

REPORT
on Implementation of the Long-Term Development Program
of Aeroflot Group and Achievement of Key Performance Indicators
for 2018
(abridged version)

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1. ACHIEVEMENT OF TARGET LEVELS OF KPIS

2.

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

1.2

Table 1. LIST OF KPIS WITH THE TARGET VALUES APPROVED BY THE BOARD OF DIRECTORS OF PJSC "AEROFLOT"

No.	KPI Name	Weight for 2018	Unit of measurement	Target value for the 1st quarter of 2018	Target value for the 2nd quarter of 2018	Target value for the 3rd quarter of 2018	Target value for the 4th quarter of 2018	Target value for the year 2018
1.	ROIC (for "Aeroflot" Group)	20.0%	%	-*	-*	-*	-*	12.9%
2.	Total shareholder return (TSR) (for Aeroflot Group)	10.0%	%	-*	-*	-*	-*	20%
3.	Long-term debt/EBITDAR (for "Aeroflot" Group)	5.0%	-	-*	-*	-*	-*	0.75
4.	Integrated Key Performance Indicator for Innovative Activities (IKPIIA) (for Aeroflot Group)	10.0%	%	-*	-*	-*	-*	100%
5.	Investment Program Efficiency (for Aeroflot Group)	5.0%	-	-*	-*	-*	-*	10.91
6.	Cost of Available Seat-Kilometres (for Aeroflot Group)	5.0%	cent/kkm	-*	-*	-*	-*	4.9
7.	Share of financing with state support in the total amount of raised financing (for Aeroflot Group)	5.0%	%	-*	-*	-*	-*	0%
8.	Punctuality of flights (for Aeroflot Group)	5.0%	%	87.0%	87.0%	87.0%	87.0%	87.0%
9.	Aircraft safety factor of PJSC "Aeroflot"	15.0%	%	99.957%	99.957%	99.957%	99.957%	99.957%
10.	Passanger load factor (for Aeroflot Group)	10.0%	%	78.3%	83.0%	88.2%	79.5%	82.0%
11.	Labour productivity (for Aeroflot Group)	10.0%	mln kkm/person	0.972	1.099	1.236	1.124	4.489

List, weights and target values of KPIS of the LTDP/GD for 2018 were approved by the BoD on 21.12.17 (minutes No. 7), updated from the 2nd quarter of 2018 by resolution of the BoD dated 26.04.2018 (minutes No. 13) and from the 3rd quarter of 2018 - by resolution of the BoD dated 31.10.2018 (minutes No. 7) in connection with the approval of the adjusted budget of Aeroflot Group for 2018. *KPI performance is assessed on the basis of actual performance results for the reporting year.

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

Table 2. Comparison of actual KPIs with the target values for 2018. Analysis of the reasons for deviations.

No.	KPI Name	Weight	Unit of measurement	Plan for 2018	Actual for 2018	percent completion	Deviation, p.p.	Analysis of the reasons for deviation
1.	ROIC (for Aeroflot Group)	20.0%	%	12.9%	12.0%	93.02%	-0.9%	Increase in fuel costs.
2.	Total shareholder return (TSR) (for Aeroflot Group)	10.0%	%	20%	-18%	0.00%	-38%	- The impact of macroeconomic factors on the decline in operating profitability and net profit of Aeroflot Group during the year (increase in the costs of fuel and lubricants); - The risks of strengthening of potential sanctions (against the Russian market in general and Aeroflot in particular - bans on flights to the United States).
3.	Long-Term Debt/EBITDA (for Aeroflot Group)	5.0%	-	0.75	0.80	93.33%	+0.05	Increase in fuel costs.
4.	Integrated Key Performance Indicator for Innovative Activities (IKPIIA) (for Aeroflot Group)	10.0%	%	100%	100%*	100.00%	0%	
5.	Investment Program Efficiency (for Aeroflot Group)	5.0%	-	10.91	20.11	184.33%	+9.20	Effective return on investment projects in 2018, subject to saving investment costs.
6.	Cost of Available Seat-Kilometres (for Aeroflot Group)	5.0%	cent/kkm	4.9	5.45	88.78%	+0.55	- Increase in the costs for fuel and lubricants by 36% by 2017 and by 45% by 2016. - Change in currency exchange rates by 6.6%; (target value - 4.9 cent/kkm is established as the minimum achieved result by the end of 2016). Subject to exclusion of increase in prices for fuel and lubricants, the indicator equaled to 97.8%.
7.	Share of financing with state support in the total amount of raised financing (for Aeroflot Group)	5.0%	%	0%	0%	100.00%	0%	
8.	Punctuality of flights (for Aeroflot Group)	5.0%	%	87.0%	89.9%	103.33%	+2.9%	Implementing activities by the companies of Aeroflot Group to improve punctuality of aircraft departures:

No.	KPI Name	Weight	Unit of measurement	Plan for 2018	Actual for 2018	Deviation, percent completion p.p.	Analysis of the reasons for deviation
							<ul style="list-style-type: none"> - implementing joint activities by structural subdivisions of PJSC "Aeroflot" and third-party companies to improve punctuality of departure/arrival of aircraft in/from base/off-base airports; - Work on air traffic management to improve punctuality of flight arrivals and, as a result, to increase punctuality of departures.
9.	Aircraft safety factor of PJSC "Aeroflot"	15.0%	%	99.957%	99.974%	103.95% +0.017%	<p>Implementation of effective flight safety management activities:</p> <ul style="list-style-type: none"> - Implementation of activities based on the results of investigations of aviation accidents; - Monitoring of the main operating risks and development of timely remedial action to reduce them to an acceptable level; - Reducing the number of aviation accidents associated with errors and violations in flight operation; - Reducing the number of incidents (compared to the value of 2017) assessed as "Abnormal Situations" by hazard level
10.	Passenger load factor (for Aeroflot Group)	10.0%	%	82.0%	82.7%	100.85% +0.7%	Carrying out effective activities to increase the use of aircraft fleet capacities
11.	Labor productivity (for Aeroflot Group)	10.0%	mln kkm/person	4.489	4.551	101.38% +0.062	Increase in labor productivity of Aeroflot Group is due to the provision of budget parameters for the growth of work volumes while limiting the growth in the number of personnel.

List, weights and target values of KPIs of the LTDP/GD for 2018 were approved by the BoD on 21.12.17 (minutes No. 7), updated from the 2nd quarter of 2018 by resolution of the BoD dated 26.04.2018 (minutes No. 13) and from the 3rd quarter of 2018 - by resolution of the BoD dated 31.10.2018 (minutes No. 7) in connection with the approval of the adjusted budget of Aeroflot Group for 2018.

* - the actual value of the KPI will be determined based on the results of the Interdepartmental Working Group. According to the head of the innovative solutions, the presented value corresponds to the minimum possible achieved value for 2018 (91%), taking into account minutes No. 1 dated 27.02.2018 of the interdepartmental working group on implementation of the priorities of innovative development, on the possibility of paying a bonus on IKPIIA in full, subject to deviation of the actual value from the planned value by no more than 10%.

3. ANALYSIS OF THE LEVEL OF IMPLEMENTATION OF PROGRAM ACTIVITIES

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

2.1. ACHIEVEMENT OF STRATEGIC OBJECTIVES IN ACCORDANCE WITH THE PROGRAM

Table 3. Achievement of strategic objectives in accordance with the program

Activity	Quantitative or qualitative objectives of activities	Start and end dates of the activity	Person in charge	Activity implementation status
1. Activities aimed at achieving the strategic objectives of the program	Development within the multi-brand platform, meeting and stimulating demand for air transportation in different price segments	on an ongoing basis	Management of PJSC "Aeroflot"	Further development of the Group's airlines within the multi-brand platform. In 2018, "Rossiya" airlines carried 11.1 mln passengers, the route network included social directions to the points of the Far East, while for the convenience of providing connections, the airline's flights were transferred to Sheremetyevo airport. In 2018, "Pobeda" airlines carried 7.18 mln passengers (+56% compared to 2017), increasing carriage along domestic routes. Status: in progress.
2. Reducing operating costs	The cost of available seat-kilometres	Search for and implementing new opportunities on an ongoing basis	Deputy Chief General for Commerce and Finance	In accordance with Resolution of the Board of Directors dated 20.04.2017 (minutes No. 14), achievement by the Company of the target value on cost reduction was recognized. KPI "Costs per available seat-kilometres" was approved for 2018. Status: in progress.
3. Increased labour productivity	Labour productivity growth	on an ongoing basis	Deputy Chief General for Commerce and Finance	The target indicators of labour productivity increase were achieved. Pursuant to Directive No. 7389п-П13 of the Government of the Russian Federation dated 31.10.2014, the Board of Directors of PJSC "Aeroflot" on 02.12.2014 (minutes No. 8) instructed to develop a set of measures (a list of activities) aimed at increasing the Company's labour productivity with determining the target values of implementation of the above mentioned activities.

Activity	Quantitative or qualitative objectives of activities	Start and end dates of the activity	Person in charge	Activity implementation status
				<p>In 2016, the list of activities to improve labour productivity was developed and approved on 22.07.2016 under No. 43/PI, and was updated in 2017 (order dated 19.10.2017 No. 403).</p> <p>Analysis of activities to improve labour productivity of PJSC "Aeroflot" is carried out once a year, according to the results of the reporting year. KPI evaluating the efficiency of activities implemented to increase labour productivity is "Labor Productivity (for Aeroflot Group)".</p> <p>For the purposes of regular monitoring, KPI was included in the list of KPIs of GD and management of PJSC "Aeroflot" for 2018. Thus, control over execution [of activities] for labour productivity increase is exercised on a quarterly basis through submission to the Board of Directors of PJSC "Aeroflot" of the [data on the] performance of the KPI "Labour Productivity (for Aeroflot Group)".</p> <p>Status: in progress.</p>
4. Optimization of Procurement Activities	Improvement of efficiency and transparency of procurement activities, minimization of the cost of procurement	on an ongoing basis	Deputy General Director for Legal and Property Issues	The efficiency of procurement activities has been increased. Status: in progress.
5. Investment Program Implementation	Ensuring the dynamic development of production - operations	on an ongoing basis	Deputy Chief General for Commerce and Finance	Activities of the investment program have been implemented. As part of Aeroflot Group's investment program for 2018, all major activities to improve the efficiency of investment activities were carried out at the stage of the budget campaign in accordance with the "Rules for Improving Investment and Operational Efficiency and Reducing Costs", prepared in compliance with the directives of the Government of the Russian Federation and approved by the Company's Board of Directors on 21.12.2015.

Activity	Quantitative or qualitative objectives of activities	Start and end dates of the activity	Person in charge	Activity implementation status
				<p>At the budget stage, cost-effectiveness analysis of each project, its priority status and compliance with the needs of Aeroflot Group companies for the planning period were assessed. Strict selection and control of projects at the initiation stage allowed to form an optimized portfolio of the investment program for the next budget year. During the year, no additional activities to improve the efficiency of investment activities were carried out.</p> <p>Status: in progress.</p>
<p>6. Implementation of the Innovative Development Program</p>	<p>Formation of competencies leading to creation of long-term sustainable competitive advantages</p>	<p>on an ongoing basis</p>	<p>Deputy General Director for Customer Relationships</p>	<p>Activities of the innovative development program have been implemented.</p> <p>Status: in progress.</p> <p>In accordance with the Directive, to participate in the meetings of the Board of Directors (Supervisory Boards) of open joint-stock companies implementing innovative development programs (IDP) dated March 3, 2016 No. 1471п-II13, representatives of the interests of the Russian Federation provide information on implementation of activities in the field of innovative development to the Ministry of Economic Development of Russia, Mintrans (the Ministry of Transport) and the Ministry of Education of Russia on an annual basis as part of report on implementation of the IDP.</p>
<p>7. Increase/decrease in the authorized capital of subsidiaries</p>	<p>Optimization of the composition and structure of assets. Improving the efficiency of using the asset. Reduction of financial costs associated with maintenance and repair.</p>	<p>In accordance with the program of alienation of non-core assets of PJSC "Aeroflot"</p>	<p>Deputy General Director for Legal and Property Issues</p>	<p>No changes in the authorized capital of subsidiaries for 2018 were planned or occurred.</p> <p>Status: executed</p>

Activity	Quantitative or qualitative objectives of activities of non-core assets.	Start and end dates of the activity	Person in charge	Activity implementation status
8. Development of a route network	Meeting the growing demand for air carriage. Improving the convenience and affordability of air carriage.	on an ongoing basis	Deputy Chief General for Commerce and Finance	Information on the development of the route network of Aeroflot Group is provided in section 2.2 hereof. Status: in progress.
9. Aircraft Fleet Development	Ensuring the need for aircraft carrying capacities taking into account the growth of traffic volumes. Improving economic efficiency of aircraft operation.	on an ongoing basis	Deputy Chief General for Commerce and Finance	Information on aircraft fleet development is provided in section 2.3 hereof. Status: in progress.
10. Production Facilities Development	Ensuring a balanced infrastructure development by "Sheremetyevo" airport in view of the growing demand in increase of capacity in accordance with the growth rate of carriage	on an ongoing basis	First Deputy General Director for Production	Activities to implement the development of Aeroflot Group's production facilities include 7 activities which have been successfully implemented or are in progress. Activities to develop the Group's own infrastructure include 4 executed activities, 2 activities cancelled for external reasons, which was confirmed during the audit. Status: in progress.

Activity	Quantitative or qualitative objectives of activities	Start and end dates of the activity	Person in charge	Activity implementation status
11. Improved Corporate Governance	Improvement of operational efficiency of the company, increase in trust from shareholders and investors. Increase in capitalization.	on an ongoing basis	Deputy General Director for Legal and Property Issues	Measures have been taken to improve corporate governance practice. Status: in progress.
12. Ensuring Human Resource Demands	Meeting human resource demands	on an ongoing basis	Deputy Chief General for Commerce and Finance	Basic parameters of the Group's demand in human resources in 2018 (headcount) (plan/actual), persons: - Total for Aeroflot Group: 38,720 / 38,032 - including flight crews: 4,234/ 4,013 - Flight attendants, including SFA (Senior Flight Attendants): 10,443/ 10,329 - Ground crew: 24,044 / 23,690 The reason for deviation: Restraining the growth in staff number, subject to performance of the actual volume of work in 2018 in order to increase labour productivity Status: the demand in human resources was successfully met during the reporting period.
13. Marketing Strategy Implementation	Providing the leading positions in target market segments, increasing the market share. Growth of passenger traffic, number of loyal customers. Increased profit.	on an ongoing basis	Deputy General Director for Customer Relationships	Marketing strategy activities have been implemented. Status: in progress.

Activity	Quantitative or qualitative objectives of activities	Start and end dates of the activity	Person in charge	Activity implementation status
14. Implementation of Activities to Improve Environmental Friendliness and Energy Efficiency	Compliance with national and international climate change regulations. Fuel efficiency improvement. Reduction of energy consumption.	on an ongoing basis	Management of PJSC "Aeroflot"	Environmental and energy efficiency activities have been implemented. Status: in progress.

2.2. DEVELOPMENT OF THE ROUTE NETWORK OF AEROFLOT GROUP

Table 4. Indicators of Route Network Development for Aeroflot Group - Regular Flights under 100% Commercial Management of PJSC "Aeroflot", 2018.

Indicator	Unit of measurement	Plan	Actual	Percentage completion	Analysis of the reasons for deviation
Number of flights	pcs.	345,895	345,978	100.02%	
Number of passengers	persons	44,675,768	44,448,802	99.49%	
Passenger load factor	%	80.12%	80.56%	100.55%	

Table 5. Development Indicators of the Route Network of PJSC "Aeroflot" - Regular Flights, 2018.

Indicator	Unit of measurement	Plan	Actual	Percentage completion	Analysis of the reasons for deviation
Number of flights	pcs.	272,035	272,441	100.15%	
Number of passengers	persons	35,790,774	35,738,556	99.85%	
Passenger load factor	%	80.45%	80.59%	100.17%	
% of transfer of the total passenger traffic of PJSC	%	42.3%	40.7%	96.22%	Under the conditions of growth of capacitive supply, growth is recorded of transit passenger traffic

"Aeroflot" at the base airport Sheremetyevo

of "Aeroflot" by 3.6% (from 13.9 mln passengers in 2017 to 14.4 mln passengers in 2018) but its share in the total number of carried passengers slightly decreased.

2.3. AIRCRAFT FLEET DEVELOPMENT

Table 6. Analysis of Achievement of the Targets for Development of Aircraft Fleet of Aeroflot Group (Average Number of Aircraft in 2018)

Number of aircraft	Unit of measurement	Plan	Actual	Percentage completion	Analysis of the reasons for deviation
Aeroflot	pcs.	240.8	241.6	100.3	
Rossyia	pcs.	63.6	63.8	100.4	
Aurora	pcs.	24.5	24.0	98.0	DHC6 supplies delay
Pobeda	pcs.	20.0	20.3	101.5	
Total	pcs.	348.9	349.7	100.2	

Table 7 Analysis of Achievement of the Targets for Development of Aircraft Fleet of Aeroflot Group (Aircraft Capacity, Average Number of Aircraft in 2018)

Aircraft capacity	Unit of measurement	Plan	Actual	Percentage completion	Analysis of the reasons for deviation
Up to 100 kp.	pcs.	62.2	59.5	95.7	Delays in supply of SSJ and DHC6
Up to 130 kp.	pcs.	35.0	35.9	102.6	
Up to 169 kp.	pcs.	122.9	124.3	101.2	
Up to 200 kp.	pcs.	73.5	74.6	101.5	
Up to 250 kp.	pcs.	5.0	5.0	100.0	
300 kp.	pcs.	17.0	17.0	100.0	
400 kp.	pcs.	24.3	24.3	100.1	
More than 450 kp.	pcs.	9.0	9.0	100.0	
		348.9	349.7	100.2	

Table 8 Analysis of Achievement of the Targets for Development of Aircraft Fleet of Aeroflot Group (Aircraft Type, Average Number of Aircraft in 2018)

Aircraft type	Unit of measurement	Plan	Actual	Percentage completion	Analysis of the reasons for deviation
Turbo-propeller	pcs.	14.5	14.0	96.6	Delay in supply of DHC6 in connection with the position of the commission on import



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substitution

Regional	pcs.	47.7	45.5	95.4	Shifts in supplies of SSJ
Narrow-body	pcs.	231.4	234.8	101.5	
Wide-body	pcs.	55.3	55.3	100.1	
		348.9	349.7	100.2	

Table 9 Analysis of the Schedule of Supply of Domestically Produced Aircraft and the Action Plan to Ensure Supply of Domestically Produced Aircraft in Accordance with the Schedule (Number of Aircraft at the end of 2018)

Aircraft type	Unit of measurement	Plan	Actual	Percentage completion	Analysis of the reasons for deviation
SSJ-100	pcs.	13	13	100	
MS-21 (by modifications)	pcs.	Not scheduled	-	-	

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

Table 10 Development and Implementation of Mandatory Internal Documents to Improve Corporate Governance of the Organization

Document title	Document status (basic document/revision/cancellation)	Commencement/Cancellation date	Description of change of
LTDP of Aeroflot Group	Revision	Updated on 21.12.2017, extract from minutes No. 7 on item 3 of the agenda of the meeting of the Board of Directors of PJSC "Aeroflot" dated 21.12.2017	Performance indicators and planned activities for the period 2018-2022 have been updated.
Regulation on the Aeroflot Group Risk Management System	PKn-ГД-002 Edition 01 Revision 02	Approved by the Board of Directors of PJSC "Aeroflot" 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, which contributes to the achievement of the objectives of the Aeroflot Group and complies with recognized international standards in the field of corporate risk management.

Document title	Document status (basic document/revision/cancellation)	Commencement/Cancellation date	Description of change of
Quality Assurance Manual of PJSC "Aeroflot"	Edition 06 Rev. 01	Approved by the Board of Directors of PJSC "Aeroflot" on 02.02.2018 (Minutes No. 9), revised on 17.07.2018 (order No. 303)	The document presents integrated data on the organization of quality management in PJSC "Aeroflot", namely: a set of organizational structure, methods and procedures adopted by the airline's management to manage the activities of PJSC "Aeroflot", including risk management and internal control. The Manual describes the management system operating in PJSC "Aeroflot" in accordance with established policies, including in quality, the objectives of the airline and the applicable standards.
Regulation on the Audit Commission of Public Joint Stock Company "Aeroflot - Basic Russian Airlines" (version No. 4)		Approved by the general meeting of shareholders of PJSC "Aeroflot", minutes No. 37 dated June 25, 2015	No changes were made during the reporting period
Regulation on Key Performance Indicators of PJSC "Aeroflot".	Revision	Last update: 29.05.2018 - BOD of PJSC "Aeroflot" dated 29.05.2018 (minutes No. 15)	On 29.05.2018, the Board of Directors of PJSC "Aeroflot" approved the parameters of the Regulation to be updated.
Regulation on Increase of Investment and Operating Efficiency and Reducing the Costs of Aeroflot Group	Basic	BOD of PJSC "Aeroflot" dated 21.12.2015 (minutes No. 8) Put into effect by order dated 19.05.2016 No. 153 effective from 01.01.2016	No changes were made during the reporting period

**3. RELATIONSHIP OF THE LEVEL OF KPI PERFORMANCE TO REMUNERATION OF THE MANAGEMENT TEAM OF THE ORGANIZATION,
INCLUDING ESTABLISHMENT OF RESPONSIBILITY OF THE TOP MANAGEMENT FOR FAILURE TO ACHIEVE THE SET KPIs.
INFORMATION ON CASCADING KPIs ACROSS THE MANAGEMENT LEVELS, ON LINKAGE TO REMUNERATION OF THE MANAGEMENT.**

Table 11 Relationship Between the Degree of KPI Performance and Remuneration of the Management of the Organization

Descriptive Part	Data
<p>Description of relationship between the degree of KPI performance for the current period and remuneration of the management of the organization, including establishment of responsibility of the top management for failure to achieve the set KPIs</p>	<p>1 KPI of the LTDP of Aeroflot Group fully comply with the KPI of General Director of PJSC "Aeroflot" and Deputy General Director (DGD), other members of the Executive Board and Chief Accountant of PJSC "Aeroflot". Some Deputy General Directors, other members of the Executive Board have individual KPIs.</p> <p>2. The amount of the bonus paid to GD, DGD, other members of the Executive Board and Chief Accountant of PJSC "Aeroflot" is fully dependent on the performance of the KPIs approved for the reporting period, which is regulated by employment agreements and the current Regulation on Bonuses for Managers and Specialists to PJSC "Aeroflot".</p> <p>3. The list and weights of KPIs of the General Director of PJSC "Aeroflot" for 2018 reflecting the Company's KPI system were approved by the BoD on 21.12.17 (minutes No. 7), updated starting from the 2nd quarter of 2018 by resolution of the BoD dated 26.04.2018 (minutes No. 13) and starting from the 3rd quarter of 2018 - by resolution of the BoD dated 31.10.2018 (minutes No. 7) in connection with the approval of the adjusted budget of Aeroflot Group for 2018. The list, weight and target values of KPIs for 2018 of DGD, other members of the Executive Board, Chief Accountant and other employees of PJSC "Aeroflot" were approved by order of the General Director dated 29.12.2017 No. 539 and were updated by orders No. 375 dated 14.09.2018 (starting from 2Q 2018), No. 490 dated 17.12.2018 (starting from 3Q 2018) in connection with budget adjustment.</p>
<p>Cascading of KPIs by management levels, information on the linkage of KPIs to remuneration of the management with indication of internal organizational and administrative documents and their details</p>	<p>Orders No. 367 dated 07.09.2018, No. 436 dated 02.11.2018 - introduction of the main bonus award criteria - achievement of profit ratios and budget parameters for income and expenses provided by the budget of Aeroflot Group or PJSC "Aeroflot" by resolution of the Executive Board of PJSC "Aeroflot".</p>
<p>Information on changes made in the reporting period to the regulations (and other documents) relating to the incentive scheme for the management</p>	<p>Orders No. 367 dated 07.09.2018, No. 436 dated 02.11.2018 - introduction of the main bonus award criteria - achievement of profit ratios and budget parameters for income and expenses provided by the budget of Aeroflot Group or PJSC "Aeroflot" by resolution of the Executive Board of PJSC "Aeroflot".</p>

4. RESULTS OF THE AUDIT OF LTDP AND KPIS

Independent auditor Nexia Pacioli LLC audited implementation of Long-Term Development Program of Aeroflot Group for the year 2018.

According to the results of the independent audit (date of the audit report: 29.03.2019), the Report on Implementation of the Long-Term Development Program of Aeroflot Group and achievement of key performance indicators for 2018 is reliable in all material aspects and has been prepared in accordance with the criteria established by the Long-Term Development Program of Aeroflot Group for the period 2018-2022 approved by the Board of Directors of PJSC "Aeroflot" on 21.12.2017 (minutes No. 7).

The auditor confirms in all material respects the accuracy of the data presented in the Report on Implementation of the LTDP for the year 2018:

- On the actual KPI values. At the end of 2018, 7 out of 11 KPIs were achieved;
- On implementation of the activities and the status of the activities. Activities have been mainly carried out;
- On expenditure of funds of the relevant budgets for the intended purpose (for compensation of the lost income of the air carrier and as partial compensation of costs for making lease payments for aircrafts of Russian production).



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Sheremetyevo-Magadan-
Sheremetyevo, SU

16,354

125,461

2018

2018

19.5 thous.
passengers

Name of Activities/Facilities	Name of the city / facility in the Far Eastern Federal District	Design capacity/ quantitative indicators in the breakdown by airlines, passengers	Design capacity/ quantitative indicators SU+FV 100 % KU passengers	Start year of implementation	End year of implementation	Total cost, mln. rubles	Residual value, mln rubles	Plan, thous. passengers			Expected socioeconomic impact in
								2018 - plan only for SU in terms of passengers	2019	2020	
1	2	3	3.1	4	5	6	7	8	9	10	11
	Sheremetyevo-Magadan-Sheremetyevo, FV	109,107									

Table 13 Analysis of Implementation of Special Activities to Ensure the Priority of Financing of Objectives of Social and Economic Development of the Far East (Investment in "Aurora" Airlines)

Name of activities/facilities	Name of an entity of DFO (the Far Eastern Federal District)	Design capacity/ quantitative indicators (actual* for 2018) mln rub.	Start year of implementation	End year of implementation	Total cost, mln. rubles	Residual value, mln rubles	Financing plan, mln rubles			Expected socioeconomic impact for
							2018	2019	2020 year	
1	2	3	4	5	6	7	8	9	10	11
Activities provided by the current investment program (Strategy, business plan, other development plans)										
Investment in "Aurora" Airlines										
Ensurance of Aircraft Maintenance	Sakhalin Region / Primorsky Territory / Khabarovsk Territory	47	2018	2018			222	272		
Provision of ground handling services at the airport	Sakhalin Region / Primorsky Territory / Khabarovsk Territory	28	2018	2018			59	99		
Development of the simulator complex	Sakhalin Region / Primorsky Territory / Khabarovsk Territory	1	2018	2018			1	6		
Provision of passenger service	Sakhalin Region / Primorsky Territory / Khabarovsk Territory	15	2018	2018			15			
Acquisition of aircraft and aircraft engines	Sakhalin Region / Primorsky Territory / Khabarovsk Territory	-	2018	2018			1,270	1,320		

Construction of new facilities	Sakhalin Region / Primorsky Territory / Khabarovsk Territory	42	2018	2018	46	
IT systems development	Sakhalin Region / Primorsky Territory / Khabarovsk Territory	21	2018	2018	24	15
Other capital investments in fixed assets	Sakhalin Region / Primorsky Territory / Khabarovsk Territory	16	2018	2018	16	6
Investments in software	Sakhalin Region / Primorsky Territory / Khabarovsk Territory	26	2018	2018	33	23
TOTAL, investment	Sakhalin Region / Primorsky Territory / Khabarovsk Territory	195			1,687	1,741

Table 14. Activities to Ensure Social Carriage in the Far East

Activity	Quantitative or qualitative objectives of activities	Person in charge	Terms	Activity implementation status	Analysis of the reasons for deviation
Carriage as per "flat" tariff.	To carry 718.5 thous. passengers	DUSiD	2018	Carried 1,341,136 passengers	Introduction of a "flat rate" on the FV routes 100% of KU to/from Moscow from/to destination points of the Far East starting from 1 January 2018.
Participation in subsidized carriage.	Initially allocated budget for the directions of the Far East 781,974,150 rub.	DUSiD	2018	Directions of the Far East - 211,151 passengers carried for the total amount of subsidies 1,457,194,900 rub.	Extension of the subsidy period from the Summer season to year-round.
Participation in the carriage to/from the Eastern Economic Forum 2018.	To provide carriage of 1,420 persons of staff, Forum participants and media representatives	DUSiD	28.08 26.09.2018	Executed	
Participation in transportation of the GPW (Great Patriotic War) veterans.	Transport 269 veterans, including 105 accompanying persons	DUSiD	2018	Executed.	

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

Table 15 Implementation of Activities for Gradual Increase of the Share of Procurement of Goods, Works, Services from Small and Medium Businesses

No.	Indicator name	Unit of measurement	Plan	Actual	Percentage completion	Analysis of the reasons for deviation
1	Share of procurement from small and medium businesses	%	60.00%	85.21%	142%	Significant increase in the value and quantity of contracts with SMEs.

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

Table 16 Implementation of Activities to Replace Procurement of Foreign Goods (Works, Services) by Procurement of Russian Products

No.	Description of implemented (or current) import substitution activities for the reporting period	Results, terms and current status of implementation of import substitution activities
1	Compilation of a list of foreign goods which production is recommended to be mastered by domestic producers	Register of import substitution projects is included in a section of the LTDP
2	Participation in joint projects on localization of manufacturing of substitutes of foreign products or projects on creation (modernization) of domestic products manufacture	Aeroflot's representatives take part in the activities devoted to import substitution. Thus, for instance, in November 2018, PMD took part in the forum of light industry of the Russian Federation focused on the review of the competitiveness of the Russian light industry.
3	Execution of medium-term and long-term product supply agreements with domestic manufacturers	When conducting competitive procurement procedures, all Russian manufacturers are given priority in accordance with the Government Resolution No. 925. In addition, in February 2018, Aeroflot signed 50 agreements for supply of domestic aircraft MS-21 for a total cost of more than 349.4 bln rubles.

Table 17 Status of Implementation of Activities Included in the Long-Term Development Program

Foreign goods (works, services) considered for import substitution	Person in charge	Russian goods (works, services) equivalent in technical characteristics and consumer properties	Terms and current status of implementation of import substitution activities
Maintenance of emergency escape equipment of RRJ-95B aircraft	AMD	SPM-Service LLC	2019 Domestic supplier has a license from the developer - manufacturer of these products.
Repair and painting of wheels and brakes of aircraft A-320, A-321, A-330, B-737, B-777, RRJ-95B	AMD	BLMZ Technics LLC	The agreement is in force
Technical support and maintenance of technical borescopes and other equipment for non-destructive method of production control of GE (Agreement 01-2017 dated 09.06.2017)	AMD	GE Rus Infra	The agreement is in force
Equipment for replacement of abradable panels on RR Trent 700 engines. Pad clamping. Clamp assy.	AMD	AVIAINTERCOM	The agreement is in force
Plugs for engine air intakes	PMD	AVIAINTERCOM	The agreement is in force
Spare parts and consumables for IVS and OVS	PMD	AVIAINTERCOM, AVIAPRESTIGE	The agreements are in force

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Foreign goods (works, services) considered for import substitution	Person in charge	Russian goods (works, services) equivalent in technical characteristics and consumer properties	Terms and current status of implementation of import substitution activities
Supply of economy class passenger seat covers	PMD	AVIAINTERCOM, AVIAPRESTIGE	The agreement is in force
Supply of economy class leather passenger seat covers	PMD	AVIAPRESTIGE	The agreement is in force
Production and approval of a catalogue of stickers (internal and external) for aircraft A-319/320/321	AMD	AVIAINTERCOM, 29063984/P12-21/13.01.2015 dated 13.01.2015	The agreement was valid until 31.12.2018
Aircraft engines borescope inspection	AMD	Research and Development Enterprise of Special and Medical Equipment LLC (NPP SiMT LLC)	In 2017, a Russian-manufactured device was procured from a Russian supplier. In 2018, according to the results of the competitive procedure, imported equipment was procured from a Russian organization. The supplier of domestic equipment was unable to provide better conditions, despite the priority given to the goods of Russian manufacture

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Foreign goods (works, services) considered for import substitution	Person in charge	Russian goods (works, services) equivalent in technical characteristics and consumer properties	Terms and current status of implementation of import substitution activities according to the Government Resolution No. 925.
Supply of consumable chemicals with AOG, CRIT, ROUTINE status	PMD	AVIAINTERCOM	The agreement is in force
Delivery of demonstration sets of bags with Emergency and Safety Equipment	PMD	AVIAPRESTIGE, AVIAINTERCOM	The agreement is in force
Research, development (composition, production technologies, experimental model) of new anti-icing liquid, technical documentation for its production	LCD	Federal State Educational Institution of Higher Professional Education "Kazan National Research Technological University" (KNITU)	In 2018, work was partially completed (stages 2.1. 2.2 and stage 2.2 additional) under agreement with KNITU No. 6912. Further implementation of R&D to create the composition and production technology of propylene glycol-based de-icing fluid Type - IV was considered inexpedient by the U.S. Federal Aviation Authority (FAA) due to changes in the holdover time tables of propylene glycol-based de-icing fluid Type-IV.

Foreign goods (works, services) considered for import substitution	Person in charge	Russian goods (works, services) equivalent in technical characteristics and consumer properties	Terms and current status of implementation of import substitution activities
Full-flight simulators for flight and maintenance personnel training	PMD	Transas, FSUE (Federal State Unitary Enterprise) "TSAGI" (Central Aerohydrodynamic Institute) named after Zhukovsky, CSTS (Center of Scientific and Technical Services) "Dinamika"	According to the results of the bidding procedure, a foreign manufacturer became the winner. Currently, there are no domestic manufacturers of full-flight simulators for foreign aircraft.
Air navigation software	PMD	Transas (navigation)	According to the results of the bidding procedure, a foreign manufacturer became the winner. Domestic suppliers did not submit any bids.
China-ware for catering on board PJSC "Aeroflot"	PMD	Bashkir Porcelain, Imperial Porcelain Factory	According to the results of the bidding procedure, a foreign manufacturer became the winner.
Casserole dish, other aluminum comfort, equipment items and service support equipment	PMD	Manufacturers of comfort, equipment items and service support equipment	Major part of supplied comfort, equipment items and service support equipment is of domestic manufacture.