsk, Novosibirsk, Novyy Urengoy, Perm, Saint Petersburg, Saratov, Surgut, Syktyvkar, Ufa, Khanty-Mansiysk, and Cheboksary. Aeroflot airline launched flights to the capitals of the North Caucasus regions of Russia, as well as to Saransk, Izhevsk, and Ulyanovsk.

The average weekly frequency of Aeroflot airline’s scheduled flights grew from 21.2 to 22.0 in 2018. The connectivity ratio for Aeroflot airline’s own flights improved from 21.2 in 2017 to 22.0 in 2018. The average weekly frequency of Aeroflot airline’s scheduled flights grew 18.0% from 17.0 to 20.0 flights per route per week. International and domestic scheduled destinations saw the frequency grow by 5.7% (from 13.1 to 13.9 flights) and 5.3% (from 24.2 to 25.5 flights) respectively.

Connectivity ratio for Aeroflot airline’s own flights

Average weekly frequency of Aeroflot airline’s scheduled flights
Subsidiary airlines’ route network development

In 2018, Rossiya airline operated scheduled services on 144 routes to 22 countries (100 domestic and 44 international), including 83 routes under commercial management of PJSC Aeroflot. Rossiya airline’s route network structure underwent planned yet fundamental changes during 2018. In October, with the launch of the winter flight schedule, Rossiya airline’s scheduled flights under commercial management of PJSC Aeroflot were transferred from Vnukovo to Sheremetyevo airport. The consolidation of flights within Aeroflot’s hub and the manifold increase in the connectivity potential of Rossiya airline’s flights have significantly broadened the route planning options for passengers. Rossiya airline’s flights are integrated into Aeroflot’s Sheremetyevo airport-based wave connectivity scheme, which supports transfer traffic flows via the largest hub in Eastern Europe to the standards of leading network carriers.

Thus, Moscow flights are consolidated in Aeroflot Group’s single hub, Sheremetyevo airport, while Pulkovo, the airline’s historical base airport, continues to develop as a regional transport hub servicing the North-West of Russia.

In early 2018, Rossiya airline started operating flights from Moscow (using Boeing 747 and Boeing 777 aircraft) under the flat fare programme to improve transport accessibility for population in the Russian Far East.

Flights from Moscow (Sheremetyevo) to Denpasar, Bangkok, and Colombo were launched in the winter 2018/19 season.

Aurora is focused on securing transport accessibility and accommodating the demand for flights in the Russian Far East and to major cities in Siberia. Aurora also operates international services from Khabarovsk, Vladivostok, and Yuzhno-Sakhalinsk to South Korea, China, and Japan.

In 2018, Aurora airline operated scheduled services on 49 routes (38 domestic and 11 international) to four countries, including 21 routes under commercial management of PJSC Aeroflot. Local flights between major cities and remote destinations are a socially important part of Aurora’s route network covering 14 socially important destinations in 2018.

Dalnerechensk–Khabarovsk and Khabarovsk–Nikolayevsk-on-Amur scheduled domestic flights were launched in 2018. The frequency of flights from Vladivostok to Yakutsk and Petropavlovsk-Kamchatsky was increased. The frequency of Vladivostok–Seoul international flight was also increased, and flights were resumed from Yuzhno-Sakhalinsk to Tokyo.
Aeroflot airline actively expanded its route network in 2018. Whereas under the summer 2018 schedule it operated 72 routes (42 of which were unique for the Group), the number of routes in the winter 2018 schedule increased to 85 (45 of which were unique for the Group). Overall in 2018, Pobeda airline operated 103 routes, 57 of which were unique and complemented the Group’s route network. Pobeda airline is based at Vnukovo airport in Moscow, and also operates flights from a number of regional airports in Russia.

Key areas of route network development in 2018:

- Continued development of route network from Moscow to domestic and international destinations. In developing its network of routes from Moscow, Pobeda prioritises serving significant markets and launching and ramping up new routes not serviced by other airlines within the Group. In particular, flights from Moscow to Ulan-Ude, Petrozavodsk, Palermo, Salzburg, Innsbruck, Karlovy Vary, Leipzig, Baden-Baden, and a number of other destinations were unique to Pobeda in 2018 within the Group’s route network.

- Regional development, including increasing the number of flights between Russia’s major cities and to the most popular destinations abroad. Expansion in the Saint Petersburg market during the year focused on the most popular destinations in Russia. New routes were also launched from Yekaterinburg, Sochi, and several other cities.

Pobeda airline maintained price leadership among all Russian airlines in 2018, according to the largest ticket sales agents. The airline sold over 400 thousand tickets for as low as RUB 499/999, all airport taxes included.

Transit development

The bulk of the Group’s transit traffic is handled by Aeroflot airline, which takes advantage of Russia’s beneficial geographical position to pick up passenger traffic between Europe and Asia and from other O&D markets.

In 2018, the total transit traffic on Aeroflot airline’s flights rose 3.6% year-on-year to 14.4 million passengers. Passengers in transit accounted for 40.7% of Aeroflot airline’s total passenger traffic (42.9% in 2017).

Transit flows between Russia and other countries made up the bulk of Aeroflot airline’s transfer passenger traffic, or 13.6%, of the total. International transit traffic has the highest impact with a share of 13.6%, or 4.8 million transfer passengers. The domestic transit traffic was 11.4%.

Pobeda airline’s key international transit routes in 2018
Developing the route network and increasing flight frequencies: permits and designations

In order to ensure its strategic development, the Group continuously cooperates with regulators to obtain permits and designations to launch new routes and increase flight frequencies for existing ones. In 2018, the Federal Air Transport Agency issued the following operating permits to PJSC Aeroflot and its subsidiaries under the commercial management of PJSC Aeroflot:

**AEROFLOT AIRLINE**

- **+15 new permits** to operate international scheduled passenger services from Moscow to Ashgabat, Bukhara, Victoria, Gothenburg, Dublin, Colombo, Kos, Ljubljana, Marseille, Nha Trang, Osh, Port Louis, Urumqi, Chengdu, and Shenyang

**ROSSIYA AIRLINE**

- **+4 new permits** to operate international scheduled passenger services from Moscow to Goa, Colombo, and Denpasar, and from Saint Petersburg to London

- **+4 additional permits** to increase the frequencies of international scheduled passenger services from Saint Petersburg to Larnaca, Munich, Samarkand, and Tashkent

- **+1 new permit** to operate international scheduled passenger service from Vladivostok to Shanghai

**AURORA AIRLINE**

- **+1 additional permit** for JSC Aurora Airlines to increase the frequency of international scheduled passenger service from Yuzhno-Sakhalinsk to Tokyo

- **+8 new permits** to operate international non-scheduled (charter) passenger services from Moscow to Barcelona, Burgas, Varna, and Sofia, from Saint Petersburg to Burgas, Varna, and Barcelona, and from Yekaterinburg to Barcelona

Designations for PJSC Aeroflot as a regular carrier were obtained from the Russian Ministry of Foreign Affairs for the Moscow–Ashgabat, Moscow–Dublin, Moscow–Ljubljana, Moscow–Osh, Moscow–Gothenburg, Moscow–Colombo, Moscow–Urumqi, Moscow–Chengdu, and Moscow–Chenyang routes.

In March 2018, permits were renewed for Aeroflot airline (for 17 routes) and Rossiya airline (for 15 routes) to operate services on Transaero’s routes for one year (until March 2019).

Aeroflot airline waived two permits to operate international scheduled passenger services from Moscow to Ashgabat and Kaunas in 2018.

Rossiya airline waived one permit to operate international scheduled passenger service from Saint Petersburg to Beijing, inherited from Transaero. The permit was waived due to not commencing the air service.

Aurora airline waived five permits to operate international scheduled passenger services on routes: Anadyr–Anchorage, Vladivostok–Petropavlovsk-Kamchatsky–Anchorage, Vladivostok–Anchorage, Yuzhno-Sakhalinsk–Anchorage, and Novosibirsk–Tashkent.
Codeshare and interline agreements

Codeshare agreements enable Aeroflot Group to expand its route network adding both point-to-point flights and flights beyond the partner hubs, as well as increase the frequencies of flights on existing routes.

In 2018, joint flights were started with Aerolíneas Argentinas on the Moscow–Madrid–Buenos Aires route and with Aerovias de México (Aeroméxico) on the Moscow–Paris/Madrid/Amsterdam/London–Mexico City routes. Codeshare agreements with Air Malta, Bulgaria Air, Air France, Korean Air, Saudi Arabian Airlines, Air Serbia, and with Aurora and Rossiya subsidiary airlines were extended to new routes.

PJSC Aeroflot had 32 codeshare agreements with foreign and Russian airlines in 2018:

→ Twenty-two agreements under which Aeroflot airline acted both as a partner operator and a marketing operator: Aerolíneas Argentinas, Aerovias de México, Air Europa, Air France, Air Baltic, Air Serbia, Alitalia, Bulgaria Air, Czech Airlines, Finnair, KLM, Korean Air, LOT Polish Airlines, MIAT, Saudi Arabian Airlines, and Siberia Airlines

→ Three agreements under which Aeroflot airline acted only as a marketing operator, selling partner flights under its code: Air Malta, Adria Airways, and Bangkok Airways

→ Three agreements under which Aeroflot airline acted only as a partner operator, selling partner flights under its code: Air Malta, Adria Airways, and Bangkok Airways

→ Three agreements under which Aeroflot airline acted only as a marketing operator, selling partner flights under its code: Air Malta, Adria Airways, and Bangkok Airways

→ Two agreements with Aeroflot Group’s airlines under commercial management arrangements for operation of joint flights – with Rossiya and Aeroflot Group’s airlines and Siberia Airlines among Russian carriers.

PJSC Aeroflot’s major partners by volume of business generated through codeshare agreements were Alitalia, Air France, Air Europa, Czech Airlines, Finnair, and KLM among foreign airlines, and Aeroflot Group’s airlines and Siberia Airlines among Russian carriers.

Aeroflot’s key priorities in cooperation under codeshare agreements:

→ Building up Aeroflot’s presence in promising markets

→ Gaining a foothold in the markets where certain restrictions apply

→ Further improving the existing route network, including through the expansion of the marketing flight network

→ More efficient use of owned aircraft fleet

As at the end of 2018, PJSC Aeroflot had interline agreements with 132 carriers, including four Russian carriers and four CIS-based airlines.

Membership in the SkyTeam Alliance

As a SkyTeam partner, Aeroflot carried over 545 thousand passengers in 2018 under codeshare and interline agreements with other SkyTeam Alliance members. About 313 thousand Aeroflot passengers were carried by its SkyTeam partners.

As a member of the SkyTeam Alliance, Aeroflot can expand its route network while offering its customers access to the global Alliance’s unique product and providing Aeroflot Bonus members with an opportunity to enjoy the privileges on the flights of other SkyTeam Alliance members.

In 2018, the Alliance’s aggregate route network comprised 1,074 destinations in 177 countries. SkyTeam’s members, including Aeroflot airline, were making a total of 16,609 flights on a daily basis.

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Aircraft Fleet

Fleet development strategy

Aeroflot Group’s fleet development strategy is focused on:

→ operating a highly unified aircraft fleet (limited number of aircraft types in each segment)
→ operating a young fleet
→ improving the average seat capacity and efficiency of aircraft
→ increasing the share of modern Russian-built aircraft used in operations.

Over the last years, the Group has been consistently refreshing its aircraft fleet, bringing the average age of the fleet in operation down from 7.0 years in 2014 to 6.3 years in 2018. Aeroflot airline’s fleet is one of the youngest in the world, with an average age of 4.2 years as at 2018 year end.

To improve its operational performance and cut costs, the Group has been working to unify its aircraft fleet in the past several years. From 2014 to 2018, the types of aircraft in operation reduced from 11 to 8.

Aeroflot Group’s aircraft fleet evolution

<table>
<thead>
<tr>
<th>Year</th>
<th>Narrow-body (regional)</th>
<th>Narrow-body (medium-haul)</th>
<th>Wide-body</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>SSJ100</td>
<td>Airbus A319/320/321</td>
<td>Airbus A330</td>
</tr>
<tr>
<td></td>
<td>An-148</td>
<td>Boeing 737 Classic</td>
<td>Boeing 777</td>
</tr>
<tr>
<td></td>
<td>DHC-8-200/300</td>
<td>Boeing 737 NG</td>
<td>Boeing 767</td>
</tr>
<tr>
<td></td>
<td>DHC-6-400</td>
<td></td>
<td>Boeing 777</td>
</tr>
<tr>
<td>2018</td>
<td>SSJ100</td>
<td>Airbus A319/320/321</td>
<td>Airbus A330</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Boeing 737 Classic</td>
<td>Boeing 777</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Boeing 737 NG</td>
<td>Boeing 777</td>
</tr>
</tbody>
</table>

11 types of aircraft
8 types of aircraft

Number of aircraft in Aeroflot Group’s fleet as at the year-end

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Aeroflot airline</th>
<th>Aeroflot subsidiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>366</td>
<td>366</td>
<td>0</td>
</tr>
<tr>
<td>2017</td>
<td>325</td>
<td>325</td>
<td>0</td>
</tr>
<tr>
<td>2016</td>
<td>292</td>
<td>292</td>
<td>0</td>
</tr>
<tr>
<td>2015</td>
<td>262</td>
<td>262</td>
<td>0</td>
</tr>
<tr>
<td>2014</td>
<td>262</td>
<td>262</td>
<td>0</td>
</tr>
</tbody>
</table>

Average age of aircraft fleet in operation (years)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Aeroflot airline</th>
<th>Aeroflot subsidiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>6.3</td>
<td>6.3</td>
<td>0</td>
</tr>
<tr>
<td>2017</td>
<td>6.2</td>
<td>6.2</td>
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</tr>
<tr>
<td>2016</td>
<td>6.5</td>
<td>6.5</td>
<td>0</td>
</tr>
<tr>
<td>2015</td>
<td>4.4</td>
<td>4.4</td>
<td>0</td>
</tr>
<tr>
<td>2014</td>
<td>7.0</td>
<td>7.0</td>
<td>0</td>
</tr>
</tbody>
</table>

Note: Data exclude aircraft not operated by the Group’s airlines (Mi-8 helicopters and Il-96 airliners in 2014; An-24 and An-148 airliners in 2018).
Aeroflot Group enhances its fleet in line with specific business models and route networks of each airline.

Aeroflot airline’s fleet comprises several types of aircraft produced by major manufacturers and focuses on addressing the needs of both the mass-market and premium segments. Aircraft offer two to three travel classes to serve passengers in flight. As seat capacity in comparable narrow-body aircraft is different between Business and Economy classes, we can change the Business to Economy ratio for more effective, demand-driven capacity management.

Rossiya airline operates Airbus and Boeing narrow-body aircraft primarily on scheduled routes, as well as Boeing wide-body aircraft on leisure flights (to destinations under the charter programme and resorts of the Black Sea) and flights to cities in the Far East. The aircraft fleet of the low-cost carrier Pobeda comprises one aircraft type, Boeing 737-800, with a single cabin configuration. Aurora airline operates Airbus A319 narrow-body aircraft on scheduled routes and turboprops for local flights.

Aeroflot Group’s fleet by type

<table>
<thead>
<tr>
<th>Manufacturer</th>
<th>As at 31 December 2017</th>
<th>Change 2018</th>
<th>As at 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airbus</td>
<td>5</td>
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</tr>
<tr>
<td>Boeing</td>
<td>4</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>UAC</td>
<td>1</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Airbus A320 (family)</td>
<td>5</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Boeing 737 NG</td>
<td>2</td>
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<td>1</td>
</tr>
<tr>
<td>SSJ100</td>
<td>1</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Airbus A319</td>
<td>1</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Boeing 737 NG</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>SSJ100</td>
<td>3</td>
<td>3</td>
<td></td>
</tr>
</tbody>
</table>

Aeroflot Group’s aircraft fleet

During 2018, Aeroflot Group was actively expanding its operating capacity with 55 new aircraft added to the fleet. Over the same period, Aeroflot Group phased out 14 aircraft: thus, the net fleet increase amounted to 41 aircraft.

As at 2018 year-end, Aeroflot Group operated a fleet of 366 aircraft, with narrow-body medium-haul aircraft comprising the bulk of the fleet (66.7%), narrow-body aircraft for regional flights representing 17.5% of the fleet, and wide-body aircraft for long-haul flights – 15.8%.

Aeroflot Group’s fleet by type as at 31 December 2018 (%)

<table>
<thead>
<tr>
<th>Fleet Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Narrow-body</td>
<td>57.8</td>
</tr>
<tr>
<td>Narrow-body (regional)</td>
<td>66.7</td>
</tr>
<tr>
<td>Narrow-body (medium-haul)</td>
<td>15.8</td>
</tr>
<tr>
<td>Wide-body</td>
<td>17.5</td>
</tr>
</tbody>
</table>

Aeroflot Group’s fleet by airline as at 31 December 2018 (%)

<table>
<thead>
<tr>
<th>Airline</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aeroflot</td>
<td>69.1</td>
</tr>
<tr>
<td>Rossiya</td>
<td>17.8</td>
</tr>
<tr>
<td>Pobeda</td>
<td>6.6</td>
</tr>
<tr>
<td>Aurora</td>
<td>6.6</td>
</tr>
</tbody>
</table>

Aeroflot Group’s aircraft fleet by type

<table>
<thead>
<tr>
<th>Type of aircraft</th>
<th>As at 31 December 2017</th>
<th>Change 2018</th>
<th>As at 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Type</td>
<td>phasing in</td>
<td>phasing out</td>
<td>phasing in</td>
</tr>
<tr>
<td>Airbus A330-200</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Airbus A330-300</td>
<td>17</td>
<td>–</td>
<td>17</td>
</tr>
<tr>
<td>Boeing 777-300</td>
<td>5</td>
<td>–</td>
<td>5</td>
</tr>
<tr>
<td>Boeing 777-300ER</td>
<td>16</td>
<td>6</td>
<td>22</td>
</tr>
<tr>
<td>Boeing 747-400</td>
<td>9</td>
<td>–</td>
<td>9</td>
</tr>
<tr>
<td>Wide-body</td>
<td>52</td>
<td>6</td>
<td>58</td>
</tr>
<tr>
<td>Airbus A319</td>
<td>36</td>
<td>–</td>
<td>36</td>
</tr>
<tr>
<td>Airbus A320</td>
<td>80</td>
<td>11</td>
<td>85</td>
</tr>
<tr>
<td>Airbus A321</td>
<td>38</td>
<td>5</td>
<td>47</td>
</tr>
<tr>
<td>Boeing 737-800</td>
<td>68</td>
<td>20</td>
<td>87</td>
</tr>
<tr>
<td>Narrow-body (medium-haul)</td>
<td>222</td>
<td>36</td>
<td>14</td>
</tr>
<tr>
<td>DHC-6-400</td>
<td>3</td>
<td>–</td>
<td>3</td>
</tr>
<tr>
<td>DHC-8-200</td>
<td>2</td>
<td>–</td>
<td>2</td>
</tr>
<tr>
<td>DHC-8-300</td>
<td>4</td>
<td>–</td>
<td>4</td>
</tr>
<tr>
<td>DHC-8-400</td>
<td>5</td>
<td>–</td>
<td>5</td>
</tr>
<tr>
<td>SSJ100</td>
<td>37</td>
<td>13</td>
<td>50</td>
</tr>
<tr>
<td>Narrow-body (regional)</td>
<td>51</td>
<td>13</td>
<td>64</td>
</tr>
<tr>
<td>Total</td>
<td>325</td>
<td>55</td>
<td>386</td>
</tr>
</tbody>
</table>

* Data exclude An-24 and An-148 aircraft that were not operated by Aeroflot Group in 2017 and 2018.
Aeroflot airline’s aircraft fleet

As at the end of 2018, the flagship airline of Aeroflot Group had 253 aircraft, including 164 narrow-body medium-haul aircraft, and 39 wide-body aircraft.

Airbus A320 family, Boeing 737-800, SSJ100, and Boeing 777-300ER aircraft were added to Aeroflot airline’s fleet in 2018. The net fleet increase amounted to 29 aircraft.

Aeroflot airline’s fleet by type of aircraft as at 31 December 2018 (%)

<table>
<thead>
<tr>
<th>Type of aircraft</th>
<th>As at 31 December 2018</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Narrow-body (regional)</td>
<td>19.8</td>
<td></td>
</tr>
<tr>
<td>Narrow-body (medium-haul)</td>
<td>64.8</td>
<td></td>
</tr>
<tr>
<td>Wide-body</td>
<td>15.4</td>
<td></td>
</tr>
</tbody>
</table>

Subsidiaries’ aircraft fleet

Five Boeing 777-300ERs, one Boeing 737-800, and one Airbus A320 were added to Rossiya airline’s fleet in 2018, resulting in a net fleet increase of four aircraft. As at 2018 year-end, Rossiya operated a fleet of 65 aircraft.

In 2018, Pobeda airline received eight new narrow-body Boeing 737-800 aircraft, expanding its total fleet of Boeing 737-800s to 24 aircraft as at the end of 2018.

Aurora airline’s fleet remained flat year-on-year at 24 aircraft, including narrow-body medium-haul Airbus 319s, as well as DHC-8 and DHC-6 feeder (narrow-body turboprop) aircraft for local flights.

Subsidiaries’ aircraft fleet

<table>
<thead>
<tr>
<th>Type of aircraft</th>
<th>As at 31 December 2017</th>
<th>As at 31 December 2018</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airbus A319</td>
<td>26</td>
<td>25</td>
<td>(1)</td>
</tr>
<tr>
<td>Airbus A320</td>
<td>5</td>
<td>5</td>
<td>–</td>
</tr>
<tr>
<td>Boeing 737-800</td>
<td>16</td>
<td>16</td>
<td>–</td>
</tr>
<tr>
<td>Boeing 747</td>
<td>9</td>
<td>9</td>
<td>–</td>
</tr>
<tr>
<td>Boeing 777-300</td>
<td>5</td>
<td>5</td>
<td>–</td>
</tr>
<tr>
<td>Boeing 777-300ER</td>
<td>–</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Rossiya airline</td>
<td>61</td>
<td>65</td>
<td>4</td>
</tr>
<tr>
<td>Airbus A319</td>
<td>10</td>
<td>10</td>
<td>–</td>
</tr>
<tr>
<td>DHC-6-400</td>
<td>3</td>
<td>3</td>
<td>–</td>
</tr>
<tr>
<td>DHC-8-300</td>
<td>2</td>
<td>2</td>
<td>–</td>
</tr>
<tr>
<td>DHC-8-300</td>
<td>4</td>
<td>4</td>
<td>–</td>
</tr>
<tr>
<td>DHC-8-400</td>
<td>5</td>
<td>5</td>
<td>–</td>
</tr>
<tr>
<td>Aurora airline</td>
<td>24</td>
<td>24</td>
<td>–</td>
</tr>
<tr>
<td>Boeing 737-800</td>
<td>16</td>
<td>24</td>
<td>8</td>
</tr>
<tr>
<td>Pobeda airline</td>
<td>16</td>
<td>24</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>101</td>
<td>113</td>
<td>12</td>
</tr>
</tbody>
</table>

Note: Excluding An-24 and An-148 aircraft that were not operated by the Group in 2017 and 2018.
**AIRCRAFT FLEET**

### Wide-body (Long-haul)

- **Airbus A330-300**
  - 17 aircraft
  - Length: 58.82 m
  - Wingspan: 60.3 m
  - Seating capacity: 229-241
  - Maximum take-off weight: 230,000 kg
  - Engines: RR Trent 772B
  - Flight range: 11,200 km

- **Boeing 777-300ER**
  - 22 aircraft
  - Length: 73.9 m
  - Wingspan: 60.9 m
  - Seating capacity: 373-457
  - Maximum take-off weight: 299,370 kg
  - Engines: RR211 Trent 892
  - Flight range: 11,135 km

### Narrow-body (Long-haul)

- **Boeing 737-800**
  - 87 aircraft
  - Length: 39.5 m
  - Wingspan: 35.8 m
  - Seating capacity: 158–189
  - Maximum take-off weight: 79,015 kg
  - Engines: CFM 56-7B x 2
  - Flight range: 5,765 km

- **Airbus A321**
  - 37 aircraft
  - Length: 36.9 m
  - Wingspan: 35.8 m
  - Seating capacity: 170–183
  - Maximum take-off weight: 89,000 kg
  - Engines: CFM 56-5B
  - Flight range: 3,800 km

### Narrow-body (Regional)

- **SSJ100**
  - 50 aircraft
  - Length: 29.9 m
  - Wingspan: 27.8 m
  - Seating capacity: 87
  - Maximum take-off weight: 45,880 kg
  - Engines: Power Jet SaM146
  - Flight range: 2,400 km

- **DHC 8-400**
  - 5 aircraft
  - Length: 32.8 m
  - Wingspan: 28.4 m
  - Seating capacity: 70
  - Maximum take-off weight: 29,574 kg
  - Engines: PW150A
  - Flight range: 2,532 km

- **DHC 8-300**
  - 4 aircraft
  - Length: 25.7 m
  - Wingspan: 27.4 m
  - Seating capacity: 50
  - Maximum take-off weight: 19,505 kg
  - Engines: PW123
  - Flight range: 1,550 km

### Regional

- **DHC 6-400**
  - 3 aircraft
  - Length: 15.8 m
  - Wingspan: 19.8 m
  - Seating capacity: 19
  - Maximum take-off weight: 5,670 kg
  - Engines: PT6A-27
  - Flight range: 1,800 km

- **DHC 8-200**
  - 2 aircraft
  - Length: 22.2 m
  - Wingspan: 25.9 m
  - Seating capacity: 37
  - Maximum take-off weight: 16,466 kg
  - Engines: PW123 C
  - Flight range: 1,710 km

- **Airbus A319**
  - 35 aircraft
  - Length: 33.8 m
  - Wingspan: 34.1 m
  - Seating capacity: 128–138
  - Maximum take-off weight: 75,500 kg
  - Engines: CFM 56-5A/5B
  - Flight range: 6,800 km

- **DHC 6-400**
  - 3 aircraft
  - Length: 15.8 m
  - Wingspan: 19.8 m
  - Seating capacity: 19
  - Maximum take-off weight: 5,670 kg
  - Engines: PT6A-27
  - Flight range: 1,800 km

### Total Aircraft Count
- 58 aircraft (Wide-body)
- 244 aircraft (Narrow-body)
- 64 aircraft (Regional)
- **Total:** 366 aircraft
PJSC Aeroflot continues to be the largest operator of Russian high-tech aircraft. As part of this major role, over the years, Aeroflot has helped to commission and improve all Russian aircraft models. It is Aeroflot’s top priority to act in the interests of the Russian aviation industry and the country in general. The Company plans to operate 200 Russian-built aircraft by the end of 2026.

→ PJSC Aeroflot and Rostec signed a contract in 2018 for delivery of 50 next-generation passenger aircraft, MC-21. The deal has made Aeroflot the largest operator of MC-21, Russia’s latest medium-range aircraft. The deal was approved by the Annual General Meeting of Shareholders.

→ Aeroflot took delivery of 50th Russian-built SSJ100 aircraft and signed a contract with United Aircraft Corporation for the delivery of 100 more SSJ100s between 2019 and 2026. The final contract will be signed once corporate approvals are obtained in accordance with Russian laws.

In line with its approved the Strategy 2023, Aeroflot Group also plans to expand its fleet of wide-body aircraft, a prerequisite for growing international transfer traffic. A contract has been signed for the delivery of 22 modern Airbus A350 airliners to gradually replace the A330 aircraft currently in operation. The first deliveries are expected in 2020.

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Flight Safety and Aviation Security

Flight safety and aviation security have always been a top priority for Aeroflot Group. Operations of Aeroflot Group airlines comply with the requirements of the Russian civil aviation laws as well as internationally accepted standards and recommended best practices.

Flight Safety

PJSC Aeroflot maintains high flight safety levels. The flight safety index for Aeroflot airline and Aeroflot Group was 99.974% in 2018, exceeding the 2018 target of 99.97% and staying comfortably within the 99.900%-100% top range. The upward trend in flight safety is driven by the preventive measures taken by the Group companies as part of their continued efforts to enhance the flight safety management system.

99.974%
The flight safety index for Aeroflot airline

The Safety Assessment of Foreign Aircraft (SAFA) ratio for Aeroflot airline and Aeroflot Group declined year-on-year in 2018. The improvement was driven by fewer violations reported by EU SAFA ramp inspections. The SAFA ratio for the Group companies meets the EU requirements and does not exceed the Blacklist threshold (Ratio ≤ 0.95). Aurora airline was not subject to any inspections under the SAFA programme as the company did not offer flights to the European region.

Flight safety level for Aeroflot airline (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Safety Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>99.974</td>
</tr>
<tr>
<td>2017</td>
<td>99.970</td>
</tr>
<tr>
<td>2016</td>
<td>99.972</td>
</tr>
<tr>
<td>2015</td>
<td>99.973</td>
</tr>
<tr>
<td>2014</td>
<td>99.976</td>
</tr>
</tbody>
</table>

SAFA ratio for Aeroflot Group airlines, 2018

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>0.24</td>
</tr>
<tr>
<td>2017</td>
<td>0.30</td>
</tr>
<tr>
<td>2016</td>
<td>0.19</td>
</tr>
<tr>
<td>2015</td>
<td>0.09</td>
</tr>
</tbody>
</table>

Note: Aurora airline is not subject to SAFA audits as the company does not offer flights to Europe.

Flight safety level for Aeroflot Group (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Safety Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>99.974</td>
</tr>
<tr>
<td>2017</td>
<td>99.972</td>
</tr>
<tr>
<td>2016</td>
<td>99.976</td>
</tr>
<tr>
<td>2015</td>
<td>99.978</td>
</tr>
<tr>
<td>2014</td>
<td>99.972</td>
</tr>
</tbody>
</table>

SAFA ratio for Aeroflot airline

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>0.30</td>
</tr>
<tr>
<td>2017</td>
<td>0.45</td>
</tr>
<tr>
<td>2016</td>
<td>0.45</td>
</tr>
<tr>
<td>2015</td>
<td>0.21</td>
</tr>
<tr>
<td>2014</td>
<td>0.64</td>
</tr>
</tbody>
</table>
The Company implemented a number of initiatives in 2018 to further develop the flight safety management system, in particular:

→ Information system for integrated processing and storage of PJSC Aeroflot’s flight safety data was further developed, with its functionality expanded
→ Design documents were developed for an R&D and technology project to conduct a feasibility study into developing a predictive model for aviation incidents related to operating PJSC Aeroflot’s aircraft
→ Operating unit managers were certified to use the flight safety management system, and other related activities were carried out.

Inspections run by the Federal Air Transport Agency and Federal Service for Supervision of Transport (Rosaviatsiya) commissions reaffirmed the Company’s ability to operate safe commercial flights as required by the Federal Aviation Rules.

During 2018, PJSC Aeroflot performed internal inspections of:

→ Aeroflot airline’s aircraft in European airports under the SAAF Programme
→ airport refuelling facilities via the IATA Fuel Quality Pool (iFQP)
→ Sheremetyevo airport, including apron inspections and quality of ground handling and maintenance inspections
→ airports within Aeroflot’s airline route network and representative offices of the Company.

Inspection results help the Company identify key risks which are taken into account in continuous improvement of flight safety management. As part of the Company’s flight safety management system, PJSC Aeroflot has in place the Safety Management Committee, whose main responsibilities include risk analysis and development of measures to achieve targets for flight safety and prevention of aviation incidents.

Mitigating the risks of aircraft ground damage is an important objective of improving flight safety. The Company carries out apron inspections and monitors the quality of ground handling services on a daily basis. The Company was involved in testing and commissioning of the new Terminal B at Sheremetyevo airport to ensure the preventive identification of potential gaps in flight safety arrangements covering the airport’s apron and terminal.

Continuous bird activity monitoring and bird scaring activities are carried out at Sheremetyevo airfield in order to prevent bird-strike incidents.

PJSC Aeroflot has in place a voluntary reporting system for employees that can be accessed at the Voluntary Reporting section of the Company’s intranet. All crew feedback is reviewed daily by the Safety Management Department to develop and implement relevant improvements.

PJSC Aeroflot continued to improve its Automated Information System for Integrated Processing, in particular:

→ Operating unit managers were certified to use the flight safety management system, and other related activities were carried out.
→ Design documents were developed for an R&D and technology project to conduct a feasibility study into developing a predictive model for aviation incidents.

The implemented initiatives enabled the Group companies to ensure high safety and security levels before and during the 2018 World Cup.

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The implemented initiatives enabled the Group companies to ensure high safety and security levels before and during the 2018 World Cup.

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The implemented initiatives enabled the Group companies to ensure high safety and security levels before and during the 2018 World Cup.

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The implemented initiatives enabled the Group companies to ensure high safety and security levels before and during the 2018 World Cup.

PJSC Aeroflat continued to improve its Automated Information System for Integrated Processing, in particular:

→ Operating unit managers were certified to use the flight safety management system, and other related activities were carried out.
→ Design documents were developed for an R&D and technology project to conduct a feasibility study into developing a predictive model for aviation incidents.

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Aircraft Maintenance and Repair Stations

Aeroflot Group operates an efficient aircraft maintenance, repair, and overhaul (MRO) system which services the fleet of Aeroflot airline, subsidiary airlines, and third-party aircraft and ensures high reliability, flight safety, and on-time performance.

The MRO policy of Aeroflot Group airlines provides for strict compliance with the requirements of countries of registration, maintenance programmes, and aircraft lease agreements. It is focused on enhancing capacity and technical competencies, rolling out cutting-edge technological solutions, and providing employee training and development opportunities while constantly improving economic efficiency.

Each of the Group companies has departments responsible for airworthiness and maintenance of operated aircraft. The airlines also cooperate with one another under signed agreements.

Aeroflot Group has in place a strategic programme to centralise maintenance of aircraft and components for Aeroflot and subsidiary airlines. The centralisation provides for separating base and line maintenance.

Aeroflot Group has its own maintenance facilities in Moscow Vnukovo and Sheremetyevo airports, as well as in Saint Petersburg, Orenburg, Vladivostok, and Yuzhno-Sakhalinsk airports.

The Group includes A-Technics, a specialist aircraft and component maintenance and repair subsidiary operating maintenance centres in Moscow Vnukovo airport and Orenburg airport.

MRO divisions at PJSC Aeroflot

<table>
<thead>
<tr>
<th>AIRCRAFT MAINTENANCE DEPARTMENT</th>
<th>AIRWORTHINESS DEPARTMENT</th>
<th>QUALITY ASSURANCE DEPARTMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintenance of Aeroflot and other Group airlines’ aircraft</td>
<td>Maintains airworthiness of aircraft operated by Aeroflot airline, manages technical condition of the fleet throughout the entire aircraft life cycle, develops and implements PJSC Aeroflot’s strategy and policy covering aircraft operation</td>
<td>Develops a quality management system for aircraft maintenance and airworthiness</td>
</tr>
</tbody>
</table>
PJSC Aeroflot holds and maintains certificates issued by European, Bermudian, and Russian aviation authorities for maintaining airworthiness of the following types of aircraft and components:

- A320 family (line maintenance, A-check, C-check, 6YE-check)
- Boeing 737 (line maintenance, base maintenance)
- Airbus A330 (line maintenance, A-check, C-check)
- Boeing 777 (line maintenance)
- RRJ-95B (line maintenance, base maintenance)

Scheduled maintenance of all types of operated aircraft is performed under programmes developed in line with guidelines provided by aircraft and key components manufacturers. Maintenance of key aircraft components, such as engines, landing gear, and auxiliary power unit (APU) is performed by third-party contractors.

In 2018, PJSC Aeroflot serviced 136 thousand take-offs at Sheremetyevo (base airport), up 12.1% year-on-year. Labour intensity per flight hour of Aeroflot fleet aircraft was 2.27 hours in 2018 (2.23 in 2017).

Along with its own fleet, PJSC Aeroflot also services third-party customers: around 27 carriers and approximately 42 aircraft maintenance organisations in 2018. Individual maintenance operations, such as maintenance of key aircraft components, are performed by third-party contractors. During 2018, around 57% of Aeroflot airline fleet heavy maintenance operations were performed by in-house maintenance facilities and 43% were subcontracted.

In 2018, Aeroflot continued the construction of Hangar 4 at Sheremetyevo airport, launched in 2017, to perform maintenance and repairs for wide-body Boeing 777s and Airbus A350s, a maintenance annex building, and the foundation for a special-purpose vehicle MRO facility.

A-Technics operations

A-Technics is a specialised aircraft maintenance and repair subsidiary established by Aeroflot Group in 2015. The company is based at Moscow Vnukovo airport, and is certified to EASA standards.

In 2018, A-Technics serviced 37 Rossiya’s aircraft, 30 Aeroflot’s aircraft, and 5 Pobeda’s aircraft, as well as other airlines’ aircraft.

### Labour intensity per flight hour of Aeroflot airline aircraft (man-hour)

<table>
<thead>
<tr>
<th>Year</th>
<th>Labour intensity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>2.27</td>
</tr>
<tr>
<td>2017</td>
<td>2.23</td>
</tr>
<tr>
<td>2016</td>
<td>2.36</td>
</tr>
<tr>
<td>2015</td>
<td>2.39</td>
</tr>
<tr>
<td>2014</td>
<td>2.44</td>
</tr>
</tbody>
</table>

### Take-offs serviced at Sheremetyevo airport (thousand)

<table>
<thead>
<tr>
<th>Year</th>
<th>Take-offs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>136.0</td>
</tr>
<tr>
<td>2017</td>
<td>121.2</td>
</tr>
<tr>
<td>2016</td>
<td>109.5</td>
</tr>
<tr>
<td>2014</td>
<td>103.2</td>
</tr>
<tr>
<td>2013</td>
<td>91.8</td>
</tr>
</tbody>
</table>

### MAINTENANCE CAPABILITIES AT VNUKOVO AIRPORT

- Focus on line and base maintenance for Boeing 737, Boeing 747, Boeing 777, and Airbus A320 family
- Over 460 maintenance specialists averaging 12 years of experience in aircraft MRO
- 13,000 sq m of maintenance facilities (including two wide-body hangars, repair shops)

### ORENBURG BRANCH

- Focus on base maintenance for Boeing 737
- Over 130 maintenance specialists averaging ten years of expertise in aircraft MRO
- Around 4,000 sq m of maintenance facilities (two narrow-body hangars)
- Full range of MRO shops with advanced equipment
Information Technology and Innovation

2018 was a year of consistent digital transformation across Aeroflot Group, covering both customer journeys and experience, and the Group’s entire operations, including management of the Company, aircraft maintenance, and information security.

Information technology

Digital transformation takes place in line with the IT Strategy adopted by PJSC Aeroflot’s Board of Directors on 29 August 2018 to contribute towards the Group’s strategic goal of increasing passenger traffic.

The Company closely liaises with the industry community. In 2018, preparations were made for PJSC Aeroflot to join the Digital Transformation and Logistics Association focused on driving digital transformation across the transportation industry, as well as on creating and developing a single multimodal digital transportation and logistics environment across Russia.

Aeroflot introduced new payment options for air tickets and value-added services through advanced payment services such as Samsung Pay and Google Pay, as well as a smartphone recognition module.

The new Passenger’s wallet functionality is a convenient way for passengers to store tickets, boarding passes, and Aeroflot’s loyalty cards.

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Aeroflot received a prestigious award at the CNews AWARDS 2018 for the Transportation Industry IT Project of the Year, consisting of the successful implementation of the new air service distribution standard, NDC, developed by the International Air Transport Association (IATA).

IMPROVED SECURITY

The BluePhase of the Two-Factor Authentication project was implemented to improve security of Aeroflot’s customers. To login, users need to enter a confirmation code received via the SMS info service.

Aeroflot’s team confirmed its status of the strongest airline team by winning the first prize for the Competent Project Office.

IN-FLIGHT ENTERTAINMENT

Aeroflot launched a new service allowing passengers with access to free entertainment content on personal mobile devices on board twenty-six of its A320 aircraft.

NEW PAYMENT OPTIONS

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NEW VALUE-ADDED SERVICES

Aeroflot has been actively developing its programme to sell value-added services to customers. Aeroflot introduced class upgrades and other paid options for travellers on low fares. Aeroflot also launched a new service allowing passengers to book extra seat space on the day of arrival and a new À la Carte Menu paid service.

MULTIMEDIA CONTACT CENTRE

The functionality of Aeroflot’s contact centre was considerably expanded to optimise the work routine for operators and reduce response times, including a new dedicated hotline for passengers with disabilities and a dedicated information service to advise passengers on their baggage status and handle customer calls. Certain improvements were made to flight booking via Aeroflot’s pay-by-phone service. 3,200 operators serve passengers during the high season. About 6 million calls were handled during the year, including in six foreign languages.
In 1972, Aeroflot launched a booking system, Sirena-1. Before it was introduced, purchasing a ticket sometimes took as long as two or three days.

In 1969, the first in-flight TV services using video cards now also accepted for payment.
INNOVATIVE DEVELOPMENT

DEVELOPING AND TESTING A METHODOLOGY TO EVALUATE DIFFERENT COMPONENTS OF AEROFLOT’S WEBSITE DESIGN BASED ON EYE TRACKING STUDIES

The methodology for evaluating different components of Aeroflot’s website design will help examine the functionality of website design elements and modify them based on feedback from potential customers. The new solution will help improve customer satisfaction from the online ticketing journey and valued-added service purchasing journeys.

CONSTRUCTION OF A NEW, COMPLETELY UNIQUE FOR RUSSIA, ADVANCED HANGAR FACILITY

The construction of Hangar 4 at Shheremetyevo airport to provide aircraft maintenance and repair services was continued in 2018 to drive operational efficiencies through reduced aircraft maintenance downtime. The hangar will provide maintenance services for Boeing 777-300ER aircraft that can fit into PJSC Aeroflot’s existing hangars. The project will create new jobs and help reduce aircraft maintenance and engine change downtime, as well as reduce outsourcing by expanding the range of in-house maintenance services for Aeroflot’s aircraft. Hangar 4 is a unique facility which was granted a useful model patent for an Aircraft Maintenance Hangar.

INFORMATION TECHNOLOGY AND INNOVATION

STUDYING INDIVIDUAL RATES OF TECHNICAL SKILL DEGRADATION OF PILOTS BY ANALYSING THE DATA ON HAZARDOUS FLIGHT DEVIATIONS BASED ON FLIGHT INFORMATION

The project provides for developing a set of criteria to identify degradation in manual aircraft control skills of pilots based on flight information, as well as identifying and analysing flight deviations in the database. A plan for the development of special software to track degradation in manual aircraft control skills of pilots for subsequent provision of individually tailored flight simulator training was prepared as part of the project.

STUDYING RISK FACTORS IN PASSENGER AIR TRANSPORT

Aeroflot studies risk factors in passenger air transport in order to enhance its corporate risk management and strategic planning. The identified risk factors are used to update Aeroflot Group’s Risk Register, the list of risks related to the Long-Term Development Programme, and key risks related to the refreshed strategy.

STUDYING INTERNATIONAL AND NATIONAL ENVIRONMENTAL REGULATIONS AND THEIR IMPLICATIONS FOR THE COMPANY’S GROWTH STRATEGY

The Company reviewed national and international climate change regulations, their focus areas, and associated risks to predict potential impact on its operations. The proposed adjustments to the Company’s strategy resulting from the review will help Aeroflot comply with national and international climate change regulations, including through improving its Carbon Disclosure Project (CDP) score. To that end, PJSC Aeroflot is building a corporate greenhouse gas (GHG) emissions management system with a focus on monitoring direct and indirect GHG emissions and GHG reporting under ISO 14064. The project will also result in a set of targets for the reduction of the Company’s climate footprint.

As part of activities to build an innovative ecosystem, Aeroflot continued enhancing its one-stop-shop system implemented in 2017 to manage innovations proposed by small and medium-sized enterprises (SMEs). The system automates submission, processing, and decision-making processes for innovative proposals.

It has already helped process 46 proposals from SMEs and other innovation partners, including 30 proposals in 2018. The Committee for Innovative Development of PJSC Aeroflot’s Management Board comprises one-stop-shop experts, including from Rossiya and Aurora subsidiary airlines.

Aeroflot’s History

In 1975, Aeroflot first used computer technology to develop its annual domestic schedule, already comprising over four thousand flights by that time.

In 2003, Aeroflot switched to an automated booking system by Sabre.

In 2007, Aeroflot introduced e-tickets for domestic flights and for its international agent network using global distribution systems.
Aeroflot Group sells tickets both in Russia and abroad through a variety of channels, including Aeroflot airline’s website and mobile app. At its website, Aeroflot sells tickets both for its own flights and flights of Rossiya and Aurora subsidiary airlines operated under Aeroflot’s single airline code. Tickets are also sold through Aeroflot’s agents operating under direct agency agreements, agents participating in independent systems (BSP, ARC, Transport Clearing House (TCH)), own sales offices, and call centre.

Pobeda airline sells tickets independently through its own website, as well as online agencies. Management of flight loads for services operated by subsidiary airlines under codeshare agreements enables PJSC Aeroflot to centralise management for sales, revenue, route network, and fleet planning across the Group.

The development of online sales channels continued in 2018, with the share of online and call centre sales growing from 33.4% in 2017 to 34.7% in 2018. Channel-wise, agents remain the biggest contributor to sales (60.0%) while own sales offices accounted for 5.3% of total sales.

In addition to tickets, customers can use the Company’s website to purchase value-added services, such as medical insurance, transfer from an airport, and other services. The sales of value-added services grew by 69.4% year-on-year while own sales offices accounted for 5.3% of total sales.

Aeroflot airline maintains ongoing communication with agents to inform them of new routes and holds meetings with major agents. Special exclusive rates and reward programmes such as an additional distribution fee for agents in Russia and an additional incentive programme for international agents are used to incentivise agents with a potential to boost sales for new routes and high-capacity flights.

### Sales in Russia

In Russia, Moscow (65.4%) accounted for the largest share in PJSC Aeroflot’s total sales in 2018, with Saint Petersburg (21.0%) and the Russian Far East also making a significant contribution.

The share of sales through agents in Russia was down year-on-year due to growing online sales. The share of sales through independent settlement systems totalled 69.3% while sales through agents operating under direct agency agreements remained almost flat at 18.9% and sales through own sales offices increased to 11.8%.

#### Geographical split of PJSC Aeroflot’s domestic sales revenue in 2018 (%)

- **Moscow**: 65.4%
- **Saint Petersburg**: 18.9%
- **Vladivostok**: 12.7%
- **Other cities**: 3.9%

#### Top 5 cities (excluding Moscow) by contribution to PJSC Aeroflot’s domestic sales revenue in 2018 (%)

- **St Petersburg**: 21.0%
- **Vladivostok**: 14.7%
- **Khabarovsk**: 9.5%
- **Kaliningrad**: 6.4%
- **Yuzhno-Sakhalinsk**: 5.9%
- **Kamchatka**: 4.2%

#### Breakdown of PJSC Aeroflot’s sales revenue (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic Sales</th>
<th>Online and call centre sales</th>
<th>International sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>34.7</td>
<td>33.4</td>
<td>31.9</td>
</tr>
<tr>
<td>2017</td>
<td>34.4</td>
<td>33.4</td>
<td>32.2</td>
</tr>
<tr>
<td>2016</td>
<td>33.4</td>
<td>34.4</td>
<td>32.2</td>
</tr>
<tr>
<td>2015</td>
<td>33.4</td>
<td>34.4</td>
<td>32.2</td>
</tr>
<tr>
<td>2014</td>
<td>33.4</td>
<td>34.4</td>
<td>32.2</td>
</tr>
</tbody>
</table>

#### PJSC Aeroflot’s sales by channel (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Agents and own sales offices in Moscow</th>
<th>Agents and representative offices in regions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>65.4</td>
<td>34.6</td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Online sales and sales via the call centre are affected both in Russia and abroad.
**International sales**

Agent sales through independent settlement systems (BSP, ARC, and TCH) comprise the bulk (90.7%) of PJSC Aeroflot’s international sales revenue. Sales through agents under direct agency agreements totalled 5.1%, and sales via own offices contributed 4.2%.

Split by region, Europe was the biggest contributor to Aeroflot’s total international sales in 2018 (50.4%), followed by Asia (24.5%), the Americas (12.1%), the CIS (8.0%), and the Middle East (5.0%).

Operations in international markets are focused on:
- ramping up ticket sales on international transit routes between Europe and Asia
- signing incentive fee agreements with major agents in the relevant markets to drive sales of tickets for Aeroflot’s flights
- developing corporate sales (targeting major foreign companies with assets in Russia or using Moscow as a transit point for business trips between Europe and Asia or Europe and the CIS)
- optimizing cost per ticket sold.

**Corporate sales**

PJSC Aeroflot continued developing corporate sales in 2018. Aeroflot’s corporate customers include a variety of oil and gas, finance, pharmaceutical, retail, food, construction, and other companies.

PJSC Aeroflot offers a variety of cooperation options:
- Corporate Loyalty Programme – a reward programme for SMEs (excluding travel companies)
- Direct agreement with PJSC Aeroflot for servicing corporate customers in Aeroflot’s sales offices in Moscow and other Russian cities
- Corporate agreement involving an agent for servicing corporate customers in one or more specialist travel agencies.

**Building a shared airline retailing environment under the NDC programme**

In 2018, the development of a project to build an integrated airline retailing environment to NDC standard was continued. The New Distribution Capability (NDC) programme is aimed at transforming the way air products are distributed and customising them to each customer’s specific budget and preferences. NDC enables customers to purchase all Aeroflot’s value-added services directly via metasearch engines and agents accessing Aeroflot’s NDC gateway. The implementation of NDC will help the Company boost revenue through higher sales of value-added services and lower selling costs.

As at 2018 year-end, Aeroflot’s NDC system already comprised metasearch engines Skyscanner, Aviasales, Momondo, Dohop, Airinme, Yandex Asia.
Improving Customer Service and Brand Management

Aeroflot is one of the most recognisable brands both in Russia and globally. The Company successfully maintains its high international profile through a relentless focus on the customer experience of its services and the commitment of its highly professional marketing team.

Customer excellence

One of Aeroflot Group’s key priorities is enhancing its airport and in-flight customer service. The Group airlines are constantly seeking new opportunities to improve their customer service, and conduct product quality audits at all levels, including internationally.

Over 97% of customers who called Aeroflot airline’s contact centre during 2018 gave the highest scores for our customer service (4 and 5 on a 5-point scale), 12% above the target set by COPC Customer Experience Standard 2016.

SkyPriority branded priority airport services were rolled out in 2018 across the entire route network of Rossiya airline and in the departure airports of Aurora airline, the Group’s carrier offering services in the Russian Far East.

ONLINE SERVICES (WEBSITE, MOBILE WEBSITE, AND MOBILE APP)

An online chat was launched on the website for passengers with disabilities to order special services, as well as an option to order the Shoulder Belt service online.

Website and mobile app functionalities were expanded to enable the following services:

- Displaying alternative flights for selected dates
- A joint travel programme by Aeroflot and German Deutsche Bahn railway company
- A President Seats service on Aeroflot, Rossiya, Aurora flights
- Sales of Aeropress travel tickets after online check-in
- An À la Carte Menu paid service for economy class (on flights lasting seven hours or more)
- Saving Aeroflot Bonus members’ bidding documents (“Flat-Leggo” service)
- An interactive map of airports within Aeroflot’s airline route network
- Voice search for tickets
- Automated ticket exchange/refund
- An option to enter ID data via a mobile device camera
- Expanded mobile payment options
- Aeroflot’s mobile app localised in German and Italian.

New partners were added to the NDC programme: VanLee Flights, Skyscanner, Aviasales, momondo, KAYAK, Dohop, Airinme (Pay Easily) feature.

Airports were receiving queries on their baggage status or customer query/request status, and to support the services offered via the Board Connect in-flight entertainment system. The pay-by-phone service was improved.

Contact centres were established to assist passengers with disabilities. Advisory teams were established to advise passengers on their baggage status or customer query/request status, and to support the services offered via the Board Connect in-flight entertainment system.

Key focus areas of customer service enhancements in 2018

Aeroflot was once again ranked the strongest airline brand globally according to Brand Finance in 2018.

In-flight services

Full flat-bed seats were installed for business class passengers in four Airbus A330-300 aircraft. Streaming in-flight entertainment system was made available for economy class passengers in 26 Airbus A320 family aircraft.

Selection of drinks and beverages was expanded, and a cocktail menu was updated in business class. Menu was enhanced in comfort class. Snack bars are now available in wide-body aircraft on flights lasting six hours or more, and an à la carte menu is offered in the economy class on flights of seven hours or more. New tableware is being designed by the Imperial Porcelain Manufactory.

To celebrate Aeroflot’s 95th anniversary, anniversary-themed products were offered to customers (thermal chocolate bars, anniversary dishes on the menu, wine lists and menus in vintage style).

A shoulder belt service was introduced for passengers with disabilities.

Subsidiary airlines: Rossiya airline introduced amenity kits for business class passengers, as well as children’s kits on flights lasting six hours or more, continued its passenger cabin interior redesign programme, and a streaming in-flight entertainment system was made available on all flights from Sheremetyevo. Aurora airline expanded its Sky Bistro à la carte menu for improved in-flight experience, and added content streaming service to its Aurora Entertainment system.

Airport services

Passenger processes were set up at Sheremetyevo’s Terminal B for domestic flights.

On-time private service line was launched in Terminal B for business class passengers and holders of Aeroflot Bonus and SkyTeam Elite and Elite Plus loyalty cards.

A number of procedures were developed and rolled out in Sheremetyevo to accelerate preflight screening, and tables were used to reduce queues at Lost and Found desks.

Rossoyta’s own branded service and information centre was established in Pulkovo airport’s check-in area.

Service

Just a dedicated hotline was established to assist passengers with disabilities.

Advisory teams were established to advise passengers on their baggage status or customer query/request status, and to support the services offered via the Board Connect in-flight entertainment system.

In 1939, 20-year old Muscovite Elza Gorodetskaya became Aeroflot’s first flight attendant, serving on board the Moscow–Ashgabat flight. In 1954, flight attendants on Aeroflot’s international routes received their first uniform. In 1967, the Sheremetyevo airport established a separate Flight Attendant Service.
Aeroflot conducts a number of annual marketing surveys to further enhance its services and the competitiveness of its product offering, as well as to improve customer loyalty and customer satisfaction.

Another assessment of the Net Promoter Score (NPS) was carried out together with Bain & Company in 2018. Aeroflot’s NPS score has grown by over 50% since measurements first started nine years ago.

A customer satisfaction assessment was conducted as part of IATA’s Airline Cargo Quality Audit in 2018. The average level of compliance across the Company was 89.5%, with upward trends observed in metrics across all customer service stages.

Aeroflot’s NPS performance has improved year over year, from 72 in 2017 to 74 in 2018.

Aeroflot Bonus

Aeroflot Bonus programme was voted the winner in four categories at the Freddie Awards 2018

Best Elite Program
Best Redemption Ability
Best Customer Service
The greatest development potential in the region

Aeroflot Bonus members (million)

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>8.3</td>
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<tr>
<td>2017</td>
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</tr>
<tr>
<td>2016</td>
<td>5.1</td>
<td>5.4</td>
<td>4.6</td>
</tr>
</tbody>
</table>

Note: Data as at the year end

Marketing communications

Aeroflot continued its marketing campaigns in 2018, launching a number of new initiatives. A special focus during the year was placed on sponsoring major cultural and business events in Russia.

Aeroflot supported Classics at the Palace Square gala of world-famous opera stars held as part of Saint Petersburg’s 315th anniversary celebrations. In autumn 2018, The Company participated in the 8th Circle of Light Moscow International Festival held under the auspices of the Moscow Government.

Aeroflot acted as the official carrier for high-profile business forums such as the Russian Investment Forum, the St. Petersburg International Economic Forum, and the Eastern Economic Forum. Aeroflot supported Classics at the Palace Square gala of world-famous opera stars held as part of Saint Petersburg’s 315th anniversary celebrations. In autumn 2018, The Company participated in the 8th Circle of Light Moscow International Festival held under the auspices of the Moscow Government.

Aeroflot actively adopts and utilises Big Data solutions to tailor its range of goods and products from non-industry partners and customer satisfaction:

Aeroflot’s NPS performance has improved year over year, from 72 in 2017 to 74 in 2018.

Aeroflot Bonus programme was voted the winner in four categories at the Freddie Awards 2018.
Aeroflot strives to maximise financial and operational efficiency. The Company is currently implementing cost control measures to support its leading position among global airlines by CASK.
2018 was another year of operational growth for Aeroflot Group – increased passenger traffic and passenger turnover were the key drivers of a 14.8% revenue expansion to RUB 611.6 billion. The Group demonstrates sustainable long-term growth. At the same time, there is a decline in profitability compared to the previous years. In a historical context, 2018 financial performance proves that the unprecedented pressure on costs from macroeconomic factors complemented the normalisation of profitability amid the growing competition within the sector in 2017.

The record growth of the average cost of jet fuel and the depreciation of the rouble were the key factors that influenced the Group’s financial performance in 2018. Across Aeroflot Group, jet fuel prices increased by 36.1% year-on-year, which led to the additional RUB 48.3 billion worth of cost given the Group’s current consumption volumes. The depreciation of the rouble put additional pressure on financial results, given that almost half of the Group’s costs are denominated in foreign currencies.

A special optimisation programme was launched in addition to the existing measures to boost operational efficiency and reduce costs. Along with direct cost reduction, the programme focused on active capacity and revenue management and has already delivered strong results: excluding fuel, CASK for the full year increased by only 0.8% despite increasing currency pressure on FX-denominated cost lines. We were therefore able to limit the increase in total unit operating costs, including fuel, to 9.2%. Although consumers are being conservative with their travel spending, the Group was able to generate a 4.9% growth of RASK while also maintaining stable load factor levels.

In 2018, due to its extensive optimisation programme, the Group was able to record a profit of RUB 5.713 billion despite the record increase in jet fuel prices complemented by the rouble depreciation.

In 2018 Aeroflot Group’s revenue increased by 14.8% year-on-year to RUB 611.570 million. Revenue from scheduled passenger flights increased by 16.1% year-on-year to RUB 496,454 million, driven by an increase in passenger traffic. Revenue growth was also affected by an increase in yields, primarily on international routes, due to the rouble depreciation against the euro and a corresponding adjustment to FX-denominated revenue.

Revenue from charter flights was up 22.6% year-on-year to RUB 37,838 million primarily due to an increase in unit yields on charter flights and the expansion of Rossiya airline’s charter programme. The share of charter flights in the Group’s total revenue increased to 6.2% from 5.8% in 2017.

Cargo revenue grew by 14.4% year-on-year to RUB 18,900 million following a 11.2% increase in cargo and mail volumes.

In 2018 Aeroflot Group’s revenue increased by 14.8% year-on-year to RUB 611.570 million. A rise in FX-denominated revenues from airline agreements was offset to a significant degree by a decrease in revenue from maintenance of other airlines’ aircraft, as well as the introduction of the new IFRS 15 standard which affected the classification of service fees for reservation changes as other revenue or revenue from scheduled passenger flights.

Revenue growth decomposition (RUB million)

Revenue breakdown, 2017 (%)

Revenue breakdown, 2018 (%)

Other revenue increased by 0.6% year-on-year to RUB 58,378 million. A rise in FX-denominated revenues from airline agreements was offset to a significant degree by a decrease in revenue from maintenance of other airlines’ aircraft, as well as the introduction of the new IFRS 15 standard which affected the classification of service fees for reservation changes as other revenue or revenue from scheduled passenger flights.

Revenue growth decomposition (RUB million)

Revenue

Scheduled flights

Charter flights

Cargo

Other revenue

Revenue in 2018

Scheduled flights

Charter flights

Cargo

Other revenue

Revenue in 2017

IFRS financial highlights (RUB million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
<th>EBITDA</th>
<th>EBITDAR</th>
<th>Operating profit margin</th>
<th>EBITDA margin</th>
<th>Net profit margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>359,771</td>
<td>9,3</td>
<td>52,33</td>
<td>3.5%</td>
<td>14.8%</td>
<td>–</td>
</tr>
<tr>
<td>2015</td>
<td>415,373</td>
<td>18,4</td>
<td>49,57</td>
<td>12.8%</td>
<td>15.7%</td>
<td>7.8%</td>
</tr>
<tr>
<td>2016</td>
<td>495,880</td>
<td>14,8</td>
<td>61,15</td>
<td>7.6%</td>
<td>12.9%</td>
<td>3.5%</td>
</tr>
<tr>
<td>2017</td>
<td>532,934</td>
<td>32,1</td>
<td>121,8</td>
<td>3.2%</td>
<td>22.9%</td>
<td>(2.9) p.p.</td>
</tr>
<tr>
<td>2018</td>
<td>611,570</td>
<td>33,598</td>
<td>122,479</td>
<td>(3.9) p.p.</td>
<td>121,808</td>
<td>(75.2) p.p.</td>
</tr>
</tbody>
</table>

Note: Hereinafter, EBITDAR = EBITDA + operating lease expenses. EBITDA = operating profit + depreciation and amortisation + customs duties.
Yields
In 2018, scheduled flight yields increased by 5.0% year-on-year including yields on international destinations (by 8.2%) and yields on domestic destinations (by 0.9%). Yields were mainly influenced by the competitive environment in the market and the need for gradual transfer of fuel costs into yields through adjusting the fuel surcharge. Another Group-wide driver was the accelerating development rate of Pobeda airline which, being a low-cost carrier, provides air transportation with lower yields. It is important to note that a low-cost carrier can have low yields due to cost efficiency (low CASK), which helps ensure profitability of transportation operations in the low-cost segment.

Domestic yields demonstrated growth with RASK increasing by 3.5% year-on-year due to higher load levels. Yields experienced pressure from the introduction of flat fares for Rossiya airline’s flights to the Far East to improve affordability of air travel to remote regions.

International yield increase primarily resulted from the foreign exchange effect as all fare groups (for outbound and inbound flights and for international transfer) are denominated in foreign currencies. In particular, during the year, the rouble depreciated by 12.2% against the euro and by 7.5% against the US dollar (RUB 65.9 per EUR and RUB 58.4 per USD in 2017; RUB 74.0 per EUR and RUB 62.7 per USD in 2018). Moreover, unlike domestic flights, the passenger load factor decreased leading to RASK in this segment growing by 6.0%, slower than the yield.

In 2018, aviation fuel costs increased by 48.2% year-on-year to RUB 181,864 million. The increase was driven by a 36.1% year-on-year growth of rouble-denominated average price of aviation fuel amid changes in the price of oil, as well as an increase in traffic and flight hours. Thus, the change in rouble-denominated jet fuel price only (including the change in US dollar-denominated price and rouble depreciation) put a RUB 48,255 million worth of pressure on the Group’s profitability.

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Excluding aviation fuel costs, operating costs increased by 10.9% year-on-year to RUB 410,049 million.

Aircraft and passenger servicing costs totalled RUB 108,589 million, up 12.6% year-on-year, due primarily to the growth of passenger traffic and increased airport taxes. The increase of this cost item was constrained by the servicing cost optimisation efforts.

Operating Costs
Operating costs (RUB million)

<table>
<thead>
<tr>
<th>Category</th>
<th>2017</th>
<th>2018</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aircraft, traffic, and passenger servicing</td>
<td>96,418</td>
<td>108,589</td>
<td>12.6</td>
</tr>
<tr>
<td>% of revenue</td>
<td>18.1</td>
<td>17.8</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Staff</td>
<td>82,801</td>
<td>82,817</td>
<td>0.0</td>
</tr>
<tr>
<td>% of revenue</td>
<td>15.5</td>
<td>13.3</td>
<td>(2.2)</td>
</tr>
<tr>
<td>Operating lease</td>
<td>65,793</td>
<td>88,881</td>
<td>36.1</td>
</tr>
<tr>
<td>% of revenue</td>
<td>12.3</td>
<td>14.5</td>
<td>2.2</td>
</tr>
<tr>
<td>Aircraft maintenance</td>
<td>39,433</td>
<td>49,527</td>
<td>25.0</td>
</tr>
<tr>
<td>% of revenue</td>
<td>6.8</td>
<td>7.4</td>
<td>0.6</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>36,329</td>
<td>31,943</td>
<td>(12.2)</td>
</tr>
<tr>
<td>% of revenue</td>
<td>6.8</td>
<td>5.2</td>
<td>(1.6)</td>
</tr>
<tr>
<td>Depreciation, amortisation and customs duties</td>
<td>15,604</td>
<td>13,941</td>
<td>(10.7)</td>
</tr>
<tr>
<td>% of revenue</td>
<td>2.3</td>
<td>1.3</td>
<td>(0.6)</td>
</tr>
<tr>
<td>Communication expenses</td>
<td>14,795</td>
<td>15,584</td>
<td>5.3</td>
</tr>
<tr>
<td>% of revenue</td>
<td>2.8</td>
<td>2.5</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Other expenses</td>
<td>21,805</td>
<td>22,987</td>
<td>5.1</td>
</tr>
<tr>
<td>% of revenue</td>
<td>4.1</td>
<td>3.8</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Operating costs, excluding aviation fuel</td>
<td>369,889</td>
<td>410,049</td>
<td>10.9</td>
</tr>
<tr>
<td>% of revenue</td>
<td>69.4</td>
<td>67.0</td>
<td>(2.3)</td>
</tr>
<tr>
<td>Aviation fuel</td>
<td>122,685</td>
<td>181,864</td>
<td>48.2</td>
</tr>
<tr>
<td>% of revenue</td>
<td>23.7</td>
<td>18.7</td>
<td>6.7</td>
</tr>
<tr>
<td>Total operating costs</td>
<td>492,523</td>
<td>591,913</td>
<td>20.2</td>
</tr>
<tr>
<td>% of revenue</td>
<td>92.4</td>
<td>98.8</td>
<td>4.4</td>
</tr>
</tbody>
</table>
Cost per Available Seat-Kilometre (CASK)

Total cost per available seat-kilometre (CASK) increased by 9.2% to RUB 3.42, which is explained almost exclusively by the growing jet fuel prices. To offset this price growth, the Company implemented a large-scale savings programme which led to controllable CASK (CASK excluding jet fuel) rising by only 0.7% to RUB 2.37. Taking into account the rouble depreciation against US dollar and euro, and the fact that a series of major cost items including operating lease, aircraft maintenance and repair, and airport taxes abroad are fully or partially denominated in foreign currencies, this programme may be considered a success.

Decomposition of changes in operating costs (RUB million)

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel (rouble-denominated)</td>
<td>48,255</td>
<td>46,231</td>
<td>4.3</td>
</tr>
<tr>
<td>Fuel (volume growth)</td>
<td>10,924</td>
<td>10,924</td>
<td>0.0</td>
</tr>
<tr>
<td>Other operating costs</td>
<td>40,211</td>
<td>40,211</td>
<td>0.0</td>
</tr>
<tr>
<td>Total Operating costs</td>
<td>99,380</td>
<td>93,676</td>
<td>6.2</td>
</tr>
</tbody>
</table>

Depreciation, amortisation and customs duties decreased by 10.7% year-on-year to RUB 13,941 million due to a lower number of aircraft under finance lease agreements.

Communication expenses including the services of global distribution systems totaled RUB 15,584 million having increased insignificantly by 5.3%, which is lower than the operations growth, thus leading to savings under this cost item.

Other expenses were up 5.1% year-on-year.

EBITDAR and EBITDA

Following the impact of the above drivers, earnings before interest, taxes, depreciation, amortisation, and operating lease expenses (EBITDAR) amounted to RUB 122,479 million, while EBITDAR margin stood at 20.0% (22.9% in 2017).

In 2018, EBITDAR totaled RUB 33,598 million. EBITDA margin decreased to 5.5% (10.5% in 2017). These changes reflect the fuel and FX pressure on the Company’s performance, detailed earlier.

Finance income and costs

In 2018, finance income decreased by 41.6% year-on-year to RUB 4,164 million, which reflects lower foreign exchange gains and the general trend of lower interest rates in the Russian economy leading to lower interest income from placement of available cash.

Finance costs decreased by 3.9% year-on-year to RUB 7,904 million, mainly due to the reduction in loan interest expense following debt levels falling significantly in 2017. The hedging result of RUB 6,788 million is the effect of revenue hedging with liabilities in US dollars (finance lease liabilities).
### Cash flows from operating activities

In 2018, net cash flows from operating activities reached RUB 19,495 million while profit before income tax amounted to RUB 9,934 million.

The record growth of the average cost of jet fuel was also one of the main factors that impacted the 2018 profit before income tax.

Key non-cash adjustments of profit before income tax made to net cash flows from operating activities for 2018 were related to:

- changes in provisions, mainly attributable to accrual of the provision for scheduled maintenance and repair of aircraft, and the provision for doubtful accounts;
- hedging result – the effect of revenue hedging with liabilities in foreign currency (reflection of the FX effect of finance lease revaluation in the reporting period);
- depreciation and amortisation.

### Working capital

In 2018, working capital change was RUB 6,321 million. Increase in accounts receivable and prepayments in the amount of RUB 15,916 million had the most significant impact backed by the growth of revenue and prepayments made by Aeroflot under the operating lease of 18 aircraft in 2018.

Cash flows from operating activities were largely affected by an increase in accounts payable and accrued liabilities, amid the growth in operating costs by 20.2% in 2018.

### Free cash flow

In 2018, free cash flow totalled RUB 24,337 million. The year-on-year decline was mainly due to the growing average cost of jet fuel. Prepayments for aircraft leased in 2018, repayment of operating lease security deposits, and growing capital expenditure were among other factors.
**Capital expenditure**

In 2018, purchases of property, plant and equipment, and intangible assets totalled RUB 13,131 million. Purchases of property, plant and equipment were mainly relating to aircraft and aircraft engine overhaul, and the procurement of aircraft engines, aircraft, and equipment.

**Non-current assets**

In 2018, non-current assets increased by 10.4% and reached RUB 171,308 million due to an increase in prepayments for aircraft and other non-current assets, mainly following higher prepayments to organise operating lease transactions.

**Current assets**

Current assets decreased by 13.6% to RUB 145,318 million. The change was mainly due to the reduction of cash and cash equivalents.

**Equity**

In 2018, equity, including non-controlling interest, decreased to RUB 45,335 million (RUB 67,299 million in 2017). The key reason behind this change was a RUB 8,698 million increase in the hedging reserve, which comprised revaluation of derivatives under IAS 39 and revaluation of finance lease liabilities. Furthermore, the equity was impacted by a RUB 7,040 million increase in treasury shares reserve due to the purchase of treasury shares from voting shareholders who voted against a significant interested party transaction (operating lease of 50 new MC 21 300 airliners) or did not vote on this matter.

**Debt and liquidity**

As at 31 December 2018, total debt decreased by 6.8% year-on-year to RUB 97,618 million. The main changes in non-current liabilities were related to a decrease in finance lease liabilities in the amount of RUB 6,698 million mainly due to the disposal of aircraft, and an increase in provisions for liabilities in the amount of RUB 6,804 million primarily due to an increase in provisions for scheduled maintenance and repair.

**FINANCIAL RESULTS**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases of PPE and intangible assets</td>
<td>(7,681)</td>
<td>(13,131)</td>
</tr>
<tr>
<td>Proceeds from sale of assets held for sale</td>
<td>1,856</td>
<td>4,203</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>88</td>
<td>93</td>
</tr>
<tr>
<td>Net capital expenditure</td>
<td>(5,737)</td>
<td>(8,835)</td>
</tr>
</tbody>
</table>

**Change in prepayments for aircraft (non-current portion) (RUB million)**

<table>
<thead>
<tr>
<th>31.12.2018</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Advances paid</td>
<td>12,380</td>
</tr>
<tr>
<td>Non-current prepayments reclassified to current prepayments</td>
<td>(4,261)</td>
</tr>
<tr>
<td>Exchange rate differences</td>
<td>(60)</td>
</tr>
<tr>
<td>31.12.2017</td>
<td>13,089</td>
</tr>
</tbody>
</table>

**Change in prepayments for aircraft (current portion) (RUB million)**

<table>
<thead>
<tr>
<th>31.12.2018</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Advances paid</td>
<td>1,509</td>
</tr>
<tr>
<td>Non-current prepayments reclassified to current prepayments</td>
<td>4,261</td>
</tr>
<tr>
<td>Advances returned</td>
<td>(23,966)</td>
</tr>
<tr>
<td>Exchange rate differences</td>
<td>(187)</td>
</tr>
<tr>
<td>Reclassification</td>
<td>(1,130)</td>
</tr>
<tr>
<td>31.12.2017</td>
<td>25,286</td>
</tr>
</tbody>
</table>
Aeroflot acts in the interests of all stakeholders, and participates in charity and environmental protection projects. Throughout its 95-year history Aeroflot has actively contributed to Russia’s economic and social development by providing interregional and international air transportation.
Approach to Sustainable Development

As Russia’s largest carrier and one of Europe’s leading airlines, Aeroflot Group is fully aware of its responsibility to society and is committed to sustainable development, striving to conduct its business with due respect for the interests of all stakeholder groups, including passengers, employees, shareholders, and investors.

Aeroflot complies with all applicable HR and HSE legislation in its commitment to meeting the highest global standards for corporate social responsibility.

The company is additionally committed to supporting the SkyTeam Corporate Social Responsibility Statement by achieving sustainable economic prosperity, protecting the natural environment, and promoting social responsibility towards employees.

PJSC Aeroflot’s Public Council continued its work in 2018. The Council is a consultative and advisory body helping the company formulate its policy on key sustainability issues with due regard for the interests of society. The Council consists of 24 members who serve as unpaid volunteers. They include people from the business community, mass media, civil society organisations, and industry associations, as well as artists, and athletes.

The Public Council produces recommendations concerning industry regulation and development for government bodies. The Public Council helps Aeroflot promptly address the interests of society, make suitable strategic decisions following changes in the external environment, and consistently enhance service offerings in response to the requests of passengers and the general public.

In 2018, meetings of the Public Council focused on the new Aeroflot Group Development Strategy 2023, titled 100 Million Passengers by Our 100th Anniversary (100 by 100). The Public Council also discussed the prospects of the flat fare programme run by Aeroflot since 2015 providing affordable connections to Far Eastern cities, Simferopol, and Kaliningrad.

Yet another important topic discussed at the Public Council meetings was strengthening compliance with air transport rules. Aeroflot strengthened its carry-on baggage control, compliance with the rule prohibiting boarding later than 20 minutes before departure, and introduced measures that would help prevent disruptive passenger behaviour.

By realizing its key commitment to sustainable development, Aeroflot also supports some of the United Nations' Sustainable Development Goals, which are expected to be achieved by 2030:

<table>
<thead>
<tr>
<th>GOAL</th>
<th>DESCRIPTION</th>
<th>AEROFLOT GROUP’S ACTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate Action</td>
<td>Take urgent action to combat climate change and its impacts.</td>
<td>The Energy Saving and Environmental Performance Programme aims at a 40% reduction in specific fuel consumption by 2020 from 2007 levels: &lt;br&gt;→ Fully monitoring and recording GHG emissions throughout the route network &lt;br&gt;→ Controlling and fine-tuning fuel systems to ensure compliance with permitted toxicity and smoke levels &lt;br&gt;→ Optimising the route network and rolling-out new piloting techniques to reduce noise and air pollution &lt;br&gt;→ Replacing outdated energy-intensive aircraft types with new assets offering enhanced fuel efficiency.</td>
</tr>
<tr>
<td>Partnerships for the Goals</td>
<td>Revitalise the global partnership for sustainable development.</td>
<td>Aeroflot has a Public Council that comprises prominent figures in Russian culture, education, healthcare, sports, mass media, business, civil society organisations, and human rights groups. Social partnership with trade unions Following SkyTeam’s CSR principles and commitments</td>
</tr>
<tr>
<td>Sustainable Cities and Communities</td>
<td>Make cities inclusive, safe, resilient, and sustainable.</td>
<td>Carrying out initiatives improving transport accessibility across Russia’s regions: &lt;br&gt;→ Participating in a programme offering government-sponsored flights between the Far East and European Russia &lt;br&gt;→ Offering flat fares for economy class flights to remote regions &lt;br&gt;→ Increasing the number of inter-regional flights. Digitalisation of the Company.</td>
</tr>
<tr>
<td>Industry, Innovation, and Infrastructure</td>
<td>Build resilient infrastructure, promote sustainable industrialisation, and foster innovation.</td>
<td>Partners with trade unions and industry associations, as well as mass media, civil society organisations, and government bodies. Engaging with employees, shareholders, and investors.</td>
</tr>
<tr>
<td>Decent Work and Economic Growth</td>
<td>Promote inclusive and sustainable economic growth, employment, and decent work for all.</td>
<td>Offering decent salaries, creating a safe working environment, and providing growth and development opportunities for employees.</td>
</tr>
<tr>
<td>Gender Equality</td>
<td>Achieve gender equality and empower all women.</td>
<td>Preventing discrimination for employees, including gender-based discrimination. Encouraging the professional growth of women in all fields, including piloting: over 60 female pilots were employed by Aeroflot Group in 2018.</td>
</tr>
<tr>
<td>Sustainable Mobility</td>
<td>Promote sustainable mobility, contributing to sustainable development, protecting the natural environment, and ensuring sustainable transport systems.</td>
<td>Supporting Russian regions. Supporting vulnerable groups. Promoting culture and sports.</td>
</tr>
<tr>
<td>Effective Risk Management</td>
<td>Ensure effective risk management and mitigation, contributing to sustainable development, protecting the natural environment, and ensuring sustainable operational practices.</td>
<td>Ensuring the safety and well-being of passengers, employees, and the general public.</td>
</tr>
<tr>
<td>Partnerships for the Goals</td>
<td>Revitalise the global partnership for sustainable development.</td>
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</table>

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By realizing its key commitment to sustainable development, Aeroflot also supports some of the United Nations’ Sustainable Development Goals, which are expected to be achieved by 2030:
Corporate values

CUSTOMER TRUST
Each airline within our Group guarantees its customers faultless safety and a high quality service at all stages of air travel.

We strive to exceed the expectations of our customers and do everything possible to ensure that our customers come back to us again and again.

We work hard every day to ensure the highest safety level.

TEAMWORK
We are a close-knit team of professionals who cannot imagine life without wings.

We are always open to innovation, initiatives, and new knowledge in order to develop and move forward.

We comply with the labour laws, creating a safe working environment for our employees while requiring our suppliers and contractors to do the same.

We respect our colleagues and are always ready to engage in a constructive dialogue in order to achieve results.

We provide a stable working environment with equal opportunities for learning and personal growth.

RESULTS FOR SHAREHOLDERS
Our goals are to achieve sustainable and dynamic growth, increase the Company’s value, and provide a stable income to our shareholders.

We are committed to high standards of corporate governance and business ethics.

We are a company with transparent reporting and are always open to our partners and shareholders.

SOCIAL RESPONSIBILITY
We care about the environment and are continuously improving our energy and environmental efficiency, using a modern and young aircraft fleet and the most advanced technology while ensuring compliance with Russian environmental laws.

We are fully aware of our responsibility to society and actively participate in socially important and charitable projects, efficiently working with local and national non-profit organisations.

We actively participate in developing the Russian air transport network and creating new jobs in Russian regions.

We support and actively participate in developing the Russian aircraft manufacturing industry.
HR Policy

Aeroflot Group is the leading employer in the industry, providing more than 41,000 jobs in Russia and abroad. Aeroflot Group companies strive to provide their employees with ample professional and personal growth opportunities, offering decent salaries, a range of employee benefits, and social benefits and privileges. Aeroflot improves its incentive schemes and works on making its compensation package even more attractive.

The HR policy followed throughout Aeroflot Group airlines is based on an acknowledgement of the criticality of human resources. Aeroflot Group pays much attention to attracting and retaining employees, as well as to ensuring their professional development. The strategic goal of its HR policy is to improve performance and labour productivity by building a unique team of highly professional and engaged employees. Building corporate culture as a competitive edge is one of Aeroflot Group’s priorities.

In 2018, Aeroflot for the fourth time won the Randstad Award as the most attractive Russian employer in the Transport category.

Personnel structure

As at 31 December 2018, the total headcount of Aeroflot Group was 41,299 employees, having increased by 5.8% year-on-year (39,051 employees as at 31 December 2017). The increase was driven by the fleet and route network expansion.

As at 31 December 2018, PJSC Aeroflot’s headcount was 24,261 employees, which represented a 5.5% increase year-on-year (22,991 employees as at 31 December 2017).

Women account for 52% of Aeroflot Group’s total headcount. The parent company, PJSC Aeroflot, employs 12,765 women who work in all kinds of fields: flight attendants, repair and maintenance staff, tickets sales and distribution employees, and pilots. As at the end of 2018, 54 female pilots were employed by Aeroflot airline, five by Rossiya airline, and four by Aurora airline.


Personnel turnover at PJSC Aeroflot in 2018 was 7.3% (6.8% in 2017).

PRIORITY AREAS OF THE HR POLICY:

→ Identify candidates, including for cockpit and cabin crew positions
→ Retain highly skilled employees and improve employee loyalty
→ Provide timely training and retraining, including for working on board new types of aircraft
→ Build up a talent pool
→ Conduct employee certifications
→ Develop incentive systems
→ Provide employees with social benefits
→ Strengthen the Group’s positive image as the leading employer in the air transportation market.

PJSC Aeroflot has in place the Corporate Conduct Code, a list of ethical and moral standards. The Company respects employees’ rights and freedoms, provides equal opportunities, and guarantees protection from any form of discrimination defined by both Russian and international law. Aeroflot prohibits any partiality when implementing its HR policy, remuneration policy, and providing social benefits. The Company has never used, and does not tolerate, child, compulsory, or forced labour.

The HR policy followed throughout Aeroflot Group pays much attention to attracting and retaining employees, as well as to ensuring their professional development. The strategic goal of its HR policy is to improve performance and labour productivity by building a unique team of highly professional and engaged employees. Building corporate culture as a competitive edge is one of Aeroflot Group’s priorities.

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Recruitment

Recruitment aims to build up teams for the Company’s business units in a timely manner and without compromising quality. Aeroflot follows careful recruitment procedures and implements new assessment methods. Aeroflot Group’s search, recruitment, and selection processes are governed by internal regulations. When recruiting, the Company uses its official website, corporate intranet portal, job search engines, mass and social media. It also hires through public employment services. Aeroflot collaborates with relevant higher educational institutions and colleges and educational centres offering vocational education, and takes part in job fairs and career forums and expos.

Heads of units actively participate in the professional assessments of candidates and HR decision-making. Automated recruitment procedures help speed up the recruitment process and increase its quality.

Internal candidates and employees from the talent pool are given priority. The Company is thus expanding career growth opportunities for its employees.

Targeted training programme and Personal Scholarship

PJSC Aeroflot develops partnerships with educational institutions to attract promising young professionals and improve the quality of training for its future employees. Since 2013, PJSC Aeroflot has been successfully involved in a targeted training programme funded from the federal budget. Aeroflot airline concluded contracts for targeted training with three aviation universities: the Saint Petersburg State University of Civil Aviation, Ulyanovsk Civil Aviation Institute, and the Moscow State Technical University of Civil Aviation. Over this period, 347 students signed educational contracts for targeted training.

PJSC Aeroflot employs 21 graduates of the targeted training programme.

The Company annually selects the best graduates of civil aviation educational institutions who will complete additional simulator training in compliance with its corporate standards. Moreover, PJSC Aeroflot’s business units engage graduates of industry schools and universities for on-the-job training and internships. A total of 68 students underwent such training in 2018.

Since 2014, PJSC Aeroflot has been cooperating with seven civil aviation technical schools and universities under the Personal Scholarship project. Cooperation agreements have been signed with Ulyanovsk Civil Aviation Institute, the Saint Petersburg State University of Civil Aviation, Buguruslan, Sasovo, and Krasny Kut Civil Aviation Schools, as well as Egorievsk and Kirsanov Civil Aviation Technical Colleges. Each year, PJSC Aeroflot allocates up to 50 personal scholarships of RUB 10,000 per month. So far, 235 students received corporate scholarships.

In 1962, the legendary Iraida Vertiprakhova, later Honoured Pilot of the USSR, became the first female pilot to serve on Aeroflot’s scheduled flights. Starting her career as a co-pilot on An 2 aircraft, in just two years she moved over to Il-14, and then, this time as pilot-in-command, to Il-18, and later to Tu-154 and Il-62.
**Personnel training and development**

Aeroflot Group invests in training to help employees fulfil their potential and ensure that they maintain great professional skills, keeping in line with international standards and the Federal Aviation Rules.

In 2018, PJSC Aeroflot arranged for training for 36,500 current and future employees (some of them completing more than one training programme) both in-house and externally across a range of training, retraining, professional development, and certification programmes. The Company’s Departments for Aviation Personnel Training delivered training to more than 953 people.

In 2018, Aeroflot’s subsidiary, Aeroflot Aviation School, provided training to more than 33 thousand current and future PJSC Aeroflot employees.

**RETRAINING AND PROFESSIONAL DEVELOPMENT COURSES MAINLY FOCUSED ON:**

- ground handling and ground service operations
- flight attendant training
- pilot training on new aircraft types
- engineering personnel training
- aviation security
- regulations for hazardous cargo transportation
- occupational safety
- foreign languages, etc.

In 2018, training for more than 2,500 employees was arranged at external educational institutions and training centres under the following programmes:

- Compulsory operations personnel training (training for special-purpose vehicle drivers and coordinators of special-purpose vehicle access to aircraft at the Sheremetyevo airfield; training for state inspectors; training for electric car and forklift drivers; industrial safety, etc.)
- General training programmes (civil defence, environmental protection, environmental safety, etc.).

Aeroflot Group’s subsidiary airlines provide training to employees in compliance with existing Russian and international industry standards. Specifically, Rossiya provided training to over 8,000 employees across different training programmes in 2018. Aurora provided training to over 4,000 people at its own aviation training centre, with more than 1,000 employees receiving training and completing professional development programmes at external educational institutions.

**Pilot training**

When hiring pilots with prerequisite qualifications (such as experience flying the aircraft types operated by Aeroflot airline), candidate pilots pass induction training in line with established flight crew training programmes.

Prior to employment, graduates of aviation-related educational institutions are to complete additional training:

- Specifics of flights on international routes
- Technical English
- Aviation English (ICAO Level IV)

The graduates undergo the following training following employment:

- Pilot retraining on Airbus A320, Boeing 737, or SSJ100 aircraft
- Induction for co-piloting an aircraft.

To streamline graduate training, PJSC Aeroflot organised training for senior-year students of educational institutions.

The training is held at civil aviation educational institutions in Ulyanovsk, Saint Petersburg, Buguruslan, Krasny Kut, and Sasovo, helping to reduce the period from hiring a graduate to their unsupervised flying by three to nine months.

**Training platform**

PJSC Aeroflot uses its own training platform, providing training for cockpit and cabin crews of the carrier and its subsidiaries. PJSC Aeroflot’s training platform is equipped with cutting-edge simulators and mock-ups produced both in Russia and abroad.

**Incentive system**

Aeroflot considers developing employee incentives a priority for improving loyalty and retaining highly skilled employees to strengthen the Group’s competitive edge. The system comprises financial and non-financial incentives. Aeroflot uses flexible incentive schemes and enhances employees’ compensation and benefits packages.

The Company’s remuneration system takes into account position grades, business unit performance, regional labour market specifics, as well as each employee’s personal contribution. The Company’s senior management performance is assessed based on key performance indicators approved by the Board of Directors.

Attracting highly skilled pilots is one of the Company’s key objectives. Aeroflot provides competitive pay levels for pilots as well as regular salary indenation and one-off incentive payments upon employment. Aeroflot also compensates pilot training expenses.

In 2018, annual simulator certification was arranged for, and held by, EASA bodies for the following simulators: FFS A320 Series 5000 and 7000, FFS A330, and B737 NG. In December, Aeroflot installed a new DT A320 Door Trainer. Training was organised and held by the supplier’s experts.

**Best in Trade professional skills competition**

The Best in Trade professional skills competition is held annually and is a powerful means of motivating staff on a mass scale while enabling the highest-performing employees to be selected and promoted.

In 2018, Aeroflot won the HR Brand Award 2018 for efficient organisation of its Best in Trade professional skills competition.

One of the special features of the competition is its ever-growing scale and scope. In 2018, over a thousand employees from 30 departments representing 38 trades participated in the competition. Aeroflot awarded winners in the following corporate categories – the Best Example of Aeroflot’s Values in 2018, the Best Mentor in 2018, and the People’s Choice on the Company’s 95th Anniversary.

**Talent pool**

In 2018, PJSC Aeroflot continued building its talent pool. As part of building up its talent pool, the Company organises off-the-job and on-the-job professional development training for its managers while also ensuring temporary replacements for managers going on a business trip or vacation, and arranging external secondments for best practice sharing.

**About Company**

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The Company actively develops non-financial incentives. In line with its collective bargaining agreement, Aeroflot rewards employees’ high performance on industry holidays and national and corporate anniversaries.

To celebrate Aeroflot’s 95th anniversary in air transport development and recognition of high professional skills, PJSC Aeroflot’s staff was awarded a Letter of Acknowledgement from the President of the Russian Federation in 2018. In 2018, 27 employees received government awards of the Russian Federation, and 244 received industry awards of the Russian Ministry of Transport and other agencies, while six employees were awarded a Letter of Acknowledgement from the President of the Russian Federation. Corporate awards were given to 1,200 employees, five of which were awarded the Aeroflot Excellence badge of honour, 521 were awarded the Certificate of Honour of PJSC Aeroflot, and 64 were awarded the Operational Excellence in Aeroflot badge.
Social programmes for employees of the Company

Concerning its employees, Aeroflot is fully committed to a socially responsible policy, which attracts qualified professionals, increases performance, improves the working environment, fosters higher staff loyalty and healthy working conditions, and maintains Aeroflot airline’s and Aeroflot Group’s profiles as socially responsible companies.

PJSC Aeroflot’s social policy is based on both the collective bargaining agreement and the applicable regulations. On 10 August 2017, the collective bargaining agreement was extended until 1 December 2020 by the joint resolution of the Company and the employees’ representative. All terms and conditions, guarantees, benefits, and privileges for employees were preserved in full. The employment package outlined in the collective bargaining agreement considerably exceeds benefits and compensations established by the applicable labour laws.

PJSC Aeroflot and its subsidiaries implement a number of social programmes contributing to the social security of employees.

Occupational pension scheme

PJSC Aeroflot runs a pension scheme based on joint participation of the employer and the employee. The occupational pension is funded by employers’ monthly pension contributions, the Company’s quarterly contributions made to individual retirement savings accounts, the annual investment income accrued on the employees’ and the employer’s contributions by a non-governmental pension fund. Aeroflot’s occupational pension scheme is coordinated by two corporate non-governmental pension funds, the Otkritie Non-Governmental Pension Fund (previously the Non-Governmental Pension Fund of Sberbank). The corporate occupational pension scheme covers 6,200 employees. In 2018, Aeroflot paid an additional 20% of each personal contribution made by employees towards their own pension.

To attract and retain key pilots-in-command, the Company has in place a special pension plan, Golden Anchor. The Company also awards annual bonuses to employees’ personal accounts in the corporate non-governmental fund. The bonus is increased annually for every year of employment with the airline.

In accordance with the Regulations on the Occupational Pension Scheme, the airline provides a corporate pension to a retiring employee in addition to the state-funded pension. As at the end of 2018, corporate pensions payments were being made to 4,200 former employees of the Company.

The Company runs its occupational pension scheme in parallel with an incentive scheme providing mandatory pension insurance through co-financed contributions to the cumulative part of the state paid pensions. The employer matches 30% to 50% of a personal pension contribution made by insurance scheme participants.

Resort therapy

As part of the corporate resort therapy programme, employees and their families can go to health resorts located in different regions of Russia and abroad (in cases of medical necessity). In 2018, 3,800 people benefited from rehabilitation treatment provided by the Company at health resorts, including 797 children accompanied by their parents under the Healthy Child programme. A special health rehabilitation programme for 420 pilots and flight attendants was set up in the Czech Republic. A total of 13 resorts were included in the 2018 programme.

In 2018, the resort therapy and wellness programme for employees and their families included voluntary health insurance programmes and a programme for prevention of occupational injuries and diseases.

Sports events

In 2018, sports facilities were rented for permanent sports training classes where employees can play football, volleyball, hockey, and tennis. Aeroflot’s sports teams successfully competed in futuro tournaments for the Civil Aviation Day, Aviation and Space Cup, and Aviation Industry Cup, as well as in the corporate futuro tournament. Aeroflot’s hockey team played a friendly match against Yvon Lambirt & LHL, team from Canada. Fitness club memberships were also offered to Aeroflot employees throughout the year.

Corporate events

A number of events were organised to celebrate the 95th anniversary of Aeroflot, including a concert at the State Kremlin Palace and a large reception for former PJSC Aeroflot employees at a Novotel hotel.

Corporate housing for key employees

During the year, the Company’s key employees from Russia’s regions were provided with company-owned housing close to Sheremetyevo airport, with more than 1,600 employees benefiting from the free lease arrangements (flight crew members accounted for 85%). Most of the housing options are provided at Aeroflot’s Flight Camp based at Ozero Krugloe Hotel Complex.

Company vehicles and corporate parking

Aeroflot provides company vehicles available for employee use to go to the Company’s offices near Sheremetyevo airport. In 2018, around 3,600 Aeroflot employees used company vehicles on a daily basis.

The Company rents seven parking lots located near Sheremetyevo airport. In 2018, Aeroflot employees occupied an average of 3,200 parking spaces in corporate parking lots per day.

Financial assistance

In 2018, the Company provided financial support to 216 current and former employees in difficult circumstances.

Reimbursement for daycare costs

During 2018, daycare costs were reimbursed for 2,500 employees of the Company.

Additional employee benefits for flight crews

A number of additional employee benefits is provided to flight crew members, including:

→ 70 days of paid annual leave, the longest in civil aviation
→ special insurance programmes
→ free access to diverse sports facilities for training.

Aeroflot’s medical centre

PJSC Aeroflot has its own medical centre providing healthcare services to employees and their families, as well as retired employees. Medical services include aeromedical assessment, rehabilitation of cockpit and cabin crews, and pre-flight medical examinations. The medical centre comprises a polyclinic, an inpatient hospital, an outpatient surgery with a day hospital, and a medical laboratory. In 2018, the medical centre’s polyclinic reported a total of 248,100 outpatient visits from 67,400 patients.

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Patients registered at PJSC Aeroflot’s medical centre, 2018 (%)

| Category                                      | Number of Patients | Percentage (%)
|-----------------------------------------------|--------------------|--------------
| PJSC Aeroflot employees                       | 15.7               | 59.2         |
| Family members                                | 9.0                | 33.2         |
| Retired PJSC Aeroflot employees               | 1.3                | 4.6          |
| Patients paying for healthcare services        | 0.1                | 0.4          |

Subsidiary airlines

The subsidiary airlines have similar benefit programmes for their employees, including occupational pension schemes, resort therapy and vacation programmes for employees and their families, company vehicles and corporate parking lots, reimbursed rent for housing, cultural and sports events, and financial support for current and former employees.
Social partnership

Ten corporate trade unions representing four different trade unions operate within PJSC Aeroflot, including the Moscow Trade Union of Aviation Workers, the Sheremetyevo Trade Union of Flight Personnel, the Sheremetyevo Trade Union of Flight Attendants, and the All-Russian Trade Union of Civil Aviation Engineering Workers. The total headcount of all employees involved with trade unions is about 9,000 people. Employees’ interests are represented by the United Representative Body of Aeroflot’s employees, which comprises representatives of the majority of corporate trade unions.

Occupational health and safety

PJSC Aeroflot has in place an occupational health and safety system compliant with applicable regulations and international best practice. The Company has a certificate confirming its compliance with regulatory occupational safety requirements and strives to eliminate occupational injuries and diseases while implementing measures preventing hazardous situations.

The Company regularly arranges health and safety trainings with a focus on occupational diseases and injury prevention. To prevent occupational diseases, employees pass regular medical examinations.

There were 27 accidents in 2018. The injury frequency rate (the number of injuries per 1,000 employees) was 1.27 FTEs. The injury severity rate (the number of work days lost per injured person) was 29.0 in 2018.

As at the end of 2018, in accordance with Federal Law No. 426-FZ On Special Assessment of Working Conditions, PJSC Aeroflot carried out special assessments of 6,085 workplaces, 4,449 of which were found to have acceptable working conditions. Employees receive a 4% to 24% premium on their salary when a safety assessment has revealed exposure to harmful working conditions. The cockpit crew, senior flight attendants, flight attendants, flight attendant instructors, flight attendant evaluators, and other flight crew members who work on board a flying aircraft are entitled to a 24% premium for their working conditions.

Work and rest schedule for cockpit and cabin crews

Work and rest schedule for cockpit and cabin crews is determined in line with the applicable Russian regulations and the Regulations on the Work and Rest Schedule for Cockpit and Cabin Crews of PJSC Aeroflot.

The total flight duration in all aircraft types must not exceed 80 hours per month and 800 hours per calendar year. With the employee’s written consent, the total flight duration can be increased to 90 hours per month and 900 hours per calendar year. Cockpit and cabin crew members are provided with additional payments and vacation days for exposure to harmful and/or hazardous working conditions.

Supporting Charities and Regional Development

As a socially responsible business, PJSC Aeroflot runs many charitable programmes. Aeroflot Group airlines participate in programmes improving transport accessibility, which subsequently contributes to the economic and social development of Russia’s regions, and provide support to cultural and sports initiatives. Aeroflot Group plays an active role in local community life, providing both continuous support to charities and assistance to socially-oriented initiatives. The Company provides support to vulnerable groups, including children and veterans. The Group’s subsidiaries contribute to charity campaigns initiated by Aeroflot airline and provide aid in the regions in which they operate.

Improving accessibility to Russia’s regions

Improving accessibility to Russia’s regions, including remote destinations, and enhancing social mobility remains a major priority for Aeroflot. Aeroflot airline has an extensive route network and supports a government-sponsored programme that maintains airline passenger services between the Far East and European Russia.

Aeroflot airline has been running a flat fare programme since 2015. Flat rates are fixed prices for economy class tickets that do not change depending on the date when the tickets are bought. All passengers regardless of age and place of residence can enjoy the flat rates. The only aim of Aeroflot’s flat rates is to make social impact. That is, to provide stable and affordable connections between remote and strategic regions and the central part of European Russia. Today, flat rates are available for Aeroflot flights from Moscow to Vladivostok, Yuzhno-Sakhalinsk, Khabarovsk, Petropavlovsk-Kamchatsky, Magadan, Sinfinpol, Kaliningrad, and back. Rossiya airline joined the programme in 2018, providing a major boost in the overall passenger traffic to the Far East.

Aeroflot is always ready to provide aid to Russian citizens in need in all corners of the world, whether amid armed conflicts or natural disasters. The Company’s aircraft have repeatedly evacuated people from flashpoint areas along with the airplanes from Russia’s emergency response service (EMERCON).

Aeroflot airline extended the flat rates programme for Far Eastern destinations through to 2019, both for Aeroflot and Rossiya flights. A total of 2.2 million passengers were carried under the flat rate programme in 2018 (including Rossiya flights), a 41.3% increase from 2017, and a total of 6.8 million passengers have been carried under the programme since 2015.

Aeroflot Group places a special focus on expanding its domestic route network. Specifically, Aeroflot launched flights in 2018 from Moscow to the North Caucasus (Vladikavkaz, Grozny, Makhachkala, Nazran, and Nalchik) and to Izhevsk and Ulyanovsk in the Volga region.

Aurora carried 75,700 passengers on socially important flights within the Sakhalin Region and 35 thousand passengers to destinations within the Primorsky Region. Since June 2018 (the commencement of flights), the company carried 19,700 passengers within the Khabarovsk Region. The total passenger traffic on the local flights (within a region) was 130,500 passengers (99,500 passengers in 2017).
Supporting Charities and Regional Development

**Support to charities and socially-oriented campaigns**

**Miles of Mercy programme**
Launched in 2008, Aeroflot’s Miles of Mercy programme has already been running for ten years. The programme enables the Aeroflot Bonus programme participants to contribute their bonus miles to charity organisations: the Gift of Life charitable fund, the Life Line fund, the Russian Assistance Fund operated by Kommersant Publishing House, and the Vladimir Spivakov International Charity Foundation. The contributed miles are used to carry children with serious health conditions to countries and cities where they can receive required treatment. In 2018, a total of 4,895 tickets and 122 million bonus miles were donated to support the activities of charitable organisations.

**Tickets issued under the Miles of Mercy programme**

<table>
<thead>
<tr>
<th>Year</th>
<th>Tickets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>4,895</td>
</tr>
<tr>
<td>2017</td>
<td>6,173</td>
</tr>
<tr>
<td>2016</td>
<td>6,917</td>
</tr>
<tr>
<td>2015</td>
<td>6,629</td>
</tr>
<tr>
<td>2014</td>
<td>5,750</td>
</tr>
</tbody>
</table>

**Orphanage support**
During 2018, the Company continued to support two orphanages: the Pokrov Orphanage in the Vladimir Region and St Sergius Boarding School in the Sergiev Posad District in the Moscow Region. A total of RUB 17 million went towards charitable support for orphanages in 2018.

For the Pokrov Orphanage children, Aeroflot organised holidays at a recreational camp, set up a street workout park, renovated the orphanage building, and purchased medical equipment, furniture, and computers. The Company also bought presents for the children in the days leading up to New Year’s celebrations. Aeroflot also arranged renovations for St Sergius Boarding School and bought a coach bus for the students. The Company arranged Kudo and football master classes and a charitable arts and crafts show featuring the children’s work.

**Targeted aid**
In 2018, Aeroflot provided financial support to the Celebrities Help Children (Zvezdy Detям) Foundation, the Russian Geographical Society, the Contemporary Arts Development Fund (CADF), the Russian Union of Industrialists and Entrepreneurs (RSPP), and the Tarasov Golden Puck Club. The Company also provided support to the Alina Kababan Charitable Foundation, which held Alina, an annual rhythmic gymnastics festival for talented children from across Russia. The children and their caregivers were offered airline tickets at discounted rates.

**Train of Hope**
In 2018, Aeroflot once again provided support to the Children’s Flight of the Train of Hope initiative organised by Radio Russia as part of its Child’s Question project. The Train of Hope is a charity programme helping children deprived of parental care to find new families. The Company arranges free air transportation for both the children and prospective adoptive parents.

**Annual Victory Day campaign**
For the celebrations of the 73rd anniversary of Victory Day, Aeroflot once again organised a campaign for veterans of the Great Patriotic War (WWII) from 3 to 12 May 2018. Aeroflot was the first Russian carrier to start the tradition of offering free flights to Great Patriotic War veterans back in 2001. About 80 thousand veterans have benefited from the campaign since its launch.

Aeroflot’s subsidiary Rossiya actively participated in memorial events to commemorate the lifting of the Siege of Leningrad, including visits to the Russia – My History historical park and other guided tours. In commemoration of Victory Day, Great Patriotic War veterans also received financial aid.

**Charitable support for the Great Patriotic War veterans among retired Aeroflot employees**
Aeroflot provides monthly food packages to its retired employees who took part in the Great Patriotic War. A total of RUB 8.7 million went towards veteran food packages in 2018.

**Support for passengers in urgent need of reaching their destination due to extraordinary circumstances**
Aeroflot provides support to passengers in urgent need of reaching their destination due to extraordinary circumstances. The programme covers higher-demand domestic flights in which the least expensive economy booking classes have been sold out.

The Company also provided support to the Alina Kababan Charitable Foundation, which held Alina, an annual rhythmic gymnastics festival for talented children from across Russia. The children and their caregivers were offered airline tickets at discounted rates. The Company also provided support to the Alina Kababan Charitable Foundation, which held Alina, an annual rhythmic gymnastics festival for talented children from across Russia. The children and their caregivers were offered airline tickets at discounted rates. The Company also provided support to the Alina Kababan Charitable Foundation, which held Alina, an annual rhythmic gymnastics festival for talented children from across Russia. The children and their caregivers were offered airline tickets at discounted rates. The Company also provided support to the Alina Kababan Charitable Foundation, which held Alina, an annual rhythmic gymnastics festival for talented children from across Russia. The children and their caregivers were offered airline tickets at discounted rates. The Company also provided support to the Alina Kababan Charitable Foundation, which held Alina, an annual rhythmic gymnastics festival for talented children from across Russia. The children and their caregivers were offered airline tickets at discounted rates. The Company also provided support to the Alina Kababan Charitable Foundation, which held Alina, an annual rhythmic gymnastics festival for talented children from across Russia. The children and their caregivers were offered airline tickets at discounted rates. The Company also provided support to the Alina Kababan Charitable Foundation, which held Alina, an annual rhythmic gymnastics festival for talented children from across Russia. The children and their caregivers were offered airline tickets at discounted rates. The Company also provided support to the Alina Kababan Charitable Foundation, which held Alina, an annual rhythmic gymnastics festival for talented children from across Russia. The children and their caregivers were offered airline tickets at discounted rates.
Sponsorship

In 2018, Aeroflot continued to sponsor both sports organisations and cultural projects. The Company allocated a total of RUB 1.8 billion for sponsorship support, maintaining a similar amount to contributions in previous years (RUB 2.0 billion in 2017).

PJSC Aeroflot has been providing support to Russian sports for many years. In 2018, the Company continued providing flight services to sports teams and the Olympic team. Aeroflot is a partner of, and provides support to:

→ The Olympic and Paralympic Committees of Russia
→ The Football Union of Russia
→ The Russian Cycling Federation
→ The Russian Chess Federation
→ The All-Russian Federation of Dancesport and Acrobatic Rock’n’Roll
→ The Russian Basketball Federation
→ The Russian Volleyball Federation
→ The Russian Table Tennis Federation
→ The Russian Rugby Federation
→ The Russian Boxing Federation.

In 2018, Aeroflot and Aurora carried Russian Olympic athletes to South Korea for the XXIII Olympic Winter Games.

Aeroflot has been the official carrier of CSKA Professional Football Club and CSKA Professional Basketball Club for many years. Thanks to the enhanced visibility of the Aeroflot brand at games played by CSKA teams, the Company has access to the club’s multi-million fanbase.

In 2018, in conjunction with the Russian Chess Federation, Aeroflot held the Aeroflot OPEN international chess tournament, which has gained immense popularity among international chess players over the 16 years of its existence.

Also, Aeroflot provided support to Otradnoe show jumping club, which hosted a Show Jumping World Cup stage.

Cultural and social development

Aeroflot collaborated with Sheremetyevo International Airport to hold International Children’s Day events for young passengers. Aeroflot and Sheremetyevo participated in Russian’s Night of Museums; the Aeroflot Museum and the History Museum of Sheremetyevo organised an exciting event for aviation enthusiasts of all ages.

The Company also continued providing support to ROSKINO film production company, which aims to promote Russian films across international film festivals. In 2018, Aeroflot also provided support to Together Against Corruption international youth initiative held by the Prosecutor General’s Office of the Russian Federation.

Aeroflot’s subsidiary airlines also run social development and charity projects in the regions where they operate. For example, Aurora participated in the Wings of Sakhalin aviation and music festival in 2018, as well as town parades to celebrate Yuzhno-Sakhalinsk and Aniyom town days. Also, guided tours to the local airport were organised for airline employees’ children and students of Yuzhno-Sakhalinsk schools, whereby the children had a chance to visit a number of aircraft.

For the third time, the Company also supported the Golden Gramophone, Russia’s national music award, in 2018.

In the global market, Aeroflot airline is raising its recognition as a premium carrier through its partnership with Manchester United FC.
EcoPlyst and Environmental Protection

As Russia’s leading carrier, PJSC Aeroflot is fully aware of its responsibility to ensure high environmental performance and sustainable development across all its activities.

PJSC Aeroflot’s environmental policy is aimed at improving the energy efficiency and environmental performance. One of its key principles is to improve aircraft fuel efficiency, which helps reduce the airline’s environmental footprint while cutting fuel costs – a major contributor to overall operating expenses.

PJSC Aeroflot has in place an environmental management system. In 2018, the Company’s integrated management system successfully passed a certification audit, confirming its compliance with ISO 9001 and 14001 international standards. The audit was carried out by certification agency TÜV Rheinland and assessed compliance with ISO 9001:2015 (Quality Management Systems) and ISO 14001:2015 (Environmental Management Systems).

Rossiya airline also successfully passed a certification audit for compliance with ISO 9001:2015. In 2018, Aurora airline successfully passed a certification audit, confirming its integrated management system successfully passed. The audit was carried out by certification agency TÜV Rheinland and assessed compliance with ISO 9001 and 14001 international standards. The audit was carried out by certification agency TÜV Rheinland and assessed compliance with ISO 9001:2015 (Quality Management Systems) and ISO 14001:2015 (Environmental Management Systems).


Its energy saving activities will help PJSC Aeroflot save up to 1.5 million tonnes of fuel every year and decrease specific fuel consumption by 43.6% by 2020.

PJSC Aeroflot’s total environmental protection initiatives amounted to RUB 47.752 million in 2018.

Quality management system

PJSC Aeroflot has in place a management system, with the quality management system (QMS) as its core element. To keep up with internal, national, and international standards, Aeroflot’s QMS Department is working to improve the Company’s quality management programme. The system helps ensure that the products and services offered by PJSC Aeroflot’s business units and suppliers comply with its flight safety, aviation security, and service quality requirements.

PJSC Aeroflot’s quality management system is fully aware of its responsibility to ensure high environmental performance and sustainable development across all its activities.

In line with its environmental policy, the Company established goals and objectives, as well as developed and implemented environmental management procedures.

Key aims of Aeroflot’s environmental policy:

→ Maintaining and improving the environmental management system
→ Improving the energy efficiency of its operations through fleet upgrades and replacing outdated energy intensive types of aircraft with new assets offering enhanced fuel efficiency
→ Optimising the route network and rolling out new piloting techniques to reduce noise pollution and cut emissions from aircraft engines
→ Managing waste with a focus on recycling to minimise the environmental impact
→ Monitoring, analysing, and benefiting from new opportunities to improve environmental performance
→ Raising environmental awareness, promoting resource efficiency, and building a recycling culture among PJSC Aeroflot’s employees

PJSC Aeroflot’s total environmental protection initiatives amounted to RUB 47.752 million in 2018.

Aiming to mitigate risks that can impact quality and flight safety, PJSC Aeroflot holds memberships with the following IATA pools:

→ IFQP (IATA Fuel Quality Pool)
→ DAQCP (De-Icing/Anti-Icing Quality Control Pool)
→ ISAGO (IATA Safety Audit for Ground Operations Pool)

Aeroflot Group enhances its QMS by improving upon its KPI-based performance evaluation framework and compliance with internal and external management system standards applied by IATA, SkyTeam, and Aeroflot Group.

Seeking to further improve Aeroflot Group’s QMS in 2018, Aeroflot:

→ monitored its subsidiary airlines’ compliance with Aeroflot Group’s requirements
→ advised the airlines and provided guidance on preparing for IOSA and ISO certification audits
→ coordinated and controlled compliance with the EU ETS requirements
→ coordinated and monitored activities necessary for ensuring compliance with CORSIA, the Carbon Offsetting and Reduction Scheme for International Aviation.

To further improve its QMS, PJSC Aeroflot implements innovative management approaches and streamlines its internal processes while using tools that are unique in the Russian air transportation market. These efforts improve service quality and ensure a high level of flight safety.
Fuel efficiency and air quality initiatives

Managing fuel efficiency is one of the Company’s top priorities. PJSC Aeroflot seeks to improve its fuel efficiency and contribute to a reduction in GHG emissions. Almost the entire Aeroflot fleet complies with ICAO standards for noise levels and atmospheric pollution.

PJSC Aeroflot’s system for monitoring and measuring CO2 emissions ensures compliance with Russian and European requirements for monitoring, reporting, and verifying GHG emissions. PJSC Aeroflot’s CO2 monitoring and reporting system covers its entire route network.

In 2018, PJSC Aeroflot had a verification of its 2017 annual emission report, following which the CO2 emissions were compensated through purchasing required EU ETS allowances.

Aeroflot develops annual fuel efficiency and cost-cutting programme while upgrading its fleet on a regular basis to further improve its fuel efficiency and reduce CO2 emissions.

The following activities were carried out in 2018:

- Introducing standard volumes for refuelling aircraft
- Minimising the difference between projected and actual revenue loads
- Centre-of-gravity control
- Optimal use of auxiliary power unit
- Lower fuel consumption through reducing water supplies on board
- Use of ground systems for pre-flight air conditioning of aircraft cockpit and cabins
- Improving aerodynamics through quality surface washing
- Improving engine efficiency through ramjet duct cleaning
- Reducing take-off weight by tracking the weight of kitchen equipment and onboard food and comfort items

These activities helped reduce fuel consumption by 14,678.9 tonnes, equal to decreasing CO2 emissions by 46,341.3 tonnes.

Aeroflot provides passengers with information on its CO2 footprint from flights: the corporate website has an online CO2 calculator that estimates a passenger’s environmental footprint from the flight.

Carbon Disclosure Project (CDP)

In 2018, PJSC Aeroflot continued to receive an international Carbon Disclosure Project (CDP) rating for disclosing its climate change management and GHG emissions. Under the CDP, companies from across the globe make reports on their GHG emissions and climate change activities. CDP scoring is growing in popularity, both among companies and investors.

PJSC Aeroflot’s CDP score (D) remained unchanged from the previous year. To improve its CDP score, PJSC Aeroflot plans to launch a number of initiatives aimed at creating a corporate system for managing GHG emissions. The system’s mission will be to monitor direct and indirect GHG emissions and prepare and verify reports on these emissions, compliant with ISO 14064 requirements.

Sustainable water use

Aeroflot is working to ensure sustainable water use and a reduced impact on waterbodies.

In 2018, the Company renovated treatment facilities for stormwater flows from PJSC Aeroflot’s Melkisarovo office building. The quality of wastewater and surface water discharged by the treatment facilities was monitored every month. No excessive concentrations of pollutants in the wastewater were reported in 2018. A report was produced from observing the waterbody and impact of the wastewater and drainage water discharged by the treatment facilities in 2017.

Aeroflot promptly discloses all the required environmental data on the use of water resources to environmental authorities.

In 2018, the Company assessed the air pollutant emissions at the paint facility of the Ground Handling Department. No excessive concentrations of pollutants were reported.

Fuel efficiency and air quality initiatives across Aeroflot airline

<table>
<thead>
<tr>
<th>Year</th>
<th>Specific fuel consumption, g/km</th>
<th>CO2 emissions, tonnes</th>
<th>GHG emissions (CO2 equivalent)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Aeroflot</td>
<td>Rossiya</td>
<td>Aurora</td>
</tr>
<tr>
<td>2014</td>
<td>8,390,652</td>
<td>620,990</td>
<td>201,569</td>
</tr>
<tr>
<td>2015</td>
<td>8,677,506</td>
<td>384,396</td>
<td>273,437</td>
</tr>
<tr>
<td>2016</td>
<td>7,450,348</td>
<td>1,751,800</td>
<td>252,399</td>
</tr>
<tr>
<td>2017</td>
<td>8,152,515</td>
<td>2,076,649</td>
<td>267,800</td>
</tr>
<tr>
<td>2018</td>
<td>8,806,136</td>
<td>2,444,733</td>
<td>269,496</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Greenhouse gas emissions, tonnes CO2</th>
<th>Specific GHG emissions, g/km</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rossiya</td>
<td>Aurora</td>
</tr>
<tr>
<td>2014</td>
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</tr>
<tr>
<td>2018</td>
<td>8,806,136</td>
<td>2,444,733</td>
</tr>
</tbody>
</table>

Water consumption by PJSC Aeroflot,* (thousand cubic metres)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>134.2</td>
<td>135.4</td>
<td>154.1</td>
</tr>
<tr>
<td>from the public water supply network</td>
<td>134.2</td>
<td>135.4</td>
<td>154.1</td>
</tr>
</tbody>
</table>

Water discharge by PJSC Aeroflot,* (thousand cubic metres)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>134.9</td>
<td>136.3</td>
<td>151.8</td>
</tr>
<tr>
<td>including treated water (surface drains from the office building, buildings, and structures)</td>
<td>1.2</td>
<td>1.4</td>
<td>3.1</td>
</tr>
<tr>
<td>sent to other companies for treatment (sewage)</td>
<td>133.7</td>
<td>134.9</td>
<td>148.7</td>
</tr>
</tbody>
</table>

Water consumption by PJSC Aeroflot,* (thousand cubic metres)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>134.2</td>
<td>135.4</td>
<td>154.1</td>
</tr>
</tbody>
</table>

Water discharge by PJSC Aeroflot,* (thousand cubic metres)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>134.9</td>
<td>136.3</td>
<td>151.8</td>
</tr>
</tbody>
</table>

Water consumption by PJSC Aeroflot,* (thousand cubic metres)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>134.2</td>
<td>135.4</td>
<td>154.1</td>
</tr>
</tbody>
</table>

Water discharge by PJSC Aeroflot,* (thousand cubic metres)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>134.9</td>
<td>136.3</td>
<td>151.8</td>
</tr>
</tbody>
</table>

* Data for Moscow and the Moscow Region. PJSC Aeroflot Annual Report 2017 only provides similar data for the Melkisarovo office building.
Reducing and disposing of industrial and commercial waste

Aeroflot has been setting up sites for industrial waste storage and selective waste collection. In 2018, the Company created new sites for waste storage differentiated by waste type and hazard class. The Company ran checks of the sites, including those for temporary storage of industrial waste, and recorded industrial and commercial waste volumes and movement on a quarterly basis. All the required reporting documents were provided to environmental authorities.

A total of 9.6 tonnes of paper and cardboard was handed over for recycling in 2018, which helped save 95 trees and reduce CO2 emissions by 16.3 tonnes.

Seeking to raise environmental awareness among its employees, Aeroflot regularly runs environmental workshops and webinars.

No critical industrial spills were registered at PJSC Aeroflot in 2018.

Total waste by hazard class (tonnes)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>9,066.3</td>
<td>9,777.2</td>
<td>8,852.8</td>
<td>9,365.7</td>
<td>9,207.7</td>
</tr>
<tr>
<td>including:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>hazard class 1</td>
<td>3.2</td>
<td>2.2</td>
<td>3.9</td>
<td>2.4</td>
<td>2.1</td>
</tr>
<tr>
<td>hazard class 2</td>
<td>5.7</td>
<td>1.4</td>
<td>4.8</td>
<td>6.4</td>
<td>5.3</td>
</tr>
<tr>
<td>hazard class 3</td>
<td>1,377.5</td>
<td>2,448.5</td>
<td>2,508.3</td>
<td>2,353.4</td>
<td>3,038.4</td>
</tr>
<tr>
<td>hazard class 4</td>
<td>7,301.1</td>
<td>6,919.6</td>
<td>5,643.7</td>
<td>5,352.1</td>
<td>5,434</td>
</tr>
<tr>
<td>hazard class 5</td>
<td>398.8</td>
<td>405.5</td>
<td>692.0</td>
<td>651.4</td>
<td>728</td>
</tr>
</tbody>
</table>

Total waste by disposal method (tonnes)

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Handled over for recycling</td>
<td>7.7</td>
<td>4.7</td>
<td>8.1</td>
<td>3.879</td>
<td>8.995</td>
</tr>
<tr>
<td>Handled over for disposal</td>
<td>313.3</td>
<td>308.5</td>
<td>260.6</td>
<td>258.3</td>
<td>290.7</td>
</tr>
<tr>
<td>Handled over for neutralisation</td>
<td>1,188.7</td>
<td>2,325.6</td>
<td>2,430.1</td>
<td>2,847.7</td>
<td>5,877.9</td>
</tr>
<tr>
<td>Landfilled</td>
<td>7,556.6</td>
<td>7,138.4</td>
<td>6,164</td>
<td>5,255.8</td>
<td>5,554</td>
</tr>
</tbody>
</table>

Energy consumption by PJSC Aeroflot in 2018

<table>
<thead>
<tr>
<th></th>
<th>Actual consumption:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>by volume (net of VAT)</td>
</tr>
<tr>
<td>Total aviation fuel, tonnes</td>
<td>2,824,654 126,412,869</td>
</tr>
<tr>
<td>Heat,* Gcal</td>
<td>42,965 70,459</td>
</tr>
<tr>
<td>Electricity,* kWh</td>
<td>29,546,700 130,665</td>
</tr>
<tr>
<td>Motor fuel, total, litres</td>
<td>5,736,270 227,347</td>
</tr>
<tr>
<td>Aviation lubricants, litres</td>
<td>292,293 213,901</td>
</tr>
</tbody>
</table>

* Excluding representative offices and branches.
Aeroflot Group works with a wide range of suppliers and uses modern, competitive procurement practices. The Group prioritises equality, fairness, and non-discrimination while ensuring that no unreasonable and restrictive business practices are applied towards bidders.


In 2018, Aeroflot Group’s procurement totalled RUB 750.5 billion. Competitive procurement accounted for 30.8% (by value), 86.8% of which was online competitive procurement.

**Procurement highlights of Aeroflot Group**

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total procurement, RUB million</td>
<td>750,463</td>
</tr>
<tr>
<td>Competitive procurement (by value), %</td>
<td>30.8</td>
</tr>
<tr>
<td>Including competitive online procurement, %</td>
<td>86.8</td>
</tr>
<tr>
<td>Single source procurement, %</td>
<td>69.2</td>
</tr>
<tr>
<td>Savings on competitive procurement in 2018, RUB billion**</td>
<td>7.5</td>
</tr>
<tr>
<td>Average number of bidders</td>
<td>3</td>
</tr>
<tr>
<td>Procurement from SMEs, %</td>
<td>78.0</td>
</tr>
</tbody>
</table>

* The volume of purchases is calculated as total payments made during the reporting year under contracts signed as a result of procurement processes.
** The savings are calculated as the difference between the initial (maximum) price of the tender and the winning price, excluding tenders where the initial (maximum) price is calculated based on a given rate, tariff, or formula.

**Procurement highlights of PJSC Aeroflot**

<table>
<thead>
<tr>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total procurement, RUB million</td>
<td>448,299.9</td>
</tr>
<tr>
<td>Competitive procurement (by value), %</td>
<td>62.3</td>
</tr>
<tr>
<td>Including competitive online procurement, %</td>
<td>61.1</td>
</tr>
<tr>
<td>Single source procurement, %</td>
<td>62.3</td>
</tr>
<tr>
<td>Savings on competitive procurement (excluding aviation fuel), RUB billion</td>
<td>3.3</td>
</tr>
<tr>
<td>Average number of bidders</td>
<td>3</td>
</tr>
<tr>
<td>Procurement from SMEs, %</td>
<td>89.4</td>
</tr>
</tbody>
</table>

PJSC Aeroflot’s procurement in the reporting period totalled RUB 544.4 billion. Competitive procurement accounted for 40.9% (by value). Competitive online procurement accounted for 88.36%, in line with the requirements of the Federal Agency for State Property Management (Instruction No. GN-13/1206 dated 21 January 2011).

Savings on procurement in 2018 totalled RUB 7.5 billion for Aeroflot Group and RUB 3.5 billion for PJSC Aeroflot.

**Procurement from small and medium-sized enterprises**

Aeroflot Group seeks to support small and medium-sized enterprises (SMEs). Aeroflot significantly increased procurement from SMEs in 2018, with the total value of contracts signed with SMEs during the year tripling, from RUB 6.8 billion in 2017 to RUB 20.6 billion in 2018.

Procurement from small and medium-sized enterprises (SMEs) accounted for 85.2% of the total in 2018, one of the highest levels among large federal-level customers. This share far exceeds the target set by Russian Government Resolution No. 1352 On Specifics of Participation of Small and Medium-Sized Enterprises in Procurement of Goods, Works, and Services by Certain Types of Legal Entities dated 11 December 2014, recommending that SMEs make up no less than 18% of a company’s total annual value of contracts. Overall, this reflects the priority position of SMEs when selecting suppliers along with the specific needs of Aeroflot’s business.

PJSC Aeroflot also provides support to SMEs and facilitates their access to its procurement. In 2018, the pilot SME partnership initiative aimed at facilitating proposal submissions for the Company’s procurement processes was updated, and the workshop programme for SMEs was extended. To ensure accurate reporting on procurement from SMEs, the Company implemented a series of initiatives:

- Optimising the list of SME-specific procurement codes
- Holding working meetings with SMEs
- Developing subsidiary-specific partnership programmes
- Organising a series of regional workshops for SMEs, arranging meetings with potential suppliers and members of PJSC Aeroflot’s pilot SME partnership initiative
- Participating in conferences dedicated to expanding SME access to the procurement processes of Russia’s biggest customers

Aeroflot’s initiatives proved to be successful and the Company has since been recognised by two letters of commendation from RSMB Corporation – Russian Small and Medium Business Corporation – for its significant contribution to the development of small and medium-sized businesses. In the future, the Company plans on increasing its share of supplies sourced from SMEs in overall procurement contracts, prioritising innovative and high-tech products.
In 2018, Rossiya subsidiary airline launched its SME partnership initiative. Under the initiative, Rossiya has committed to providing methodological support to SMEs on procurement practices, arranging workshops, conferences, and round tables, and notifying SMEs on its current and potential technological needs, planned short-term and long-term procurement volumes, and cooperation terms with maximum transparency. A partnership agreement with RSMB Corporation was also signed in 2018.

The Advisory Board, in charge of independent audits of PJSC Aeroflot’s procurement efficiency, continued its activities in 2018. The Advisory Board includes representatives of NGOs, economists, industry scientists, and well-known procurement experts. Proceedings of the Advisory Board, including minutes of meetings, are published on the Company’s official website at https://www.aeroflot.ru/ru-ru/content/soveshchatelnyi-organ.

Fuel procurement

The key priority of fuel procurement is ensuring timely and uninterrupted fuel supply to Aeroflot Group’s aircraft while maintaining high flight safety and maximising fuel pricing efficiency. Fuel procurement optimisation at PJSC Aeroflot is supervised by the Fuel Commission.

At the Aeroflot Group level, fuel procurement terms are determined by agency agreements. PJSC Aeroflot makes a consolidated order covering the demand of all the Group companies and initiates fuel procurement processes. PJSC Aeroflot settles accounts for supplied fuel, fuel storage, and refuelling directly with its counterparties. These arrangements cover virtually all fuel needs of the Group’s subsidiary airlines, excluding a small number of Russian airports (less than 2%) which are not contracted or alternate airports as well as airports where fuel procurement is part of integrated ground handling agreements. This fuel procurement system helps optimise aviation fuel expenses through large-volume purchases.

In 2018, we noted an unusual trend of simultaneous growth in global quoted petroleum product prices and the rouble depreciation against the US dollar, which resulted in increased fuel procurement expenses. PJSC Aeroflot implemented the following measures for fuel procurement:

→ For procurement with formula-based pricing linked to macroeconomic variables (such as the Platts USD/RUB exchange rate), caps on settlement prices have been introduced so that they cannot exceed the prices of the Schedule & Tariffs Centre under the Transport Clearing House, which are based on the rates and tariffs at the relevant airport within the Russian Federation as at the date of aviation fuel supply (aircraft refuelling).
→ Customised management of the most expensive contracts through monthly requests for additional discounts from aviation fuel suppliers.

These measures aimed at additional discounts and caps on formula-based prices proved to be quite efficient in the second half of 2018, when calculated formula-based prices linked to macroeconomic variables started growing rapidly.

Since June 2018, PJSC Aeroflot has been actively engaging with ministries, agencies, and oil industry representatives to develop a global programme aimed at jet fuel price stabilisation and airlines’ aviation fuel cost reduction.

In 2018, initial contracts with jet fuel suppliers mostly used formula-based pricing linked to macroeconomic variables (over 50% of jet fuel supplies at Russian airports and 100% of the supplies at the Sheremetyevo base airport). The use of price caps and additional discounts enabled a significant reduction in our overall aviation fuel costs.
The history of Aeroflot dates back to 1923 when OJSC Dobrolet (“Russian Voluntary Air Fleet”) was established. Today PJSC Aeroflot’s shares are traded on Moscow Exchange and the Company is building its corporate governance in accordance with the best Russian and international practices.

At the Height of Responsibility
Corporate Governance System

Key principles and enhancement of the corporate governance system

In its operations, PJSC Aeroflot seeks to maintain high corporate governance standards. The Company’s corporate governance is based on the following core principles:

- Ensuring the exercise and protection of shareholder rights
- Ensuring fair and equal treatment of all shareholders in exercising their rights
- Preventing shareholders from abusing their rights, inflicting damage to the Company and other shareholders
- Efficient distribution of roles and powers among the Company’s governing bodies
- Expertise, responsibility, and accountability of the Board of Directors and executive bodies
- Establishing an efficient internal control and risk management system
- Ensuring transparency and openness of the Company’s business
- Taking material corporate actions on fair terms ensuring that the rights and interests of shareholders and other stakeholders are upheld
- Compliance with ethical norms and social responsibility standards when doing business

PJSC Aeroflot's corporate governance principles and procedures are set out in its Articles of Association and other internal documents. The Corporate Governance Code of PJSC Aeroflot (approved by the Board of Directors on 21 December 2017) summarises and systematises the Company’s corporate governance practice.

As part of its efforts to improve corporate governance, in 2018, PJSC Aeroflot implemented the following initiatives: the Board of Directors conducted a self-assessment of its performance, and the efficiency of the corporate risk management and internal control system was assessed.

In December 2018, an external advisor, the Russian Institute of Directors, conducted another revaluation of PJSC Aeroflot's corporate governance. Since its first scoring on the National Corporate Governance Rating scale in July 2016, PJSC Aeroflot has achieved a number of positive changes noted by independent experts.

According to the revaluation, PJSC Aeroflot scored 7++ representing Advanced Corporate Management Practices according to the approved scale. This score shows that the Company complies with Russian corporate governance regulations and adheres to a substantial number of recommendations set out in the Russian Corporate Governance Code. Shareholders of the Company have low exposure to the risk of loss due to the corporate governance quality.

Improvement of a number of internal documents including the Articles of Association has been scheduled for 2019 to further implement the recommendations of the Corporate Governance Code approved by the Bank of Russia into PJSC Aeroflot's operations. In particular, the Company plans to extend the deadline for submitting documents and information to shareholders in preparation for the General Meeting of Shareholders.

Corporate governance at PJSC Aeroflot is exercised by the General Meeting of Shareholders, the Board of Directors, the Management Board, and the Chief Executive Officer.

The responsibilities of PJSC Aeroflot’s Corporate Secretary are vested with the Executive Secretary of the Board of Directors, also holding the position of Director of PJSC Aeroflot’s Corporate Governance Department.

Compliance with the Russian Corporate Governance Code

<table>
<thead>
<tr>
<th>Code section</th>
<th>Principle recommended by the Code</th>
<th>Complied with</th>
<th>Not fully complied with</th>
<th>Not complied with</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholder Rights</td>
<td>13</td>
<td>11</td>
<td>2</td>
<td>–</td>
</tr>
<tr>
<td>Board of Directors</td>
<td>36</td>
<td>28</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Corporate Secretary</td>
<td>2</td>
<td>2</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Remuneration System</td>
<td>10</td>
<td>9</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>Risk Management System</td>
<td>6</td>
<td>6</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Information Disclosure</td>
<td>7</td>
<td>7</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Material Corporate Actions</td>
<td>5</td>
<td>4</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>79</td>
<td>67</td>
<td>10</td>
<td>2</td>
</tr>
</tbody>
</table>

Note: Statistics are based on the Corporate Governance Code Compliance Report (Appendix to the Annual Report).
The Revision Committee supervises the financial and business operations of the Company, its units and services. To ensure reliability and transparency of its financial statements prepared under both the Russian Accounting Standards and the International Financial Reporting Standards, PJSC Aeroflot regularly engages external auditors. The Internal Audit Department accountable to the Audit Committee of PJSC Aeroflot’s Board of Directors also audits the Company’s financial and operational activities.

Key documents ensuring protection of PJSC Aeroflot shareholder rights include:

- Articles of Association
- Regulations on the General Meeting of Shareholders
- Regulations on the Board of Directors
- Regulations on the Management Board
- Regulations on the Revision Committee
- Corporate Governance Code
- Regulations on the Corporate Information Policy
- Dividend Policy
- Corporate Conduct Code.

PJSC Aeroflot controls interests in (holds shares in the charter capital of) a number of subsidiaries, including airlines, where PJSC Aeroflot also ensures compliance with the top standards of corporate governance by developing and implementing Group-wide policies and principles. The Company developed a cross-functional governance system for its aviation subsidiaries.

To ensure supervision over financial and business activities of its subsidiary airlines, the Group established a dedicated revision committee made up of PJSC Aeroflot’s representatives. In addition to inspections by divisional committees, the airlines are subject to inspections by an auditor approved pursuant to the relevant bidding procedures.

In accordance with the applicable laws and their articles of association, each subsidiary airline developed and adopted dedicated internal documents stipulating the responsibilities of its governing bodies.

### General Meeting of Shareholders

The General Meeting of Shareholders is PJSC Aeroflot’s supreme governing body responsible for matters most crucial to the Company. The respective scope of authority and procedures for convening, holding, and summing up the Annual General Meeting of Shareholders are set forth in PJSC Aeroflot’s Articles of Association and Regulations on the General Meeting of Shareholders.

The Annual General Meeting of Shareholders of PJSC Aeroflot is held annually no earlier than three months and no later than six months after the end of the fiscal year.

#### Annual General Meeting of Shareholders on 25 June 2018

In 2018, PJSC Aeroflot convened the Annual General Meeting of Shareholders in Moscow on 25 June (Minutes No. 42 dated 26 June 2018). The meeting was attended by holders of 61.6% of PJSC Aeroflot’s total share capital.

The Annual General Meeting of Shareholders approved the Annual Report, 2017 financial statements (including the profit and loss statement), and the distribution of the net profit for FY2017.

The Annual General Meeting of Shareholders also approved the remunerations of members of the Board of Directors and the Revision Committee, as recommended by the Board of Directors.

New Board of Directors and Revision Committee were elected. Pursuant to the relevant bidding procedures, the Company selected an auditor for 2018 (to audit the statements prepared under the Russian Accounting Standards and the International Financial Reporting Standards).

The Company also endorsed and approved a number of interested party transactions, in particular, a major transaction related to the operating lease of 50 new MC-21-300 aircraft.

### Board of Directors

#### Extraordinary General Meeting of Shareholders on 23 October 2018

In 2018, PJSC Aeroflot also convened an Extraordinary General Meeting of Shareholders (EGM) in Moscow on 23 October (Minutes No. 43 dated 24 October 2018). The meeting was attended by holders of 64.7% of PJSC Aeroflot’s total share capital.


The EGM passed a resolution on early termination of the mandates of the Company’s directors and election of a new Board of Directors.
In line with the action plan for the Board of Directors, the Board meetings are held at least once a month. The action plan includes essential matters concerning the Company’s operations (strategy, finance, budget and risks, human resources, etc.), which are to be discussed in line with the strategic and business planning cycle. Proposals made by members of the Board of Directors and the Company’s management are factored in. Extraordinary meetings may be convened to make decisions on urgent matters.

The agenda of the Board of Directors’ meetings must include items proposed for discussion by shareholders who in aggregate hold at least 2% of shares, members of the Board of Directors, the Revision Committee, the Management Board, the Company’s auditor, and the CEO.

All items on the agenda of the Board of Directors’ meetings are generally previewed by dedicated committees to enable a more detailed discussion and prepare recommendations for voting to the Board of Directors.

The Board of Directors’ meetings held in absentia consider matters on which members of the Board of Directors do not have any material comments, as well as matters of procedure. However, a matter may be moved to the agenda of a meeting held in person upon request of two members of the Board of Directors.

In their work, the Company’s Board of Directors and its Committees use tablets with the Board of Directors software developed in Russia. The platform allows Directors to study materials of Directors and its Committees use tablets with the Board of Directors software developed in Russia. In their work, the Company’s Board of Directors and its Committees use tablets with the Board of Directors software developed in Russia. The platform allows Directors to study materials of Directors and its Committees use tablets with the Board of Directors software developed in Russia.

Chairman of the Board of Directors

— is responsible for the general stewardship of the Board of Directors, convenes and chairs meetings, arranges for keeping the minutes of meetings, chairs the General Meeting of Shareholders
— helps ensure the timely provision to members of the Board of Directors of all the information required to pass resolutions and vote on agenda items
— ensures productive discussion of agenda items involving non-executive and independent members of the Board of Directors
— controls the execution of resolutions passed by the Board of Directors and the General Meeting of Shareholders.

Independent directors

Independent directors promote opinions and judgements unaffected by relations with the Company’s shareholders or executive bodies, as well as decision-making which benefits different shareholder groups.

The presence of independent directors enhances corporate governance in the Company. Independent members of the Board of Directors are actively involved in the activities of the Board Committees. In accordance with the requirements of the Moscow Exchange, independent directors head the Board of Directors’ Audit Committee and Personnel and Remuneration Committee. The majority of members of the Board of Directors’ Committees are also independent directors, which helps achieve a balanced and independent position on agenda items.

Assessment of the Board of Directors’ performance

In 2018, PJSC Aeroflot’s Board of Directors conducted a self-assessment of its performance for the first time. The self-assessment for 2017/2018 corporate year was conducted as part of the Action Plan (Roadmap) to Improve Corporate Governance Practices at Aeroflot and was focused on the implementation of the key recommendations set out in the Corporate Governance Code recommended by the Bank of Russia.

The PJSC Aeroflot Board carried out a self-assessment in the form of an anonymous survey questionnaire. The questionnaire comprised over 40 questions to assess the performance of the Board of Directors, its Committees, Chairman and Executive Secretary. Members of the Board of Directors could also express their opinions on the viability of such self-assessment and make proposals on the improvement of the Board’s self-assessment procedure.

The results of the self-assessment show that the Board of Directors’ composition is well-balanced, which enables it to perform its key functions efficiently. Members of the Board of Directors pay sufficient attention to their service on the Board and its Committees. When discussing agenda items, Directors have proved to be involved and active. The presentation and quality of the materials and information for the Board meetings submitted to the Directors, as well as the performance of the Company’s Executive Secretary received a positive assessment.

Based on the self-assessment results, members of PJSC Aeroflot’s Board of Directors received recommendations to further improve the performance of the Board and its Committees. In future, the Company intends to carry out independent assessment of the Board of Directors’ performance with the help of an external advisor.

Membership of the Board of Directors

As at 31 December 2018, PJSC Aeroflot’s Board of Directors was comprised of the Chairman (non-executive director), one executive director, seven non-executive directors, and two independent directors.

In December 2018, Evgeny Ditrich, Minister of Transport of the Russian Federation, was elected as Chairman of PJSC Aeroflot’s Board of Directors. He had been elected to the Board of Directors as from 23 October 2018 by resolution of the Extraordinary General Meeting of Shareholders.

Members of the Board of Directors efficiently performed their functions and tasks throughout 2018 notwithstanding their service on boards of directors of other companies.

In the reporting year, no members of the Company’s Board of Directors purchased, or disposed of, their shares in the Company. No claims were filed against members of the Board of Directors.
Membership of the Board of Directors as at 31 December 2018

Evgeny Ditrich
Chairman of the Board of Directors, Non-Executive Director

Member of PJSC Aeroflot’s Board of Directors since 2018.
Born in September 1972.
First Class State Award of the Russian Federation. He was awarded the Order of Honour. and in 2017, received a Letter of Acknowledgement from the President of the Russian Federation. In 2018, he was awarded the Order of Honour by the Government of the Russian Federation, the 9th of the Honoured Master of Transport Industry, and other industry awards.

No shareholding in PJSC Aeroflot.

Sergey Chemezov
Non-Executive Director

Member of PJSC Aeroflot’s Board of Directors since 2014.
In 1987, graduated from Moscow State Pedagogical Institute with a degree in Russian Language and Literature.
Recipient of high government awards and winner of a large number of other prestigious awards.

Roman Pakhomov
Non-Executive Director

Head of the Strategy Committee and member of the Audit Committee of the Board of Directors.
Member of PJSC Aeroflot’s Board of Directors from 2013 to 2017. Re-elected to the Board in 2018.
Born in 26 December 1970.
In 1993, graduated from Voronezh State University. In 1998, graduated from Moscow State University. For his contribution to the preparation of the XXI Winter Olympic Games and the XI Winter Paralympic Games in Sochi in 2014, Mikhail Poluboyarinov was awarded the Order of Honour.

No shareholding in PJSC Aeroflot.

Igor Kamenskoy
Independent Director

Head of the Personnel and Remuneration Committee, member of the Audit Committee and the Strategy Committee of the Board of Directors.
Member of PJSC Aeroflot’s Board of Directors since 2014.
In 1987, graduated from Moscow State Pedagogical Institute with a degree in Russian Language and Literature.
Recipient of high government awards and winner of a large number of other prestigious awards.

Dmitry Peskov
Non-Executive Director

Member of the Strategy Committee of the Board of Directors.
Member of PJSC Aeroflot’s Board of Directors since 2014.
Born in 4 March 1971.
First Class State Award of the Russian Federation. He was awarded the Order of Honour. and in 2017, received a Letter of Acknowledgement from the President of the Russian Federation. In 2018, he was awarded the Order of Honour by the Government of the Russian Federation, the 9th of the Honoured Master of Transport Industry, and other industry awards.

No shareholding in PJSC Aeroflot.

Mikhail Poluboyarinov
Non-Executive Director

Member of PJSC Aeroflot’s Board of Directors since 2017.
Born in 2 April 1866.
In 1889, graduated from Moscow Financial University with a degree in Finance and Credit. In 1894, graduated from the Plekhanov Russian University of Economics with a Ph D in Economics in Finance, Currency and Trade. In 1975, from the Plekhanov Russian University of Economics with a Ph D in Economics in Finance, Currency and Trade. In 2009, Director of the Russian Academy of Sciences. He is currently a member of the boards of directors of Sberbank and Rosatom, as well as a member of the Supervisory Board of DOM.RF. From 1990 to 1996, Chief Accountant and Financial Director at Arkhangelsk. From 1993 to 2010, Chief Deputy and Deputy CEO of Aeroflot. Since 2014, Director of the Infrastructure Department and Deputy Chairman at VEB.RF. First Deputy Chairman of State Development Corporation VEB.RF. From 1996, Chief of Staff of the Ministry of Industry and Trade of the Russian Federation. Since 1997, Advisor to the President of the Russian Federation. For his contribution to the preparation of the XXI Winter Olympic Games and the XI Winter Paralympic Games in Sochi in 2014, Mikhail Poluboyarinov was awarded the Order of Honour.

No shareholding in PJSC Aeroflot.
Vitaly Saveliev
Executive Director
Chairman of the Management Board and CEO of PJSC Aeroflot

Member of PJSC Aeroflot’s Board of Directors since 2006.
Born in 18 January 1954. Graduated from the Leningrad Polytechnic Institute in 1977, and the Leningrad Institute of Engineering and Economics (the Saint Petersburg State University of Economics) in 1988. PhD in Economics. From 1977, was engaged in the construction of the Sayan-Shushenskaya HPP; worked his way up from an engineer to the general designer in one of the industry-engineering associations. From 1984, Deputy Director of All-Union Gaspromspetsstroi Trust. From 1986, First Deputy Chief Director of Gaspromgudinvest. From 1989, President of the All-Russian joint venture迪姆пел. From 1993, Chairman of the Management Board of Rossia Bank. From 1995, Chairman of the Management Board of Monopol Saint Petersburg. From 2010, Deputy Chairman of the Management Board of Gazprom. From 2014, Deputy Minister for Economic Development and Trade of the Russian Federation. From 2003, First Vice President of PJSC Sistema. From 2007, President of PJSC Sistema. From 2008, Chairman of the Board of Directors of Rosnano. From 2008, President of PJSC Sistema. From 2008, President of PJSC Aeroflot. Received the Order “For Merit to the Fatherland”, 2nd class, the Order of Alexander Nevsky, the Order of Honor, the Order of Friendship, was awarded a Letter of Acknowledgement from the President of the Russian Federation, numerous medals and industry awards.

No shareholding in PJSC Aeroflot.

Vasily Sidorov
Independent Director
Head of the Audit Committee, member of the Personnel and Remuneration Committee and the Strategy Committee of the Board of Directors

Member of PJSC Aeroflot’s Board of Directors since 2013.
Born in 2 February 1971. In 1994, graduated from the Moscow State Institute of International Relations (MSISU University) with a degree in International Public Law, and from the Plekhanov Russian University of Economics in 1996 with a degree in Economics. Since 2012, CEO of VSMPO-AVISMA Corporation. From 2012 to 2018, member of the Board of Directors of VSMPO-AVISMA Corporation. Since 2012, Member of the Board of Directors of Aviacapital-Service. Since March 2016, member of the Board of Directors of Rosnano. Since April 2017, member of the Board of Directors of Oliko. From June to August 2018, Chairman of the Strategy and Investment Committee of the Board of Directors of LSR Group. Since August 2018, CEO, Chairman of the Executive Committee, and a member of the Board of Directors of LSR Group. Since 2009, member of the Board of Directors of the Association of Russia’s Aerospace Industry. A number of times, he was awarded the Order “For Merits to the Fatherland”, 2nd class, a Certificate of Commendation from the President of the Russian Federation, the title of the Honored Worker of Transport of Russia.

No shareholding in PJSC Aeroflot.

Yury Slysar
Non-Executive Director
Member of the Strategy Committee of the Board of Directors

Member of PJSC Aeroflot’s Board of Directors since 2015.

No shareholding in PJSC Aeroflot.

Maxim Sokolov
Non-Executive Director
Member of the Strategy Committee of the Board of Directors

Member of PJSC Aeroflot’s Board of Directors since 2018.

No shareholding in PJSC Aeroflot.

Mikhail Voevodin
Non-Executive Director
Member of the Strategy Committee and the Personnel and Remuneration Committee of the Board of Directors

Member of PJSC Aeroflot’s Board of Directors since 2017.

No shareholding in PJSC Aeroflot.

Alexey Melyoshkin
Executive Secretary of the Board of Directors

Executive Secretary of the Board of Directors of PJSC Aeroflot.

The Executive Secretary of the Board of Directors is responsible for the administrative and information support of the Company’s Board of Directors and General Meeting of Shareholders, and supervises compliance by the Company’s bodies and officers with corporate governance rules and procedures stipulated by the laws of the Russian Federation, the Company’s Articles of Association and internal documents.

The proceedings of the Executive Secretary are governed by the Regulations on the Executive Secretary of the Board of Directors and the Board of Directors Office of PJSC Aeroflot.
In its resolutions, the Board of Directors covers a number of priority areas to:

- ensure flight safety and on-time performance
- determine Aeroflot Group’s strategy and identify priority business segments
- build and maintain effective internal controls and risk management
- map out a development strategy for Aeroflot Group’s aircraft fleet and route network
- continuously upgrade the fleet through additions and aircraft mix optimisation
- improve operating, financial, and marketing practices and methods through upgrades, innovation, and implementation of best practices from global peers
- improve the performance of Aeroflot’s branches and representative offices both domestically and internationally
- enforce higher standards for airport customers, and enhance the service mix, and improve customer experience
- promote cooperation with SkyTeam partners, use the membership to expand the Company’s route network, and boost the international flight performance
- promote strategic partnerships with airlines across key geographies
- improve operational performance of subsidiaries and streamline the non-core asset structure to cut unnecessary spending and increase returns on investments
- develop and upgrade information technologies
- ensure information transparency including procurement
- enhance shareholder and investor relations
- develop and improve corporate policies

In 2018, PJSC Aeroflot’s Board of Directors held 18 meetings, including 10 meetings in person and 8 meetings in absentia, which addressed over 170 matters and passed over 400 resolutions.

Key matters discussed by the Board of Directors in 2018

<table>
<thead>
<tr>
<th>STRATEGY</th>
<th>FINANCE</th>
<th>CORPORATE GOVERNANCE AND HR</th>
<th>TRANSACTIONS</th>
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</thead>
<tbody>
<tr>
<td>→ Progress in implementation of Aeroflot Group’s Strategy → Development of Aeroflot Group’s new Strategy → Implementation of Aeroflot Group’s Long-Term Development Programmes and KPIs → achievement of Aeroflot airline → Progress of strategic partnership programs → Implementation of PJSC Aeroflot’s Innovative Development Programmes → Enhancement of Aeroflot Group’s IT → Progress in implementation of Aeroflot Group’s marketing strategy → enhancement of service offerings within Aeroflot Group</td>
<td>→ Operational and financial performance → Annual accounting statements, including the income statement → Aeroflot Group’s consolidated IFRS budget → Audit reports under IAS and IFRS → Aeroflot Group’s operational KPIs → internal rate of return → Aeroflot Group’s non-revenue revenues → Charity and sponsorship → Profit distribution including dividend payout → Procurement → Tender for conducting annual audit under IFRS and RAS → Risk management system at Aeroflot Group → Review of the Internal Audit Department’s report → Tender for selection of the Revision Committee → Shareholder and investor relations</td>
<td>→ Corporate governance at PJSC Aeroflot → Election of PJSC Aeroflot’s CEO → Performance of the Board of Directors and its Committees → Changes in the membership of the Management Board → Remuneration system → Improvement of non-core assets → Dividends from subsidiaries → Conversion of Extraordinary General Meeting of Shareholders → Preparation for the next Annual General Meeting of Shareholders → PJSC Aeroflot’s 2017 Annual Report → Remuneration of members of the Board of Directors, its Committees, and the Revision Committee</td>
<td>→ Aircraft lease transactions → Approval of major transactions and interested party transactions</td>
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</tbody>
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Committees of the Board of Directors
To improve the effectiveness of resolutions passed by the Board of Directors, ensure more detailed preliminary discussions of the most important matters, and prepare relevant recommendations, PJSC Aeroflot has three dedicated Committees of the Board of Directors:

\[ \rightarrow \text{Audit Committee} \]
\[ \rightarrow \text{Personnel and Remuneration Committee} \]
\[ \rightarrow \text{Strategy Committee} \]

The Board of Directors’ Committees are elected by the Board of Directors and act in compliance with relevant Committee Regulations approved by the Company’s Board of Directors. The Committees act as per the Board’s resolutions and activity plans based on the Board’s activity plan.

In 2018, the Board of Directors’ Committees held a total of 13 meetings, including joint meetings and one meeting held in absentia, addressing matters related to the operations of Aeroflot Group and submitting detailed recommendations and proposals to the Company’s Board of Directors and Management Board.

Audit Committee
The Audit Committee of the Board of Directors supervises the Company’s financial and business operations to protect shareholder interests and ensure the growth of the Company’s assets. Coordinating with the Company’s executive bodies, the Revision Committee, and the Internal Audit Department, the Audit Committee prepares and submits for consideration by the Board of Directors recommendations and proposals on matters of the Board.

In 2018, the Audit Committee held a total of 10 meetings (in person). The Committee’s meeting agendas were compiled in line with the Committee’s activity plan approved by the first post-election meeting, and reflected the instructions of the Board of Directors.

KEY MATTERS DISCUSSED IN 2018:
- Performance against Aeroflot Group’s consolidated budget targets
- Aeroflot Group’s and PJSC Aeroflot’s budgets
- Establishing and operating an internal control and risk management system
- Initiatives to reduce Aeroflot Group’s operating expenses
- Improvement of internal audit at Aeroflot Group
- Auditors’ reports on the financial and business audit results under RAS and IFRS
- Reports on audits conducted by the Internal Audit Department
- Shareholder and investor relations
- Procurement
- Transactions related to the aircraft fleet
- Measures to mitigate the risks arising from relations with ticket sales agents
- Extending and restructuring of loans
- Reports on the results of analysis of companies’ debt to PJSC Aeroflot
- Internal documents

MEMBERSHIP OF THE AUDIT COMMITTEE
(elected by resolution of the Board of Directors on 31 October 2018)

- Vasily Sidorov – Head of the Committee, Independent Director
- Igor Kamenskoy – Independent Director
- Roman Pakhomov – Non-Executive Director

Lars Erik Bergstrom and Alexey Germanovich were members of the Audit Committee up to 31 October 2018.

Personnel and Remuneration Committee
The Personnel and Remuneration Committee promotes the development of the HR policy, supervises matters concerning the Company’s organisational structure, selection and assessment of persons appointed to the Company’s governing bodies, their remuneration, and the remuneration system.

In 2018, the Personnel and Remuneration Committee held a total of 11 meetings, including one meeting held in absentia. The Committee’s meeting agendas were compiled in line with the Committee’s activity plan approved by the first post-election meeting, and reflected the instructions of the Board of Directors.

KEY MATTERS DISCUSSED IN 2018:
- Remuneration of the Company’s management, members of the Board of Directors and the Revision Committee, Long-Term Incentive Programme, and Long-Term Programme for members of the Board of Directors
- CEO and management KPIs
- Aeroflot Group’s Long-Term Development Programme KPIs
- Assessment of the Board of Directors
- The Company’s organisational structure
- Consideration of proposals and preparation of recommendations on nominees to PJSC Aeroflot’s Board of Directors and Revision Committee
- Assessing the state of the corporate system in 2018/2019 corporate year
- Assessment of independence of nominees to the Company’s Board of Directors against the relevant criteria
- Internal documents

MEMBERSHIP OF THE PERSONNEL AND REMUNERATION COMMITTEE
(elected by resolution of the Board of Directors on 31 October 2018)

- Igor Kamenskoy – Head of the Committee, Non-Executive Director
- Vasily Sidorov – Independent Director
- Mikhail Voevodin – Non-Executive Director
- Dmitry Peskov – Non-Executive Director
- Yuri Shlyusar – Non-Executive Director
- Maxim Sokolov – Non-Executive Director
- Andrey Chikhanchin – member of the Management Board, Deputy CEO for Customer Service

Lars Erik Bergstrom, Alexey Germanovich and Dmitry Peskov were members of the Personnel and Remuneration Committee up to 31 October 2018, and Roman Pakhomov was a member of the Committee from 5 July to 31 October 2018.

Strategy Committee
The Strategy Committee was set up to prepare recommendations and proposals to the Board of Directors, enhancing the Company’s performance and improving its long-term strategy.

In 2018, the Strategy Committee held a total of nine meetings (in person). The Committee’s meeting agendas were compiled in line with the Committee’s activity plan approved by the first post-election meeting, and reflected the instructions of the Board of Directors.

KEY MATTERS DISCUSSED IN 2018:
- Implementation of the Aeroflot Group development strategy
- Implementation of Aeroflot Group’s Long-Term Development Programme
- Implementation of Aeroflot Group’s marketing strategy
- Aeroflot Group’s development strategy and Long-Term Development Programme update
- Strategic partnerships with airlines
- Dividend policy
- Aeroflot Group’s IT strategy
- Shareholder and investor relations
- Enhancement of Aeroflot Group’s subsidiary airlines
- Enhancement of maintenance and repair operations within Aeroflot Group
- Assessment of innovative development programmes update for partially state-owned companies
- Results of PJSC Aeroflot’s Innovative Development Programme
- Aircraft fleet expansion

MEMBERSHIP OF THE STRATEGY COMMITTEE
(elected by resolution of the Board of Directors on 31 October 2018)

- Roman Pakhomov – Head of the Committee, Non-Executive Director
- Igor Kamenskoy – Independent Director
- Vasily Sidorov – Independent Director
- Mikhail Voevodin – Non-Executive Director
- Dmitry Peskov – Non-Executive Director
- Maxim Sokolov – Non-Executive Director
- Valdim Zingman – member of the Management Board, Deputy CEO for Customer Service
- Andrey Chikhanchin – member of the Management Board, Deputy CEO for Commerce and Finance

Lars Erik Bergstrom and Alexey Germanovich were members of the Strategy Committee up to 31 October 2018. Maxim Sokolov was elected to the Committee as from 31 October 2018.
Management Board and CEO

PJSC Aeroflot’s sole executive body, the CEO, and collective executive body, the Management Board, are charged with running the Company’s day-to-day operations. The executive bodies report directly to the Board of Directors and the General Meeting of Shareholders.

The CEO also acts as the Chairman of the Management Board, and represents the interests of the Company without power of attorney, acting in compliance with PJSC Aeroflot’s Articles of Association. The CEO is elected by the Board of Directors for a maximum term of five years.

Vitaly Savelyev has been PJSC Aeroflot’s CEO since April 2009; in August 2018, the Board of Directors resolved to extend his term of office until 2023.

The Board of Directors is authorised to appoint members of the Management Board, and remove them from office before the end of their term. The Management Board acts in compliance with PJSC Aeroflot’s Articles of Association and Regulations on the Management Board.

The scope of authority of PJSC Aeroflot’s executive bodies covers all matters pertaining to management of the Company’s day-to-day operations, except for those reserved for the General Meeting of Shareholders or the Board of Directors.

Changes to the membership of PJSC Aeroflot’s Management Board in 2018 were as follows:

→ As from 11 December 2018, Andrey Chikhanchin, Deputy CEO for Commerce and Finance, was elected to the Management Board.
→ As from 15 March 2018, Giorigo Callegari, Deputy CEO for Strategy and Alliances, was appointed to the Management Board.
→ As from 5 July 2018, Shamil Kurnashov, Deputy CEO for Commerce and Finance, stepped down from the Management Board.
→ The size of the Management Board was reduced to 10 members.

In the reporting period, members of the Management Board did not enter into transactions with PJSC Aeroflot shares. There were no claims filed against PJSC Aeroflot’s CEO or members of the Management Board in 2018.

Vitaly Savelyev
Chairman of the Management Board, CEO

Born in 18 January 1954.
In 1977, graduated from Leningrad Polytechnical Institute (Saint Petersburg Polytechnical University). In 1986, graduated from the Leningrad Institute of Engineering and Economics (the Saint-Petersburg State University of Economics). PhD in Economics.
From 1977, was engaged in the construction of the Leningrad-Shushenskaya HPP. Worked his way up from an engineer to the general designer in one of the largest hydropower plants in the Leningrad region.
From 1984, Deputy Director of All-Union Gesoeconmontazh Trust.
From 1987, Deputy Head of Chief Directorate at Glavresursnabtubin.
From 1989, President of the US-Russian joint venture Dvikom.
From 1993, Chairman of the Management Board of Burevestnik.
From 1995, Chairman of the Management Board of Meshag-Saint Petersburg.
From 2001, Deputy Chairman of the Management Board of Gazprom.
From 2003, Deputy Minister for Economic Development and Trade of the Russian Federation.
From 2007, First Vice President of PJSC Aeroflot. Since 2019, current position.
He received a Medal of the Order “For Merit to the Fatherland”, 2nd class, and a Letter of Acknowledgment from the President of the Russian Federation, a Pavel Melnikov Medal, a Badge of the Honoured Worker of Transport of Russia, and a Certificate of Honour from the President of the Russian Federation, numerous medals and industry awards.

Vitaly Savelyev has a 0.121% shareholding in PJSC Aeroflot.

Vladimir Antonov
First Deputy CEO for Operations

Born in 1963.
In 1977, graduated from Moscow Railway Engineering Institute.
From 1977 to 1995, served in the armed forces.
From 1995 to 2018, Deputy CEO for Economic and Aviation Safety, Deputy CEO for Aviation Safety, Deputy CEO for Aviation and Operating Safety, First Deputy CEO for Operations, and First Deputy CEO for Administration at PJSC Aeroflot.
Since 2018, First Deputy CEO for Operations.
He was awarded a Medal of the Order “For Merit to the Fatherland”, 2nd class, and a Letter of Acknowledgment from the President of the Russian Federation, a Pavel Melnikov Medal, a Badge of the Honoured Worker of Transport of Russia, as well as other government and industry awards.

Vladimir Antonov has a 0.00000006% shareholding in PJSC Aeroflot.

Membership of the Management Board as at 31 December 2018

Vitaly Savelyev
Chairman of the Management Board, CEO

Vladimir Antonov
First Deputy CEO for Operations

Vasily Avilov
Deputy CEO for Administrative Management

Vladimir Aleksandrov
Deputy CEO for Legal and Property Matters

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Vitaly Savelyev
Chairman of the Management Board, CEO

Vladimir Antónov
First Deputy CEO for Operations

Vasily Avilov
Deputy CEO for Administrative Management

Vladimir Aleksandrov
Deputy CEO for Legal and Property Matters

Blame in 18 January 1954.
In 1977, graduated from Leningrad Polytechnical Institute (Saint Petersburg Polytechnical University). In 1986, graduated from the Leningrad Institute of Engineering and Economics (the Saint-Petersburg State University of Economics). PhD in Economics.
From 1977, was engaged in the construction of the Leningrad-Shushenskaya HPP. Worked his way up from an engineer to the general designer in one of the largest hydropower plants in the Leningrad region.
From 1984, Deputy Director of All-Union Gesoeconmontazh Trust.
From 1987, Deputy Head of Chief Directorate at Glavresursnabtubin.
From 1989, President of the US-Russian joint venture Dvikom.
From 1993, Chairman of the Management Board of Burevestnik.
From 1995, Chairman of the Management Board of Meshag-Saint Petersburg.
From 2001, Deputy Chairman of the Management Board of Gazprom.
From 2003, Deputy Minister for Economic Development and Trade of the Russian Federation.
From 2007, First Vice President of PJSC Aeroflot. Since 2019, current position.
He received a Medal of the Order “For Merit to the Fatherland”, 2nd class, and a Letter of Acknowledgment from the President of the Russian Federation, a Pavel Melnikov Medal, a Badge of the Honoured Worker of Transport of Russia, as well as other government and industry awards.

Vitaly Savelyev has a 0.121% shareholding in PJSC Aeroflot.

Vladimir Antonov
First Deputy CEO for Operations

Born in 1963.
In 1977, graduated from Moscow Railway Engineering Institute.
From 1977 to 1995, served in the armed forces.
From 1995 to 1994, worked at the Ministry of Foreign Economic Relations of the USSR.
From 1994 to 1997, worked at the Office of the Security Council of the Russian Federation. He is a Candidate List Member and a Third Class State Adviser of the Russian Federation.
Since 2018, First Deputy CEO for Operations.
He was awarded a Medal of the Order “For Merit to the Fatherland”, 2nd class, and a Letter of Acknowledgment from the President of the Russian Federation, a Pavel Melnikov Medal, a Badge of the Honoured Worker of Transport of Russia, as well as other government and industry awards.

Vladimir Antonov has a 0.00000006% shareholding in PJSC Aeroflot.

Vasily Avilov
Deputy CEO for Administrative Management

Born in 1933.
In 1977, graduated from Moscow Higher Naval Engineering College. From 1977 to 1983, served in the armed forces of the USSR.
From 1983 to 1984, worked at the Ministry of Foreign Economic Relations of the USSR.
He received Medals of the Order “For Battle Merit”, a Certificate of Honour and a Letter of Acknowledgment from the President of the Russian Federation, the title of the Distinguished Worker of Transport of Russia, as well as other government and industry awards.

Vasily Avilov has a 0.0000002% shareholding in PJSC Aeroflot.

Vladimir Aleksandrov
Deputy CEO for Legal and Property Matters

He held senior positions at the Prosecutor General’s Office of the Russian Federation and the Investigative Committee of the Russian Federation.
Since 2012, he has been working at PJSC Aeroflot. In 2016, he was appointed Deputy CEO for Legal and Property Matters at PJSC Aeroflot. Since 2013, he has been working at PJSC Aeroflot.
He received a Medal of the Order “For Merit to the Fatherland”, 2nd class, and a Letter of Acknowledgment from the Minister of Transport of Russia.

Vladimir Aleksandrov has no shareholding in PJSC Aeroflot.
Kirill Bogdanov  
Deputy CEO for Information Technologies


No shareholding in PJSC Aeroflot.

Vadim Zingman
Deputy CEO for Customer Relations

Born in 1970. Graduated from the Saint Petersburg University of Economics and Finance. PhD in Economics. He served as Vice President of INTR Bank, Chairman of the Management Board of Bankovskii Bank, President of Interregional Clearing Bank, Deputy Director of the Department of State Regulation of Foreign Trade Activity at the Russian Ministry of Economic Development and Trade, and Director of the Department of Relations with State Executive Authorities at PJSC Aeroflot. From 2003 to 2009, he has been working at PJSC Aeroflot. Since 2011, Deputy CEO for Customer Relations at PJSC Aeroflot. He received a Medal of the Order “For Merit to the Fatherland”, 2nd class, and a Letter of Acknowledgement from the President of the Russian Federation, and a Peier Gold Medal.

No shareholding in PJSC Aeroflot.

Georgy Matveev
Director of Safety Management


Has a 0.000007% shareholding in PJSC Aeroflot.

Igor Parakhin
Deputy CEO – Technical Director


Has a 0.000007% shareholding in PJSC Aeroflot.

Igor Chalik
Deputy CEO – Flight Director

Born in 1957. Graduated from the Akhtubinsk Higher School of Civil Aviation. After graduation, he was employed by a Syktyvkar airline where he flew Tu-134 aircraft. Since 1986, he has worked at the Central Administration of International Air Traffic (now Aeroflot). Flies Tu-134, IL-86, A310, and A320 aircraft. Since 2006, he has been flying A320 aircraft. His total flight hours amount to about 10 thousand hours. He received a Medal of the Order “For Merit to the Fatherland”, 2nd class, and a Letter of Acknowledgement from the President of the Russian Federation.

Has a 0.000017% shareholding in PJSC Aeroflot.

Andrey Chikhanchin
Deputy CEO for Commerce and Finance


No shareholding in PJSC Aeroflot.
Management Board Report for 2018

In 2018, the Management Board of PJSC Aeroflot held a total of 39 meetings, including 14 meetings in absentia.

Committees

In pursuit of recommendations and proposals aiming to boost the Company’s performance, PJSC Aeroflot set up the Committee for Innovative Development and the Committee for Finance and Investments.

Committee for Innovative Development

The Committee for Innovative Development is a permanent collective advisory body of PJSC Aeroflot’s Management Board. It was set up to develop recommendations and proposals for the Management Board to boost the Company’s performance.

In its operation, the Committee is guided by the laws of the Russian Federation, resolutions of PJSC Aeroflot’s Board of Directors and Management Board, other regulations, rules, and procedures of the Company, and the Regulations on the Committee for Innovative Development.

The Committee is charged with reviewing innovative projects and providing assessment of their efficiency, monitoring the progress of ongoing innovative projects, passing resolutions on project suspension, setting out requirements for the design and quality of innovative development materials submitted to the Management Board, and recommending projects for implementation.

In 2018, the Committee held a total of four meetings and discussed the following key matters:

- Compilation of a list of priority R&D activities in the medium and long term
- Review of R&D projects under the Innovative Development Programme in the medium term
- Review of projects submitted via the one-stop-shop system, summarising expert reviews of proposals
- Opening of representative offices
- Launch of flights to new destinations
- Shareholder and investor relations
- Implementation of updated elements of the corporate philosophy
- Mentoring concept
- Introduction of professional standards in the Company’s operations
- Charity projects for a number of institutions
- Sponsorship and cooperation initiatives

Key matters discussed in 2018:
- Flight safety
- Technical condition of the aircraft fleet
- Progress in implementing the IT strategy
- Wider application of Big Data solutions in the Company’s commercial activities
- Transactions related to the aircraft fleet
- On-time performance
- Initiatives to strengthen carry-on baggage control
- Efficiency management
- Monitoring the performance, PJSC Aeroflot
- Setting up the Committee for Innovative Development.
- Meetings of the Committee:

→ Initiatives to strengthen carry-on baggage control

→ On-time performance

→ Transactions related to the aircraft fleet

→ Wider application of Big Data solutions in the Company’s commercial activities

Committee for Finance and Investments

The Committee for Finance and Investments is a permanent collective advisory body of PJSC Aeroflot. In its operation, the Committee is guided by the applicable laws of the Russian Federation, resolutions of PJSC Aeroflot’s Board of Directors, other regulations, rules, and procedures of the Company, and the Regulations on the Committee for Finance and Investments.

The Committee is charged, among other things, with monitoring the progress of the Company’s ongoing investment projects, providing expert reviews of such projects, passing resolutions on suspension of investment projects, determining their performance assessment criteria, and drafting proposals on Aeroflot Group’s financial, economic, and marketing policies.

In 2018, the Committee for Finance and Investments held a total of 34 meetings including 31 meetings in absentia.

Membership of the Committee for Innovative Development as at 31 December 2018

Vadim Zhirnin Deputy CEO for Customer Service, Chairman of the Committee
Andrey Polozov-Yablonsky Advisor to the CEO, Director for Innovation, Deputy Chairman of the Committee
Sergey Krylov Director of the Information Systems Department
Aleksandr Kornevsky Deputy Director for Flight Training and Training Methodology of the Flight Operations Department
Azat Zaripov Deputy Director of the Aviation Security Management Department
Dmitry Saksuvov Head of Strategic Projects Coordination at the Corporate Strategy Department
Ekaterina Kryshkina Advisor to the Deputy CEO for Commerce and Finance
Alexander Fadeev Advisor to the Deputy CEO – Technical Director
Vadim Shikunov Head of the Big Data Team of the CRM and Marketing Survey Division of the Marketing Department
Elena Yurchik Leading Expert of the Customer Service Division at the Product Management Department
Olga Vladimirova Head of Corporate Communications at Rossiya Airlines
Oleg Emets Development Director at Aurora Airlines

Membership of the Committee for Finance and Investments as at 31 December 2018

Andrey Chikhanov Deputy CEO for Commerce and Finance, Chairman of the Committee
Irina Nikolaeva Chief Accountant
Eugeny Sokol Director of the Department for Economic Security
Eugeny Zinchenko Director of the Corporate Strategy Department
Anton Lapatin Director of the Financial Planning and Analysis Department
Arkady Petrov Director of the Risk Management Department
Mikhail Salavov Director of the Product Management Department
Yaroslav Yegorov Director of the Corporate Finance Department
Vasily Timofeyev Director of the Financial Operations Department
Alexander Mk Deputy Director of the Financial Planning and Analysis Department
Elena Shilina Deputy Director of the Corporate Finance Department
Dmitry Gulin Advisor to the Deputy CEO for Administrative Management
Andrey Polozov-Yablonsky Advisor to the CEO, Director for Innovation
Remuneration of members of the Board of Directors and the management

The Company has in place a structured remuneration system for members of the governing bodies designed to link the amount of bonus payments to the achievement of short-term targets, and align the long-term interests of the Company’s management and its shareholders. Short-term incentive is provided in the form of cash bonuses while long-term incentive implies payments based on share capitalisation benchmarked against different metrics.

Remuneration of members of the Board of Directors

Guidelines for Board remuneration calculation and payouts are set forth in the Regulations on Remuneration and Compensation Payments to the Members of the Board of Directors of PJSC Aeroflot, in line with the Federal Law On Joint Stock Companies, other applicable laws of the Russian Federation, and the Company’s internal documents. The Regulations were approved by PJSC Aeroflot’s AGM in 2017.

The Board remuneration system comprises a fixed component and the Long-Term Incentive Programme (a variable component). The size of the fixed component depends on involvement of members of the Company’s Board of Directors in the activities of the Board and its Committees and includes the base pay and additional payments for discharging extra duties.

The variable remuneration component is directly linked to the Company’s market capitalisation, achievement of the capitalisation target, and the market capitalisation of key foreign airline peers. The Long-Term Incentive Programme is focused on achievement of the Company’s capitalisation target.

The Long-Term Incentive Programme for 1 January 2016 to 30 June 2019 was approved in 2016 to replace the previous Stock Option Plan for 2013–2015. During the implementation, the current Long-Term Incentive Programme is adjusted to update its metrics.

The total variable remuneration of Board members is equivalent to 0.5% of PJSC Aeroflot’s market capitalisation growth over the lifetime of the Long-Term Incentive Programme.

Management remuneration

The remuneration system designed for the management and the other staff enables the Company to engage and retain highly qualified professionals. Remuneration for management is comprised of the fixed component (official salary) and the variable component (current bonuses and long-term incentives).

Current bonuses depend on the Group-wide performance and are calculated in accordance with the Company’s KPI-Based Employee Bonus System. The KPI-Based Employee Bonus System is formalised by the Regulations on Bonus Payments to the Managers and Specialists of PJSC Aeroflot. The Regulations stipulate that the bonus component of the management compensation amount shall depend on their quarterly and annual performance against the KPIs approved for the relevant reporting period.

To provide for long-term incentives for PJSC Aeroflot’s management, the Long-Term Incentive Programme for 1 January 2016 to 30 June 2019 was approved by the Board of Directors on 25 May 2016 and updated by the resolutions of the Board of Directors of PJSC Aeroflot on 26 May 2017 and 31 October 2018. The Programme covers the CEO, members of the Management Board, Deputy CEOs, department heads, Chief Accountant, and other employees of the Company, on the CEO’s resolution.

The total pool of the Long-Term Management Incentive Programme is equivalent to 3.0% of PJSC Aeroflot’s market capitalisation growth over the lifetime of the Long-Term Incentive Programme. The 2016–2019 Long-Term Management Incentive Programme draws heavily on the following underlying metrics:

- PJSC Aeroflot’s market capitalisation growth in each relevant interim period
- PJSC Aeroflot’s ranking among five international airline peers based on the market capitalisation change in each relevant interim period
- Achievement of the capitalisation target following the Long-Term Incentive Programme.

The annual remuneration is paid as follows:

- 2/3 of the remuneration pool is paid out for the relevant interim period
- 1/3 of the remuneration pool is paid out subject to the achievement of the capitalisation target.

As the Aeroflot Group Development Strategy 2023 was updated and approved, PJSC Aeroflot’s Board of Directors resolved to bring PJSC Aeroflot’s Long-Term Incentive Programme (for 1 January 2016 to 30 June 2019) to completion on 30 September 2018.
Remuneration of the Board of Directors and the Management Board in 2018

On 25 June 2018, the Annual General Meeting of Shareholders resolved to:

- approve the total amount of individual fixed remuneration payable to members of PJSC Aeroflot’s Board of Directors for the period from 1 July 2017 to 30 June 2018 totalling the maximum of RUB 77,750,695.

According to the results of the meetings of the Board of Directors of PJSC “Aeroflot” which have taken place, the actual fixed remuneration for the period from 1 July 2017 to 30 June 2018 was RUB 77,660,000.

Remuneration of members of PJSC Aeroflot’s Board of Directors for the period from 1 July 2017 to 30 June 2018

<table>
<thead>
<tr>
<th>Member of the Board of Directors</th>
<th>Amount, RUB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lars Erik Bergstrom</td>
<td>8,160,000</td>
</tr>
<tr>
<td>Mikhail Vinogradov</td>
<td>8,160,000</td>
</tr>
<tr>
<td>Alexey Germanovich</td>
<td>10,380,000</td>
</tr>
<tr>
<td>Igor Kamensky</td>
<td>10,380,000</td>
</tr>
<tr>
<td>Dmitry Peskov</td>
<td>8,400,000</td>
</tr>
<tr>
<td>Mikhail Poluboyarinov</td>
<td>9,000,000</td>
</tr>
<tr>
<td>Vitaly Savelyev</td>
<td></td>
</tr>
<tr>
<td>Dmitry Sapaevik</td>
<td></td>
</tr>
<tr>
<td>Vasily Sidrov</td>
<td>10,380,000</td>
</tr>
<tr>
<td>Yury Slyusar</td>
<td>6,800,000</td>
</tr>
<tr>
<td>Sergy Chemysov</td>
<td>6,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>77,660,000</strong></td>
</tr>
</tbody>
</table>

Remuneration paid to members of PJSC Aeroflot’s Management Board in 2018

<table>
<thead>
<tr>
<th>Remuneration type</th>
<th>Amount, RUB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary and additional compensations</td>
<td>429,178,368</td>
</tr>
<tr>
<td>Bonuses</td>
<td>413,188,051</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>842,366,419</strong></td>
</tr>
</tbody>
</table>

The remuneration (salary and bonuses) paid to the members of PJSC Aeroflot’s Management Board in 2018 totalled RUB 842,366,419. Remuneration paid in 2018 (including the profit-sharing plan, with payments for the reporting period linked to the prior year performance) totalled RUB 1,428,162,020 (in 2017, the total remuneration was RUB 2,933,175,802 and included payments under the Long-Term Incentive Programme, unavailable in the reporting period).

Directors and officers liability insurance

As part of its efforts to provide insurance protection, PJSC Aeroflot has signed an agreement for liability insurance of the Company’s directors and officers, as well as representatives of PJSC Aeroflot on governing bodies of its subsidiaries, providing for reimbursement for loss caused to third parties, arising from claims filed by third parties against the insured due to their wrongful acts committed in their management roles. A securities claim filed against the Company also constitutes an insured event.

The amount of insurance coverage is USD 100 million per claim and in total. The insurance period is three years. The total insurance premium for three years is USD 289,500 (USD 96,500 per year).

Internal control and audit

Aeroflot Group has in place a centralised internal audit function headed by the Director of the Internal Audit Department who functionally reports to the Board of Directors of PJSC Aeroflot and to the Audit Committee of the Board of Directors.

Depending on the scale of their business and related risks, the Company’s controlled entities arrange for internal audit to be conducted by either PJSC Aeroflot’s Internal Audit Department or the internal audit unit or permanent internal auditor of their own. Heads of such units and internal auditors of controlled entities functionally report to the Director of the Internal Audit Department of PJSC Aeroflot.

The internal control systems are designed to maximise Aeroflot Group’s transparency, financial performance, and compliance with the applicable laws.

Audit Committee and its role

The Board of Directors of PJSC Aeroflot approves internal documents regulating its general policy on risk management and internal control and establishes principles of, and approaches to, the risk management and internal control system within PJSC Aeroflot.

The Audit Committee of PJSC Aeroflot’s Board of Directors enhances supervision over financial and business operations to optimise capex, protect shareholder interests, and ensure the growth of PJSC Aeroflot’s assets.

Coordinating with PJSC Aeroflot’s executive bodies, the Revision Committee, and the Internal Audit Department, the Audit Committee prepares and submits for consideration by the Board of Directors recommendations and proposals to:

- develop and provide for the implementation of the business plan
- establish and provide for compliance with effective internal controls
- provide for effective and transparent governance at PJSC Aeroflot, including prevention and termination of abuse by executive bodies and officers
- prevent, identify, and limit conditions giving rise to financial and operational risks
- provide for reliability of financial data used or disclosed by PJSC Aeroflot
- recommendations and proposals on other matters, as resolved by the Board of Directors of PJSC Aeroflot.

Risk management and internal controls assessment based on the reports by the Company’s Internal Audit Department is regularly discussed by the Audit Committee of the Board of Directors. When conducting audits, the Internal Audit Department draws conclusions on the performance of the risk management and internal control systems for each audited entity. To further improve risk management across key business processes within PJSC Aeroflot, the Audit Committee of the Board of Directors also receives regular reports on the Company’s key risks.

Internal control systems are designed to:

- prevent, identify, and limit conditions giving rise to financial and operational risks
- provide for reliability of financial data used or disclosed by PJSC Aeroflot
- recommendations and proposals on other matters, as resolved by the Board of Directors of PJSC Aeroflot.
PJSC Aeroflot has in place a practice of confidential reporting to the Board of Directors (Audit Committee of the Board of Directors), its corporate Hotline. The Hotline operates on a confidential and anonymous basis. All received reports are reviewed by the Internal Audit Department, which supports the ongoing operation of the Hotline.

As part of its effort to support the ongoing operation of the Hotline, the Internal Audit Department reviewed each report submitted to the Hotline in 2018 (a total of 489 reports). Internal investigations were conducted and measures were taken to enhance Aeroflot Group's internal controls whenever required.

The Hotline is used to:

→ report violations of the applicable laws or Aeroflot Group's executive documents and regulations on insider information and anti-fraud and anti-corruption practices by any employee and (or) any member of the governing bodies or the body that supervises Aeroflot Group's financial and business operations;
→ report violations of the Corporate Conduct Code of PJSC Aeroflot;
→ make proposals on the improvement of internal controls (including anti-corruption procedures);
→ make proposals on the improvement of the departmental operating and management practices;
→ provide payment for the provision of information to the Hotline.

In 2018, PJSC Aeroflot's Internal Audit Department conducted over 40 audits of the Company's business units and subsidiaries to identify potential risks and assess the performance of Aeroflot Group's key business segments and processes. Audits were followed by over 500 proposals on further improvement of Aeroflot Group's operations, which were accepted by the management.

Internal Audit Department

The Internal Audit Department is an independent business unit established to provide PJSC Aeroflot's governing bodies with independent and reliable assurance to enhance the operations of PJSC Aeroflot and Aeroflot Group companies by applying a holistic consistent approach to assessment and improvement of risk management, internal control, and corporate governance processes. Aeroflot Group ensures independence and objectivity of its internal audit by managing its reporting lines: the Director of the Internal Audit Department functionally reports to the Board of Directors of PJSC Aeroflot and to the Audit Committee of the Board of Directors and administratively reports to PJSC Aeroflot's CEO.

In 2018, an independent external assessment of PJSC Aeroflot's internal audit function was arranged and carried out to check its compliance with the International Standards for the Professional Practice of Internal Auditing. The assessment was performed by Ernst & Young Valuation and Advisory Services LLC. The opinion issued as a result of the assessment confirmed that PJSC Aeroflot's Internal Audit Department complies with the International Standards for the Professional Practice of Internal Auditing.

In its operation, the Department is guided by the International Standards for the Professional Practice of Internal Auditing and the underlying principles of independence, objectivity, proficiency, and professional care. The purpose of the Internal Audit Department is to support financial and business performance of PJSC Aeroflot; achievement of financial and operational targets; protection of assets; fair disclosures of the Company's financial and business data; compliance with the applicable laws.

PJSC Aeroflot carried out the following initiatives in 2018 to optimise auditing and ensure compliance with the International Standards for the Professional Practice of Internal Auditing:

→ Developed a methodology for making an Assurance Chart (Assurance Map) as part of the process to update risk-based planning methodology and internal audit reporting and thus ensure compliance with Standard 2050 of the International Standards for the Professional Practice of Internal Auditing. This document makes it possible to identify gaps and duplication of efforts in assurance coverage, which enables the Head of the Internal Audit Department to assess the sufficiency of assurance offered by the Department and review the Department's scope of work if needed.
→ Drew up an Assurance Map and gained a clear understanding of the work performed by other internal and external providers of assurance and consulting services (assurance providers) while preparing a risk-based plan of the Internal Audit Department for 2019 to ensure an adequate scope of the risk-based plan, minimise duplication of efforts and use the outputs of assurance providers in the work of the Internal Audit Department in the future.
→ Developed and implemented the Professional Competence Map of PJSC Aeroflot's Internal Auditor and a guidance on how to use it. The Competence Map seeks to address the following HR tasks within the Internal Audit Department: training and development, succession planning, recruitment, and employee performance assessment. Updated the Internal Audit Assessment and Improvement Programme
→ Standardized audit programmes for the Company's key business processes to adopt a uniform approach to auditing relying on risk-based analysis.

As prescribed by the Regulations, the Revision Committee comprised five members who are elected at the Annual General Meeting of Shareholders for a period until the next Annual General Meeting of Shareholders.

The Revision Committee comprises five members who are elected at the Annual General Meeting of Shareholders for a period until the next Annual General Meeting of Shareholders.
**External audit**

As required by law, PJSC Aeroflot’s annual accounting statements are subject to statutory audit to confirm their accuracy and reliability. External auditors are engaged for three years through public tenders which ensure unbiased selection of the successful bidder based on auditing experience, the proposed audit scope and timeline, and the nature of the Company’s operations. The audit firm which won the public tender for conducting an audit of the Company’s accounting (financial) statements is approved annually by the Annual General Meeting of Shareholders in accordance with the applicable laws.

The Annual General Meeting of Shareholders held on 25 June 2018 elected the following members of PJSC Aeroflot’s Revision Committee:

- Igor Belikov – Director of the Russian Institute of Directors and Chairman of the Revision Committee at PJSC Aeroflot
- Mikhail Sorokin – Head of the Management Department of the Federal Agency for State Property Management
- Sergey Ubugunov – Head of Division at the Russian Ministry of Transport
- Vasily Shishlov – Deputy Head of Division at the Russian Ministry of Economic Development

Remuneration to Revision Committee members is paid upon resolution of the General Meeting of Shareholders. The total annual remuneration paid to members of the Revision Committee in 2018 amounted to RUB 3,334,453.

<table>
<thead>
<tr>
<th>Revision Committee member</th>
<th>Remuneration, RUB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Igor Belikov</td>
<td>1,867,294</td>
</tr>
<tr>
<td>Ekaterina Nikitina</td>
<td>1,467,159</td>
</tr>
<tr>
<td>Mikhail Sorokin</td>
<td>–</td>
</tr>
<tr>
<td>Sergey Ubugunov</td>
<td>–</td>
</tr>
<tr>
<td>Vasily Shishlov</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>3,334,453</td>
</tr>
</tbody>
</table>

**Anti-corruption policy and regulation of possible conflicts of interest**

Aeroflot Group openly states zero tolerance for unfair and illegal business practices and takes additional voluntary anti-corruption commitments recommended by international and Russian laws. PJSC Aeroflot’s official website has an Anti-Corruption Practices section that features an official public statement of the Company’s CEO declaring zero tolerance for corruption, and prohibition of corruption at all times and in all forms. PJSC Aeroflot is committed to public anti-corruption measures, transparent and open procurement processes, and rejection of illicit benefits. It creates effective feedback channels, runs anti-corruption training programmes for its employees, fights corruption by sharing information, and takes measures to prevent and resolve conflicts of interest.

In 2014, PJSC Aeroflot signed up to the Anti-Corruption Charter of the Russian Business. PJSC Aeroflot’s Board of Directors approved Aeroflot Group’s Anti-Corruption Policy designed to create a uniform approach to Federal Law No. 273-FZ On Countering Corruption dated 25 December 2008, which provides for development and adoption of measures to prevent and counter corruption, and the Corporate Conduct Code, a list of ethical and moral standards and rules that are accepted and shared by PJSC Aeroflot’s Board of Directors and employees irrespective of their position.

These and other anti-corruption documents are publicly available in the Anti-Corruption Practices section on PJSC Aeroflot’s official website.


The Company conducts professional development training for employees who are in charge of countering corruption, and supports collective initiatives involving the Russian Government, the Prosecutor General’s Office of the Russian Federation, the Investigative Committee of the Russian Federation, relevant federal and regional government bodies, and other organisations. It also runs awareness programmes that help build an anti-corruption culture and promote anti-corruption practices.

For the first time in the Company’s history, PJSC Aeroflot held a round-table discussion on countering corruption in business and on business partnership in the current context, in collaboration with the Prosecutor General’s Office. PJSC Aeroflot’s Deputy CEO for Legal and Property Matters made a report on consistent anti-corruption policy as the Company’s strategic objective.
First Deputy Director of the Department for Economic Security responsible for preventing and countering corruption, who reports directly to Deputy CEO for Legal and Property Matters, is in charge of compliance management. First Deputy Director of the Department for Economic Security responsible for preventing and countering corruption oversees the work of the Division for Preventing and Countering Corruption of the Economic Security Department.

PJSC Aeroflot ensures compliance with the Russian laws on countering corruption and preventing and resolving conflicts of interest. The Company has the Anti-Corruption and Conflict of Interest Commission chaired by First Deputy Director of the Department for Economic Security responsible for preventing and countering corruption. A procedure for reporting conflicts of interest to the management is in place. The Regulations on Procurement of Goods, Works, and Services and other documents that regulate procurement practices include provisions aimed to prevent conflicts of interest. Also, the Company reviews its contractors for conflicts of interest.

We are also consistently working to integrate the Guidelines on Anti-Corruption Risk Management and Internal Controls in Partially State-Owned Joint Stock Companies approved by Order of the Federal Agency for State Property Management No. 80 dated 2 March 2016.

PJSC Aeroflot’s business units make comprehensive efforts to identify and assess corruption risks and prepare a Risk Register and Risk Map. The Company has also developed and adopted documents regulating risk assessment and management procedures for its key business processes. Aeroflot Group’s Risk Register and Risk Map are annually reviewed and approved by PJSC Aeroflot’s Board of Directors.

PJSC Aeroflot has set up a dedicated incident reporting channel – okb@aeroflot.ru, which is described on the Company’s website. The Company guarantees confidentiality when receiving and reviewing incident reports, and no negative consequences for individuals who raised their concerns in good faith.

Information disclosure
To enhance its corporate transparency and equity story, the Company strives to ensure timely disclosure of complete and accurate material information on its operations. The Company’s disclosure is guided by requirements and recommendations of federal laws, the Bank of Russia, Russian and foreign trading hubs where the Company’s securities are listed, as well as corporate documents such as the Regulations on the Corporate Information Policy and the Regulations on Providing Access to Insider Information.

The main objectives of PJSC Aeroflot’s corporate information policy are to:

→ ensure compliance with the Russian laws and regulatory requirements of the securities market
→ enhance information transparency and confidence in communications with the Company’s shareholders, security holders, investors, creditors, and other stakeholders, and ensure protection of their rights and legitimate interests
→ focus on fully meeting the demand of shareholders, investors, professional security traders, and other stakeholders for fair disclosures of the corporate and business information
→ secure shareholders’ rights to receive material information required to exercise their corporate governance rights
→ maintain professional and trust-based relationships of the Company with mass media providing for free information sharing without prejudice to the rights and legitimate interests of shareholders, investors, and other parties
→ protect insider information.

Information on PJSC Aeroflot is promptly communicated to the widest possible audience through publication of relevant messages, press and news releases in the news feed updated in real time on PJSC Aeroflot’s disclosure page (http://disclosure.skrin.ru/disclosure/7112040126), and in the Shareholders and Investors section of Aeroflot’s website (http://ir.aeroflot.ru).

For more details on information disclosure see the Investor Relations section.

INTERNAL REGULATIONS GUIDING THE ANNUAL REPORT
Baseline internal regulations used to prepare this Annual Report, including key internal regulations governing the internal audit, as well as the risk management and internal control system, are:

→ Articles of Association of PJSC Aeroflot
→ Corporate Governance Code of PJSC Aeroflot
→ Corporate Conduct Code of PJSC Aeroflot
→ Regulations on the General Meeting of Shareholders of PJSC Aeroflot
→ Regulations on the Board of Directors of PJSC Aeroflot
→ Regulations on the Management Board of PJSC Aeroflot
→ Regulations on the Executive Secretary of the Board of Directors and the Board of Directors Office of PJSC Aeroflot
→ Regulations on the Personnel and Remuneration Committee of the Board of Directors of PJSC Aeroflot
→ Regulations on the Audit Committee of the Board of Directors of PJSC Aeroflot
→ Regulations on the Strategy Committee of the Board of Directors of PJSC Aeroflot
→ Regulations on the Revision Committee of PJSC Aeroflot
→ Regulations on Internal Audit at Aeroflot Group
→ Regulations on Providng Access to Insider Information
→ Regulations on Providing Access to Insider Information
→ Regulations on Aeroflot Group’s Risk Management System
→ Dividend Policy of PJSC Aeroflot
→ Regulations on the Corporate Information Policy
→ Regulations on the System of Disclosure of Confidental Information to the Board of Directors (Audit Committee of the Board of Directors) – Hotline
→ Environmental Policy of PJSC Aeroflot.
Risk Management

Risk management system

In 2018, Aeroflot Group continued to enhance a comprehensive system that helps promptly identify risks that affect the Company, assess their materiality, and take measures to minimise both the likelihood of risks being realised and losses they can lead to. Our risk management activities are governed by the Regulations on Aeroflot Group’s Risk Management System approved in 2015 and updated in 2017. The document lays down the framework for a unified risk assessment and management methodology: goals, objectives, and principles of setting up and operating the corporate risk management system (CRMS), as well as the principles of the distribution of rights, obligations, and responsibilities of participants of the risk management system at PJSC Aeroflot and its controlled entities.

Risk management is applied across all management levels and functional and project areas. Risk management roles are distributed among the Board of Directors, the Audit Committee of the Board of Directors, the Management Board, and business units of PJSC Aeroflot. The Company has set up the Risk Management Department to:

- provide overall coordination of risk management processes
- develop guidelines to govern risk management processes
- arrange personnel training in risk management and internal control
- review the risk portfolio and develop proposals on response strategy and reallocation of resources to manage respective risks
- prepare consolidated risk reports
- perform day-to-day monitoring of the risk management process across business units and controlled entities
- prepare information and inform the Board of Directors and executive bodies on the effectiveness of the risk management process.

PJSC Aeroflot’s business units and the Risk Management Department make comprehensive efforts to identify and assess risks, as well as prepare the Risk Register and Risk Map. The Board of Directors of PJSC Aeroflot annually reviews and approves the Risk Register, Risk Map, and Risk Appetite Statement of Aeroflot Group.

The Risk Map is a map of the most significant risks which covers risks of underperformance against budgeted targets, including due to changes in market risk factors, and operational risks directly associated with availability/airworthiness of aircraft and customer service quality. The following market risks realised in 2018 had the greatest impact on Aeroflot Group’s operations: increase in jet fuel price, exchange rate fluctuations, and a rise in interest rates. Control over PJSC Aeroflot’s financial and business activities is exercised by the Audit Committee of the Board of Directors, Revision Committee, Internal Audit Department, and Risk Management Department. An independent auditor is engaged to audit PJSC Aeroflot’s financial statements prepared under the Russian Accounting Standards (RAS) and the International Financial Reporting Standards (IFRS).

Officers responsible for interaction with PJSC Aeroflot on the implementation and operation of the CRMS are designated at PJSC Aeroflot’s controlled entities, with controlled entities performing procedures to identify and assess risks.
Enhancement of the risk management system

Selected activities implemented in 2018 to enhance integrated risk management at Aeroflot Group:

→ Updates were made to PJSC Aeroflot’s Risk Management Standard, which implements the concept of a unified risk management methodology across Aeroflot Group.

→ Internal regulations were adopted across PJSC Aeroflot’s controlled entities to implement Aeroflot Group’s unified risk management methodology.

→ The Board of Directors of PJSC Aeroflot approved the updated Aeroflot Group’s Risk Register and Risk Map.

→ The Board of Directors of PJSC Aeroflot approved the Risk Appetite Statement of Aeroflot Group.

→ Employees of PJSC Aeroflot’s controlled entities were trained in risk management and internal control.

→ Prompt communication procedures were set up to support interaction between PJSC Aeroflot’s Risk Management Department and risk coordinators at PJSC Aeroflot’s controlled entities within the CRMS.

→ Monthly reporting on realised risks and risk appetite compliance by PJSC Aeroflot’s controlled entities was organised within the CRMS.

In order to improve its risk management performance, Aeroflot Group carries out regular CRMS performance assessments both as part of day-to-day operations and in the form of in-house or independent third-party assessments. The management, the Audit Committee of the Board of Directors, and the Board of Directors receive regular reports on risk management and the CRMS performance across Aeroflot Group.

### Principal risks and mitigation measures

#### Financial risks

<table>
<thead>
<tr>
<th>Risk</th>
<th>Description</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market risks</td>
<td>Risks of underperformance against targets (financial, operating, strategic, etc.) due to exchange rate, commodity price, or market interest rate fluctuations</td>
<td>To reduce market risk implications for financial performance, PJSC Aeroflot seeks to balance out revenues and liabilities in each currency. In light of the limits of operational (or natural) hedging, we diversify debt across currencies and instruments, and regularly consider financial hedging options involving derivatives on aviation fuel and exchange rates. We review the use of interest rate hedges on a regular basis. No transactions were undertaken in 2018 to hedge foreign exchange risk or fuel price risk. For details on the impact of realised risks on the Group see below.</td>
</tr>
</tbody>
</table>

#### Credit risk

<table>
<thead>
<tr>
<th>Risk</th>
<th>Description</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit risk</td>
<td>Risk of incurring losses from a potential failure by a counterparty to meet its contractual obligations to Aeroflot Group companies</td>
<td>A systemic approach is used to manage credit risk, aimed at preventing the risk occurring or minimising financial losses should it occur. The approach involves: use of financial coverage clause in service contracts with deferred payments, capping agent sales volumes, prepayments, and receivables from counterparties, regular credit quality assessments of counterparties (based on credit ratings and probability of default ratings), regular recalculation of financial coverage for credit risk, regular monitoring of credit risk alerting the Company to potential counterparty defaults and giving it time to respond in advance, credit risk limits assigned to banks and financial companies.</td>
</tr>
</tbody>
</table>

#### Liquidity risk

<table>
<thead>
<tr>
<th>Risk</th>
<th>Description</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquidity risk</td>
<td>Risk of incurring losses from the inability of an organisation to fully meet its obligations as they fall due</td>
<td>To mitigate liquidity risk, we: plan cash inflows and outflows to identify and promptly eliminate potential gaps by raising short-term loans from partner credit institutions, have established controls over the use of working capital by launching an operational system to enable early warnings of cash gaps, building a sufficient liquidity cushion, and prompt raising of funds in the money market, as well as maximising the efficient use of free cash, regularly review limits for credit, deposit, and foreign exchange transactions with financial institutions.</td>
</tr>
</tbody>
</table>

#### Capital markets access risks

<table>
<thead>
<tr>
<th>Risk</th>
<th>Description</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital markets access risks</td>
<td>Risks of incurring losses from the Group’s inability to raise debt for its financial and business activities on acceptable terms</td>
<td>The market situation is monitored; a competitive environment for credit institutions is maintained, measures to enhance the Group’s equity story are taken, and relationships with credit rating agencies are managed.</td>
</tr>
</tbody>
</table>
### Principal risks and mitigation measures (continue)

<table>
<thead>
<tr>
<th>Risk Description</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risks of incurring losses from errors (faxes) made when making decisions on the Group’s business and growth strategy</td>
<td>Efforts are taken to minimise risks related to the Aeroflot Group Development Strategy, including making decisions to optimise operations, cut costs, and increase resource efficiency.</td>
</tr>
<tr>
<td>Risks of losing the control over key assets or company trademarks</td>
<td>Aeroflot cooperates with airport security services, airlines, and law enforcement authorities in implementing a range of aviation and transportation security activities to prevent unlawful interference in airline operations and ensure passenger and staff safety.</td>
</tr>
<tr>
<td>Risks of epidemics, or natural disasters</td>
<td>Necessary response measures, including flight suspension, route changes to avoid hazardous regions, extra measures to increase flight safety and to ensure aviation security are taken, and sanitary and epidemiological controls are strengthened.</td>
</tr>
<tr>
<td>Industry risks</td>
<td>Industry risks are mitigated by:</td>
</tr>
<tr>
<td>Risks of incurring losses from changes in the air transportation industry</td>
<td></td>
</tr>
<tr>
<td>- operating a high-frequency route network</td>
<td></td>
</tr>
<tr>
<td>- using a hub model at the base airport</td>
<td></td>
</tr>
<tr>
<td>- maintaining Europe’s youngest aircraft fleet</td>
<td></td>
</tr>
<tr>
<td>- targeting the premium passenger segment (convenient departure and arrival times, high-quality customer service)</td>
<td></td>
</tr>
<tr>
<td>- driving innovation across all areas of the business</td>
<td></td>
</tr>
<tr>
<td>- maintaining a high level of flight safety</td>
<td></td>
</tr>
<tr>
<td>- promptly adjusting existing fares, running marketing campaigns and various promotions</td>
<td></td>
</tr>
<tr>
<td>- matching aircraft capacity to the passenger traffic on a given route</td>
<td></td>
</tr>
<tr>
<td>- expanding the route network to countries popular among tourists year-round</td>
<td></td>
</tr>
<tr>
<td>- requesting slots in advance and forecasting constraints</td>
<td></td>
</tr>
<tr>
<td>- applying a flexible, seasonally adjusted pricing policy to maximise revenue including the use of non-refundable fares.</td>
<td></td>
</tr>
</tbody>
</table>

### Risk Management

#### Environmental risks

- **Risks of negative changes in the environment or long-term negative implications of these changes caused by anthropogenic impacts**
  - As Russia’s largest carrier, Aeroflot is fully aware of its responsibility for ensuring high environmental performance and a sustainable environmental balance across all areas of its activities. One of its key principles is to improve aircraft fuel efficiency, which helps reduce the airline’s environmental footprint. Aeroflot’s environmental policy is aimed at improving its energy efficiency and environmental performance:
  - A CO2 calculator has been developed and implemented, required data is collected and analysed, and reports on GHG emissions and revenue tonne-kilometres are prepared (Aeroflot’s entire fleet is compliant with ICAO’s noise and emissions standards).
  - A waste management system is in place to minimise environmental impact with a focus on recycling as the most effective method of waste disposal.
  - Regular inspections of waste storage sites are performed, waste generation and movement are tracked, and contracts for waste disposal and landfill are signed.
  - Instrumental control and fine-tuning of ground vehicle fuel systems is performed, and performance of ventilation systems is monitored in operational and office premises.
  - Regular water protection and water resource management activities are carried out.

- **Service quality risks**
  - Risk of incurring losses from potential refusal by consumers to buy goods or services of the Group companies or outsourced services as a result of products and services offered by the companies failing to meet the quality requirements of consumers.
  - A process to obtain feedback from customers through a number of channels and ensure timely and full consideration of all incoming communications and complaints has been put in place. The demand for services offered is also tracked, and measures are taken to enhance service quality, improve consumer loyalty and experience, and monitor employee compliance with regulations.

- **Reputational risks**
  - Risks that an organisation would incur losses as a result of reduced brand value or negative perceptions of the organisation’s image by customers, counterparties, shareholders, business partners, regulators, and others.
  - Aeroflot takes pride in its reputation as a high-quality, safe carrier and a reliable business partner; therefore, the Company takes all necessary steps to protect its reputation, ensure management integrity and effectiveness, and maintain a positive image among customers, counterparties, shareholders, and business partners.
  - A strong focus is maintained on analysing and improving customer experience, and on deploying cutting-edge customer service technologies. The information environment around Aeroflot Group is continuously monitored and analysed, communications with NGOs are maintained, and procedures are set up to monitor compliance with process flows and regulations.
### Principal risks and mitigation measures (continue)

<table>
<thead>
<tr>
<th>RISK</th>
<th>DESCRIPTION</th>
<th>MITIGATION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operational risks</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aviatiion security risks</td>
<td>Risks of incurring losses from unlawful interference with aviation activities</td>
<td>The situation is monitored and analysed, and remedial measures are taken to ensure safety at the base airport and destination airports; airports are audited on a regular basis, the level of aviation security at destination airports and compliance with regulations are monitored; independent experts are engaged, and the state of external and internal access control systems is monitored on a 24/7 basis.</td>
</tr>
<tr>
<td>Flight safety risks</td>
<td>Forecast likelihood and severity of implications of one or several threats being realised with respect to aviation activities related to aircraft operation or directly supporting such operation (flight and ground, commercial and technical)</td>
<td>Aircraft condition and aircraft maintenance are monitored, along with the corporate healthcare unit’s processes of flight crew medical examinations and medical equipment replacement; operations and operating processes are also continuously monitored.</td>
</tr>
<tr>
<td>IT risks</td>
<td>Risks of incurring losses from the use of information technologies by the Company</td>
<td>Relations with IT vendors and developers have been established; channel redundancy and data backup procedures are implemented, skilled personnel are recruited and trained, and the causes of IT failures are investigated.</td>
</tr>
<tr>
<td>HR risks</td>
<td>A group of risks that arise from, or affect, the Group’s personnel (or an individual employee), including the lack of required/ appropriate number of employees as determined based on the current and forward-looking business plans and existing business processes</td>
<td>An effective recruitment process has been put in place, and training and professional development courses for employees are organised. Also, staff pay levels are monitored in order to remain in line with the market, and a range of social benefits and guarantees is offered to employees.</td>
</tr>
<tr>
<td>Quality risks related to purchased spare parts, units, components, and materials</td>
<td>Risks of losses due to quality and authenticity (originality) of spare parts and units purchased by Aeroflot Group, as well as components and materials to support its core business</td>
<td>Quality of supplies and suppliers’ operations is monitored and analysed, and procurement and supplier selection procedures are improved.</td>
</tr>
<tr>
<td>Economic and information security risks</td>
<td>Risks of losses related to changes in the corporate internal and external environment that may lead to the relevant item losing its economic value</td>
<td>An effective, consistent framework has been put in place to monitor, identify, localise and prevent threats and vulnerabilities has been put in place, and steps are taken on an ongoing basis to monitor employee compliance with economic and information security requirements, and to identify and prevent breaches.</td>
</tr>
<tr>
<td><strong>Compliance risks</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Occupational safety risks</td>
<td>Risks of incurring losses from factors related to the Group’s financial and business activities, which may cause workplace injury or death of employees</td>
<td>Local occupational health regulations have been developed; compliance with, and conformity to, applicable laws are monitored.</td>
</tr>
<tr>
<td>Tax risks</td>
<td>Risks of incurring losses from possible misinterpretation of laws with respect to financial and business activities resulting in financial uncertainties of such activities after tax</td>
<td>To prevent non-compliance with tax laws, changes in tax laws are regularly monitored in Russia and other countries in which the Company operates; court practice on tax disputes is analysed, contracts to be signed are analysed to remove provisions that might lead to errors or inaccuracies when taxing relevant transactions, and a regular independent audit of the applied taxation procedures is performed during annual auditing process.</td>
</tr>
<tr>
<td>Legal and regulatory risks</td>
<td>Risks of incurring losses from failure to comply with laws, changes in laws that may adversely affect the Group’s financial and business activities of the Company, as well as risks of incurring losses from direct or indirect implications of potential legislative restrictions imposed by regulators on Aeroflot Group</td>
<td>In its air transport operations, Aeroflot considers local legal requirements in every destination country, as well as the requirements and recommendations of aviation regulators, along with multiple and frequent changes to the immigration policy, customs and foreign exchange laws, and licensing requirements. A range of activities is implemented to reduce the probability of adverse impacts on the continuity of Aeroflot’s air transportation operations, including legal monitoring, summarising, and analysing court practice, and monitoring of practice for signing and performing under contracts and agreements with counterparties. Aeroflot is actively involved in government and international organisations, and in drafting regulations that may impact the way the air transportation industry is regulated.</td>
</tr>
<tr>
<td>Corruption risks</td>
<td>Potential corruption offences by employees</td>
<td>Aeroflot Group does not tolerate any form of corruption, is committed to the principles of transparency, openness, and fairness in its business and procurement activities, and rejects illicit benefits. Aeroflot continuously improves its corporate regulations, develops and introduces new rules and procedures to prevent corruption offences, raises awareness among employees and educates them on anti-corruption practices, and has in place effective feedback channels. In 2014, PJSC Aeroflot joined the Anti-Corruption Charter of Russian Business, and actively promotes anti-corruption activities under the Charter. Aeroflot Group has in place the corporate Anti-Corruption Policy and the Anti-Corruption and Conflict of Interest Commission.</td>
</tr>
</tbody>
</table>
Impact of key financial risks realised in 2018

Aeroflot Group’s key financial risks are associated with exchange rate fluctuations (EUR/RUB, USD/RUB, EUR/USD), jet fuel price (in Russia and abroad), and market interest rates (primarily LIBOR). These risk factors are interlinked, particularly changes in the EUR/RUB and USD/RUB exchange rates and jet fuel prices affected by oil prices.

Significant changes in the above risk factors had a major impact on the Group's performance in 2018 primarily due to sharp changes in foreign exchange rates and fuel prices.

In 2018, the rouble average exchange rate declined by 7.5% year-on-year against the US dollar. The rouble depreciated by 12.2% against the euro while the average EUR/USD exchange rate changed by 4.4%. These factors put pressure on Aeroflot’s FX-denominated expenses, but changes in the USD/EUR exchange rate had a positive impact on the Company with its FX revenues mostly denominated in EUR, and foreign currency expenses mostly denominated in USD.

Global oil prices grew strongly in 2018, with the price of Brent crude going up 31.0% year-on-year. Given the rouble depreciation, rouble oil prices grew by 41.2%, pushing the Group’s jet fuel costs up by 36.1%.

Currency and price risks

Aeroflot Group’s exposure to currency risk results from the vast share of the Company’s income and expenses being affected by changes in the EUR/RUB and USD/RUB exchange rates:

- Sales revenue from international flight tickets is collected in foreign currency (in foreign markets or from transfer passengers) or in roubles based on euro prices, with fares across the Group’s core markets priced mostly in euros.
- Fuel costs, lease payments, and maintenance costs (key foreign currency expenses accounting for 30.7%, 15.0%, and 7.7% of the Group’s operating costs, respectively) are mostly denominated in US dollars.
- An important foreign currency expense item for the Group is payments at foreign airports made in the currency in which local rates are priced, including euro.

Our currency risk management primarily focuses on reducing the Group’s exposure to currency risk factors. Aeroflot Group pursues a policy of balancing out revenues and liabilities in each currency.

Aeroflot Group’s price risk arises from fuel purchase contracts, as the contractual pricing formula is linked to global oil prices. The Group traditionally uses hedging instruments to manage price risks. In 2016–2018, no such transactions were executed, and no risks for 2019 were hedged as at 31 December 2018.
Interest rate risk

The Group’s exposure to interest rate risk results from changes in the debt market interest rates affecting the costs of borrowings and loans, and driving operating lease costs escalation. Specifically, costs under lease agreements of Aeroflot Group are linked to 6M and 3M LIBOR market interest rates. In 2018, the 6M rate went up from 1.84% to 2.88%, while the 3M rate increased from 1.70% to 2.81% year-on-year (as at 31 December).

The interest risk has a limited impact on the Group given its good balance between fixed and floating rate debt.

Operational risks (core and ancillary business)

Aeroflot Group uses insurance as an effective tool to manage risks. Aeroflot Group’s underlying approach is to take out, whenever practically possible, full insurance coverage for all types of risks.

The Group’s key operational risks are insured, with coverage for aviation risks, such as actual or constructive total loss, disappearance or damage of aircraft, its components and/or units, risks of airline/operator liability for injury, death, or property damage to passengers or third parties, and war risks accounting for 60% of the total insurance costs.

Aeroflot Group also uses various insurance programmes covering a wide range of non-aviation operational risks of support operations, including all types of compulsory and most types of voluntary civil liability insurance, motor insurance, property insurance (real estate, flight simulators, IT equipment), personal insurance (voluntary medical insurance for employees, their families, and retired employees of Aeroflot Group, accident insurance, disability insurance for flight crews, and travel insurance).

In 2018, all insurance contracts were renewed as scheduled. Given that all insurance policies are purchased as part of the consolidated procurement process, insurance coverage was expanded for the Group companies and insurance rates and premiums were reduced for many types of policies.

As part of its efforts to provide insurance protection, PJSC Aeroflot signed an agreement for liability insurance of PJSC Aeroflot, its directors and officers with a liability limit of USD 100 million.

Plans for 2019

Aeroflot group consistently improves its corporate risk management. In 2019, we are planning to further enhance the performance of our CRMS, including through ongoing monitoring of its performance against a system of key risk indicators, and by training Aeroflot Group’s employees in risk management.
Information for Shareholders and Investors

Share capital

As at 31 December 2018, PJSC Aeroflot’s charter capital amounted to RUB 1,110,616,299 and consisted of 1,110,616,299 ordinary registered uncertificated shares with a par value of RUB 1 each. The Company did not issue preferred shares.

40.9%

Free float

PJSC Aeroflot’s shareholders as at 31 December 2018 (%)

State registration numbers of PJSC Aeroflot’s ordinary share issues are 71.3 p – 5142 (dated 22 June 1995) and 1-02-00010-A (dated 1 February 1999). These issues were merged by Decrease No. 04-168/ф of the Federal Securities Commission of Russia dated 23 January 2004, following which the issues of PJSC Aeroflot ordinary shares were assigned state registration number 1-01-00010-A on 23 January 2004.

In addition to outstanding shares, the Company has the right to issue a further 250 million ordinary registered shares (authorised shares). No additional shares were issued in 2018.

The total number of PJSC Aeroflot’s shareholders as at 31 December 2018 was 11,074 (11,101 as at 31 December 2017), comprising mostly individuals.

PJSC Aeroflot’s register of shareholders is kept by IRC – R.O.S.T. Group of Companies (License No. 045-13954-000001, issued by the Bank of Russia). The register holder’s details are provided in the Contact Details appendix to this Annual Report.

Shares

PJSC Aeroflot shares and depositary receipts are traded on the stock market. Ordinary shares are traded on the Russian market, while global depositary receipts (GDRs) and American depositary receipts (ADRs) are traded on foreign markets.

PJSC Aeroflot shares are traded on the Moscow Exchange, where as at 31 December 2018 they were included in the Level 1 Quotation List (MOEX: AFLT). Securities transactions are subject to the T+2 trading mode. PJSC Aeroflot shares are included in the main Russian stock indices: MOEX Russia Index, MICEX Broad Market Index (RUB and USD), MICE Transport Index (RUB and USD), SMID Index (RUB and USD), RTS Index, and Equity sub-index.

On 17 March 1923, Joint Stock Company Dobralet, Aeroflot’s predecessor, adopted its Articles of Association. Its first shareholders included the Executive Committee of the Petrograd Governate (RUB 300 thousand), the State Bank of the USSR (Gosbank) (RUB 50 thousand), the Moscow Soviet of People’s Deputies (Mossovet) (RUB 35 thousand), and the All-Russian Textile Syndicate (RUB 30 thousand), as well as several individuals.
As at 31 December 2018, PJSC Aeroflot's market capitalisation was RUB 112.4 billion, down 26.9% year-on-year.

During the year, PJSC Aeroflot share price performance was comparable with the peer group index and the emerging markets airlines index (the peer group index: – 26.1%, MSCI EM Airlines: – 22.9%). The external factors that affected the Group’s financial performance, including a significant growth in fuel prices on the back of higher oil prices in the global market, the rouble’s depreciation against global currencies, and stronger competition in the air transportation market, were the key source of downward pressure on the share price.

Average daily trading volumes on the Moscow Exchange

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume</td>
<td>5,554</td>
<td>4,636</td>
<td>4,193</td>
<td>4,911</td>
</tr>
<tr>
<td>ADTV, thousand shares</td>
<td>1,111</td>
<td>624</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>ADTV, RUB million</td>
<td>5,079</td>
<td>2,773</td>
<td>1,111</td>
<td>1,111</td>
</tr>
</tbody>
</table>

Note: The average daily trading volume was calculated based on the closing price (historical data were re-calculated retrospectively based on the closing price of a specific period).

Source: Bloomberg.

Outside Russia, PJSC Aeroflot shares are traded as global depositary receipts (GDRs) at the over-the-counter section of the Frankfurt Stock Exchange and as American depositary receipts (ADRs) on the US over-the-counter market, with one GDR/ADR representing 5 ordinary shares.

Deutsche Bank Trust Company Americas acts as the depositary bank, and LLC Deutsche Bank is the custodian. A total of 9,667,055 shares were converted into GDRs as at 31 December 2018, representing 0.9% of the charter capital. No shares were converted into ADRs. As at 31 December 2018, the price of one depositary receipt stood at EUR 6.56, down 33.8% year-on-year.

PJSC Aeroflot has a credit rating from Fitch Ratings. Fitch Ratings upgraded Aeroflot’s credit rating to BB- with a Stable outlook in March 2018. The upgraded credit rating reflects the Company’s sustainable position in the Russian transportation market, strong financial and business performance, and updated rating guidance for partially state-owned companies. When rating the Company, Fitch Ratings considered its strengths, including the extensive and diversified route network, successful hub enhancement strategy, competitive costs, and strong position in the Russian airline market.

PJSC Aeroflot’s GDR programme

<table>
<thead>
<tr>
<th>Programme type</th>
<th>Sponsored Level 1 GDRs under Regulation S and Rule 144A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio (shares: GDR)</td>
<td>5:1</td>
</tr>
<tr>
<td>Ticker</td>
<td>AETG</td>
</tr>
<tr>
<td>ISIN</td>
<td>US69343R1014</td>
</tr>
</tbody>
</table>

PJSC Aeroflot’s Level-1 ADR programme

<table>
<thead>
<tr>
<th>Programme type</th>
<th>Sponsored Level 1 ADRs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ratio (shares: ADR)</td>
<td>5:1</td>
</tr>
<tr>
<td>Ticker</td>
<td>AERZY</td>
</tr>
<tr>
<td>ISIN</td>
<td>US69343R3093</td>
</tr>
</tbody>
</table>

Credit ratings

PJSC Aeroflot has a credit rating from Fitch Ratings. Fitch Ratings upgraded Aeroflot’s credit rating to BB- with a Stable outlook in March 2018. The upgraded credit rating reflects the Company’s sustainable position in the Russian transportation market, strong financial and business performance, and updated rating guidance for partially state-owned companies. When rating the Company, Fitch Ratings considered its strengths, including the extensive and diversified route network, successful hub enhancement strategy, competitive costs, and strong position in the Russian airline market.
Dividend policy

Dividend policy is a key corporate governance element and a key measure of a company’s performance in upholding the rights of its investors. PJSC Aeroflot has in place the Regulations on the Dividend Policy, which seek to maximise the transparency of procedures used to determine the amount of dividends and pay them out to the benefit of shareholders and investors. The Regulations determine the approach used by the Board of Directors to make recommendations for the General Meeting of Shareholders on profit distribution, including dividend payout.

The key principles of PJSC Aeroflot’s dividend policy are as follows:

- Aeroflot Group’s consolidated net income under the International Financial Reporting Standards (IFRS) forms the base for calculating dividends
- The amount of dividend is calculated using a tailored system of ratio indicators, which factors in Aeroflot Group’s performance in the reporting year, debt ratio, and mid-term financial plan
- The target level of dividend payouts is set at 25% of Aeroflot Group’s IFRS net income

The Annual General Meeting of Shareholders held on 25 June 2018 approved a dividend payout for FY2017 at 50% of Aeroflot Group’s net income reported under the Russian Accounting Standards (RAS). The dividend was RUB 12.81 per ordinary share.

Investor relations

The Company is strongly focused on its relations with existing and prospective investors. PJSC Aeroflot communicates with investors by providing objective, reliable, and consistent information about its activities and complies with current disclosure standards, seeking to maximise transparency.

The Company maintains an ongoing dialogue with shareholders and investors to ensure that securities market participants get complete information about its activities. The Company timely discloses material information on its operations as press releases and material facts via authorised disclosure platforms, in full compliance with Russian laws. The Company makes regular disclosures in its IFRS and RAS financial statements and investor presentations.

PJSC Aeroflot targets investors via the following channels:

- Conference calls with the Company’s management
- Regular meetings with investors and shareholders
- Involvement in major conferences hosted by brokerage houses
- Site visits to the Company’s facilities
- Dedicated events for investors and shareholders, with presentations by the Company’s management (Capital Markets Days)

In May 2018, Aeroflot Group for the first time published its Q1 consolidated financial statements prepared under IFRS. Investors were highly positive about Aeroflot Group’s efforts to improve transparency and provide additional disclosures to users, enabling analysts and investors to better understand the seasonality of the Group’s business.

In July 2018, in collaboration with United Aviation Corporation, a visit was organised for investors to Zhukovsky International Airport to watch a demonstration of MC 21 aircraft. A meeting with Irkt Corporation’s management was also held as part of the visit. The visit allowed to introduce analysts and investors to latest Russian-built aircraft expected to become part of Aeroflot Group’s fleet going forward.

In 2018, PJSC Aeroflot also worked to foster its relations with retail investors. The Company participated in FinFair, an event organized by the Moscow Exchange to showcase financial solutions. Aeroflot also sponsored a special award to recognize the best trader in Aeroflot shares on the Moscow Exchange at the Best Retail Investor 2018 awards (the contest organised by MOEX).

In 2018, Aeroflot’s IR team received a number of prestigious industry awards and was listed among the top European transport companies and Russian public companies by the largest independent global survey of investors. Aeroflot’s disclosure practices, analyst and investor events, and other IR activities were highly rated by the investment community.

The modern history of Aeroflot as an open public joint stock company began in 1995 when Aeroflot was partially privatised, with 49% of shares distributed among employees and the controlling stake (51%) retained by the Government. In 1997, Aeroflot shares started trading on the RTS exchange (Moscow Exchange).
Appendixes

CONSOLIDATED FINANCIAL STATEMENT

Appendixes

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Statement of management’s responsibilities for the preparation and approval of the Consolidated Financial Statements as at and for the year ended 31 December 2018

The following statement, which should be read in conjunction with the independent auditor’s responsibilities, as stated in the independent auditor’s report set out below, is intended to distinguish between the respective responsibilities of management and the independent auditors in relation to the Consolidated Financial Statements of Public Joint Stock Company Aeroflot – Russian Airlines and its subsidiaries (the “Group”).

Management is responsible for the preparation of Consolidated Financial Statements that present fairly the consolidated financial position of the Group as at 31 December 2018, and the financial results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards (“IFRS”).

In preparing the consolidated financial statements, management is responsible for:

→ selecting suitable accounting principles and applying them consistently;
→ making judgements and estimates that are reasonable and prudent;
→ stating whether International Financial Reporting Standards (IFRS) have been complied with, subject to any material departures that are properly disclosed and explained in the notes to Consolidated Financial Statements; and
→ preparing the Consolidated Financial Statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

→ designing, implementing and maintaining an effective system of internal controls, throughout the Group;
→ maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and the financial results of its operations and cash flows and which enable them to ensure that the Consolidated Financial Statements of the Group are prepared in accordance with IFRS;
→ maintaining statutory accounting records in compliance with local legislation and accounting standards in Russian Federation;
→ taking such steps as are reasonably available to them to safeguard the Group’s assets; and
→ preventing and detecting fraud and other irregularities.

The Consolidated Financial Statements of the Group as at and for the year ended 31 December 2018 (presented on pages 208 to 272) were approved on 4 March 2019 and signed on behalf of management by:

V. G. Saveliev
General Director

A. Y. Chikhanchin
Deputy General Director for Commerce and Finance
Independent Auditor’s Report

To the Shareholders and Board of Directors of PJSC Aeroflot:

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of PJSC Aeroflot and its subsidiaries (together – the “Group”) as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS)....

What we have audited

The Group’s consolidated financial statements comprise:

→ the consolidated statement of financial position as at 31 December 2018;
→ the consolidated statement of profit or loss for the year then ended;
→ the consolidated statement of comprehensive income for the year then ended;
→ the consolidated statement of changes in equity for the year then ended;
→ the consolidated statement of cash flows for the year then ended; and
→ the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Auditor’s Professional Ethics Code and Auditor’s Independence Rules that are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole, and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements.

Rationale for the materiality

We chose revenue as the materiality benchmark. Given the volatility of the Group’s financial results, revenue represents a more appropriate measure of the size of the business and risks of misstatement than profit before tax. We chose 3% of the benchmark, which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
CONSOLIDATED FINANCIAL STATEMENT

Effect of adoption of IFRS 15, Revenue from contracts with customers

Management developed a new accounting policy to account for revenue from contracts with customers for all revenue streams, introduced new accounting rules and conducted an analysis of existing revenue streams. We reviewed the analysis and new accounting policies provided to us by the management for each significant revenue stream and performed the following procedures:

- critically assessed how individual revenue streams were determined, including the Group's recognition of the identified streams with the revenue recorded in previous periods, and reviewed whether the transaction price was determined correctly in relation to each revenue stream;
- analysed the key terms of the standard contracts used by the Group for each significant revenue stream;
- evaluated the differences in accounting policy choices under the new standard on revenue recognition and previous standards for each revenue stream performed detailed testing of the sample of revenue transactions for significant revenue streams and assessed whether the revenue recognition criteria for these transactions are in line with the selected accounting principle for revenue recognition, including reviewing whether the period for recognition of revenue from change fees was determined correctly;
- checked the reasonableness of the approach and management judgments to allocate the transaction price between the contract (ticket) between separate performance obligations to account for the operations under the frequent flyer program “Aeroflot-Bonus”, as well as checked mathematical accuracy of the model developed by the Group’s specialists to calculated the contract liability under this program;
- evaluated the validity of the practical accounting simplifications in the costs incurred to sell tickets to passengers and the financing component under the new standard on revenue recognition and performed the following procedures:

The most significant effect from transition to the new standards relates to the following operations:

- accounting for bookings change fees (changes in flight dates, direction, flight number, class); revenue from such fees is now recognised at the moment when the flight is completed under the main contract with customers and at the moment when changes to the initial booking have been made; accounting for revenue and contract liabilities under the frequent flyer loyalty program “Aeroflot-Bonus” in relation to the allocation of the transaction price (ticket price) between the price for the booked flight and amount of the discount to the future flight to be bought for bonus miles. Starting from 1 January 2018 the allocation method is based on relative stand-alone selling prices for each performance obligation under the contract instead of residual method of price allocation used before.

We focused on this matter due to importance of the “Revenue” line in the consolidated financial statements to the users as a one of the key performance measures as well as due to material amount of “Revenue” line to the financial statements as a whole.

Key audit matter

How our audit addressed the key audit matter

- The most significant effect from transition to the new standard on revenue recognition and performed the following procedures:
  - critically assessed how individual revenue streams were determined, including the Group's recognition of the identified streams with the revenue recorded in previous periods, and reviewed whether the transaction price was determined correctly in relation to each revenue stream;
  - analysed the key terms of the standard contracts used by the Group for each significant revenue stream;
  - evaluated the differences in accounting policy choices under the new standard on revenue recognition and previous standards for each revenue stream performed detailed testing of the sample of revenue transactions for significant revenue streams and assessed weather the revenue recognition criteria for these transactions are in line with the selected accounting principle for revenue recognition, including reviewing whether the period for recognition of revenue from change fees was determined correctly;
  - checked the reasonableness of the approach and management judgments to allocate the transaction price between the contract (ticket) between separate performance obligations to account for the operations under the frequent flyer program “Aeroflot-Bonus”, as well as checked mathematical accuracy of the model developed by the Group’s specialists to calculated the contract liability under this program;
  - evaluated the validity of the practical accounting simplifications in the costs incurred to sell tickets to passengers and the financing component under the new standard on revenue recognition and performed the following procedures:

We identified the following significant components in respect of which we carried out the audit:

- PJSC Aeroflot;
- JSC Rossiya Airlines;
- LLC Pobeda Airlines;
- JSC Aeroflot.

The work in respect of material components was performed by us as a Group Auditor. We also performed analytical procedures for other Group companies that, in our opinion, had no material qualitative or quantitative effect on the Group’s consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises the describe the other information not yet released e.g. the Annual report and Issuer's Report for the 1 Quarter 2019 (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of reliance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read Annual report, Issuer's Report for the 1 Quarter 2019, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditor’s responsibilities for the consolidated financial statements

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The certified auditor responsible for the audit resulting in this independent auditor’s report is Andrey Nikolaevich Korabiev.

4 March 2019
Moscow, Russian Federation

A.N. Korabiev, certified auditor (licence No. 01-003889), AO PricewaterhouseCoopers Audit

Audited entity: PJSC Aeroflot
Record made in the Unified State Register of Legal Entities on 02 August 2002 under State Registration Number 1027700092661
State registration certificate No. 032.175 issued by Moscow Registration Chamber on 21 June 1994
119002, Russia, Moscow, 10 Arbat

Independent auditor: AO PricewaterhouseCoopers Audit
Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890
Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431
Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)
Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 11603050547

CONSOLIDATED FINANCIAL STATEMENT
CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

(ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

<table>
<thead>
<tr>
<th>Note</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traffic revenue</td>
<td>5</td>
<td>501,192</td>
</tr>
<tr>
<td>Other revenue</td>
<td>6</td>
<td>58,378</td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td>611,570</td>
</tr>
<tr>
<td>Operating costs, excluding staff costs, depreciation and amortisation</td>
<td>7</td>
<td>(496,537)</td>
</tr>
<tr>
<td>Staff costs</td>
<td>8</td>
<td>(82,817)</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>19, 23</td>
<td>(12,012)</td>
</tr>
<tr>
<td>Other operating income and expenses, net</td>
<td>9</td>
<td>153</td>
</tr>
<tr>
<td>Operating profit</td>
<td></td>
<td>19,657</td>
</tr>
<tr>
<td>Losses from impairment and fair value changes of investments, net</td>
<td>17</td>
<td>(89)</td>
</tr>
<tr>
<td>Finance income</td>
<td>10</td>
<td>4,164</td>
</tr>
<tr>
<td>Finance costs</td>
<td>10</td>
<td>(7,904)</td>
</tr>
<tr>
<td>Hedging result</td>
<td>27</td>
<td>(6,788)</td>
</tr>
<tr>
<td>Share of results of associates</td>
<td>254</td>
<td>254</td>
</tr>
<tr>
<td>Result from disposal of subsidiaries</td>
<td>22</td>
<td>1,240</td>
</tr>
<tr>
<td>Profit before income tax</td>
<td></td>
<td>9,934</td>
</tr>
<tr>
<td>Income tax</td>
<td>11</td>
<td>(4,221)</td>
</tr>
<tr>
<td>PROFIT FOR THE YEAR</td>
<td></td>
<td>5,713</td>
</tr>
<tr>
<td>Attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders of the Company</td>
<td></td>
<td>5,713</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td></td>
<td>(876)</td>
</tr>
<tr>
<td>PROFIT FOR THE YEAR</td>
<td></td>
<td>5,713</td>
</tr>
<tr>
<td>Basic and diluted profit per share (in Rubles per share)</td>
<td>5.0</td>
<td>21.1</td>
</tr>
<tr>
<td>Weighted average number of shares outstanding (millions)</td>
<td>31</td>
<td>1,096.2</td>
</tr>
</tbody>
</table>

Approved on 4 March 2019 and signed on behalf of management:

V. G. Savilev
General Director

A. Y. Chikhanchin
Deputy General Director
for Commerce and Finance

The Consolidated Statement of Profit or Loss is to be read in conjunction with the notes to, and forms a part of, the Consolidated Financial Statements presented on pages 215 to 272

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

(ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

<table>
<thead>
<tr>
<th>Note</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the period</td>
<td></td>
<td>5,713</td>
</tr>
<tr>
<td>Other comprehensive (loss)/income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that may be reclassified subsequently to profit or loss:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effect from hedging revenue with foreign currency liabilities</td>
<td>27</td>
<td>(10,873)</td>
</tr>
<tr>
<td>Deferred tax related to a result from cash-flow hedging instruments</td>
<td>11</td>
<td>2.177</td>
</tr>
<tr>
<td>Other comprehensive (loss)/income for the year</td>
<td></td>
<td>(8,698)</td>
</tr>
<tr>
<td>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</td>
<td></td>
<td>(2,985)</td>
</tr>
<tr>
<td>Total comprehensive (loss)/income attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders of the Company</td>
<td></td>
<td>(2,109)</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td></td>
<td>(876)</td>
</tr>
<tr>
<td>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</td>
<td></td>
<td>(2,985)</td>
</tr>
</tbody>
</table>

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes to, and forms a part of, the Consolidated Financial Statements presented on pages 215 to 272
**Consolidated Statement of Financial Position as at 31 December 2018**

(ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

<table>
<thead>
<tr>
<th>Note</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>12</td>
<td>23,711</td>
</tr>
<tr>
<td>Short-term financial investments</td>
<td>17</td>
<td>6,437</td>
</tr>
<tr>
<td>Accounts receivable and prepayments</td>
<td>14</td>
<td>87,868</td>
</tr>
<tr>
<td>Current income tax prepayment</td>
<td>5</td>
<td>4,688</td>
</tr>
<tr>
<td>Aircraft lease security deposits</td>
<td>13</td>
<td>525</td>
</tr>
<tr>
<td>Expendable spare parts and inventories</td>
<td>16</td>
<td>14,699</td>
</tr>
<tr>
<td>Accounts receivable and prepayments</td>
<td>14</td>
<td>87,868</td>
</tr>
<tr>
<td>Current income tax prepayment</td>
<td>5</td>
<td>4,688</td>
</tr>
<tr>
<td>Aircraft lease security deposits</td>
<td>13</td>
<td>525</td>
</tr>
<tr>
<td>Expendable spare parts and inventories</td>
<td>16</td>
<td>14,699</td>
</tr>
<tr>
<td>Total current assets</td>
<td>156,735</td>
<td>141,026</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>19</td>
<td>90,964</td>
</tr>
<tr>
<td>Prepayments for aircraft</td>
<td>15</td>
<td>21,148</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>19</td>
<td>12,002</td>
</tr>
<tr>
<td>Goodwill</td>
<td>24</td>
<td>5,393</td>
</tr>
<tr>
<td>Long-term financial investments</td>
<td>17</td>
<td>3,250</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>23</td>
<td>4,356</td>
</tr>
<tr>
<td>Aircraft lease security deposits</td>
<td>13</td>
<td>4,356</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>143</td>
<td>345</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>18</td>
<td>27,990</td>
</tr>
<tr>
<td>Total non-current assets</td>
<td>114,556</td>
<td>115,005</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>271,291</td>
<td>256,031</td>
</tr>
</tbody>
</table>

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to, and forms a part of, the Consolidated Financial Statements presented on pages 215 to 272.
## Consolidated Statement of Cash Flows for the year ended 31 December 2018

(ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

<table>
<thead>
<tr>
<th>Note</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before income tax</td>
<td>9,934</td>
<td>33,726</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>19,23</td>
<td>12,912</td>
</tr>
<tr>
<td>Change in impairment provision for accounts receivable and prepayments</td>
<td>9</td>
<td>1,237</td>
</tr>
<tr>
<td>Change in impairment provision for obsolete expendable spare parts and inventory</td>
<td>9</td>
<td>(99)</td>
</tr>
<tr>
<td>Change in impairment provision for property, plant and equipment</td>
<td>19</td>
<td>35</td>
</tr>
<tr>
<td>Loss on disposal of subsidiaries</td>
<td>(1,240)</td>
<td></td>
</tr>
<tr>
<td>(Gain)/loss on disposal of property, plant and equipment and intangible assets</td>
<td>22</td>
<td>(518)</td>
</tr>
<tr>
<td>Profit from disposal of assets classified as held for sale</td>
<td>9,20</td>
<td>(206)</td>
</tr>
<tr>
<td>Change in cost of investments</td>
<td>17</td>
<td>689</td>
</tr>
<tr>
<td>Hedging result</td>
<td>27</td>
<td>6,788</td>
</tr>
<tr>
<td>Change in provisions for liabilities</td>
<td>9,26</td>
<td>10,135</td>
</tr>
<tr>
<td>Interest expense</td>
<td>15</td>
<td>6,445</td>
</tr>
<tr>
<td>Interest income</td>
<td>10</td>
<td>(4,156)</td>
</tr>
<tr>
<td>Foreign exchange loss/(gain), net</td>
<td>10</td>
<td>1,086</td>
</tr>
<tr>
<td>Dividend income</td>
<td>(93)</td>
<td>(88)</td>
</tr>
<tr>
<td>Other finance expenses/(income), net</td>
<td>10</td>
<td>365</td>
</tr>
<tr>
<td>Other operating (income)/expenses, net</td>
<td>(302)</td>
<td>(846)</td>
</tr>
<tr>
<td><strong>Total operating cash flows before working capital changes</strong></td>
<td>43,101</td>
<td>65,330</td>
</tr>
<tr>
<td>Increase in accounts receivable and prepayments</td>
<td>(15,916)</td>
<td>(27,816)</td>
</tr>
<tr>
<td>Increase in expendable spare parts and inventories</td>
<td>(1,856)</td>
<td>(2,870)</td>
</tr>
<tr>
<td>Decrease/increase in accounts payable and accrued liabilities</td>
<td>(612)</td>
<td>29,964</td>
</tr>
<tr>
<td><strong>Total operating cash flows after working capital changes</strong></td>
<td>24,717</td>
<td>58,806</td>
</tr>
<tr>
<td>Change in restricted cash</td>
<td>41</td>
<td>178</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(7,102)</td>
<td>(10,010)</td>
</tr>
<tr>
<td>Income tax refunded</td>
<td>1,701</td>
<td>1,080</td>
</tr>
<tr>
<td><strong>Net cash flows from operating activities</strong></td>
<td>19,495</td>
<td>47,432</td>
</tr>
</tbody>
</table>

## Consolidated Statement of Cash Flows for the year ended 31 December 2018 (continued)

(ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

<table>
<thead>
<tr>
<th>Note</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from investing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deposits return</td>
<td>23,826</td>
<td>13,649</td>
</tr>
<tr>
<td>Deposits placement</td>
<td>(21,152)</td>
<td>(16,300)</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>93</td>
<td>88</td>
</tr>
<tr>
<td>Proceeds from sale of assets held for sale</td>
<td>4,203</td>
<td>1,856</td>
</tr>
<tr>
<td>Interest received</td>
<td>3,115</td>
<td>4,241</td>
</tr>
<tr>
<td>Purchases of property, plant and equipment and intangible assets</td>
<td>19,23</td>
<td>(15,131)</td>
</tr>
<tr>
<td>Dividends received</td>
<td>136</td>
<td>59</td>
</tr>
<tr>
<td>Prepayments for aircraft</td>
<td>15</td>
<td>(33,888)</td>
</tr>
<tr>
<td>Return of prepayments for aircraft</td>
<td>15</td>
<td>23,968</td>
</tr>
<tr>
<td>Repayment of operating lease security deposits</td>
<td>13</td>
<td>(2,428)</td>
</tr>
<tr>
<td>Return of operating lease security deposits</td>
<td>13</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash flows from investing activities</strong></td>
<td>4,842</td>
<td>14,369</td>
</tr>
<tr>
<td>Cash flows from financing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Placement of loans and borrowings</td>
<td>28</td>
<td>350</td>
</tr>
<tr>
<td>Repayment of loans and borrowings</td>
<td>(131)</td>
<td>(17,417)</td>
</tr>
<tr>
<td>Proceeds from sale of own shares</td>
<td>-</td>
<td>9,730</td>
</tr>
<tr>
<td>Repayment of the principal element of finance lease liabilities</td>
<td>27</td>
<td>(21,955)</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(5,207)</td>
<td>(4,762)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>36</td>
<td>(14,543)</td>
</tr>
<tr>
<td>Purchase of treasury shares</td>
<td>31</td>
<td>(7,040)</td>
</tr>
<tr>
<td><strong>Net cash used in financing activities</strong></td>
<td>(60,526)</td>
<td>(45,836)</td>
</tr>
<tr>
<td>Effect of exchange rate fluctuations on cash and cash equivalents</td>
<td>1,922</td>
<td>(878)</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>(22,267)</td>
<td>14,502</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the period</td>
<td>12</td>
<td>45,978</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the period</td>
<td>12</td>
<td>23,711</td>
</tr>
<tr>
<td>Non-cash transactions as part of the investing activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment acquired under finance leases</td>
<td>2,448</td>
<td>1,872</td>
</tr>
</tbody>
</table>
### Consolidated Statement of Changes in Equity for the year ended 31 December 2018

(ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

<table>
<thead>
<tr>
<th>Share capital</th>
<th>Accumulated profit on disposal of treasury shares</th>
<th>Hedge reserve</th>
<th>Non-controlling interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January 2017</td>
<td>1,359,012</td>
<td>(9)</td>
<td>(34,187)</td>
<td>77,128</td>
</tr>
<tr>
<td>Profit for the year</td>
<td></td>
<td></td>
<td></td>
<td>22,872</td>
</tr>
<tr>
<td>Profit from hedging net of related debt tax</td>
<td>27</td>
<td></td>
<td></td>
<td>9,028</td>
</tr>
<tr>
<td>Total other comprehensive income</td>
<td></td>
<td></td>
<td></td>
<td>9,028</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td></td>
<td></td>
<td></td>
<td>31,900</td>
</tr>
<tr>
<td>Dividends declared</td>
<td>32</td>
<td></td>
<td></td>
<td>-3,589</td>
</tr>
<tr>
<td>Total retained 1 January 2018</td>
<td>1,359,784</td>
<td>(5)</td>
<td>(25,159)</td>
<td>82,591</td>
</tr>
<tr>
<td>Profit (loss) for the year</td>
<td></td>
<td></td>
<td></td>
<td>-6,569</td>
</tr>
<tr>
<td>Loss from hedging net of related debt tax</td>
<td>27</td>
<td></td>
<td></td>
<td>(8,698)</td>
</tr>
<tr>
<td>Total other comprehensive loss</td>
<td></td>
<td></td>
<td></td>
<td>(8,698)</td>
</tr>
<tr>
<td>Total comprehensive loss</td>
<td></td>
<td></td>
<td></td>
<td>(15,267)</td>
</tr>
<tr>
<td>Purchase of treasury shares</td>
<td>31</td>
<td>(7,040)</td>
<td></td>
<td>(7,040)</td>
</tr>
<tr>
<td>Capital increase in companies with non-controlling interest</td>
<td>21</td>
<td></td>
<td></td>
<td>1,500</td>
</tr>
<tr>
<td>Dividends declared</td>
<td>32</td>
<td></td>
<td></td>
<td>-14,542</td>
</tr>
<tr>
<td>31 December 2018</td>
<td>1,359,824</td>
<td>(23,857)</td>
<td>74,958</td>
<td>45,335</td>
</tr>
</tbody>
</table>

### Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

#### 1. NATURE OF THE BUSINESS

Aeroflot-Russian Airlines (the "Company" or "Aeroflot") was formed as an open joint stock company in accordance with a Russian Federation Government Decree issued in 1992 (hereinafter, the "1992 Decree"). The 1992 Decree conferred all the rights and obligations of Aeroflot-Soviet Airlines and its structural units upon the Company, including inter-governmental bilateral agreements and agreements signed with foreign airlines and civil aviation enterprises. Under Russian Federation Presidential Decree No. 1009 of 4 August 2004, the Company was included in the official List of Strategic Entities and Strategic Joint Stock Companies.

The Company’s principal activities are the provision of passenger and cargo air transportation services, both domestically and internationally, and other aviation services from Moscow Sheremetyevo Airport. The Company and its subsidiaries (the "Group") are also involved in airline catering and hotel operations. Associated entities mainly comprise aviation security services and other ancillary services.

The Group’s business activities in provision of international and domestic passenger and cargo air transportation services are subject to seasonal fluctuations, the peak of demand is in the second and third quarters of the year. As at 31 December 2018 and 31 December 2017, the Government of the Russian Federation (the "RF") represented by the Federal Agency for Management of State Property owned 51.17% of the Company. The Company’s headquarters are located in Moscow at 10 Arbat Street, 119002, RF. The principal subsidiaries are:

<table>
<thead>
<tr>
<th>Company name</th>
<th>Registered address</th>
<th>Principal activity</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>JSC Rossiya airlines (&quot;AK Rossiya&quot;)</td>
<td>St. Petersburg, RF</td>
<td>Airline</td>
<td>75% minus one share</td>
<td>75% minus one share</td>
</tr>
<tr>
<td>LLC Pobeda Airlines (&quot;Pobeda&quot;)</td>
<td>Moscow, RF</td>
<td>Airline</td>
<td>100.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td>LLC Aurora Airlines (&quot;AK Aurora&quot;)</td>
<td>Yoshino-Sakhalinsk, RF</td>
<td>Airline</td>
<td>51.00%</td>
<td>51.00%</td>
</tr>
<tr>
<td>LLC Aeroflot-Finance (&quot;Aeroflot-Finance&quot;)</td>
<td>Moscow, RF</td>
<td>Finance services</td>
<td>100.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td>JSC Aeroflot</td>
<td>Moscow Region, RF</td>
<td>Catering</td>
<td>51.00%</td>
<td>51.00%</td>
</tr>
<tr>
<td>JSC Sheritel</td>
<td>Moscow Region, RF</td>
<td>Hotel</td>
<td>100.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td>LLC A-Technics</td>
<td>Moscow, RF</td>
<td>Technical maintenance</td>
<td>100.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td>JSC S7 Airlines (&quot;S7 Airlines&quot;)</td>
<td>Omsk, RF</td>
<td>Airline</td>
<td>100.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td>JSC Donavia (&quot;Donavia&quot;)</td>
<td>Rostov-on-Don, RF</td>
<td>Airline</td>
<td>100.00%</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

The Group’s major associate is:

<table>
<thead>
<tr>
<th>Company name</th>
<th>Registered address</th>
<th>Principal activity</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>JSC Sheremetyevo Bazoapansost</td>
<td>Moscow Region, RF</td>
<td>Aviation security</td>
<td>45.00%</td>
<td>45.00%</td>
</tr>
</tbody>
</table>

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to, and forms a part of, the Consolidated Financial Statements presented on pages 213 to 272.
Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(Continued. All amounts are presented in millions of Russian Roubles, unless otherwise stated)

The table below provides information on the Group’s aircraft fleet as at 31 December 2018 (number of aircraft):

<table>
<thead>
<tr>
<th>TYPE OF AIRCRAFT</th>
<th>OWNERSHIP</th>
<th>PDSC AEROFLOT</th>
<th>IZIC AK Rossia</th>
<th>IZIC AK Aurora</th>
<th>LLC AK POBEDA</th>
<th>GROUP TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>An-24</td>
<td>Owned</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>DHC-8-Q300</td>
<td>Owned</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>DHC-8-Q402</td>
<td>Owned</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>Total owned aircraft</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7</td>
</tr>
<tr>
<td>Airbus A319</td>
<td>Finance lease</td>
<td>-</td>
<td>9</td>
<td>-</td>
<td>-</td>
<td>9</td>
</tr>
<tr>
<td>Airbus A321</td>
<td>Finance lease</td>
<td>7</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>7</td>
</tr>
<tr>
<td>Airbus A330</td>
<td>Finance lease</td>
<td>8</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8</td>
</tr>
<tr>
<td>Boeing B777</td>
<td>Finance lease</td>
<td>10</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>Total aircraft under finance leases</td>
<td></td>
<td>25</td>
<td>9</td>
<td>-</td>
<td>-</td>
<td>34</td>
</tr>
<tr>
<td>SSJ 100</td>
<td>Operating lease</td>
<td>50</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>50</td>
</tr>
<tr>
<td>Airbus A319</td>
<td>Operating lease</td>
<td>16</td>
<td>10</td>
<td>-</td>
<td>-</td>
<td>26</td>
</tr>
<tr>
<td>Airbus A321</td>
<td>Operating lease</td>
<td>80</td>
<td>5</td>
<td>-</td>
<td>-</td>
<td>85</td>
</tr>
<tr>
<td>Airbus A321</td>
<td>Operating lease</td>
<td>30</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>30</td>
</tr>
<tr>
<td>Airbus A330</td>
<td>Operating lease</td>
<td>14</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>14</td>
</tr>
<tr>
<td>Boeing B737</td>
<td>Operating lease</td>
<td>47</td>
<td>16</td>
<td>-</td>
<td>-</td>
<td>87</td>
</tr>
<tr>
<td>Boeing B787</td>
<td>Operating lease</td>
<td>-</td>
<td>9</td>
<td>-</td>
<td>-</td>
<td>9</td>
</tr>
<tr>
<td>Boeing B777</td>
<td>Operating lease</td>
<td>7</td>
<td>10</td>
<td>-</td>
<td>-</td>
<td>17</td>
</tr>
<tr>
<td>DHC-8-Q200</td>
<td>Operating lease</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>DHC-8-Q402</td>
<td>Operating lease</td>
<td>-</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Boeing B787</td>
<td>Operating lease</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>-</td>
<td>3</td>
</tr>
<tr>
<td>Total aircraft under operating leases</td>
<td></td>
<td>228</td>
<td>56</td>
<td>18</td>
<td>24</td>
<td>326</td>
</tr>
<tr>
<td>Total fleet</td>
<td></td>
<td>253</td>
<td>65</td>
<td>24</td>
<td>24</td>
<td>367</td>
</tr>
</tbody>
</table>

As at 31 December 2018, 1 An-24 aircraft was leased out.

2. BASIS AND ACCOUNTING POLICIES OF PREPARATION THE CONSOLIDATED FINANCIAL STATEMENTS

Basis of presentation
The Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in accordance with the Federal Law No. 208–FZ "On consolidated financial reporting" dated 27 July 2010. The Consolidated Financial Statements are presented in millions of Russian Roubles ("RUB million"), except where specifically noted otherwise.

These Consolidated Financial Statements have been prepared on the historical cost convention except for financial instruments which are initially recognised at fair value and financial instruments measured at fair value through profit or loss. The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. In addition to changes in accounting policies as a result of the transition to IFRS 9 and IFRS 15 from 1 January 2018, these principles were applied retrospectively for all periods presented in the Financial Statements, unless otherwise indicated. See Notes 4 and 42.

The main accounting policies for financial investments and revenue recognition applied up to 31 December 2017 are presented in Note 42. All significant subsidiaries directly or indirectly controlled by the Group are included in these Consolidated Financial Statements. A list of the Group’s principal subsidiaries is set out in Note 1.

Going concern
Management prepared these Consolidated Financial Statements on a going concern basis. In making this judgement management considered the Group’s financial position, current performance, current intentions, profitability of operations and access to financial resources, and assessed the situation in the financial markets on the operations of the Group.

Functional and presentation currency
The functional currency of the Company and its subsidiaries is the Russian Rouble ("RUB" or "rouble"). The presentation currency of the Group’s Consolidated Financial Statements is the Russian Rouble as well.

Consolidation
Subsidiaries represent investees, including structured entities, which the Group controls, as the Group:

(i) has the powers to control significant operations which has a considerable impact on the investee’s income;
(ii) runs the risks related to variable income from its involvement with investee or is entitled to such income, and
(iii) is able to use its powers with regard to the investee in order to influence the amount of its income.

The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise it that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de facto power over the investee.

Protective rights of other investors, such as those that relate to fundamental changes of investee’s activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee.

Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

Subsidiaries are included in the Consolidated Financial Statements at the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities received in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Goodwill is measured through the deduction of net assets of the acquired entity from the total of the following amounts considered transferred for the acquired entity: non-controlling share in the acquiree’s net and fair value of the existing equity interest in the acquiree held immediately by the Group before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition-related costs such as advisory, legal, valuation and similar professional services. Considerations related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt securities as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

The Group measures non-controlling interest that represents the ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at:

- fair value, or
- in proportion to the non-controlling share in the net assets of the acquiree.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated, unless the cost cannot be recovered. The Company and its subsidiaries use uniform accounting policies consistent with the Group’s policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group’s equity.

Purchases of non-controlling interests
The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the transferred consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the Consolidated Statement of Changes in Equity.
Investments in associates
Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally, by having a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated impairment losses, if any. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in the Group’s share of net assets of an associate are recognised as follows:
(i) the Group’s share of profits or losses of associates is included in the Consolidated Statement of Profit or Loss for the year as a share of financial results of associates,
(ii) the Group’s share in other comprehensive income is recorded as a separate line item in other comprehensive income,
(iii) all other changes in the Group’s share of the carrying value of net assets of the associates are recorded in the Consolidated Statement of Profit or Loss within the share of financial results of equity accounted investments.
However, when the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unreceivable receivables, the Group does not recognise further losses, unless it has incurring obligations or makes payments on behalf of the associate.
Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associate; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the associate’s assets.
Disposals of subsidiaries or associates
When the Group ceases to have control or significant influence, any related interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the related interest in an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recognised in profit or loss to the Group.
If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.
Goodwill
Goodwill is carried at cost less accumulated impairment losses, if any. The Group performs goodwill impairment testing at least on an annual basis and whenever there are indications that goodwill may be impaired. The carrying amount of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment losses recognised in respect of goodwill are not subsequently recovered. Goodwill is allocated to cash-generating units (namely, the Group’s subsidiaries or business units). These units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.
Gains or losses on disposal of an operation within a cash-generating unit to which goodwill has been allocated is the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.
Foreign currency translation
Monetary assets and liabilities denominated in foreign currencies are translated into each entity’s functional currency at the official exchange rate of the Central Bank of the Russian Federation (“CBRF”) at the end of the respective reporting period. Transactions in foreign currencies are recorded at the rates of exchange on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions from the translation of monetary assets and liabilities denominated in foreign currency into each entity’s functional currency at year-end official exchange rates of the CBRF are recognised in the Consolidated Statement of Profit or Loss for the year within finance income or costs except for foreign exchange differences arising on translation of hedge financial instruments. Foreign exchange differences on hedge instruments are recognised in other comprehensive income.
Translation at year-end rates does not apply to non-monetary items in the Consolidated Statement of Financial Position that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value revaluation gain or loss.
The table below presents US Dollar and Euro to rouble exchange rates used for the translation of monetary assets and liabilities into foreign currencies.

<table>
<thead>
<tr>
<th>Official exchange rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roubles for 1 US Dollar</td>
</tr>
<tr>
<td>31 December 2018</td>
</tr>
<tr>
<td>Average rate for 2018</td>
</tr>
<tr>
<td>31 December 2017</td>
</tr>
<tr>
<td>Average rate for 2017</td>
</tr>
</tbody>
</table>

Revenue recognition
Starting from 1 January 2018, the Group adopted IFRS 15 “Revenue from contracts with customers”. In accordance with the revised provisions of IFRS 15, the Group has elected simplified transition method with the effect of recognition to be recognised as at 1 January 2018 in the Consolidated Financial Statements for the year-ending 31 December 2018 which will be the first year when the Group will adopt IFRS 15. For more information on the effect of the changes in the accounting policies, please refer to Note 4.
Revenue is recognised at the moment or upon transfer of control over goods or services to the customer at the transaction price. The transaction price is the amount of compensation, the right to which the Group expects to receive in exchange for the transfer of the promised goods or services to the customer. Revenue is amount for goods and services sold in the ordinary course of business, net of taxes accounted on the revenue.
Passenger Flights: Revenues from the sale of tickets are recognised upon delivery of air transport services. The price of tickets sold and valid, that have not been used at the reporting date, is recognised in the Group’s Consolidated Statement of Financial Position (unearned transportation revenue) within current liabilities. The balance on this account is reduced as the Group continues to provide related transportation services, or when the passenger returns the ticket. The price of tickets that were sold but will not be used is recognised as sales revenue at the reporting date, in line with the analysis of historical data on income from unused tickets.
Revenue from the service for changes in bookings (service fees for changes in booking terms) is recognised when transportation services are provided. Where a passenger’s route consists of several segments and transportation for such route is formalised by one single agreement for aviation services, revenue for changes in booking terms is recognised at the time of completing transportation on the first segment of the route.
Commission fees payable to agents for the sale of air tickets are recognised as sales and marketing expenses within operating expenses in the Consolidated Statement of Profit and Loss in the period in which the expenses are incurred by agents, except to the current tariffs of the Group, the period of performance obligations on transportation of passengers does not exceed one year.
Revenue from passenger flights also includes revenue under codeshare agreements signed by the Group with certain airlines, whereby the airline and the Group sell air tickets for each other’s flights (hereinafter, “Codeshare Agreements”). Revenue from the sale of tickets for the flights of other airlines under Codeshare Agreements is recognised when air transport services are provided and is included in net income within traffic revenue in the Group’s Consolidated Statement of Profit and Loss. Revenue from the sale of seats to the Group’s flights or aircraft sold to third parties for air transport services have been fully provided, within traffic revenue in the Group’s Consolidated Statement of Profit and Loss.
Revenue from passenger flights includes revenue under interline agreements signed between the Group and other airlines, whereby the airlines use their blank forms to document transportation under the regular flights of their partner airlines. The airline can issue tickets for any flights whose entire route or several segments of one route will be carried out by another carrier and paid for from any flights that were provided by a partner under an interline agreement, but were documented on the blank forms of the Group is recognised when the air transport services have been rendered by the partner in the amount of net income, within traffic revenue, in the Group’s Consolidated Statement of Profit and Loss.
The Group is entitled for commission fees at the time interline agreement partner or codeshare agreement partner perform the flight, which corresponds to the moment of fulfilment the obligation to the final passenger and represents the basis for settlements with the partner under the agreement.
In the case when agreement (ticket) with passenger includes two or more route segments (performance obligations) on mixed terms: flights to be performed by Group companies and flights to be performed by interline or codeshare partner, revenue is recognised when air transport services are provided and is included in full amount for Group flights, or in the amount of net income for the flights of interline or codeshare partner within traffic revenue in the Group’s Consolidated Statement of Profit and Loss.
Cargo flights: Revenue from cargo flights is recognised within traffic revenue when aviation services are provided. The price of sold but not yet delivered cargo flight services is reported in the Group’s Consolidated Statement of Financial Position as accounts payable and accrued liabilities.

Flight catering: Flight catering revenue is recognised upon the delivery of food on board the airplane, as it is the moment of transferring control over goods to the customers.

Other revenue: Other revenue under bilateral agreements with airlines is recognised as the Group discharges its performance obligations under the terms of each agreement. Revenue from leasing out rooms in the Group’s hotel is recognised upon the service delivery. Revenue from the sale of goods is recognised upon transfer of control over assets to the customer, which normally takes place on the date of the goods’ shipment to the customer. Revenue from rendering the services is recognised in the period when the services were rendered.

Financing component: Under customer contracts the period between the transfer of promised goods or services to the customer and payment by the customer for such goods or services will exceed one year. Therefore, the Group does not adjust the promised amount of consideration in line with the effect of any significant financing component.

Group Companies have no significant assets under contracts with customers. At the time the unconditional right to income arises, the Group recognizes accounts receivable. Group contractual obligations include: unused transport revenue from passengers, liabilities under the frequent flyer programme as well as other advances from customers (Note 25).

Segment information
The Group determines and presents operating segments based on the information that internally is provided to the General Director of the Group, who is the Group’s chief operating decision maker. Segments whose revenue, financial result or assets are not less than ten percent or more revenue, financial result or assets of all operating segments are reported separately.

Intangible assets
The Group’s intangible assets other than goodwill have definite useful lives and primarily include capitalised computer software with the useful life from 5 to 15 years. Intangible assets are amortised using the straight-line method over their useful lives. Acquired licenses for computer software are capitalised on the basis of the costs incurred to acquire and bring them to use. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to dispose.

Property, plant and equipment
Property, plant and equipment are reported at cost, less accumulated depreciation and impairment losses (where appropriate). Depreciation is calculated in order to allocate the cost (less residual value where applicable) over the useful lives of the assets.

(a) Fleet
(i) Owned aircraft and engines: Owned fleet consists of foreign-made aircraft, engines and both Russian and foreign-made. The full list of aircraft is presented in Note 1.
(ii) Finance leased aircraft and engines: Where assets are financed through finance leases, under which substantially all the risks and rewards of ownership are transferred to the Group, the assets are treated as if they had been purchased outright.
(iii) Capitalised costs on regular maintenance works and repairs of aircraft operated under finance lease: Expenditure incurred on modernisation and improvements projects that are significant in size (major aircraft modernisations involving installation of replacement parts) are capitalised. The carrying amount of those parts that are replaced is derecognised from the Group’s Consolidated Statement of Financial Position and included in operating costs in the Group’s Consolidated Statement of Profit or Loss. Capitalised costs of aircraft checks and major modernisation and improvements projects are depreciated on a straight-line basis to the projected date of the next check or based on estimates of their useful lives. Ordinary repair and maintenance costs of aircraft are expensed as incurred and included in operating costs (aircraft maintenance) in the Group’s Consolidated Statement of Profit or Loss.
(iv) Depreciation of fleet: The Group depreciates fleet assets owned or held under finance leases on a straight-line basis to the end of their estimated useful life or lease term, if it is shorter. The airframe, engines and interior of aircraft are depreciated separately over their respective estimated useful lives.

Airframes of aircraft
(20-32 years
Engines
(8-10 years
Interiors
5 years
Buildings
15-50 years
Facilities and transport vehicles
3-5 years
Other non-current assets
1-5 years

(vi) Capitalised leasehold improvements of aircraft used under operating lease: Capitalised costs that relate to the rented fleet are depreciated over the shorter of: their useful lives and the lease term.

(ii) Land, buildings, constructions and other plant and equipment
Property, plant and equipment is stated at the historical US Dollar cost recalculated at the exchange rate on 1 January 2007, the date of the change of the functional currency of the Company and its major subsidiaries from the US Dollar to the Russian Ruble or at the historical cost of property, plant and equipment was acquired after specified date. Depreciation is accrued based on the straight-line method on all property, plant and equipment based upon their expected useful lives, or, in the case of leasehold properties, over the duration of the leases or useful life if it is shorter. The useful lives of the Group’s property, plant and equipment range from 1 to 50 years. Land is not depreciated.

(c) Construction in progress
Construction in progress represents costs related to construction of property, plant and equipment, including corresponding variable-out-of-pocket expenses directly attributable to the cost of construction, as well as the acquisition cost of other assets that require assembly or other preparation. The carrying value of construction in progress is regularly assessed for the potential occurrence of the impairment provision.

Gain or loss on disposal of property, plant and equipment
The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Group’s Consolidated Statement of Profit or Loss for year within operating income or expenses.

Finance lease
Where the Group is a lessor in a lease which transferred substantially all the risks and rewards incidental to ownership to the lessee, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of: the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is allocated between reduction of the leased asset’s carrying amount and recognition of interest income. The interest component is recognised in profit or loss and the remainder is recognised in finance income. The interest is accounted for using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term if the Group is not reasonably certain that it will own ownership by the end of the lease term. Customs duties, legal fees and other initial direct costs increase the total amount recorded in assets in the Group’s Consolidated Statement of Financial Position. The interest component of lease payments included in financial costs in the Group’s Consolidated Statement of Profit or Loss.

Non-current assets classified as held for sale
Non-current assets and disposal groups (which may include both non-current and current assets) are classified in the Consolidated Statement of Financial Position as ‘non-current assets held for sale’ if their carrying amount will be recovered principally through a sale transaction (including loss of control of a subsidiary holding the assets) within twelve months after the reporting period. Assets are reclassified when either of the following conditions are met: (i) the assets are available for immediate sale in their present condition; (ii) the Group’s management approved and initiated an active programme to locate a buyer; or, (iii) the assets are actively marketed for sale at a reasonable price; and, (iv) the sale is expected within one year; and, (v) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Notes to the Consolidated Financial Statements for the year ended 31 December 2018
(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)
The costs of regular capital repairs and maintenance works performed for aircraft held under finance lease are capitalized and amortised using its straight-line method over the shorter of (i) the scheduled usage period to the next major inspection event or (ii) the remaining lease term.

Financial instruments
Since 1 January 2018 the Group implemented IFRS 9 «Financial instruments». According to transition statements of IFRS 9 the Group used simplified method of transition reflecting the impact of the transition of the new standard as at 1 January 2018 in the consolidated financial statements for the year ending 31 December 2018 which will be the first year of the Group's application of IFRS 9. Further details of the impact of this change in accounting policy are provided in Note 4.

Financial instruments – key measurement terms
Fair value – is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best estimate of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm’s length transactions or consideration of financial data of the counterparties are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Financial instrument measured at fair value are analysed by levels of the fair value hierarchy as follows:
(i) level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,
(ii) level 2 are measurements with all material input observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and
(iii) level 3 are measurements, which are valuations not based on observable inputs that require significant unobservable inputs.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not occurred. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost (“AC”) is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses (“ECL”). Accrued interest includes amortisation of transaction costs deferred at initial recognition of and any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Financial instruments – initial recognition
Financial instruments at FVPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC, resulting in an immediate accounting loss.

CONSOLIDATED FINANCIAL STATEMENT

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(continued. All amounts are presented in millions of Russian rubles, unless otherwise stated)

Non-current assets or disposal groups classified as held for sale in the current period's Consolidated Statement of Financial Position are not reclassified or re-presented in the comparative Consolidated Statement of Financial Position to reflect the classification at the end of the current period. A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, together with the liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on the acquisition date. Consequently, non-current assets that are sold or retired are not included in the determination of the amount of the loss for the year. Operating leases are capitalised at an amount equal to the present value of the minimum lease payments which will be required to be made by the Group. For finance leases, the Group recognises the cost of the leased asset and related finance lease liabilities in the same periods as the cash payments and related interest that are required to be paid. The Group evaluates the need to provide for provisions for any impairment of the carrying amount of the leased assets and related finance lease liabilities on a regular basis.

The Group capitalises costs relating to property, plant and equipment at the acquisition date. Property, plant and equipment are measured at cost of acquisition less any adjustment for any cash payments incurred in connection with the acquisition. The cost of property, plant and equipment includes the cost of acquiring property, plant and equipment and all directly attributable costs that are necessarily associated with the acquisition, construction or production of qualifying assets. Where this occurs, actual borrowing costs incurred less any investment income on borrowings is capitalised. Where the asset is substantially ready for its intended use or sale, the cost of the asset is capitalised.

Interest capitalisation is limited to assets that are substantially ready for their intended use or sale. Capitalisation of borrowing costs costs continues up to the date when the assets are substantially ready for their use or sale.

Estimation of carrying amounts of financial liabilities
The carrying amount of certain financial liabilities is estimated as the present value of the future cash flows. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

The costs of regular capital repairs and maintenance works performed for aircraft held under finance lease are capitalized and amortised using its straight-line method over the shorter of (i) the scheduled usage period to the next major inspection event or (ii) the remaining lease term.

Financial instruments
Since 1 January 2018 the Group implemented IFRS 9 «Financial instruments». According to transition statements of IFRS 9 the Group used simplified method of transition reflecting the impact of the transition of the new standard as at 1 January 2018 in the consolidated financial statements for the year ending 31 December 2018 which will be the first year of the Group’s application of IFRS 9. Further details of the impact of this change in accounting policy are provided in Note 4.

Financial instruments – key measurement terms
Fair value – is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best estimate of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market’s normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm’s length transactions or consideration of financial data of the counterparties are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Financial instrument measured at fair value are analysed by levels of the fair value hierarchy as follows:
(i) level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,
(ii) level 2 are measurements with all material input observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and
(iii) level 3 are measurements, which are valuations not based on observable inputs that require significant unobservable inputs.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not occurred. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost (“AC”) is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses (“ECL”). Accrued interest includes amortisation of transaction costs deferred at initial recognition of and any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Financial instruments – initial recognition
Financial instruments at FVPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC, resulting in an immediate accounting loss.
Notes to the Consolidated Financial Statements for the year ended 31 December 2018

CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets – classification and subsequent measurement – measurement categories.
The Group classifies financial assets in the following measurement categories: FVTPL, and AC. The classification and subsequent measurement of debt financial assets depends on (i) the Group’s business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model.
The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group’s objective is: (i) solely to collect the contractual cash flows from the assets (“hold to collect contractual cash flows”); or (ii) to sell or collect contractual cash flows and the cash flows arising from the sale of assets (“hold to collect contractual cash flows and sell”); or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of “other” business model and measured at FVTPL.

Business model is determined for a group of assets on a portfolio level based on all relevant evidence about the activities that the Group undertakes to achieve the outcome set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed.

Financial assets – classification and subsequent measurement – cash flow characteristics.
Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent wholly payments of principal and interest (“SPPI”). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Financial assets – reclassification
Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL.
The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognises Net impairment losses on financial assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probabilistic estimate of the amount that the Group expects to recover from the cash flows of the financial asset; (ii) the probability-weighted average of the expected credit loss from the credit risk of the financial asset at each reporting date, estimated by evaluating a range of possible outcomes; (iii) the time value of money; and (iv) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC and contract assets are presented in the consolidated statement of financial position net of the allowance for ECL.

Explanations regarding the Group’s determination of impaired assets and default are provided in Note 26. This note also provides information on the source data, assumptions and calculation methods used in estimating expected credit losses, including an explanation of how the Group includes the forecast information in the expected credit loss models.

Financial assets – write-off
Financial assets are written-off, in whole or in part, when the Group exhausts all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets – derecognition.
The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or enters into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not controlling.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial assets – modification.
The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial, among other, the following factors: (i) new contractual terms that substantially affect the risk profile of the asset (eg profit share or equity-based return), significant change in interest rate, change in the currency denomination, non-collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SOCI has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

Financial liabilities – measurement categories.
Financial liabilities of the Group are classified as subsequently measured at AC.

Financial liabilities – derecognition.
Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Substantial modifications of the terms and conditions of existing financial liabilities are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.
Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Offsetsing financial instrument.
Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised assets and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Aircraft lease security deposits
Aircraft lease security deposits represent amounts paid to the lessors of aircraft in accordance with the provisions of operating lease agreements. These security deposits are returned to the Group at the end of the lease period. Security deposits related to lease agreements are presented separately in the Consolidated Statement of Financial Position (aircraft lease security deposits) and initially recorded at fair value and then amortized cost calculated using the effective interest method.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with a maximum maturity of three months or less. Cash and cash equivalents are carried at cost because (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Restricted balances are excluded from cash and cash equivalents for the purposes of the Cash Flow Statement.

Trade and other receivables
Trade and other receivables are recognised initially at fair value and are subsequently carried at AC using the effective interest method.

Trade and other payables
Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at AC using the effective interest method.

Loans and borrowings
Loans and borrowings are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Short-term loans and borrowings comprise:
- interest-bearing loans and borrowings with a term shorter than one year;
- current portion of long-term loans and borrowings.

Long-term loans and borrowings include liabilities with the maturity exceeding one year.

Financial instruments and hedge accounting
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at that fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as hedges for a highly probable forecast transaction (cash flow hedge).

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in Other comprehensive income and accumulated in hedging reserve in equity. The gain or loss relating to the ineffective portion is recognized immediately in the Consolidated Statement of Profit or Loss as a separate line below operating result of the Group.

Amounts accumulated in equity are reclassified to profit or loss (as profit or loss from financing activities) in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Consolidated Statement of Profit or Loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Consolidated Statement of Profit or Loss within gains and losses from financing activities as a separate line.

The hedging result in the Consolidated Statement of Profit or Loss is the change in the fair value of the hedging derivative financial instruments (realised hedging) and the multidirectional effect of the hedging risk impact on the related hedge transactions recorded in operating activities.

Prepayments
In these Consolidated Financial Statements, prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the goods or services relating to an asset which will itself be classified as non-current are expected to be classified as non-current upon initial recognition. Prepayments to acquire assets are included to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in the Group’s Consolidated Statement of Profit or Loss for the year.

Expendable spare parts and inventories
Inventories, including aircraft expendable spare parts, are valued at cost or net realizable value, whichever is lower. With the release of material values in production and other disposal the costs are determined as the actual acquisition cost of spare parts for aircraft maintenance and as the cost of other inventories on the first-in, first-out (“FIFO”) basis.

The Group writes off the full amount of obsolete inventories which the Group does not plan to continue using in its operations.

Value added taxes
Value added tax (“VAT”) related to sales of goods or provision of services is recorded as a liability to the budget on an accruals basis. Domestic flights in general are subject to VAT at 20% and international flights are subject to VAT at 0%. Input VAT invoiced by domestic suppliers as well as VAT paid in respect of imported leased aircraft and spare parts may be recovered, subject to certain restrictions, against output VAT. The recovery of input VAT is typically delayed by up to six months and sometimes longer due to computational tax audit requirements and other administrative matters. Input VAT claimed for recovery as at the date of the Consolidated Statement of Financial Position is presented net of the output VAT liability. Rejection of the VAT that is not claimed for recovery in the current period is recorded in the Consolidated Statement of Financial Position as VAT receivable. VAT receivable that is not expected to be recovered within the twelve months from the reporting date is classified as a non-current asset. Where provision has been made for uncollectible receivables, the bad debt expense is recorded at the gross amount of the account receivable, including VAT.

Frequent flyer programme
Since 1999, the Group operates a frequent flyer programme referred to as “Aeroflot Bonus”. Subject to the Programme terms, to increase customer loyalty to the Company’s services, Aeroflot Bonus miles are awarded for the use of the Group’s and its partners’ services, and in the form of free promo miles to incentivise participation in the Programme. The miles earned entitle the participants to a number of benefits such as free flights, flight class upgrades and redeem miles for special awards from programme partners if the additional conditions of the Programme are met.

Starting from 1 January 2018, the Group adopted IFRS 15 “Revenue from contracts with customers”, which effects on accounting of liabilities under the “Aeroflot Bonus” programme. For more information on the effects of the changes in the accounting policies, please refer to note 4.
Revenue for bonus miles is recognised when the Programme participant receives the service through reducing the short-term receivables or other current liabilities based on the estimated value of one bonus mile. The amount of deferred revenue is calculated through allocating the transaction price between performance obligations (ticket sold and bonus miles) pro rata to their relative price of a stand-alone selling price on the date when a ticket to a regular flight is sold to the passenger. On the date of sale, the Group has two performance obligations: to provide the passenger with the service in the future (air ticket issuance) and to provide the service with the passenger in the future (flight leg upgrades or other goods and services) for the estimated value of accrued bonus miles.

The estimated value of miles earned, but not used by Aeroflot Bonus participants on the Group’s own flights is recognised within short-term and long-term deferred revenue under the frequent flyer programme (Note 25) within current and non-current liabilities in the Group’s Consolidated Statement of Financial Position.

The estimated value of bonus miles accumulated by Aeroflot Bonus participants for using the services provided by the partners of the programme is recognised as other accrued current and non-current liabilities under the frequent flyer programme (Note 25) within current and non-current liabilities in the Group’s Consolidated Statement of Financial Position.

The estimated value of bonus miles is the same for the miles accumulated by the participants during the Group’s flights and for those miles accumulated by the participants for using the Programme partner services.

Employee benefits

Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and etc.) are accrued in the year in which the associated services are rendered by the employees of the Group.

Provisions for liabilities

Provisions for liabilities are recognised if, and only if, the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provision amount is based on calculation of expected future outflows, or on the best estimate of the future outflows is the outcome of a range of possible future outcomes, where this range of possible outcomes is sufficiently narrow, the provision amount is based on calculation of the most likely future outflows.

The Group has defined benefit plans. The estimated value of obligation to provide retirement benefits is recognised as a liability in the Consolidated Statement of Financial Position (Note 25). The retirement benefit liability is determined by the present value of the expected future outflows, discounted at an appropriate discount rate.

Deferred tax assets for temporary differences arising on the recognition of deferred tax liabilities in the Consolidated Statement of Financial Position, are not recognised in the financial statements, where it is probable that such deferred tax assets will not be realised.

Deferred tax assets are recognised under the tax loss carry forwards that are expected to be utilised in the future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax holidays levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax holidays levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group controls the reversal of temporary differences relating to taxes payable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that Management expects the temporary differences to reverse in the foreseeable future.

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(Continued. All amounts are presented in millions of Russian rubles, unless otherwise stated)

CONSOLIDATED FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF SHAREHOLDERS’ EQUITY

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CHANGES IN COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF VALUATION AND RECOVERY TOOLS

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF NET INCOME PER SHARE

CONSOLIDATED STATEMENT OF NET INCOME PER SHARE (ADJUSTED)

CONSOLIDATED STATEMENT OF NET INCOME PER SHARE (EARNINGS PER SHARE)

Uncertain income tax positions

The Group’s uncertain tax positions are reassessed at management of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than income tax are recognised based on management’s best estimate of the expenditures required to settle the obligations at the end of the reporting period.

Pensions

The Group makes certain employee benefits payments related to retirement. Pension liabilities are liabilities for defined benefit plans. The estimated value of expenditures required to settle the obligations is determined by the present value of the expected future outflows, discounted at an appropriate discount rate. In this method, the costs of pension payments are reflected in the Consolidated Statement of Profit and Loss in order to evenly distribute the costs of the employee’s expected pension benefits over the life of the employee. Gains and losses arising when actuarial calculations change are immediately allocated to other Comprehensive Income. Pension obligations to employees who have not reached retirement age are calculated on the basis of minimum annual payments and do not take into account any possible increase in the value of the pensions in the future. If such pension payments to employees fall within a period of more than 12 months from the reporting date, they are discounted; a discount rate is applied, determined on the basis of the rate of return generated by the Group at the reporting date.

The Group also participates in a defined contribution plan, under which the Group has committed to making additional contributions as a percentage (20% in 2018) of the contribution made by employees choosing to participate in the plan. Contributions made by the Group on defined contribution plans are charged to expenses when incurred. Contributions are also made to the Government Pension fund at the statutory rates in force during the year. Such contributions are expensed as incurred.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Share-based compensation

The title to future equity compensations (shares or share options) to employees for the provided services is measured at fair value of these instruments at the date of the transfer and is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to these awards.

The Group determines the fair value of options using the Black-Scholes model, which reflects the fair value of the right to receive the nominal value of ordinary shares from an employee as a result of the final transfer of the right on these tools when the employee satisfies the conditions associated with the length of service, as well as the non-market performance conditions. The effect of revising initial estimates, if any, is recognised in profit or loss with a corresponding adjustment to the amount of equity.

Services, including employee services received in exchange for cash-settled share-based payments, are recognised at the fair value of the liability incurred and are expensed at the amount of their provision. The liability is re-measured at each balance sheet date to its fair value, with all changes recognised immediately in profit or loss.

Treasury shares purchased

When the Company or its subsidiaries purchase the Company’s equity instruments, the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Company’s owners unless the equity instruments are cancelled, reissued or disposed of. The Company’s shares, which are held as treasury stock or belong to the Company’s subsidiaries, are recorded as a reduction of the Group’s equity.

The sale or re-issue of such shares does not impact net profit for the current year and is recognised as a change in the shareholders’ equity of the Group. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company’s shareholders.

Dividend distributions and payments by the Company are recorded net of the dividends related to treasury shares.

Dividends

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved by the shareholders in the General Shareholders’ Meeting.
Earnings per share are determined by dividing the profit or loss attributable to the Company’s shareholders by the weighted average number of ordinary shares outstanding during the reporting period. The calculation of diluted earnings per share includes shares planned to be used in the option programme when the average market price of ordinary shares for the period exceeds the exercise price of the options.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the amounts recognised in the Consolidated Financial Statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonably certain under the circumstances. Management also makes certain judgements, apply discounting and involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the Consolidated Financial Statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Useful lives and residual value of property, plant and equipment

The assessment of the useful lives of property, plant and equipment and their residual values are matters of management judgement based on the use of similar assets in prior periods. To determine the useful lives and residual value of property, plant and equipment, management considers the following factors: nature of the expected use, estimated technical obsolescence and physical wear. A change in each of the above conditions or estimates may require the adjustment of future depreciation expenses.

Value of tickets which were sold, but will not be used

The value of tickets that were sold, but will not be used is recognised as sales revenue at the reporting date estimated through analysing historical ticket sale income from unused tickets. The assessment of the probability that the tickets will be used is a matter of management judgement. A change in these estimates may require an adjustment to the revenue amount in the Consolidated Statement of Profit or Loss (Note 5) and to the transportation revenue not earned in the Consolidated Statement of Financial Position.

Frequent flyer programme

The bonus miles provide customers with a substantial right, which they would not qualify unless they signed the agreement. The Customer could use bonus miles to buy flight tickets in the future or to pay for services of other Programme partners. The Programme partners are expected to provide bonus miles to the customer is a separate performance obligation. The transaction price is allocated between the ticket for the Company’s regular flight and bonus miles accrued on the basis of a relative stand-alone selling price on the date of executing the agreement.

The stand-alone selling price of a ticket for a regular flight is established for the Company by a specified route at the time of the sale, regardless of whether or not the customer is a Programme participant.

The stand-alone selling price of one separate bonus mile is a tool for determining the cost of services to be provided in the future to the Programme participant. The Company determines the price of the service (or part of it) per bonus mile as equal to the Company’s assessment of the estimated value of the service per one mile.

At the reporting date, the Group assesses and recognises a performance obligation for the amount of accrued bonus miles accumulated by Aeroflot programme participants. The estimate is made based on the statistical information available to the Group and reflects the expected amount of miles to be used after the reporting date multiplied by their estimated value. The assessment of the estimated value of bonus miles, as well as the management’s expectations regarding the amount of miles to be used by Aeroflot programme participants, are a matter of management judgement. A change in these estimates may require an adjustment in deferred revenues, accumulated profit or loss and non-current liabilities under the frequent flyer programme in the Consolidated Statement of Financial Position (Note 25) and adjustment to revenue in the Consolidated Statement of Profit or Loss (Note 5, 6).

As to the Group own flight tickets sold to the Programme participants, the Group realises the transaction price under the contract (ticket) between the obligation to provide a seat for any selected flight and the provision of services in the future for the amount of bonus miles accrued to the Programme participants in respect of the entire portfolio of contracts (tickets purchased by Programme participants). As the said contracts have similar characteristics, the Group applies the overlay approach that is, from the perspective of financial statements, the results of applying a single value of transaction price allocation to the entire portfolio of contracts will not materially differ from the price allocation to each separate contract within the portfolio.

The obligation to the customer on bonus miles is fulfilled at the time when air transport services are provided for miles not used to buy flight tickets in accordance with the rules of the Programme.

Consolidated Financial Statement

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(Continued: all amounts are presented in millions of Russian Rubles, unless otherwise stated)

Compliance with tax legislation

Compliance with tax legislation, particularly in the Russian Federation, is subject to a significant degree of interpretation and is constantly challenging by the tax authorities. The management records a provision in respect of its best estimate of likely additional tax payments and related penalties which may be payable if the Group’s tax compliance is challenged by the relevant tax authorities (Note 45).

Classification of a lease agreement as operating and finance lease

Management applies professional judgement with respect to the classification of aircraft lease agreements as operating and finance lease agreements in order to determine whether all significant risks and rewards related to the ownership of an asset are transferred to the Group in accordance with the agreement and which risks and rewards are significant. A change in these estimates may require a different approach to aircraft accounting.

Estimated impairment of goodwill

The Group tests goodwill for impairment at least annually. The recoverable amount of each cash generating unit was determined based on value-in-use calculations. These calculations require the use of estimates as further detailed in Note 24.

Deferred tax asset recognition

The recognised deferred tax asset represents income taxes recoverable through future deductions from income tax expense and is recorded in the Consolidated Statement of Financial Position. Deferred income tax assets are recognised to the extent that realisation of the related tax deduction is probable. The forecasted tax benefits and the amount of tax benefits that are probable in the future are based on the medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

ECL measurement

Measurement of ECL for all financial instruments at AC is a significant estimate that involves determination methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 53. The following components have a major impact on credit loss allowance: definition of default, LGD, probability of default (PDF), exposure at default (“EAD”), and loss given default (“LGD”), as well as models of macro-economic scenarios. The Group regularly reviews and validates the models and inputs to the models, to reduce any differences between expected credit loss estimates and actual credit loss experience. Taking into account the short term assets, the forecasted macroeconomic indicators did not have a significant impact on the level of losses. Detailed information is provided in Note 25.

4. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

New standards and interpretations effective from 1 January 2018

The following amended standards became effective for the Group from 1 January 2018, but did not have any material impact on the Group:

Amendments to IFRS 2 “Share-based Payment” (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).

Amendments to IFRS 4 – “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts” (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).

Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 1 and IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

Amendments to IAS 40 – “Transfers of Investment Property” (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

Certain new standards and interpretations have been mandatory for the annual periods beginning on or after 1 January 2018 or later:

Adoption of IFRS 9 “Financial Instruments” (announced in July 2014 and effective for annual periods beginning on or after 1 January 2018).
Notes to the Consolidated Financial Statements for the year ended 31 December 2018

The Group adopted IFRS 9, Financial Instruments, from 1 January 2018. The Group elected not to restate comparative figures and recognised any adjustments to the carrying amounts of financial assets and liabilities in the opening retained earnings as of the date of initial application of the standards, 1 January 2018. Consequently, the revised requirements of the IFRS 9, Financial Instruments: Disclosures, have only been applied to the current period. The comparative period disclosures repeat those disclosures made in the prior year.

As at 1 January 2018, the Group’s management has assessed which business models apply to the financial assets held by the Group at the date of initial application of IFRS 9 (1 January 2018) and has classified its financial instruments into the appropriate IFRS 9 categories.

(i) Reclassification from loans and receivables

Following the assessment of its business model for securities within the Group’s liquidity portfolio, which are mostly held to collect the contractual cash flows, the Group has identified certain securities which are managed separately and for which the past practice has been (and the Group’s intention remains) hold to collect the contractual cash flows. Consequently, the Group has assessed that the appropriate business model for this group of securities is held to collect. These securities, which were previously classified as AFS, were reclassified at AC from the date of initial application.

(ii) Reclassification from available-for-sale financial assets to financial assets at fair value, which changes are recognised in profit or loss

The Group did not apply the election possibility of classifying equity investments into the category measured at fair value through other comprehensive income. Equity investments were reclassified from available-for-sale to financial assets at fair value through profit or loss (as at 1 January 2018: RUB 5,826 million). Profit from revaluation at fair value in amount RUB 2,574 million was recognised in retained earnings as at 1 January 2018. During 12 months 2018 the revaluation loss at fair value on these investments in the amount of RUB 5,826 million was recognised in Consolidated Statement of Profit or Loss in line loss from impairment and fair value changes of investments (Note 17).

(iii) Reclassification from available-for-sale financial assets to financial assets at amortised costs.

Investments in debt securities were reclassified from the available-for-sale category under IAS 39 to the amortised cost category under IFRS 9 at the date of transition.

Hedge accounting

The currency risk management policy and the hedging strategy of the Group’s currency risk remain unchanged in the application of IFRS 9. Cash flow hedge accounting continues to be applied to existing hedging relationships.

IFRS 9 eliminates the requirement to assess the effectiveness of a hedge in the range of 80-125%, and the effectiveness of the hedge is estimated based on the existence of an economic relationship between the instrument and the hedged item. However, in accordance with IFRS 9, discounting of hedged cash flows is required to assess the effectiveness of the hedge. Accordingly, the Group updated its approach to assessing the effectiveness of the hedge, and identified as a hedged item the future highly probable revenue equal to the amount of cash flows from financial leases on a non-discount basis. This change has a prospective effect on 1 January 2018, and has no impact on the Group’s opening balance as a result of the adoption of a new standard in accounting for hedging (IFRS 9).

There were no significant changes in respect of financial obligations.

The movement of the gross book value (before deducting the provision for ECL) of financial assets is presented in the table below:

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets receivables</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt financial investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity financial investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aircraft lease security deposits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>45,978</td>
<td>46,339</td>
<td>18,457</td>
<td>3,252</td>
<td>2,025</td>
<td>583</td>
<td>116,634</td>
</tr>
<tr>
<td>Adjustments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts adjusted through retained earnings at the beginning of the period</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,574</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,574</td>
<td>-</td>
</tr>
</tbody>
</table>
Movements in the provision for expected credit losses of financial assets are as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Financial accounts receivable</th>
<th>Other financial assets</th>
<th>Total provision</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January 2018 – IAS 39</td>
<td>(1,340)</td>
<td>(5,440)</td>
<td>(20,788)</td>
</tr>
<tr>
<td>Amounts adjusted through retained earnings at the beginning of the period</td>
<td>(40)</td>
<td>(30)</td>
<td>(70)</td>
</tr>
<tr>
<td>1 January 2018 – IFRS 9</td>
<td>(1,388)</td>
<td>(9,470)</td>
<td>(20,858)</td>
</tr>
<tr>
<td>Provision increase</td>
<td>(1,642)</td>
<td>(182)</td>
<td>(1,824)</td>
</tr>
<tr>
<td>Provision release</td>
<td>1,087</td>
<td></td>
<td>1,087</td>
</tr>
<tr>
<td>Provision recovery</td>
<td>473</td>
<td></td>
<td>473</td>
</tr>
<tr>
<td>31 December 2018</td>
<td>(11,476)</td>
<td>(9,652)</td>
<td>(21,122)</td>
</tr>
</tbody>
</table>

Adoption of IFRS 15 “Revenue from contracts with customers” (issued on 28 May 2014, amended on 12 April 2016, and effective for annual periods beginning on or after 1 January 2018).

Starting from 1 January 2018, the accounting policy on revenue recognition has been amended to bring it in line with IFRS 15 “Revenue from contracts with customers”, which replaces the provisions of IAS 18 “Revenue” and other standards and interpretations relating to revenue recognition. The adoption of IFRS 15 resulted in changes to accounting policies and adjustments to be recognised in the Consolidated Financial Statements.

The main changes in the accounting policy on revenue recognition from adoption of IFRS 15 compared to that used in previous reporting periods are explained below:

(i) Accounting for frequent flyer programme referred to as Aeroflot Bonus from own flights:

The Group operates a frequent flyer programme referred to as Aeroflot Bonus (programme). Subject to the programme’s terms, to increase customer loyalty, Aeroflot Bonus miles are awarded for services under the programme partners if the additional conditions of the programme are met. In previous reporting periods, the consideration received from the sale of tickets to passengers was distributed between obligation attributable to the bonus miles and the obligation to provide a seat on the selected flight according to the purchased ticket using the residual method. Under this method, a portion of the consideration received which was allocated to the value of the bonus miles was recognised within liabilities under frequent flyer programme. The remaining part of consideration was recognised as the traffic revenue when the transportation service had been provided. According to IFRS 15, the Group evaluates the goods or services under the agreement with the customer and identifies performance obligations for each distinct promise to transfer the good or service to the customer. The agreement between the Programme participant and the Company is a ticket for a regular flight purchased by the passenger. Under this agreement, there are two performance obligations to be provided: the passenger with a seat on the selected flight (performance obligation No. 1) or provide the passenger with services in the future flight (class upgrades or other goods and services) for the amount of accrued bonus miles (performance obligation No. 2). Thus, different to the method applied in the previous periods, the allocation of transaction price to each performance obligation is performed on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract in the moment of its signing. The stand-alone selling price of a ticket for a regular flight of the Company (performance obligation No. 1) is the tariff established by the Company on the specified date at the time of sale, regardless of whether the customer is a Programme participant or not. The price of one separate bonus mile (performance obligation No. 2) is a tool for determining the cost of services that will be provided in the future to the Programme participant. The management determines the cost of the future service (or part of it) per bonus mile equal to the assessment of the fair value of the service per mile based on the tariff applicable to that service in the reporting period.

As at 1 January 2018, as a result of IFRS 15 adoption in terms of accounting the Aeroflot Bonus programme the amount of obligations under these programmes increased and the amount of retained earnings reduced by RUB 1,116 million.

(ii) Accounting for revenue from service fees for changes to reservations:

In previous reporting periods, revenue from change fees was recognised as other revenue at the moment when change to booking was provided.

Changes in reporting figures of the Consolidated Financial Statements in the current reporting period as a result of the application of the new accounting policy under IFRS 15 compared to the prior accounting policy under IAS 18 and other standards and interpretations on revenue, are not considered significant.

The total impact of new standards IFRS 15 and IFRS 9 on the Group’s retained earnings as at 1 January 2018 is as follows:

<table>
<thead>
<tr>
<th>IAS 18 carrying amount December 2017</th>
<th>Effect of IFRS 15</th>
<th>IFRS 15 carrying amount January 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred revenue related to frequent flyer programme, current part</td>
<td>1,720</td>
<td>575</td>
</tr>
<tr>
<td>Unrealised revenue</td>
<td>43,695</td>
<td>357</td>
</tr>
<tr>
<td>Deferred revenue related to frequent flyer programme, non-current part</td>
<td>3,842</td>
<td>-</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>2,566</td>
<td>541</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>2,563</td>
<td>-</td>
</tr>
</tbody>
</table>

According to IFRS 15, the service for changes in bookings is not distinguishable and is part of the performance obligation to provide a seat for the passenger on the selected flight. A change to booking is a modification of the agreement, which the Group considers as if it were a termination of the existing agreement and conclusion of a new one. Revenue from the new agreement (this revenue includes revenue from ticket sales and service change fees) is recognised when transportation services are provided as traffic revenue. Where a route in agreement consists of several segments, revenue from change fees is recognised at the time of fulfilment of the performance obligation of transportation services for the first segment of the route. As at 1 January 2018, as a result of IFRS 15 adoption in terms of changes in recognition of revenue from change fees the amount of liabilities to passengers as unrealised transport revenue increased by RUB 357 million and the amount of retained earnings decreased by RUB 285 million including deferred tax in the amount of RUB 72 million.

(6) Accounting for commission fees payable to agents selling tickets:

The Group uses a practice in a good faith in accordance with IFRS 15, and recognises commission fees payable to agents on sale of tickets as sales and marketing expenses within operating expenses in the Consolidated Statement of Profit or Loss in the period of the sale of the tickets, as according to the current tariffs of the Group the period of performance of an service on transportation of passengers does not exceed one year. This approach is consistent with the approach used in previous reporting periods.

In summary, management made the following adjustments to the amounts recognised in the Consolidated Statement of Financial Position of the Group as at 1 January 2018, which is the date of initial application:

<table>
<thead>
<tr>
<th>IFRS 9 adoption impact</th>
<th>IFRS 15 adoption impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>2,504</td>
</tr>
<tr>
<td>2020</td>
<td>4,743</td>
</tr>
<tr>
<td>2021</td>
<td>82,579</td>
</tr>
</tbody>
</table>

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2019 or later, and which the Group has not yet early adopted:

IFRS 16, Leases (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019), the new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as required by IAS 17 and, instead, introduces a single lessee accounting model. Leases are recognised on the lessee’s balance sheet as (i) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value, and (ii) depreciation of lease assets separately from interest on lease liabilities in the statement of profit or loss and other comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.
According to the preliminary assessment of the management as at 31 December 2018 after the transition to IFRS 16, the Group expects to recognize lease liabilities and right-of-use assets under aircraft lease agreements without early termination option (excluding effect from regular repairs and payments to the lessor’s reserve funds) in approximate amounts of RUB 844,703 million and RUB 485,413 million respectively (after adjustments for prepayments and accrued lease expenses recognized as at 31 December 2018) and deferred tax assets of RUB 31,664 million.

As IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, the Group does not expect any significant impact on the consolidated financial statements in respect of recognition of the Group’s activities as a lessor.

It is expected that these standards and interpretations will not have a significant impact on the Group’s Consolidated Financial Statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 12 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).

Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).

Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures” (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).

Annual Improvements to IFRSs 2015-2017 cycle – amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).

Amendments to IAS 19 “Employee benefits” (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or distorting it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

IFRIC 17 “Insurance Contracts” (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). The Group is currently assessing the impact of the new standard on its financial statements.

IFRIC 23 “Uncertainty over Income Tax Treatments” (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019). The Group is currently assessing the impact of the new standard on its financial statements.

5. TRAFFIC REVENUE

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scheduled passenger</td>
<td>496,494</td>
<td>427,529</td>
</tr>
<tr>
<td>Charter passenger</td>
<td>37,838</td>
<td>30,861</td>
</tr>
<tr>
<td>Cargo flights</td>
<td>18,900</td>
<td>16,526</td>
</tr>
<tr>
<td>Total traffic revenue</td>
<td>553,232</td>
<td>474,916</td>
</tr>
</tbody>
</table>

6. OTHER REVENUE

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from partners under the frequent flyer programme</td>
<td>1,867</td>
<td>1,530</td>
</tr>
<tr>
<td>In-flight catering services</td>
<td>1,579</td>
<td>1,670</td>
</tr>
<tr>
<td>Ground handling and maintenance</td>
<td>580</td>
<td>1,253</td>
</tr>
<tr>
<td>Hotel revenue</td>
<td>512</td>
<td>448</td>
</tr>
<tr>
<td>Refueling services</td>
<td>14</td>
<td>199</td>
</tr>
<tr>
<td>Other revenue</td>
<td>4,685</td>
<td>8,134</td>
</tr>
<tr>
<td>Total other revenue</td>
<td>56,378</td>
<td>56,018</td>
</tr>
</tbody>
</table>

7. OPERATING COSTS LESS STAFF COSTS AND DEPRECIATION AND AMORTISATION

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating lease expenses</td>
<td>83,941</td>
<td>76,332</td>
</tr>
<tr>
<td>Aircraft servicing</td>
<td>23,754</td>
<td>20,086</td>
</tr>
<tr>
<td>Aircraft maintenance</td>
<td>13,809</td>
<td>14,295</td>
</tr>
<tr>
<td>Passenger services expenses</td>
<td>11,103</td>
<td>10,425</td>
</tr>
<tr>
<td>Sales and marketing expenses</td>
<td>11,077</td>
<td>17,749</td>
</tr>
<tr>
<td>Insurance expenses</td>
<td>22,274</td>
<td>20,055</td>
</tr>
<tr>
<td>Cost of goods sold on board</td>
<td>808</td>
<td>818</td>
</tr>
<tr>
<td>Customs duties</td>
<td>1,029</td>
<td>1,520</td>
</tr>
<tr>
<td>Other expenses</td>
<td>8,895</td>
<td>7,458</td>
</tr>
<tr>
<td>Operating costs less aircraft fuel, staff costs and depreciation and amortisation</td>
<td>214,473</td>
<td>271,842</td>
</tr>
<tr>
<td>Aircraft fuel</td>
<td>181,864</td>
<td>122,865</td>
</tr>
<tr>
<td>Total operating costs less staff costs and depreciation and amortisation</td>
<td>496,337</td>
<td>394,528</td>
</tr>
</tbody>
</table>

8. STAFF COSTS

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries</td>
<td>64,189</td>
<td>63,842</td>
</tr>
<tr>
<td>Pension costs</td>
<td>14,541</td>
<td>12,669</td>
</tr>
<tr>
<td>Social security costs</td>
<td>4,107</td>
<td>6,290</td>
</tr>
<tr>
<td>Total staff costs</td>
<td>82,817</td>
<td>82,801</td>
</tr>
</tbody>
</table>
### 9. OTHER OPERATING INCOME AND EXPENSES, NET

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from fuel excise tax (Note 61)</td>
<td>9,245</td>
<td>7,639</td>
<td>9,245</td>
<td>7,639</td>
<td></td>
</tr>
<tr>
<td>Fines and penalties received from suppliers</td>
<td>727</td>
<td>661</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrual/(recovery) of provision for Group other liabilities (Note 28)</td>
<td>(3,825)</td>
<td>796</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrual/(recovery) of provision for doubtful accounts receivable (Note 14)</td>
<td>(1,217)</td>
<td>338</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit on disposal of assets classified as held for sale</td>
<td>206</td>
<td>182</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on accounts payable write-off</td>
<td>35</td>
<td>62</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance compensation received</td>
<td>1,387</td>
<td>49</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss on accounts receivable write-off</td>
<td>(14)</td>
<td>(24)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss on fixed assets disposal and impairment on fixed assets</td>
<td>(1,564)</td>
<td>(828)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrual of provision for regular repair and maintenance (Note 29)</td>
<td>(8,510)</td>
<td>(11,986)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other income/(expense), net</td>
<td>1,480</td>
<td>7,751</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total other operating income/(expenses), net</td>
<td>533</td>
<td>(3,133)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 10. FINANCE INCOME AND COSTS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial income:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>4,156</td>
<td>4,718</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on foreign exchange</td>
<td>2,406</td>
<td>2,406</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other financial income</td>
<td>8</td>
<td>8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total financial income</td>
<td>4,164</td>
<td>7,127</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial costs:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>(6,445)</td>
<td>(8,179)</td>
<td></td>
</tr>
<tr>
<td>Loss on foreign exchange, net</td>
<td>(3,086)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Other financial costs</td>
<td>(372)</td>
<td>(46)</td>
<td></td>
</tr>
<tr>
<td>Total financial costs</td>
<td>(7,094)</td>
<td>(8,225)</td>
<td></td>
</tr>
</tbody>
</table>

#### 11. INCOME TAX

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current income tax charge</td>
<td>(3,515)</td>
<td>(11,038)</td>
</tr>
<tr>
<td>Change in deferred income tax</td>
<td>(710)</td>
<td>372</td>
</tr>
<tr>
<td>Income tax</td>
<td>(4,225)</td>
<td>(10,666)</td>
</tr>
</tbody>
</table>

Reconciliation of the income tax estimated based on the applicable tax rate to the income tax is presented below:

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before income tax</td>
<td>9,934</td>
</tr>
<tr>
<td>Tax rate applicable in accordance with Russian legislation</td>
<td>20%</td>
</tr>
<tr>
<td>Theoretical income tax expense at tax rate in accordance with Russian legislation</td>
<td>(1,987)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item</th>
<th>Non-taxable income</th>
<th>Non-deductible expenses</th>
<th>Unrecognised current year tax losses</th>
<th>Recognition of previously unrecognised tax losses</th>
<th>Prior years income tax adjustments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>977</td>
<td>759</td>
<td>(4,003)</td>
<td>(5,052)</td>
<td>189</td>
</tr>
<tr>
<td>2017</td>
<td>322</td>
<td>220</td>
<td>(25)</td>
<td>(449)</td>
<td>160</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax</td>
<td>(4,225)</td>
<td>(10,666)</td>
</tr>
</tbody>
</table>

#### Tax effect of temporary differences

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax losses carried forward</td>
<td>449</td>
<td>20</td>
</tr>
<tr>
<td>Long-term financial investments</td>
<td>1</td>
<td>17</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>68</td>
<td>67</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>124</td>
<td>916</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>24,942</td>
<td>24,942</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>3</td>
<td>252</td>
</tr>
<tr>
<td>Deferred tax assets before tax set off</td>
<td>30,819</td>
<td>28,660</td>
</tr>
<tr>
<td>Deferred tax set off</td>
<td>(18,817)</td>
<td>(18,264)</td>
</tr>
<tr>
<td>Deferred tax assets after tax set off</td>
<td>12,002</td>
<td>10,396</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>(30)</td>
<td>75</td>
</tr>
<tr>
<td>Customs duties related to the imported aircraft under operating leases</td>
<td>(211)</td>
<td>(211)</td>
</tr>
<tr>
<td>Long-term financial investments</td>
<td>(196)</td>
<td>(196)</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>(5,194)</td>
<td>(5,194)</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>Deferred tax assets before tax set off</td>
<td>(58,954)</td>
<td>(58,332)</td>
</tr>
<tr>
<td>Deferred tax set off</td>
<td>18,837</td>
<td>28,264</td>
</tr>
<tr>
<td>Deferred tax assets after tax set off</td>
<td>40,117</td>
<td>30,068</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Item</th>
<th>2018</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit</td>
<td>9,934</td>
<td>33,726</td>
<td>(1,987)</td>
</tr>
<tr>
<td>Income tax</td>
<td>(4,225)</td>
<td>(10,666)</td>
<td></td>
</tr>
<tr>
<td>Tax rate applicable in accordance with Russian legislation</td>
<td>20%</td>
<td>20%</td>
<td></td>
</tr>
<tr>
<td>Russian legislation</td>
<td>(1,987)</td>
<td>(6,745)</td>
<td></td>
</tr>
<tr>
<td>Income tax</td>
<td>(4,225)</td>
<td>(10,666)</td>
<td></td>
</tr>
</tbody>
</table>
Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(continued. All amounts are presented in millions of Russian rubles, unless otherwise stated)

As at 31 December 2018 the Group recognised deferred tax assets from tax losses of subsidiaries in the amount of RUB 449 million (31 December 2017: RUB 20 million).

Since 1 January 2017, previously existing restriction of 30 years losses carried forward was cancelled (which means that the losses incurred since 2007 can be carried forward until complete use). Limitations for the recognition of losses carried forward for the period from 2017 to 2020 have been introduced in Russian legislation starting from 1 January 2017. In accordance with the new rules, the amount of used tax loss carry forwards can’t exceed 50% of the tax base of relevant year. These changes will not have material impact for the Group’s Consolidated Financial Statements.

12. CASH AND CASH EQUIVALENTS

\[
\begin{array}{|l|c|c|}
\hline
& 31 December 2018 & 31 December 2017 \\
\hline
Bank deposits denominated with maturity of less than 90 days in Rubles & 7,870 & 30,092 \\
Bank deposits denominated with maturity of less than 90 days in US Dollars & 380 & 380 \\
Cash on hand and bank accounts denominated in Rubles & 11,525 & 12,727 \\
Cash on hand and bank accounts denominated in US Dollars & 3,418 & 1,871 \\
Cash on hand and bank accounts denominated in other currencies & 606 & 375 \\
Cash on hand and bank accounts denominated in Euro & 262 & 419 \\
Cash in transit & 600 & 392 \\
\hline
Total cash and cash equivalents & 23,711 & 45,379 \\
\hline
\end{array}
\]

Information about the Group’s exposure to interest rate risk, sensitivity analysis of financial assets as well as an assessment of impairment based on the risk of default assumption and expected loss rates are disclosed in Note 35.

As at 31 December 2018 about 65% of the Group’s funds are held in 2 highly reliable state-controlled Russian banks – PJSC VTB Bank with long-term credit rating BBB- (S&P rating agency) and PJSC Sberbank with long-term credit rating BB+ (Fitch rating agency). As at 31 December 2017 49% of Group’s cash was held in PJSC VTB Bank with long-term credit rating BBB- (S&P rating agency) and PJSC Sberbank with long-term credit rating BB+ (Fitch rating agency).

The remaining part of the Group’s cash is also located primarily in the largest banks of Russia with a long-term credit rating from international rating agencies.

As at 31 December 2018 the Group had restricted cash of RUB 437 million (31 December 2017: RUB 583 million) recorded as part of other non-current assets in the amount of RUB 211 million (31 December 2017: RUB 161 million) and as part of other current assets in the amount of RUB 226 million (31 December 2017: RUB 422 million) in the Group’s Consolidated Statement of Financial Position (Note 41).

13. AIRCRAFT LEASE SECURITY DEPOSITS

A security deposit is held with the lessor to secure the lessee’s fulfilment of its obligations in full, on a timely basis and in good faith. The security deposit is transferred to the lessor by instalments or in a single instalment. The security deposit is usually equal to three monthly lease payments. The lessor has the right to replace the security deposit, in full or in part, with a letter of credit. The security deposit can be offset against the last lease payment or any payment if there is any non-fulfilment of obligations by the lessee. The security deposit is returned subsequent to the lease agreement’s termination/cancellation or return of the aircraft immediately after the date of lease termination and fulfilment by the lessee of its obligations. The security deposits under aircraft lease agreements are recorded at amortised cost using an average market yield from 0.5% to 12.6% p.a. in 2018 depending on the currency of the security deposit (2017: from 0.1% to 12.6% p.a.).

\[
\begin{array}{|l|}
\hline
\text{Aircraft lease security deposits} & \\
\hline
1 January 2017 & 2,561 \\
Payment of security deposits & 211 \\
Amortisation charge for the year & 137 \\
Return of security deposits during the year & (125) \\
Set off against accounts payable & (369) \\
Foreign exchange difference & (119) \\
31 December 2017 & 2,025 \\
1 January 2018 & 2,025 \\
Payment of security deposits & 2,428 \\
Amortisation charge for the year & 187 \\
Finance expenses & (275) \\
Provision for ECL & (14) \\
Set off against accounts payable & (385) \\
Foreign exchange difference & 892 \\
31 December 2018 & 4,881 \\
\hline
\end{array}
\]

As at 31 December 2018 and 31 December 2017, most of security deposits were granted to large international leasing companies. The Group’s exposure to risks for security deposits under aircraft lease agreements and impairment assessment based on the risk of default assumption and expected loss ratios disclosed in Note 35.

\[
\begin{array}{|l|l|}
\hline
\text{31 December 2018} & \text{31 December 2017} \\
\hline
Current portion of security deposits & 525 & 423 \\
Non-current portion of security deposits & 4,396 & 1,602 \\
Total aircraft lease security deposits & 4,881 & 2,025 \\
\hline
\end{array}
\]

14. ACCOUNTS RECEIVABLE AND PREPAYMENTS

\[
\begin{array}{|l|l|}
\hline
\text{31 December 2018} & \text{31 December 2017} \\
\hline
Trade accounts receivable & 39,911 & 36,853 \\
Other financial receivables & 12,897 & 9,495 \\
Less provision for ECL & (11,476) & (11,348) \\
Total financial receivables & 41,338 & 44,995 \\
Prepayments to suppliers & 20,823 & 13,809 \\
4% and other taxes receivable & 16,947 & 16,942 \\
Prepayments for delivery of aircraft & 5,770 & 25,845 \\
Deferred customs duties related to the imported aircraft under operating leases, current portion & 108 & 197 \\
Other receivables & 3,567 & 3,152 \\
Less impairment provision & (555) & (538) \\
Total accounts receivable and prepayments & 87,868 & 92,532 \\
\hline
\end{array}
\]
As at 31 December 2018 the Group recognised provision for ECL for accounts receivable from OJSC Transaero Airlines for passengers transportation, refuelling services, aircraft servicing and ground handling of RUB 6,303 million (31 December 2017: 7,014 million).

Accounts receivable and prepayments include prepayments for acquisition of aircraft to be delivered within 12 months after the reporting date. Movements on the Prepayments for aircraft line item are due to the approaching aircraft delivery dates as well as the refund of prepayments related to the delivery of aircraft in the current period.

Deferred customs duties of RUB 158 million as of 31 December 2018 (31 December 2017: RUB 397 million) relate to the current portion of paid customs duties on imported aircraft under operating leases. These customs duties are recognised within operating costs in the Group’s Consolidated Statement of Profit or Loss over the term of the operating lease. The non-current portion of the deferred customs duties is disclosed in note 14.

Financial receivables are analysed by currencies in Note 25.

As at 31 December 2018 and 31 December 2017, the Group made sufficient provision for expected credit losses for accounts receivable and impairment provision for prepayments. For the purpose of calculating the provision for ECL, for financial receivables from 1 January 2018 the Group applies the expected credit losses model in accordance with IFRS 9 instead of the incurred losses model in accordance with IAS 39.

Financial receivables are analysed by credit quality in Note 25.

As at 31 December 2018 and 31 December 2017, the current part of prepayments for aircraft include advance payments for the acquisition of the following aircraft:

<table>
<thead>
<tr>
<th>Type of aircraft</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boeing B787</td>
<td>-</td>
<td>22</td>
</tr>
<tr>
<td>Boeing B777</td>
<td>2</td>
<td>2019</td>
</tr>
<tr>
<td>Airbus A320</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>Airbus A381</td>
<td>-</td>
<td>5</td>
</tr>
</tbody>
</table>

As at 31 December 2018, the expected type of lease for these aircraft is not defined.

Due to changes in the plan of aircraft purchases, prepayments for Boeing B787 were reclassified as the Group from the prepayments for delivery of aircraft to other financial receivables as at 31 December 2018.

The movements in provision for ECL for accounts receivable and impairment provision for prepayments are as follows:

<table>
<thead>
<tr>
<th>Impairment provision</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January 2017</td>
<td>12,342</td>
<td></td>
</tr>
<tr>
<td>Additional provision for impairment</td>
<td>706</td>
<td></td>
</tr>
<tr>
<td>Release of provision</td>
<td>(1,047)</td>
<td>(1,047)</td>
</tr>
<tr>
<td>31 December 2017</td>
<td>11,886</td>
<td></td>
</tr>
<tr>
<td>Changes in accounting policy</td>
<td>40</td>
<td>1,713</td>
</tr>
<tr>
<td>Release of provision</td>
<td>(1,118)</td>
<td>(1,118)</td>
</tr>
<tr>
<td>31 December 2018</td>
<td>12,029</td>
<td></td>
</tr>
</tbody>
</table>

16. EXPENDABLE SPARE PARTS AND INVENTORIES

<table>
<thead>
<tr>
<th></th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expendable spare parts</td>
<td>11,868</td>
<td>9,805</td>
</tr>
<tr>
<td>Fuel</td>
<td>504</td>
<td>738</td>
</tr>
<tr>
<td>Other inventories</td>
<td>3,564</td>
<td>3,337</td>
</tr>
<tr>
<td>Total expendable spare parts and inventories</td>
<td>15,796</td>
<td>13,880</td>
</tr>
<tr>
<td>Less: written-off absolute expendable spare parts and inventories</td>
<td>(1,077)</td>
<td>(1,066)</td>
</tr>
<tr>
<td>Total expendable spare parts and inventories</td>
<td>14,609</td>
<td>12,811</td>
</tr>
</tbody>
</table>

17. FINANCIAL INVESTMENTS

<table>
<thead>
<tr>
<th></th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in equity securities measured at fair value through profit or loss</td>
<td>5,310</td>
<td>5,826</td>
</tr>
<tr>
<td>Debt securities accounted at amortised cost</td>
<td>113</td>
<td>156</td>
</tr>
<tr>
<td>Total long-term financial investments (before impairment provision)</td>
<td>5,423</td>
<td>5,982</td>
</tr>
<tr>
<td>Less: provision for impairment of long-term financial investments</td>
<td>(20)</td>
<td>(30)</td>
</tr>
<tr>
<td>Total long-term financial investments</td>
<td>5,393</td>
<td>5,952</td>
</tr>
<tr>
<td>Other</td>
<td>32</td>
<td></td>
</tr>
<tr>
<td>Total long-term financial investments</td>
<td>5,425</td>
<td>5,984</td>
</tr>
</tbody>
</table>
Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(Continued. All amounts are presented in millions of Russian Rubles, unless otherwise stated)

As at 31 December 2017, available-for-sale securities mainly reflect the cost of the Group’s investments in government related company JSC Mash in the share of 2.48% less impairment loss, which provides services for the aircraft maintenance to passenger and cargo Russian and foreign airlines, as well as non-aviation services for enterprises and organizations operating on the territory of Sheremetyevo airport and in the adjacent territory.

Since 1 January 2018, the Group’s investment in JSC Mash is estimated at fair value through profit or loss according to the discounted cash flow model and is reflected in the Consolidated Statement of Financial Position in the amount of RUB 5,344 million as at 31 December 2018 (RUB 5,376 million as at 1 January 2018). To prepare a model related to the advance of quoted market prices, the following factors taken into account by the Group has the most significant impact on the assessment of fair value of this investment:

(a) the weighted average cost of capital equal to 14.5% p.a. in 2018 (as at 1 January 2018: 13.4% p.a.) based on public capital markets data, data about peer companies and the actual cost of capital of JSC Mash determined based on the effective rate in financial statements;
(b) forecasts for macro assumptions based on an Economist Intelligence Unit forecast;
(c) passenger traffic in 2018 is planned at the level of 52 million passengers based on data from public sources. Growth rate of passenger traffic in 2020-2026 is evenly distributed, taking into account the growth of up to 92 million passengers by 2026.

The Group performed a sensitivity analysis of key assumptions used in the financial model of JSC Mash. A reasonably possible change in the weighted average cost of debt capital and passenger traffic growth does not result in a significant change in fair value of investments.

19. PROPERTY, PLANT AND EQUIPMENT

Other short-term financial investments:

- Loans issued and promissory notes of third parties 9,580 9,439
- Deposits placed in banks for more than 90 days 6,464 6,931

31 December 2018 31 December 2017

Other short-term financial investments 5,044 4,393

Total other short-term financial investments (before impairment provision) 18,048 18,371

Less: provision for impairment of short-term financial investments (9,611) (9,440)

Total short-term financial investments 8,437 8,931

All short-term investments are carried at amortized cost (note 35).

The provision for impairment is primarily related to the accrual in a provision for impairment of loans issued by the Group companies in favor of OJSC Transaero Airlines during 2015. As at 31 December 2018, deposits with maturity for more than 90 days are placed in the largest Russian commercial banks with long-term credit rating not lower than B1 according to Moody’s credit rating agency.

18. OTHER NON-CURRENT ASSETS

Deferred customs duties related to the imported aircraft under operating leases, non-current portion 42 162
Prepaid expenses for operating lease transactions 22,710 15,427
Other non-current assets 5,238 4,139

Total other non-current assets 27,990 19,728

The Group paid advances in amount of RUB 9,117 million for operating lease of 15 aircraft delivered during 12 months of 2018 (during 12 months of 2017: RUB 11,688 million, 18 aircraft). The above mentioned advances were recognised as part of prepaid expenses for operating lease transactions organization. These assets should be written off to operating lease expenses over the term of the operating lease agreements.

Accrued compensation

1 January 2017 (1,511) (36,756) (4,979) (11,672) (73) (54,983)
Change for the year (1,361) (9,283) (264) (5,242) - (13,350)
Recovery/(accrual) of impairment provision 21 - 5 (2) 14
Disposals 141 705 65 524 - 1,425
Transfers to assets classified as held for sale (Note 20) 18 3,843 - - - 3,861

31 December 2017 (2,692) (40,891) (5,168) (4,384) (75) (63,211)
Change for the year (1,633) (7,103) (251) (3,257) - (12,244)
Recovery/(accrual) of impairment provision (19) - - 2 (19) (36)
Disposals 154 2,491 70 767 - 2,482
Transfers to assets classified as held for sale (Note 20) 57 8,199 - - - 8,256

31 December 2018 (4,333) (37,714) (5,350) (26,872) (94) (13,753)
Carrying amount 31 December 2017 9,691 66,485 4,382 13,222 3,552 97,932
31 December 2018 12,151 52,841 4,702 16,257 5,013 105,964

(i) During 2017 additions mainly relate to the purchase of equipment in finance leases as well as the spare parts for aircraft, used for capital repairs.

(ii) During 2017 transfers primarily relate to 2 aircraft DHC 8 for JCS Avrora.

(iii) During 2018 additions mainly relate to the purchase of equipment in finance leases, the spare parts for aircraft, used for capital repairs as well as purchase of the engine at LLC Pobeda Airlines.

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### CONSOLIDATED FINANCIAL STATEMENT

**Notes to the Consolidated Financial Statements for the year ended 31 December 2018**

(Continued: All amounts are presented in millions of Russian Roubles, unless otherwise stated)

Capitalised borrowing costs for 12 months 2018 amounted to RUB 547 million (2017: RUB 1,216 million). Capitalisation rate of interest expenses and fines for the period was 3.1% p.a. (2017: 4.2%).

As at 31 December 2018 the cost of fully depreciated property, plant and equipment was RUB 7,918 million (31 December 2017: RUB 10,033 million).

#### 20. ASSETS CLASSIFIED AS HELD FOR SALE

As at 31 December 2018, 7 Airbus A321 aircraft (31 December 2017: 4 aircraft) operated under finance lease agreements were targeted for disposal. Therefore, at the end of the reporting period these assets and related liabilities were classified as held for sale.

As at 31 December 2018, the amount of net liabilities related to assets classified as held for sale amounted to RUB 219 million (31 December 2017: net assets held for sale amounted to RUB 103 million).

<table>
<thead>
<tr>
<th>Initial cost of property, plant and equipment</th>
<th>Accumulated depreciation and impairment</th>
<th>Total assets</th>
<th>Total liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January 2017</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfer</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additions (Note 19)</td>
<td>6,759</td>
<td>(3,634)</td>
<td>3,125</td>
</tr>
<tr>
<td>Disposals</td>
<td>(2,888)</td>
<td>1,916</td>
<td>(972)</td>
</tr>
<tr>
<td>Release of impairment provision</td>
<td>-</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Revaluation</td>
<td>-</td>
<td>-</td>
<td>61</td>
</tr>
<tr>
<td>31 December 2017</td>
<td>6,759</td>
<td>(3,634)</td>
<td>3,125</td>
</tr>
</tbody>
</table>

#### 21. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

#### 22. DISPOSAL OF SUBSIDIARIES

In December 2018, the Group disposed of JSC Orenburg Airlines. A profit from the disposal in the amount of RUB 1,240 million was recognised in profit or loss for 12 months 2018. JSC Orenburg Airlines did not conduct any significant operating activities in 2018.

Profit on disposal of JSC Orenburg Airlines in 2018 includes the following components:

<table>
<thead>
<tr>
<th>JSC Orenburg Airlines</th>
<th>18,325</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negative net assets of disposed company</td>
<td>18,325</td>
</tr>
<tr>
<td>Groups share in negative net assets of disposed company</td>
<td>18,325</td>
</tr>
<tr>
<td>Intergroup liabilities, including:</td>
<td></td>
</tr>
<tr>
<td>Accounts payable from disposed subsidiary to the Group</td>
<td>(4,014)</td>
</tr>
<tr>
<td>Loan issued by the Group to disposed subsidiary</td>
<td>(9,073)</td>
</tr>
<tr>
<td>Profit from disposal</td>
<td>1,240</td>
</tr>
</tbody>
</table>

#### 23. INTANGIBLE ASSETS

<table>
<thead>
<tr>
<th>Software</th>
<th>Licences</th>
<th>Investments in software and IAD</th>
<th>Trademark and client base</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost: 1 January 2017</td>
<td>2,840</td>
<td>134</td>
<td>1,152</td>
<td>1,830</td>
<td>36</td>
</tr>
<tr>
<td>Additions</td>
<td>552</td>
<td>145</td>
<td>-</td>
<td>17</td>
<td>724</td>
</tr>
<tr>
<td>Disposals</td>
<td>(14)</td>
<td>(3)</td>
<td>(3)</td>
<td>(26)</td>
<td></td>
</tr>
<tr>
<td>Transfer</td>
<td>415</td>
<td>(442)</td>
<td>27</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charge for the year</td>
<td>(14)</td>
<td>(10)</td>
<td>(135)</td>
<td>(4)</td>
<td>(195)</td>
</tr>
<tr>
<td>Disposals</td>
<td>766</td>
<td>76</td>
<td>25</td>
<td>887</td>
<td></td>
</tr>
<tr>
<td>Transfer</td>
<td>(11)</td>
<td>(11)</td>
<td>-</td>
<td>(32)</td>
<td></td>
</tr>
<tr>
<td>Charge for 2017</td>
<td>3,793</td>
<td>124</td>
<td>892</td>
<td>1,830</td>
<td>97</td>
</tr>
<tr>
<td>Additions</td>
<td>766</td>
<td>76</td>
<td>25</td>
<td>887</td>
<td></td>
</tr>
<tr>
<td>Disposals</td>
<td>(11)</td>
<td>(11)</td>
<td>-</td>
<td>(32)</td>
<td></td>
</tr>
<tr>
<td>Transfer</td>
<td>(11)</td>
<td>(11)</td>
<td>-</td>
<td>(32)</td>
<td></td>
</tr>
<tr>
<td>31 December 2018</td>
<td>4,548</td>
<td>134</td>
<td>907</td>
<td>1,830</td>
<td>112</td>
</tr>
</tbody>
</table>

Accumulated amortisation and impairment: 1 January 2017 (2,779) (89) - 1,139 - (4,057)

Charge for the year (416) (10) (135) (4) (784)

Disposals 13 - - 254 249

31 December 2017 2,242 (89) (103) (2,046) (16) (4,492)

Charge for the year (285) - (109) (135) (41) (659)

Disposals 9 - - - (9)

31 December 2017 (3,518) (89) (312) (1,175) (39) (5,155)

Carrying amount 31 December 2017 551 45 789 590 79 2,054

31 December 2018 1,030 45 645 457 73 2,259

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24. GOODWILL
For the purposes of impairment testing, goodwill is allocated between the cash generating units ("CGUs"), i.e. the Group subsidiaries and/or divisions of companies that represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and are not larger than an operating segment of the Group.
The aggregate carrying amount of goodwill, allocated to the Group’s business-units as at 31 December 2018 and as at 31 December 2017 is presented in the table below:

<table>
<thead>
<tr>
<th>CGU name</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>AK Rossiya</td>
<td>6,502</td>
<td>6,502</td>
</tr>
<tr>
<td>AK Aurora</td>
<td>158</td>
<td>158</td>
</tr>
<tr>
<td>Total</td>
<td>6,660</td>
<td>6,660</td>
</tr>
</tbody>
</table>

The recoverable amount of CGU was calculated on the basis of value in use, which was determined by discounting the future cash flows to be generated as a result of the CGU’s operations.

Key assumptions against which the recoverable amounts are estimated concerned the discount rate, the rate of return and the growth rate for the calculation of the terminal value.

AK Rossiya
The discount rate calculation is based on weighted average cost of capital (WACC) and amounts to 14.3% p.a. for the entire forecast period (31 December 2017: 12.8% p.a.).
The growth rate for the terminal value calculation was set at the level of Russia's GDP long-term growth rate of 2.7% p.a. (2017: 2.7% p.a.).
The budget for 2019 of "AK Rossiya" was adopted as a basis to forecasting the cash flows.
The Group's management has conducted a sensitivity analysis of the goodwill impairment test results to changes in rates of return as the most sensitive indicator. In case of decrease of this rate by 13% even though all other variables held constant, it would result in an impairment of CGU’s goodwill in the full amount. The results of the impairment test for goodwill are also sensitive to assumptions regarding seat occupancy and discount rates.

25. ACCOUNTS RECEivable and LIABILITIES ARISING FROM contracts WITH CUSTOMers
The Group has recognised the following liabilities arising from contracts with customers:

<table>
<thead>
<tr>
<th>Note</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unearned traffic revenue</td>
<td>49,874</td>
</tr>
<tr>
<td></td>
<td>Deferred revenue related to the frequent flyer programme, current</td>
<td>4,086</td>
</tr>
<tr>
<td></td>
<td>Other current liabilities related to the frequent flyer programme</td>
<td>4,196</td>
</tr>
<tr>
<td></td>
<td>Other short-term advances received under contracts with customers</td>
<td>116</td>
</tr>
<tr>
<td></td>
<td>Total current contract liabilities</td>
<td>58,262</td>
</tr>
<tr>
<td></td>
<td>Deferred revenue related to the frequent flyer programme, non-current</td>
<td>3,282</td>
</tr>
<tr>
<td></td>
<td>Other non-current liabilities related to the frequent flyer programme</td>
<td>2,456</td>
</tr>
<tr>
<td></td>
<td>Long-term advances received under contracts with customers</td>
<td>2,500</td>
</tr>
<tr>
<td></td>
<td>Total noncurrent contract liabilities</td>
<td>8,218</td>
</tr>
</tbody>
</table>

Information on accounts receivable under contracts with customers is disclosed as part of financial receivables from operating activities (Note 14), except for accounts receivable from settlement agents in the amount of RUB 9,361 million (as of January 1, 2018: RUB 7,328 million).

The principal amount of obligations to customers relates to the cost of tickets sold, but unused at the reporting date, as well as obligations under the frequent flyer programme.
The change in the amount of obligations for tickets sold but unused compared with 2017 was due to the growth in the volume of services rendered, as well as an increase in the fuel surcharge included in the contract price associated with the increase in prices for jet fuel.
The reasons for the change in obligations under the passenger bonuses program are the increase in the rate of accumulation of bonus miles due to the increase in participants and the increase in the volume of services rendered for the carriage of passengers due to the continued development of services. The accumulation of bonus miles is partially offset by their use for similar reasons.

In the current reporting period, revenue was recognized in the amount of RUB 51,351 million in relation to the obligations under the contracts as of 1 January 2018, of which RUB 44,052 million related to advances in the form of unused transport revenue and RUB 7,299 million to the frequently flying passengers programme.
The main part of long-term performance obligations to customers is the sum of obligations under the frequently flying passengers programme Aeroflot Bonus, which is calculated on the basis of accumulated experience and statistics of previous years on the preferences of passengers in the use of accumulated bonus miles (Note 3).
Deferred revenue and other accrued liabilities related to the frequent flyer programme (Aeroflot Bonus programme) as at 31 December 2017 represent the number of bonus miles earned when flying on Group flights, but unused by Aeroflot Bonus programme members, and the number of bonus miles earned by programme members for using programme partners’ services, respectively; they are estimated at fair value in accordance with IFRIC 13 "Customer loyalty programmes". Other accrued liabilities related to the frequent flyer programme also include the number of accumulated but not used bonus miles, which value reflects the best estimate of the expenditure, necessary to settle the existing obligation in accordance with IAS 37 "Provisions, contingent liabilities and contingent assets".

<table>
<thead>
<tr>
<th>Note</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Deflected revenue related to the frequent flyer programme, current</td>
</tr>
<tr>
<td></td>
<td>Deflected revenue related to the frequent flyer programme, non-current</td>
</tr>
<tr>
<td></td>
<td>Other current liabilities related to the frequent flyer programme (Note 21)</td>
</tr>
<tr>
<td></td>
<td>Other non-current liabilities related to the frequent flyer programme (Note 29)</td>
</tr>
<tr>
<td></td>
<td>Total deferred revenue and other liabilities related to the frequent flyer programme</td>
</tr>
</tbody>
</table>

26. PROVISIONS FOR LIABILITYs

<table>
<thead>
<tr>
<th>Regular-regime maintenance works</th>
<th>Other provisions</th>
<th>Total provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January 2017</td>
<td>13,510</td>
<td>2,585</td>
</tr>
<tr>
<td>Charge of provision for the year</td>
<td>13,510</td>
<td>1,720</td>
</tr>
<tr>
<td>Use of provision for the year</td>
<td>(2,814)</td>
<td>(216)</td>
</tr>
<tr>
<td>Release of provision for the year</td>
<td>(2,111)</td>
<td>(2,521)</td>
</tr>
<tr>
<td>Unwinding of the discount</td>
<td>2,807</td>
<td>-</td>
</tr>
<tr>
<td>Foreign exchange profit, net (650)</td>
<td>(25)</td>
<td>(675)</td>
</tr>
<tr>
<td>31 December 2017</td>
<td>24,054</td>
<td>1,728</td>
</tr>
<tr>
<td>Charge of provision for the year</td>
<td>11,804</td>
<td>1,640</td>
</tr>
<tr>
<td>Use of provision for the year</td>
<td>(6,696)</td>
<td>(34)</td>
</tr>
<tr>
<td>Release of provision for the year</td>
<td>(2,194)</td>
<td>(15)</td>
</tr>
<tr>
<td>Unwinding of the discount</td>
<td>1,756</td>
<td>-</td>
</tr>
<tr>
<td>Foreign exchange loss, net</td>
<td>5,270</td>
<td>1</td>
</tr>
<tr>
<td>Other changes</td>
<td>(1,666)</td>
<td>(1,666)</td>
</tr>
<tr>
<td>31 December 2018</td>
<td>33,492</td>
<td>1,654</td>
</tr>
</tbody>
</table>
### Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(continued. All amounts are presented in millions of Russian Rubles, unless otherwise stated)

#### 27. FINANCE LEASE LIABILITIES

The Group leases aircraft from third and related parties under finance lease agreements. The list of aircraft that the Group has operated under finance lease agreements as at 31 December 2018 is disclosed in Note 1.

#### 28. LOANS AND BORROWINGS

The main changes in loans and borrowings during reporting period

The Group has opened a non-revolving credit line with PJSC Sberbank (fixed interest rate) in the amount of RUB 350 million. The credit line was unsecured and issued for the period up to March 2021.

As at 31 December 2018, the Group had no secured loans or borrowings.

As at 31 December 2018 and 2017, the fair values of loans and borrowings were not materially different from their carrying amounts.

#### Exchange bonds program

In December 2017, the Board of Directors of PJSC Aeroflot approved the Program of Exchange-Traded Bonds of the P01-BO series. At the end of January 2018 the program was registered by PJSC Moskow Interbank Trade Center (MIBTF). The maximum amount of nominal values of exchange bonds that can be placed under the program is RUB 24,850 million with a maximum maturity of 3,640 days inclusive from the start date of placement. The expected dates and volume of bonds placement as of the date of this Consolidated Financial Statements are not determined.

#### Unsecured commitments

As at December 31, 2018, the Group was able to raise RUB 84,183 million in cash (31 December 2017: RUB 103,175 million) available under existing credit lines granted to the Group by various lending institutions.

#### Litigations

The Group is a defendant in legal claims of a different nature. Provisions for liabilities represent management’s best estimate of probable losses on existing and potential lawsuits (Note 41).

As at 31 December 2018, the previously accrued provision of RUB 1,665 million for obligations to pay capitalized social payments stipulated by the legislation of the Russian Federation in connection with the start of a bankruptcy proceedings against JSC Donavia was reclassified to accounts payable.

#### Regular repairs and maintenance works

As at 31 December 2018, the Group made a provision of RUB 32,492 million (31 December 2017: RUB 24,654 million) for regular repairs and maintenance works of aircraft used under operating lease terms. Change in provision for regular repairs and maintenance works for 12 months 2018 amounted to RUB 8,510 million (12 months 2017: RUB 11,986 million) and was recorded within other operating income and expenses (Note 9).

### 28. LOANS AND BORROWINGS

#### 28.1 Short-term loans and other borrowings:

<table>
<thead>
<tr>
<th>Description</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term loans in Russian Rubles</td>
<td>175</td>
<td>-</td>
</tr>
<tr>
<td>Total short-term loans and borrowings</td>
<td>175</td>
<td>-</td>
</tr>
<tr>
<td>Long-term loans and other borrowings</td>
<td>2,844</td>
<td>2,800</td>
</tr>
<tr>
<td>Long-term loans in Russian Rubles</td>
<td>467</td>
<td>381</td>
</tr>
<tr>
<td>Long-term loans and borrowings in US dollars</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total long-term loans and borrowings</td>
<td>3,311</td>
<td>3,181</td>
</tr>
</tbody>
</table>

Leased aircraft and engines with the carrying amount disclosed in Note 19 are effectively pledged for finance lease liabilities as the rights to the leased asset revert to the lessor in the event of default.

As at 31 December 2018, the total amount of the finance lease liability relating to leased aircraft and aircraft engines amounted to RUB 87,111 million (31 December 2017 – RUB 96,265 million).

As at 31 December 2018, interest payable amounted to RUB 291 million (31 December 2017: RUB 361 million) is included in accounts payable and accrued liabilities.
Notes to the Consolidated Financial Statements for the year ended 31 December 2018
(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

29. OTHER NON-CURRENT LIABILITIES

The following table provides information about the subsidiary (AK Rossiya) with non-controlling interest that is material to the Group:

<table>
<thead>
<tr>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other non-current liabilities related to frequent flyer programme (Note 25)</td>
<td>2,456</td>
</tr>
<tr>
<td>Defined benefit pension obligations, non-current portion</td>
<td>922</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>2,704</td>
</tr>
<tr>
<td>Total other non-current liabilities</td>
<td>6,080</td>
</tr>
</tbody>
</table>

30. NON-CONTROLLING INTEREST

The following table provides information about the subsidiary (AK Rossiya) with non-controlling interest that is material to the Group:

<table>
<thead>
<tr>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>13,844</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>13,896</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>25,100</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>25,832</td>
</tr>
<tr>
<td>Revenue</td>
<td>114,523</td>
</tr>
<tr>
<td>Loss for the year</td>
<td>(6,788)</td>
</tr>
<tr>
<td>Comprehensive loss for the year</td>
<td>(6,299)</td>
</tr>
</tbody>
</table>

As at 31 December 2018 and 31 December 2017 there are no significant restrictions in getting access to the subsidiary’s assets or using them for settling the subsidiary’s obligations.

31. SHARE CAPITAL

As at 31 December 2018 and 31 December 2017, share capital was equal to RUB 1,359 million.

<table>
<thead>
<tr>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of ordinary shares authorised and issued (shares)</td>
<td>1,110,616,299</td>
</tr>
<tr>
<td>Number of ordinary shares outstanding (shares)</td>
<td>1,100,616,299</td>
</tr>
</tbody>
</table>

On 25 June 2018, the General Meeting of Shareholders of the Company decided to make a major transaction in which there is an interest – operating lease of fifty new MS-21-300 aircraft. Owners of voting shares who voted against this decision or did not participate in voting on this issue were entitled to claim the buyback by the Company of all or part of their shares.

As at 31 December 2018, the total number of treasury shares purchased by the Company from shareholders was 47,817,796.

In September 2017, the Company sold 53,716,189 of its own shares, previously bought out by the subsidiary LLC Aeroflot Finance. These ordinary shares carry voting rights in the same proportion as other ordinary shares.

All issued shares are fully paid. In addition to the shares that have been placed the Company is entitled to place 250,000,000 ordinary registered shares (31 December 2017: 250,000,000 shares) with par value of RUB 1 per share (31 December 2017: RUB 1 per share). Each ordinary share gives a right to one vote.

The Company’s shares are listed on the Moscow Exchange (“MICEX”). As at 31 December 2018 and 31 December 2017, weighted average price was RUB 101.08 and RUB 129.10 per share, respectively.

The Company launched a Global Depositary Receipts (GDR) programme in December 2000. Since January 2014, one GDR equals five ordinary shares. As at 31 December 2018 and 31 December 2017, the Group’s GDRs were traded on the Frankfurt Stock Exchange at EUR 8.56 per GDR and EUR 9.91 per GDR, respectively.

32. DIVIDENDS

At the annual shareholders’ meeting held on 26 June 2018 the shareholders approved dividends in respect of 2017 in the amount of RUB 12.8033 per share. All dividends are declared and paid in Russian rubles.

At the annual shareholders’ meeting held on 26 June 2017 the shareholders approved dividends in respect of 2016 in the amount of RUB 17.4795 per share. All dividends are declared and paid in Russian rubles.

33. OPERATING SEGMENTS

The Group has a number of operating segments, but none of them, except for “Passenger Traffic”, meet the quantitative threshold for determining reportable segment. Flight routes information was aggregated in “Passenger Traffic” segment as passenger flight services on different routes have similar economic characteristics and meet aggregation criteria.

The passenger traffic operational performance is measured based on internal management reports which are reviewed by the Group’s General Director. Passenger traffic revenue by flight routes is allocated based on the geographic destinations of flights. Passenger traffic revenue by flight routes is used to measure performance as the Group believes that such information is the most material in evaluating the results.

Segment information is presented based on financial information prepared in accordance with IFRS.

Group assets are located mainly in Russian Federation

The realisation between the segments is carried out on market terms and is eliminated upon consolidation.

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
<th>Total Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger traffic</td>
<td>607,270</td>
<td>4,300</td>
</tr>
<tr>
<td>Inter-segment sales elimination</td>
<td>(712)</td>
<td>(22,685)</td>
</tr>
<tr>
<td>Total revenue</td>
<td>607,983</td>
<td>29,272</td>
</tr>
<tr>
<td>Operating profit</td>
<td>17,150</td>
<td>2,507</td>
</tr>
<tr>
<td>Loss from impairment and fair value changes of investments, net</td>
<td>(689)</td>
<td></td>
</tr>
<tr>
<td>Finance income</td>
<td>4,354</td>
<td></td>
</tr>
<tr>
<td>Finance costs</td>
<td>(7,704)</td>
<td></td>
</tr>
<tr>
<td>Hedging result</td>
<td>(7,788)</td>
<td></td>
</tr>
<tr>
<td>Share of financial results of associates</td>
<td>254</td>
<td></td>
</tr>
<tr>
<td>Subsidiaries disposal</td>
<td>1,240</td>
<td></td>
</tr>
<tr>
<td>Profit before income tax</td>
<td>9,554</td>
<td></td>
</tr>
<tr>
<td>Income tax</td>
<td>(2,221)</td>
<td></td>
</tr>
<tr>
<td>Profit for the year</td>
<td>7,333</td>
<td></td>
</tr>
</tbody>
</table>
Notes to the Consolidated Financial Statements for the year ended 31 December 2018
(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

31 December 2018

<table>
<thead>
<tr>
<th>Segment assets</th>
<th>Investments in associates</th>
<th>Unallocated assets</th>
<th>Total assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>291,809</td>
<td>-</td>
<td>-</td>
<td>298,590</td>
</tr>
</tbody>
</table>

Total liabilities

<table>
<thead>
<tr>
<th>Segment liabilities</th>
<th>Unallocated liabilities</th>
<th>Total liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>270,077</td>
<td>6,004</td>
<td>271,351</td>
</tr>
</tbody>
</table>

Total scheduled passenger revenue from flights to the RF

<table>
<thead>
<tr>
<th>Europe</th>
<th>Asia</th>
<th>America</th>
<th>CIS</th>
<th>Middle East and Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>67,939</td>
<td>37,455</td>
<td>14,793</td>
<td>12,788</td>
<td>12,435</td>
</tr>
</tbody>
</table>

Total scheduled passenger revenue from flights from the RF

<table>
<thead>
<tr>
<th>Europe</th>
<th>Asia</th>
<th>America</th>
<th>CIS</th>
<th>Middle East and Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>68,733</td>
<td>39,292</td>
<td>14,937</td>
<td>12,428</td>
<td>13,082</td>
</tr>
</tbody>
</table>

Total scheduled passenger traffic revenue

<table>
<thead>
<tr>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>145,410</td>
<td>124,202</td>
</tr>
</tbody>
</table>

34. PRESENTATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY

Financial assets and liabilities are classified by measurement categories as at 31 December 2018 as follows:

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>Measured at amortised cost</th>
<th>Measured at fair value through profit or loss</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents (Note 12)</td>
<td>23,711</td>
<td>-</td>
<td>23,711</td>
</tr>
<tr>
<td>Short-term financial investments (Note 17)</td>
<td>6,437</td>
<td>-</td>
<td>6,437</td>
</tr>
<tr>
<td>Financial receivables (Note 14)</td>
<td>41,138</td>
<td>-</td>
<td>41,138</td>
</tr>
<tr>
<td>Aircraft lease security deposits (Note 15)</td>
<td>4,881</td>
<td>-</td>
<td>4,881</td>
</tr>
<tr>
<td>Long-term financial instruments (Note 17)</td>
<td>83</td>
<td>5,310</td>
<td>5,393</td>
</tr>
<tr>
<td>Other current assets</td>
<td>226</td>
<td>-</td>
<td>226</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>458</td>
<td>-</td>
<td>458</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>76,954</td>
<td>5,310</td>
<td>82,244</td>
</tr>
</tbody>
</table>

Financial liabilities

<table>
<thead>
<tr>
<th>Financial liabilities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total financial liabilities</td>
<td>142,271</td>
</tr>
</tbody>
</table>

2017

<table>
<thead>
<tr>
<th>Segment assets</th>
<th>Investments in associates</th>
<th>Unallocated assets</th>
<th>Total assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>305,156</td>
<td>16,104</td>
<td>12,235</td>
<td>323,330</td>
</tr>
</tbody>
</table>

Total liabilities

<table>
<thead>
<tr>
<th>Segment liabilities</th>
<th>Unallocated liabilities</th>
<th>Total liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>255,027</td>
<td>5,362</td>
<td>255,963</td>
</tr>
</tbody>
</table>

Total scheduled passenger traffic revenue

<table>
<thead>
<tr>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>496,454</td>
<td>427,529</td>
</tr>
</tbody>
</table>

31 December 2017

<table>
<thead>
<tr>
<th>Segment assets</th>
<th>Investments in associates</th>
<th>Unallocated assets</th>
<th>Total assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>305,156</td>
<td>16,104</td>
<td>12,235</td>
<td>323,330</td>
</tr>
</tbody>
</table>

Total liabilities

<table>
<thead>
<tr>
<th>Segment liabilities</th>
<th>Unallocated liabilities</th>
<th>Total liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>255,027</td>
<td>5,362</td>
<td>255,963</td>
</tr>
</tbody>
</table>

Total scheduled passenger traffic revenue

<table>
<thead>
<tr>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>496,454</td>
<td>427,529</td>
</tr>
</tbody>
</table>
Financial assets and liabilities are classified by measurement categories as at 31 December 2017 as follows:

<table>
<thead>
<tr>
<th>Loans and receivables</th>
<th>Available-for-sale financial assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents (Note 12)</td>
<td>45,978</td>
<td>-</td>
</tr>
<tr>
<td>Short-term financial investments (Note 17)</td>
<td>8,931</td>
<td>-</td>
</tr>
<tr>
<td>Financial receivables (Note 14)</td>
<td>34,991</td>
<td>-</td>
</tr>
<tr>
<td>Aircraft lease security deposits (Note 10)</td>
<td>2,025</td>
<td>-</td>
</tr>
<tr>
<td>Long-term financial instruments (Note 17)</td>
<td>3,306</td>
<td>3,306</td>
</tr>
<tr>
<td>Other current assets</td>
<td>422</td>
<td>-</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>161</td>
<td>-</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>92,540</td>
<td>3,306</td>
</tr>
</tbody>
</table>

35. RISKS CONNECTED WITH FINANCIAL INSTRUMENTS

The Group manages risks related to financial instruments, which include market risk (currency risk, interest rate risk and aircraft fuel price risk), credit risk, liquidity risk and capital management risk.

Liquidity risk

The Group is exposed to liquidity risk, i.e. the risk that the Group will not be able to meet its financial obligations as they fall due. The Group’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed financial conditions, without incurring unacceptable losses or risking damage to the Group’s reputation. The Group utilises a detailed budgeting and cash forecasting process to ensure its liquidity is maintained at appropriate level.

The following are the Group’s financial liabilities as at 31 December 2018 and 31 December 2017 by contractual maturity (based on the remaining period from the reporting date to the contractual settlement date). The amounts in the table are contractual undiscounted cash flows (including future interest payments) as at respective reporting dates:

<table>
<thead>
<tr>
<th>Average interest rate</th>
<th>0–12 months</th>
<th>1–2 years</th>
<th>2–5 years</th>
<th>Over 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contractual rate</td>
<td>Effective rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

31 December 2017

| Loans and borrowings in foreign currency | 2.3% | 2.3% | - | - | 39 | 467 | 506 |
| Loans and borrowings in Roubles | 8.1% | 8.1% | 432 | 290 | 3,015 | - | 3,737 |
| Aircraft lease security deposits | 2.9% | 2.9% | 17,782 | 17,797 | 46,353 | 19,805 | 103,737 |
| Total financial liabilities | 43,864 | 2,608 | 46,480 |

Total future payments, including future interest payments | 60,876 | 25,783 | 49,407 | 20,272 | 151,340 |

As at 31 December 2018, the Group has net short-term liabilities in the amount of RUB 11,417 million (as at 31 December 2017, net current assets in the amount of RUB 27,176 million). In 2018, the Group received a net profit of RUB 5,713 million (in 2017: RUB 2,237 million). The financial result for 2018 was adversely affected by a significant increase in prices for aircraft fuel. The cash flow from operating activities for 2018 was positive and amounted to RUB 19,495 million (in 2017: RUB 47,432 million).

The Group uses long-term lease liabilities nominated in a currency other than Rouble. The Group plans to improve its liquidity, the Group plans to increase the Group's operating efficiency and further increase cash flow from operating activities.

Currency risk

The Group is exposed to currency risk in relation to revenue as well as purchases and borrowings that are denominated in a currency other than Rouble. The currencies in which these transactions are primarily denominated are Euro and US Dollar.

The Group analyses the exchange rate trends on a regular basis.


The Group's exposure to foreign currency risk was as follows based on notional amounts of financial instruments:

<table>
<thead>
<tr>
<th>In millions of Russian Roubles</th>
<th>Note</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>US Dollar</td>
<td>Euro</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>12</td>
<td>2,468</td>
<td>262</td>
</tr>
<tr>
<td>Financial receivables</td>
<td>23,005</td>
<td>4,771</td>
<td>4,050</td>
</tr>
<tr>
<td>Aircraft lease security deposits</td>
<td>4,474</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other assets</td>
<td>130</td>
<td>78</td>
<td>4</td>
</tr>
<tr>
<td>Total assets</td>
<td>30,077</td>
<td>5,111</td>
<td>4,660</td>
</tr>
<tr>
<td>Financial payables</td>
<td>17,382</td>
<td>8,928</td>
<td>5,115</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>93,224</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Long-term loans and borrowings</td>
<td>28</td>
<td>467</td>
<td>-</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>111,073</td>
<td>8,928</td>
<td>5,115</td>
</tr>
</tbody>
</table>

Total liabilities, net (95,398) (5,817) (605) (95,288) (90,383) (2,551) (437) (93,371)
Notes to the Consolidated Financial Statements for the year ended 31 December 2018
(CONTINUED: ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Capital management risk
The Group manages its capital to ensure its ability to continue as a going concern while maximising the return to the Company’s shareholders through the optimization of the Group’s debt to equity ratio.

The Group manages its capital in comparison with rivals in the airline industry on the basis of the following ratios:
- net debt to total capital,
- total debt to EBITDA, and
- net debt to EBITDA.

Total debt consists of short-term and long-term borrowings (including the current portion) (Note 28), finance lease liabilities (Note 7.7), customs duties payable on imported leased aircraft and defined benefit pension obligation.

Net debt is defined as total debt less cash, cash equivalents and short-term financial investments.

Total capital consists of equity attributable to the Company’s shareholders and net debt.

EBITDA is calculated as operating profit before depreciation, amortization and customs duties expenses.

The ratios are as follows:

<table>
<thead>
<tr>
<th>Ratio</th>
<th>As at and for the year ended</th>
<th>As at and for the year ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31 December 2018</td>
<td>31 December 2017</td>
</tr>
<tr>
<td>Total debt</td>
<td>97,618</td>
<td>104,792</td>
</tr>
<tr>
<td>Cash and cash equivalents and short-term financial investments</td>
<td>(30,148)</td>
<td>(54,909)</td>
</tr>
<tr>
<td>Net debt</td>
<td>67,470</td>
<td>49,883</td>
</tr>
<tr>
<td>Equity attributable to shareholders of the Company</td>
<td>43,284</td>
<td>65,535</td>
</tr>
<tr>
<td>Total capital</td>
<td>110,754</td>
<td>115,418</td>
</tr>
<tr>
<td>EBITDA</td>
<td>33,598</td>
<td>56,015</td>
</tr>
<tr>
<td>Net debt/Total capital</td>
<td>0.6</td>
<td>0.9</td>
</tr>
<tr>
<td>Total debt/EBITDA</td>
<td>3.9</td>
<td>1.9</td>
</tr>
<tr>
<td>Net debt/EBITDA</td>
<td>2.0</td>
<td>0.9</td>
</tr>
</tbody>
</table>

These ratios are analysed by Group’s management over time without any limitations.

There were no changes in the Group’s approach to capital management in 2018 and 2017.

Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements in 2018 and 2017, except for minimal share capital according to the legislation.

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group’s cash and cash equivalents, financial receivables and investments in securities.

Provisions for impairment of financial assets are based on the probability of default and expected loss ratios. The group uses professional judgment when forming these assumptions and the choice of initial data for the calculation of impairment on the basis of the experience of the group in the past, current market conditions and future forecasts of the end of each reporting period.

Aircraft fuel price risk
If the price of Brent crude oil as at 31 December 2018 or 31 December 2017 were 10% higher or lower than the actual price, then, in the absence of changes in other variables (including forecasts of future oil prices), the impact on the consolidated financial result and the amount of the Group’s capital would be insignificant.
Impairment of financial assets

A summary of the assumptions underpinning the company’s expected credit loss model is as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Company definition of category</th>
<th>Basis for recognition of expected credit loss provision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performing</td>
<td>Customers have a low risk of default and a strong capacity to meet contractual cash flows.</td>
<td>12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.</td>
</tr>
<tr>
<td>Underperforming</td>
<td>Loans for which there is a significant increase in credit risk, as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due (see above in more detail).</td>
<td>Lifetime expected losses</td>
</tr>
<tr>
<td>Non-performing</td>
<td>Principal and/or interest repayments are 90 days past due.</td>
<td>Lifetime expected losses</td>
</tr>
<tr>
<td>Write-off</td>
<td>Assets that are not available for sale and for which all necessary procedures have been completed for full or partial recovery and the final amount of the loss has been determined. There is no reasonable expectation of recovery.</td>
<td>Asset is written off</td>
</tr>
</tbody>
</table>

Finance receivables

The group uses categories (portfolios) of financial receivables that reflect the associated credit risk. The classification of portfolios is based on the category of clients and the similar term of debt.

The Group conducts transactions with the following major types of counterparties:

(i) The Group has credit risk associated with travel agents and industry organisations. A significant share of the Group’s sales is made via travel agencies. Due to the fact that receivables from travel agents are diversified the overall credit risk related to travel agencies is assessed by management as low.

(ii) Receivables from other airlines and agencies are regulated through the IATA clearing house, in particular for agency sales using BSP and CASS settlement systems, and ARC for part of US agents. Regular settlements ensure that the exposure to credit risk is mitigated to the greatest extent possible.

(iii) Credit risk arising from dealing with government institutions and banks is assessed as low. Management actively monitors its investment performance and in accordance to current policy investing only in liquid securities with High credit ratings. Management does not expect any counterparty to fail to meet its obligations. When working with banks, a system of credit limits is implemented, taking into account that the credit risks that arise when working with banks are limited, and are assessed as low.

During the period of trade receivables of less than 12 months, the Group measures its own credit risk through the accrual of provisions to cover expected credit losses. Calculating the level of expected credit losses, the group considers information on the level of past losses for each category of customers. Given the short-term assets, the projected macroeconomic indicators do not have a significant impact on the level of losses. In case of adverse events in the economy, the indicators can be adjusted for some categories of debtors (main agents), the group receives financial security, which is taken into account when calculating the level of expected credit losses. The financial effect of collateral is insignificant.

The group creates provisions to cover credit losses on customers’ trade receivables as follows:

<table>
<thead>
<tr>
<th>Expected credit losses category</th>
<th>Basis for recognition of expected credit loss provision</th>
<th>Estimated gross carry amount (in millions of Russian rubles)</th>
<th>Lifetime expected credit losses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performing</td>
<td>Expected credit losses for 12 months. Where the term of the asset is less than 12 months, the estimated credit losses are based on the term of the asset.</td>
<td>40,337 (477)</td>
<td></td>
</tr>
<tr>
<td>Underperforming</td>
<td>Lifetime expected losses</td>
<td>262 (6)</td>
<td></td>
</tr>
<tr>
<td>Non-performing</td>
<td>Lifetime expected losses</td>
<td>12,009 (10,985)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>52,608 (11,470)</td>
<td></td>
</tr>
</tbody>
</table>

No significant changes to estimation techniques or assumptions were made during the reporting period.

The loss allowance for loans to customers as at 31 December 2018 reconciles to the opening loss allowance for that provision as follows:

<table>
<thead>
<tr>
<th></th>
<th>Performing</th>
<th>Underperforming</th>
<th>Non-performing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening loss allowance as at 1 January 2018 (calculated under IFRS 9)</td>
<td>119</td>
<td>41</td>
<td>11,228</td>
<td>11,388</td>
</tr>
<tr>
<td>Individual financial assets transferred to non-performing (credit-impaired financial assets)</td>
<td>-</td>
<td>-</td>
<td>1,023</td>
<td>1,023</td>
</tr>
<tr>
<td>New financial assets originated or purchased</td>
<td>477</td>
<td>8</td>
<td>134</td>
<td>619</td>
</tr>
<tr>
<td>Write-offs</td>
<td>-</td>
<td>1,087</td>
<td>-</td>
<td>(1,087)</td>
</tr>
<tr>
<td>Recoveries</td>
<td>(319)</td>
<td>(41)</td>
<td>313</td>
<td>(473)</td>
</tr>
<tr>
<td>Closing loss allowance as at 31 December 2018 (calculated under IFRS 9)</td>
<td>477</td>
<td>8</td>
<td>10,985</td>
<td>11,470</td>
</tr>
</tbody>
</table>

Other assets at amortised cost

During the term of the assets, the Group reflects the debtor's own credit risk through the timely creation of adequate provisions to cover expected credit losses. When calculating the level of expected credit losses, the Group considers information on the level of losses that occurred in previous periods. Projected macroeconomic indicators do not have a significant impact on the level of losses. In case of adverse events in the economy, the indicators can be adjusted. Available observable market information on the credit risk of a financial instrument, including external credit ratings, is also considered.

<table>
<thead>
<tr>
<th>Category</th>
<th>Asset</th>
<th>Credit loss rate</th>
<th>Basis for recognition of expected credit loss provision</th>
<th>Gross carry amount (in millions of Russian rubles)</th>
<th>Lifetime expected credit losses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performing</td>
<td>Cash and cash equivalents</td>
<td>0%</td>
<td>Expected credit losses for 12 months. Where the term of the asset is less than 12 months, the estimated credit losses are based on the term of the asset.</td>
<td>23,711 (27)</td>
<td></td>
</tr>
<tr>
<td>Financial investments</td>
<td>0.12% – 4.26%</td>
<td></td>
<td></td>
<td>6,547</td>
<td>(27)</td>
</tr>
<tr>
<td>Aircraft lease security deposits</td>
<td>0.45% – 1.43%</td>
<td></td>
<td></td>
<td>4,992</td>
<td>(11)</td>
</tr>
<tr>
<td>Underperforming</td>
<td>Financial investments</td>
<td>100%</td>
<td></td>
<td>30</td>
<td>(30)</td>
</tr>
<tr>
<td>Non-performing</td>
<td>Financial investments</td>
<td>100%</td>
<td></td>
<td>5,584</td>
<td>(3,584)</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>44,764</td>
<td>(9,650)</td>
</tr>
</tbody>
</table>
Notes to the Consolidated Financial Statements for the year ended 31 December 2018
(Continued. All amounts are presented in millions of Russian Rubles, unless otherwise stated)

Provisions for impairment of financial investments in the category of non-performing assets are provisions for loans issued by companies of the Group in favor of JSC «Transaero».

There were no significant changes in calculation methods or assumptions during the reporting period.

The maximum exposure to the credit risk net of impairment provision is set out in the table below:

<table>
<thead>
<tr>
<th></th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents (excluding petty cash) (Note 12)</td>
<td>23,629</td>
<td>45,891</td>
</tr>
<tr>
<td>Financial receivables (Note 14)</td>
<td>41,138</td>
<td>34,995</td>
</tr>
<tr>
<td>Short-term financial investments (Note 17)</td>
<td>5,437</td>
<td>8,931</td>
</tr>
<tr>
<td>Long-term financial investments (Note 17)</td>
<td>5,393</td>
<td>3,338</td>
</tr>
<tr>
<td>Aircraft lease security deposits (Note 13)</td>
<td>4,881</td>
<td>2,029</td>
</tr>
<tr>
<td>Other assets</td>
<td>427</td>
<td>563</td>
</tr>
<tr>
<td>Total financial assets exposed to credit risk</td>
<td>81,916</td>
<td>99,756</td>
</tr>
</tbody>
</table>

Analysis by credit quality of financial receivables is as follows:

<table>
<thead>
<tr>
<th></th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Past due impaired receivables</td>
<td></td>
</tr>
<tr>
<td>- less than 90 days overdue</td>
<td></td>
</tr>
<tr>
<td>- 91 Days To 2 years overdue</td>
<td></td>
</tr>
<tr>
<td>- more than 2 years overdue</td>
<td>8,270</td>
</tr>
<tr>
<td>Total past due impaired receivables</td>
<td>11,886</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Past due but not impaired receivables</td>
<td></td>
</tr>
<tr>
<td>- less than 90 days overdue</td>
<td></td>
</tr>
<tr>
<td>- 91 Days To 2 years overdue</td>
<td>3,571</td>
</tr>
<tr>
<td>- more than 2 years overdue</td>
<td>8,270</td>
</tr>
<tr>
<td>Total past due but not impaired receivables</td>
<td>35</td>
</tr>
</tbody>
</table>

Accounts receivable by category of external credit rating are presented in the table below:

<table>
<thead>
<tr>
<th></th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts receivable with investment rating</td>
<td>5,237</td>
</tr>
<tr>
<td>Accounts receivable with non-investment rating</td>
<td>3,532</td>
</tr>
<tr>
<td>Accounts receivable without external rating</td>
<td>26,209</td>
</tr>
<tr>
<td>Total not overdue and not impaired receivables</td>
<td>34,956</td>
</tr>
</tbody>
</table>

Credit risk concentration
As at 31 December 2018 and as at 31 December 2017, a large portion of cash was placed in two banks, which causes the credit risk concentration for the Group (Note 13).

36. CHANGES IN LIABILITIES ARISING FROM FINANCIAL ACTIVITIES

The table below summarizes the changes in the Group’s liabilities arising from financial activities for each of the periods presented. Cash flows for these liabilities are reflected in the Statement of Cash Flows as part of financial activities:

<table>
<thead>
<tr>
<th></th>
<th>Borrowings</th>
<th>Finance lease liabilities</th>
<th>Other liabilities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January 2018</td>
<td>3,181</td>
<td>100,689</td>
<td>65</td>
<td>103,935</td>
</tr>
<tr>
<td>Cash repayment of liabilities</td>
<td>(385)</td>
<td>(26,948)</td>
<td>(14,543)</td>
<td>(41,836)</td>
</tr>
<tr>
<td>Cash inflows</td>
<td>350</td>
<td></td>
<td></td>
<td>350</td>
</tr>
<tr>
<td>Forex adjustments</td>
<td>79</td>
<td>(803)</td>
<td>(774)</td>
<td></td>
</tr>
<tr>
<td>Other changes not related to cash flows</td>
<td>261</td>
<td>20,245</td>
<td>14,543</td>
<td>35,949</td>
</tr>
<tr>
<td>31 December 2018</td>
<td>3,496</td>
<td>93,224</td>
<td>64</td>
<td>96,774</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Borrowings</th>
<th>Finance lease liabilities</th>
<th>Other liabilities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January 2017</td>
<td>20,367</td>
<td>122,736</td>
<td>1</td>
<td>143,104</td>
</tr>
<tr>
<td>Cash repayment of liabilities</td>
<td>(18,634)</td>
<td>(19,058)</td>
<td>(18,859)</td>
<td>(56,551)</td>
</tr>
<tr>
<td>Forex adjustments</td>
<td>350</td>
<td>(1,487)</td>
<td>(1,137)</td>
<td></td>
</tr>
<tr>
<td>Other changes not related to cash flows</td>
<td>1,098</td>
<td>(1,502)</td>
<td>18,013</td>
<td>18,519</td>
</tr>
<tr>
<td>31 December 2017</td>
<td>3,181</td>
<td>100,689</td>
<td>65</td>
<td>103,935</td>
</tr>
</tbody>
</table>

Dividends paid in the amount of RUB 14,543 million are reflected in changes of other liabilities for 2018.

Dividends paid in the amount of RUB 18,859 million are reflected in changes of other liabilities for 2017.

Other measures to manage credit risk in the Group are as follows:

- Applying a system of limits. The limits reflect the Group’s willingness to bear the credit risk within reasonable limits in order to maintain competitiveness and achievement of business objectives. The limit can be set for any source of risk for an individual counterparty. Qualitative factors that take into account the ownership structure (including the presence of an external investment rating), the period of work with the Group, the existence of losses and quantitative coefficients based on the reporting are applied to establish limits.

- Assessment of credit quality of counterparties (credit ratings). The Group applies the internal credit rating system primarily, but not limited to, for agents that sale of passengers and freight traffic. The counterparty’s credit rating is updated on a monthly basis and allows timely response to deteriorating credit quality of the counterparty. The credit rating affects the required amount of financial security under the contract, the recalculation of which also takes place on a monthly basis.

- Regular monitoring of credit risk indicators. Indicators of credit risk allow to reveal in advance the growth of the credit risk of an individual counterparty (a group of counterparties). As a result, the Group may take the necessary actions to prevent financial losses in the event of default of the counterparty. Indicators are applied at the ERP system level. When developing indicators, the company applies methods of quantitative statistical analysis, predictive models, as well as expert indicators.

- Regular reporting on credit risk. Providing regular reporting is an essential component that allows interested persons to observe the efficiency of risk reduction measures and the dynamics of its evaluation. The reporting is provided to the management of the Group, interested structural units, audit commissions, and also to the Board of Directors.
37. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which a financial instrument can be exchanged during a current transaction between interested parties except in cases of forced sale or liquidation. The best confirmation of fair value is the price of a financial instrument quoted in an active market.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data necessary to determine the estimated fair value. Management uses all available market information in estimating the fair value of financial instruments.

Financial assets carried at amortised cost. The fair value of instruments with a floating interest rate is normalised to equal their carrying value. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates effective on debt capital markets for new instruments with similar credit risk and remaining maturity. Discount rates depend on the credit-risk of the counterparty. Carrying amounts of cash and cash equivalents, financial receivables (Note 14), investments, lease security deposits (Note 13), deposits placed for more than 90 days and other financial assets and loans-granted (Note 17) are approximately equal to their fair value, which belongs to Level 2 in the fair value hierarchy. Cash and cash equivalents, except for cash, belong to Level 2 in the fair value hierarchy and are carried at amortised costs. Fair value is the estimated fair value.

Financial assets measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are mainly represented by investments in JSC MASH that do not have market quotes. The fair value measurement of JSC MASH cost belongs to Level 3 in the fair value hierarchy and are determined through a regular estimation of the expected discounted cash flows, where one or more of the significant inputs is not based on observable market data, including the following: (i) the discount rate determined using the CAPM; (j) the forecast of passenger traffic and the number of take-off and landing operations based on the evaluation of historical data and public information; (ii) the growth rate of tariffs for ground handling and airport services; and (iv) the amount of capital investments estimated based on the forecast information published by JSC MASH (Note 17).

Liabilities carried at amortised cost. The fair value of financial instruments is measured based on the current market quotes, if any. The estimated fair value of unquoted fixed interest rate instruments with stated maturity, with estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. As at 31 December 2018 and 2017, the fair values of financial payables (Note 21), finance lease liabilities (Note 27), loans and borrowings (Note 20) were not materially different from their carrying amounts. The fair values of financial payables, finance lease liabilities and loans and borrowings are categorised as Level 2.

38. RELATED-PARTY TRANSACTIONS

Parties are generally considered to be related if they are under common control or if one party has the ability to control the other party or can exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship attention is directed to the economic substance of the relationship, not merely the legal form. As at 31 December 2018 and 2017 the outstanding balances with related parties and income and expense items with related parties for 12 months 2018 and 12 months 2017 were disclosed below.

The amounts outstanding to and from associates will be settled mainly in cash.

Transactions

<table>
<thead>
<tr>
<th></th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales to associates</td>
<td>17</td>
<td>6</td>
</tr>
</tbody>
</table>

Purchases of goods and services from associates consist primarily of aviation security services.

Government-related entities

As at 31 December 2018 and 31 December 2017, the Government of the RF represented by the Federal Agency for Management of State Property owned 51.17% stake in the Company. As the Group operates in an economic environment where the entities and credit organizations are directly or indirectly controlled by the Government of the RF through the relevant government authorities, agencies, officers and other organizations (government-related entities).

The Group has decided to apply the exception from disclosure of individually insignificant transactions and balances with the Russian Government and parties that are related to the Company because the Government exercises control, joint control or significant influence over such parties.

The Group has transactions with government-related entities, including but not limited to:

- banking services;
- investments in JSC MASH;
- finance and operating lease;
- purchase of aircraft fuel;
- purchase of an air navigation and airport services; and
- government subsidies including those provided for compensating of lost income from passenger flights in certain directions under government programmes.

Outstanding balances of cash at settlement, currency and deposit accounts in the government-related banks:

<table>
<thead>
<tr>
<th></th>
<th>31 December 2018</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>15 649</td>
<td>22 539</td>
</tr>
</tbody>
</table>

The amounts of the Group’s finance and operating lease liabilities (including liabilities related to assets held for sale) are disclosed in Note 27. The share of liabilities to the government-related entities is approximately 74% for finance lease (including liabilities related to assets held for sale) (31 December 2017: 72%).

The share of the government-related entities in the amount of the future minimum lease payments under non-cancellable operating leases agreements are disclosed in Note 20 is approximately 68% (31 December 2017: 69%). The share of interest expenses on finance lease is approximately 80% and 42% for operating lease expenses (2017: 90% and 38%, respectively).

For the year ended 31 December 2018 the share of Group’s transactions with government-related entities is about 24% of operating costs, and about 2% of revenue (12 months 2017: about 24% and about 2%, respectively). These expenses primarily include costs of motor fuels supplies, expenses for operating lease of aircraft and aircraft engines as well as air navigation and aircraft maintenance services in the airports.

As at 31 December 2018 the government or government-related entities owned non-controlling interest of particular subsidiaries of the Group amounted to RUB 607 million (31 December 2017: RUB 499 million).

Transactions with the Russian Government also include taxes, levies and customs duties settlements and charges which are disclosed in Notes 7, 8, 11,14 and 21.
Compensation of key management personnel

The remuneration of key management personnel (the members of the Board of Directors and the Management Committee as well as key managers of flight and ground personnel who have significant power and responsibilities on key control and planning decisions of the Group), including salary and bonuses as well as other compensations, amounted to RUB 1,548 million for 32 months 2018 (12 months 2017: RUB 2,317 million).

These remunerations are mainly represented by short-term payments. Such amounts are stated before personal income tax but exclude mandatory insurance contributions to non-budgetary funds. According to Russian legislation, the Group makes contributions to the Russian State pension fund as part of compulsory social insurance contributions for all its employees, including key management personnel.

Bonus programmes based on the Group's capitalisation

In 2018 the Group approved bonus programmes for its key management personnel and members of the Company's Board of Directors. These programmes run for 3.5 years and are to be exercised in 4 tranches of cash payments. The amounts of payments depend on the level of increase in the Company's capitalisation, the Company's capitalisation growth rates against its peers based on the results of each reporting period and achievement of targeted capitalisation by the end of the programmes. The fair value of the liabilities under the bonus programmes as at 31 December 2018, included in income costs payable, was determined based on the expected payment amount for the reporting period from 1 January 2018 to 31 December 2018 and amount of payment deferred till the end of the programmes.

Income in connection with the recovery of the reserve of future expenses under bonus programme and its expenses related to discounting amounted to RUB 2,222 million for 12 months 2018 and was reflected in labour costs and other financial expenses respectively (12 months 2017: RUB 3,722 million).

As at 31 December 2018, the outstanding amount of the liability under these programmes was RUB 220 million (31 December 2017: RUB 2,558 million).

39. COMMITMENTS UNDER OPERATING LEASES

Future minimum lease payments under non-cancellable aircraft and other operating lease agreements with third and related parties (Note 38) are as follows:

<table>
<thead>
<tr>
<th></th>
<th>On demand or within 1 year</th>
<th>Later than 1 year but not later than 5 years</th>
<th>Later than 5 years</th>
<th>Total operating lease commitments</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2018</td>
<td>98,911</td>
<td>369,090</td>
<td>566,932</td>
<td>1,754,933</td>
</tr>
<tr>
<td>31 December 2019</td>
<td>73,565</td>
<td>272,048</td>
<td>314,968</td>
<td>580,581</td>
</tr>
</tbody>
</table>

The amounts above represent base rentals payable. Maintenance fees payable to the lessor, based on actual flight hours, and other usage variables are not included in the amounts.

The aircraft that the Group has operated under operating lease agreements as at 31 December 2018 are listed in Note 1. The Group received aircraft under operating lease agreements for the term of 3 to 16 years. The agreements are extendable.

As at 31 December 2018, the Group entered into a number of agreements with Russian banks under which the banks guarantee the payment of the Group’s liabilities under existing aircraft lease agreements.

40. CAPITAL COMMITMENTS

As at 31 December 2018, the Group had non-cancellable agreements on future acquisition of property, plant and equipment with third parties amounted to RUB 255,116 million (31 December 2017: RUB 394,037 million). These commitments mainly relate to purchase 22 Airbus A-350 (31 December 2017: 22 aircraft), 5 Boeing 7877 (31 December 2017: 7 aircraft), 22 Boeing B-767 and 22 Airbus A-330321 aircraft as at 31 December 2017. Group expects to use supplied aircraft under lease agreements, therefore no cash outflow on entered agreements is expected.
Notes to the Consolidated Financial Statements for the year ended 31 December 2018
(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Litigations

During the reporting period the Group was involved (both as a plaintiff and a defendant) in a number of court proceedings arising in the ordinary course of business. Management believes that there are no current court proceedings or other claims outstanding which could have a material effect on the results of operations and financial position of the Group.

As at 31 December 2018 the Group’s subsidiary JSC Donavia were within bankruptcy process, thus their assets of RUB 215 million, including cash and cash equivalents in the amount of RUB 215 million, have had limited availability to the Group as it is defined by Russian legislation.

As at 31 December 2017 the Group’s subsidiaries JSC Donavia and JSC Donavia were within bankruptcy process, thus their assets of RUB 1,779 million including cash and cash equivalents in the amount of RUB 422 million, have had limited availability to the Group as it is defined by Russian legislation.

42. ACCOUNTING POLICIES APPLIED BEFORE 1 JANUARY 2018

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of sales related taxes.

Passenger revenue: The fair value of transportation service has been provided. The value of tickets sold and still valid but not used by the reporting date is reported in the Group’s Consolidated Statement of Financial Position in a separate line item (unearned traffic revenue) within current liabilities. This item is reduced either when the Group completes the transportation service or when the passenger requests a refund. Sales representing the value of tickets that have been issued, but which will never be used, are recognised as traffic revenue at the reporting date based on an analysis of historical patterns of actual utilization. Accruals, which are payable to the sales agents are recognised as sales and marketing expenses within operating costs in the Consolidated Statement of Profit or Loss in the period of ticket sale by agents.

Passenger revenue includes revenue from code-share agreements with certain airlines as per the Group and other airlines sell seats for each other’s flights (“code-share agreements”). Revenue from the sale of code-share seats on other airlines’ flights is recognised in the period of the transportation service provision and is accounted for net in Group’s Consolidated Statement of Profit or Loss. Revenue from the sale of code-share seats on Group’s flights by other airlines are recorded at the settlement of the transportation service provision and is fully accounted for in the Group’s traffic revenue in the Consolidated Statement of Profit or Loss.

Cargo revenue: The Group’s cargo transport services are recognised as traffic revenue when the air transportation is provided. The costs of cargo transport services sold but not yet provided is valued at cargo Group’s Consolidated Statement of Financial Position in a separate line item (unearned traffic revenue) within current liabilities.

Catering: Revenue is recognised when meals packages are delivered to the aircraft, as this is the date when the risks and rewards of ownership are transferred to customers.

Other revenue: Revenue from bilateral airline agreements is recognised when earned with reference to the terms of each agreement. Hotel accommodation revenue is recognised when the services are provided. Revenue from sales of goods are recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped to the customer. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer or at the destination point. Revenues from sale of services are recognised in the period in which the services were rendered.

Frequent flyer programme

Since 1999 the Company operates a frequent flyer programme referred to as Aeroflot-Bonus. Subject to the programme’s terms, to stimulate interest in using the Company’s services, Aeroflot Bonus miles are awarded for the use of the Group’s services and its partners in accordance with the programme’s terms. The miles earned enable members to a number of benefits such as free flights, flight class upgrades and rebooking of flights and awards for specialised services for programme members if the additional conditions of the programme are met.

In accordance with IFRIC 13 Customer Loyalty Programmes, the fair value of miles accumulated on the Group’s own flights but not used by Aeroflot-Bonus participants is recognised under current and non-current deferred revenue related to frequent flyer programme (transfers between levels of financial instruments related to non-current liabilities, respectively, in the Group’s Consolidated Statement of Financial Position).

The fair value of miles accumulated by Aeroflot-Bonus participants for using services provided by the partners of the programme is recognised as other current and non-current liabilities related to frequent flyer programme in accounts payable and accrued liabilities in the Group’s Consolidated Statement of Financial Position.

The fair value of the accumulated bonus miles is the same for the miles earned by the participants on the Group’s own flights and the accumulated by the participants for using the services of the programme partners.

Other accrued liabilities related to promo miles accumulated but not used, the cost of which reflects the best estimate of the cost required to settle an existing liability in accordance with IAS 37 ‘Provisions, Contingent Liabilities and Contingent Assets’ are recognised within accounts payable and accrued liabilities, respectively, in the Group’s Consolidated Statement of Financial Position.

With the use of bonus miles, revenue from the loyalty programme is recognized when services are provided to program participants by reducing current deferred revenue and other current liabilities.

Financial instruments – key measurement terms

Depending on their classification, financial instruments are carried at fair value, cost or amortised cost, as described below.

Fair value – is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is quoted price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at fair value using the best evidence of fair value available. The fair value is determined using a valuation technique such as discounted cash flows to determine the fair value of the instrument or similar instruments; in the absence of quoted prices in active markets, other technique is used such as models based on observable inputs; in cases where there is no readily available active market, models based on unobservable inputs are used. The amounts involved are material and are not expected to have a material impact on the financial statements.

Financial statements are prepared in RUB, which is the functional currency of the Group. The translation of all assets and liabilities is made at the rate prevailing on the balance sheets’ date, as of the financial statements’ reporting date, for financial liabilities to the date of the financial statements’ reporting date. The translation of the Group’s traffic revenue and freight revenue at current rates is recorded in the current period.

Assets and liabilities denominated in foreign currencies are translated into RUB at the rate prevailing on the financial statements’ reporting date. The resulting translation differences are accounted for in the consolidated statement of profit or loss in the period in which they arise.

The rate of exchange is based on the average exchange rates in the countries in which the Group’s foreign operations are located.

The Group follows a broad set of general controls and policies intended to identify, assess and monitor the risks associated with the exposure to the effect of changes in currency exchange rates.

The Group uses foreign currency cash flows of its non-current liabilities only to offset translation differences arising in the financial statements. Hedging is not considered significant and is not used.

The Group’s objective in its foreign exchange exposure management is to minimise the risks arising from changes in foreign exchange rates by reducing the effect of such changes on the Group’s net assets and income statements.

The Group eliminates the net foreign exchange exposure using foreign currency cash flows on the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not linked to market rates.
Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Statement of Profit or Loss as a separate line below operating result of the Group.

Amounts accumulated in equity are reclassified to profit or loss (as profit or loss from financing activities) in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory), the gains and losses previously credited in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing at that time remains in equity and is recognised when the forecast transaction is recognised in the Consolidated Statement of Profit or Loss. When the forecast transaction no longer affects the Group’s Consolidated Statement of Profit or Loss, any cumulative gain or loss that was reported in equity is immediately transferred to the Consolidated Statement of Profit or Loss as a separate line.

The hedging result in the Consolidated Statement of Profit or Loss is the change in the fair value of the hedging derivative financial instruments (realised hedging) and the revenue effect of the hedging risk impact on the related hedge transactions recorded in operating activities.

Available-for-sale investments

Available-for-sale investments are carried at fair value. Income on available-for-sale debt securities is calculated using the effective interest method and recognised in profit or loss for the year as finance income or expense. Available-for-sale equity instruments are recognised in profit or loss for the year as finance income when the Group’s right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss is reclassified from other comprehensive income to finance income in profit or loss for the year.

Impairment losses are recognised in profit or loss for the year in accordance as a result of one or more events (‘loss events’) that occurred after the initial recognition of available-for-sale investments. A significant or prolonged decline in the fair value of an equity security below its cost is an indication that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised – is recognised in other comprehensive income in profit or loss for the year. Impairment losses on equity instruments are not reversed and any subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period’s profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and short-term highly liquid investments (including bank deposits) with contractual maturities of ninety days or less, earning interest income. Cash and cash equivalents are carried at amortised cost using the effective interest method.

Restricted balances are excluded from cash and cash equivalents for the purposes of the Consolidated Statement of Cash Flows. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets in the Group’s Consolidated Statement of Financial Position.

Cash flows arising from the receipt of interests are classified as cash flows from investing activities in the Consolidated Statement of Cash Flows.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are individually recognised at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Doubtful accounts receivable balances are assessed individually and any impairment losses are included in other operating costs in the Group’s Consolidated Statement of Profit or Loss.
Impairment of financial assets carried at amortised cost

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any. Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the allowance account when the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the allowance account within the profit or loss for the year.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification terms.

The renegotiated asset is then derecognised and a new asset is recognised at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

Trade and other payables

Trade payables are accrued when the counterparty performs its obligations under the contract and are carried at amortised cost using the effective interest method.

Aircraft lease security deposits

Aircraft lease security deposits represent amounts paid to the lessors of aircraft in accordance with the provisions of operating lease agreements. These security deposits are returned to the Group at the end of the lease period. Security deposits related to lease agreements are presented separately in the Consolidated Statement of Financial Position (aircraft lease security deposits) and recorded at amortised cost.

Commercial and non-commercial entities in which PJSC Aeroflot holds an interest

AS AT 31 DECEMBER 2018

Full and abbreviated name | State, % | Purpose | Forex | Amount (RUB thousand) | Core operations, as defined in the Articles of Association | Revenue in 2018, RUB thousand* | Profit (loss) in 2018, RUB thousand | Dividends received in 2018, RUB thousand
--- | --- | --- | --- | --- | --- | --- | --- | ---
Joint Stock Company Rossiya Airlines, JSC, Rossiya Airlines 74.89% | Consolidate airline to establish a strong national carrier based on PJSC Aeroflot, by implementing the best corporate governance standards | shares | 6,489,173 | Domestic and international commercial air carriage of passengers, baggage, cargo and mail, and provision of aviation services, including services for passengers and baggage | 11,516,879 | 1,647,746 | –
Limited Liability Company Pobeda Airlines, LLC, Pobeda Airlines 100% | Consolidate airline to establish a strong national carrier based on PJSC Aeroflot, by implementing the best corporate governance standards | interest | 1,200,000 | Domestic and international commercial air carriage of passengers, baggage, cargo and mail, and provision of aviation services, including services for passengers and baggage | 23,834,315 | 2,013,360 | 1,796,618
Joint Stock Company Aurora Airlines, JSC, Aurora Airlines 51% | Consolidate airline to establish a strong national carrier based on PJSC Aeroflot, by implementing the best corporate governance standards | shares | 2,964 | Domestic and international commercial air carriage of passengers and cargo, and other aviation services | 19,473,351 | 8,517 | 26,847
Joint Stock Company Onyx Airline, JSC, Onyx* 100% | Consolidate airline to establish a strong national carrier based on PJSC Aeroflot, by implementing the best corporate governance standards | shares | 689,013 | Domestic and international commercial flights | – | (784,628) | –
Joint Stock Company DONavia, JSC, DONavia* 100% | Consolidate airline to establish a strong national carrier based on PJSC Aeroflot, by implementing the best corporate governance standards | shares | 338,853 | Domestic and international commercial air carriage of passengers, baggage, cargo and mail, and provision of aviation services, including services for passengers and baggage | – | (66,218) | –
Joint Stock Company Shaposh, JSC, Shaposh 100% | Provide hotel accommodation services for PJSC Aeroflot's crews, premises for lease, passenger and luggage handling, and other aviation services | shares | 882,813 | Hotel accommodation services and services in luxury lounges at airports | 1,532,354 | 83,122 | 98,359
Limited Liability Company Aeroflot-Finance, LLC, Aeroflot-Finance 88.899% | Implement investments projects | share in capital | 1,729,109 | Implementation of financial projects | 20,600 | 362,870 | –
Limited Liability Company A-Technics, LLC, A-Technics 100% | Provide maintenance and repair services for Aeroflot Group's aircraft | – | Maintenance and repair of Russian and foreign-made aircraft | 2,278,257 | 304,673 | –

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)
Major Transactions and Related-Party Transactions

**Major transactions**

**Related-party transactions**

### Major Transactions and Related-Party Transactions

#### Full and abbreviated name

<table>
<thead>
<tr>
<th>Stake, %</th>
<th>Purpose</th>
<th>Form</th>
<th>Amount, RUB</th>
<th>Core operations as defined in the Articles of Association</th>
</tr>
</thead>
<tbody>
<tr>
<td>51</td>
<td>Shares</td>
<td>Shares</td>
<td>28</td>
<td>Production and supply of food for in-flight catering, in-flight shopping service, aircraft cleaning and auditing</td>
</tr>
<tr>
<td>49</td>
<td>Shares</td>
<td>Shares</td>
<td>45</td>
<td>Training services including those for flight attendants</td>
</tr>
<tr>
<td>45</td>
<td>Shares</td>
<td>Shares</td>
<td>45</td>
<td>Aviation security services at airports</td>
</tr>
<tr>
<td>49</td>
<td>Shares</td>
<td>Shares</td>
<td>105</td>
<td>Cargo flight sales agent; the company went out of business</td>
</tr>
<tr>
<td>3.85</td>
<td>Shares</td>
<td>Shares</td>
<td>90</td>
<td>Flight sales settlement services</td>
</tr>
<tr>
<td>2.43</td>
<td>Shares</td>
<td>Shares</td>
<td>2,858,487</td>
<td>Airport operations</td>
</tr>
</tbody>
</table>

*According to RAS.** Legal entity in bankruptcy process.
Execution of Presidential and Governmental Decrees

<table>
<thead>
<tr>
<th>No.</th>
<th>Document type, date, and number</th>
<th>Summary</th>
<th>Execution status</th>
</tr>
</thead>
</table>
| 1   | Decree of the President of the Russian Federation No. 309 Of Measure To Implement Certain Provisions of the Federal Law On Countering Corruption dated 2 April 2013, Decree of the President of the Russian Federation No. 480 On Approval of the Form of Statement to Inform on Income, Expenses, Property and Inherited Property of Certain Acts of the President of the Russian Federation dated 23 June 2014, Decree of the President of the Russian Federation No. 147 On National Anti-Corruption Plan for 2016–2017 dated 1 April 2016, Decree of the President of the Russian Federation No. 278 On The National Anti-Corruption Plan for 2018–2020 dated 29 June 2019 | Clause 7 of the Plan. Establish control over the execution of initiatives stipulated by anti-corruption plans. Clause 8 of the Plan. Continue to form the negative attitude of employees to corruption. Clause 9 of the Plan. Improve the efficiency of anti-corruption initiatives in entities. Clause 15 of the Plan. Make provision to consider the status of anti-corruption efforts at the meetings (sessions) of relevant panels and take specific actions to improve such efforts. Clause 27 of the Plan. a) Conduct professional development training for employees who are in charge of countering corruption in their owned enterprises (companies) in line with educational programmes approved by the Presidential Executive Office b) Monitor the implementation of anti-corruption initiatives in subsidiaries | In November 2014, PJSC Aeroflot signed up to the Anti-Corruption Charter of Russian Business (certificate No. 034 dated 5 November 2014) and is actively involved in anti-corruption efforts under the Charter. In 2017, a declaration procedure was conducted via the Chamber of Commerce and Industry of the Russian Federation to verify the completeness, accessibility, and efficiency of anti-corruption measures implemented by PJSC Aeroflot. PJSC Aeroflot is working to implement the Guidelines on Anti-Corruption Risk Management and Internal Controls in Partially State-Owned Joint-Stock Companies (the Guidelines) approved by Order No. 80 of the Federal Agency for State Property Management on 2 March 2016. On 28 April 2016, PJSC Aeroflot's Board of Directors approved the Roadmap for Anti-Corruption Risk Management and Internal Control Processes at PJSC Aeroflot. To implement the Roadmap, PJSC Aeroflot: 

→ in line with Order No. 143 dated 6 May 2016, introduced the role of Deputy Director of the Department for Economic Security responsible for compliance management at PJSC Aeroflot developed and approved plans of business units to develop/ update operating documents aimed at setting up a risk management and internal control system to prevent and counter corruption 

→ on 5 October 2016, approved the Programme to Develop, Implement, and Ensure the Effectiveness of Initiatives Aimed at Preventing and Countering Corruption Prevention at PJSC Aeroflot, which was approved by Order No. 355 dated 14 October 2016 by PJSC Aeroflot on an ongoing basis. |
| 1.1 | Instruction of the Government of the Russian Federation No. GM-P01-2006 dated 5 May 2016 | Clause 1.1. Decree of the President of the Russian Federation No. 460 On Approval of the Form of Statement to Inform on Income, Expenses, Property and Inherited Property of Employees, Counterparties, and Potential Business Partners on Activities to Prevent and Counter Corruption as regards the submission of reports on implementing initiatives stipulated by anti-corruption plans quarterly starting from 1 October 2016 Under clause 5 and sub-clause b, clause 6 of the National Plan by 1 November 2017 Under clause 8 of the Plan by 1 July 2018 (remains monitored) Under clause 17 of the National Plan by 1 April 2017 | In 2018, PJSC Aeroflot conducted the second annual audit (assessment) of the performance of the Company’s anti-corruption risk management and internal controls prescribed by clause 5.3 of the Guidelines. Following the audit, a range of measures was implemented to further enhance the quality of the anti-corruption measures: 

→ A position of First Deputy Director for Preventing and Countering Corruption reporting directly to Deputy CEO for Legal and Property Matters was introduced to the staffing list of the Department for Economic Security; a dedicated Division for Preventing and Countering Corruption (Amendment to the Staffing List No. 107 dated 10 January 2018)→ A job description was approved and approved for Department for Economic Security; a position of First Deputy Director for Preventing and Countering Corruption (No. 905-31 dated 27 February 2018, including an updated version. No. 905-19 dated 24 August 2018)→ A revised version of the Regulations on the Anti-Corruption and Countering of Conflict of Interest Commission at PJSC Aeroflot established and approved (Order No. 360 dated 4 September 2018)→ A letter sent to top managers of PJSC Aeroflot’s subsidiaries with recommendations on training employees, joining the Anti-Corruption Charter of Russian Business and PJSC Aeroflot’s Anti-Corruption Policy, as well as developing and implementing corporate conduct codes similar to the Corporate Conduct Code of PJSC Aeroflot (four reference numbers of the outgoing document: 905-15, dated: 8 February 2018) with notice sent to the Personnel Development Department of PJSC Aeroflot (internal number 905/155 dated 14 February 2018)→ A position of First Deputy Director for Preventing and Countering Corruption reporting directly to Deputy CEO for Legal and Property Matters was introduced to the staffing list of the Department for Economic Security; a dedicated Division for Preventing and Countering Corruption (Amendment to the Staffing List No. 107 dated 10 January 2018)→ A job description was approved and approved for Department for Economic Security; a position of First Deputy Director for Preventing and Countering Corruption (No. 905-31 dated 27 February 2018, including an updated version. No. 905-19 dated 24 August 2018)→ A revised version of the Regulations on the Anti-Corruption and Countering of Conflict of Interest Commission at PJSC Aeroflot established and approved (Order No. 360 dated 4 September 2018)→ A letter sent to top managers of PJSC Aeroflot’s subsidiaries with recommendations on training employees, joining the Anti-Corruption Charter of Russian Business and PJSC Aeroflot’s Anti-Corruption Policy, as well as developing and implementing corporate conduct codes similar to the Corporate Conduct Code of PJSC Aeroflot (four reference numbers of the outgoing document: 905-15, dated: 8 February 2018) with notice sent to the Personnel Development Department of PJSC Aeroflot (internal number 905/155 dated 14 February 2018)→ An updated version of Aeroflot Group’s Risk Register, including a corruption risk register, approved by the Board of Directors on an annual basis (Minutes No. 7 dated 21 December 2017, Minutes No. 10 dated 13 December 2018)→ An updated version of Aeroflot Group’s Risk Register, including a corruption risk register, approved by the Board of Directors on an annual basis (Minutes No. 7 dated 21 December 2017, Minutes No. 10 dated 13 December 2018)→ An updated version of Aeroflot Group’s Risk Register, including a corruption risk register, approved by the Board of Directors on an annual basis (Minutes No. 7 dated 21 December 2017, Minutes No. 10 dated 13 December 2018)→ An updated version of Aeroflot Group’s Risk Register, including a corruption risk register, approved by the Board of Directors on an annual basis (Minutes No. 7 dated 21 December 2017, Minutes No. 10 dated 13 December 2018) | | 1.2 | Ensuring the implementation of the National Anti-Corruption Plan for 2016–2017 and submit appropriate proposals or draft reports. Under clauses 2 and 4 of the Decree | Clause 1.1. Identifying and assessing corruption risks, areas (business processes), and operations exposed to corruption risks. Clause 4.1. Constant informing of employees, counterparties, and potential business partners on activities to prevent and counter corruption. Clause 4.3. Anti-corruption training for all employees. Clause 5.2. Regular audit of the performance of anti-corruption risk management and internal controls is conducted within the framework of audits by the Internal Audit Service, as well as internal audits (certification) of anti-corruption risk management and internal controls. Corruption Risk Management Section was added to the Company’s Standard STO UI 21.9 Risk Management. Risk Management Procedure. General Provisions (Version 02) in line with Order No. 288 dated 27 July 2017. The Risk Appetite Statement of Aeroflot Group (Minutes No. 7 dated 21 December 2017, Minutes No. 10 dated 13 December 2018), approved by the Board of Directors of PJSC Aeroflot on an annual basis, stipulates zero tolerance to any form of corruption. In August – November 2017, the Internal Audit Department conducted the second annual audit (assessment) of the performance of the Company’s anti-corruption risk management and internal controls prescribed by clause 5.3 of the Guidelines. Following the audit, a range of measures was implemented to further enhance the quality of the anti-corruption measures: 

→ A position of First Deputy Director for Preventing and Countering Corruption reporting directly to Deputy CEO for Legal and Property Matters was introduced to the staffing list of the Department for Economic Security; a dedicated Division for Preventing and Countering Corruption (Amendment to the Staffing List No. 107 dated 10 January 2018)→ A job description was approved and approved for Department for Economic Security; a position of First Deputy Director for Preventing and Countering Corruption (No. 905-31 dated 27 February 2018, including an updated version. No. 905-19 dated 24 August 2018)→ A revised version of the Regulations on the Anti-Corruption and Countering of Conflict of Interest Commission at PJSC Aeroflot established and approved (Order No. 360 dated 4 September 2018)→ Membership of the Commission updated (Order No. 417 dated 25 October 2018) | Ensure the implementation of the National Anti-Corruption Plan for 2016–2017 and submit appropriate proposals or draft reports. Under clauses 2 and 4 of the Decree | In 2018, PJSC Aeroflot conducted the second annual audit (assessment) of the performance of the Company’s anti-corruption risk management and internal controls prescribed by clause 5.3 of the Guidelines. Following the audit, a range of measures was implemented to further enhance these processes: Amendments made to the job description for Department for Economic Security’s First Deputy Director for Preventing and Countering Corruption (No. 905-31 dated 17 January 2019)→ Membership of the Anti-Corruption and Countering of Conflict of Interest Commission at PJSC Aeroflot updated and extended (Order No. 43 dated 31 January 2019)
EXECUTION OF PRESIDENTIAL AND GOVERNMENTAL DECREES

<table>
<thead>
<tr>
<th>No.</th>
<th>Document type, date, and number</th>
<th>Summary</th>
<th>Execution status</th>
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<tr>
<td></td>
<td></td>
<td>By 1 February 2018, submit information on measures taken to enhance the effectiveness of anti-corruption efforts in entities established to fulfill the tasks set for the Government of the Russian Federation between 15 March and 1 January 2018.</td>
<td>Amendments made to the Regulations on PJSC Aeroflot’s Employee Induction Training (RI-GD-036) in terms of mandatory introductory briefings on compliance with PJSC Aeroflot’s local anti-corruption policies. Pursuant to sub-clause a, clause 17 of the National Anti-Corruption Plan for 2016–2017, the Company signed a framework contract with Rosatom Institute for Global Nuclear Safety and Security (since August 2017, recognized as a leading institution within the Nuclear Institute Technical Academy) to arrange for professional development training courses for PJSC Aeroflot’s employees, valid until 31 December 2018 (No. P10/3R84/R922/28/03.05.2017), which provides for professional development training in anti-corruption subjects, as well as for anti-corruption promotion and awareness campaigns at PJSC Aeroflot’s applications for services.</td>
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<td>By 1 September 2018, make respective amendments to anti-corruption plans. Sub-clause l, clause 5 of the Decree.</td>
<td>Under the contract, employees of PJSC Aeroflot’s business units (92 people) completed the following professional development training course: Compliance of Employees of State-Owned Enterprises (Companies) with the Restrictions, Bans, and Liability Established to Counter Corruption. Employees of the Legal Department and Department for Economic Security involved in anti-corruption efforts participated in the Corruption Offences Prevention in Corruption Countering workshop conducted by the Prosecutor General’s Office of the Russian Federation and the Moscow Government on 18–19 April 2017. The Company participated in:</td>
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<td>- the VII Eurasian Anti-Corruption Forum “Social Control as a Key Factor of Anti-Corruption” conducted by the Institute of Legislation and Comparative Law Under the Government of the Russian Federation on 26–27 April 2017</td>
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<td>- the All-Russian Interactive Campaign conducted by the Chamber of Commerce and Industry of the Russian Federation on 11 December 2017 to celebrate the International Anti-Corruption Day. As part of the review of business best practices to counter corporate corruption, PJSC Aeroflot made a presentation on this matter. To inform and educate PJSC Aeroflot’s employees on preventing and countering corruption, 60 Anti-Corruption information boards were manufactured and placed in unrestricted access areas of PJSC Aeroflot including domestic branches and representative offices. Materials designed to raise employees’ awareness were prepared, including</td>
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<td>- a quick reference card on criminal liability for bribery and commercial bribery, and administrative action for illegal remuneration on behalf of a legal entity</td>
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<td></td>
<td></td>
<td></td>
<td>- a quick reference card on liability for committing corruption offences</td>
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<td>- a booklet “What you need to know about the conflict of interest”</td>
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<td>- a booklet “Why entities need to take measures to prevent and counter corruption?”</td>
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<td>Sub-clause c, clause 12. Take measures to ensure compliance with the requirements of Russian anti-corruption laws to prevent and resolve conflicts of interest, with a progress report to be submitted by 1 February 2020 on an annual basis. The final report shall be submitted by 1 December 2020.</td>
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<td>Decree of the President of the Russian Federation No. 378 On the National Anti-Corruption Plan for 2018–2020 dated 29 June 2018</td>
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<td>Clause 2 of the Decree.</td>
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<td>By 1 September 2018, make respective amendments to anti-corruption plans. Sub-clause l, clause 5 of the Decree.</td>
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<td>The following regulations on preventing and countering corruption were developed and updated:</td>
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<td>- Regulations on the Anti-Corruption and Conflict of Interest Commission at PJSC Aeroflot established in line with Order No. 83 dated 6 March 2017 (Order No. 360 dated 4 September 2018).</td>
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<td>- Procedure for reporting to the employer on personal interest that leads or may lead to a conflict of interest was updated to cover all PJSC Aeroflot’s employees (Order No. 253 dated 29 June 2017), and updated again recently (Order No. 101 dated January 2018).</td>
</tr>
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<td>- Specific provisions aiming at preventing and countering corruption were added, in particular, to PJSC Aeroflot’s anti-corruption obligations and responsibilities of the directors of branches (Order No. 158 dated 14 March 2017).</td>
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<td>- Sample Regulations on PJSC Aeroflot’s Representative Office Abroad, to establish obligations and responsibilities of the heads of representative offices of PJSC Aeroflot.</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>- Sample Regulations on PJSC Aeroflot’s Branch, to establish obligations and responsibilities of the directors of branches (Order No. 158 dated 14 March 2017).</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>- Sample Regulations on PJSC Aeroflot’s Representative Office Abroad, to establish obligations and responsibilities of the heads of representative offices of PJSC Aeroflot (Order No. 115 dated 20 March 2017).</td>
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<td></td>
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<td>- Regulations on Internal Investigation, to cover corruption offences investigated and enable the questioning of employees using a polygraph (Order No. 146 dated 10 April 2017).</td>
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<tr>
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<td>- Procedure for interaction between business units when procuring goods and services, to determine the requirements to prevent a conflict of interest (Order No. 176 dated 27 April 2017).</td>
</tr>
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<td>- The Company’s Standard STO DOU 07 Management Document Support, Procedure for Preparation, Signing, Amendment, Execution, and Termination of PJSC Aeroflot’s Agreements, to appoint responsible persons and determine the procedure for reporting to the former employee on signing of a civil contract with a citizen who was a public or municipal official within two years after they left public or municipal service (Order No. 243 dated 20 June 2017).</td>
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<td>- Regulations on the Procurement of Goods, Works, and Services (approved by PJSC Aeroflot’s Board of Directors on 23 June 2017), to stipulate anti-corruption requirements to bidders (in line with Federal Law No. 489-FZ dated 28 December 2016), expand requirements for reporting a conflict of interest, and introduce anti-corruption questionnaires for bidders</td>
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<tr>
<td></td>
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<td>- Template employment contracts with PJSC Aeroflot’s employees, to stipulate employees’ obligations (Order No. 364 dated 14 September 2017).</td>
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<td>- Regulations on the Use and Disposal of Confidential Information, to specify duties and responsibilities of directors and other employees</td>
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<td>- Rules of Operation and Use of Confidential Information, to specify duties and responsibilities of directors and other employees</td>
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<td>- Regulations on Anti-Corruption and Conflict of Interest</td>
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EXECUTION OF PRESIDENTIAL AND GOVERNMENTAL DECREES

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Furthermore, the following initiatives were implemented:
- Information on PSCC Aeroflot’s anti-corruption regulations in the Anti-Corruption Policy section of PSCC Aeroflot’s internet website is updated.
- Emails describing specific anti-corruption activities implemented in the Company were sent to all corporate email users.
- Emails detailing certain aspects of implementation of the approved Programme to Develop, Implement, and Ensure the Effectiveness of Initiatives Aimed at Preventing and Countering Corruption at all deputy CEOs and directors of business units.
- Emails dedicated to compliance with the constitutional local laws on countering corruption were sent to certain representative offices of PSCC Aeroflot abroad.

As part of ongoing anti-corruption efforts, PSCC Aeroflot implements the following initiatives:
- PSCC Aeroflot’s employees are briefed on compliance with PSCC Aeroflot’s Corporate Conduct Code.
- All communications coming from Aeroflot Group’s employees, customers, business partners, and other parties through the hotline for Confidential Reports is the Board of Directors (Audit Committee of the Board of Directors) are reviewed.
- PSCC Aeroflot’s regulations and draft regulations are examined to reveal the potential for corruption and eliminate it using the methods approved by Resolution of the Russian Government No. 96 On Anti-Corruption Examination of Statutory Regulations and Draft Statutory Regulations dated 26 February 2010.
- PSCC Aeroflot assesses its business partners, competitors, and customers.
- PSCC Aeroflot collects comprehensive information from its counterparties about their ownership structure including beneficiaries (in particular, ultimate beneficiaries) and composition of their executive bodies, and submits this information to competent government authorities.
- The standard anti-corruption measures are incorporated in contracts and agreements signed with PSCC Aeroflot’s counterparties.
- PSCC Aeroflot examines draft contracts and agreements with Russian and foreign counterparties.
- The Company oversees the implementation of legal sanctions for non-compliance with the bans, restrictions, and requirements aimed at countering corruption.
- The Company regularly controls its accounting records, and submits the information to the Ministry of Transport of the Russian Federation within prescribed timelines.
- PSCC Aeroflot interacts with law enforcement authorities and other organisations (under clause 22 of the National Plan) (our reference number of the outgoing document: GD-105 dated 30 January 2019).
- The Company interacts with law enforcement authorities and other organisations (under clause 6 of the National Anti-Corruption Plan for 2018–2020 approved by this Decree, and submit the following reports to the Government:
  1. Under clause 2 and 5 of the Decree: as regards the respective amendments to anti-corruption plans by 1 September 2018.
  2. Under sub-clause c, clause 12 of the National Plan: as regards the submission of reports on making amendments to the above plans by 1 February 2019.
  3. Under sub-clause b, clause 12 of the National Plan: as regards the submission of reports on implementing initiatives stipulated by the anti-corruption plan on an annual basis. Information about the execution of instructions is sent to the Executive Office of the Government of the Russian Federation and the Ministry of Transport of the Russian Federation within prescribed timelines.

Sub-clause e, clause 20. Implement a series of measures to significantly improve the efficiency of raising public awareness about the efforts to prevent corruption and other offences, with a progress report to be submitted by 1 May 2019.

Clause 22. Organise conferences and other events on the anti-corruption theory and practice, with a progress report to be submitted by 1 March on an annual basis.

Clause 28. Instructions:

1. Provide annual professional development training for employees involved in anti-corruption efforts, with a progress report to be submitted by 1 April on an annual basis. The final report shall be submitted by 1 December 2020.
2. Train new employees hired to fill positions included in corporate lists of positions that require training under anti-corruption educational programmes, with a progress report to be submitted by 1 November 2020.

Further, the following initiatives were implemented:

Emails detailing certain aspects of implementation of the approved Programme to Develop, Implement, and Ensure the Effectiveness of Initiatives Aimed at Preventing and Countering Corruption at all deputy CEOs and directors of business units.

The Company participated in:
- the VII European Anti-Corruption Forum “Conflict of Interest: Law and Ethics” conducted by the Institute of Legislative and Comparative Law under the Government of the Russian Federation on 25 April 2018.
- the All-Russian conference on the anti-corruption theory and practice, Government, Society, Business: Successful Anti-Corruption Cooperation, held by the Anti-Corruption Committee of Moscow under the Moscow Chamber of Commerce and Industry on 20 August 2018.

Instruction of the Prime Minister of the Russian Federation No. DM-P17-4575 dated 25 July 2018

Ensure the execution of the Decree of the President of the Russian Federation No. 316 dated 29 June 2018 and the National Anti-Corruption Plan for 2018–2020 approved by this Decree, and submit the following reports to the Government:

1. Under clause 2 and 5 of the Decree: as regards the respective amendments to anti-corruption plans by 1 September 2018.
2. Under sub-clause c, clause 12 of the National Plan: as regards the submission of reports on making amendments to the above plans by 1 September 2018.
3. Under sub-clause c, clause 12 of the National Plan: as regards the submission of reports on implementing initiatives stipulated by the anti-corruption plan on an annual basis. The final report shall be submitted by 1 December 2020.
4. Under sub-clause b, clause 12 of the National Plan: as regards the submission of reports on implementing initiatives stipulated by the anti-corruption plan on an annual basis. Information about the execution of instructions is sent to the Executive Office of the Government of the Russian Federation and the Ministry of Transport of the Russian Federation within prescribed timelines.

Pursuant to the Instruction of Russian Prime Minister Dmitry Medvedev No. DM-P17-4575 dated 25 July 2018, and in line with clause 5 of Decree of the President of the Russian Federation No. 378 On the National Anti-Corruption Plan for 2018–2020 dated 29 June 2018, the Company adopted an Anti-Corruption Action Plan for 2018–2020 (No. 388/P dated 31 August 2018). The measures outlined in the Plan are developed and carried out. Reports on the progress on measures outlined in the National Anti-Corruption Plan for 2018–2020 are submitted to the Government of the Russian Federation and government bodies, including:
- the report to the Government of the Russian Federation on ensuring compliance with the requirements of anti-corruption laws to prevent and resolve conflicts of interest (under sub-clause c, clause 12 of the National Plan) (our reference number of the outgoing document: GD205 dated 30 January 2019).
- the report to the Government on the implementation of a series of measures to significantly improve the efficiency of raising public awareness about PSCC Aeroflot’s efforts to prevent corruption and other offences (under sub-clause b, clause 20 of the National Plan) (our reference number of the outgoing document: GD320 dated 27 February 2019).
- the report to the Ministry of Labour and Social Protection of the Russian Federation on ensuring involvement of PSCC Aeroflot’s employees in conferences and other events on the anti-corruption theory and practice held by the Government of the Russian Federation involving the Prosecutor General’s Office of the Russian Federation, the Investigative Committee of the Russian Federation, relevant federal state bodies, and other organisations under clause 22 of the National Plan (our reference number of the outgoing document: 03-11 dated 19 January 2019).
Under sub-clause c, clause 12 of the National Anti-Corruption Plan for 2018–2020 (clause 2 of Plan No. 58/Pl):
- Regulations on the Anti-Corruption and Conflict of Interest Commission at PJSC Aeroflot were updated (Order No. 360 dated 4 September 2018)
- new membership of the Anti-Corruption and Conflict of Interest Commission at PJSC Aeroflot was approved (Order No. 43 dated 30 January 2019)
- the Anti-Corruption and Conflict of Interest Commission at PJSC Aeroflot held regular meetings (three meetings were held)
- workshops were held to explain to employees the restrictions, bans, and liabilities established to prevent conflicts of interest.

Under sub-clause e, clause 20 of the National Anti-Corruption Plan for 2018–2020 (clause 3 of Plan No. 85/Pl):
- workshops were held to explain to employees the restrictions, bans, and liabilities established to prevent conflicts of interest.
- Under sub-clause e, clause 20 of the National Anti-Corruption Plan for 2018–2020 (clause 3 of Plan No. 85/Pl):
- an Anti-Corruption Practices section (http://www.aeroflot.ru/ru-ru/about/anticorruption) was created on PJSC Aeroflot’s website and features an official public statement of the Company’s CEO declaring zero tolerance for corruption, and prohibition of corruption at all times and in all forms. The section specifies communication channels for individuals’ reports on cases of corruption by PJSC Aeroflot’s employees, features links to international and Russian anti-corruption regulations available at http://www.un.org, https://www.coe.int, and http://pravo.gov.ru, and a list of PJSC Aeroflot’s anti-corruption regulations.
- PJSC Aeroflot’s 2018 accounting statements were published on the https://skrin.ru/ website at https://disclosure.skrin.ru/ and a list of PJSC Aeroflot’s anti-corruption regulations.
- PJSC Aeroflot’s 2018 anti-corruption accounting statements were published on the https://skrin.ru/ website at https://disclosure.skrin.ru/disclosure/712043062701?dti=804.02.2019 and features information on PJSC Aeroflot’s anti-corruption efforts (page 79)
- proposals to include in PJSC Aeroflot Annual Report 2018 were submitted to the Corporate Finance Department (internal number 902/181 dated 13 February 2019)

Under clause 22 of the National Anti-Corruption Plan for 2018–2020:
1. On 10 September 2018, PJSC Aeroflot organised and held a round-table discussion on the importance of countering corruption for business and business partnerships in the current context, involving representatives of the Department for Monitoring the Implementation of Legislation on Combating Corruption of the Prosecutor General’s Office of the Russian Federation, as well as deputy CEOs and directors of PJSC Aeroflot’s business units. The round-table discussion covered consistent implementation of the anti-corruption policy as PJSC Aeroflot’s strategic objective.
2. PJSC Aeroflot arranges for employees’ participation in conferences and other events on the anti-corruption theory and practice held by the Government of the Russian Federation involving the Prosecutor General’s Office of the Russian Federation, the Investigative Committee of the Russian Federation, relevant federal and regional government bodies, and other organisations.

As part of the above efforts, PJSC Aeroflot’s employees took part in the following events:
- A “Dialogue with the Authorities” round table on “Prosecution of Companies and Their Top Management for Corruption Offences” (Article 19.28 of the Code of Administrative Offences and articles of the Criminal Code of the Russian Federation on bribery, including commercial bribery”) arranged for, and held by the Association “Anti-Commercial Partnership: Corporate Counsel Association” on 29 November 2018
- A workshop on “Combating Corruption as a Factor of Stable Economic Development” organised and held by the Federal Financial Monitoring Service and National Research Nuclear University MEPhI as part of the IV International Scientific and Practical Conference “Crypto Economy Era: New MLI/F Challenges and RegTech”
- International conferences, “Corruption in R&D: Identification of Causes, Specifics and Anti-Corruption Initiatives”, organised and held by the All-Russia State University of Justice (FLA of the Ministry of Justice of Russia) on 7 December 2018
- International conference, “Global and Russia’s Priority Focus Areas of Anti-Corruption Policy Development”, organised and held by the Higher School of Economics on 10 December 2018.

In line with sub-clause a, clause 28 of the National Anti-Corruption Plan for 2018–2020 (clause 6 of Plan No. 58/Pl), PJSC Aeroflot’s employees completed a professional development training course on anti-corruption in organisations established by the Russian Government to operate in its interests. The training was organised by the Russian Presidential Academy of National Economy and Public Administration and involved representatives of government bodies responsible for the development, methodological support and supervision of the anti-corruption policy execution in Russia, including the Ministry of Labour and Social Protection of the Russian Federation, the Presidential Anti-Corruption Directorate, and the Department for Monitoring the Implementation of Anti-Corruption Laws of the Prosecutor General’s Office of the Russian Federation.

In addition, to ensure efficient participation of the Russian Federation in international anti-corruption initiatives:
- PJSC Aeroflot’s representative took part in a workshop at the International Anti-Corruption Academy (Vienne, Austria) from 4 October to 5 October 2018
- PJSC Aeroflot provided media coverage for the International Youth Competition of Anti-Corruption Social Advertising “Together Against Corruption!” held by the Prosecutor General’s Office of the Russian Federation as part of the Interstate Council on Combating Corruption.

Workshops are held for employees of PJSC Aeroflot’s business units to raise their awareness on the restrictions, bans, and liabilities set by anti-corruption laws and PJSC Aeroflot’s regulations (sub-clause b, clause 28 of the National Plan).
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<tr>
<td>1.5</td>
<td>Article 92 of Federal Law No. 208-FZ On Joint-Stock Companies (Minutes No. 16, December 1995) Chapter VIII of Decree of the Federal Economic Service of Russia No. 11415p On Approval of the Regulations on Information Access to Securities Issuers dated 4 October 2011 Decrease of the Ministry of Economic Development of the Russian Federation No. 208 On Approval of Information Disclosure by State-Owned Joint-Stock Companies and by State (Municipal) Unitary Enterprises dated 11 May 2011</td>
<td>Disclosure information to the extent and in the manner specified by the federal executive authority for the securities market. Joint-stock companies included in the proposed privatization plan are obliged to disclose information. Regulations on information exchange through the interdepartmental portal for state property management were approved by PJSC Aeroflot’s Board of Directors on 4 April 2012 (Minutes No. 13). Reports on shareholder and investor relations are submitted to the Board of Directors on a quarterly basis. The Company fully complies with the requirements to disclose information set in Russian laws. In particular, all information is disclosed on PJSC Aeroflot’s website and in the news feed. Procedure for submission and disclosure of information on material facts about the Company and information treated as the Company’s insider information was approved by Order No. 80 dated 5 March 2015.</td>
<td>EXECUTION OF PRESIDENTIAL AND GOVERNMENTAL DECREES</td>
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<td>1.6</td>
<td>Paragraph 7, clause 2 of Minutes of a meeting held at the office of first deputy prime minister of the Russian Federation Igor Shuvalov No. Ш.П-1596p-dated 3 October 2013</td>
<td>Publish resolutions of boards of directors that are not treated as commercially sensitive information. Execution is in progress, in line with applicable Russian laws on information disclosure. The minutes of PJSC Aeroflot’s Board of Directors are posted in the Company’s account on the interdepartmental portal for state property management.</td>
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<td>1.7</td>
<td>Instruction of the Government of the Russian Federation No. П12-17/1 dated 17 January 2017</td>
<td>On submission of – lists of managers who must submit information on their income, expenses, property, and property-related obligations in line with anti-corruption laws by 6 February 2017 – information on their income, expenses, property, and property-related obligations, as well as their spouse’s and minor children’s income, expenses, property, and property-related obligations for 2016 by 30 April 2017. The information was submitted within prescribed timelines.</td>
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<td>1.8</td>
<td>Instruction of the Government of the Russian Federation No. П17-44158 dated 4 September 2017</td>
<td>For the purpose of developing a draft regulation which will establish a list of long-term corporate measures to enhance the efficiency of the national anti-corruption policy, submit reasoned proposals to be included in the above list by 3 October 2017. Proposals were submitted to the Executive Office of the Government of the Russian Federation within prescribed timelines (the reference number of the outgoing document: 09-943, date: 28 September 2017).</td>
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<td>2</td>
<td>On specific participation of small and medium-sized enterprises in procurement of goods, works, and services by certain types of legal entities (Decree of the President of the Russian Federation No. 287 On Measures to Further Develop Small and Medium-Sized Enterprises dated 5 June 2015, Resolution of the Government of the Russian Federation No. 1352 dated 11 December 2014)</td>
<td>Ensure the efficiency of the customer’s interaction with small and medium-sized enterprises (SMEs), including as regards procurement of innovative products.</td>
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<td>3</td>
<td>For the purpose of developing a draft regulation which will establish a list of long-term corporate measures to enhance the efficiency of the national anti-corruption policy, submit reasoned proposals to be included in the above list by 3 October 2017. Proposals were submitted to the Executive Office of the Government of the Russian Federation within prescribed timelines (the reference number of the outgoing document: 09-943, date: 28 September 2017).</td>
<td>Ensure the efficiency of the customer’s interaction with small and medium-sized enterprises (SMEs), including as regards procurement of innovative products.</td>
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<tr>
<td>1.</td>
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<td>- the customer’s obligation to limit the term from signing a contract with SMEs to 20 business days</td>
<td>Execution is in progress taking into account the Company’s business specifics.</td>
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<td>- the customer’s obligation to set a maximum period for payment for work completed at 10 business days after the date of closing documents with an SME as the service provider, and a maximum period of 10 business days from the completion date of obligations secured by a deferred payment if a contract provides for a deferred payment as a security of the supplier’s (contractor’s, service provider’s) obligations</td>
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<td>2.</td>
<td>7.57-13/21 dated 28 May 2013</td>
<td>- the possibility to assign claims under contracts with SMEs to financial institutions</td>
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<td>3.</td>
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<td>- 8. Develop and adopt a mandatory performance measure for the management — the proportion of procurement contracts awarded to SMEs, including procurement of innovative goods (works, services), R&amp;D and technology projects (share of procurement). The share of procurements shall be determined based on the customer’s quarterly statistics on the participation of SMEs in customers’ procurement, including the procurement of innovative goods (works, services), R&amp;D and technology projects. Design systemic incentive (penalty) measures for compliance (non-compliance) with the above performance measure for the management (aligned with the financial efficiency of the customer’s operations).</td>
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<td>4.</td>
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<td>The relevant measure was included in KPI lists for department director level managers engaged in the procurement of goods, works, and services in 2014. The Achievement of Targets for the Share of Procurement from SMEs KPI weighing 5% was included in the list of bonus KPIs. The KPI is measured based on the year-end results in order to exclude the seasonal factor from the assessment of procurement from SMEs.</td>
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<td>5.</td>
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<td>- The Overall Productivity KPI (for Aeroflot Group) were included in the list of KPIs of PJSC Aeroflot’s CEO’s Management in 2015. The Efficient Energy Use and Environmental Friendliness KPIs were included in PJSC Aeroflot’s KPI system and KPI lists for relevant department heads in 2015.</td>
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<td>6.</td>
<td>6.15.1-18/1706-06 dated 17 June 2015</td>
<td>- 9. Make amendments to the customer’s documents on determining relevant statistics and including mandatory measures reflecting the company’s innovative development in the list of KPIs for the customer’s top management: Overall Productivity KPI with an annual growth of at least 5% until the industry average for foreign peers is achieved in 2018</td>
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<td></td>
<td>- Efficient Energy Use KPI with an annual growth of at least 5% until the industry average for foreign peers is achieved in 2018</td>
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<td>- Environmental Friendliness KPI not lower than that of foreign peers</td>
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<td>7.</td>
<td></td>
<td>- 10. The methodology for determining the life cycle of goods, works and services to be procured</td>
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<td>8.</td>
<td>7.57-13/21 dated 28 May 2013</td>
<td>- 11. Prepare proposals for simplifying the procurement procedure for SMEs by reducing, simplifying, and standardizing the documents required for SMEs participation in customers’ procurement</td>
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<td>9.</td>
<td>6.15.1-18/1706-06 dated 17 June 2015</td>
<td>- 12. Develop a pilot programme of partnership with SME associations</td>
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<td>10.</td>
<td>6.15.1-18/1706-06 dated 17 June 2015</td>
<td>- 13. Procurement document templates, which take into account the specifics of SME participation in procurement, were aligned with the new version of the Regulations on the Procurement of Goods, Works, and Services approved by PJSC Aeroflot’s Board of Directors on 29 April 2016 (Minutes No. 40).</td>
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<td>11.</td>
<td>6.15.1-18/1706-06 dated 17 June 2015</td>
<td>- 14. Amendments were made. The version of the Regulations on the Procurement of Goods, Works, and Services was approved by PJSC Aeroflot’s Board of Directors on 29 April 2016 (Minutes No. 40).</td>
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<td>12.</td>
<td>6.15.1-18/1706-06 dated 17 June 2015</td>
<td>- 15. The pilot programme of the Company’s partnership with SMEs was developed and approved by the CEO’s Order No. 458 dated 2 November 2015. As at 1 January 2018, 35 SMEs joined the pilot partnership programme.</td>
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<td>13.</td>
<td>6.15.1-18/1706-06 dated 17 June 2015</td>
<td>- 16. Procurement document templates, which take into account the specifics of SME participation in procurement, were aligned with the new version of the Regulations on the Procurement of Goods, Works, and Services approved by PJSC Aeroflot’s Board of Directors on 29 April 2016 (Minutes No. 40).</td>
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<td>14.</td>
<td>6.15.1-18/1706-06 dated 17 June 2015</td>
<td>- 17. Develop a pilot programme of partnership with SME associations</td>
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<td>15.</td>
<td>6.15.1-18/1706-06 dated 17 June 2015</td>
<td>- 18. The methodology for determining the life cycle of goods, works, and services to be procured</td>
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### EXECUTION OF PRESIDENTIAL AND GOVERNMENTAL DECREES

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<td>On procurement</td>
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**Instructions:**

1. Develop and adopt procurement regulations for purchases of goods, works, and services by 30 April 2016. Procurement regulations shall specify price limits for listed goods, works, and services, and/or requirements to their quantity, usability, and other characteristics. The regulations shall focus on meeting the needs of customers without promoting purchases of goods, works, and services with excessive consumer properties.

2. Publish procurement regulations on websites of joint stock companies by 30 April 2016.

3. Starting from 1 May 2016, ensure mandatory application of procurement regulations when planning business activities.

The list was published on PSIC Aeroflot’s website (Documents subsection, Sales and Procurement section).

The report on Procurement Activities is submitted to the Management Board and the Board of Directors of PSIC Aeroflot on a quarterly basis. Furthermore, annual monitoring of procurement activities is conducted by the Revision Committee with a mandatory report by the Chairman of the Auditing Commission and the Director of the Procurement Management Department.

A meeting of the Advisory Board in charge of independent audit of PSIC Aeroflot’s procurement efficiency takes place on a quarterly basis. The minutes of meetings are available on the Company’s website.

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<td>4</td>
<td>Summary</td>
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<tr>
<td>4.1</td>
<td>Starting from 2017, conduct annual monitoring (on a year-on-year basis) of procurement performance in joint stock companies, including adherence to the requirements of the approved procurement plan and relevant regulations for purchases of goods, works, and services for the needs of joint stock companies, as well as for the needs of the state, works, and services purchased by joint stock companies for purposes of their business defined in the articles of association.</td>
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<tr>
<td>5</td>
<td>Anually adjust (update) procurement regulations for purchases of goods, works, and services for the needs of joint stock companies. Implement these requirements across subsidiaries and associates.</td>
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<td>6</td>
<td>The requirements apply to the subsidiaries which arrange for the approval of reports on procurement activities.</td>
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*The amendments are stipulated by the version of the Regulations on Procurement of Goods, Works, and Services (R-GD-148) approved by the Board of Directors on 28 September 2017 (Minutes No. 2).*

"Clause 6.1.5. When conducting procurement procedures involving SMEs only, the customer shall ensure (1) the possibility to assign the claims under procurement contracts with mandatory inclusion in this contract of the terms stipulated by clause 20.23 of RI-GD-148 to a company (financial agent) which signed a loan agreement with a SME against assignment of the claims (factoring agreements)."
EXECUTION OF PRESIDENTIAL AND GOVERNMENTAL DECREES

No. | Document type, date, and number | Summary | Execution status
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4 | On long-term planning and operational performance improvement at state-owned companies (List of Instructions of the President of the Russian Federation No. Pr-3013 dated 27 December 2014) | | 

4.1 List of Instructions of the President of the Russian Federation No. Pr-3013 dated 27 December 2014

Instructions:
- Develop and approve the Long-Term Development Programme (the LDP)
- Audit the implementation of the LDP
- Approve a relevant audit standard
- Amend the regulations on remuneration of the sole executive body

Aeroflot Group’s Development Strategy 2025 (LDP) was approved by the Board of Directors on 2 December 2014 (Minutes No. 8) and has been updated in line with the 2014 LDP Development Guidelines of the Federal Agency for State Property Management for Strategic Public Joint stock Companies and Federal State Enterprises. The updated LDP of Aeroflot Group was approved by PJSC Aeroflot’s Board of Directors on 21 December 2017 (Minutes No. 7).

The Standard on, and Terms of Reference for, Auditing the Implementation of the of Aeroflot Group’s LDP were developed and approved by PJSC Aeroflot’s Board of Directors on 29 January 2015 (Minutes No. 10).

The Regulations on Updating and Managing the Implementation of Aeroflot Group’s Long-Term Development Programme were approved by Order No. 126 dated 27 March 2017 and updated by Order No. 182 dated 26 April 2018.

Progress Reports on Aeroflot Group’s Long-Term Development Programme and Achievement of Key Performance Indicators for 2017 and 2018 are reviewed and approved by PJSC Aeroflot’s Board of Directors on a quarterly basis (Minutes No. 3 dated 28 September 2017, No. 7 dated 21 December 2017, No. 1 dated 5 July 2018, and No. 5 dated 27 September 2018).

The audit of the LDP implementation at Aeroflot Group in 2016 was conducted by BDO Union; the report was reviewed by PJSC Aeroflot’s Board of Directors on 20 April 2017 (Minutes No. 14).

The audit of the LDP implementation at Aeroflot Group in 2017 was conducted by BDO Union; the report was reviewed by PJSC Aeroflot’s Board of Directors on 26 April 2018 (Minutes No. 13).

The Regulations on PJSC Aeroflot’s Key Performance Indicators and the list of KPIs were approved by PJSC Aeroflot’s Board of Directors on 28 April 2016 (Minutes No. 15) and introduced by CEO’s Order No. 203 dated 28 June 2016. The updated Regulations on PJSC Aeroflot’s Key Performance Indicators were approved by PJSC Aeroflot’s Board of Directors on 28 September 2017 (Minutes No. 3) and introduced by Order No. 452 dated 22 November 2017. The updated Regulations on KPIs were approved by the Board of Directors on 29 May 2018 (Minutes No. 15).

The Regulations on Internal Audit at Aeroflot Group were approved by Order No. 126 dated 27 March 2017 and updated by Order No. 203 dated 28 June 2016; the updated Regulations on Internal Audit at Aeroflot Group since 15 May 2004 (No. 16/I dated 6 May 2014) have been updated in line with the 2014 LDP Development Guidelines of the Federal Agency for State Property Management for Strategic Public Joint stock Companies and Federal State Enterprises. The updated LDP 2018–2022 of Aeroflot Group was approved by PJSC Aeroflot’s Board of Directors on 21 December 2017 (Minutes No. 7).

Aeroflot Group’s Strategy was approved by the Board of Directors on 27 September 2018 (Minutes No. 5).
EXECUTION OF PRESIDENTIAL AND GOVERNMENTAL DECREES

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<tr>
<td>-</td>
<td>the regulations on the formation and use of the sponsorship and charity funds</td>
<td>The Regulations on the Formation and Use of the Charity Fund were introduced by Order No. 74 dated 16 March 2016 and the revised Regulations were approved by PJSC Aeroflot’s Board of Directors on 28 September 2017 (Minutes No. 3). The Regulations on the Formation and Use of the Sponsorship Fund were introduced by Order No. 94 dated 29 March 2016 and the new version was approved by PJSC Aeroflot’s Board of Directors on 28 September 2017 (Minutes No. 3).</td>
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<td>-</td>
<td>the innovative development programme</td>
<td>Aeroflot Group developed the Innovative Development Programme 2025 and obtained its approval from federal executive authorities, the Interdepartmental Committee for Technological Development of the State Committee of the Russian Federation for Economic Modernization and Innovative Development of Russia as specified in the Regulations. PJSC Aeroflot’s Board of Directors approved the Programme on 25 August 2016 (Minutes No. 1). Following the consolidation of subsidiary airlines, and implementation of the directive to conduct Technological Development Benchmarking of PJSC Aeroflot against international peers, the Board of Directors passed a resolution to update the Innovative Development Programme by 31 January 2019. The updated 2019 version of the Innovative Development Programme was completed, and the results were reviewed by the Board of Directors and Management Board (Minutes No. 13 dated 7 February 2019). The Board of Directors passed a resolution to update the Innovative Development Programme in 2019 in pursuance of Minutes of Meeting No. 2 of the Government Commission for Economic Modernisation and Innovative Development headed by Dmitry Medvedev, dated 22 October 2018. The Minutes read: “by 31 December 2019, update innovative development programmes of partially state-owned companies for the period until 2024 taking into account the activities and targets of national projects (programmes), including Research, Education, Digital Economy of the Russian Federation, International Cooperation and Exports, Small and Medium-Sized Enterprises and Support for Individual Enterprises, Labour Productivity and Employment Support, as well as the Strategy for the Scientific and Technological Development of the Russian Federation until 2025 and the action plans (roadmaps) of the National Technological Initiative.”</td>
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<td>the regulations on procurement</td>
<td>The Regulations on Procurement of Goods, Works, and Services have been in place at PJSC Aeroflot since 4 April 2012, the revised Regulations were approved by PJSC Aeroflot’s Board of Directors on 22 January 2016 (RG-DD-148, Minutes No. 11).</td>
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<td>the regulations on committees of the board of directors</td>
<td>The Regulations on the Personnel and Remuneration Committee of PJSC Aeroflot’s Board of Directors were approved by PJSC Aeroflot’s Board of Directors on 23 December 2016 (Minutes No. 8). The Regulations on the Audit Committee of PJSC Aeroflot’s Board of Directors were approved by PJSC Aeroflot’s Board of Directors on 28 January 2018 (Minutes No. 10). The Regulations on the Strategy Committee of PJSC Aeroflot’s Board of Directors were approved by PJSC Aeroflot’s Board of Directors on 25 May 2018 (Minutes No. 14).</td>
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<td>-</td>
<td>the regulations on remuneration of the JSC’s management, members of the board of directors, members of the revision committee, including a section providing that the JSC’s sole executive body’s remuneration and responsibility shall be subject to the achievement of the KPIs detailed in the LDP</td>
<td>The Regulations on Remuneration and Compensation Payments to the Members of the Board of Directors of PJSC Aeroflot were approved by the Annual Meeting of Shareholders on 26 June 2017 (Minutes No. 40).</td>
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The Programme for Non-Core Assets Disposal (JSC Aeroflot) was approved by JSC Aeroflot’s Board of Directors on 26 July 2012 (Minutes No. 1). The updated Programme for Non-Core Assets Disposal of PJSC Aeroflot was approved by PJSC Aeroflot’s Board of Directors on 21 December 2017 (Minutes No. 7).

The programme on energy saving and efficiency

- the procedure for using voluntary environmental protection tools
- the regulations on the risk management system

The Procedure for Using Voluntary Environmental Protection Tools is set up in the Environmental Management Guidelines in place since 30 January 2020. The updated Environmental Management Guidelines were approved and introduced by Order No. 39 dated 10 February 2018.

2. Submit to federal executive authorities the analysis of internal documents implementation by 1 March on an annual basis

The report on the implementation of the List of Instructions of the President of the Russian Federation No. Pr-2013 dated 27 December 2014 was submitted to the Russian Ministry of Transport within prescribed timelines (our reference number of the outgoing document: 405-28, date: 1 March 2019).

The interactive versions of questionnaires and the information on the development and approval of mandatory internal documents at PJSC Aeroflot are posted in the Company’s account on the interdepartmental portal for state property management.

3. Modify the structure of the Company’s annual report by adding information on areas and amounts of sponsorship and charitable contributions made by the Company, its subsidiaries, and associates during the reporting period (starting from reporting for the 2015/2016 corporate year)

Aeroflot Group’s 2017 LDP progress report was prepared in line with the directive, approved by PJSC Aeroflot’s Board of Directors on 26 April 2016 (Minutes No. 13), and by the General Meeting of Shareholders on 25 June 2016.

4. The Company and its subsidiaries and associates shall submit reports on the utilization of the sponsorship and charity fund through the interdepartmental portal for state property management on the Internet on a quarterly basis (by the 15th day of the month following the reporting quarter, starting from reporting for Q4 2015)
EXECUTION OF PRESIDENTIAL AND GOVERNMENTAL DECREES


Boards of directors shall approve the plans stipulating consideration of the following matters at the meetings of the boards of directors (after preliminary consideration by the personnel and remuneration committee and the investment committee, starting from the next reporting period in 2016):

- Quarterly reporting on the implementation of the LDIP and achievement of KPIs
- Assessment of expected KPIs, analysis of reasons for the difference between actual and target KPIs
- Adoption of a remedial plan in case of significant difference between actual and target KPIs
- Approval of the amount of quarterly and annual remuneration based on KPI achievement

These matters are included for consideration in PJSC Aeroflot’s Board of Directors action plan for 2018–2019 (based on the results of the reporting period).

Progress Reports on Aeroflot Group’s Long-Term Development Programme and Achievement of Key Performance Indicators are reviewed and approved by PJSC Aeroflot’s Board of Directors on a quarterly basis. Quarterly progress reports on Aeroflot Group’s LDIP for 2018 are approved by PJSC Aeroflot’s Board of Directors (Minutes No. 1 dated 5 July 2018 and No. 5 dated 27 September 2018).

Quarterly reports on achievement of key performance indicators include assessment of expected KPIs, analysis of reasons for the difference between actual and target KPIs.

PJSC Aeroflot’s Board of Directors approves the amount of quarterly payments to PJSC Aeroflot’s management following KPI achievement during the reporting period.

5 On developing (updating) innovative development programmes

Guidelines on Adjusting Innovative Development Programmes approved by Deputy Prime Minister of the Russian Federation Arkady Dvorkovich (No. AD-P36-621 dated 9 February 2016)

5.1 Minutes of the Meeting of the Presidential Council for Economic Modernisation and Innovative Development of Russia No. 2 dated 17 April 2015 (sub-clause a, clause 2, section B)

Execution is completed. Aeroflot Group developed the Innovative Development Programme 2015, obtained its approval from federal executive authorities, and approved by the Interdepartmental Committee for Technological Development of the Presidential Council for Economic Modernisation and Innovative Development of Russia as specified.

On the need to update (develop) and approve innovative development programmes subject to the Guidelines (Appendix 1 to the Minutes).

Execution is completed. Aeroflot Group developed the Innovative Development Programme 2015, obtained its approval from federal executive authorities, and approved by the Interdepartmental Committee for Technological Development of the Presidential Council for Economic Modernisation and Innovative Development of Russia as specified.


Instructions:

- Approve the innovative development programme developed (updated) in line with the Guidelines approved by Instruction No. DM-P36-7563 and the Regulations approved by Instruction No. DM-P36-7563

Annual report on the implementation of innovative development programmes to federal executive bodies in line with the Regulations.

Execution is completed. Aeroflot Group developed the Innovative Development Programme 2015 and obtained its approval from federal executive authorities, the Interdepartmental Committee for Technological Development of the Presidential Council of the Russian Federation for Economic Modernisation and Innovative Development of Russia as specified in the Regulations. PJSC Aeroflot’s Board of Directors approved the Programme on 25 August 2016 (Minutes No. 1).

The report on the implementation of PJSC Aeroflot’s Innovative Development Programme in 2017 was approved by PJSC Aeroflot’s Board of Directors on 26 April 2018 (Minutes No. 15) and submitted to federal executive authorities in line with the Regulations. The report for 2018 is currently being prepared, the deadline for its submission to federal executive authorities is 1 May 2019.

5.3 Instruction of the Government of the Russian Federation No. AD-P36-7563 dated 3 March 2016

Starting from 2018, include the integrated key performance indicator reflecting innovation performance in the list of key performance indicators within long-term development programmes and in the list of key performance indicators for the senior management and take this integrated KPI into account when calculating the amount of incentive remuneration for the Company’s management, including the Company’s sole executive body.

The Integrated Innovation Key Performance Indicator (IIKPI) for Aeroflot Group has been included in the KPI list of Aeroflot Group’s Long-Term Development Programme and PJSC Aeroflot’s KPIs for senior management since 2015 and is taken into account when determining the amount of senior management’s (including CEO’s) bonus payments for KPI achievement in the reporting period.

To implement the decisions made at the Meeting of the Inter-Agency Working Group on Supporting Innovative Development Priorities of the Presidential Council for Economic Modernisation and Innovative Development of Russia, a proposal was sent to federal executive authorities, and approved by Instructions (No. 419P dated 30 June 2017) was developed.
1. Benchmark the Company’s level of technological development and current KPI values against those of the leading foreign peers in accordance with the Guidelines on Benchmarking the Level of Technological Development and KPI Values for partially state-owned joint stock companies, state-owned enterprises, state-owned companies and federal state unitary enterprises against the level of technological development and KPI values of leading peers, approved by the Inter-Agency Working Group on Supporting Innovative Development Priorities of the Praesidium of the Presidential Council for Economic Modernisation and Innovative Development of Russia (the Inter-Agency Working Group) (Minutes No. 2 dated 19 September 2017).

2. Submit to the Russian Ministry of Economic Development and the federal executive agency coordinating the Company’s activities:
   - results of benchmarking the level of technological development
   - proposed amendments to the Innovative Development Programme and the Long-Term Development Programme
   - proposals on the integrated key performance indicators (KPIs)
   for 2019.

Submit the materials specified in clause 2 of these directives by 1 November 2018.

The information was submitted to the Russian Ministry of Transport (our reference number of the outgoing document: S11-T5, date: 17 October 2018; our reference number of the outgoing document: S11-88, date: 1 November 2018; our reference number of the outgoing document: S11-104, date: 10 December 2018).

The results of PJSC Aeroflot’s technological (innovative) development benchmarking against international peers were approved by the Board of Directors on 31 October 2018 (Minutes No. 7).

On making decisions providing for the following:
- Development (update) by companies and their subsidiaries (if any), within one month, of a set of measures (list of measures) as part of the long-term development programme aimed at achieving the KPI of reducing operating expenses (costs) by at least 10% in 2016 taking into account the need to implement the initiatives specified in the Directives of the Government of the Russian Federation No. 2303p-P13 dated 16 April 2015.
- Consideration of management reports on the implementation of the set of measures (list of measures) to reduce operating expenses (costs) at meetings of the boards of directors (supervisory boards) on a quarterly basis.
- Submission of companies’ reports on the implementation of the set of measures (list of measures) to reduce operating expenses (costs) at meetings of the boards of directors (supervisory boards) on a quarterly basis.

The results of PJSC Aeroflot’s technological (innovative) development benchmarking against international peers were approved by the Board of Directors on 31 October 2018 (Minutes No. 7).

On the implementation of KPI-based manager bonus system to reduce operating expenses (costs) by at least 2%–3% annually (List of Instructions of the President of the Russian Federation No. Пр-2821 dated 5 December 2014)

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EXECUTION OF PRESIDENTIAL AND GOVERNMENTAL DECREES

7 On disposal of non-core assets


1. Develop (update) programmes for the disposal of the joint stock company’s non-core assets and the register of the joint stock company’s non-core assets in line with the Guidelines

2. Approve the programme (updates to the programme) for, and the register of, non-core assets

3. Approve the annual plan for the implementation of the programme for disposal of the joint stock company’s non-core assets broken down by quarter and publish the plan on the intradepartmental portal for state property management

The Programme for Non-Core Assets Disposal was approved by PJSC Aeroflot’s Board of Directors on 29 July 2012 (Minutes No. 1).

The updated Programme for Non-Core Assets Disposal (including the Register of Non-Core Assets and the Action Plan on Non-Core Assets Disposal of PJSC Aeroflot) was approved by PJSC Aeroflot’s Board of Directors on 27 October 2018 (Minutes No. 3).

The Programme for Non-Core Assets Disposal (PJSC Aeroflot) was approved by the Register of Non-Core Assets and the Action Plan on Non-Core Assets Disposal of PJSC Aeroflot was approved by PJSC Aeroflot’s Board of Directors on 26 July 2012 (Minutes No. 7).

The information on the progress of the non-core asset programme is quarterly posted in the Company on the interdepartmental portal for state property management in the Instructions section – “Instruction No. 10 Non-Core Assets Structure Optimisation” within prescribed timelines since 2015.

Considers the joint stock company’s progress reports on the programme at the meetings of the board of directors (supervisory board) on a quarterly basis and publish the relevant materials signed by the joint stock company’s authorised person on the interdepartmental portal for state property management ...

Timely publish all the necessary well-developed information on disposal of non-core assets as specified by the Federal Agency for State Property Management on the interdepartmental portal for state property management ...

Implement the provisions of these directives across subsidiaries of joint stock companies

The audit of assets was conducted in the Company’s subsidiaries, following which non-core assets were identified in Rossiya airline and included in the Rossiya airline’s Programme for Non-Core Assets Disposal (Rossiya airline’s Board of Directors on 31 March 2017). The Board of Directors of Rossiya airline decided to review the progress report on the Programme on a quarterly basis on 12 July 2017. The respective materials are reviewed by the Board of Directors of Rossiya airline within prescribed timelines.

By 1 November 2017, amend or make amendments to the existing programme (if needed) for IPR management

2. Appoint the official responsible for the efficient operation of the IPR management system, and the implementation of the Key Regulations and the Action Plan

Execution is completed. The Deputy CEO for Customer Relations was appointed responsible for the implementation of the Regulations on Intellectual Property Rights Management.

2.2 Instruction of the Government of the Russian Federation No. 1217-P13 dated 12 December 2017

Instructions: 1. Ensure the analysis of IPR management in line with the Recommendations

Execution is completed. The matter of the IPR management was reviewed at the meeting of PJSC Aeroflot’s Board of Directors on 2 February 2018 (Minutes No. 9).

The analysis of intellectual property rights management system of PJSC Aeroflot was conducted in line with the Recommendations on Intellectual Property Rights Management in Entities approved by Instruction of the Government of the Russian Federation No. 158-PM dated 25 August 2017 and the results of the analysis were submitted to the Board of Directors.

The results were considered by PJSC Aeroflot’s Board of Directors on 28 September 2018 (Minutes No. 5).

Develop a programme or make amendments to the existing programme (if needed) for IPR management

2.2.2 Instruction of the Government of the Russian Federation No. 927-P13 dated 12 December 2017

Instructions: 1. Develop and approve Key Regulations on IPR Management and an Action Plan on their implementation in line with the Recommendations

Execution is completed. Regulations on Intellectual Property Rights Management were approved by Order No. 263 dated 29 July 2016.

In 2018, the new Regulations on Intellectual Property Rights Management were developed (instead of the Regulations on Intellectual Property Rights Management approved by Order No. 263 dated 29 July 2016) in line with the Recommendations.

The Regulations were approved by PJSC Aeroflot’s Board of Directors on 28 September 2018 (Minutes No. 5).

The Action Plan on Intellectual Property Rights Registration was developed and approved for the rights identified during the audit in December 2016 (No. 511-6P1 dated 12 December 2017). The business process “Intellectual Property Rights Management” (BP-511-003) was approved in May 2018.

The business process “Intellectual Property Rights Management” (BP-511-003) was approved in May 2018.

2.2.3 Instruction of the Government of the Russian Federation No. 1217-P13 dated 12 December 2017

Instructions: 1. Ensure the analysis of IPR management in line with the Recommendations

Execution is completed. The matter of the IPR management was reviewed at the meeting of PJSC Aeroflot’s Board of Directors on 2 February 2018 (Minutes No. 9).

The analysis of intellectual property rights management system of PJSC Aeroflot was conducted in line with the Recommendations on Intellectual Property Rights Management in Entities approved by Instruction of the Government of the Russian Federation No. 158-PM dated 25 August 2017 and the results of the analysis were submitted to the Board of Directors.

The results were considered by PJSC Aeroflot’s Board of Directors on 28 September 2018 (Minutes No. 5).

Develop a programme or make amendments to the existing programme (if needed) for IPR management

2.2.4 Instruction of the Government of the Russian Federation No. 927-P13 dated 12 December 2017

Instructions: 1. Develop and approve Key Regulations on IPR Management and an Action Plan on their implementation in line with the Recommendations

Execution is completed. Regulations on Intellectual Property Rights Management were approved by Order No. 263 dated 29 July 2016.

In 2018, the new Regulations on Intellectual Property Rights Management were developed (instead of the Regulations on Intellectual Property Rights Management approved by Order No. 263 dated 29 July 2016) in line with the Recommendations.

The Regulations were approved by PJSC Aeroflot’s Board of Directors on 28 September 2018 (Minutes No. 5).

The Action Plan on Intellectual Property Rights Registration was developed and approved for the rights identified during the audit in December 2016 (No. 511-6P1 dated 12 December 2017). The business process “Intellectual Property Rights Management” (BP-511-003) was approved in May 2018.

The business process “Intellectual Property Rights Management” (BP-511-003) was approved in May 2018.

2.2.5 Instruction of the Government of the Russian Federation No. 1217-P13 dated 12 December 2017

Instructions: 1. Ensure the analysis of IPR management in line with the Recommendations

Execution is completed. The matter of the IPR management was reviewed at the meeting of PJSC Aeroflot’s Board of Directors on 2 February 2018 (Minutes No. 9).

The analysis of intellectual property rights management system of PJSC Aeroflot was conducted in line with the Recommendations on Intellectual Property Rights Management in Entities approved by Instruction of the Government of the Russian Federation No. 158-PM dated 25 August 2017 and the results of the analysis were submitted to the Board of Directors.

The results were considered by PJSC Aeroflot’s Board of Directors on 28 September 2018 (Minutes No. 5).

Develop a programme or make amendments to the existing programme (if needed) for IPR management

2.2.6 Instruction of the Government of the Russian Federation No. 927-P13 dated 12 December 2017

Instructions: 1. Develop and approve Key Regulations on IPR Management and an Action Plan on their implementation in line with the Recommendations

Execution is completed. Regulations on Intellectual Property Rights Management were approved by Order No. 263 dated 29 July 2016.

In 2018, the new Regulations on Intellectual Property Rights Management were developed (instead of the Regulations on Intellectual Property Rights Management approved by Order No. 263 dated 29 July 2016) in line with the Recommendations.

The Regulations were approved by PJSC Aeroflot’s Board of Directors on 28 September 2018 (Minutes No. 5).

The Action Plan on Intellectual Property Rights Registration was developed and approved for the rights identified during the audit in December 2016 (No. 511-6P1 dated 12 December 2017). The business process “Intellectual Property Rights Management” (BP-511-003) was approved in May 2018.

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<tr>
<td>8.3</td>
<td>Directive of the Government of the Russian Federation No. 705p-P13 dated 30 August 2018. (our reference number: 8901, date: 17 September 2018)</td>
<td>Inventory of intellectual property aimed at further organisation of measures to identify property owned by a joint stock company, ensure its legal protection, include it into the balance sheet as intangible assets for further integration into the company's economic activities, and to assess the value of rights where needed.</td>
<td>Execution is completed. The matter was reviewed at the meeting of PJSC Aeroflot’s Board of Directors on 28 September 2018 (Minutes No. 5). The Management Board has been instructed to take inventory of the intellectual property in 2019. The inventory of intellectual property has been scheduled for 2019 (currently, all relevant materials have been submitted to the Management Board for approval). Following the results of the Management Board’s efforts, procurement processes will take place to select a service provider. The work has been scheduled for 2019 (currently, all relevant materials have been submitted to the Management Board for approval).</td>
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<td>9</td>
<td>On scheduled substitution of imported products (works, services) with those of Russian origin (works, services), having similar specifications and consumer properties</td>
<td>Instructions: 1. Amend the regulations on the joint stock company’s procurement processes so as to ensure the following: a) Procurement requirements and other local regulations, which are subject to approval when making any purchases of the computer and database software available, irrespective of the type of agreement, on physical media and/or in electronic form through communication channels and of the right to use the software, including temporary use, shall provide for submission of bids offering only such software which is included in the unified register of Russian computer and database software (the Register) that was developed in line with Article 12.1 of Federal Law No. 149-FZ On Information, Information Technology and Information Protection dated 27 July 2006, except in the following cases: a) The register does not include data on the software offered for purchase; b) The software, which is included in the register and belongs to the same class of software as the software offered for purchase, is uncompetitive (its functions, specifications and/or performance characteristics do not meet the requirements set out by a customer for the software offered for purchase). The requirements were included in PJSC Aeroflot’s Regulations on the Procurement of Goods, Works, and Services (RI-GD-148E) approved by the Board of Directors on 17 October 2016 (Minutes No. 3). The current version of the Regulations on the Procurement (RI-GD-148) includes the requirements.</td>
<td>2. Implement the above approach across subsidiaries directly and/or indirectly controlled by the joint stock company by more than 50% in total</td>
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### Appendixes

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<td>9.1</td>
<td>Instruction of the Government of the Russian Federation No. 470p-P13 dated 11 July 2016. (our reference number: 5553, date: 25 July 2016)</td>
<td>Instructions: 1. Amend the regulations on the joint stock company’s procurement processes so as to ensure the following: a) Procurement requirements and other local regulations, which are subject to approval when making any purchases of the computer and database software available, irrespective of the type of agreement, on physical media and/or in electronic form through communication channels and of the right to use the software, including temporary use, shall provide for submission of bids offering only such software which is included in the unified register of Russian computer and database software (the Register) that was developed in line with Article 12.1 of Federal Law No. 149-FZ On Information, Information Technology and Information Protection dated 27 July 2006, except in the following cases: a) The register does not include data on the software offered for purchase; b) The software, which is included in the register and belongs to the same class of software as the software offered for purchase, is uncompetitive (its functions, specifications and/or performance characteristics do not meet the requirements set out by a customer for the software offered for purchase). The requirements were included in PJSC Aeroflot’s Regulations on the Procurement of Goods, Works, and Services (RI-GD-148E) approved by the Board of Directors on 17 October 2016 (Minutes No. 3). The current version of the Regulations on the Procurement (RI-GD-148) includes the requirements.</td>
<td>2. Implement the above approach across subsidiaries directly and/or indirectly controlled by the joint stock company by more than 50% in total</td>
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<td>9.2</td>
<td>Instructions of the Government of the Russian Federation No. DM-P9-20 dated 25 November 2013, No. AD-P9-91 dated 12 December 2014, No. IS-P13-1419 dated 5 March 2015, and No. IS-P13-1420 dated 5 March 2015.</td>
<td>Instructions: 1. Prepare a set of measures aimed at planned and scheduled substitution of imported products (works, services) with those of Russian origin, having similar specifications and consumer properties, to be used in investment projects and day-to-day operations, based on economic and technological feasibility principles and technological justification. 2. Inclusion of the set of measures and the indicator values of the above activities implementation in the Company’s Long-Term Development Programme.</td>
<td>The set of measures aimed at planned and scheduled substitution of imported products (works, services) with those of Russian origin, having similar specifications and consumer properties, to be used in investment projects and day-to-day operations, based on economic and technological feasibility principles and technological justification was included in Aeroflot Group’s LDP (Appendix C) on 14 May 2015, amended on 4 June 2015, and updated on 21 December 2017.</td>
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<td>9.3</td>
<td>Instruction of the Government of the Russian Federation No. 655p-P13 dated 5 September 2016.</td>
<td>Ensure the amendments in the joint stock company’s procurement policy to give priority to purchases of Russian-made innovative construction materials</td>
<td>The set of measures aimed at planned and scheduled substitution of imported products (works, services) with those of Russian origin, having similar specifications and consumer properties, to be used in investment projects and day-to-day operations, based on economic and technological feasibility principles and technological justification was included in Aeroflot Group’s LDP (Appendix C) on 14 May 2015, amended on 4 June 2015, and updated on 21 December 2017.</td>
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<td>9.4</td>
<td>Instruction of the Government of the Russian Federation No. 10068p-P13 dated 6 December 2018</td>
<td>1. Arrange for preparation and approval by the Board of Directors of an action plan for 2018–2021 to foster joint stock company migration to using mainly domestic software, and identify: Technologies Action Plan for 2018–2021 to foster joint stock company migration to using mainly domestic software (the Plan for 2018–2021) including the following details: 3. Authorised officer (at least a deputy head of the joint stock company's executive body) in charge of the implementation of the measures to foster the joint stock company migration to using mainly domestic software</td>
<td>Execution is in progress. The matter was reviewed at the meeting of PJSC Aeroflot's Board of Directors on 22 January 2019 (Minutes No. 11)</td>
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<td>10.1</td>
<td>List of Instructions of the President of the Russian Federation following the Eastern Economic Forum Instructions of the Government of the Russian Federation No. DM-P16-6658 dated 30 September 2015 and No. 4521p-P13 dated 28 June 2016</td>
<td>1. Develop and approve the Procedure for Approval of Investment Programmes (Project) to Develop Infrastructure in the Far Eastern Federal District by the Ministry for the Development of the Russian Far East (the Approval)</td>
<td>Execution is in progress. The Procedure for Approval of PJSC Aeroflot’s Investment Programme and Other Projects to Develop Infrastructure in the Far Eastern Federal District implemented by PJSC Aeroflot was adopted by PJSC Aeroflot’s Board of Directors on 23 June 2017 (Minutes No. 17).</td>
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<td>10.2</td>
<td>Instruction of the Government of the Russian Federation No. 3538p-P13 dated 25 May 2017</td>
<td>1. Develop and approve the Procedure for Approval of Investment Programmes (Project) to Develop Infrastructure in the Far Eastern Federal District by the Ministry for the Development of the Russian Far East (the Approval)</td>
<td>Execution is in progress.</td>
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<td>Instructions:</td>
<td>3. Publish the adopted Procedure for Approval on the interdepartmental portal for state property management</td>
<td>The information has been published on the interdepartmental portal.</td>
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The updated procedure for Approval of PJSC Aeroflot’s Plans and Targeted Programmes to Implement the Initiatives in the Far Eastern Federal District (RF-504) was adopted by resolution of the Board of Directors dated 11 December 2018 (Minutes No. 9) and introduced by Order No. 65 dated 11 February 2019.

The procedure for the Approval of the PJSC Aeroflot’s Action Plan for Ensuring Availability of PJSC Aeroflot’s Services for Disabled People approved in 2016.

PJSC Aeroflot’s entire fleet comprising 228 aircraft was fully equipped with wheelchairs.

Starting from January 2018, the new B737 aircraft delivered to the airline will have the cockpit design enabling to take on board a passenger on a stretcher. One of the aircraft was modified. The improvements to aircraft in operation are scheduled to end before late 2019 (at the moment, if a stretcher is needed, the Company modifies the flight through changing the aircraft).

An agreement was signed to develop design documents to conduct overhauls providing access to PJSC Aeroflot’s own sales offices and buildings for disabled people; overhauls are scheduled to be implemented in 2018.

All sections of the website have been enhanced in cooperation with Labs-A to assist visually impaired air travellers.

Website tests on booking special services for passengers with disabilities have been conducted.

In-flight entertainment programme has been implemented for visually impaired passengers, which now contains eight films with subtitles and/or audio descriptions.

Briefing on the seat, flight safety instructions, and in-flight services is provided to visually impaired passengers in information brochures translated into Braille.

Passengers using a wheelchair who need additional back support are provided with a shoulder belt restraint system if ordered in advance. This service is currently being tested.

The professional development system was expanded with a new online training course for flight attendants which takes into account recommendations on diverse categories of passengers. The second version of the standard for serving passengers with disabilities is being updated; the second audit has been conducted on the compliance of the standard of servicing passengers with disabilities in place at PJSC Aeroflot.

In 2017, a positive trend was noted in the development of ground services for passengers with disabilities in the Russian airports within PJSC Aeroflot’s route network. In the context of infrastructure restrictions, the issue of providing airports with passenger boarding and disembarking equipment has become urgent.

Ambulifts and other equipment is missing in the airports of Alakhan (scheduled for 2019), Voronezh, Magnitogorsk (planned), Murmansk (scheduled for March 2016), Novosibirsk, Chelyabinsk (planned), Saratov (scheduled for 2019), Stavropol (planned), and Syktyvkar (planned for 2020).

Check-in and carry-on baggage allowances have been increased. Without additional payments for the baggage, the number of seats, and weight, in line with the Travel Class, fare and the terms of fare families, a passenger can take on board a wheelchair and one more means of transportation provided that it is used by a disabled person.

As-carry-on baggage, a passenger can also take on board:
  - a personal medical kit (in a case)
  - a gaseous oxygen tank for medical purposes
  - a portable oxygen concentrator, which can be safely placed under the seat in front or in the locker
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  - medical equipment for the in-flight life support of the passenger.
## EXECUTION OF PRESIDENTIAL AND GOVERNMENTAL DECREES

<table>
<thead>
<tr>
<th>No.</th>
<th>Document type, date, and number</th>
<th>Summary</th>
<th>Execution status</th>
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<tbody>
<tr>
<td>11.5</td>
<td>Instruction of the Ministry of Labour and Social Protection of the Russian Federation No. 13-K10-P dated 7 October 2017</td>
<td>By 10 November 2017, submit information on measures taken in 2017 to implement the UN Convention on the Rights of Persons with Disabilities, Federal Law No. 419-FZ dated 1 December 2014, as well as proposals on improving PJSC Aeroflot’s interaction mechanisms with government authorities in line with further enhancement of a barrier-free environment in passenger air travel.</td>
<td></td>
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<tr>
<td>12</td>
<td>On implementing occupational standards in PJSC Aeroflot Resolution of the Government of the Russian Federation No. 584 dated 27 June 2016 On Specifics of Implementing Occupational Standards in Terms of Mandatory Requirements for State-Owned Off-Budget Funds of the Russian Federation, State-Owned or Municipal Institutions, State-Owned or Municipal Companies, State-Owned Enterprises, State-Owned Companies and Businesses in Which Federal or Municipal Authorities Have Over 50% Shareholding (the Resolution)</td>
<td>Implement occupational standards in joint stock companies subject to Federal Law No. 122-FZ. On Amending the Labour Code of the Russian Federation dated 2 May 2015 and Articles 11 and 73 of the Federal Law On Education in the Russian Federation through the approval and implementation of relevant plans, and make provision for considering the performance of the implementation of occupational standards when assessing and rewarding joint stock companies’ HR management. Request to convene meetings of boards of directors (supervisory boards) of joint stock companies at least every six months and include the implementation of occupational standards in joint stock companies’ agendas. The matter was considered at the meeting of the Board of Directors on 25 August 2016 (Minutes No. 15). The action plan to implement occupational standards in PJSC Aeroflot was approved by the Management Board on 9 December 2016 (Minutes No. 34). Order No. 434 dated 22 December 2016 established a dedicated task force to implement occupational standards at PJSC Aeroflot. Reports on implementation of occupational standards in PJSC Aeroflot’s operations are regularly (once every six months) submitted to the Board of Directors. The information has been posted in PJSC Aeroflot’s account on the interdepartmental portal for state property management in the Instructions section – “Instruction No. 24 Introduction of the Russian Federation No. 1290-P13 dated 14 July 2016 (our reference number: S555, date: 25 July 2016).</td>
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## On implementation of the Corporate Governance Code

<table>
<thead>
<tr>
<th>No.</th>
<th>Document type, date, and number</th>
<th>Summary</th>
<th>Execution status</th>
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<tbody>
<tr>
<td>13.1</td>
<td>Instructions of the Government of the Russian Federation No. 15h-P13-6599 dated 31 July 2014, No. 5667-P13 dated 2 September 2014, and No. 1150-P13 dated 26 February 2015</td>
<td>On Approving the Action Plan (Roadmap) on Implementation of the Corporate Governance Code.</td>
<td>The Action Plan (Roadmap) to Improve Corporate Governance Practices was approved by PJSC Aeroflot’s Board of Directors on 19 March 2015 (Minutes No. 14). The progress report on the Action Plan (Roadmap) to Improve Corporate Governance Practices at PJSC Aeroflot as at December 2016 was considered by the Board of Directors on 22 December 2016 (Minutes No. 7). The information on the status of the Corporate Governance Code principles implementation at PJSC Aeroflot in 2016 was submitted to the Federal Agency for State Property Management. The progress report on the implementation of the Corporate Governance Code provisions as at December 2017 was reviewed by the Board of Directors on 21 December 2017. The Board of Directors simultaneously approved the Corporate Governance Code of PJSC Aeroflot (Minutes No. 7).</td>
</tr>
<tr>
<td>13</td>
<td>On establishing the unified treasury of the Company, its subsidiaries, and associates</td>
<td>Regulations on the Unified Treasury were approved on 20 May 2015 (RT-04-078 No. 150/2). Procedure for Implementation of Key Treasury Functions as Part of Operation of the Unified Treasury was approved on 29 May 2015 (RT-04-079 No. 151/2). Conducting an annual analysis of the results of establishing the Unified Treasury of Aeroflot Group was approved by the Board of Directors decision dated 23 April 2015 (Minutes No. 15). The analysis of the results of establishing the Unified Treasury of Aeroflot Group, its subsidiaries, and associates is conducted on a regular basis. The report on the 2016 analysis was submitted to the Russian Ministry of Finance and the Federal Financial Monitoring Service on 13 September 2017 (our reference number of the outgoing document: 403-1403). The report on the 2017 analysis was submitted to the Russian Ministry of Finance and the Federal Financial Monitoring Service (our reference number of the outgoing document: 403-1206, date: 13 September 2018).</td>
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## On increasing labour productivity, creating and upgrading highly productive jobs

<table>
<thead>
<tr>
<th>No.</th>
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<th>Execution status</th>
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<tbody>
<tr>
<td>15</td>
<td>Instruction of the Government of the Russian Federation No. 15h-P13-1290 dated 9 August 2014 Instruction of the Government of the Russian Federation No. 7280-P13 dated 30 October 2014</td>
<td>On Implementation of the Corporate Governance Code.</td>
<td>The list of measures aimed at increasing labour productivity has been included in Aeroflot Group’s LDP (as an Annex to Aeroflot Group’s LDP) since 2015. The list of measures aimed at increasing labour productivity (the Appendix to Aeroflot Group’s LDP) was approved by PJSC Aeroflot’s Board of Directors on 21 December 2017 (Minutes No. 7). The Labour Productivity Indicator (Irk Aeroflot Group) has been included in the KPI list of Aeroflot Group’s Long-Term Development Programme and PJSC Aeroflot’s LDP. The KPI is taken into account when determining the amount of management’s (including CEO’s) bonus payments for KPI achievement.</td>
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</table>
On including the key metrics for adequate talent pipeline in the long-term development programme, including engineering and technical positions necessary to implement the key measures of the programme

On ensuring the key metrics for adequate talent pipeline in the long-term development programme, including engineering and technical positions necessary to implement the key measures of the programme

Include target LPIs in the list of key performance indicators for management which must be considered when making remuneration and HR decisions, and ensure that LPI achievement is aligned with the Company's management remuneration

Make amendments to the employment agreement (contract) with the Company's sole executive body by including the responsibility to achieve the LPI determined in the Company's long-term development programme


The Labour Productivity KPI achievement (for Aeroflot Group) is considered by PJSC Aeroflot’s Board of Directors on a quarterly basis. Information on KPI achievement is annually posted in the Company’s account on the interdepartmental portal for state property management in the Instructions section – “Instruction No. 29 Increasing Labour Productivity.”

16.1 Sub-clause 1, clause 2 of the List of Instructions of the President of the Russian Federation following the Meeting of the Presidential Council for Science and Education on 25 June 2014 (No. Pr-1487 dated 1 July 2014)


Develop and submit proposals as prescribed

– on expanding the practice of targeted training in higher educational institutions specialising in engineering, technology, and technical science

– on preparing methods to assess the need for engineering and technical talent of Russian regions, industries, and major employers in the medium and long term


Include the key metrics for adequate talent pipeline in the long-term development programme, including engineering and technical positions necessary to implement the key measures of the programme

The key metrics of PJSC Aeroflot’s need for talent are described in the respective section of the Long-Term Development Programme (6.3. Talent Pipeline Plan) approved by PJSC Aeroflot’s Board of Directors on 21 December 2017 (Minutes No. 7).

17 On ensuring achievement of the joint stock company’s key performance indicators

17.1 Clause 5 of List of Instructions of the President of the Russian Federation No. P-1474 dated 5 July 2013

Ensure that state corporations, state enterprises, state and unitary enterprises, as well as enterprises where the Russian Federation’s or a Russian region’s aggregate state exceeds 50% of the charter capital adapt key performance indicators to assess management performance which must be considered when making remuneration and HR decisions

The target KPIs for PJSC Aeroflot’s management are approved by the Board of Directors. The information has been posted in PJSC Aeroflot’s account on the interdepartmental portal for state property management in the Instructions section – “Instruction No. 18 Key Performance Indicators.”
### Report on Compliance with the Principles and Recommendations of the Corporate Governance Code Approved by the Bank of Russia

**1.1.1.** The company ensures fair and equitable treatment of all shareholders in exercising their corporate governance right.

<table>
<thead>
<tr>
<th>No</th>
<th>Corporate governance principles</th>
<th>Compliance criteria</th>
<th>Compliance status</th>
<th>Reasons for non-compliance</th>
</tr>
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<tbody>
<tr>
<td>1.1.1.</td>
<td>The company ensures the most favourable conditions for its shareholders to participate in the general meeting, develop an informed position on agenda items of the general meeting, coordinate their actions, and voice their opinions on items considered.</td>
<td>1. The company's internal document approved by the general meeting of shareholders and governing the procedures for holding the general meeting is publicly available. 2. The company provides accessible means of communication via hotline, e-mail or online forum for shareholders to voice their opinions and submit questions on the agenda in preparing for the general meeting. The company performed the above actions in advance of each general meeting held in the reporting period.</td>
<td>Full</td>
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<tr>
<td>1.1.2.</td>
<td>The procedure for giving notice of, and providing relevant materials for, the general meeting enables shareholders to properly prepare for attending the general meeting.</td>
<td>1. The notice of an upcoming general shareholders meeting is posted (published) online at least 30 days prior to the date of the general meeting. 2. The notice of an upcoming meeting specifies the meeting venue and documents required for admission. 3. Shareholders were given access to the information on who proposed the agenda items and who proposed nominees to the company’s board of directors and the revision committee.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>1.1.3.</td>
<td>In preparing for, and holding of, the general meeting, shareholders were able to receive clear and timely information on the meeting and related materials, put questions to the company’s executive bodies and the board of directors, and to communicate with each other.</td>
<td>1. In the reporting period, shareholders were able to put questions to members of executive bodies and directors before and during the annual general meeting. 2. The position of the board of directors (including dissenting opinions entered into the minutes) on each agenda item of general meetings held in the reporting period was included in the minutes of the general meeting of shareholders. 3. The company gave duly authorised shareholders access to the list of persons entitled to attend the general meeting, as from the date of its receipt by the company, for all general meetings held in the reporting period.</td>
<td>Full</td>
<td></td>
</tr>
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</table>

**1.1.4.** There were no unjustified difficulties preventing shareholders from exercising their right to request that a general meeting be convened, to propose nominees to the company’s governing bodies, and to make proposals for the agenda of the general meeting.

1. In the reporting period, shareholders were able to submit, within at least 60 days after the end of the relevant calendar year, proposals for the agenda of the annual general meeting. | Full |  |

**1.1.5.** 2. In the reporting period, the company did not reject any proposals for the agenda or nominees to the company’s governing bodies due to misprints or other insignificant flaws in the shareholder’s proposal.

An internal document (internal policy) of the company provides that each participant of the general meeting may request a copy of the ballot filled out by them and certified by the counting commission before the end of the relevant meeting. | Full |  |

**1.1.6.** The procedure for holding a general meeting set by the company provides equal opportunities for all persons attending the meeting to voice their opinions and ask questions.

1. General meetings of shareholders held in the reporting period in the form of a meeting (i.e. joint presence of shareholders) provided for sufficient time for making reports on and for discussing agenda items. 2. Nominees to the company’s governing and control bodies were available to answer questions of shareholders at the meeting at which their nominations were put to vote. 3. When passing resolutions on preparing and holding general meetings of shareholders, the board of directors considered using telecommunication means for remote access of shareholders to general meetings in the reporting period. | Full |  |

**1.2.** Shareholders are given equal and fair opportunities to share profits of the company in the form of dividends.

**1.2.1.** The company has designed and put in place a transparent and clear mechanism to determine the dividend amount and payout procedure.

1. The company has drafted and disclosed a dividend policy approved by the board of directors. 2. If the company’s dividend policy uses reporting figures to determine the dividend amount, then relevant provisions of the dividend policy take into account the consolidated financial statements. | Full |  |

**1.2.2.** The company does not resolve to pay out dividends if such payout, while formally compliant with law, is economically unjustified and may lead to a false representation of the company’s performance.

The company’s dividend policy clearly identifies key economic circumstances under which the company shall not pay out dividends. | Full |  |

**1.2.3.** The company does not allow for dividend rights of its existing shareholders to be impaired.

In the reporting period, the company did not take any actions that would lead to the impairment of the dividend rights of its existing shareholders. | Full |  |
2.1.4 The company makes every effort to prevent its shareholders from using other means to profit (gain) from the company other than dividends and liquidation value.

The company’s registrar maintains the share register in an efficient and reliable manner in material corporate events (including conditions that rule out the possibility of making transactions at PJSC Aeroflot without proper corporate approval).

2.1.5 The company has in place a transparent and rules-based system for the company’s shareholders, and their equal treatment by the company.

In the reporting period, the board of directors reviewed strategy implementation and updates, approval and the company’s principles and approaches to risk management and internal controls.

2.2.2 The chairman of the board of directors is responsible for appointing and dismissing executive bodies, including for improper performance of their duties. The board of directors also ensures that the company’s executive bodies act in accordance with the company’s approved development strategy and core lines of business.

The board of directors discussed matters related to such policy (policies).

At its meetings in the reporting period, the board of directors reviewed strategy implementation and updates, approval and the company’s principles and approaches to risk management and internal controls.

1. The company’s annual report for the reporting period includes the information on individual attendance at board of directors and committee meetings.

1.2.1 The board of directors sets key long-term targets for the company, assessors and approves its key performance indicators and key business goals, as well as the strategy and business plans for the company’s core lines of business.

In the reporting period, the board of directors reviewed strategy implementation and updates, approval and the company’s principles and approaches to risk management and internal controls.

1. The company developed and put in place a remuneration and reimbursement (compensation) policy (policies), approved by the board of directors, for its directors, members of executive bodies, and other key executives.

1. The board of directors assumes the company’s risk management and internal controls in the reporting period.

1. The board of directors approves the company’s information policy regulations.

2. At its meetings in the reporting period, the board of directors discussed matters related to such policy (policies).

2.1.2 The board of directors defines the company’s principles and approaches to risk management and internal controls.

At its meetings in the reporting period, the board of directors reviewed strategy implementation and updates, approval and the company’s principles and approaches to risk management and internal controls.

2.1.3 The board of directors determines the company’s remuneration and reimbursement (compensation) policy for its directors, members of executive bodies, and other key executives.

1. The company’s annual report for the reporting period includes the information on individual attendance at board of directors and committee meetings.

1. The director of the board of directors approved the company’s information policy regulations.

2. The company identified persons responsible for implementing the information policy.

No. Corporate governance principles Compliance criteria Compliance status Reasons for non-compliance
2.1.2 The board of directors sets key long-term targets for the company, assessors and approves its key performance indicators and key business goals, as well as the strategy and business plans for the company’s core lines of business.

Full

Actually complied with. The relevant restriction is set out in the Corporate Governance Code of PJSC Aeroflot (paragraph 3.2.11). In addition, PJSC Aeroflot signed up to the Anti-Corruption Charter of the Russian Business and approved the Anti-Corruption Policy, which rules out the possibility of corruption in its transactions.

PJSC Aeroflot also has in place the Procedure for Preparation, Signing, Amendment, Execution and Termination of PJSC Aeroflot’s Agreements, which stipulates inspection inspection and control of all PJSC Aeroflot’s Agreements by a number of units including the Department for Economic Security. In line with the above mentioned Procedure, the inspection of a potential counterparty’s chain of beneficiaries is mandatory and rules out the possibility of making transactions at PJSC Aeroflot without proper corporate approval.

1. The company’s annual report for the reporting period includes the information on individual attendance at board of directors and committee meetings.

1. The board of directors defined the company’s principles and approaches to risk management and internal controls.

Full

2. The board of directors discussed matters related to such policy (policies).

Full

Full

Full

Full

Full

Full

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Full

Full

Full
2.3. The board of directors manages the company in an efficient and professional manner and is capable of making fair and independent judgements and adopting resolutions in the best interests of the company and its shareholders.

2.3.1 Only persons of impeccable business and personal reputation who have knowledge, expertise, and experience required to make decisions within the authority of the board of directors and essential to perform its functions in an efficient way are elected to the board of directors.

1. The procedure for assessing the board of directors' performance established in the company includes, inter alia, assessment of professional qualifications of directors.

2. In the reporting period, the board of directors (or its nomination committee) assessed nominees to the board of directors for required experience, expertise, business reputation, absence of conflicts of interest, etc.

Full

2.3.2 The company's directors are elected via a transparent procedure that enables shareholders to obtain information on nominees sufficient to judge on their personal and professional qualities.

Whenever the agenda of the general meeting of shareholders included election of the board of directors, the company provided to shareholders the biographical details of all nominees to the board of directors, the results of their assessment carried out by the board of directors (or its nomination committee), and the information on whether the nominee meets the independence criteria set forth in Recommendations 102–107 of the Code, as well as the nominees' written consent to be elected to the board of directors.

Full

2.3.3 The board of directors has a balanced membership, including a terms of directors’ qualifications, experience, expertise, and business skills, and enjoys its shareholders’ trust.

As part of assessment of the board of directors’ performance run in the reporting period, the board of directors reviewed its requirements to professional qualifications, experience, and business skills.

Full

2.3.4 The company has a sufficient number of directors to organise the board of directors’ activities in the most efficient way, including ability to set up committees of the board of directors and enable the company’s substantial minority shareholders to elect a nominee to the board of directors for whom they vote.

As part of assessment of the board of directors’ performance run in the reporting period, the board of directors considered whether the number of directors met the company’s needs and shareholders’ interests.

Full

2.4. The board of directors includes a sufficient number of independent directors.

2.4.1 An independent director is a person who is sufficiently professional, experienced, and independent to develop their own position, and capable of making unbiased judgements in good faith, free of influence by the company’s executive bodies, individual groups of shareholders or other stakeholders. It should be noted that a nominee (elected director) who is related to the company, its substantial shareholder, substantial counterparty or competitor of the company, or related to the government, may not be considered as independent under normal circumstances.

In the reporting period, all independent directors met all independence criteria set out in Recommendations 102–107 of the Code, or were deemed independent by resolution of the board of directors.

Full

2.4.2 The company assesses compliance of independent directors with independence criteria by means of impartial assessors, who are independent and professional experts in the field of corporate governance.

1. In the reporting period, the board of directors (or its nomination committee) made a judgement on independence of each nominee to the board of directors and provided its opinion to shareholders.

2. In the reporting period, the board of directors (or its nomination committee) reviewed, at least once, the independence of incumbent directors listed by the company as independent directors in its annual report.

3. The company has in place procedures defining the actions to be taken by directors if they cease to be independent, including the obligation to timely notify the board of directors thereof.

Partial

2.4.3 Independent directors make up at least one third of elected directors.

Independent directors make up at least one third of directors.

Partial

Two of the eleven members of the Board of Directors elected by PJSC Aeroflot’s Extraordinary General Meeting of Shareholders on 23 October 2018, Igor Khamensky and Vasily Skibirev, meet the independence criteria in full. In accordance with the recommendations of the Corporate Governance Code, PJSC Aeroflot’s Board of Directors shall include at least three independent directors. PJSC Aeroflot seeks to achieve full compliance with this provision of the Code in the future and uses its best efforts to explain to its shareholders the importance of increasing the number of independent directors serving on the Board of Directors.

At the same time, it should be noted that the Russian Federation has a 51.173% stake in PJSC Aeroflot.
2.4.4 Independent directors play a key role in preventing internal conflicts in the company and in ensuring that the company performs material corporate actions.

2.5. The chairman of the board of directors ensures that the board of directors discharges its duties in the most efficient way.

2.5.1 The board of directors is chaired by an independent director, or a senior independent director supervising the activities of other independent directors and interacting with the chairman of the board of directors appointed from among the elected independent directors.

Performance of the chairman of the board of directors was assessed as part of assessment of the board of directors’ performance in the reporting period.

2.5.3 The chairman of the board of directors takes all steps necessary for the timely provision to directors of information required to pass resolutions on agenda items.

2.6. Directors act reasonably and in good faith in the best interests of the company and its shareholders, on a fully informed basis and with due care and diligence.

2.6.1 Directors pass resolutions on a fully informed basis, with no conflict of interest, subject to equal treatment of the company’s shareholders and assuming normal business risks.

2.6.2 The rights and duties of directors are clearly stated and incorporated in the company’s internal documents.

2.6.3 Directors have sufficient time to perform their duties.

Meetings of the board of directors, preparation for such meetings, and attendance by directors ensure efficient performance by the board of directors.

2.7.1 Meetings of the board of directors are held as needed, taking into account the scale of operations and goals of the company at a particular time.

2.7.2 Internal regulations of the company formalise a procedure for the preparation and holding of the board meetings, enabling directors to properly prepare for such meetings.

2.7.3 The format of the meeting of the board of directors is determined taking into account the importance of its agenda items. The most important matters are dealt with at meetings of the board of directors held in person.

2.7.4 Meetings of the board of directors, preparation for such meetings, and attendance by directors ensure efficient performance by the board of directors.
### 2.8.5 Committees are composed so as to enable comprehensive discussions of matters under review, taking into account the diversity of opinions.

1. Committees of the board of directors are headed by independent directors.
2. The company’s internal documents (policies) include provisions stipulating that persons who are not members of the audit committee, the nomination committee, and the remuneration committee may attend committee meetings only by invitation of the chairman of the respective committee.

### 2.8.7 Committee chairmen regularly report to the board of directors and its chairman on the performance of their committees.

- Full

### 2.9. The board of directors ensures performance assessment of the board of directors, its committees and members of the board of directors.

- Full

### 2.9.1 The board of directors’ performance assessment is aimed at determining the efficiency of the board of directors, its committees and members, consistency of their work with the company’s growth requirements, as well as at bolstering the work of the board of directors and identifying areas for improvement.

- Full

The results of the self-assessment of the Board of Directors were reviewed at the meeting of the Board of Directors on 29 May 2018 (Minutes No. 15 dated 29 May 2018).

### 2.9.2 Performance of the board of directors, its committees, and members is assessed regularly at least once a year.

- None

The matter is considered taking into account the self-assessment of members of the Board of Directors conducted in the reporting period. In addition, the external assessment of the Board of Directors’ performance is carried out by third-party companies.

### 3.1 The company’s corporate secretary ensures efficient ongoing interaction with shareholders, coordinates the company’s efforts to protect shareholder rights and interests, and supports efficient performance of the board of directors.

- Full

### 3.1.1 The corporate secretary has the expertise, experience, and qualifications sufficient to perform his/her duties, as well as an impeccable reputation and the trust of shareholders.

- Full

The biographical data of the corporate secretary are published on the corporate website and in the company’s annual report with the same level of detail as for members of the board of directors and the company’s executives.

### 3.1.2 The corporate secretary is sufficiently independent of the company’s executive bodies and has the powers and resources required to perform his/her tasks.

- Full

The board of directors approves the appointment, dismissal, and additional remuneration of the corporate secretary.

### Appendix A

#### Compliance criteria

<table>
<thead>
<tr>
<th>No.</th>
<th>Corporate governance principles</th>
<th>Compliance criteria</th>
<th>Compliance status</th>
<th>Reason for non-compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.8.1</td>
<td>To ensure matters related to controlling the company’s financial and business activities, it is recommended to set up an audit committee comprised of independent directors.</td>
<td>1. The board of directors set up an audit committee comprised solely of independent directors.</td>
<td>Partial</td>
<td>PJSC Aeroflot set up its Personnel and Remuneration Committee, headed by, and predominantly comprised of, independent directors.</td>
</tr>
<tr>
<td>2.8.2</td>
<td>To ensure matters related to adopting an efficient and transparent remuneration scheme, a remuneration committee was set up, comprised of independent directors and headed by an independent director who is not the chairman of the board of directors.</td>
<td>1. The board of directors set up a remuneration committee comprised solely of independent directors.</td>
<td>Partial</td>
<td>PJSC Aeroflot set up its Personnel and Remuneration Committee, headed by, and predominantly comprised of, independent directors.</td>
</tr>
<tr>
<td>2.8.3</td>
<td>To ensure matters related to talent management (succession planning), professional composition and efficiency of the board of directors, a nomination (appointments and personnel) committee was set up, predominantly comprised of independent directors.</td>
<td>1. The board of directors has set up a nomination committee (or its tasks listed in Recommendation 186 of the Code are fulfilled by another committee), predominantly comprised of independent directors.</td>
<td>Full</td>
<td>The results of the self-assessment of the Board of Directors were reviewed at the meeting of the Board of Directors on 29 May 2018 (Minutes No. 15 dated 29 May 2018).</td>
</tr>
<tr>
<td>2.8.4</td>
<td>Taking into account the company’s scope of business and level of risks, the company’s board of directors made sure that the composition of its committees is fully in line with the company’s business goals. Additional committees were either set up or not deemed necessary (strategy committee, corporate governance committee, ethics committee, risk management committee, budget committee, health, safety, and environment committee, etc.).</td>
<td>The board of directors considered whether the composition of its committees was in line with the company’s business goals. Additional committees were either set up or not deemed necessary.</td>
<td>Full</td>
<td>No matter is considered taking into account the self-assessment of members of the Board of Directors conducted in the reporting period. In addition, the external assessment of the Board of Directors’ performance is carried out by third-party companies.</td>
</tr>
</tbody>
</table>
4.1. Remuneration payable by the company is sufficient to attract, motivate, and retain people with competencies and qualifications required by the company. Remuneration payable to directors, executive bodies, and other key executives of the company is in compliance with the approved remuneration policy of the company.  

4.1.1 The amount of remuneration paid by the company to directors, executive bodies, and other key executives creates sufficient incentives for them to work efficiently, while enabling the company to engage and retain competent and qualified specialists. At the same time, the company avoids unnecessarily high remuneration, as well as unprofitability large gaps between remunerations of such persons and the company’s employees.  

The company has in place an internal document (internal document) – the policy (policies) on remuneration of directors, executive bodies, and other key executives, which clearly defines (define) the approaches to remuneration of such persons.  

During one reporting period, the remuneration committee reviewed the remuneration policy (policies) and its (their) introduction practices to provide relevant recommendations to the board of directors as required.  

During one reporting period, the company's remuneration policy (policies) includes (include) transparent mechanisms for determining the amount of remuneration due to directors, executive bodies, and other key executives of the company, and regulates (regulate) all types of expenses, benefits, and privileges provided to such persons.  

During one reporting period, the remuneration committee reviewed the remuneration policy (policies) and its (their) introduction practices to provide relevant recommendations to the board of directors as required.  

The company defines a policy on reimbursement (compensation) of expenses, detailing a list of reimbursable expenses and specifying service levels that directors, executive bodies, and other key executives of the company may claim. Such policy can make part of the company’s remuneration policy.  

4.2. Remuneration system for directors ensures alignment of financial interests of directors with long-term financial interests of the shareholders.  

4.2.1 The company pays fixed annual remuneration to its directors. The company does not pay remuneration for attending particular meetings of the board of directors or its committees. The company does not apply any form of short-term motivation or additional financial incentive for its directors.  

Fixed annual remuneration was the only form of monetary remuneration payable to directors for their service on the board of directors during the reporting period.  

4.4.2.2 Long-term ownership of the company’s shares helps align the financial interests of directors with long-term interests of shareholders to the utmost. At the same time, the company does not link the right to dispose of shares to performance targets, and directors do not participate in stock option plans.  

If the company’s internal document(s) – the remuneration policy (policies) stipulates (stipulate) provision of the company’s shares to members of the board of directors, clear rules for share ownership by board members are to be defined and disclosed, aimed at stimulating long-term ownership of such shares.  

The company does not provide for any extra payments or compensations in the event of early termination of directors’ tenure, resulting from the change of control or any other reasons whatsoever.  

The company revises its performance and the personal contribution of each executive to the achievement of such performance when determining the amount of a fee payable to members of the executive bodies, and other key executives of the company.  

Remuneration due to members of executive bodies, and other key executives of the company is determined in a manner providing for reasonable and justified ratio of the fixed and variable components of remuneration, depending on the company’s results and the employee’s personal contribution.  

During the latest assessment of the system of remuneration of members of executive bodies, and other key executives of the company, the board of directors (remuneration committee) made sure that the company applies an efficient ratio of the fixed and variable remuneration components.  

The company has in place a procedure that guarantees return to the company of bonus payments illegally received by members of executive bodies, and other key executives of the company.  

The company has in place a long-term incentive programme for members of executive bodies, and other key executives of the company with the use of the company’s shares. Financial instruments based on the company’s shares.  

The long-term incentive programme for members of executive bodies, and other key executives of the company implies that the right to dispose of shares and other financial instruments used in this programme takes effect at least three years after such shares or other financial instruments are granted. The right to dispose of such shares or other financial instruments is linked to the company’s performance targets.

Full

Full

Full

Full

Full

Full

Full

Full

Full
5.1 The company has in place effective risk management and internal controls providing reasonable assurance in the achievement of the company's goals.

5.1.1 The company's board of directors determined the principles and approaches to organizing risk management and internal controls at the company.

Functions of different governing bodies and units of the company in risk management and internal controls are clearly defined in the company's internal documents / relevant policy approved by the board of directors.

Full

5.1.2 The company's executive bodies ensure establishment and continuous operation of effective risk management and internal controls at the company.

The company's executive bodies ensured the distribution of functions and powers related to risk management and internal controls between the heads (managers) of business units and departments accountable to them.

Full

5.1.3 The company's risk management and internal controls ensure an objective, fair, and clear view of the current state and future prospects of the company, the integrity and transparency of the company's reporting, as well as reasonable and acceptable risk exposure.

1. The company has in place an approved anti-corruption policy.
2. The company established an accessible method of notifying the board of directors or the board's audit committee of breaches or any violations of the law, the company's anti-corruption policy, and the company's internal procedures, and conduct code.

Full

5.1.4 The company's board of directors takes necessary measures to make sure that the company's risk management and internal controls are consistent with the principles of, and approaches to, its setup determined by the board of directors, and that the system is functioning efficiently.

In the reporting period, the board of directors or the board's audit committee assessed the performance of the company's management and internal controls. Key results of this assessment are included in the company's annual report.

Full

5.2 The company performs internal audit for regular independent assessment of the reliability and performance of risk management and internal controls of the company's governance practices.

The company set up a separate business unit or engaged an independent external organization to carry out internal audits. Functional and administrative reporting lines of the internal audit department are delineated. The internal audit unit functionally reports to the board of directors.

Full

5.2.1 The company performs internal audit for regular independent assessment of the reliability and performance of risk management and internal controls of the company's governance practices.

5.2.1.1 The company implemented an internal audit policy ensuring efficient exchange of information with the company's boards of directors or the board's audit committee.

In the reporting period, the performance of the internal controls and risk management was assessed as part of the internal audit procedure.

Full

5.2.1.2 The company has an internal audit division assessing the performance of the internal controls, risk management, and corporate governance.

The company applies generally accepted standards of internal audit.

1. In the reporting period, the performance of the internal controls and risk management was assessed as part of the internal audit procedure.
2. The company applies generally accepted approaches to internal audit and risk management.

Full

6.1 The company and its operations are transparent for its shareholders, investors, and other stakeholders.

6.1.1 The company developed and implemented an information policy ensuring efficient exchange of information with the company's shareholders, investors, and other stakeholders.

1. The company's board of directors approved an information policy developed in accordance with the Code's recommendations.
2. The board of directors (or one of its committees) reviewed the matters of the company's compliance with its information policy at least once in the reporting period.

Full

6.1.2 The company discloses information on its corporate governance framework and practice, including detailed information on compliance with the principles and recommendations of the Code.

1. The company discloses information on its corporate governance and general principles of corporate governance, including disclosure on its website.
2. The company discloses information on the membership of its executive bodies and board of directors, independence of the directors and their membership in the board of directors committees (as defined by the Code).
3. If the company has a controlling person, the company publishes a memorandum of the controlling person setting out his or her plans for the company's corporate governance.

Full

6.2 The company makes timely disclosures of complete, updated, and reliable information to allow shareholders and investors to make informed decisions.

6.2.1 The company discloses information based on the principles of regularity, consistency and promptness, as well as availability, reliability, completeness, and comparability of disclosed data.

1. The company's information policy sets out approaches to, and criteria for, identifying information that can have a material impact on the company's evaluation and the price of its securities, as well as procedures ensuring timely disclosure of such information.
2. The company's securities are traded on foreign organized markets, the company ensured converted and equivalent disclosure of material information in the Russian Federation and in the said markets in the reporting year.
3. If foreign shareholders hold a material portion of the company's shares, the relevant information was disclosed both in the Russian language and one of the most widely used foreign languages in the reporting period.
The company avoids a formalistic approach to information disclosure and discloses material information on its operations, even if disclosure of such information is not required by law.

The company's annual report contains information on the key aspects of its operational and financial performance.

The company’s information policy establishes the procedure for providing shareholders with easy access to information, including information on legal entities controlled by the company, as requested by shareholders.

The company provides information and documents requested by its shareholders in accordance with principles of fairness and ease of access.

The company’s internal documents set out a procedure for engaging an independent appraiser to estimate the value of assets either disposed of or acquired in a major transaction or a related-party transaction.

The company has in place a procedure enabling independent directors to express their opinions on material corporate actions prior to approval thereof.

The company discloses information about its material corporate actions in due time and in detail, including the grounds for, and timelines of, such actions.

No internal documents are in place; however, relevant procedures are put into practice.

Partial

PJSC Aeroflot intends to achieve full compliance with this principle in the future.

PJSC Aeroflot discloses information about its material corporate actions in due time and in detail, including the grounds for, and timelines of, such actions.

Full
Information About the Programme for Disposal of Non-Core Assets

The Programme for Disposal of PJSC Aeroflot's Non-Core Assets (version No. 7) was approved by PJSC Aeroflot's Board of Directors on 21 December 2017 (Minutes No. 7). The Programme contains criteria for classification of assets as non-core, the non-core asset register, information on encumbrances, book and market value, approach to selecting assets for disposal, as well as disposal methods, procedures and timescales.

The non-core assets owned by PJSC Aeroflot include property and property rights which are outside its flight services, but may be closely related to the development of the Company's end product. The Company's approach to technological (non-core) assets that have a significant impact on the core business of PJSC Aeroflot:

→ Compare benefits from these assets (discounts, reduction in prices and rates, improvement of PJSC Aeroflot's product quality) with the cost of ownership
→ Monitor the effectiveness of corporate control

Assets are sold if ownership is found to be ineffective and the corporate control - insufficient.

Technological assets that have a key impact on the core business of PJSC Aeroflot are evaluated in terms of the cost of, and the need for, ownership, based on non-production criteria (achievement of non-commercial objectives, type of business, goodwill, etc.). These assets are disposed of if the effect of ownership is insignificant.

Real estate assets are analysed to determine their highest and best use for the airline's operational and commercial activities.

There were no contracts to purchase/sell securities/interest in non-core entities signed in 2018.

Disposal of PJSC Aeroflot's non-core assets in 2018

<table>
<thead>
<tr>
<th>№</th>
<th>Asset</th>
<th>Inventory number</th>
<th>Book value of the asset, RUB thousand</th>
<th>Actual cost of disposal, RUB thousand</th>
<th>Actual cost of disposal vs book value, RUB thousand</th>
<th>Reason for discrepancies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Office space, 219 square metres, Georgia, Tbilisi</td>
<td>25764</td>
<td>4,215,248.2</td>
<td>22,269,389.9</td>
<td>18,054,141.7</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SAP ERP 1020000058</td>
<td>1150</td>
<td>9111200011</td>
<td>9121200010</td>
<td>revenue from the sale of property, plant and equipment; residual value of the sold property, plant and equipment.</td>
<td></td>
</tr>
</tbody>
</table>

Market value (cost of disposal) of the asset is higher than its book value.

TOTAL | 4,215,248.2 | 22,269,389.9 | 18,054,141.7 | |

Information About the Programme for Disposal of Non-Core Assets

Operating Data

Aeroflot airline

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger traffic, thousand PAX</td>
<td>23,610.0</td>
<td>26,111.7</td>
<td>28,977.9</td>
<td>32,845.2</td>
<td>35,762.5</td>
</tr>
<tr>
<td>International Routes</td>
<td>12,468.2</td>
<td>13,445.4</td>
<td>14,873.7</td>
<td>17,154.1</td>
<td>18,213.9</td>
</tr>
<tr>
<td>Domestic Routes</td>
<td>11,141.8</td>
<td>12,666.3</td>
<td>14,104.2</td>
<td>15,691.1</td>
<td>17,548.6</td>
</tr>
<tr>
<td>Passenger turnover, million RPK</td>
<td>67,121.7</td>
<td>74,115.9</td>
<td>82,693.3</td>
<td>91,809.9</td>
<td>97,955.8</td>
</tr>
<tr>
<td>International Routes</td>
<td>42,878.5</td>
<td>46,744.1</td>
<td>52,339.0</td>
<td>60,669.4</td>
<td>64,044.1</td>
</tr>
<tr>
<td>Domestic Routes</td>
<td>24,243.2</td>
<td>27,371.8</td>
<td>29,354.3</td>
<td>31,140.5</td>
<td>33,911.7</td>
</tr>
<tr>
<td>Available seat-kilometres, million ASK</td>
<td>85,822.1</td>
<td>93,471.1</td>
<td>101,757.9</td>
<td>112,246.0</td>
<td>121,661.9</td>
</tr>
<tr>
<td>International Routes</td>
<td>56,206.9</td>
<td>60,209.1</td>
<td>67,387.0</td>
<td>75,315.6</td>
<td>81,464.1</td>
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<tr>
<td>Domestic Routes</td>
<td>29,615.2</td>
<td>33,262.0</td>
<td>34,370.9</td>
<td>36,930.4</td>
<td>40,197.2</td>
</tr>
<tr>
<td>Cargo and mail carried, thousand tonnes</td>
<td>145.3</td>
<td>151.9</td>
<td>175.5</td>
<td>226.6</td>
<td>232.8</td>
</tr>
<tr>
<td>International Routes</td>
<td>81.5</td>
<td>74.6</td>
<td>91.1</td>
<td>148.7</td>
<td>152.3</td>
</tr>
<tr>
<td>Available tonne-kilometres, million TKM</td>
<td>10,660.0</td>
<td>11,706.1</td>
<td>12,694.6</td>
<td>13,676.8</td>
<td>14,630.7</td>
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<tr>
<td>International Routes</td>
<td>6,983.1</td>
<td>7,548.6</td>
<td>8,412.0</td>
<td>9,228.5</td>
<td>9,880.4</td>
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<tr>
<td>Domestic Routes</td>
<td>3,676.9</td>
<td>4,157.5</td>
<td>4,282.6</td>
<td>4,448.3</td>
<td>4,746.3</td>
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<tr>
<td>Revenue load factor, %</td>
<td>63.1</td>
<td>62.3</td>
<td>65.0</td>
<td>68.1</td>
<td>67.4</td>
</tr>
<tr>
<td>International Routes</td>
<td>60.7</td>
<td>60.6</td>
<td>62.6</td>
<td>67.2</td>
<td>65.9</td>
</tr>
<tr>
<td>Domestic Routes</td>
<td>67.6</td>
<td>64.9</td>
<td>69.8</td>
<td>70.1</td>
<td>70.4</td>
</tr>
<tr>
<td>Revenue flights</td>
<td>183,645</td>
<td>206,228</td>
<td>218,734</td>
<td>243,317</td>
<td>273,177</td>
</tr>
<tr>
<td>International Routes</td>
<td>97,968</td>
<td>104,336</td>
<td>110,149</td>
<td>121,003</td>
<td>134,291</td>
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<tr>
<td>Domestic Routes</td>
<td>85,677</td>
<td>101,892</td>
<td>108,585</td>
<td>122,314</td>
<td>138,886</td>
</tr>
<tr>
<td>Flight hours, hours</td>
<td>554,659</td>
<td>594,863</td>
<td>639,524</td>
<td>702,807</td>
<td>778,795</td>
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</table>
## OPERATING DATA

### Pobeda airline

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<thead>
<tr>
<th>Indicator</th>
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<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger traffic, thousand PAX</td>
<td>107.4</td>
<td>3,089.7</td>
<td>4,285.9</td>
<td>4,582.8</td>
<td>7,184.8</td>
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<tr>
<td>International Routes</td>
<td>–</td>
<td>6.2</td>
<td>473.6</td>
<td>875.0</td>
<td>1,765.9</td>
</tr>
<tr>
<td>Domestic Routes</td>
<td>107.4</td>
<td>3,083.5</td>
<td>4,282.3</td>
<td>4,582.8</td>
<td>7,184.8</td>
</tr>
<tr>
<td>Passenger turnover, million RPK</td>
<td>134.0</td>
<td>4,668.4</td>
<td>6,712.9</td>
<td>7,929.4</td>
<td>13,105.2</td>
</tr>
<tr>
<td>International Routes</td>
<td>–</td>
<td>12.3</td>
<td>1,050.5</td>
<td>1,913.8</td>
<td>3,829.5</td>
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<tr>
<td>Domestic Routes</td>
<td>134.0</td>
<td>4,561.6</td>
<td>6,582.4</td>
<td>6,015.6</td>
<td>9,275.7</td>
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<tr>
<td>Available seat-kilometres, million ASK</td>
<td>171.8</td>
<td>5,746.3</td>
<td>7,605.5</td>
<td>8,419.0</td>
<td>13,925.2</td>
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<tr>
<td>International Routes</td>
<td>–</td>
<td>17.8</td>
<td>1,334.0</td>
<td>2,084.4</td>
<td>4,122.1</td>
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<tr>
<td>Domestic Routes</td>
<td>171.8</td>
<td>5,728.5</td>
<td>6,271.5</td>
<td>6,334.6</td>
<td>9,803.1</td>
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### Rossiya airline

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<th>Indicator</th>
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<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger traffic, thousand PAX</td>
<td>9,962.6</td>
<td>9,066.9</td>
<td>8,800.3</td>
<td>11,152.7</td>
<td>11,140.3</td>
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<td>International Routes</td>
<td>4,414.5</td>
<td>2,342.1</td>
<td>2,627.1</td>
<td>4,136.0</td>
<td>4,352.8</td>
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<tr>
<td>Domestic Routes</td>
<td>5,548.1</td>
<td>6,724.7</td>
<td>6,173.2</td>
<td>7,016.7</td>
<td>6,787.4</td>
</tr>
<tr>
<td>Passenger turnover, million RPK</td>
<td>21,066.4</td>
<td>16,982.1</td>
<td>20,482.3</td>
<td>28,119.2</td>
<td>29,600.9</td>
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<tr>
<td>International Routes</td>
<td>12,070.3</td>
<td>5,705.4</td>
<td>8,552.8</td>
<td>13,889.0</td>
<td>14,796.9</td>
</tr>
<tr>
<td>Domestic Routes</td>
<td>8,996.4</td>
<td>11,186.7</td>
<td>11,929.5</td>
<td>14,293.2</td>
<td>14,805.0</td>
</tr>
<tr>
<td>Available seat-kilometres, million ASK</td>
<td>27,502.0</td>
<td>22,013.9</td>
<td>25,245.4</td>
<td>33,300.9</td>
<td>34,178.5</td>
</tr>
<tr>
<td>International Routes</td>
<td>15,526.4</td>
<td>7,615.0</td>
<td>9,892.2</td>
<td>15,248.2</td>
<td>16,423.2</td>
</tr>
<tr>
<td>Domestic Routes</td>
<td>11,975.6</td>
<td>15,309.9</td>
<td>15,335.2</td>
<td>18,558.5</td>
<td>17,756.3</td>
</tr>
</tbody>
</table>

### Note
Aurora airline

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger traffic, thousand PAX</td>
<td>1,055.2</td>
<td>1,124.8</td>
<td>1,276.2</td>
<td>1,548.2</td>
<td>1,622.7</td>
</tr>
<tr>
<td>International Routes</td>
<td>213.0</td>
<td>214.7</td>
<td>314.4</td>
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<td>Flight hours, hours</td>
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<td>33,281</td>
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Aviation terminology

Aviation fuel – aviation fuel, lubricants, and special fluids.

Low-Cost Carrier (LCC) – an airline that offers lower fares than traditional airlines, reflecting limited service provision, while also charging additional fees for on-board and airport services.

Routes – domestic routes, international routes.

Code Sharing – an agreement on joint commercial operation of a flight by two or more airlines, one of which acts as the operator (operates the flight in addition to selling tickets), while the others act as marketing partners (selling tickets only).

Network Carrier – an airline that, unlike low-cost carriers, offers a wide variety of services through one or more hubs with connecting flights.

Maintenance, Repair, and Overhaul (MRO) – Technical maintenance, ongoing repairs, and major renovations to aircraft.

TCH – Transport Clearing House.

Hub – a hub airport is a central connection point for many different flights: passengers and goods are transported from their departure point to a hub, from which they are carried to their final destination on another plane with other passengers and goods from other parts of the world.

BSP/PARIC (Billing and Settlement Plan / Airline Reporting Corporation) – a settlement system between airlines and agents, organised by IATA, that facilitate and simplify air transportation sales on neutral forms (not owned by any airline) thereby offering airlines the opportunity to expand their market presence, minimise financial risks and reduce expenses incurred through the maintenance of sales systems. AHC is an analogous system operated in the United States.

GDS (Global Distribution System) – a global computerised booking network used as a single access point by travel agents, online booking websites, or large corporates to book (reserve) tickets on airlines’ flights, as well as hotel rooms, rental cars, etc.

NDC (New Distribution Capability) – a new aviation industry standard (standards) being developed by the IATA to provide airlines with more opportunities to sell their services to passengers and to travel agents. Airlines will be able to customise and offer their air products across all sales channels, improve investment in sales systems. ARC is an analogous system operated in the United States.

ICAO (International Civil Aviation Organization) – an international civil aviation body established following the signing of the Chicago Convention on International Civil Aviation in 1944. It is a specialized UN agency responsible for developing international standards, recommended practices and regulations regarding the technical, economic, and legal aspects of international civil aviation.

IOSA (International Operational Safety Audit) – The IATA IOSA program is an internationally recognized and accepted evaluation system designed to assess a company’s organization and operational management, flight operations, engineering and technical maintenance of aircraft, ground service for aircraft, the operational control systems including maintenance management and flight scheduling, on-board service, aviation safety, and provisions for transporting cargo and hazardous cargo.

ISO – The International Organization for Standardization.

Operational terminology

Passenger traffic (PAX) – the number of passengers carried by an airline:

Direct PAX – passengers flying directly between their origin and destination.

Transit PAX – passengers flying with a stop-over in a hub airport on their way from origin to destination.

Passenger-Kilometres/Tonne-Kilometres – metrics used in the aviation industry to measure operating performance:

Available Seat-Kilometres (ASK) – a measure of an airline’s carrying capacity offered for the market, derived from multiplying the available seats on any given aircraft by the number of kilometres flown on a given flight. ASK is measured in seat-kilometres;

Revenue Passenger-Kilometres (RPK) – a measure of available capacity actually used, calculated by multiplying the number of paying passengers on any given flight by the distance travelled. RPK is measured in passenger-kilometres;

Available Tonne-Kilometres (ATK) – a measure of an airline’s total capacity (both passenger and cargo), calculated by multiplying the capacity in tonne kilometres available for the transportation of passengers and cargo by the distance flown. ATK is measured in tonne-kilometres;

Revenue Tonne-Kilometres (TKM) – a measure of an airline’s cargo and passenger carriage capacity utilisation, calculated by multiplying of tonne of freight (passengers, calculated at 90 Kg per passenger) by the distance flown. TKM is measured in tonne-kilometres.

Origin and Departure points (O&D) – locations between which passengers are transported. This term is used in measuring the quantitative indicators of various markets, as defined by arrival and departure points, irrespective of whether direct or transit traffic is involved.

Financial terminology

Unit revenue and cost – key performance measures in the aviation industry, defined as revenue or cost per ASK or RPK:

Yield – the ratio between passenger revenue and revenue passenger-kilometres;

Revenue per Available Seat-Kilometre (RASK) – the ratio between revenue (either passenger revenue or total revenue) and available seat-kilometres;

Cost per Available Seat-Kilometre (CASK) – the ratio between operating expenses and available seat-kilometres.

Total Shareholder Return (TSR) – measures the return on investment for shareholders, taking into account the share price appreciation and dividends paid.

EBITDA – earnings before interest, taxes, depreciation, and amortization. Aeroflot includes customs duties in this indicator.

Earnings before interest, taxes, depreciation, and operating lease expenses (before costs). Aeroflot includes customs duties in this indicator.

In addition, the following are used as key performance measures and are presented in the annual report as a benchmark for the company’s results:

• EBIT – earnings before interest and taxes.

• ROE – return on equity.
Contact Information

Full name
Public Joint Stock Company “Aeroflot – Russian Airlines”

Abbreviated
PJSC Aeroflot

Certificate of registration in the Unified State Register of Legal Entities
issued by the Moscow Department of the Russian Ministry of Taxes and Levies on 2 August 2002, No. 1027700092661

Taxpayer Identification Number
7712040126

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Friday: 8:30 to 13:30, without break