	REPORT on implementation of the Long-Term Development Program of Aeroflot Group and achievement of key performance indicators for 2016	
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REPORT
on implementation of the Long-term Development Program of
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1. ACHIEVEMENT OF TARGET LEVELS OF KEY PERFORMANCE INDICATORS (KPI)

1.1 LIST OF KIP WITH TARGET VALUES APPROVED BY THE BOARD OF DIRECTORS OF PJSC "AEROFLOT"

Table 1 List of KPI with target values approved by the Board of Directors of PJSC "Aeroflot"

No.	Name of indicator	Weight, %	Unit of Measurement	Target Value for 2016
1	Total shareholder return (TSR) (within Aeroflot Group)	10%	%	89.7%
2	ROIC (within Aeroflot Group)	20%	%	17.3%
3	Long-term debt/EBITDAR (within Aeroflot Group)	5%	-	1.3
4	Integrated key performance indicator for innovation activities (IKPIIA) (within Aeroflot Group)	10%	%	80%
5	Effectiveness of investment program (within Aeroflot Group)	5%	-	6.05
6	Reduction of costs for limit passenger traffic (within Aeroflot Group)	5%	%	2.0%
7	Share of financing with governmental support in the overall volume of attracted financing (within Aeroflot Group)	5%	%	0%
8	Punctuality of flights (within Aeroflot Group)	5%	%	86.0%
9	Level of flight safety in PJSC "Aeroflot"	15%	%	99.957%
10	Passenger load factor (within Aeroflot Group)	10%	%	81.1%
11	Labor efficiency (within Aeroflot Group)	10%	mln.kkm/person	3.951

1.2 COMPARISON OF ACTUAL KPI VALUES WITH PLANNED (TARGET) VALUES. ANALYSIS OF REASONS FOR DEVIATION.

Implementation of KPI following the results of work for the 4th quarter of 2016 and for the year 2016 will be reviewed at the meeting of the Board of Directors of PJSC "Aeroflot" in April 2016.

Table 2 Comparison of actual KPI values with planned (target) values. Analysis of reasons for deviation.

Item No.	KPI Name	UoM	Planned / Actual					% of Implementation	Deviation, Percentage Points	Analysis of reasons for deviation
			Q1	Q2	Q3	Q4	Reporting Year			
1	Total shareholder return (TSR) (within Aeroflot Group)	%	-	-	-	-	89.7%	196.2%	+86.3%	Outperformance of the share price in Aeroflot Group against exceedence of investment community's expectations
			-	-	-	-	176.0%			
2	ROIC (within Aeroflot Group)	%	-	-	-	-	17.3%	122.0%	+3.8%	Overachievement of target for net profit
			-	-	-	-	21.1%			
3	Long-term debt/EBITDAR (within Aeroflot Group)	-	-	-	-	-	1.3	123.1%	-0.3	Early repayment of loans and growth of operating profit
			-	-	-	-	1.0			
4	Integrated key performance indicator for innovation activities (IKPIIA) (within Aeroflot Group)	%	-	-	-	-	80%	119.7%	+16%	High rating of the Interdepartmental Commission for Technological Development of the Presidium of the Council under the President of the Russian Federation for the quality of development / execution of IDP by PJSC "Aeroflot"
			-	-	-	-	96%			
5	Effectiveness of investment program (within Aeroflot Group)	-	-	-	-	-	6.05	168.9%	+4.17	Estimated growth of EBITDA 2017, including due to efficient return on investment projects 2016 with savings of investment costs
			-	-	-	-	10.22			

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Item No.	KPI Name	UoM	Planned / Actual					% of Implementation	Deviation, Percentage Points	Analysis of reasons for deviation
			Q1	Q2	Q3	Q4	Reporting Year			
6	Reduction of costs for limit passenger traffic (within Aeroflot Group)	%	-	-	-	-	2.0%	100.0%	0.0%	
			-	-	-	-	2.0%			
7	Share of financing with governmental support in the overall volume of attracted financing (within Aeroflot Group)	%	-	-	-	-	0%	100.0%	0%	
			-	-	-	-	0%			
8	Punctuality of flights (within Aeroflot Group)	%	81.5%	90.0%	85.0%	87.5%	86.0%	103.7%	3.2%	Conduction of activities by the companies of Aeroflot Group aimed at improvement of punctuality of departure/arrival of aircraft to the base/off-base airports
			89.6%	91.1%	87.3%	87.6%	89.2%			
9	Level of flight safety in PJSC "Aeroflot"	%	99.957%	99.957%	99.957%	99.957%	99.957%	104.2%	+0.018%	Conduction of effective activities in the field of flight safety management
			99.982%	99.977%	99.974%	99.975%	99.975%			
10	Passenger load factor (within Aeroflot Group)	%	74.3%	78.2%	87.9%	78.4%	81.1%	100.5%	+0.4%	Increase in the use of aircraft fleet capacities against redistribution of tourist traffic in favor of local tourism and growth of demand for carriage inside Russia
			76.4%	80.6%	88.6%	78.7%	81.5%			
11	Labor efficiency (within Aeroflot Group)	mln.kkm/person	0.897	1.064	1.079	1.020	3.951	101.5%	+0.059	Increase in labor efficiency within Aeroflot Group is stipulated by ensuring budget parameters of the growth of work volumes with checking the
			0.895	0.959	1.125	1.032	4.010			

Item No.	KPI Name	UoM	Planned / <u>Actual</u>					% of Implementation	Deviation, Percentage Points	Analysis of reasons for deviation
			<i>Q1</i>	<i>Q2</i>	<i>Q3</i>	<i>Q4</i>	<i>Reporting Year</i>			
									growth of staffing levels	

2. ANALYSIS OF EXECUTION RATES FOR POLICY ACTIVITIES

Below is the information on the implementation of the policy activities contained in the Long-Term Development Program. Following an independent audit of the implementation of the Long-Term Development Program and achievement of KPI in Aeroflot Group for the year 2016, all actual data and information regarding compliance with planned values have been confirmed; the reasons of deviations of the actual values from the planned ones have also been recognized as being true.

Table 3 Analysis of the results of activities ensuring the achievement of the Group's strategic goals

Description of activities	Qualitative Goals of Activities	Time Limits of Implementation of Activities	Status of Achievement of Activity Goals
1. Activities aimed at achievement of strategic goals of the Program	Development within a multi-brand platform, satisfaction and stimulation of demand for air carriage in various price segments	The Board of Directors of PJSC "Aeroflot" approved by its resolution dated October 3, 2015 for the prospect of two years the transfer of Aeroflot Group to a new operating structure consisting of four companies and implying the establishment of a new regional airline company on the basis of the airline company "Rossiya" with integration of the airline companies "DonAvia" and "OrenAir".	Subsidiaries of PJSC "Aeroflot", i.e. "DonAvia" and "Orenburg Airlines", were integrated into the airline company "Rossiya" in 2016. On March 27, 2016 the integrated airline company "Rossiya" started to operate its flights. In 2016 flights were carried out to 81 destinations in 15 countries of the world, including domestic Russian routes. From Pulkovo Airport - regular flights on 47 domestic and international routes. From Moscow - flights on a number of southern and far eastern routes inside the country, as well as on several European routes. Development of communication from regional bases and branches on certain domestic and international routes, implementation of a limited charter program. Intensive development in the segment of low-cost air carriage ("Pobeda" LLC). Status: activities for the year 2016 have been executed; works are conducted on an on-going basis.
2. Reduction of operating costs	Reduction of costs for limit passenger traffic	search for and implementation of new opportunities on an on-going basis	In terms of the indicator for the reduction of operating costs and for the purposes of implementing the Directive of the Government of the Russian Federation No. 2303p-P13 dated April 16, 2015: The level of costs of Aeroflot Group for the limit passenger traffic (CASK) of 4.9 cents/kkm was achieved, which is one of the best levels in the industry among comparable airline companies. Status: on-going; in the year 2016 the target for the indicator was achieved. In terms of the reduction of operating costs in accordance with the Directive of the

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Description of activities	Qualitative Goals of Activities	Time Limits of Implementation of Activities	Status of Achievement of Activity Goals
			Government of the Russian Federation No. 4750p-P13 dated July 4, 2016: Quantity of planned/executed activities: 26/26 Effect sum - planned/actual: 12,140 mln of roubles / 14,321 mln of roubles Status: the target for reducing the costs for the year 2016 was achieved.
3. Increase of labor efficiency	Growth of labor efficiency	on an on-going basis	Target indicators of increase in labor efficiency were achieved: Target value for the year 2016: 3.951 mln kkm/person Actual value based on the results of the year 2016: 4.01 mln kkm/person Status: in the year 2016 the target for the indicator was achieved.
4. Optimization of procurement activity	Increase of effectiveness and transparency of procurement activity, minimization of procurement cost	on an on-going basis	Growth of effectiveness of procurement activity was ensured. Status: activities for the year 2016 were executed; work is conducted on an on-going basis.
5. Implementation of investment program	Ensuring dynamic development of the production and operating activity	on an on-going basis	Information about overall investment activity of Aeroflot Group (planned/actual values for the financing volume in terms of capital investments and investments in AC in mln of roubles): Aeroflot Group: 6 417/ 4 639 Ensuring financing of development of Aeroflot Group in terms of all key activity areas. Status: investment activities for the year 2016 were executed; work is conducted on an on-going basis.
6. Implementation of Innovation Development Program	Formation of competences leading to the creation of long-term stable competitive advantages	on an on-going basis	Sixty four (64) projects and activities of the Innovation Development Program of Aeroflot Group were implemented in the year 2016. The volume of financing for the implemented activities totaled 1,068 mln of roubles. Eighteen (18) projects are considered as passing over due to their planned implementation term not earlier than in the year 2017, or their implementation on an annual basis, the volume of financing for these projects amounts to 95,552 mln of roubles (a significant part of them is the leasing of aircraft). Ten (10) projects of IDP were suspended or canceled for objective reasons. Status: innovative activities for the year 2016 were executed; work is conducted on an on-going basis.
7. Increase/decrease of share in the charter capital of subsidiaries	Optimization of composition and structure of assets. Increase in effectiveness of the use of assets.	in accordance with the program of alienation of non-core assets of PJSC "Aeroflot"	The shares of the Joint-Stock Limited Liability Company "ALT Reisenburo A/S (Denmark) were sold; the change in the share totaled one hundred per cent in accordance with the Program of Alienation of Non-Core Assets of PJSC "Aeroflot" approved by the resolution of the Board of Directors dated May 28, 2015 (Minutes No. 18); the resolution of the Board of Directors in PJSC "Aeroflot" dated November 26,

Description of activities	Qualitative Goals of Activities	Time Limits of Implementation of Activities	Status of Achievement of Activity Goals
	Reduction of financial costs related to maintenance and servicing of non-core assets.		2015 (Minutes No. 7). The selling price of the share amounted to 9.225 mln roubles, which is 607 thousand roubles higher than the market price according to an independent estimate (8.648 mln roubles).
8. Development of the routing network	Satisfaction of the growing demand for air carriage. Improvement of comfort and affordability of air carriage.	on an on-going basis	Information about the development of the routing network is specified in section 2.1 of this report. Status: activities for the year 2016 were executed; work is conducted on an on-going basis.
9. Development of aircraft fleet	Meeting the need for carriage capacities of aircraft with due account for the growth of air carriage volumes. Improvement of economic effectiveness of aircraft operation.	on an on-going basis	Information about the development of the aircraft fleet is specified in section 2.2 of this report. Status: activities for the year 2016 were executed; work is conducted on an on-going basis.
10. Development of the production base	Ensuring well-balanced development of infrastructure of Sheremetyevo Airport with due account for the growing need for increasing the throughput capacity in accordance with the rates of air carriage growth	on an on-going basis	Twenty for (24) activities on implementation of the development of production base of Aeroflot Group were successfully executed or are ongoing; also, three (3) activities were not executed for objective reasons. Seven (7) activities from the set of activities on development of the Group's own infrastructure, including that in Sheremetyevo International Airport (SIA), were executed or are ongoing. Status: activities for the year 2016 were executed; work is conducted on an on-going basis.
11. Improvement of corporate governance	Improvement of effectiveness of the company's work, growth of trust on the part of shareholders and investors. Increase in capitalization.	in accordance with the plan of activities ("Road Map") for improvement of corporate governance practices	Activities on improvement of corporate governance practices were executed.
12. Meeting the need for labor	Meeting the need for labor	on an on-going basis	Main parameters of the Group's need for labor in the year 2016 (average staffing number) (planned/actual values), people: Total within Aeroflot Group: 35 074 / 34 324 including airborne staff: 3 823/ 3 750 Flight attendants, including senior flight attendants: 9 315/ 9 108

Description of activities	Qualitative Goals of Activities	Time Limits of Implementation of Activities	Status of Achievement of Activity Goals
			Ground staff: 21 936 / 21 466 Status: the need for labor was successfully met within the reporting period.

2.1.DEVELOPMENT OF ROUTING NETWORK OF PJSC "AEROFLOT"

Table 4 Indicators of PJSC "Aeroflot" (regular flights, 100% of AS)

Indicator	UoM	Actual value	Planned value	Execution percentage	Analysis of reasons for deviation
Number of flights	pcs.	218,559	221,600	98.6%	<i>Delay of delivery of SSJ and A321</i>
Number of passengers	people	28,969,106	28,892,399	100.3%	
Passenger load factor	%	81.31%	80.76%	100.7%	
% of transfer from the overall passenger traffic of PJSC "Aeroflot" at the base Sheremetyevo Airport. ¹	%	42.10%			

Table 5 Aeroflot Group ²- regular flights under 100% commercial control.

Indicator	UoM	Actual value	Planned value	Execution percentage	Analysis of reasons for deviation
Number of flights	pcs.	291,031	294,101	99.0%	Delay in delivery of aircraft to PJSC "Aeroflot" and JSC "Airline Company "Rossiya"
Number of passengers	people	37,161,639	37,120,603	100.1%	
Passenger load factor	%	80.55%	80.02%	100.7%	

2.2.DEVELOPMENT OF AIRCRAFT FLEET

¹ % of transfer is a floating value and the comparison of the planned and actual figures has no value in terms of understanding the degree of achievement of long-term goals, since the increase in the share of transfer may be achieved also by means of reducing the number of own flights.

² Information for Aeroflot Group does not include information for the airline company "Pobeda", since commercial control is performed by the company's management independently.

Table 6 Analysis of execution of indicators for the development of the Group's aircraft fleet (aircraft capacity)

Aircraft capacity	UoM	Planned value	Actual value	Execution percentage	Analysis of reasons for deviation
Up to 100 ps	pcs.	39.1	40.3	103.2	Shift within the year of the terms of early withdrawal of B737-200 from Aurora's fleet
Up to 130 ps	pcs.	37.5	38.3	102.0	
Up to 169 ps	pcs.	90.3	91.1	100.9	
Up to 200 ps	pcs.	54.4	54.6	100.3	
Up to 250 ps	pcs.	5.0	5.0	100.0	
300 ps	pcs.	17.0	17.0	100.0	
400 ps	pcs.	17.9	19.3	107.5	Shift within the year of the terms of early withdrawal of B777-200 previously operated by OrenAir
Over 450 ps	pcs.	3.5	3.5	100.0	
		264.7	269.0	101.6	

Table 7 Analysis of execution of indicators for the development of the Group's aircraft fleet (aircraft type)

Aircraft type	UoM	Planned value	Actual value	Execution percentage	Analysis of reasons for deviation
Turbo-propelled	pcs.	11.0	11.8	107.6	Maintenance of Q300 fleet on the level of 4 aircraft in view of the fact that their operation is ensured by agreements with Sakhalin Region
Regional	pcs.	28.1	28.5	101.4	
Narrow-bodied	pcs.	182.1	183.9	101.0	
Wide-bodied	pcs.	43.5	44.8	102.9	
		264.7	269.0	101.6	

Table 8 Analysis of execution of indicators for the development of the Group's aircraft fleet (aircraft quantity)

Quantity of aircraft	UoM	Planned value	Actual value	Execution percentage	Analysis of reasons for deviation
"Aeroflot"	pcs.	175.8	177.8	101.2	

Rossiya	pcs.	55.1	56.3	102.2	
Aurora	pcs.	21.8	22.8	104.7	
Pobeda	pcs.	12.0	12.0	100.0	
Total	pcs.	264.7	269.0	101.6	

Table 9 Analysis of execution of the locally manufactured aircraft delivery schedule and the plan of activities to ensure delivery of locally manufactured aircraft in accordance with the schedule

Aircraft type	UoM	Planned value	Actual value	Execution percentage	Analysis of reasons for deviation
SSJ-100	pcs.	6	6 ³	100	
MS-21 (as per modifications)	pcs.	-	-	-	

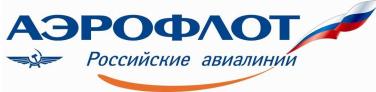
2.3. DEVELOPMENT AND IMPLEMENTATION OF MANDATORY INTERNAL DOCUMENTS AS PART OF IMPROVING THE ORGANIZATION'S CORPORATE GOVERNANCE

Mandatory documents as part of improving corporate governance were developed and updated within the reporting period.

Table 10 Development and implementation of mandatory internal documents as part of improving the organization's corporate governance

Title of the document	Status of the document (basic document / revision / cancellation)	Date of bringing into use / Date of Cancellation
Risk management system regulations of Aeroflot Group	Basic	Approved by the Board of Directors on November 26, 2015 (Minutes No. 7)
Manual on the Quality of Activity of PJSC "Aeroflot"	Edition 05, revision 00	Approved by the Board of Directors of PJSC "Aeroflot" on December 23, 2016 (Minutes No. 8), put into effect by the Order of the General Director No. 47 dated February 3, 2017
Regulations on the Auditing Commission of Public Joint Stock Company "Aeroflot - Russian Airlines" (version No. 4)	Basic	Approved by the General Meeting of Shareholders of PJSC "Aeroflot", minutes of meeting No. 37 dated June 25, 2015
Regulations on the key performance indicators of PJSC "Aeroflot"	Basic document	BoD of PJSC "Aeroflot" dated April 28, 2016 (Minutes No. 15) Put into effect by the Order No. 203 dated

³ Aircraft data is recorded in the fleet of PJSC "Aeroflot" starting with the date of title registration.

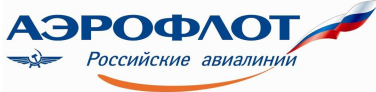
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Title of the document	Status of the document (basic document / revision / cancellation)	Date of bringing into use / Date of Cancellation
		July 28, 2016.
Regulations on increasing investment and operating effectiveness and reduction of costs of Aeroflot Group	Basic document	BoD of PJSC "Aeroflot" dated December 21, 2015 (Minutes No. 8) Put into effect by the Order No. 153 dated May 19, 2016 with coming into effect since January 1, 2016.

3. CORRELATION OF THE DEGREE OF KPI EXECUTION WITH REMUNERATION OF THE ORGANIZATION'S MANAGEMENT INCLUDING THE ESTABLISHMENT OF THE TOP-MANAGEMENT'S RESPONSIBILITY FOR NON-ACHIEVEMENT OF SPECIFIED KPI. INFORMATION ON THE CASCADING OF KPI ACROSS MANAGEMENT LEVELS, ON REFERENCE TO THE MANAGEMENT'S REMUNERATION.

Table 11 Correlation of the degree of KPI execution with remuneration of the organization's management

Descriptive part	Data
<p>A description of the correlation between the degree of KPI execution in the current period and the remuneration of the organization's management including establishment of the top-management's responsibility for non-achievement of specified KPI</p>	<p>1 KPI of LDP of Aeroflot Group fully corresponds to KPI of the General Director of PJSC "Aeroflot" and KPI of the management (members of the Board) of PJSC "Aeroflot". 2. The amount of the bonus paid to the management of PJSC "Aeroflot" fully depends on the execution of the approved KPI for the reporting period, which is governed by the employment agreements and by the effective Regulations on payment of bonuses to managers and specialists in OJSC "Aeroflot". 3. The list and weight of KPI of the General Director of PJSC "Aeroflot" for the year 2016 reflecting the Company's KPI system were approved by the Board of Directors of PJSC "Aeroflot" on October 29, 2015 (Minutes No. 5) and updated by the decisions of the Board of Directors of PJSC "Aeroflot" dated April 28, 2016 (Minutes No. 15), dated September 8, 2016 (Minutes No. 2). The target values of KPI of the General Director of PJSC "Aeroflot" for the year 2016 were approved by the Board of Directors of PJSC "Aeroflot" on December 24, 2015 (Minutes No. 9) and updated starting from the 2nd half of 2016 by the decision of the Board of Directors dated October 27, 2016 (Minutes No. 4). The list, weight and target values of KPI for the year 2016 for the management (members of the Board of PJSC "Aeroflot") and other employees of PJSC "Aeroflot" were approved by the Order of the General Director No. 459 dated December 30, 2015 and updated starting from the 2nd half of the year by the Order No. 439 dated December 23, 2016.</p>
<p>The cascading of KPI across management levels, information on the referencing of KPI to the management's remuneration with indication of internal regulatory and administrative documents and their details</p>	<p>1. Order No. 119 dated April 20, 2016 (revision of the scale of the management's bonuses - decision of BoD of PJSC "Aeroflot" dated January 28, 2016). 2. Orders No. 279 dated August 9, 2016 and No. 350 dated October 7, 2016 (introduction of the reduction factor for non-achievement of the budget parameters).</p>
<p>Information on the changes made within the reporting period to the regulations (and other documents) related to the system of the management's incentives</p>	<p>1. Order No. 119 dated April 20, 2016 (revision of the scale of the management's bonuses - decision of BoD of PJSC "Aeroflot" dated January 28, 2016). 2. Orders No. 279 dated August 9, 2016 and No. 350 dated October 7, 2016 (introduction of the reduction factor for non-achievement of the budget parameters).</p>

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4. RESULTS OF LDP AND KPI AUDITING

The opinion of the auditor that audited the implementation of the Long-Term Development Program of Aeroflot Group for the year 2016:

In our opinion, the information on the degree of execution of the activities envisioned by the Long-Term Development Program for the period from January 1, 2016 to December 31, 2016, on the actual KPI values at the end of the year 2016 and the degree of achievement of their planned values was prepared in all significant aspects in accordance with the criteria set forth in the Long-Term Development Program.

Explanations of the management of PJSC "Aeroflot - Russian Airlines" on the reasons for deviation of the Group's actual KPI values from the planned values specified in the Long-Term Development Program in all significant aspects were complete and relevant.

Within the year 2016, the received funds of corresponding budgets were used effectively for their intended purposes.

Number 1744-BDO-17 dated March 31, 2017.

5. ATTACHMENTS

A. EXECUTION OF ACTIVITIES AIMED AT ENSURING PRIORITY NATURE OF FINANCING THE FAR EAST'S SOCIAL AND ECONOMIC DEVELOPMENT GOALS.

Ensuring priority nature of financing the Far East's social and economic development goals.

Table 12 Analysis of implementation of special activities ensuring priority nature of financing the Far East's social and economic development goals

Description of activities	Quantitative or qualitative goals of activities	Responsible officer	Commencement time and planned completion time of activities	Status of activity's implementation	Analysis of reasons for deviation
1. Activities envisaged by the effective investment program (strategy, business plan, other development plans)					
1.1. Development of the aircraft fleet of JSC Aurora Airlines	Purchase of 3 Dash-8 (Q400) aircraft for adding to the charter capital of JSC Aurora Airlines (3,735.2 mln roubles)	Management of PJSC "Aeroflot" Management of JSC Aurora Airlines	2015-2016	The first aircraft was delivered to JSC Aurora Airlines at the end of 2015, the second and third aircraft Q400 - in the first half of 2016.	-
1.2. Investments in JSC Aurora Airlines	Provision of maintenance for the aircraft 81 mln roubles (2016) Provision of ground service at the airport 68 mln roubles (2016) Other capital investments in the capital assets 98 mln roubles (2016) Investments in software 9 mln roubles (2016)	Management of PJSC "Aeroflot"	2016-2017	Actual values for the year 2016: Provision of maintenance for the aircraft 59 mln roubles Provision of ground service at the airport 65 mln roubles Other capital investments in the capital assets 66 mln roubles Investments in software 5 mln roubles	savings as a result of tender procedures. shift of the projects' implementation to the year 2017 price savings implementation of certain projects at the expense of OPEX refusal to purchase software
2. Activities additionally envisaged for the purposes of executing the instruction of the President of the Russian Federation No. Pr-1891 dated September 17, 2015					

Description of activities	Quantitative or qualitative goals of activities	Responsible officer	Commencement time and planned completion time of activities	Status of activity's implementation	Analysis of reasons for deviation
2.1. Program of selling direct carriage between Moscow and destinations of the Far Eastern Federal District on the flights of PJSC "Aeroflot" based on flat rates ⁴	1,597 thousand seats ⁵ (2016)	Management of PJSC "Aeroflot"	2015-2018	In 2016 a decision was made to increase the number of routes for introducing special rates, as well as to extend this program until 2018 inclusive. Quantity of passengers carried based on the flat rate in 2016: 768,702 passengers	-
3. Participation in subsidized carriage					
3.1. Program of subsidized air carriage of passengers from the Far East to the European part of the country and in the opposite direction ⁶	1,255,920,000 roubles of subsidies were allocated for execution of carriage on Far Eastern routes	Management of PJSC "Aeroflot"	on an annual basis	The Agreement on the subsidizing of the Far Eastern routes was signed on March 30, 2016. Every year the airline companies of Aeroflot Group take an active part in the program. The number of passengers carried under the program of subsidized air carriage in 2016: 178,928.	-

B. IMPLEMENTATION OF ACTIVITIES FOR GRADUAL INCREASE OF THE SHARE OF PROCUREMENT OF GOODS, WORKS AND SERVICES FROM SMALL TO MEDIUM SCALE BUSINESSES

⁴ For the purposes of ensuring transport accessibility for the population from remote and strategically important regions of the Far East to the central regions of the Russian Federation, to the resorts of the Krasnodar Region and the Crimea in 2015 PJSC "Aeroflot" introduced a program of "flat" rates. These levels of rates contemplate carriage on the applicable routes with a fixed price effective within the entire year without seasonal fluctuations and are significantly lower than market ones.

⁵ Plan of selling equivalent quantities of listed seats based on flat rates. In case of under-occupancy, the sales shall be performed based on other (through, subsidized, etc.) rates.

⁶ In 2009 a resolution of the Government of the Russian Federation No. 1095 "On approval of the Rules for providing subsidies to air carriage organizations for the purpose of ensuring air carriage affordability for passengers from the Far East to the European part of the country and in the opposite direction" was issued.

Table 13 Share of procurement from small and medium scale businesses

Name of indicator	UoM	Planned value	Actual value	Execution percentage	Analysis of reasons for deviation
Share of procurement from small and medium scale businesses	%	According to 223-FZ not less than 18%	64.96	360.89	A sharp increase in the number of the concluded contracts with small and medium scale businesses was stipulated by the updating of SAP data on the counter-parties' belonging to small scale business due to the introduction of an official register of small and medium scale businesses in the Russian Federation, as well as by the active policy of the Company's Procurement Department as part of simplifying the access for small and medium scale businesses to procurement and close cooperation with JSC "Corporation MSP" in the part related to.

C. IMPLEMENTATION OF ACTIVITIES TO REPLACE PROCUREMENT OF FOREIGN PRODUCTS (WORKS, SERVICES) WITH PROCUREMENT OF RUSSIAN PRODUCTS

Table 14 Implementation of activities to replace procurement of foreign products (works, services) with procurement of Russian products

Item No.	Description of implemented (or ongoing) activities for import substitution within the reporting period	Results, time-limits and current status of implementation of activities for import substitution
1	Production of fabric for subsequent sewing of covers	Currently there are no producers meeting the requirements and having properly certified products.
2	Aviation tyres	Manufacturers of aircraft do not allow the use of components not included in the list of manufacturers approved by them. There are no Russian manufacturers in it.
3	Aviation oils and hydraulic liquids, other lubricants	Manufacturers of aircraft do not allow the use of materials not included in the list of manufacturers approved by them. There are no Russian manufacturers in it.
4	Fabrics, accessories, other materials for production of special clothing and uniforms	A Requirements Specification is currently being prepared for certain types of materials, clothing and uniforms for subsequent sending to potential manufacturers. Following the results of joint meetings with the Ministry of Industry and Trade (Minpromtorg) changes were made to the Requirements Specification while conducting competition procedures, which allow to expand the access of Russian manufacturers/suppliers.
5	Fabric comfort items, outfits and accessories for in-flight servicing of passengers	Activities are underway aimed at the development of a competitive environment for Russian suppliers against Chinese-made goods. Thus, in the spring-summer of 2016 work meeting were held between representatives of PJSC "Aeroflot" and CJSC "Aeromar" and JSC "Vologodsky Tekstil". Active participation of Russian suppliers in procurement procedures is expected for the year 2017.

Item No.	Description of implemented (or ongoing) activities for import substitution within the reporting period	Results, time-limits and current status of implementation of activities for import substitution
6	Manufacture and supply of aircraft heaters	Completed
7	Supply of stickers for B777, B737, A330 aircraft	Ongoing. The Continuing Airworthiness Department is preparing a catalog of stickers for subsequent pre-qualification selection and conduction of tender procedures.
8	Production of leather for subsequent sewing of aircraft covers	Ongoing. A Russian supplier "Russkaya Kozha", LLC (Russian Leather) is included in the program of MS-21 and SSJ-100, the main problem is certification of leather for subsequent sewing of covers. At the moment it is not included in the register of recommended suppliers of aircraft manufacturers.
9	Seats for SSJ-100, MS-21 aircraft	Ongoing. Works are underway with aircraft manufacturers to find potential Russian suppliers. The difficulties are stipulated by certification problems and financial capacities of the projects.
10	Research, development, composition, production technologies, pilot sample of a new de-icing fluid (hereinafter - DIF), technical documentation for its production	PJSC "Aeroflot" and KNTIU signed an agreement to the Contract No. 69-12 dated October 31, 2012 for execution of research, experimental and technological works for the topic: "Creation of a composition and production technology of a de-icing fluid for ground de-icing treatment of aircraft" and organization of production for the developed DIF". Contract completion time - 2018. Works for sub-phases 1.1, 1.2 and 1.3 have been executed and accepted. Works for sub-phase 1.4 are nearing completion. Samples of the de-icing fluid have been developed, and are being tested at the State Research and Development Institute of Civil Aviation (Gos NII GA). Simultaneously works are being conducted for phase No. 2 of the Contract "experimental and technological works" on the development of a technological process for the production of DIF.
11	Full flight simulators for the training of airborne and technical staff	In 2016 a contract was signed with JSC "GSS" for procurement of a procedural simulator Sukhoi Superjet -100. Assembly of the simulator is scheduled to start in May 2017. Tranzas and Boeing opened a training center for training pilots of B 737 and B 777 aircraft in Skolkovo. Boeing/F supplied the simulators. Tranzas must pass a mandatory EASA certification procedure for full flight simulators FFS B 737 and B 777.
12	Air navigation software	Tranzas Group is studying the possibility of providing a software product similar to Jeppesen; in the course of a telephone conversation with V. Smirnov it was discussed that the project is at its initial implementation phase. Currently only Jeppesen prepares flight maps, which are also used in simulators.
13	Special machine for de-icing treatment of aircraft	The supplier is studying the experience of the leading manufacturers; in close cooperation with the specialists of PJSC "Aeroflot" it has developed and started one-off manufacture of equipment samples. It takes part in procurement procedures at electronic trading facilities of PJSC "Aeroflot" offering an own-produced special machine PM-Geyzer-Element. It is being planned to purchase the above-mentioned equipment in case the supplier expands its production capacities and achieves the quality corresponding to the production needs of PJSC "Aeroflot".

Item No.	Description of implemented (or ongoing) activities for import substitution within the reporting period	Results, time-limits and current status of implementation of activities for import substitution
14	China-ware for the flights of PJSC "Aeroflot"	<p>In all the tenders organized in the year 2016 Russian bidders failed to submit proposals meeting the requirements of the specified Requirements Specification.</p> <p>A new tender will be announced following the decision to change the design of the existing tableware, and Russian suppliers will be invited to take part in it.</p>
15	Foil trays, other aluminum comfort items, outfits and accessories for in-flight servicing of passengers	<p>"Aeroflot" uses non-standard foil trays; there is currently no equipment for their manufacture in the Russian Federation. The existing production of foil trays in the People's Republic of China is much cheaper than that in the Russian Federation, even including the delivery and customs duties. At the moment discussions are in progress with a Russian supplier refusing to deploy production facilities in the Russian Federation in view of Aeroflot's possible plans to change the design of tableware. Participation of Russian manufacturers is expected following the conduction of procedures to start using to a new design of tableware and the defining of long-term needs for these goods.</p>
16	Execution of heavy forms of aircraft maintenance, which is impossible to conduct by the in-house resources of Aeroflot's production unit	<p>The majority of forms is executed in the Russian Federation.</p>