



Aeroflot, PJSC

REPORT
on Implementation of the Long-Term Development Program of Aeroflot Group
and the Achievement of Key Performance Indicators for 2017

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1. ACHIEVEMENT OF THE TARGET KPIS

1.1 LIST OF KPIS WITH THE TARGET VALUES APPROVED BY THE BOARD OF DIRECTORS OF AEROFLOT, PJSC

Table 1. List of KPIS with the Target Values Approved by the Board of Directors of Aeroflot, PJSC

Item	KPI	Weight for 2017	UM	Target value for Q1-2017	Target value for Q2-2017	Target value for Q3-2017	Target value for Q4-2017	Target value for 2017
1.	ROIC (for Aeroflot Group)	20%	%	-*	-*	-*	-*	14.9%
2.	Total Shareholders' Return (TSR) (for Aeroflot Group)	10%	%	-*	-*	-*	-*	13.5%
3.	Long-term debt/EBITDAR (for Aeroflot Group)	5%	-	-*	-*	-*	-*	0.93
4.	Integral key performance indicator for innovative activities (IKPIIA) (for Aeroflot Group)	10%	%	-*	-*	-*	-*	80%
5.	Investment Program Efficiency (for Aeroflot Group)	5%	-	-*	-*	-*	-*	5.22
6.	Costs for available seat kilometers (CASK) (for Aeroflot Group)	5%	cent/ask	-*	-*	-*	-*	4.9
7.	Share of financing with state support in the total amount of attracted financing (for Aeroflot Group)	5%	%	-*	-*	-*	-*	0.0
8.	Flight timeliness (for Aeroflot Group)	5%	%	86.0%	90.0%	86.0%	86.0%	87.0%
9.	Flight safety level of Aeroflot, PJSC	15%	%	99.957%	99.957%	99.957%	99.957%	99.957%
10.	Passenger load factor (for Aeroflot Group)	10%	%	75.3%	80.5%	86.2%	76.9%	80.0%
11.	Labor efficiency (for Aeroflot Group)	10%	mln.ask/pers.	0.969	1.061	1.147	1.055	4.235

The list and weight of KPIS for the LTDP of Aeroflot Group / Director General of Aeroflot, PJSC for 2017 were approved by the Board of Directors of Aeroflot, PJSC on 24.11.16 (Minutes No. 6). Target KPIS for Director General /the LTDP for 2017 were approved by the Board of Directors Aeroflot, PJSC on 22.12.16 (Minutes No. 7)

* KPI achievement is evaluated based on the actual performance for the reporting year.

1.2 COMPARISON OF THE ACTUAL KPIs WITH THE PLANNED (TARGET) VALUES THEREOF. DEVIATION REASONS ANALYSIS

Table 2. Comparison of the Actual KPIs with the Planned (Target) Values Thereof for 2017 Deviation Reasons Analysis

Item	KPI	Weight	UM	Plan for 2017	Actual for 2017	Ach. %	Deviation	Deviation Reasons Analysis
1.	ROIC (for Aeroflot Group)	20.0%	%	14.9%	14.9%	100%	0	
2.	Total Shareholders' Return (TSR) (for Aeroflot Group)	10.0%	%	13.5%	1.2%	8.89%	-12.3 p.p.	The decline is due to: - the impact of macroeconomic factors on the company's operating profitability and net profits during the year; - dynamics of the Russian stock market (decline in the index of the Moscow Stock Exchange in 2017 amounted to 5.5%)
3.	Long-term debt/EBITDAR (for Aeroflot Group)	5.0%	-	0.93	0.86	107.53%	-0.07	The reduction in the debt load ratio is due to a decrease in the dollar exchange rate as at the end of 2017. (plan is 67 rubles for \$1, actual is 57.6 rubles for \$1), which led to a reduction in the ruble equivalent of financial leasing obligations.
4.	Integral key performance indicator for innovative activities (IKPIIA) (for Aeroflot Group)	10.0%	%	80%	80% ¹	100%	0	
5.	Investment Program Efficiency (for Aeroflot Group)	5.0%	-	5.22	6.88	131.80%	+1.66	Positive return on investment projects in 2017 while reducing investment costs.
6.	Costs for available seat kilometers (CASK) (for Aeroflot Group)	5.0%	cent/ask	4.9	5.32	91.43%	+0.42	The appreciation of the ruble against the US dollar in 2017 led to an increase in the dollar equivalent of ruble costs, which account for about 52% of the total operating expenses of Aeroflot Group
7.	Share of financing with state support in the total amount of attracted financing (for Aeroflot Group)	5.0%	%	0.0	0.0	100%	0	
8.	Flight timeliness (for Aeroflot Group)	5.0%	%	87.0%	90.4%	103.91%	+3.4 p.p.	Measures taken by the companies of Aeroflot Group for improving timeliness of flights departure: - Star Flight operations (special control flights); - working on the organization of air traffic to improve the timeliness of flights arrival and, as a consequence, to improve the timeliness of flights departure.

¹ The specified value corresponds to the lowest possible value achieved in 2017.

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Item	KPI	Weight	UM	Plan for 2017	Actual for 2017	Ach. %	Deviation	Deviation Reasons Analysis
9.	Flight safety level of Aeroflot, PJSC	15.0%	%	99.957%	99.972%	103.49%	+0.015 p.p.	Implementation of effective safety management measures, such as: - development and implementation of corrective measures to reduce the impact of adverse factors; - implementation of the action plan to prevent damage to aircrafts in 2017; - further implementation and development of the aviation safety management system in the airline and production structural units
10.	Passenger load factor (for Aeroflot Group)	10.0%	%	80.0%	82.8%	103.50%	+2.8 p.p.	Increase in the use of the aircraft fleet capacities due to: - reduced frequency and programs of inefficient flights; - operational modifications for production reasons.
11.	Labor efficiency (for Aeroflot Group)	10.0%	mln. ask/pers.	4.235	4.431	104.62%	+0.196	The increase in productivity of Aeroflot Group is due to the performance of the actual scope of work in 2017, while restraining the growth in the number of personnel.

2. ANALYSIS OF THE PROGRAM ACTIVITIES IMPLEMENTATION DEGREE

Below is given the information on the implementation of the program activities reflected in the LTDP.

2.1. PROGRAM STRATEGIC GOALS ACHIEVEMENT

Table 3. Program Strategic Goals Achievement

Activity	Quantitative or qualitative objectives of activities	Start date and scheduled completion date of the activity	Person responsible	Activity implementation status
1. Activities aimed at achieving the strategic goals of the program	Development of a multi-brand platform, meeting and stimulating demand for air transportation in different price segments	By Resolution of the Board of Directors of Aeroflot, PJSC dated 03.10.2015, Aeroflot Group transition to a new operating structure consisting of four companies, involving the creation of a new regional airline on the basis of Rossiya Airlines with the integration of Donavia and Orenair airlines, in a two-year term was approved.	Aeroflot, PJSC Management	Further development of the Group's airlines in the framework of the multi-brand platform. In 2017, Rossiya Airlines transported 11.15 million pass., that is 37.7 percent more than in 2016. Passenger turnover for 2017 increased one and a half times – up to 28,119 million pkm. Passenger load amounted to 84.4% In 2017, Pobeda transported 4.58 million pass. (+6.9% to 2016), at least 350 thousand tickets were sold at the minimum fare (499 rubles, including all airport charges). Status: in progress.
2. Operating costs reduction	Costs for available seat kilometers	Continuing search for and implementation of new opportunities	Deputy CEO for Commerce and Finance	In accordance with the Resolution of the Board of Directors dated 20.04.2017 (Minutes No. 14), the Company's achievement of the target indicator on costs reduction was recognized. The KPI on Costs for available seat kilometers (CASK) (for Aeroflot Group) was approved for 2017. Status: in progress.
3. Labor productivity improvement	Increased labor productivity	ongoing	Deputy CEO for Commerce and Finance	Pursuant to Directive of the Government of the Russian Federation No. 7389p-P13 dated 31.10.2014, on 02.12.2014, the Board of Directors of Aeroflot, PJSC (Protocol No. 8) instructed to develop a set of measures (list of measures) aimed at improving the labor productivity of the Company with the definition of the target values of these measures implementation indicators.



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Activity	Quantitative or qualitative objectives of activities	Start date and scheduled completion date of the activity	Person responsible	Activity implementation status
				<p>In 2016, the list of measures to improve labor efficiency was developed and approved on 22.07.2016 under No. 43/PL, updated in 2017 (Order No. 403 dated 19.10.2017).</p> <p>Analysis of measures to improve labor efficiency of Aeroflot, PJSC is conducted once a year, at the end of the reporting year. KPI that assesses the efficiency of measures to increase labor productivity is Labor Efficiency (for Aeroflot Group)</p> <p>For the purposes of regular monitoring, the KPI was included in the list of Aeroflot, PJSC CEO's and Management's KPIs for 2017. Thus, the execution control over the labor efficiency growth is implemented on a quarterly basis through the submission to the Board of Directors of Aeroflot, PJSC of the Labor Efficiency (for Aeroflot Group) KPI.</p> <p>Status: in progress.</p>
4. Procurement optimization	Increase in the efficiency and transparency of procurement activities, minimization of procurement costs	ongoing	Deputy CEO for Legal and Property Matters	<p>The efficiency of procurement activities has been increased.</p> <p>Status: in progress.</p>
5. Investment program implementation	Ensuring dynamic development of production and operating activities	ongoing	Deputy CEO for Commerce and Finance	<p>Investment program measures have been implemented.</p> <p>In the framework of the Aeroflot Group's investment program for 2017, all major measures to improve the efficiency of investment activities were carried out at the stage of the budget campaign in accordance with the Regulations for Improving Investment and Operational Efficiency and Reducing Costs, prepared in accordance with the directives of the Government of the Russian Federation and approved by the Board of Directors of the Company on 21.12.2015.</p> <p>At the budget stage, the economic efficiency of each project, the priority status thereof and compliance with the demands of Aeroflot Group companies for the planned period were evaluated. Strict selection and control of projects at the</p>

Activity	Quantitative or qualitative objectives of activities	Start date and scheduled completion date of the activity	Person responsible	Activity implementation status
				<p>stage of initiation allowed to form an optimized portfolio of the investment program for the next budget year. During the year, additional measures to improve the efficiency of investment activities were not carried out.</p> <p>Status: in progress.</p>
<p>6. Implementation of the Innovation Development Program</p>	<p>Establishing competencies leading to long-term sustainable competitive advantages</p>	<p>ongoing</p>	<p>Deputy CEO for Customer Service</p>	<p>Investment program measures have been implemented.</p> <p>In accordance with the Directive to the representatives of the interests of the Russian Federation for participation in meetings of boards of directors (supervisory boards) of open joint stock companies implementing innovative development programs No. 1471p-P13 dated March 3, 2016, information on the implementation of activities in the field of innovative development is submitted to the Ministry of Economic Development, the Ministry of Transport and the Ministry of Education and Science on an annual basis, as part of the report on IDP implementation.</p> <p>Status: in progress.</p>
<p>7. Increase/decrease of share in the authorized capital of subsidiaries</p>	<p>Assets composition and structure optimization. Improving the efficiency of asset use. Reduction of financial costs associated with the maintenance of non-core assets.</p>	<p>in accordance with the non-core assets disposal program of Aeroflot, PJSC</p>	<p>Deputy CEO for Legal and Property Matters</p>	<p>200 ordinary A-class shares of Sampo plc were sold. Change in the share in the authorized capital of this company amounted to 0.000036%. The Resolution, according to which the change took place, was adopted by the Board of Directors of Aeroflot, PJSC on 23.06.2017 (Minutes No. 17 dated 23.06.2017).</p> <p>It was planned to hold an auction for the sale of 5,000 ordinary shares (share in the authorized capital is 3.85 %) of Transport Clearing House, Public Joint Stock Company. The shares of TCH, PJSC have not been sold due to the failed open auction in electronic form (Minutes dated 11.09.2017) due to the lack of applications for participation.</p>
<p>8. Development of a network of routes</p>	<p>Meeting the growing demand for air transportation. Improving the convenience and</p>	<p>ongoing</p>	<p>Deputy CEO for Commerce and Finance</p>	<p>Information on the development of the Aeroflot Group route network is provided in Section 2.2 hereof.</p> <p>Status: in progress.</p>

Activity	Quantitative or qualitative objectives of activities	Start date and scheduled completion date of the activity	Person responsible	Activity implementation status
9. Aircraft Fleet Development	<p>availability of air transportation.</p> <p>Meeting the demand in the carrying capacities of the aircrafts taking into account the increase in carriage.</p> <p>Improving the economic efficiency of aircraft operation.</p>	ongoing	Deputy CEO for Commerce and Finance	<p>Information on the development of the aircraft fleet is provided in Section 2.3 hereof.</p> <p>Status: in progress.</p>
10. Production capacities development	<p>Ensuring balanced development of infrastructure of Sheremetyevo Airport in view of the growing need to increase capacity in accordance with the traffic growth rate</p>	ongoing	First Deputy CEO for Operations Management	<p>Of the measures on the development of the production base of Aeroflot Group, 8 have been successfully implemented or are in the process of implementation; also, of the measures on the development of the Group's own infrastructure, 3 measures have been implemented or are in the process of implementation</p> <p>Status: in progress.</p>
11. Corporate governance improvement	<p>Improving the efficiency of the company, increasing the trust of shareholders and investors.</p> <p>Increase in capitalization.</p>	in accordance with the action plan (the road map) on the improvement of corporate governance practices	Deputy CEO for Legal and Property Matters	<p>Measures have been taken to improve corporate governance practices.</p> <p>Status: in progress.</p>
12. Ensuring the demand in human resources	Meeting the demand in human resources	ongoing	Deputy CEO for Commerce and Finance	<p>The main parameters of the demand in human resources in 2017 (headcount) (plan/actual), persons:</p> <p>- Total for Aeroflot Group: 37,336 / 35,480</p> <p>- including flight personnel: 4,091/ 3,774</p>



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Activity	Quantitative or qualitative objectives of activities	Start date and scheduled completion date of the activity	Person responsible	Activity implementation status
				<p>- Flight attendants, including SFA: 9,976/ 9,338. - Ground handling personnel: 23,269 / 22,368</p> <p>Deviation reason: Restraining the growth in the number of personnel in the performance of the actual scope of work in 2017 in order to increase labor efficiency</p> <p>Status: demand in human resources was successfully met during the reporting period.</p>
13. Marketing strategy implementation	<p>Ensuring leading positions in target market segments, increasing market share.</p> <p>Growth in passenger traffic and the number of loyal customers.</p> <p>Increased income</p>	ongoing	Deputy CEO for Customer Service	<p>Marketing strategy activities for 2017 have been implemented.</p> <p>Status: in progress.</p>

2.2. DEVELOPMENT OF A ROUTE NETWORK OF AEROFLOT GROUP

Table 4. Route network development indicators for Aeroflot Group - regular flights under 100% commercial control of Aeroflot, PJSC, 2017

Indicator	UM	Plan	Actual	Implementation process	Deviation Reasons Analysis
Number of flights	pcs.	332,352	318,368	95.79%	Delayed deliveries of Airbus A320, A321, SSJ-100.
Number of passengers	persons	42,361,712	41,551,286	98.09%	
Passenger load	%	78.73%	81.02%	102.91%	

Table 5. Route network development indicators for Aeroflot, PJSC - regular flights, 2017.

Indicator	UM	Plan	Actual	Implementation process	Deviation Reasons Analysis
Number of flights	pcs.	254,894	243,033	95.35%	Delayed deliveries of Airbus A320, A321, SSJ-100.
Number of passengers	persons	33,028,600	32,833,041	99.41%	
Passenger load	%	78.90%	81.83%	103.71%	
transfer % of the total passenger traffic of Aeroflot, PJSC in the Sheremetyevo base airport	%	43%	43%	100.00%	
Destinations	pcs.	139	139	100%	
The average frequency of flights to destinations	flights per week	18.02	17.04		

2.3. AIRCRAFT FLEET DEVELOPMENT

Table 6. Analysis of the aircraft fleet development indicators achievement of Aeroflot Group (average number of aircrafts for 2017)

Number of aircrafts	UM	Plan	Actual	Implementation process	Deviation Reasons Analysis
Aeroflot	pcs.	203.5	202.6	99.5%	Change in the SSJ delivery terms
Rossiya	pcs.	61.3	61.9	101.0%	
Aurora	pcs.	22.2	24.0	108.1%	Maintenance of the Q300 fleet at the level of 4 aircrafts, due to the securing operation thereof with contracts with the Sakhalin Region
Pobeda	pcs.	12.8	12.8	100.0%	
Total	pcs.	299.8	301.3	100.5%	

Table 7. Analysis of the Aeroflot Group aircraft fleet development indicators achievement (capacity of aircrafts, average number of aircrafts in 2017)

Aircraft capacity	UM	Plan	Actual	Implementation process	Deviation Reasons Analysis
up to 100 w.	pcs.	46.0	45.3	98.4%	Change in the SSJ delivery terms
up to 130 w.	pcs.	36.0	36.0	100.0%	
up to 169 w.	pcs.	102.5	103.3	100.7%	
up to 200 w.	pcs.	62.8	64.3	102.3%	Delayed returns of 737 AKR, A321 AFL for technical reasons
up to 250 w.	pcs.	5.0	5.0	100.0%	
300 w.	pcs.	17.0	17.0	100.0%	
300 w.	pcs.	21.5	21.5	100.0%	
Over 450 w.	pcs.	9.0	9.0	100.0%	

Table 8. Analysis of the Aeroflot Group aircraft fleet development indicators achievement (type of aircrafts, average number of aircrafts in 2017)

Type of Aircraft	UM	Plan	Actual	Implementation process	Deviation Reasons Analysis
Turboprop	pcs.	12.2	14.0	114.8%	Maintenance of the Q300 fleet at the level of 4 aircrafts, due to the securing operation thereof with contracts with the Sakhalin Region
Regional	pcs.	33.8	31.3	92.5%	Change in the SSJ delivery terms
Narrow-body	pcs.	201.3	203.5	101.1%	Delayed returns due to technical reasons
Wide-body	pcs.	52.5	52.5	100.0%	

Table 9. Analysis of compliance with the Russian-manufactured aircraft delivery schedule and the plan of measures to ensure the delivery of Russian-manufactured aircrafts in accordance with the schedule (the number of aircrafts as of the end of 2017)

Type of Aircraft	UM	Plan	Actual	Implementation process	Deviation Reasons Analysis
SSJ-100	pcs.	9	7	77%	The shift of the part of SSJ delivery to 2018
MS-21 (in accordance with modifications)	pcs.	not planned	-	-	

2.4. DEVELOPMENT AND INTRODUCTION OF MANDATORY INTERNAL DOCUMENTS IN THE CONTEXT OF IMPROVING THE CORPORATE GOVERNANCE OF THE ORGANIZATION

Table 10. Development and introduction of mandatory internal documents in the context of improving the corporate governance of the organization

Document name	Document status (primary document / review / cancellation)	Date of enforcement or cancellation	Description of changes
Aeroflot Group LTDP	Review	Extract from Minutes No. 1 on the third Agenda item of the meeting of the Aeroflot, PJSC Board of Directors Strategy Committee dated 27.01.2016	<p>The Board of Directors Strategy Committee approved the amendments proposed for the incorporation into the updated LTDP of Aeroflot Group for the period of 2015-2020 in the part of the:</p> <ul style="list-style-type: none"> - Update of Aeroflot Group's strategy for the period of 2016-2020; - Inclusion of the action plan on the substitution of the purchase of foreign products with the purchase of the equivalent Russian products; - Updating of measures for the improvement of labor efficiency of Aeroflot, PJSC and other programs.
Aeroflot Group LTDP	Review	Extract from Minutes No. 2 on the sixth Agenda item of the meeting of the Aeroflot, PJSC Board of Directors dated 08.09.2016	<p>The Board of Directors approved the amendments proposed for the incorporation into the updated LTDP of Aeroflot Group for the period of 2016-2021 in the part of updating of key strategic documents and programs, including</p> <ul style="list-style-type: none"> - Updating the Aeroflot Group's strategy for the period of 2017-2021; - Update of the Innovative Development Program of Aeroflot Group; - Update of measures for the improvement of labor efficiency of Aeroflot, PJSC and other programs.
Aeroflot Group LTDP	Review	Extract from Minutes No. 6 on the second Agenda item of the meeting of the Aeroflot, PJSC Board of Directors Strategy Committee dated 24.11.2016	<p>The Board of Directors approved the supplements proposed for the incorporation into the updated LTDP of Aeroflot Group for the period of 2016-2021 in the part of the:</p> <ul style="list-style-type: none"> - Update of the register of major investment projects of Aeroflot, PJSC for 2017; - Update of the Operating Costs Optimization Program of Aeroflot Group in 2016; - Update of weights, key performance indicators target values of the LTDP of Aeroflot Group for 2016 and for the period of 2017-2021, as well as the IKPIIA calculating formulas; - Update of data on the Plan of Financing the Activities for 2016 to be implemented in the framework of the investment program and other development plans in the territory of the Far Eastern Federal District; - Update of data on the Plan of Financing the Activities for 2017, to be implemented in the framework of the investment program;

Document name	Document status (primary document / review / cancellation)	Date of enforcement or cancellation	Description of changes
			<ul style="list-style-type: none"> - Update of information on the Route Network Development Program, the Aircraft Fleet Development Program; - Update of data on the forecast of passenger traffic of Aeroflot Group at Sheremetyevo airport for the period of 2017-2021.
Aeroflot Group LTDP	Review	Extract from Minutes No. 7 on the third Agenda item of the meeting of the Aeroflot, PJSC Board of Directors dated 22.12.2016	<p>The Board of Directors approved the amendments proposed for the incorporation into the updated LTDP of Aeroflot Group for the period of 2016-2021 in the part of the:</p> <ul style="list-style-type: none"> - Update of Aeroflot Group's investment plan for 2016-2017; - Update of the register of major investment projects of Aeroflot, PJSC for 2017; - Update of the list, weights, key performance indicators target values of Aeroflot Group for the period of 2017-2021.
Aeroflot Group LTDP	Review	Updated on 22.12.2016, extract from Minutes No. 7 on the third Agenda item of the meeting of the Aeroflot, PJSC Board of Directors dated 22.12.2016	Performance indicators and planned activities for the updated medium-term period have been updated
Aeroflot Group LTDP	Review	Updated on 21.12.2017, extract from Minutes No. 7 on the third Agenda item of the meeting of the Aeroflot, PJSC Board of Directors dated 21.12.2017	Performance indicators and planned activities for the period of 2018-2022 have been updated
Regulation on Risk Management System of Aeroflot Group	RKp-GD-002. Version 01 Review 02	Approved by the Board of Directors of Aeroflot, PJSC on 21.12.2017 (Minutes No. 7)	The document defines the goals, objectives and main components of the corporate risk management system (hereinafter, the CRMS), as well as the principles and approaches used in the implementation and operation of the CRMS, contributing to the achievement of the goals of the Aeroflot Group activities and corresponding to the recognized international standards in the field of corporate risk management.
Risk Register of Aeroflot Group	Not applicable	Approved by the Board of Directors of Aeroflot, PJSC on 21.12.2017 (Minutes No. 7)	The document contains information in tabular form on all identified risks of Aeroflot Group as of the date of approval.
Map of risks of Aeroflot Group	RI-GD-371, primary document	Approved by the Board of Directors of Aeroflot, PJSC on 21.12.2017 (Minutes No. 7)	The document contains information in graphic form on all identified risks of Aeroflot Group as of the date of approval. The Annex to the document contains a list of "red zone" risks.

Document name	Document status (primary document / review / cancellation)	Date of enforcement or cancellation	Description of changes
Organization standard “Risk Management. Risk Management Methodology. General Provisions”	STO 21.0, primary document	Order of Aeroflot, PJSC No. 288 dated 27.07.2017	The document sets out the unified approaches and algorithms for the selection, organization and use of the structure, logical organization, methods and risk management tools in Aeroflot Group, implementing the concept of the unified risk management methodology set out in the Regulation on the Risk Management System of Aeroflot Group.
Risk Appetite Declaration of Aeroflot Group	RI-GD-391, primary document	Approved by the Board of Directors of Aeroflot, PJSC on 21.12.2017 (Minutes No. 7)	The document establishes an acceptable (admissible) level of risk in relation to key risks (risk groups) of Aeroflot Group.
Quality Manual of Aeroflot, PJSC	Version 05, Review 00	Approved by the Board of Directors of Aeroflot, PJSC on 23.12.2016 (Minutes No. 8), enforced by Order of Director General No. 47 dated 03.02.2017	Changes in connection with the release of new editions of international ISO 9001:2015, IOSA standards, changes in the regulatory administrative documents (Articles of Association of Aeroflot, PJSC, Regulations on the Board of Directors, Regulations on the management Board of Aeroflot, PJSC, the organizational structure of the company), as well as the introduction of Anti-Corruption Policy of Aeroflot Group
Regulations on the Audit Committee of Aeroflot-Russian Airlines, Public Joint Stock Company (Version No. 4)	Primary Document	Approved by the General Meeting of Shareholders of Aeroflot, PJSC, Minutes No. 37 dated June 25, 2015	No changes have been made in the reporting period
Regulations on Key Performance Indicators of Aeroflot, PJSC.	Review	BD of Aeroflot, PJSC dated 28.04.2016 (Minutes No. 15) Enforced by Order No. 203 dated 28.07.16 28.09.2017 BD of Aeroflot, PJSC dated 28.09.2017 (Minutes No. 3)	<ol style="list-style-type: none"> 1. Resolution of the Board of Directors of Aeroflot, PJSC dated 27.10.16 (Minutes No. 4) – IKPIIA calculating methods adjustment (for Aeroflot Group). 2. Resolution of the Board of Directors of Aeroflot, PJSC dated 22.12.16 (Minutes No. 7) – Total Shareholders’ Return (TSR) (for Aeroflot Group) calculating methods adjustment 3. On 20.04.2016 the BD of Aeroflot, PJSC approved the update parameters of the Regulations: <ul style="list-style-type: none"> - adjustment of the bonus-reduction index; - bonus-reduction conditions - adjustment of methods for calculating individual KPIs
Regulations for improving investment and operational	Primary Document	The BD of Aeroflot, PJSC dated 21.12.2015 (Minutes No. 8)	No changes have been made in the reporting period



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efficiency and reducing Aeroflot Group's expenses		Enforced by Order No. 153 dated 19.05.2016 from 01.01.2016,	

3. THE RELATIONSHIP BETWEEN THE KPIs ACHIEVEMENT DEGREE AND ORGANIZATION’S TOP MANAGEMENT REMUNERATION, INCLUDING ESTABLISHMENT OF RESPONSIBILITY OF TOP MANAGEMENT FOR THE FAILURE TO REACH THE SET KPIs. INFORMATION ABOUT KPIs CASCADING ACROSS CONTROL LEVELS, ABOUT LINKING TO THE TOP MANAGEMENT REMUNERATION.

Table 11. The Relationship Between The KPIs Achievement Degree and Organization’s Top Management Remuneration

Description	Data
Description of the relationship between the KPIs achievement degree and organization’s top management remuneration, including establishment of responsibility of top management for the failure to reach the set KPIs.	<p>1 LTDP KPIs of Aeroflot Group fully comply with the KPIs of Director General of Aeroflot, PJSC and KPIs of the top management (members of the Management Board) of Aeroflot, PJSC.</p> <p>2. The amount of the bonus payable to the top management of Aeroflot, PJSC is dependent on the achievement of approved KPIs for the reporting period, which is established in employment contracts and the applicable regulations on bonus payments for managers and specialists of Aeroflot, PJSC.</p> <p>3. The list and weight of KPIs of Director General of Aeroflot, PJSC for 2017 reflecting the company's KPI system, were approved by the Board of Directors of Aeroflot, PJSC on November 24, 2016 (Minutes No. 6) The target KPI values of Director General of Aeroflot, PJSC for 2017 were approved by the Board of Directors of Aeroflot, PJSC on December 22, 2016 (Minutes No. 7). KPIs list, weights and target values for 2017 of the top management (the Management Board Members of Aeroflot, PJSC) and other employees of Aeroflot, PJSC were approved by Order of Director General No. 465 dated 30.12.2016.</p>
KPIs cascading across control levels, information on linking KPIs to the top management remuneration with the indication of internal organizational and administrative documents and details thereof	<p>1. Order No. 196 dated 15.05.2017 (the top management bonus scale adjustment).</p> <p>2. Orders dated 16.10.2017 No. 397 (excluding the reduction coefficient for failure to achieve budget parameters).</p> <p>3. Order No. 475 dated 05.12.2017 (adjustment of the blocking index (bonus-reduction index) used to zero bonus payments to the Management)</p>
Information on changes introduced to the regulations (and other documents) related to the management incentive system in the reporting period	

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4. THE RESULTS OF THE LTDP AND KPIs AUDIT

The independent auditor of BDO Unicon, JSC has audited the implementation of the Long-term Development Program of Aeroflot Group for 2017.

Based on the results of the independent audit, an opinion was formed on the preparation of information on the degree of implementation of the measures provided for in the Long-Term Development Program for the period from 01.01.2017 to 31.12.2017, on the actual KPI values for 2017 and the degree of achievement of the planned values thereof in accordance with the criteria set forth in the Long-Term Development Program, as well as on the completeness and relevance of explanations of the Aeroflot – Russian Airlines, PJSC management on the reasons for the deviation of the Group's actual KPI values from the ones planned under the Long-term Development Program, given in the Report on the Implementation of the Long-Term Development Program of Aeroflot Group and the achievement of key performance indicators for 2017. The Opinion was received on March 30, 2018 under No. 1658-BDO-18.

In general, the planning and implementation of measures set forth in the LTDP of Aeroflot Group complies with the principles established in the Guidelines for the Development of LTDP, Guidelines for the use of KPIs, other directives and instructions of the Government of the Russian Federation and the Federal Property Management Agency.

5. ANNEXES

A. IMPLEMENTATION OF THE MEASURES AIMED AT ENSURING PRIORITY OF FUNDING OF THE FAR EAST SOCIO-ECONOMIC DEVELOPMENT OBJECTIVES.

Ensuring priority of funding of the Far East socio-economic development objectives.

Table 12. Analysis of implementation of special measures aimed at ensuring priority of funding of the Far East socio-economic development objectives.

Name of measures/ subjects	Name of city / facility in the FEFD	Design/ quant. indicators (actual)	Implementati on start year	Implementati on completion year	Total value, million rubles	Depreciation value, million rubles	Financing plan, million rubles			Expected socio-economic impact	
							2017	2018	2019		
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>	<i>11</i>	
Sales program on the flat fare direct carriage (the Far East) from the Sheremetyevo Airport, roundtrip											
	Vladivostok	294,121 passengers	2017	2017	n/a	n/a	280,000 passengers				
	Khabarovsk	229,646 passengers	2017	2017	n/a	n/a	212,000 passengers				
	Yuzhno-Sakhalinsk	142,949 passengers	2017	2017	n/a	n/a	141,000 passengers				
	Petropavlovsk-Kamchatskiy	147,860 passengers	2017	2017	n/a	n/a	139,500 passengers				
	Magadan	20,316 passengers	2017	2017	n/a	n/a	18,700 passengers				
Measures set forth under the current investment program (Strategy, business plan, other development plans)											
Investments in Aurora Airline											
Aircraft Maintenance	Sakhalin Region/ Primorye Territory/ Khabarovsk Territory	65.36	2017	2017			229.23	85.09			Ensuring implementation of the program of air transportation to the Far Eastern Federal District up to 1.6 million
Providing ground handling services at the airport	Sakhalin Region/ Primorye Territory/ Khabarovsk Territory	33.16	2017	2017			58.43	68.47			
Development of the training facility	Sakhalin Region/ Primorye Territory/ Khabarovsk Territory		2017	2017			-	1.48			

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Name of measures/ subjects	Name of city / facility in the FEFD	Design/ quant. indicators (actual)	Implementati on start year	Implementati on completion year	Total value, million rubles	Depreciation value, million rubles	Financing plan, million rubles			Expected socio-economic impact
							2017	2018	2019	
<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>	<i>10</i>	<i>11</i>
Providing passenger service	Sakhalin Region/ Primorye Territory/ Khabarovsk Territory	21.68	2017	2017			22.00			passengers by 2018.
Construction of new facilities	Sakhalin Region/ Primorye Territory/ Khabarovsk Territory	12.54	2017	2017			106.32	70.00		
IT-systems development	Sakhalin Region/ Primorye Territory/ Khabarovsk Territory	20.45	2017	2017			21.41	28.54		
Other capital investments in fixed assets	Sakhalin Region/ Primorye Territory/ Khabarovsk Territory	35.33	2017	2017			24.04	16.54		
Investments into the software	Sakhalin Region/ Primorye Territory/ Khabarovsk Territory	12.95	2017	2017			20.87	34.30		
TOTAL, investments	Sakhalin Region/ Primorye Territory/ Khabarovsk Territory	201.48					482.29	304.42		

Table 113. Measures to ensure social transportation in the Far East

Activity	Quantitative or qualitative objectives of activities	Person responsible	Start date and scheduled completion date of the activity	Activity implementation status
Flat fare carriage	To carry 791.2 thousand passengers	NRMD	2017	834,892 passengers carried
Participation in the subsidized carriages	1,317,173,500 rubles of subsidies were allocated for Far Eastern carriages.	NRMD	2017	185,983 passengers carried
Participation in the carriages to the Eastern Economic Forum 2017.	Provide transportation of 1,300 personnel, Forum participants and media representatives.	NRMD	02.09 -10.09.2017	Completed.
Participation in transportation of Great Patriotic War veterans	Provide transportation of 214 veterans and accompanying persons during the campaign.	NRMD	2017	Completed.

B. IMPLEMENTATION OF MEASURES FOR GRADUAL INCREASE IN THE SHARE OF PROCUREMENT OF GOODS, WORKS AND SERVICES FROM SMALL AND MEDIUM-SIZED BUSINESSES

Table 14. Implementation of Measures for Gradual Increase in the Share of Procurement of Goods, Works and Services from Small and Medium-Sized Businesses

Item No.	Indicator	UM	Plan	Actual	Implementation process	Deviation Reasons Analysis
1	Share of purchases from small and medium-sized businesses	%	At least 40%	89.40%	223.50%	Increase in the number of contracts (and payments thereunder) with small businesses in 2017

B. IMPLEMENTATION OF MEASURES ON THE SUBSTITUTION OF THE PURCHASE OF FOREIGN PRODUCTS (WORKS, SERVICES) WITH THE PURCHASE OF THE EQUIVALENT RUSSIAN PRODUCTS

Table 15. Implementation of measures on the substitution of the purchase of foreign products (works, services) with the purchase of the equivalent Russian products;

Item No.	Description of implemented (or ongoing) import substitution activities for the reporting period	Person responsible	Results, terms and current status of the import substitution measures implementation
1	Research project “Development of the composition and technology for the production of de-icing fluid for ground anti-icing treatment of aircrafts and the organization of the developed de-icing fluid manufacture”	GHD	At present, research work has been completed to assess the efficiency of the development of composition, formulation and production technology for the Russian-made anti-icing liquid (AIL) Type-IV "AerFly", to assess the competitiveness of the developed AIL and the prospects for the use of AIL based on propylene glycol for anti-icing protection (AIP) of aircrafts in precipitation at low outdoor temperatures. As a result of the work, it will be decided to continue / suspend the works on the development of AIL.
2	Technical support and maintenance of technical borescopes and other GE-manufactured equipment for non-destructive method of production control	Aircraft Maintenance Department	Previously, the borescopes were sent for repair at D-72379, Hechingen, Germany, Lotzenaker, 4. At the moment, video boroscopes are sent to: Russia, 248001, Kaluga, Rosva, Industrial Park Rosva, the GE Center of Energy Technologies
3	Boroscope inspection of aircraft engines	AMD, PrcMD	Previously, endoscopic equipment was supplied by foreign suppliers, according to the results of the procurement procedures of 2017, the Russian “Research and Production Enterprise of Special and Medical Equipment, LLC” (RPE SME, LLC) won the bid.

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Item No.	Description of implemented (or ongoing) import substitution activities for the reporting period	Person responsible	Results, terms and current status of the import substitution measures implementation
5	Supply of stickers for B777, B737, A330	CAD	Being implemented The procedure is scheduled for announcement in the second quarter of 2018.
6	Transition of the protection system against leakage of confidential information from the Websense Data Security Suite (USA) to InfoWatch Traffic Monitor (Russia)	DFES	Transition to the Russian-made InfoWatch Traffic Monitor protection system. Commissioned by Order No. 905-3/R dated 12.01.2018.
7	Anti-virus solution transition from Symantec Endpoint Protection (USA) to Kaspersky Total Security (Russia)	DFES	Work is carried out according to the Plan approved by Order of Deputy CEO for Information Technologies No. 328/U dated 14.12.2017. Works completion date - 18.06.2018. The result of the project implementation: transition of all computers and servers of Aeroflot, PJSC (including those of representative offices) to the protection of the Russian anti-virus solution.
8	Transition of security analysis system from QualysGuard (USA) to MaxPatrol (Russia)	DFES	Transition to the Russian MaxPatrol security analysis system was carried out. Commissioned by Order No. 905-3/R dated 12.01.2018.