Prioritising Growth

ANNUAL REPORT 2017
This Annual Report presents data on operations of Public Joint Stock Company Aeroflot – Russian Airlines (“PJSC Aeroflot”, “Aeroflot airline”, or the “Company”) from 1 January 2017 through 31 December 2017. “Aeroflot Group” or the “Group” refer to PJSC Aeroflot and its controlled entities.

The Annual Report is published every year in the Russian and English languages. For easy navigation, the Annual Report is made available in electronic and interactive formats. The 2016 Annual Report was published in May 2017.

Other annual reports of the Company are available on its official website in the Shareholders and Investors section at http://ir.aeroflot.ru/.

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This Report discloses the Group’s financial and operating results, the progress of the long-term and medium-term strategies in 2017, and describes the Group’s corporate governance system. The Report has a particular focus on the Group’s corporate social responsibility.

This Report has been prepared based on PJSC Aeroflot’s management reports and in line with PJSC Aeroflot’s consolidated IFRS financial statements for 2017. The sustainable development section of the Report was prepared based on the GRI Sustainability Reporting Standards (GRI SRS).

PJSC Aeroflot’s consolidated IFRS financial statements for 2017 were audited by PricewaterhouseCoopers Audit.

In this Annual Report, unless otherwise stated, performance figures pertain to PJSC Aeroflot and its subsidiaries. Immaterial deviations in numbers in the charts and tables subtotals of this Annual Report are due to rounding. The scope and wordings of performance indicators in this Report do not have any material difference from previous reports.

DISCLAIMER ON FORWARD-LOOKING STATEMENTS
This Report has been prepared based on the information available to the Company as at the time of reporting, including information obtained from third parties. The Company reasonably believes that the information is complete and accurate as at the publication date of this Report; however, it does not make any representation or warranty that this information will not be updated, revised, or otherwise amended in the future.

This Report includes estimates or forward-looking statements related to operating, financial, economic, social, and other metrics that can be used to assess the performance of PJSC Aeroflot and Aeroflot Group. The Company does not make any representation or warranty that the results anticipated by such forward-looking statements will be achieved. The Company shall not be liable to any individual or legal entity for any loss or damage which may arise from their reliance on such forward-looking statements.

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About this Report

Aeroflot Group’s structure
as at 31 December 2017

PJSC AEROFLOT

AIRLINES

AEROFLOT AVIATION SCHOOL

OTHER SUBSIDIARIES

JSC ROSSIYA AIRLINES

JSC AEROFLOT FINANCE

LCC PODEIA AIRLINES

LCC AEROFLOT FINANCE

JSC AURORA AIRLINES

JSC AEROFLOT

JSC DOREMAR

LCC AEROFLOT

JSC DONAVIA

100% 99.99%

100% 51%

100% 100%

75% 51%

51%

* Non-operating entities.
** PJSC Aeroflot holds a stake in A-Technics via Aeroflot-Finance.

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Operational Growth

15.4%  
Aeroflot Group passenger traffic increase

82.8%  
Aeroflot Group passenger load factor
Aeroflot is Russia's biggest carrier, leader of the Russian civil aviation industry, and one of the oldest airlines in the world celebrating its 95th anniversary in 2018. It is based at Moscow Sheremetyevo Airport.

Rossiya is one of Russia's largest carriers and the market leader in the North-West of the country. Based in Saint Petersburg, the company also operates flights from Moscow’s Vnukovo airport. In addition to its scheduled flights, Rossiya operates charter flights.

Pobeda is a low-cost carrier, launched to improve access to air transportation and further increase social mobility. It is based at Moscow Vnukovo Airport.

Aurora is the Group’s carrier in the Russian Far East. It is based at Vladivostok, Yuzhno-Sakhalinsk, and Khabarovsk airports and operates flights between the key population centres in the Far East and Siberia, regional flights, and flights on the most popular routes.

### Key Statistics

**Aeroflot**

- **Passengers carried:** 32.8 million
- **Passenger turnover:** 91.8 billion RPK
- **Load factor:** 81.8%
- **Scheduled routes:** 50 domestic, 89 international (total 139)
- **Share of Group's passenger traffic:** 65.5%

**Rossiya**

- **Passengers carried:** 11.2 million
- **Passenger turnover:** 28.1 billion RPK
- **Load factor:** 84.4%
- **Scheduled routes:** 66 domestic, 44 international (total 110)
- **Share of Group's passenger traffic:** 22.3%

**Pobeda**

- **Passengers carried:** 4.6 million
- **Passenger turnover:** 7.9 billion RPK
- **Load factor:** 94.2%
- **Scheduled routes:** 48 domestic, 16 international (total 64)
- **Share of Group's passenger traffic:** 9.1%

**Aurora**

- **Passengers carried:** 1.5 million
- **Passenger turnover:** 2.4 billion RPK
- **Load factor:** 72.8%
- **Scheduled routes:** 43 domestic, 14 international (total 57)
- **Share of Group's passenger traffic:** 3.1%
2017 marked another major milestone for Aeroflot Group with over 50 million passengers carried. Aeroflot Group entered the world’s Top 20 carriers by passenger traffic, achieving a key goal set in its Strategy 2025 ahead of schedule.

The Group took full advantage of the growing passenger air transportation market including scheduled and chartered flights on both domestic and international routes. Aeroflot Group ensured a high utilisation rate of its much increased capacity, with the passenger load factor up to 82.8%.

**Fast-Growing Operations**

- 50.1 million Passengers carried
- +15.4% Passenger traffic increase
- +23.3% International passenger traffic increase
- +9.7% Domestic passenger traffic increase

**Extensive Route Network and a Young Aircraft Fleet**

- 313 Scheduled routes
- 52 Countries
- 158 Anique destinations in the summer schedule, 153 in the winter schedule

**Sky-High Service Standards**

- 4 stars In the Skytrax rating

**Focus on Social Responsibility**

- 38.9 thousand People employed by the Group companies
- >1.5 million Passengers carried under the flat fare programme

**Advanced Corporate Governance Practice**

- 7++ Corporate governance rating assigned by the Russian Institute of Directors
- 4 Independent directors on the Board of Directors

**Financial Stability**

- RUB 532.9 billion Revenue (+7.5%)
- RUB 121.8 billion EBITDAR, 22.9% EBITDAR margin
- RUB 23.1 billion Net profit
- RUB 56.2 billion Decrease of net debt

**Top 20 Airlines globally by passenger traffic**

- 82.8% Passenger load factor
- +1.4 p.p. Passenger load factor increase
- +40 Aircraft – net increase in the fleet

**SkyTeam**

Aeroflot is a member of the global alliance

- 72.5% Aeroflot airline’s Net Promoter Score (NPS)

**Support for Russian sports, culture, and cinema**

- 6.2 thousand Free tickets issued as part of the Mercy Miles project

**Compliance**

With the key requirements of the Russian Corporate Governance Code

- 45.2% Free float

**Share of the Russian air transportation market**

- 40.5%
Operating and Financial Highlights

<table>
<thead>
<tr>
<th>Year</th>
<th>Passenger Traffic (MILLION PAX)</th>
<th>Passenger Load Factor (%)</th>
<th>Available Seat-kilometres (BILLION ASK)</th>
<th>Revenue (RUB BILLION)</th>
<th>EBITDA and EBITDA margin (RUB BILLION AND %)</th>
<th>Net Profit / (Loss) (RUB BILLION)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>50.1</td>
<td>82.8%</td>
<td>157.2</td>
<td>532.9</td>
<td>56.0</td>
<td>23.1</td>
</tr>
<tr>
<td>2016</td>
<td>43.4</td>
<td>81.4%</td>
<td>137.7</td>
<td>495.9</td>
<td>53.9</td>
<td>38.8</td>
</tr>
<tr>
<td>2015</td>
<td>39.4</td>
<td>78.3%</td>
<td>124.7</td>
<td>416.2</td>
<td>58.7</td>
<td>10.8</td>
</tr>
<tr>
<td>2014</td>
<td>24.7</td>
<td>77.8%</td>
<td>90.1</td>
<td>319.8</td>
<td>24.8</td>
<td>7.3</td>
</tr>
<tr>
<td>2013</td>
<td>31.4</td>
<td>78.2%</td>
<td>95.1</td>
<td>291.0</td>
<td>31.8</td>
<td>10.5</td>
</tr>
</tbody>
</table>

Note: Adjusted net profit for 2014 and 2015 excludes the result from derivatives, reserves, and other one-off effects.
**Investment Case**

**AEROFLOT GROUP**
- Leader of the Russian air transportation market, one of the largest carriers in Europe ranked among the world’s Top 20 airlines
- Young and efficient aircraft fleet
- Business highly adaptable to macroeconomic environment
- Promotion of international transfer operations via Moscow
- Stable operational growth and strong financial results
- Long-term vision

**2025 GOALS**
- Join the Top 5 European airlines by passenger traffic and revenue
- Join the Top 20 global players by passenger traffic and revenue
- Carry over 70 million passengers, including at least 30 million within Russia
- Increase passenger traffic via the main hub in Moscow
- Ensure strong presence in the market

**BUSINESS DIVERSIFICATION BASED ON A MULTI-BRAND STRATEGY**
- Description/goal: Diversification of the Group’s operations by segment to maximise flexibility in any economic environment
- Progress in 2017:
  - Expansion of Rossiya airline: 11.2 million passengers carried (+6.9%) \(^1\)
  - Expansion of Pobeda airline: 4.6 million passengers carried (+6.9%)

**PRESENCE IN ATTRACTIVE MARKET SEGMENTS**
- Description/goal: Expansion in profitable segments and promising markets
- Progress in 2017:
  - Aeroflot airline is certified with the 4 Star airline rating by Skytrax
  - Aeroflot airline was recognised as the Best Airline in Eastern Europe by Skytrax World Airline Awards for the sixth time

**STANDARDISED HIGH-QUALITY PRODUCT**
- Description/goal: Ensuring consistently high product quality to attract and retain passengers
- Progress in 2017:
  - The Group continued to improve its route network quality by increasing the flight frequency on the most popular routes, and the frequency of scheduled flights, up 6.0%

**BALANCED ROUTE NETWORK BUILT AROUND THE HUB AT MOSCOW SHEREMETYEVO AIRPORT**
- Description/goal: Diversification of destinations to optimise presence in regions with different demand patterns and network development to promote synergies
- Progress in 2017:
  - Aeroflot Group’s passenger traffic increased by 78.3% compared to 2016 (to 22.9 million passengers)

**KEY LONG-TERM PERFORMANCE IMPROVEMENTS: 2013–2017**

<table>
<thead>
<tr>
<th>Year</th>
<th>Passenger load factor</th>
<th>Specific fuel consumption rate</th>
<th>Revenue per employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>78.2%</td>
<td>24.8 grams per available seat-kilometre (ASK)</td>
<td>8.8 RUB million</td>
</tr>
<tr>
<td>2014</td>
<td>77.8%</td>
<td>23.5 grams per ASK</td>
<td>10.2 RUB million</td>
</tr>
<tr>
<td>2015</td>
<td>78.3%</td>
<td>23.1 grams per ASK</td>
<td>12.5 RUB million</td>
</tr>
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</tbody>
</table>

\(^{1}\) The increase includes the results of Domavia and Donavia integrated into united Rossiya airline in 2016.
Key Events

2017

6 March Fitch Ratings affirmed PJSC Aeroflot’s Long-Term Foreign Currency Issuer Default Rating (IDR) at B+, outlook Stable.

29 May Aeroflot successfully passed the IATA Operational Safety Audit for IOSA compliance for the seventh time.

31 May Tula honey-cake and Russian menu were added to the meal options on Aeroflot flights.

17 May Aeroflot introduced an automated IT training system for flight personnel.

29 May Aeroflot successfully completed the sale of its quasi-treasury stock totaling 4.84% of its charter capital, thereby increasing its free float (shares held by institutional investors and individuals) to 45.2%.

31 August Mikhail Poluboyarinov was elected as the new Chairman of Aeroflot’s Board of Directors.

14 July Moscow Exchange’s Derivatives Market launched trading of futures contracts on Aeroflot shares.

16 July Aeroflot launched direct flights from Moscow to Kostanay.

13 June Aeroflot introduced incentive payments for new crew members.

27 June Pobeda carried 10 million passengers since its launch.

30 September Aeroflot held its second High Flyers all-Russian cooking competition for young chefs.

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15 July Aeroflot launched direct flights from Moscow to Lisbon.

18 July Aeroflot signed a firm contract for the delivery of 20 new SSJ100s.

21 December Aeroflot became the first airline in Russia to introduce SITA to deliver an online end-to-end baggage tracking.

1st March Aeroflot introduced an automated IT training system for flight personnel.

3 April Aeroflot launched its in-flight magazine in English.

7 April Aeroflot and the Russian Olympic Committee signed a sponsorship agreement.

14 January Aeroflot received the highest Level 3 status under the New Distribution Capability (NDC) programme developed by IATA.

25 January Aeroflot sold its first 2018 FIFA World Cup fan ticket worth five roubles.

EVENTS AFTER THE REPORTING PERIOD:

1 February Aeroflot signed a landmark contract with Rostec State Corporation for 50 of the state-of-the-art MC-21 passenger aircraft.

2 February Aeroflot added a bank-card recognition module together with document scanning and recognition functions to its iOS and Android apps.

12 February Aeroflot extended its flat fare programme into 2018 to include its Rossiya subsidiary’s flights to the cities of the Far East.

10 January Aeroflot Group’s airlines carried a total of more than 50 million passengers in 2017.

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Industry Recognition and Awards

Aeroflot, for the second year in a row, won the Air Transport News Readers’ Choice Award, one of the world’s most prestigious aviation awards.

Aeroflot won three key categories at the prestigious international Business Traveller Russia & CIS Awards 2017, retaining the titles of the Best European Airline, the Best Airline in Russia & CIS, and the Best Flight Attendant’s Uniform.

Aeroflot, for the third time, was named the Best Russian Airline according to the National Geographic Traveller Awards 2017.

Aeroflot won two categories at the regional stage of the World Travel Awards 2017: Europe’s Leading Airline Brand and Europe’s Leading Airlines’ Business Class.

Aeroflot won the High Taste Award established by Business Traveller, the world’s leading magazine in the travel industry.

Aeroflot won East Capital’s Best Growth Award.

Aeroflot officially reclaimed its place in the global aviation elite, having entered world’s Top 20 largest airlines by passenger traffic according to Flight Airline Business.

For the second year in row Aeroflot was ranked 4th globally in the list of digitalised airlines by Bain & Co.

OAG, a heavyweight British agency, named Aeroflot as one of the world’s 20 largest airlines by available seat-kilometres.

Aeroflot was named the world’s leader in connecting passenger traffic between Europe and Asia according to a rating compiled by Airline Network News & Analysis (anna.aero).

Aeroflot came out on top among the world’s traditional air carriers by capacity growth (the British OAG’s rating).

Aeroflot topped the Transport category of Russia’s Top 100 Most Capitalised Companies according to the RA Rating Agency.

Aeroflot was named the Most Child-Friendly Russian Airline in the travel search engine Aviasales’ rating.

Flight Airline Business named Pobeda the world’s top low-cost carrier by revenue growth.
1923–1940 Take-off
In less than 20 years, by the late 1930s, Aeroflot became the largest airline in the world.

9 FEBRUARY 1923 Russian civil aviation was born.

17 MARCH 1923 Joint Stock Company Dobrotitel’ the Russian Society for Voluntary Civil Air Fleet was established.

15 JULY 1923 The first scheduled Moscow – Nizhny Novgorod route was launched. Distance of 420 kilometres
Four passengers
Two flight crew members

26 MARCH 1932 The abbreviated name, “Aeroflot”, was adopted by the Soviet Civil Aviation Fleet, the crew uniform and insignias were introduced.

1940 40 thousand passengers were carried.

1941–1945 Thunderstorm
Since the start of the Great Patriotic War, the Soviet Government suspended all civil aviation flights and Aeroflotswitched to supporting the Red Army, with many of its pilots going to the War. Soviet aviators made daily flights to the besieged Leningrad, bringing people food and weapons. One of the hardest and most difficult times during the War was ferrying the crucial lend-lease military aircraft supplied by the United States to the USSR via the Alaska–Siberia–Urals route.

Over 15 million flights were made during the war. Over 20 thousand Aeroflot pilots were decorated with orders and medals. During the war, Aeroflot pilots carried 2.5 million wounded and paratroopers, as well as 300 thousand tonnes of military and strategic cargo. Fifteen Aeroflot employees were awarded the highest title of the Hero of the Soviet Union.

1946–1990 Reaching the flight level
The post-war period saw the air transportation industry recover and grow stronger with Aeroflot becoming the national symbol of progress in aviation. The Company launched the world’s longest routes, operating transatlantic and transcontinental flights, and became the global leader by passenger traffic.

The world’s first civilian jet air service using Tu-104 and, later, supersonic Tu-144 was launched. Aeroflot took on the new Soviet aircraft Il-12, Il-14, and Il-18 with higher-speed aircraft enabling flights to the USA, Canada, Cuba, Japan, and other countries.

1959 The new Sheremetyevo airport opens, with its ground service handling the first Aeroflot’s Tu-104 flight from Leningrad to Moscow.

1967 The Flight Attendant Service was established.

1974 The Aeroflot Central Administration of International Air Traffic was set up.

1980 Aeroflot was appointed the XXII Olympic Games general carrier, with the new Sheremetyevo–2 international air terminal inaugurated to support the event.

Aeroflot set an absolute passenger traffic record of 120 million passengers.

1989 Aeroflot became the first Russian airline to join the International Air Transport Association (IATA).

1990–2008 Turbulent times
Following the collapse of the Soviet Union, the unified civil aviation fleet was split into several hundred airlines. However, the state stepped in to prevent unregulated industry fragmentation and saved Aeroflot as a national carrier.

Cutting-edge foreign aircraft came into service: Airbus A310-300, Boeing 777-200, Boeing 737-400, and Boeing 767-300ER. The 2008–2009 global financial crisis left the Company in a challenging financial situation.

1992 Joint Stock Company Aeroflot Russian International Airlines was established.

1997 Aeroflot shares started trading on the RTS exchange (Moscow Exchange).


2006 Aeroflot became a member of SkyTeam Airline Alliance.

2009–2017 Flying high
A new management team took charge and implemented an anti-crisis action plan including massive fleet additions, the launch of the 24/7 call centre and the new website, the optimized schedule, and improved service standards. New services were launched to enhance passenger experience.

10 APRIL 2009 Vitaly Savinov was appointed as CEO of Aeroflot by the Russian Government.

2011 Aeroflot was awarded the prestigious Skytrax World Airline Award as the Best Airline in Eastern Europe for the first time and successfully kept up to this rating five more times.

2015 Adoption of Aeroflot Group Development Strategy 2025.

2017 As per the resolution of the Russian Government, five regional carriers were transferred from Rostec State Corporation to Aeroflot. Launch of a large-scale integration programme.

2018 The Internet On-Board programme progressed to the next stage targeting phased rollout of Wi-Fi networks on board all Aeroflot’s wide-body aircraft.

2019 The Group established a unified carrier in the Russian Far East, Aurora airline, through consolidating regional Sakhalin Airways and Vladivostok Avia.

2014 Aeroflot was appointed the official carrier of the XXII Olympic Winter Games and XI Paralympic Winter Games in Sochi.

2016 Aeroflot was certified with the 4 Star airline rating by the global rating agency Skytrax for its high-quality service.

2018 Big Data solutions were introduced as part of Aeroflot’s effort to develop digital projects.

2016 Aeroflot ranked 4th among its global peers by digitalisation.

2016 Aeroflot’s subsidiaries Rossylya, Domodedovo, and Orenair were consolidated to create a new united carrier, Rossiya Airlines. The Group’s multi-brand platform was finalised.

2017 Aeroflot Group carried over 50 million passengers, ranking among the Top 20 largest global players.
Strategic Growth

50.1 million
Passengers carried by Aeroflot Group

40.5%
Share of the Russian air transportation market
Message from the Chairman of the Board of Directors

DEAR SHAREHOLDERS,

Aeroflot’s results for 2017 confirm that the airline is operating at a completely new level, and that it is elevating the entire Russian air travel industry to new heights.

Within a short period of time, two key results have been achieved. In 2016 Aeroflot completed the reorganisation of its regional subsidiaries to establish the Group’s multi-brand platform. And in 2017 the Group joined the ranks of the Top 20 airline groups globally by passengers carried, marking the return of Aeroflot to the top tier of international airlines.

The senior management team, led by CEO Vitaly Saveliev, deserves recognition. Thanks to their hard work Aeroflot Group is today one of the Russian Federation’s most valuable assets, as well as an important contributor to the socio-economic development of the country.

It is important to recognise the role of Aeroflot and its subsidiary airlines in making air travel more accessible to the Russian population as a whole, and particularly in providing transport connectivity to the country’s far-flung regions. Low-cost carrier Pobeda plays a key role in this regard. Alongside Aeroflot, Pobeda is delivering excellent efficiency and low fares starting from Rub 499. Pobeda has become a key growth driver for the Group.

Our flat-rate fares on routes between Moscow and the Russian Far East, Kaliningrad and Simferopol are of strategic importance for Russia. In the reporting year alone Aeroflot carried 15 million passengers with flat-rate tickets and since the programme began in 2015 that number has exceeded 4.3 million. Aeroflot extended the programme into 2018 and expanded it to include flights to the Far East operated by subsidiary airline Rossiya. And within the Far East Federal District, Aeroflot’s subsidiary Aurora plays an irreplaceable role.

Aeroflot Group has demonstrated it can grow dynamically even in a challenging geopolitical environment. On the back of the recovery of the Russian air travel market, Aeroflot Group shows impressive traffic growth that outpaces the results of international competitors. In 2017 the number of passengers carried by the Group rose by 15.4%, with strong growth from both the domestic and international traffic segments. Further infrastructure improvements at Sheremetyevo airport are opening the door to additional traffic growth as well as continued strengthening of Aeroflot’s customer service.
One of the important events at Aeroflot in 2017 was the sale of quasi-treasury shares on Moscow Exchange. 53.7 million shares were sold, representing 4.84% of PJSC Aeroflot’s outstanding share capital. This transaction was undertaken to raise funds for general corporate purposes, increase the size of the free float and improve liquidity in the secondary market for our shares. Further improvement in corporate governance was also one of the rationales of the transaction.

In 2017 PJSC Aeroflot adopted a Corporate Governance Code that aims to strengthen the Company’s relationship with shareholders and the broader investment community. The Group’s net profit result for the year allowed the Board of Directors to recommend that the AGM approve a high level of dividend payments of RUB 12.8 per share by allocating a total of RUB 14.2 billion (50% of Aeroflot’s net profit under Russian Accounting Standards) to be paid out to shareholders as dividends.

Nearly 100% of Aeroflot’s tendered procurements is now carried out via our electronic platform. Moreover, Aeroflot is rapidly expanding access for small and medium-sized enterprises (SMEs) to its procurement process, with procurement from SMEs in 2017 increasing by 84% year-on-year. The Small and Medium Enterprise Corporation has recognised the Company’s achievements in this area with two commendations.

Aeroflot is an iconic and historic brand, yet it possesses a completely new connotation. Its leadership in the Russian market is established not just by record metrics, but also by its adoption of cutting-edge business processes and the most modern IT solutions. Ongoing strategic planning allows Aeroflot and its subsidiaries to adapt to changing market conditions in real time. Adjustments have been made to Aeroflot Group’s Long-Term Development Programme for the period 2018–2022. The Group continues to adopt new technologies and methodologies in line with international best practice. A programme of initiatives to further strengthen the product and service offering will position Aeroflot to continue to climb the ranks of the world’s leading airline brands. That said, the Group’s 2025 strategic goals remain unchanged, including entering the Top 5 European and Top 20 global airline groups by both passenger traffic and revenue. The Group’s 2017 results further confirm that these goals are likely to be achieved ahead of the 2025 target.

Aeroflot charts its development path and launches new initiatives in cooperation with the Russian state. The most effectual way to ensure plans are coordinated are regular meetings between Aeroflot’s CEO and the President of the Russian Federation. President Putin has supported Aeroflot’s initiatives to develop the airline industry, including changes to the regulatory environment. For instance, the law allowing fares not inclusive of checked luggage opened new horizons in the low-cost carrier segment. Tough new laws in relation to destructive passengers were recently introduced, including the creation of a no-fly black list. These laws improve flight safety, the punctuality of flights and ultimately efficient overall operation.

Going forward Aeroflot plans to deliver on tasks of national importance: improving mobility of the population, supporting domestic aircraft manufacturing and honourably serving our nation as the flag carrier that flies to countries around the world.

It was for these reasons that Aeroflot was established 95 years ago. Today’s mission is to achieve our plans in modern conditions and by modern means, supported by leading international experience and our iconic heritage.

Mikhail Poluboyarinov
Chairman of the Board of Directors
PJSC Aeroflot
DEAR SHAREHOLDERS,

Aeroflot’s biggest achievement in 2017 was its return to the top tier of global airlines after a 30-year hiatus. Aeroflot Group is now one of the Top 20 airline groups globally by passengers carried. One of the most important strategic goals that we set out to achieve by 2025 has been reached well ahead of that target.

In parallel, another important process is underway: significantly improved recognition of Aeroflot around the globe and increased customer loyalty. According to the well-known consultancy Brand Finance, in 2017 Aeroflot was the most powerful brand in Russia and was ranked number one for brand strength amongst airlines globally.

For the second year running we placed fourth in the world in US-based consultancy Bain & Co.’s ranking of digitalisation of airlines. 100% of our business processes have been automated. We rolled out SAP’s enterprise management system in record time, and we were the first company in Russia to fully adopt that system. The switch to a new income recognition system cut the time that data on revenues is available from two months to two days. We are leveraging the Internet of Things, with IoT solutions allowing us to establish processes for servicing of aircraft, significantly reducing aircraft down time.

Aeroflot has maintained its ranking as the top online store in Russia, with ticket sales through the website totalling RUB 169 billion in 2017. Approximately every second passenger uses our digital services. A priority in this area is the development of our apps. They are available on all major operating systems and include functions such as search, booking and purchase of tickets, flight check-in, notifications, an online departures and arrivals board and flight status information. We are leveraging Big Data to vastly improve communication with customers and to attract ever more passengers. Big Data generated marginal revenue of nearly RUB 1 billion.

All our long-haul aircraft are equipped for Wi-Fi access. In 2018 we will complete the roll-out of Wi-Fi on our medium-haul aircraft, the largest segment of our fleet. The Aeroflot IT strategy through 2020 places a particular emphasis on continued multi-level use of Big Data and cloud technology.

In 2017 we received new confirmation of our premium quality product. In 2017 British consultancy Skytrax confirmed our Four Star rating, which we were first awarded in 2016. US industry association APEX recognised Aeroflot with a Five Star rating. APEX’s ratings are an American version of Europe’s Skytrax rating.
This breakthrough performance would have been impossible without our modern fleet of aircraft. Aeroflot’s fleet averages an age of 4.1 years, making it the youngest fleet of any airline globally flying at least 100 aircraft. Our airline is the single largest buyer of the innovative domestic aircraft manufacturers. As at the end of 2017, Aeroflot had 37 Sukhoi Superjet 100s in its fleet, of a total of 50 that have been contracted. In 2020 Aeroflot plans to take receipt of its first next-generation MC-21-300 airliner. Eventually we plan to receive 50 of these aircraft.

Our strong traffic results and measures to increase efficiency have delivered excellent financial results. Under IFRS, Aeroflot Group increased revenue by 7.5% year-on-year to RUB 533 billion. We ended the year with net income of RUB 23.1 billion. EBITDAR was RUB 122 billion and the EBITDAR margin came in at 22.9%. EBITDA was RUB 56 billion and the EBITDA margin – 10.5%

In 2017 Aeroflot Group strengthened its position across all market segments and expanded its route network, including routes that bypass Moscow. Low-cost carrier Pobeda occupies a unique place in the Group: it flies from many regional Russian airports and has been a big contributor to improved mobility for the Russian population. Our LCC is financially independent and is delivering profitable growth while offering the lowest fares in the Russian market. According to aviation portal Aviasales, fares on routes that Pobeda flies decline on average by 25%. Since its launch Pobeda has allowed more than one million people to fly for the first time in their lives.

Our subsidiary airline that specializes in the Russian Far East, Aurora, has consolidated its position on regional routes. Transit traffic plays a vital role for Aeroflot. According to the aviation news and data site anna.aero, in 2017 Aeroflot flew the most capacity of any airline between Europe and Asia – one of the most competitive and open markets in civil aviation.

This breakthrough performance would have been impossible without our modern fleet of aircraft. Aeroflot’s fleet averages an age of 4.1 years, making it the youngest fleet of any airline globally flying at least 100 aircraft. Our airline is the single largest buyer of the innovative domestic aircraft manufacturers. As at the end of 2017, Aeroflot had 37 Sukhoi Superjet 100s in its fleet, of a total of 50 that have been contracted. In 2020 Aeroflot plans to take receipt of its first next-generation MC-21-300 airliner. Eventually we plan to receive 50 of these aircraft.

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In 2018, the rating agency Fitch upgraded PJSC Aeroflot’s credit rating from B+ to BB-, assigning a Stable outlook. In addition to the 2017 financial results, Fitch cited the Company’s strong potential and positive trends on the Russian airline market.

Aeroflot is intimately involved in the socio-economic development of Russia and large-scale initiatives to secure Russia’s place of prominence in the world. We expanded the flat-rate fare programme that boosts mobility for Russians who live in far-flung and strategically important regions. In 2017 we developed a unique flight schedule to accommodate the upcoming World Cup. And in 2018 Aeroflot and its subsidiary airline Aurora successfully flew a programme of flights for Russian Olympians to the XXIII Games in South Korea.

For 95 years the history of Aeroflot has been inseparable from the history of Russia. The Company will continue to work in your interests and the interests of the Russian state, our largest shareholder. With your support Aeroflot plans to continue to deliver on its most important mission: to offer our great country a powerful and modern airline that opens new historical horizons – an era of transformation.

Vitaly Saveliev
Chief Executive Officer
PJSC Aeroflot
Market Overview

Global airline industry

Scheduled passenger traffic grew by 7.1% to 41 billion passengers in 2017, with a 7.5% increase in the passenger turnover. Worldwide, the passenger load factor increased to 81.2% (vs 80.3% in 2016).

Asia-Pacific was the fastest growing market in 2017, with the passenger turnover up 10.0% year-on-year. Europe ranked second in terms of growth, with the passenger turnover growing by 8.0%. Latin America and Africa grew by 7.5% and 7.0%, respectively, while the North American market saw a 4.0% increase in the passenger turnover.

The IATA reported a 6.3% year-on-year growth in the industry-wide revenue to USD 754 billion. Passenger flights consistently account for the bulk of the industry’s revenue, their share standing at 70.6%.

The growing passenger turnover pushed the costs up by 7.3% to USD 691 billion. During 2017, oil and, accordingly, jet fuel prices grew: overall, global jet fuel prices recovered to the 2015 level and became one of the key factors driving the EBIT margin down by 0.9 p.p. year-on-year to 8.3%. Profitability levels of different markets still vary with 13.2% in North America, 8.5% in Asia-Pacific, 6.3% in Europe, 5.7% in Latin America, and 0.6% and 0.5% in the Middle East and Africa, respectively.

The IATA pre-estimated the 2017 industry’s net profit at USD 34.5 billion — one of the highest in the past decade. Despite its highly volatile financial track record, the industry has demonstrated a consistently high net profit over the last eight years. However, this metric also varies with almost half of the global net profit generated by North America while flights in Africa remain in the red.

### Global revenue

- **2013**: USD 720 billion
- **2014**: USD 767 billion
- **2015**: USD 721 billion
- **2016**: USD 709 billion
- **2017**: USD 754 billion

### Global EBIT margin

- **2017**: 8.3%
- **2016**: 9.2%
- **2015**: 8.3%
- **2014**: 5.4%
- **2013**: 3.5%

### Global net profit in 2017 by region

- **North America**: 13.2%
- **Europe**: 6.3%
- **Asia**: 8.5%
- **Middle East**: 0.6%
- **Latin America**: 5.7%
- **Africa**: 0.5%

### Global EBIT margin in 2017 by region

- **North America**: 13.2%
- **Europe**: 6.3%
- **Asia**: 8.5%
- **Middle East**: 0.6%
- **Latin America**: 5.7%
- **Africa**: 0.5%

### Revenue growth rate (y-o-y)

- **2013-2014**: 0.4%
- **2014-2015**: 0.2%
- **2015-2016**: 0.0%
- **2016-2017**: 0.9%

### Passenger traffic growth rate (y-o-y)

- **2013-2014**: 5.5%
- **2014-2015**: 5.6%
- **2015-2016**: 7.2%
- **2016-2017**: 7.1%

### Passenger load factor growth

- **2013**: 79.7%
- **2014**: 79.9%
- **2015**: 80.3%
- **2016**: 80.3%
- **2017**: 81.2%

Note: Calculated based on data for regions with positive net profit. Excluding Africa which generated a net loss of USD 0.1 billion in 2017.

### Oil and aviation fuel prices

- **Brent**: USD 124.5
- **Aviation fuel**: USD 108.8
Market Overview

Continued

Russian airline industry

In 2017, the Russian market demonstrated a strong growth with its total size (including foreign carriers and international transit traffic serviced by Russian airlines) increasing by 20.3% to 123.7 million passengers. Russian carriers’ passenger turnover was 259.4 billion revenue passenger-kilometres (RPK), up 20.3% year-on-year.

The key growth driver in 2017 was the resumed economic growth in Russia with a stronger rouble and rising oil prices. The 2015–2016 low base effect due to Transaero’s market exit also supported the growth. International traffic was boosted by the resumption of charter flights to Turkey and released pent-up demand backed by the improved macroeconomic environment. During the peak summer season the traffic also grew due to colder weather in the European part of Russia, adding to the traffic both abroad and to resort destinations in Southern Russia.

The assumption of tourist traffic to Turkey and active promotion campaigns run in the Russian market by Turkish aviation authorities and carriers ensured a 31.7% year-on-year increase in passenger traffic on international routes (including foreign carriers). The average passenger load factor for international flights in 2017 was 80.7%, up 1.2 p.p. year-on-year.

Strong growth in international traffic did not cause any churn in the domestic market which maintained a strong operating performance; the total number of passengers increased by 10.9% year-on-year to 62.6 million passengers. The passenger turnover on domestic routes totalled 194.6 billion RPK, up 10.0% year-on-year due to the expansion of domestic tourism driven by a partial shift of tourist traffic to Turkey and increased foreign carriers’ capacities. Aeroflot Group implements a targeted growth strategy focusing on the strongest market segments and despite its presence in charter segment overall exposure to it is lower compared to the market. Aeroflot Group’s “net” market share was 38.2% in 2017.

Aeroflot Group’s closest competitors are S7 Group (15.1%), Ural Airlines (8.5%), and UTair Group (6.2%). The share of other Russian and foreign carriers grew the most vs 2016 – by 2.2 p.p. to 20.2% and by 1.2 p.p. to 15.1%, respectively.

The Russian air transportation industry is highly consolidated with four largest players accounting for 64.7% of the total passenger traffic. In 2017, Aeroflot Group had 40.5% of the total Russian market by passenger traffic (including foreign carriers) vs 42.3% in 2016 due to higher charter activity driven by the resumed flights to Turkey and increased foreign carriers’ capacities. Aeroflot Group had 40.5% of the total Russia market by passenger traffic (including foreign carriers) vs 42.3% in 2016 due to higher charter activity driven by the resumed flights to Turkey and increased foreign carriers’ capacities. Aeroflot Group had 40.5% of the total Russia market by passenger traffic (including foreign carriers) vs 42.3% in 2016 due to higher charter activity driven by the resumed flights to Turkey and increased foreign carriers’ capacities. Aeroflot Group had 40.5% of the total Russia market by passenger traffic (including foreign carriers) vs 42.3% in 2016 due to higher charter activity driven by the resumed flights to Turkey and increased foreign carriers’ capacities. Aeroflot Group had 40.5% of the total Russia market by passenger traffic (including foreign carriers) vs 42.3% in 2016 due to higher charter activity driven by the resumed flights to Turkey and increased foreign carriers’ capacities. Aeroflot Group had 40.5% of the total Russia market by passenger traffic (including foreign carriers) vs 42.3% in 2016 due to higher charter activity driven by the resumed flights to Turkey and increased foreign carriers’ capacities. Aeroflot Group had 40.5% of the total Russia market by passenger traffic (including foreign carriers) vs 42.3% in 2016 due to higher charter activity driven by the resumed flights to Turkey and increased foreign carriers’ capacities. Aeroflot Group had 40.5% of the total Russia market by passenger traffic (including foreign carriers) vs 42.3% in 2016 due to higher charter activity driven by the resumed flights to Turkey and increased foreign carriers’ capacities. Aerofloat Group had 40.5% of the total Russia market by passenger traffic (including foreign carriers) vs 42.3% in 2016 due to higher charter activity driven by the resumed flights to Turkey and increased foreign carriers’ capacities. Aerofloat Group had 40.5% of the total Russia market by passenger traffic (including foreign carriers) vs 42.3% in 2016 due to higher charter activity driven by the resumed flights to Turkey and increased foreign carriers’ capacities. Aerofloat Group had 40.5% of the total Russia market by passenger traffic (including foreign carriers) vs 42.3% in 2016 due to higher charter activity driven by the resumed flights to Turkey and increased foreign carriers’ capacities. Aerofloat Group had 40.5% of the total Russia market by passenger traffic (including foreign carriers) vs 42.3% in 2016 due to higher charter activity driven by the resumed flights to Turkey and increased foreign carriers’ capacities. Aerofloat Group had 40.5% of the total Russia market by passenger traffic (including foreign carriers) vs 42.3% in 2016 due to higher charter activity driven by the resumed flights to Turkey and increased foreign carriers’ capacities.
Market Overview

Evolution of key players’ market shares and consolidation of the passenger transportation segment

- **2013:** 16.7% 20.2% 14.1% 15.1%
- **2014:** 21.9% 15.1% 16.1% 21.8%
- **2015:** 60.4% 16.7% 64.1% 68.1%
- **2016:** 64.7% 13.9% 68.1% 64.7%
- **2017:** 15.1% 20.2% 14.1% 16.7%

Aircargo market

According to the IATA, the global air cargo market totalled 59.9 million tonnes in 2017, up 9.1% year-on-year. The global cargo turnover increased by 9.3% with the industry’s cargo revenue up by 14.7% to USD 54.5 billion.

The Russian air cargo market (including foreign carriers) grew by 16.0% year-on-year in 2017 to 1.2 million tonnes. The international cargo traffic accounted for the bulk of the market at 76.4%, having increased by 19.5% to 931.2 thousand tonnes. The domestic cargo traffic was up by 6.1% to 288.1 thousand tonnes.

As at the year-end, Volga-Dnepr Group remained the aircargo market leader in Russia (49.5%), and Aeroflot Group ranked second with 22.4%. Top 4 players account for 78.2% of the total cargo traffic.

Key Russian airline industry players by total passenger traffic in 2017

- Aeroflot Group
- S7 Group
- Ural Airlines
- UTair Group
- Other Russian carriers
- Foreign carriers

Aeroflot Group’s market share evolution (by passenger traffic, including foreign carriers), %

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>27.0</td>
<td>25.1</td>
<td>29.3</td>
<td>30.4</td>
<td>36.9</td>
</tr>
<tr>
<td>Domestic traffic</td>
<td>361</td>
<td>38.0</td>
<td>44.6</td>
<td>44.6</td>
<td>44.1</td>
</tr>
<tr>
<td>International traffic</td>
<td>241</td>
<td>22.6</td>
<td>13.9</td>
<td>317</td>
<td></td>
</tr>
</tbody>
</table>

Aeroflot Group’s market share evolution by passenger traffic (”net” market), %

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>28.8</td>
<td>23.1</td>
<td>24.5</td>
<td>40.0</td>
<td>38.2</td>
</tr>
<tr>
<td>International traffic</td>
<td>241</td>
<td>38.0</td>
<td>44.6</td>
<td>44.6</td>
<td>44.1</td>
</tr>
<tr>
<td>Domestic traffic</td>
<td>241</td>
<td>38.0</td>
<td>44.6</td>
<td>44.6</td>
<td>44.1</td>
</tr>
</tbody>
</table>

* “Net” market means the passenger traffic including foreign carriers but excluding connecting passengers on international flights, which are not relevant for the Russian O&Ds.
Aeroflot Group Development Strategy 2025 was approved by PJSC Aeroflot’s Board of Directors and defines the key focus areas and long-term growth targets.

To implement Aeroflot Group’s long-term strategy, the Company has developed a medium-term strategic plan defining the key growth areas, operational and financial strategies supporting the strategic goals. The medium-term strategic plan is reviewed and updated on an annual basis.

In line with the medium-term development strategy and pursuant to the directives of the Russian Government, Aeroflot Group has developed and updates annually its Long-Term Development Programme, which covers management-related activities, goals, and KPIs. The Group’s consolidated IFRS budget and KPIs for the budget year are developed in line with the targets of the medium-term strategy of Aeroflot Group and its Long-Term Development Programme.

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

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

### AEROFLOT GROUP’S STRATEGIC VISION
Aeroflot Group’s ultimate strategic goal is to strengthen leadership in the global airline industry by seizing opportunities in the Russian and international air transportation markets.

### AEROFLOT GROUP’S LONG-TERM STRATEGIC GOALS

<table>
<thead>
<tr>
<th>2025 GOALS</th>
<th>PROGRESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Join the TOP 5 European airlines by passenger traffic and revenue</td>
<td>Ranked 7th by passenger traffic and 5th by revenue</td>
</tr>
<tr>
<td>Join the TOP 20 global players by passenger traffic and revenue</td>
<td>Ranked 20th by passenger traffic and 24th by revenue</td>
</tr>
<tr>
<td>Carry OVER 70 MILLION passengers, including AT LEAST 30 MILLION on domestic routes</td>
<td>50.1 million passengers in total, including 27.6 million on domestic routes</td>
</tr>
<tr>
<td>Increase passenger traffic via the main hub in Moscow, with the share of transfer passengers reaching AT LEAST 32%</td>
<td>Aeroflot’s share of transfer passengers (including domestic and international) is 42.9%</td>
</tr>
<tr>
<td>Ensure STRONG presence in the market</td>
<td>The Group is present in all price segments across all geographies</td>
</tr>
</tbody>
</table>

Sources: Airline Business, ATW, Flight Global, the Company’s estimates

1. As at the publication date of this Annual Report – data for 2016.
Impact of risks on the Group’s strategy

The key potential risks that may affect the Group’s development strategy are:
- risk of changes in the external business environment
- risk arising from infrastructure constraints
- macroeconomic risks.

To mitigate the key risks, the medium-term strategy of the Group provides for the following initiatives:
- development of the hub at Moscow Sheremetyevo airport to promote international transfer traffic and increase flexibility in aircraft additions and disposals
- availability of different capacity aircraft in the fleet
- growth planning and control at each of Aeroflot Group companies to maintain the Group’s effective presence in all market segments
- monitoring the progress of infrastructure development and new facilities construction at Moscow Sheremetyevo airport
- diversification of revenue streams by currency and geography.

Strategy implementation and adjustment results

The reporting period saw an upward trend in operational performance, in line with the Group’s strategy and consolidated budget. The Group considerably grew its business through successful expansion across all its business segments.

In 2017, Aeroflot Group continued to enhance its route network by frequency and connectivity, supported by consistent efforts to improve the hub at Moscow Sheremetyevo airport. Aeroflot focused on reducing CASK, optimising the fleet, and boosting its sales performance. Pobeda, Aeroflot’s low-cost carrier, is making good headway, having carried 4.6 million passengers in 2017.

Interim targets, including those set for passenger traffic, were revised upwards in 2017, in particular, Aeroflot Group plans to carry about 74 million passengers in 2022. According to our estimates, by this year, the Group’s fleet will comprise 409 aircraft. The fleet enhancement strategy provides for increasing the share of Russian aircraft through execution of contracts for 50 SSJ100s and 50 MC-21s.

Strategy Overview

As at the end of the reporting period, Aeroflot Group achieved a number of its long-term strategic goals, e.g., joined the Top 20 global players. Analysis of Aeroflot Group’s growth trends and changes in external business environment suggests that the Group is well positioned to achieve the goals set in its Strategy 2025. However, the Group’s performance against those goals may be affected by significant fluctuations of FX rates and the continued process of international market consolidation.

2018—2022 MEDIUM-TERM STRATEGY

KEY AREAS
- Aeroflot Group’s multi-brand platform development
- Route network and fleet expansion
- IT infrastructure enhancement
- Product development
- A-Technics development

STRATEGIC GOALS
A set of operational and financial targets for 2018–2022, in line with the Group’s long-term goals

THE DATE OF APPROVAL BY THE BOARD OF DIRECTORS
6 December 2017

2025 LONG-TERM STRATEGY

KEY AREAS
- Growth scenarios
- Growth tools
- Marketing strategy
- Network strategy
- Fleet strategy
- Constrains

STRATEGIC GOALS
Long-term passenger traffic and revenue targets benchmarked against global peers

THE DATE OF APPROVAL BY THE BOARD OF DIRECTORS
13 July 2011

Strategy Implementation and Work Streams within the Long-Term Strategy

KEY INITIATIVES AND WORK STREAMS WITHIN THE LONG-TERM STRATEGY

Develop the multi-brand platform to strengthen the positioning and synergy across the Group

Develop the route network through penetrating new markets and increasing the flight frequency

Enhance the fleet to be operated across the route network and promising markets

Develop the production capacity and auxiliary services

GROWTH SEGMENTS

Develop the premium passenger segment through improving the passenger experience, flight schedules, and expanding the route network

Develop the low-cost passenger segment, including through inter-regional flights, primarily on domestic routes

Promote transfer traffic via Sheremetyevo airport (including the international transit traffic)

Support national and regional passenger service programmes sponsored by the Government

INNOVATION AND PERFORMANCE

Improve the employee performance and labour productivity

Strengthen the digital focus and drive innovation

Boost the Group’s ancillary revenue

AEROFLOT GROUP’S PROGRESS IN ACHIEVING 2025 STRATEGIC GOALS

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>AEROFLOT'S SHARE OF TRANSIT TRAFFIC, %</td>
<td>35.5</td>
<td>39.2</td>
<td>44.2</td>
<td>42.1</td>
<td>42.9</td>
<td>32.0</td>
</tr>
<tr>
<td>REVENUE, RUB BILLION</td>
<td>291.0</td>
<td>379.8</td>
<td>39.4</td>
<td>43.4</td>
<td>50.1</td>
<td>495.9</td>
</tr>
<tr>
<td>PASSENGER TRAFFIC, MILLION PAX</td>
<td>31.4</td>
<td>34.7</td>
<td>23.4</td>
<td>25.2</td>
<td>27.6</td>
<td>50.1</td>
</tr>
<tr>
<td>DOMESTIC PASSENGER TRAFFIC, MILLION PAX</td>
<td>14.0</td>
<td>17.6</td>
<td></td>
<td></td>
<td>&gt;30 mn</td>
<td></td>
</tr>
<tr>
<td>Top 5 and Top 20</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>&gt;70 mn</td>
<td></td>
</tr>
</tbody>
</table>

Top 5 and Top 20
Aeroflot Group’s multi-brand platform

Aeroflot Group maintained a special focus on the development of its multi-brand offering to attract customers across all market segments. Each of the Group’s airlines targets a dedicated market segment, thereby minimising the internal competition.

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

**Rossiya and Aurora airlines** target the mid-market price segment and operate regional and inter-regional flights. They focus on their target regions with higher price sensitivity by primarily offering their passengers flights from the base regions with lower flight frequencies. Rossiya airline also operates in the leisure (charter) segment.

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

<table>
<thead>
<tr>
<th>TYPE OF FLIGHTS</th>
<th>SCHEDULED FLIGHTS</th>
<th>SCHEDULED AND CHARTER FLIGHTS</th>
<th>SCHEDULED FLIGHTS</th>
<th>SCHEDULED FLIGHTS</th>
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<tbody>
<tr>
<td><strong>BUSINESS MODEL</strong></td>
<td>Hub and spoke model</td>
<td>Point-to-point flights within Russia</td>
<td>Point-to-point flights to Moscow</td>
<td>— Passenger flights in the Far East</td>
</tr>
<tr>
<td></td>
<td>Transit passenger traffic on domestic and international routes</td>
<td>Limited connectivity</td>
<td>Point-to-point flights between regions</td>
<td>— Local flights to remote destinations within the region</td>
</tr>
<tr>
<td></td>
<td>High frequency of flights</td>
<td>Popular international destinations</td>
<td>High passenger load factor and fleet utilisation</td>
<td>— Economy and business class</td>
</tr>
<tr>
<td></td>
<td>Economy and business class</td>
<td>Charter flights to the most popular leisure destinations</td>
<td>Economy class</td>
<td>— Economy class</td>
</tr>
<tr>
<td><strong>FLIGHT RANGE</strong></td>
<td>Unlimited</td>
<td>Short- and medium-haul flights</td>
<td>Short- and medium-haul flights</td>
<td>— Unlimited</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Long-haul routes (Far East, charters)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>AIRCRAFT FLEET</strong></td>
<td>Narrow-body aircraft</td>
<td>Narrow-body aircraft</td>
<td>Narrow-body aircraft</td>
<td>— Narrow-body aircraft</td>
</tr>
<tr>
<td></td>
<td>Wide-body aircraft</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TARGET GROUP</strong></td>
<td>Business</td>
<td>Leisure</td>
<td>Visiting friends and relatives</td>
<td>— Visiting friends and relatives</td>
</tr>
<tr>
<td></td>
<td>Visiting friends and relatives</td>
<td>Business</td>
<td></td>
<td>— Business</td>
</tr>
<tr>
<td></td>
<td>Leisure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>BASE AIRPORT</strong></td>
<td>Moscow (Sheremetyevo)</td>
<td></td>
<td></td>
<td>— Moscow (Vnukovo)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>— Vladivostok</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>— Khaborovsk</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>— Yuzhno-Sakhalsk</td>
</tr>
<tr>
<td><strong>SHARE OF INTERNATIONAL PASSENGERS IN THE AIRLINE’S PASSENGER TRAFFIC</strong></td>
<td>~50%</td>
<td>~35%</td>
<td>~20%</td>
<td>~25% (Asia Pacific)</td>
</tr>
</tbody>
</table>
The independent audit was followed by an opinion on the information prepared to reflect the progress on the Long-Term Development Programme’s initiatives from 1 January to 31 December 2017, on the actual 2017 KPI values, the progress against target KPIs as set out in the Long-Term Development Programme, and on the completeness and relevance of PJSC Aeroflot’s management clarifications on the discrepancies between the Group’s actual performance and the KPI targets stipulated by the Long-Term Development Programme, as presented in the Progress Report on Aeroflot Group’s Long-Term Development Programme and Achievement of Key Performance Indicators for 2017. The auditor’s opinion was issued on 30 March 2017 under No. 1658-BDO-18.

Overall, the planning and implementation of Aeroflot Group’s LDP initiatives are in line with the principles set out in the LDP Development Guidelines, the KPI Guidelines, and other directives and instructions of the Russian Government and the Federal Agency for State Property Management.

In 2017, the Regulations on Updating and Managing the Implementation of Aeroflot Group’s Long-Term Development Programme were approved to improve updating, reporting, and auditor communication processes.

### Development programmes

The Group is implementing its strategy through a number of programmes designed to ensure long-term development and profitable growth.

- Key programmes underpinning PJSC Aeroflot’s growth and development strategy:
  - Investment Programme
  - Cost Cutting Programme
  - Innovative Development Programme
  - Management Incentive Programme

### Key initiatives to support the Long-Term Development Programme progress in 2017:

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

### The Long-Term Development Programme’s key objectives are to:

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

### Aeroflot Group’s Long-Term Development Programme and progress report

Aeroflot Group’s Long-Term Development Programme (the LDP) was designed in accordance with Decree of the President of the Russian Federation No. Pr-3086 dated 27 December 2013, and approved by PJSC Aeroflot’s Board of Directors on 2 December 2014.

On 21 December 2017, PJSC Aeroflot’s Board of Directors approved Aeroflot Group’s LDP for 2018–2022 updated to reflect the key amendments to the Group’s strategy for 2018–2022, updates to LDP action plans and Aeroflot Group’s target KPIs for 2018–2022.

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

The LDP details strategic areas for the Group’s development and includes a list of key initiatives and action plans aimed at the strategy implementation in the medium term. The LDP complements and expands the key strategic initiatives set out in Aeroflot Group’s Development Strategy to 2022.

The 2017 progress on Aeroflot Group’s Long-Term Development Programme was audited by the Company’s external auditor, BDO Unicon.
Investment Programme

The Investment Programme for 2018 was approved by PJSC Aeroflot’s Board of Directors on 6 December 2017. It is designed to address long-term strategic objectives, ensure and improve the operations of business units, and is a follow-up to the dynamic development of the Company’s investment activities. The 2018 Investment Programme continues on the established investment agenda such as property, plant and equipment, capital construction, and software, and sets new development projects designed to:

- ensure maintenance operations and ground handling; procurement of tools and equipment to perform maintenance for all types of aircraft; fitting-out of hangar facilities; procurement of maintenance equipment and custom machinery for aircraft ground handling;
- develop a training platform: purchasing new software, and sets new development projects for pre-flight and in-flight management of business class seats onboard Airbus A320 and A330; integration of electronic devices for pre-flight and in-flight management of aerial navigation information on Airbus A320 family aircraft (Electronic Flight Bag – EFB); having wheelchairs onboard Boeing 777, Boeing 737, Airbus A320, and RRJ-95B aircraft.
- construct new facilities: continued construction of a new hangar for aircraft servicing; designing a central power distribution station to expand the capacity of PJSC Aeroflot’s power grid; designing a production and warehousing complex and a facility for custom machinery maintenance and repair;
- develop the IT infrastructure: maintaining the existing and developing new information systems and further business process digitalisation; developing digitalisation projects; purchasing communication, telephone, and computer equipment;
- ensure high-quality passenger experience: PJSC Aeroflot’s website design; procurement of uniforms for front line employees;
- provide software solutions: developing the SAP system; maintaining and developing the Company’s website, commercial, operations-related, office, and other systems;
- invest in R&D projects under the Innovative Development Programme;
- provide other types of investment in property, plant and equipment: running fire safety initiatives, purchasing new uniforms for front line employees; developing software solutions; purchasing communication, telephone, and computer equipment; maintenance services, within Aeroflot Group at Vnukovo and Orenburg airports.

Cost Cutting Programme

The Cost Cutting Programme aimed to optimise and improve the operational performance is implemented in Aeroflot Group on an annual basis and is designed to:

- optimise the aircraft fleet and procurement performance;
- implement the long-term fuel efficiency programme through initiatives to improve aircraft aerodynamics, centralise aviation fuel procurement while ensuring more favourable commercial terms of supply contracts for the Group’s airlines;
- optimise the maintenance and repair costs, including adjustment of contract terms for purchasing aircraft third-party maintenance services, improvement of the operational performance at the Company’s technical facilities, establishment of A-Techs, a highly competitive provider of maintenance services, within Aeroflot Group at Vnukovo and Orenburg airports.

Innovative Development Programme

Aeroflot Group’s Innovative Development Programme is designed until 2025 and was endorsed by the Ministry of Transport, Ministry of Education and Science, and Ministry of Economic Development of the Russian Federation, approved by the Interdepartmental Committee for Technological Development of the Presidium of the Presidential Council for Economic Modernisation and Innovative Development (9 June 2016), and adopted by PJSC Aeroflot’s Board of Directors (25 August 2016).

The Innovative Development Programme covers the main focus areas and innovation activities at PJSC Aeroflot and its subsidiary airlines, as well as key mid- and long-term innovation KPIs to 2025.

Management Incentive Programme

The Management Incentive Programme was approved by PJSC Aeroflot’s Board of Directors on 25 September 2014 and amended by resolutions of PJSC Aeroflot’s Board of Directors on 2 December 2014 and 20 April 2017. The Programme covers PJSC Aeroflot’s employees whose remuneration is KPI-based. The remuneration is paid at the end of the year for exceeding the net income target and depends on the amount allocated by PJSC Aeroflot’s General Meeting of Shareholders for this purpose from the net income, and from PJSC Aeroflot’s target programme and contingency fund budgeted by the net income. The Programme sets the maximum remuneration pool which is subsequently distributed among the employees based on their individual contributions to the year-end financial results. For more details on the Management Incentive Programme see the Corporate Governance section of this Annual Report.
Our Long-Term Strategy
Aeroflot Group’s strategic goal is to strengthen leadership in the global airline industry by seizing opportunities in the Russian and international air transportation markets.

Operating Performance
In 2017 Aeroflot Group have broken new record and reached another milestone when number of passenger surpassed 50 million. The Group posted growth across all operating segments from budget to premium. Effective corporate strategy tailored to the market environment allowed Aeroflot Group to strengthen its global market position.

Assets Base
- Route network
- Aircraft fleet
- Newest innovative technologies
- In-house maintenance and repair facility
- Well-established brand and leader in the Russian market
- Highly skilled personnel

Markets, Suppliers and Partners
- Leasing
- Counterparties
- Internal cost streams
- Skyteam partners

Operating Performance Metrics
- 50.1 million PAX Aeroflot Group’s passenger traffic in 2017
- RUB 532.9 billion Aeroflot Group’s revenue in 2017
- RUB 56.0 billion Aeroflot Group’s EBITDA in 2017
- RUB 23.1 billion Aeroflot Group’s net profit in 2017

Value Creation
- 9.1% POBEDA (Low-cost segment)
- 3.1% AURORA (Regional flights)
- 22.3% ROSSIA (Base segment, charter)
- 65.5% AEROFLOT (Premium segment)

Other:
- Own data center
- Integrated information security system
- Information technology on board
- 7 hangars to maintain Aeroflot’s own and third-party aircraft
- 6.7 million Participants in the loyalty programme
- 40.5% Share in Russian air transportation market
- 6.7 million Participants in the loyalty programme
- 40.5% Share in Russian air transportation market
- 38.9 thousand Employees
- Training platform and simulation centre
- Medical centre

Value Creation
- RUB 532.9 billion Aeroflot Group’s revenue in 2017
- RUB 56.0 billion Aeroflot Group’s EBITDA in 2017
- RUB 23.1 billion Aeroflat Group’s net profit in 2017
Technological Growth

7 Hangars to maintain aircraft

121.2 thousand Serviced flights from Sheremetyevo Airport
## Operating Highlights

### Aeroflot Group: all flights

<table>
<thead>
<tr>
<th>Item</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger traffic, million PAX</td>
<td>314</td>
<td>347</td>
<td>394</td>
<td>434</td>
<td>501</td>
</tr>
<tr>
<td>change, %</td>
<td>14.3</td>
<td>10.7</td>
<td>13.4</td>
<td>10.3</td>
<td>15.4</td>
</tr>
<tr>
<td>Passenger turnover, billion RPK</td>
<td>85.3</td>
<td>90.1</td>
<td>97.6</td>
<td>102.1</td>
<td>130.2</td>
</tr>
<tr>
<td>change, %</td>
<td>14.3</td>
<td>5.6</td>
<td>8.4</td>
<td>14.8</td>
<td>10.2</td>
</tr>
<tr>
<td>Available seat-kilometres, billion ASK</td>
<td>1051</td>
<td>158</td>
<td>1247</td>
<td>1377</td>
<td>1572</td>
</tr>
<tr>
<td>change, %</td>
<td>63.7</td>
<td>5.6</td>
<td>8.4</td>
<td>14.8</td>
<td>10.2</td>
</tr>
<tr>
<td>Passenger load factor, %</td>
<td>78.2</td>
<td>77.8</td>
<td>78.3</td>
<td>81.4</td>
<td>82.8</td>
</tr>
<tr>
<td>change, p.p.</td>
<td>0.1</td>
<td>(0.4)</td>
<td>0.5</td>
<td>3.1</td>
<td>1.4</td>
</tr>
<tr>
<td>Cargo and mail, thousand tonnes</td>
<td>204.6</td>
<td>168.3</td>
<td>156.3</td>
<td>205.8</td>
<td>273.4</td>
</tr>
<tr>
<td>change, %</td>
<td>21.6</td>
<td>26.0</td>
<td>32.5</td>
<td>7.6</td>
<td>9.7</td>
</tr>
<tr>
<td>Revenue tonne-kilometres, billion TKM</td>
<td>3.6</td>
<td>3.0</td>
<td>2.9</td>
<td>3.0</td>
<td>3.4</td>
</tr>
<tr>
<td>change, %</td>
<td>9.3</td>
<td>1.9</td>
<td>7.0</td>
<td>16.5</td>
<td>17.7</td>
</tr>
<tr>
<td>Flights, thousand</td>
<td>264.9</td>
<td>286.7</td>
<td>323.8</td>
<td>331.9</td>
<td>368.5</td>
</tr>
<tr>
<td>change, %</td>
<td>9.5</td>
<td>8.2</td>
<td>13.0</td>
<td>2.5</td>
<td>11.0</td>
</tr>
<tr>
<td>Stage length, km</td>
<td>2,783</td>
<td>2,599</td>
<td>2,479</td>
<td>2,581</td>
<td>2,598</td>
</tr>
<tr>
<td>change, %</td>
<td>0.0</td>
<td>9.5</td>
<td>4.6</td>
<td>4.1</td>
<td>0.7</td>
</tr>
</tbody>
</table>

### Aeroflot Group: domestic flights

<table>
<thead>
<tr>
<th>Item</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger traffic, million PAX</td>
<td>14.0</td>
<td>17.6</td>
<td>23.4</td>
<td>25.1</td>
<td>27.6</td>
</tr>
<tr>
<td>change, %</td>
<td>21.6</td>
<td>26.0</td>
<td>32.5</td>
<td>7.6</td>
<td>9.7</td>
</tr>
<tr>
<td>Passenger turnover, billion RPK</td>
<td>29.2</td>
<td>35.0</td>
<td>44.9</td>
<td>49.7</td>
<td>53.2</td>
</tr>
<tr>
<td>change, %</td>
<td>19.8</td>
<td>19.9</td>
<td>27.8</td>
<td>8.9</td>
<td>9.3</td>
</tr>
<tr>
<td>Available seat-kilometres, billion ASK</td>
<td>376</td>
<td>43.6</td>
<td>56.3</td>
<td>58.3</td>
<td>63.8</td>
</tr>
<tr>
<td>change, %</td>
<td>14.3</td>
<td>5.6</td>
<td>8.4</td>
<td>14.8</td>
<td>16.2</td>
</tr>
<tr>
<td>Passenger load factor, %</td>
<td>77.7</td>
<td>80.2</td>
<td>79.4</td>
<td>81.7</td>
<td>83.4</td>
</tr>
<tr>
<td>change, p.p.</td>
<td>1.0</td>
<td>2.5</td>
<td>(0.8)</td>
<td>4.1</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Cargo and mail, thousand tonnes</td>
<td>82.8</td>
<td>82.0</td>
<td>79.1</td>
<td>107.8</td>
<td>120.0</td>
</tr>
<tr>
<td>change, %</td>
<td>10.7</td>
<td>2.6</td>
<td>(0.9)</td>
<td>4.7</td>
<td>4.7</td>
</tr>
<tr>
<td>Revenue tonne-kilometres, billion TKM</td>
<td>3.0</td>
<td>3.5</td>
<td>4.3</td>
<td>4.8</td>
<td>5.3</td>
</tr>
<tr>
<td>change, %</td>
<td>19.2</td>
<td>17.4</td>
<td>24.5</td>
<td>11.9</td>
<td>8.9</td>
</tr>
<tr>
<td>Flights, thousand</td>
<td>127.8</td>
<td>151.0</td>
<td>195.0</td>
<td>196.0</td>
<td>215.0</td>
</tr>
<tr>
<td>change, %</td>
<td>22.0</td>
<td>21.8</td>
<td>29.2</td>
<td>0.5</td>
<td>9.7</td>
</tr>
<tr>
<td>Stage length, km</td>
<td>2,083</td>
<td>1,982</td>
<td>1,912</td>
<td>1,935</td>
<td>1,929</td>
</tr>
<tr>
<td>change, %</td>
<td>(1.5)</td>
<td>(4.8)</td>
<td>(3.5)</td>
<td>1.2</td>
<td>(0.4)</td>
</tr>
</tbody>
</table>

### Aeroflot Group: international flights

<table>
<thead>
<tr>
<th>Item</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger traffic, million PAX</td>
<td>17.4</td>
<td>171</td>
<td>16.0</td>
<td>18.3</td>
<td>22.5</td>
</tr>
<tr>
<td>change, %</td>
<td>8.9</td>
<td>8.7</td>
<td>(6.2)</td>
<td>14.1</td>
<td>23.3</td>
</tr>
<tr>
<td>Passenger turnover, billion RPK</td>
<td>56.1</td>
<td>55.1</td>
<td>52.9</td>
<td>63.4</td>
<td>77.0</td>
</tr>
<tr>
<td>change, %</td>
<td>11.6</td>
<td>(1.8)</td>
<td>(3.9)</td>
<td>19.8</td>
<td>21.4</td>
</tr>
<tr>
<td>Available seat-kilometres, billion ASK</td>
<td>71.5</td>
<td>72.2</td>
<td>68.3</td>
<td>79.4</td>
<td>93.4</td>
</tr>
<tr>
<td>change, %</td>
<td>12.0</td>
<td>10.7</td>
<td>(5.2)</td>
<td>18.8</td>
<td>17.8</td>
</tr>
<tr>
<td>Passenger load factor, %</td>
<td>78.4</td>
<td>76.3</td>
<td>77.3</td>
<td>80.0</td>
<td>82.5</td>
</tr>
<tr>
<td>change, p.p.</td>
<td>1.0</td>
<td>2.2</td>
<td>1.0</td>
<td>2.7</td>
<td>2.5</td>
</tr>
<tr>
<td>Cargo and mail, thousand tonnes</td>
<td>121</td>
<td>143</td>
<td>176</td>
<td>216</td>
<td>280</td>
</tr>
<tr>
<td>change, %</td>
<td>19.9</td>
<td>19.2</td>
<td>18.3</td>
<td>40.5</td>
<td>36.5</td>
</tr>
<tr>
<td>Revenue tonne-kilometres, billion TKM</td>
<td>5.7</td>
<td>5.3</td>
<td>5.2</td>
<td>6.2</td>
<td>7.7</td>
</tr>
<tr>
<td>change, %</td>
<td>4.6</td>
<td>5.3</td>
<td>(3.2)</td>
<td>20.3</td>
<td>24.5</td>
</tr>
<tr>
<td>Flights, thousand</td>
<td>197</td>
<td>196</td>
<td>196</td>
<td>196</td>
<td>196</td>
</tr>
<tr>
<td>change, %</td>
<td>4.6</td>
<td>5.3</td>
<td>(3.2)</td>
<td>20.3</td>
<td>24.5</td>
</tr>
<tr>
<td>Stage length, km</td>
<td>3,226</td>
<td>3,223</td>
<td>3,304</td>
<td>3,468</td>
<td>3,416</td>
</tr>
<tr>
<td>change, %</td>
<td>1.0</td>
<td>0.9</td>
<td>2.5</td>
<td>5.0</td>
<td>(0.5)</td>
</tr>
</tbody>
</table>
Operating Highlights

Aeroflot Group

During the year, Aeroflot Group carried a total of 50.1 million passengers, up 15.4% year-on-year, making 368,500 flights or more than 1,000 flights per day on average. The Group’s turnover grew 16.2% to 130.2 billion RPK. On the back of the capacity growth by 14.2% to 157.2 billion ASK the passenger load factor increased by 1.4 p.p. to 82.8%.

Domestic flights

In the reporting year, Aeroflot Group’s total domestic passenger traffic (scheduled and charter) increased by 9.7% year-on-year to 27.6 million passengers (with 26.7 million passengers on scheduled flights). Domestic flights accounted for 55.0% of the total carried passengers.

The passenger turnover grew 9.3% to 53.2 billion RPK while the capacity was up 9.4% to 63.8 billion ASK. The passenger load factor decreased by 0.1 p.p. to 83.4%.

Such performance improvements were associated with the persistently strong demand for domestic services (including domestic tourism) which allowed the Group to increase its flight frequency on the most popular routes and launch new routes.

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

<table>
<thead>
<tr>
<th>Region</th>
<th>Passenger traffic, million PAX</th>
<th>Passenger turnover, billion RPK</th>
<th>Available seat-kilometres, billion ASK</th>
<th>Passenger load factor, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>24.7</td>
<td>47.9</td>
<td>79</td>
<td>83.4</td>
</tr>
<tr>
<td>Europe</td>
<td>9.0</td>
<td>18.7</td>
<td>19.0</td>
<td>83.0</td>
</tr>
<tr>
<td>Asia</td>
<td>3.1</td>
<td>4.1</td>
<td>6.7</td>
<td>76.5</td>
</tr>
<tr>
<td>CIS</td>
<td>2.4</td>
<td>4.6</td>
<td>6.2</td>
<td>79.2</td>
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<tr>
<td>Middle East</td>
<td>1.5</td>
<td>4.6</td>
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<td>77.7</td>
</tr>
<tr>
<td>Americas</td>
<td>0.9</td>
<td>1.9</td>
<td>2.3</td>
<td>82.5</td>
</tr>
</tbody>
</table>

Aeroflot Group’s 2017 passenger traffic breakdown by airline

- Aeroflot: 51.0%
- Rossiya: 45.5%
- Pobeda: 3.5%

Aeroflot Group’s 2017 passenger traffic breakdown by destination

- International flights: 45.0%
- Domestic flights: 22.3%
Operating Highlights

International flights

In the reporting year, Aeroflot Group’s international passenger traffic increased by 23.3% year-on-year to 22.5 million passengers. International flights accounted for 45.0% of the total carried passengers.

The passenger turnover grew 21.4% to 77.0 billion RPK while the capacity was up 17.8% to 93.4 billion ASK. The passenger load factor increased by 2.5 p.p. to 82.5%.

The international segment performance was driven by such factors as the improving demand, route appreciation, launch of new services and increasing flight frequencies by Aeroflot airline based on obtained traffic rights, Rossiya airline’s growing exposure to leisure segment on the back of recovery, and development of Pobeda’s international network. The changing competitive environment, in particular, the return of foreign carrier capacities to the Russian market, also influenced Aeroflot’s operational performance.

The Middle East accounted for the highest passenger traffic growth in 2017, driven by the increased frequency of flights to Tel Aviv in 2016 and the recovery of the flight schedule to Turkey (Istanbul, Antalya) to historic levels, supported by the high demand for the region.

The scheduled passenger traffic on European routes grew by 17.0% to 10.5 million passengers, driven by Aeroflot’s frequency additions (including in 2016) to London, Rome, Milan, Hamburg, and some other European cities, the newly launched services to Lisbon, and Rossiya’s new route from Moscow (Vnukovo airport) to Barcelona.

Aeroflot Group continued to focus on Asian destinations, where the number of passengers carried on scheduled flights grew by 11.2% to 3.4 million, driven, among other factors, by the higher frequency of flights to Hanoi and Delhi.

The number of passengers carried on scheduled flights within the CIS grew 18.2% to 2.8 million due to the launch of a flight to Kostanay and the higher frequency of flights to Yerevan. Furthermore, the higher demand helped the Group increase the number of flights to the region’s key destinations – cities of Kazakhstan, Belarus, Uzbekistan, and Georgia.

The number of passengers carried on scheduled flights to North and Central America increased by 11.2% to 1.0 million, due to the launch of the third daily flight to New York and the stable demand of transfer passengers driven by better flight connectivity.

In 2017, Aeroflot airline carried a total of 32.8 million passengers, up 13.3% year-on-year, making 243,317 flights.

Aeroflot airline’s passenger turnover grew 11.0% to 91.8 billion RPK, backed by the 10.3% capacity growth to 112.2 billion ASK. The passenger load factor increased by 0.5 p.p. to 81.8%.

Domestic flights

In 2017, the total number of passengers (scheduled and charter) carried by Aeroflot airline on domestic routes increased by 11.3% year-on-year to 15.7 million. The passenger turnover grew 6.1% to 31.1 billion RPK, with the capacity growing by 7.4% to 36.9 billion ASK. The passenger load factor decreased by 1.1 p.p. to 84.3%. Domestic flights accounted for 47.8% of Aeroflot airline’s total passenger traffic.
Operating Highlights continued

Aeroflot airline’s operating performance by region (scheduled and charter flights)

<table>
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<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>14.1</td>
<td>15.7</td>
<td>31.1</td>
<td>34.4</td>
<td>6.1</td>
<td>36.9</td>
<td>7.4</td>
<td>85.4</td>
<td>84.4</td>
<td>(1.0)</td>
<td>40.6%</td>
</tr>
<tr>
<td>Europe</td>
<td>7.7</td>
<td>8.9</td>
<td>15.3</td>
<td>17.3</td>
<td>2.0</td>
<td>21.4</td>
<td>10.6</td>
<td>24.1</td>
<td>25.8</td>
<td>0.7</td>
<td>31.2%</td>
</tr>
<tr>
<td>Asia</td>
<td>7.8</td>
<td>8.9</td>
<td>11.3</td>
<td>19.3</td>
<td>21.4</td>
<td>24.1</td>
<td>10.6</td>
<td>24.1</td>
<td>25.8</td>
<td>1.2</td>
<td>68.8%</td>
</tr>
<tr>
<td>CIS</td>
<td>2.1</td>
<td>3.6</td>
<td>16.5</td>
<td>4.7</td>
<td>5.4</td>
<td>15.0</td>
<td>5.7</td>
<td>6.4</td>
<td>13.1</td>
<td>7.7</td>
<td>5.1%</td>
</tr>
<tr>
<td>Middle East</td>
<td>1.4</td>
<td>1.7</td>
<td>24.9</td>
<td>41.5</td>
<td>23.7</td>
<td>5.4</td>
<td>19.2</td>
<td>77.4</td>
<td>80.3</td>
<td>2.9</td>
<td>2.2%</td>
</tr>
<tr>
<td>Americas</td>
<td>0.9</td>
<td>1.0</td>
<td>10.8</td>
<td>7.9</td>
<td>8.6</td>
<td>9.1</td>
<td>9.3</td>
<td>10.4</td>
<td>12.2</td>
<td>2.3</td>
<td>6.7%</td>
</tr>
<tr>
<td>Scheduled flights</td>
<td>29.0</td>
<td>32.8</td>
<td>13.3</td>
<td>82.7</td>
<td>91.8</td>
<td>11.0</td>
<td>10.1</td>
<td>112.2</td>
<td>10.3</td>
<td>81.3</td>
<td>81.8%</td>
</tr>
<tr>
<td>Charter flights</td>
<td>0.01</td>
<td>0.01</td>
<td>0.33</td>
<td>0.03</td>
<td>0.03</td>
<td>0.7</td>
<td>0.08</td>
<td>0.09</td>
<td>3.3</td>
<td>31.5</td>
<td>30.3%</td>
</tr>
<tr>
<td>Total flights</td>
<td>29.0</td>
<td>32.8</td>
<td>13.3</td>
<td>82.7</td>
<td>91.8</td>
<td>11.0</td>
<td>10.1</td>
<td>112.2</td>
<td>10.3</td>
<td>81.3</td>
<td>81.8%</td>
</tr>
</tbody>
</table>

International flights

In 2017, the total number of passengers carried by Aeroflot airline on international routes increased by 15.3% year-on-year to 17.2 million. The passenger turnover grew 13.3% to 60.7 billion RPK, with the capacity growing by 11.8% to 75.3 billion ASK. The passenger load factor increased by 1.4 p.p. to 80.6%. International flights accounted for 52.2% of Aeroflot airline’s total passenger traffic.

Aeroflot airline’s operating results by region are explained by the above-mentioned factors, which influenced the Group’s overall performance.

Charter flights

Aeroflot airline made 285 charter flights in 2017, including special flights to transport sportsmen and officials, during the FIFA Confederations Cup, the national football and hockey teams, Russia’s Olympic team, and Manchester United F.C.

Subsidiary airlines: Rossiya, Pobeda and Aurora

In the reporting year, the total passenger traffic of Rossiya, Pobeda, and Aurora subsidiary airlines was 17.3 million passengers, accounting for 34.5% of the total number of passengers carried by Aeroflot Group in 2017.

Rossiya airline recorded the highest growth rate in 2017, with 11.2 million passengers carried and the passenger traffic on pro-forma basis up 26.7%, driven by the higher demand in the leisure market and the capacity supply for charter flights offered together with Biblio Globus tour operator. Saint Petersburg delivered high growth rates with Rossiya airline carrying 5.5 million passengers via Pulkovo airport, up 16.8% year-on-year. More than a third of passengers were carried on charter flights.

During nine months of 2017, Pobeda airline operated a 12-aircraft fleet and received four more aircraft in forth quarter. Thus, the passenger traffic growth to 4.6 million was primarily driven by the growing passenger load factor to record 94.2%, and by capacity additions in Q4 following the fleet expansion.

In the reporting period, Aurora airline continued to expand into the Far East and increase the mobility of the population. In 2017, the airline carried 1.5 million passengers, up 12.5% year-on-year. Local flights to remote destinations were also growing rapidly. The passenger traffic on these routes totalled 63,300 passengers within the Sakhalin Region, 36,200 passengers within the Primorsky Region, and 58,200 passengers on inter-regional flights.

1. The growth rate calculation includes the passenger traffic of Donavia and Orenair airlines in Q1 2016 prior to their consolidation into united Rossiya airline.
2. Including the Saint Petersburg – Moscow (Vnukovo) route.
3. Data on Rossiya airline for 2013–2016 includes flights of Orenair and Donavia prior to their consolidation into Rossiya airline.
Cargo and mail operations

Aeroflot Group does not have a dedicated cargo fleet and exploits a belly cargo model for cargo and mail transportation. In 2017, Aeroflot Group carried 273,400 tonnes of cargo and mail, up 32.8% year-on-year.

In the reporting period, the cargo/mail tonne-kilometres (TKM) increased by 17.7% to 13.0 billion TKM, while the revenue load factor went up by 3.0 p.p. to 68.7%.

The growth in cargo and mail operations is associated with the upbeat demand and the expansion of the wide-body aircraft fleet, including high cargo capacity Boeing 747s and Boeing 777s added to the Group’s fleet in 2016–2017.

In 2017, Aeroflot airline carried 226,600 tonnes of cargo and mail, up 29.1% year-on-year. The cargo/mail tonne-kilometres increased by 12.9% to 9.3 billion, while the revenue load factor grew by 3.1 p.p. year-on-year to 68.1%.

Operating Highlights continued

Route Network

Aeroflot Group’s route network development

In 2017, Aeroflot Group’s network comprised 313 scheduled routes to 52 countries, including 35 unique routes operated by the low-cost carrier Pobeda.

Excluding the low-cost segment (Pobeda airline), the Group’s airlines operated scheduled flights on 278 routes. The number of scheduled routes remained almost flat during the year (down 0.4% year-on-year). Domestic scheduled routes increased by 1.4% while international scheduled routes were down by 2.2%. The total number of the Group-operated routes increased by 13.8% to 429, driven by charter flights.

During 2017 Aeroflot Group’s airlines launched scheduled flights to 13 new destinations, including 9 domestic and 4 international.

Due to the separate status of the low-cost segment, the data on Aeroflot Group’s route network includes the routes of Aeroflot airline and subsidiaries excluding Pobeda, unless otherwise stated.
Flights from Saint Petersburg to Baku and Yerevan under 100% commercial management of Rossiya airline were discontinued as part of the network optimisation and Group performance improvement. Flights from Saint Petersburg to Gelendzhik were suspended due to the fleet restructuring efforts.

In 2017, the number of Aeroflot Group’s scheduled flights grew 11.5% year-on-year. The Middle East segment reported the highest growth due to the recovery of the flight schedule to Turkey (Istanbul, Antalya) to historic levels, and the increased frequency of flights to Tel Aviv in 2016.

European destinations saw the number of scheduled flights increase by 10.2%. The frequencies of flights to London, Rome, Milan, Hamburg, and some other European cities increased (including throughout 2016).

Aeroflot airline launched a route to Lisbon, the capital of Portugal and Rossiya airline launched a flight to Barcelona from Moscow’s Vnukovo airport.

The number of scheduled flights to Southeast Asia was up 11.4%, including due to the higher frequency of flights to Hanoi and Delhi.

The number of scheduled flights to the CIS increased by 3.4% driven by the launch of the Kostanay route and more frequent flights to Yerevan and other key cities in the region.

The launch of the third daily flight to New York in the summer of 2016 and the higher frequency of flights to Miami pushed the number of scheduled flights to North and Central America up by 14.5%.

Aeroflot Group continued increasing the frequency of scheduled service to the most popular and lucrative destinations, with the average weekly frequency of scheduled flights in 2017 growing by 6.0% year-on-year (from 12.4 to 13.1). This figure grew 8.4% (from 10.0 to 10.9) for international and 3.3% (from 15.0 to 15.5) for domestic scheduled routes.

In planning its flight schedule, Aeroflot Group focuses on:
— improving the accessibility of Russia’s regions
— improving customer experience of non-stop flights
— optimising targeted connections on intercontinental (Asia – Europe, North America – Middle East, and inter-regional routes (Far East / Urals – Centre / South)
— maintaining and further developing the hub structure at Sheremetyevo airport
— growing the market share on existing routes and launching new destinations in large markets with high transfer traffic potential.

Aeroflot continued expanding its network by launching six new scheduled routes, including two international (from Moscow to Kostanay and Lisbon) and four domestic (from Moscow to Belgorod, Salakhard, and Khanty-Mansiysk, as well as from Sochi to Simferopol).

In 2017, the total number of Aeroflot airline’s scheduled flights grew 11.2% year-on-year due to the increase in capacity on the most popular routes and the above restructuring of the route network. The connectivity ratio of Aeroflot airline’s own flights improved from 19.1 in 2016 to 21.2 in 2017.

The average weekly frequency of Aeroflot airline’s scheduled flights grew 55.4%, from 16.2 to 17.0 flights per route per week. International and domestic scheduled destinations saw the frequency grow by 5.4% (from 12.5 to 13.1 flights) and 4.5% (from 23.1 to 24.2 flights), respectively.

**Route Network continued**

**Aeroflot Group’s scheduled flights by region (2017 vs 2016)**

<table>
<thead>
<tr>
<th>Region</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>11.7%</td>
<td>10.2%</td>
</tr>
<tr>
<td>Europe</td>
<td>10.2%</td>
<td>14.5%</td>
</tr>
<tr>
<td>CIS</td>
<td>3.4%</td>
<td>11.4%</td>
</tr>
<tr>
<td>Asia</td>
<td>14.5%</td>
<td>29.6%</td>
</tr>
<tr>
<td>Middle East</td>
<td>11.5%</td>
<td>11.5%</td>
</tr>
</tbody>
</table>

**Average weekly frequency of Aeroflot Group’s flights**

<table>
<thead>
<tr>
<th>Category</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scheduled flights</td>
<td>12.4</td>
<td>13.1</td>
</tr>
<tr>
<td>International scheduled flights</td>
<td>10.0</td>
<td>10.9</td>
</tr>
<tr>
<td>Domestic scheduled flights</td>
<td>15.0</td>
<td>15.5</td>
</tr>
<tr>
<td>Long-haul scheduled flights</td>
<td>7.8</td>
<td>8.6</td>
</tr>
<tr>
<td>Medium-haul scheduled flights</td>
<td>12.9</td>
<td>13.6</td>
</tr>
<tr>
<td>Charter flights</td>
<td>1.6</td>
<td>1.3</td>
</tr>
</tbody>
</table>

**Number of Aeroflot airline’s route**

<table>
<thead>
<tr>
<th>Category</th>
<th>2016</th>
<th>2017</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>139</td>
<td>139</td>
<td>0.0</td>
</tr>
<tr>
<td>International</td>
<td>87</td>
<td>99</td>
<td>14.9</td>
</tr>
<tr>
<td>Domestic</td>
<td>46</td>
<td>48</td>
<td>4.5</td>
</tr>
<tr>
<td>Medium-haul</td>
<td>108</td>
<td>114</td>
<td>5.7</td>
</tr>
<tr>
<td>Long-haul</td>
<td>25</td>
<td>28</td>
<td>12.0</td>
</tr>
</tbody>
</table>

**Aeroflot Airline’s route network development**

In 2017, Aeroflot airline’s network covered 139 scheduled routes to 51 countries (including Russia). The number of both international and domestic scheduled routes grew 2.3% and 8.7% year-on-year, respectively.

Aeroflot continued expanding its network by launching six new scheduled routes, including two international (from Moscow to Kostanay and Lisbon) and four domestic (from Moscow to Belgorod, Salakhard, and Khanty-Mansiysk, as well as from Sochi to Simferopol).

In 2017, the total number of Aeroflot airline’s scheduled flights grew 11.2% year-on-year due to the increase in capacity on the most popular routes and the above restructuring of the route network. The connectivity ratio of Aeroflot airline’s own flights improved from 19.1 in 2016 to 21.2 in 2017.

The average weekly frequency of Aeroflot airline’s scheduled flights grew 55.4%, from 16.2 to 17.0 flights per route per week. International and domestic scheduled destinations saw the frequency grow by 5.4% (from 12.5 to 13.1 flights) and 4.5% (from 23.1 to 24.2 flights), respectively.
Route Network continued

Rossiya and Aurora Airlines’ Route Network
Subsidiary airlines’ route network development

Rossiya airline

In 2017, Rossiya airline operated scheduled services on 110 routes to 22 countries (66 domestic and 44 international), including 83 routes under commercial management of PJSC Aeroflot.

Rossiya airline continued to enhance its route network to improve its operating and financial performance. Higher-demand routes from Moscow and Saint Petersburg to Sochi and Simferopol were operated using wide-body high-capacity Boeing 747s and Boeing 777s. Rossiya improved connections with flights from airports in Southern Russia on routes from Moscow to the Russian Far East.

The airline enhances its route network to create a regional transport hub at Pulkovo airport to provide services in the North-West region and improve its connectivity to other regions of Russia and cities in Europe. Rossiya airline’s route network from Moscow’s Vnukovo airport complements the Group’s network of high-demand routes.

Aurora airline

In 2017, Aurora airline operated scheduled services on 57 routes to three countries (43 domestic and 14 international), including 21 routes under commercial management of PJSC Aeroflot.

Aurora is focused on improving transport accessibility in the Russian Far East and accommodating the demand for flights both within this region and to such major Siberian cities as Irkutsk, Krasnoyarsk, Novosibirsk, and Yakutsk. Aurora also operates international services from Khabarovsk, Vladivostok, and Yuzhno-Sakhalinsk to South Korea, China, and Japan. Local flights between major cities and remote destinations within the region are an important part of Aurora’s route network covering 22 socially important destinations.

In the reporting year, the airline strengthened its position in the region’s international air transportation market, including through increasing the frequencies of its services from Vladivostok to Busan and Seoul, South Korea. Aurora also remained the only carrier operating flights from Vladivostok and Yuzhno-Sakhalinsk to Harbin (China), from Vladivostok to Busan (South Korea) and Dalian (China), and from Khabarovsk to Krasnoyarsk and Beijing.

Following the runway repairs at Yuzhno-Sakhalinsk airport, Aurora ramped up the frequency of its flights to Vladivostok and Khabarovsk, whereas the frequency of services from Vladivostok to Hong Kong was reduced to improve cost efficiency.

Aeroflot Group continues to integrate Aurora’s own domestic local routes into the Group’s network to improve travel experience and accessibility for passengers flying to/from destinations in the Russian Far East from/to other domestic and international destinations.

Aurora’s local routes in 2017
Route Network
continued

Pobeda airline’s route network in 2017

During 2017, Pobeda airline operated flights on 64 routes, including seasonal routes from Russian regions to the Black Sea resorts in Sochi and Anapa (48 domestic and 16 international), 35 of which were unique and were not serviced in 2017 by any other airline within the Group. Pobeda is based at Moscow’s Vnukovo airport and operates services from Moscow, as well as a number of regional routes.

Domestic flights from Moscow to Russia’s regions connecting the capital with key regional centres make up the bulk of the airline’s route network. During 2017, Pobeda launched flights to Saint Petersburg and Ulan-Ude.

It also continues to expand its regional programme which included the following routes in 2017:
- from Saint Petersburg to Yekaterinburg, Vladikavkaz, Volgograd, Makhachkala, Nalchik, and Rostov-on-Don;
- from Yekaterinburg to Krasnoyarsk, Novosibirsk, Saint Petersburg, Sochi, and Anapa;
- from Novosibirsk to Krasnoyarsk;
- from Makhachkala to Saint Petersburg and Surgut;
- seasonal flights from Sochi to six regional destinations including Yekaterinburg, Kazan, Nizhnekamsk, Perm, Tyumen, and Chelyabinsk, as well as from Anapa to Yekaterinburg and Perm;
- international flights from Rostov-on-Don to Baku and Tbilisi and from Samara to Almaty.

Pobeda continued efforts to enhance its international route network and launched flights to Istanbul, Alanya, Baden-Baden, and Reus (Barcelona).

Transfer traffic on domestic and international routes

Aeroflot Group’s route network not only provides passengers with the benefits of flying point-to-point, but also offers travelling options with connections at Moscow’s Sheremetyevo airport, its main hub, and in base airports of regional airlines. The bulk of the Group’s transfer passengers are handled by Aeroflot airline, which takes advantage of Russia’s beneficial geographical position to pick up passenger traffic between Europe and Asia and from other O&D markets.

In 2017, the total transfer traffic on Aeroflot airline’s flights increased by 16.4% year-on-year to about 14.0 million passengers. Passengers in transit accounted for 42.9% of Aeroflot airline’s total passenger traffic in 2017.

The increase in the transfer passenger traffic was mainly driven by the transit services between Russia and other countries, reaching 17.5% of Aeroflot’s total passenger traffic. The share of international transfer was 13.6% while the domestic transfer accounted for 11.8%. International transfer has the highest impact since it provides the Company with an opportunity to capture more value from international markets and global passenger flows.
Route Network continued

Obtaining approvals and operating permits to increase the frequencies of services and launch new flights

In 2017, the Federal Air Transport Agency issued the following operating permits to PJSC Aeroflot and its subsidiaries under the commercial management of PJSC Aeroflot.

**Aeroflot airline**
- Seven new permits to operate international scheduled passenger services from Moscow to Bursa, Varna, Athens, Naples, Auckland, and Sydney.

**Rossiya airline**
- Three new permits to operate international scheduled passenger services from Moscow to Punta Cana, from Saint Petersburg to Goa, and from Yekaterinburg to Antalya.

**Aurora airline**
- Four additional permits to operate international scheduled passenger services from Vladivostok to Hong Kong, Tokyo, and Yanji and from Yuzhno-Sakhalinsk to Sapporo.
- Eight new permits to operate international non-scheduled (charter) passenger service from Moscow to Barcelona, Brighton, Varna, and Sofia, from Saint Petersburg to Bursa, Varna, and Barcelona, and from Yekaterinburg to Barcelona.

PJSC Aeroflot was appointed as scheduled services operator by the Russian Foreign Ministry on the following new routes: Moscow – Burgas and Moscow – Kazan, and obtained a permit to sign a codeshare agreement with partner airlines to operate Moscow – Melbourne, Moscow – Auckland, and Moscow – Sidney routes.

In 2017, permits were renewed for Aeroflot airline (for 17 routes) and Rossiya airline (for 16 routes) to operate services on Transaero’s routes until the end of the year with an extension option. Permits were not renewed for three routes on which Aeroflot, as agreed with aviation authorities, may now operate under its own permits (Moscow – London, Moscow – Tbilisi, and Moscow – Delhi – Singapore), and for two Rossiya’s suspended routes (Moscow – Nha Trang and Moscow – Istanbul). The permits were renewed for another year in February 2018 with an option to extend.

PJSC Aeroflot was appointed as scheduled services operator by the Russian Foreign Ministry on the following new routes: Moscow – Burgas and Moscow – Kazan, and obtained a permit to sign a codeshare agreement with partner airlines to operate Moscow – Melbourne, Moscow – Auckland, and Moscow – Sidney routes.

**Codelshare and interline agreements**

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

In 2017, joint flights with Delta Air Lines were resumed on routes beyond New York, Los Angeles, and Miami. Aeroflot continued to expand partnerships under codelshare agreements on new routes with China Southern, Alitalia, Air Serbia, Air France, and Siberia Airlines.

During 2017, PJSC Aeroflot had 30 codelshare agreements with foreign and Russian airlines:
- Four agreements under which Aeroflot airline acted as a partner operator only: Cubana de Aviación, Iran Air, Tarom, and Middle East Airlines.
- Four agreements under which Aeroflot airline acted only as a marketing operator: selling partner flights under its code: Adria Airways, Air Malta, Bangzi Airways, and Royal Air Maroc.
- Two codelshare agreements with Aeroflot Group’s airlines under special arrangements with Rossiya and Aurora (commercial management).

PJSC Aeroflot’s major partners by scope of operations under their codelshare agreements are foreign-based Altai, Air France, LOT, Polish Airlines, Finnair, and KLM and Russian-based Aeroflot Group’s carriers and Siberia Airlines.

As at the end of 2017, PJSC Aeroflot had interline agreements with 134 carriers, including four Russian carriers and four CIS-based airlines.

**Interline employee travel agreements**

Since 2006, PJSC Aeroflot has been a member of ZED/MBA FORUM, a non-profit organisation uniting over 235 member airlines and regulating the offering of special terms for employee personal and duty travel.

As at the end of 2017, PJSC Aeroflot teamed up with 63 airlines under interline employee travel agreements, including with SkyTeam Alliance member airlines.

In 2017, the Alliance’s aggregate route network comprised 1,074 destinations in 177 countries. SkyTeam’s members, including Aeroflot airline, were making a total of 33,659 flights on a daily basis.


As a SkyTeam partner, Aeroflot carried over 581 thousand passengers in 2017 under codelshare and interline agreements with Alliance members. About 334 thousand Aeroflot passengers were carried by SkyTeam partners.

**Membership in the Skyteam Alliance**

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

In 2017, the Alliance’s aggregate route network comprised 1,074 destinations in 177 countries. SkyTeam’s members, including Aeroflot airline, were making a total of 33,659 flights on a daily basis.


As a SkyTeam partner, Aeroflot carried over 581 thousand passengers in 2017 under codelshare and interline agreements with Alliance members. About 334 thousand Aeroflot passengers were carried by SkyTeam partners.
**Aircraft Fleet**

**Fleet development strategy**

Aeroflot Group’s fleet development strategy is focused on:
- operating a highly unified aircraft fleet (limited number of aircraft types in each segment)
- operating a young fleet
- improving the average seating capacity and efficiency of aircraft
- increasing the share of Russian aircraft through execution of contracts for 50 SSJ100s and 50 MC-21s.

Between 2013 and 2017, the average age of aircraft in operation dropped from 7.7 to 6.2 years for Aeroflot Group and from 5.2 to 4.1 years for Aeroflot airline (as at the year-end). Aeroflot airline’s fleet is one of the youngest in the world.

Over the last years, the Group has invested much effort in optimisation and upgrade of the fleet to improve the efficiency of the Group’s operations and cost control. In 2013–2017, the types of aircraft in operation reduced from 13 to 8.

Aeroflot Group enhances its fleet in line with specific business models and route networks of each airline.

Aeroflot airline’s fleet comprises several types of aircraft produced by major manufacturers and focuses on addressing the needs of both the mass-market and premium segments. Aircraft offer two to three travel classes to serve passengers in flight.

Rossiya airline operates Airbus and Boeing narrow-body aircraft primarily on scheduled routes, while its Boeing wide-body aircraft make leisure flights to destinations under the charter programme and resorts of the Black Sea and flights to cities in the Far East.

Aurora airline operates Airbus A319 narrow-body aircraft on scheduled routes and turboprops for local flights.

The aircraft fleet of the low-cost carrier Pobeda comprises one aircraft type, Boeing 737-800, with a single cabin configuration.

### Aeroflot Group’s Aircraft Fleet Evolution

**AEROFLOT GROUP’S AIRCRAFT FLEET EVOLUTION**

<table>
<thead>
<tr>
<th>2013</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Narrow-body (regional)</td>
<td>SSJ100 An-148 An-24 DHC-8-200/300</td>
</tr>
<tr>
<td>SSJ100 DHC-8-200/300/400 DHC-6-400</td>
<td></td>
</tr>
<tr>
<td>Narrow-body (medium-haul)</td>
<td>Airbus A319/320/321 Boeing 737 Classic Boeing 737 N0</td>
</tr>
<tr>
<td>Airbus A319/320/321 Boeing 737 N0</td>
<td></td>
</tr>
<tr>
<td>Wide-body</td>
<td>Airbus A330 Boeing 767 Boeing 777 Il-96 To-204 MD-11F</td>
</tr>
<tr>
<td>Airbus A330 Boeing 747 Boeing 777</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2013</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Narrow-body</td>
<td>5 types of aircraft</td>
</tr>
<tr>
<td>Wide-body</td>
<td>8 types of aircraft</td>
</tr>
<tr>
<td>Total</td>
<td>13 types of aircraft</td>
</tr>
</tbody>
</table>

### Average Age of Aircraft Fleet

**AVERAGE AGE OF AIRCRAFT FLEET AEROFLOT AIRLINE**

<table>
<thead>
<tr>
<th>2013</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.2 years</td>
<td>4.1 years</td>
</tr>
</tbody>
</table>

**AVERAGE AGE OF AIRCRAFT FLEET AEROFLOT GROUP**

<table>
<thead>
<tr>
<th>2013</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.7 years</td>
<td>6.2 years</td>
</tr>
</tbody>
</table>

### Aeroflot Group’s Aircraft by Type

<table>
<thead>
<tr>
<th>Airline</th>
<th>Manufacturer</th>
<th>Types</th>
<th>Narrow-body</th>
<th>Wide-body</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aeroflot</td>
<td>Airbus</td>
<td>5</td>
<td>— Airbus A320 (family)</td>
<td>— Boeing A330</td>
</tr>
<tr>
<td></td>
<td>Boeing</td>
<td>4</td>
<td>— Boeing 737 NG</td>
<td>— Boeing 777</td>
</tr>
<tr>
<td>Rossiya</td>
<td>Airbus</td>
<td>4</td>
<td>— Airbus A320 (family)</td>
<td>— Boeing 737 NG</td>
</tr>
<tr>
<td></td>
<td>Boeing</td>
<td>1</td>
<td>— Boeing 767</td>
<td>— Boeing 777</td>
</tr>
<tr>
<td>Aurora</td>
<td>Bombardier</td>
<td>3</td>
<td>— DHC-6-400</td>
<td>— DHC-6-200/300/400</td>
</tr>
<tr>
<td></td>
<td>Airbus</td>
<td>1</td>
<td>— Airbus A319</td>
<td>— Boeing 737 NG</td>
</tr>
<tr>
<td>Pobeda</td>
<td>Boeing</td>
<td>1</td>
<td>— Boeing 737-800</td>
<td>— Boeing 737-800</td>
</tr>
</tbody>
</table>

Note: Data exclude aircraft that were out of operation by the Group’s airlines (Mi-8 in 2013, An-148 and An-24 in 2017).

---

*Numbers exclude aircraft that were out of operation by the Group’s airlines (Mi-8 in 2013, An-148 and An-24 in 2017).*

---

**Average age of aircraft fleet in operation**

<table>
<thead>
<tr>
<th>Years</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aeroflot airline</td>
<td>7.7</td>
<td>7.0</td>
<td>6.4</td>
<td>6.5</td>
<td>6.2</td>
</tr>
<tr>
<td>Rossiya airline</td>
<td>5.2</td>
<td>4.1</td>
<td>4.4</td>
<td>4.2</td>
<td>4.1</td>
</tr>
<tr>
<td>Aeroflot Group</td>
<td>7.7</td>
<td>7.0</td>
<td>6.4</td>
<td>6.5</td>
<td>6.2</td>
</tr>
<tr>
<td>Airline subsidiaries</td>
<td>5.2</td>
<td>4.1</td>
<td>4.4</td>
<td>4.2</td>
<td>4.1</td>
</tr>
</tbody>
</table>
### Aircraft Fleet

**Wide-body**

**LONG-HAUL**

<table>
<thead>
<tr>
<th>Aircraft Model</th>
<th>17 aircraft</th>
<th>Length, m</th>
<th>62.64</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airbus A330-300</td>
<td></td>
<td>Wingspan, m</td>
<td>60.2</td>
</tr>
<tr>
<td>Seating capacity, seats</td>
<td>281-302</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maximum take-off weight, kg</td>
<td>250,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engines</td>
<td>CFM56-5B6/6C</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flight range, km</td>
<td>9,500</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Aircraft Model</th>
<th>16 aircraft</th>
<th>Length, m</th>
<th>70.84</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boeing 777-300ER</td>
<td></td>
<td>Wingspan, m</td>
<td>64.9</td>
</tr>
<tr>
<td>Seating capacity, seats</td>
<td>332</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum take-off weight, kg</td>
<td>275,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engines</td>
<td>RR Trent 772B</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flight range, km</td>
<td>11,200</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Aircraft Model</th>
<th>5 aircraft</th>
<th>Length, m</th>
<th>73.9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boeing 777-300</td>
<td></td>
<td>Wingspan, m</td>
<td>60.9</td>
</tr>
<tr>
<td>Seating capacity, seats</td>
<td>335</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum take-off weight, kg</td>
<td>275,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engines</td>
<td>RR Trent 772B</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flight range, km</td>
<td>11,200</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Narrow-body

**MIDDLE-HAUL**

<table>
<thead>
<tr>
<th>Aircraft Model</th>
<th>68 aircraft</th>
<th>Length, m</th>
<th>35.4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boeing 737-800</td>
<td></td>
<td>Wingspan, m</td>
<td>35.8</td>
</tr>
<tr>
<td>Seating capacity, seats</td>
<td>160–189</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maximum take-off weight, kg</td>
<td>70,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engines</td>
<td>CFM56-7B1E/7B2E</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flight range, km</td>
<td>4,500</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Aircraft Model</th>
<th>38 aircraft</th>
<th>Length, m</th>
<th>38.5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airbus A321</td>
<td></td>
<td>Wingspan, m</td>
<td>35.8</td>
</tr>
<tr>
<td>Seating capacity, seats</td>
<td>170–190</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum take-off weight, kg</td>
<td>65,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engines</td>
<td>PW1100A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flight range, km</td>
<td>3,500</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Aircraft Model</th>
<th>80 aircraft</th>
<th>Length, m</th>
<th>37.6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airbus A320</td>
<td></td>
<td>Wingspan, m</td>
<td>34.1</td>
</tr>
<tr>
<td>Seating capacity, seats</td>
<td>140–168</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maximum take-off weight, kg</td>
<td>75,000–77,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engines</td>
<td>CFM56-5A/5B</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flight range, km</td>
<td>4,000–5,500</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Narrow-body

**REGIONAL**

<table>
<thead>
<tr>
<th>Aircraft Model</th>
<th>37 aircraft</th>
<th>Length, m</th>
<th>26.9</th>
</tr>
</thead>
<tbody>
<tr>
<td>SSJ100</td>
<td></td>
<td>Wingspan, m</td>
<td>28.0</td>
</tr>
<tr>
<td>Seating capacity, seats</td>
<td>81</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maximum take-off weight, kg</td>
<td>41,500</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engines</td>
<td>PowerJet 680</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flight range, km</td>
<td>2,800</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Aircraft Model</th>
<th>5 aircraft</th>
<th>Length, m</th>
<th>22.8</th>
</tr>
</thead>
<tbody>
<tr>
<td>DHC 8-402</td>
<td></td>
<td>Wingspan, m</td>
<td>21.4</td>
</tr>
<tr>
<td>Seating capacity, seats</td>
<td>60</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum take-off weight, kg</td>
<td>11,516</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engines</td>
<td>PW600A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flight range, km</td>
<td>1,550</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Aircraft Model</th>
<th>4 aircraft</th>
<th>Length, m</th>
<th>25.7</th>
</tr>
</thead>
<tbody>
<tr>
<td>DHC 8-300</td>
<td></td>
<td>Wingspan, m</td>
<td>24.1</td>
</tr>
<tr>
<td>Seating capacity, seats</td>
<td>60</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum take-off weight, kg</td>
<td>11,799</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engines</td>
<td>PW105A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flight range, km</td>
<td>1,560</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Aircraft Model</th>
<th>2 aircraft</th>
<th>Length, m</th>
<th>22.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>DHC 8-200</td>
<td></td>
<td>Wingspan, m</td>
<td>22.5</td>
</tr>
<tr>
<td>Seating capacity, seats</td>
<td>21</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum take-off weight, kg</td>
<td>10,900</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engines</td>
<td>PW112C</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flight range, km</td>
<td>1,780</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Aircraft Model</th>
<th>3 aircraft</th>
<th>Length, m</th>
<th>19.8</th>
</tr>
</thead>
<tbody>
<tr>
<td>DHC 6-400</td>
<td></td>
<td>Wingspan, m</td>
<td>19.8</td>
</tr>
<tr>
<td>Seating capacity, seats</td>
<td>19</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum take-off weight, kg</td>
<td>8,760</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Engines</td>
<td>PT6A-67A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flight range, km</td>
<td>1,060</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Aeroflot Group’s aircraft fleet

Aeroflot Group operates a balanced aircraft fleet of which, as at the end of 2017, 68.3% were narrow-body aircraft for medium-haul flights, 16.0% were wide-body aircraft for long-haul flights, and 15.7% were narrow-body aircraft for regional flights.

The majority of the fleet of 85.8% was operated under operating lease agreements, 12.3% – under finance lease agreements. The share of aircraft owned by Aeroflot Group is 1.8%, representing six DHC-8-402 and one An-24 (leased out and not operated by Aeroflot Group).

During 2017, Aeroflot Group was actively expanding its operating capacity with 54 new aircraft added to the fleet. Over the same period, Aeroflot Group phased out 14 aircraft: thus, the net fleet increase amounted to 40 aircraft.

<table>
<thead>
<tr>
<th>Aircraft</th>
<th>As at 31 December 2016</th>
<th>Change 2017</th>
<th>As at 31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airbus A330-200</td>
<td>5</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>Airbus A330-300</td>
<td>17</td>
<td>-</td>
<td>17</td>
</tr>
<tr>
<td>Boeing 777-200ER</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Boeing 777-300</td>
<td>5</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>Boeing 777-300ER</td>
<td>15</td>
<td>-</td>
<td>16</td>
</tr>
<tr>
<td>Boeing 747-400</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>DHC-6-400</td>
<td>2</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>DHC-8-200</td>
<td>2</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>DHC-8-300</td>
<td>4</td>
<td>-</td>
<td>4</td>
</tr>
<tr>
<td>DHC-8-402</td>
<td>5</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>SSJ100</td>
<td>37</td>
<td>-</td>
<td>37</td>
</tr>
<tr>
<td>An-148*</td>
<td>6</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td>An-24*</td>
<td>1</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Narrow-body (medium-haul)</td>
<td>50</td>
<td>8</td>
<td>58</td>
</tr>
<tr>
<td>Wide-body</td>
<td>50</td>
<td>3</td>
<td>52</td>
</tr>
<tr>
<td>Narrow-body (regional)</td>
<td>30</td>
<td>7</td>
<td>37</td>
</tr>
<tr>
<td>Total</td>
<td>292</td>
<td>54</td>
<td>332</td>
</tr>
</tbody>
</table>

* Aircraft were out of operation and were subleased or leased out.

Aeroflot Group’s fleet by type of aircraft as at 31 December 2017

<table>
<thead>
<tr>
<th>Type of aircraft</th>
<th>As at 31 December 2016</th>
<th>Change 2017</th>
<th>As at 31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airbus A330</td>
<td>22</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>Boeing 777</td>
<td>15</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Wide-body</td>
<td>37</td>
<td>38</td>
<td>38</td>
</tr>
<tr>
<td>Airbus A320</td>
<td>70</td>
<td>75</td>
<td>75</td>
</tr>
<tr>
<td>Airbus A321</td>
<td>32</td>
<td>36</td>
<td>36</td>
</tr>
<tr>
<td>Boeing 737</td>
<td>20</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Narrow-body (medium-haul)</td>
<td>122</td>
<td>149</td>
<td>149</td>
</tr>
<tr>
<td>Narrow-body (regional)</td>
<td>30</td>
<td>37</td>
<td>37</td>
</tr>
<tr>
<td>Total</td>
<td>189</td>
<td>224</td>
<td>224</td>
</tr>
</tbody>
</table>

Note. Excluding six An-148s and one An-24 subleased and leased out.

Aeroflot airline’s aircraft fleet

As at the end of 2017, the flagship airline of Aeroflot Group had 224 aircraft including 37 regional narrow-body aircraft, 149 narrow-body medium-haul aircraft, and 38 wide-body aircraft.

SSJ100, Boeing 737-800, Airbus A320, Airbus A321, and Boeing 777-300ER aircraft were added to Aeroflot airline’s fleet in 2017. The net fleet increase amounted to 35 aircraft.

<table>
<thead>
<tr>
<th>Type of aircraft</th>
<th>As at 31 December 2016</th>
<th>Change 2017</th>
<th>As at 31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airbus A330</td>
<td>22</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>Boeing 777</td>
<td>15</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Wide-body</td>
<td>37</td>
<td>38</td>
<td>38</td>
</tr>
<tr>
<td>Airbus A320</td>
<td>70</td>
<td>75</td>
<td>75</td>
</tr>
<tr>
<td>Airbus A321</td>
<td>32</td>
<td>36</td>
<td>36</td>
</tr>
<tr>
<td>Boeing 737</td>
<td>20</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Narrow-body (medium-haul)</td>
<td>122</td>
<td>149</td>
<td>149</td>
</tr>
<tr>
<td>Narrow-body (regional)</td>
<td>30</td>
<td>37</td>
<td>37</td>
</tr>
<tr>
<td>Total</td>
<td>189</td>
<td>224</td>
<td>224</td>
</tr>
</tbody>
</table>

Note. Excluding six An-148s and one An-24 subleased and leased out.
Aircraft Fleet

continued

Subsidiaries’ aircraft fleet

Subsidiaries’ fleet size remained almost flat in 2017 with five aircraft added. Two wide-body Boeing 747-400s were added to the fleet of Rossiya airline which started to phase in this type of aircraft in 2016. One wide-body Boeing 777-200ER and one narrow-body Boeing 737 were phased out.

Four new narrow-body Boeing 737-800s were added to the fleet of Pobeda airline in Q4 2017.

Aurora airline phased in one regional DHC-6-400 aircraft to operate local flights.

Subsidiaries’ aircraft fleet

<table>
<thead>
<tr>
<th>Type of aircraft</th>
<th>As at 31 December 2016</th>
<th>As at 31 December 2017</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airbus A319</td>
<td>26</td>
<td>26</td>
<td>–</td>
</tr>
<tr>
<td>Boeing 737</td>
<td>16</td>
<td>16</td>
<td>–</td>
</tr>
<tr>
<td>Boeing 747</td>
<td>7</td>
<td>5</td>
<td>–</td>
</tr>
<tr>
<td>Boeing 777</td>
<td>6</td>
<td>5</td>
<td>–</td>
</tr>
<tr>
<td>Airbus A320</td>
<td>6</td>
<td>6</td>
<td>–</td>
</tr>
<tr>
<td>An-148*</td>
<td>6</td>
<td>6</td>
<td>–</td>
</tr>
<tr>
<td>Rossiya airline</td>
<td>67</td>
<td>67</td>
<td>–</td>
</tr>
<tr>
<td>Airbus A319</td>
<td>15</td>
<td>15</td>
<td>–</td>
</tr>
<tr>
<td>DHC-6</td>
<td>2</td>
<td>2</td>
<td>–</td>
</tr>
<tr>
<td>DHC-6 1</td>
<td>1</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>An-24*</td>
<td>1</td>
<td>1</td>
<td>–</td>
</tr>
<tr>
<td>Aurora airline</td>
<td>24</td>
<td>25</td>
<td>1</td>
</tr>
<tr>
<td>Boeing 737</td>
<td>12</td>
<td>16</td>
<td>4</td>
</tr>
<tr>
<td>Pobeda airline</td>
<td>12</td>
<td>16</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>103</td>
<td>108</td>
<td>5</td>
</tr>
</tbody>
</table>

* Aircraft were out of operation and were subleased or leased out.

Flight hours

Aeroflot Group maintains high fleet utilisation efficiency. Due to the expansion of Aeroflot Group operations in 2017, flight hours increased by 10.7% year-on-year to 1,009 thousand hours. Aeroflot airline posted a 9.9% increase to 703 thousand hours.

Aeroflot Group’s flight hours per aircraft in operation per day averaged at 9.1 vs 9.4 in the previous year. This decline was driven by substantial fleet additions throughout the year, which required some time to maximise the utilisation efficiency. Aeroflot airline’s flight hours per aircraft in operation per day averaged at 9.3.

2013 2014 2015 2016 2017

Average flight hours per aircraft in operation per day

Fuel efficiency

In 2017, specific fuel consumption across Aeroflot Group decreased by 10.0 grams (or 3.5%) year-on-year to 276.4 g/tonne-kilometre (TKM). Specific fuel consumption at Aeroflot airline decreased by 8.7 grams (or 3.0%) to 277.6 g/TKM. The efficiency, including by passenger turnover, continued to grow.

High fuel efficiency is an important benefit of the young aircraft fleet also enabling a lower environmental impact and reduced CO₂ and NOₓ air emissions. For more details on the fleet fuel efficiency see the Environmental Protection Programme section.

Specific fuel consumption in Aeroflot Group

<table>
<thead>
<tr>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>g/ASK</td>
<td>g/TKM</td>
<td>g/ASK</td>
<td>g/TKM</td>
<td>g/ASK</td>
</tr>
<tr>
<td>24.8</td>
<td>23.5</td>
<td>23.1</td>
<td>22.9</td>
<td>22.8</td>
</tr>
<tr>
<td>312.6</td>
<td>308.2</td>
<td>304.5</td>
<td>296.4</td>
<td>276.4</td>
</tr>
</tbody>
</table>

Specific fuel consumption in Aeroflot airline

<table>
<thead>
<tr>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>g/ASK</td>
<td>g/TKM</td>
<td>g/ASK</td>
<td>g/TKM</td>
<td>g/ASK</td>
</tr>
<tr>
<td>25.5</td>
<td>23.6</td>
<td>23.3</td>
<td>23.2</td>
<td>23.0</td>
</tr>
<tr>
<td>307.0</td>
<td>301.6</td>
<td>299.2</td>
<td>286.3</td>
<td>277.6</td>
</tr>
</tbody>
</table>
Flight Safety and Aviation Security

Flight safety and aviation security are a top priority for Aeroflot Group. Every year the Group improves its integrated management system for flight safety and aviation security developed in compliance with IOSA international standards and the Federal Aviation Rules of the Russian Federation and seeks to ensure the maximum safety and comfort for its passengers.

**Flight safety**

Aeroflot maintains consistently high flight safety levels which in 2017 stood at 99.972%, exceeding the 99.957% target and staying comfortably within the 99.900%-100% top range.

In 2017, PJSC Aeroflot had a series of inspections and audits that confirmed the high level of flight safety maintained by the Company. Specifically, during a scheduled audit of Aeroflot’s operations for compliance with IOSA (the IATA Operational Safety Audit), IATA auditor’s found zero non-compliances.

The SAFA ratio calculated based on inspections run under the Safety Assessment of Foreign Aircraft (SAFA) Programme remained flat year-on-year at 0.45 across both Aeroflot airline and Aeroflot Group.

In 2017, Aeroflot continued to develop its flight safety management system. The Company introduced a flight safety statistics database in 2017 to enable integrated processing and storage of Aeroflot’s flight safety data.

The Safety Management Committee assessed risks across the Company’s core business segments and executed follow-up risk mitigation initiatives. Aeroflot implemented an action plan to prevent bird-strike incidents, consistently conducts training sessions on safe flight operations in electrically active areas, and developed guidelines on manual control during high altitude flights. The Company also makes consistent efforts to mitigate the risk of aircraft ground damage.

The Company has in place a voluntary reporting system for employees with all crew feedback reviewed daily by the Safety Management Department to develop and implement improvements.

**Aviation and transportation security**

PJSC Aeroflot is committed to maintaining a robust aviation and transportation culture and has a strong focus on passenger and staff health and safety, including through liaising with airport security services, airlines, and law enforcement authorities.

In 2017, PJSC Aeroflot once again demonstrated its compliance with the industry standards on aviation and transportation security as ISO 19001:2015 and IOSA compliance audits revealed zero non-compliances.

The Company operates a dedicated Automated Aviation Security Management System (AA SEMS) core modules of which are helping the Company to efficiently assess security risks and prevent financial and reputational damage.

In 2017, the Company was actively involved in improving the Russian aviation and transportation security legislation. Aeroflot’s representatives contributed to discussions at the Russian State Duma Committee for Transport and Construction on draft law No. 49153-6 On Amending the Aviation Code of the Russian Federation to prevent unruly passenger behaviour on board (passenger black lists) and at the Federation Council Temporary Committee on monitoring the implementation of Federal Law No. 15-FZ On Amending Certain Legislative Acts of the Russian Federation on Transport Security, to develop a draft law On Amendments to the Federal Law on Transport Security, and were involved in the Inter-Agency Working Group on Aligning Aviation and Transportation Security Regulations established upon request by Aeroflot.

Aeroflot’s proactive stance on the matter resulted in amendments to the Criminal Code of the Russian Federation increasing penalties for unruly behaviour on transport. Starting from June 2018, Russian carriers will be able to put unruly passengers on black lists and refuse carriage.

Aeroflot is involved in an active dialogue with its SkyTeam partners and attends annual meetings of SkyTeam Aviation Security Functional Experts (ASFE).

Aeroflot also continued to enhance its integrated canine service ensuring security through effective monitoring of Sheremetyevo airport facilities.

PJSC Aeroflot works in close partnership with its subsidiaries to ensure aviation security. All subsidiaries submit regular reports to the Aviation Security Management Department on the aviation security status of their facilities, while PJSC Aeroflot conducts centralised risk monitoring and analysis across the Group’s route network. Aeroflot plans to create a shared information space to enhance aviation security management integration across the Group.
In 2017, Aeroflot Group continued to further enhance its aircraft maintenance, repair, and overhaul (MRO) system keeping the fleet in good condition and ensuring high reliability, flight safety, and on-time performance. Aeroflot Group services both its own fleet and third-party aircraft.

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

Aeroflot Group’s MRO facilities

- Yuzhno-Sakhalinsk, Vladivostok, Saint Petersburg, Orenburg, and Moscow.

Aeroflot Group has its own and third-party aircraft

- Maintenance facilities and 20% were subcontracted.
- In 2017, around 80% of Aeroflot airline maintenance operations were performed by in-house contractors. During 2017, around 80% of Aeroflot airline maintenance and repairs for wide-body Boeing 777s and Airbus A350s, a maintenance annex building, and the foundation for a special-purpose vehicle MRO facility.

Aeroflot Group’s MRO divisions

- Aircraft Maintenance Department
- Airworthiness Department
- Quality Assurance Department

Aircraft Maintenance and Repair Stations

- In 2017, Aeroflot Group continued to further enhance its aircraft maintenance, repair, and overhaul (MRO) system keeping the fleet in good condition and ensuring high reliability, flight safety, and on-time performance. Aeroflot Group services both its own fleet and third-party aircraft.

- Maintenance facilities at airports and types of maintenance

<table>
<thead>
<tr>
<th>Airport and location</th>
<th>Company</th>
<th>Line maintenance</th>
<th>Base maintenance</th>
</tr>
</thead>
<tbody>
<tr>
<td>SHEREMETYEVO AIRPORT Moscow</td>
<td>Aeroflot</td>
<td>Airbus A320 Family</td>
<td>Airbus A320 Family</td>
</tr>
<tr>
<td>VNUKOVO AIRPORT Moscow</td>
<td>A-Technics</td>
<td>Boeing 737</td>
<td>Boeing 737</td>
</tr>
<tr>
<td>Pulkovo AIRPORT Saint Petersburg</td>
<td>Rossiya</td>
<td>Airbus A320 Family</td>
<td>Airbus A320 Family</td>
</tr>
<tr>
<td>ORENBURG AIRPORT Orenburg</td>
<td>A-Technics</td>
<td>Boeing 737</td>
<td>Boeing 737</td>
</tr>
<tr>
<td>VLADIVOSTOK AIRPORT Vladivostok</td>
<td>Aurora</td>
<td>DHC-6-400</td>
<td>DHC-6-400</td>
</tr>
<tr>
<td>Yuzhno-Sakhalinsk AIRPORT Yuzhno-Sakhalinsk</td>
<td>Aurora</td>
<td>DHC-6-400</td>
<td>DHC-6-400</td>
</tr>
</tbody>
</table>

Aeroflot Group holds and maintains certificates issued by European, Bermudian, and Russian aviation authorities for maintaining airworthiness of the following types of aircraft and components:

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

Scheduled maintenance of all types of operated aircraft is performed under programmes developed in line with guidelines provided by aircraft and key components manufacturers. In 2017, PJSC Aeroflot serviced 121.2 thousand take-offs at Sheremetyevo airport, up 10.7% year-on-year. Labour intensity per flight hour of Aeroflot fleet aircraft was down from 2.36 hours in 2016 to 2.20 hours at the end of 2017.

Along with its own fleet, Aeroflot also serviced third-party customers, including approximately 20 carriers and 50 aircraft maintenance organisations, in 2017. Individual maintenance operations, such as maintenance of key aircraft components, are performed by third-party contractors. During 2017, around 80% of Aeroflot airline fleet maintenance operations were performed by in-house maintenance facilities and 20% were subcontracted.

Aeroflot continued the construction of Hangar 4 at Sheremetyevo airport, launched in 2016, to perform maintenance and repairs for wide-body Boeing 777s and Airbus A350s, a maintenance annex building, and the foundation for a special-purpose vehicle MRO facility.

The Group continued to expand A-Technics, its specialist aircraft and component maintenance and repair subsidiary, which was cleared for Boeing 737 N85 heavy maintenance at Vnukovo airport and obtained a C6 approval for disassembly and certification of aircraft seating sub-assemblies. In the autumn of 2017, the maintenance centre at Vnukovo airport was certified to perform heavy maintenance C-checks and overhaul checks for Boeing 777s and Boeing 747s, with a special dock system installed in the hangar and an EASA audit passed. Aeroflot prepared to extend the C6 scope of authorisation to its Orenburg arm to perform maintenance and overhaul for Boeing 747 wheels and brakes.
Information Technology and Innovation

In 2017, Aeroflot continued to build its IT platform, leveraging solutions from top IT companies. As at the year-end, almost 100% of the Company’s business processes were automated. Digital technology is embedded across all operating processes of Aeroflot to ensure passenger satisfaction throughout the customer journey.

Aeroflot’s digital transformation has covered both internal processes such as management of the Company, aircraft maintenance, and information security, and customer journeys and experience, including ticket sales, website enhancement, and mobile app development.

The Group puts wider use of advanced IT technologies across all areas of its activities at the top of its agenda. In line with its framework document, Aeroflot Group’s IT Development Priorities for 2017—2020, approved by the Board of Directors of PJSC Aeroflot in 2017, the Company seeks to adopt new technologies and approaches to improve its operating performance and customer service while also driving the development of the entire global air transportation industry.

Key IT projects in 2017 continued

<table>
<thead>
<tr>
<th>KEY IT PROJECTS</th>
<th>PROJECT DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMPROVED SALES PROCESS</td>
<td>Single payment platform&lt;br&gt;In 2017, Aeroflot started to actively develop its programme to sell value-added services to customers purchasing tickets. The programme enables Aeroflot’s customers to purchase flight and health insurance, rent cars, buy Aeroexpress tickets, and books hotels, with over 14 million insurance policies and 44 thousand Aeroexpress tickets sold since the programme’s launch. The value-added services were also made available to customers who have already purchased their tickets.</td>
</tr>
<tr>
<td>IN-FLIGHT CONNECTIVITY</td>
<td>“On-Board Internet”&lt;br&gt;In 2017, Aeroflot launched a programme to roll out in-flight Wi-Fi entertainment and Internet services in 18 Airbus A320 aircraft operated on medium hauls. The necessary equipment is already installed under the programme in six aircraft operated on medium-haul flights. In addition, in-flight Wi-Fi was made available on one Boeing 777 operated on long hauls.</td>
</tr>
<tr>
<td>INFORMATION SECURITY</td>
<td>Enhancement of information security systems&lt;br&gt;During 2017, Aeroflot upgraded its core information systems to comply with the statutory requirements for personal data protection. A project to establish a comprehensive cyber-security centre was launched.</td>
</tr>
<tr>
<td>CUSTOMER INTERACTION MANAGEMENT</td>
<td>Multimedia Contact Centre&lt;br&gt;Aeroflot is implementing an automated system to route and handle customer calls, enabling even faster and more effective responses through automatic distribution of calls among the Contact Centre operators. The system is already in pilot operation, with some Contact Centre and voice platform upgrades planned for 2018.</td>
</tr>
<tr>
<td>AIRCRAFT MAINTENANCE SERVICES</td>
<td>Integrated resource management system for ground handling services&lt;br&gt;In 2017, Aeroflot implemented the RMS Information Suite, a resource management system for ground handling services and passenger transport operations. The RMS Information Suite has enabled the Company to streamline core business processes through effective allocation of tasks between employees and forward-looking resource planning.</td>
</tr>
<tr>
<td>IMPROVED SALES PROCESS 2</td>
<td>AMOS automated MRO software solution&lt;br&gt;AMOS will enable online collection of accurate, structured data on aviation and technical equipment inventories, orders, and invoices. Aeroflot has already deployed a significant number of AMOS modules, with plans to enhance the system’s functionality going forward. The AMOS solution has also been integrated with SAP ERM and legacy OPS systems. Cross-system synchronisation has enabled the Company to optimise its aircraft maintenance, repair &amp; overhaul (MRO) monitoring processes.</td>
</tr>
</tbody>
</table>

Aeroflot’s mobile app named the best in Russia by TAdviser
Aeroflot received the SAP Expanding Horizons Award for pioneering SAP Audit Management
Aeroflot won the Wings of Russia National Airlines Award in the E-Commerce category
Aeroflot’s NDC system already comprises travel metasearch engines SkyScanner, AviaSales, Momondo, Yandex, and others.
Information Technology and Innovation continued

Innovation-driven development

As a leading global airline, Aeroflot has a strong focus on implementing advanced and innovative technology and solutions across all areas of its activities. The Group has in place the Innovative Development Programme until 2025 which defines the key focus areas, activities, and KPIs for innovation.

The Programme is fully aligned with the requirements contained in relevant regulations and guidelines by federal executive bodies, and has been agreed with the relevant ministries and agencies, and approved by PJSC Aeroflot’s Board of Directors (Minutes No. 1 dated 25 August 2016). To oversee the implementation of the Programme, the Group set up the Committee for Innovation-driven development

The Programme has been incorporated into the Group’s overall strategy and aims at achieving technology leadership in the global aviation industry and sharpening the Group’s competitive edge on key operating and innovation performance measures.

Its key focus areas include automation of the Company’s operating processes, improved flight safety and building an integrated security and anti-terrorist system, along with improved environmental performance and energy efficiency. The Programme aims to improve labour productivity and efficiency through streamlined maintenance operations.

The Programme’s KPIs include reduced product costs, higher quality of services, energy savings, lower environmental footprint, and increased labour productivity.

R&D costs by segment

- Management: 10.3%
- Operations: 20.7%
- Customer service: 13.8%
- Commerce: 37.9%
- Safety and security: 17.2%

R&D costs by researcher

- Universities: 2.3%
- Research organisations: 9.8%
- Innovation ecosystem including SMEs: 89.8%

Key innovative projects in 2017

Construction of a new, completely unique for Russia, advanced hangar facility

Construction of Hangar 4 at Sheremetyevo airport to provide aircraft maintenance and repair services will drive efficiencies through streamlined maintenance operations and reduced aircraft maintenance downtime. Another benefit will be an opportunity to provide maintenance for Boeing 777-300ER aircraft that can’t fit into Aeroflot’s existing hangars. Hangar 4 is a unique facility which was granted a useful model patent for an Aircraft Maintenance Hangar. Its construction is scheduled for completion in 2018.

Development of a pilot hardware and software package for measurement and integral analysis of a sniffer dog’s physiological responses to objectivise dog inspection results

The project aims to improve safety and security by objectivising inspection results with main breeds of sniffer dogs. The solution roll-out will maximise efficient interaction between the security system’s biological and technical components in detecting various substances.

Development and deployment of a pilot version of an integrated information security system at Aeroflot

The project will help reduce the existing and mitigate potential risks of breach of data confidentiality, integrity, or accessibility. As part of the project, organisational and technical solutions were developed to ensure compliance with the requirements of state regulators related to information security including personal data protection.

One-stop-shop system enhancement

In 2017, Aeroflot implemented a one-stop-shop system to manage proposals for innovative solutions coming from SMEs and other potential partners in the Company’s innovation ecosystem. The system automates submission, processing, routing, and decision-making processes for innovative proposals.

Managing intellectual property rights

In 2017, the Group completed over 40 intellectual property management procedures, including obtaining trademarks, patents or certificates for software products primarily related to safety and security, training, and IT deployments.
Sales and Distribution

Aeroflot sells tickets both for own flights and flights of subsidiary Rossiya and Aurora airlines operated under Aeroflot’s single airline code. Subsidiary airlines sell tickets for own flights independently. Pobeda airline offers air tickets through own website and online booking systems.

Commercial management of flight loads for services operated by subsidiary airlines under codeshare agreements enables Aeroflot to centralise management for sales, revenue, route network, and fleet planning across the Group.

Aeroflot sells tickets in Russia and abroad through a variety of channels, including Aeroflot’s agents operating under direct agency agreements, agents-participants of various projects (BSF, ARC, Transport Clearing House (TCH)), own sales offices, and Aeroflot’s website and call centre.

Online sales are actively growing, driven by more accessible and easy-to-use web apps, and the growing number of mobile digital devices. The share of PJSC Aeroflot online sales (including the call centre) grew from 18.3% to 33.4% over the past five years. Channel-wise, agents remain the biggest contributor to sales (61.0%) while own sales offices accounted for 5.6% of total sales.

Several new domestic and international services (from Moscow to Lisbon, Kostanay, Belgorod, Sakhalin and Khanty-Mansiysk) were launched in 2017, with significant capacity additions on some other routes (e.g., to Delhi, New York, London, and Antalya). To attract passengers to new routes and additional flights, a number of joint marketing activities were run with agents, meetings were held with major agents in the relevant markets, and newsletters were sent out across the agent network.

Special levers such as an additional distribution fee for agents in Russia, incentive fee agreements for international agents, and consolidator fares were used to incentivise agents to boost sales for new routes and additional flights.

Sales in Russia

In Russia, Moscow (65.7%), Saint Petersburg, and the Russian Far East accounted for the largest share in Aeroflot’s total sales in 2017. The share of sales through agents in Russia reduced overall due to a partial migration of sales online. The share of agents with BSF and TCH projects in Russia declined to 70.1% year-on-year while sales via authorised agents increased to 18.5%. Sales through own sales offices were flat year-on-year at 11.4%.

International sales

In 2017, Aeroflot’s operations in international markets focused on:

— ramping up ticket sales on international transit routes between Europe and Asia (especially on routes from China, India, and Kazakhstan), as well as between the USA and Israel
— signing incentive fee agreements with major agents in the relevant markets to drive sales of tickets for Aeroflot’s flights
— developing corporate sales (targeting primarily major foreign companies with operations in Russia or using Moscow as a transit point for business trips between Europe and Asia or Europe and the CIS)
— improving cost-per-sale performance
Sales and Distribution

Sales via agents with BSP, ARC, and TCH projects accounted for 89.1% of total sales in 2017. Sales through authorised agents totalled 6.4%, and sales via own offices contributed 4.5% to total sales.

Split by region, Europe was the biggest contributor to total international sales in 2017 (48.2%), followed by Asia (26.1%), the Americas (11.1%), the CIS (8.5%), and the Middle East (6.1%).

Geographical split of Aeroflot’s international sales revenue in 2017

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>48.2%</td>
</tr>
<tr>
<td>Asia</td>
<td>26.1%</td>
</tr>
<tr>
<td>Americas</td>
<td>11.1%</td>
</tr>
<tr>
<td>CIS</td>
<td>8.5%</td>
</tr>
<tr>
<td>Middle East</td>
<td>6.1%</td>
</tr>
</tbody>
</table>

NDC project

In 2017, Aeroflot was granted the highest, Level 3 certification for its implementation of the New Distribution Capability (NDC) Standard developed by the IATA.

The NDC programme enables the industry to transform the way air products are distributed. Going forward, NDC functionality will enable air product customisation to each customer’s specific budget and preferences, and help promote the entire range of value added services and fare families offered by an airline. NDC will allow customers to purchase air products and services via metasearch engines and agents accessing Aeroflot’s NDC gateway.

As at the end of 2017, NDC was implemented for metasearch engines only.

Pricing policy

In 2017, Aeroflot continued to develop and enhance the new fare structure comprising four fare families (fare brands) to which the Company shifted in November 2016. This was achieved through optimising the price differences between the different fare families to enhance passengers’ ability to choose fares that best match their needs, and by expanding the range of value-added services available for each fare family.

As a premium airline focused on a network business model, Aeroflot made a point of keeping free baggage allowance for checked and carry-on baggage across all fare families despite the regulatory changes allowing carriers to introduce baggage-free fares.

Aeroflot employs a set of analytical tools and automated software systems to maximise revenue. Each individual system plays its part in improving existing business processes and enhancing seat inventory management on Aeroflot’s flights. The use of advanced IT systems drives efficiencies and better flight loads while meeting the needs of different customer segments with varied spending capacity.

Fares for international flights remained mostly flat throughout 2017. One of the key targets in 2017 was maintaining the overall share of transit traffic and increasing it on certain routes without eroding the average yield. Pressure from predatory pricing by competitors on transit routes was offset by additional promotional fares and changes to the Company’s supply strategies.

Improved affordability of air travel for retail customers, specifically lower available fares in the domestic market, and lower rouble prices for international flights due to rouble appreciation pushed the demand for air travel. Despite the rise in demand, Aeroflot continued to stick to a conservative pricing policy.

Corporate sales

Aeroflot Group is actively developing its corporate sales. Revenue from sales to corporate customers continued to grow in 2017. Aeroflot’s corporate customers include a variety of oil and gas, finance, pharmaceutical, retail, food, and construction companies.

Our corporate sales target global companies with representative offices or business projects in Russia or the CIS, major international and regional Russian companies, and state-funded institutions.
Improved Customer Service and Brand Management

A strong brand is one of Aeroflot’s key competitive advantages and a major driver of its investment attractiveness. In 2017, Aeroflot was named the Strongest Brand in Russia and the World’s Strongest Airline Brand according to Brand Finance, the world’s leading international brand valuation agency.

4 Star Airline by Skytrax
The UK’s independent rating agency and the world’s leading authority on airline quality, Skytrax, affirmed Aeroflot’s 4 Star Airline rating in 2017.

Five Star Global Airline by APEX
Aeroflot has also been recognised as a Five Star Global Airline by APEX, a US-based airline passenger experience association. The APEX rating is similar to that of European Skytrax, compiled based on worldwide verified passenger feedback.

World’s Leading Aviation Brand
Aeroflot was awarded the prestigious title of the World’s Leading Aviation Brand at the World Travel Awards. The World Travel Awards is unofficially known as the travel industry’s Oscars, awarded on an annual basis to airlines in recognition of their high quality service throughout all stages of air travel.

Best Airline in Europe & Best Business Class
Aeroflot was rated the Best Airline in Europe by Tripadvisor users and won the Best Business Class category. Travellers’ Choice Award recognises leading air carriers based on millions of passenger reviews.

Favourite International Airline in China
Aeroflot was recognised as the Favourite International Airline in China by the prestigious Flyer Award recognizing outstanding participants in China’s travel market.

Marketing communications
In 2017, Aeroflot ran integrated advertising campaigns across popular TV channels and decorated several buildings in Moscow with promotional street art. Top priorities included spreading awareness of new routes, air products and services, as well as announcing its summer and winter flight schedules.

Throughout 2017, advertising campaigns were held in fifteen countries across Europe, Asia, and North America to improve brand awareness and position, and boost demand for connecting flights between Asia and Europe.

Along with advertising channels, Aeroflot is also focused on developing direct marketing communications and expanding customer interaction in digital channels. The Company continues to enhance its CRM functionality to improve the quality of passenger marketing communications.

In 2017, Aeroflot completed the Personalised Offer and Sales Module project for tailored communication about promotions and special offers on selected routes. Additionally, pilot SMS mass messaging helped bring additional traffic to the Company’s website.

Aeroflot is actively implementing Big Data tools for marketing communications. During 2017, the Company partnered with third-party advertising platforms Yandex, Google, and MyTarget (Mail.ru) to launch a series of marketing campaigns using dynamic customer base segmentation. Aeroflot plans to further develop its Big Data system by adding new data sources and enhancing machine learning models.

The Company conducted a number of marketing surveys in 2017 to understand the brand perception and collect feedback from consumers. The studies included in particular a repeat tracking survey of target customer segments in Russia, China, South Korea, Germany, Italy, and the UK, with a total sample size of 16 thousand people. Improved brand awareness by focus audience groups and better brand perception across several key emotional metrics were recorded.

In 2017, Aeroflot carried out another assessment of the Net Promoter Score (NPS) together with Bain & Company. Aeroflot’s NPS has demonstrated an upward trend throughout the entire period of project, and increased to 72.5% in 2017.

We also performed a customer satisfaction assessment in European, Middle Eastern, and Asian markets as part of IATA’s AirNet survey, as well as a joint SkyTeam Customer Experience Research project covering all member airlines.

Aeroflot airline’s NPS index

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>NPS</td>
<td>58%</td>
<td>67%</td>
<td>72%</td>
<td>72%</td>
<td>72.6%</td>
</tr>
</tbody>
</table>

Aeroflot’s NPS has demonstrated an upward trend throughout the entire period of project, and increased to 72.5% in 2017.
**Improved Customer Service and Brand Management continued**

### Customer experience

Aeroflot Group constantly enhances its airport and in-flight customer service. We study best practice and conduct in-house research to identify customer experience areas to focus on. We perform regular interval, external, and international product quality audits.

Aeroflot strives to make each flight and travel planning process as comfortable as possible for all passengers. The company consistently enhances its service offering, improves in-flight menu, expands its range of in-flight entertainment, and improves upon the functionality and usability of its mobile apps and websites.

A key element within customer interaction is promptly responding to all customer requests. Customer request handling algorithms were improved in 2017, including registration and scanning of requests left on board an aircraft, analysis and request handling times were improved.

Aeroflot Group complex with SkyTeam’s customer service requirements. SkyPriority service package has been implemented across almost all Aeroflot and Rossiya airline routes, as well as a number of Aurora’s departure airports.

### IN-FLIGHT SERVICES

- **New big menu featuring Russian cuisine**
- **The entertainment system is now available in Chinese, with more content in foreign languages**
- **Functionality such as subtitles and text-to-speech voice readers added for passengers with disabilities**
- **More cockpit options are now available for business class passengers on flights lasting six hours or more, and new meals from the winners of the national High Flyers cooking competition for young chefs were added**
- **A number of improvements in comfort class including three hot meal options, hot bread, and chocolate**
- **Toiletries are now offered in economy class on flights lasting six hours or more, and snacks are available during the entire flight**
- **Subsidiary airline, branded in-flight products introduced on Rossiya airline flights; the passenger cabin interior redesign programme is underway, and new flight crew uniforms were designed. Sky Bistro, a menu of paid meals and snacks, was expanded on Aurora airline’s flights, carry-on electronic devices are now permitted for use in flight mode, and branded items including amenity kits and children’s kids were developed**

### AIRPORT SERVICES

- **New navigation signs in Chinese and loudspeaker announcements in Chinese and Kazakh at boarding gates**
- **The architectural and functional design of the business class lounge was updated and separate check-in desks for business class passengers**
- **Rossiya airline implemented a Mobile Apron project at Pulkovo airport, which has helped streamline ground handling operations**
- **New value-added services have been introduced and passenger service trains were held. Rossiya airline has installed self-service kiosks at Yuzhno-Sakhalinsk airport and opened special areas for quick handling of transfer passengers at Khabarovsk airport**

### ONLINE SERVICES

- **Enhanced website and mobile app functionality including services related to check-in, access to partner services, and improved complaint and proposal handling system**
- **Subsidiary airlines: Rossiya airline has introduced an online lost baggage tracking service, improved online check-in, and launched online sales of value-added services. Aurora airline has launched its website in several Asia Pacific languages**

### CONTACT CENTRE

- **Customer survey functionality was integrated to collect feedback and track customer satisfaction on the primary line**
- **A special team was established to assist passengers with disabilities**
- **The customer identification system was improved**
- **Waiting time was reduced through improved predictive algorithms used in routing inbound calls**
- **The voice platform functionality was upgraded**
- **Subsidiary airlines are establishing their own contact centers – specifically, Aurora airline launched a 24/7 contact centre**

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**AEROFLOT GROUP CONTINUED TO ENHANCE ITS SERVICE OFFERING ACROSS ALL KEY FOCUS AREAS IN 2017:**

**AIRPORT SERVICES**

- New navigation signs in Chinese and loudspeaker announcements in Chinese and Kazakh at boarding gates were introduced at the Sheremetyevo base airport.
- The architectural and functional design of the business class lounge was updated and separate check-in desks for business class passengers were added to the SkyPriority lounge.
- Rossiya airline implemented a Mobile Apron project at Pulkovo airport, which has helped streamline ground handling operations.
- New value-added services have been introduced and passenger service trains were held. Aurora airline has installed self-service kiosks at Yuzhno-Sakhalinsk airport and opened special areas for quick handling of transfer passengers at Khabarovsk airport.

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**Aeroflot Bonus**

Aeroflot continued to develop its Aeroflot Bonus programme, which offers its members an opportunity to earn free miles when flying. In 2017, the number of programme members increased by 13.4% to 6.7 million people.


In 2017, the amount of miles required to purchase a one-way award ticket was reduced, award upgrade options at check-in were enhanced, new services and goods were made available in our Rewards Catalogue on the website www.rewards.aeroflot.ru and the online store (https://shop.aeroflot.ru/) for Aeroflot souvenirs was launched, with purchases available in bonus miles or cash.

The company continued to expand its range of goods and products from non-industry partners available for purchase using bonus miles.

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**Aeroflot Bonus members MILLION**

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>000</td>
<td>4.0</td>
<td>4.6</td>
<td>5.1</td>
<td>5.9</td>
<td>6.7</td>
</tr>
</tbody>
</table>

**Aeroflot Bonus partners**

- **Airlines**: 32.0%
- **Online stores, travel chains, and retailers**: 14.1%
- **Banks**: 13.5%
- **Hotels and hotel chains**: 4.5%
- **Car rentals**: 3.2%
- **Others**: 3.8%

In 2017, 62 new partners joined the programme, with the total number of partners at year-end at 156, including 19 airlines. The partners include airlines, banks, hotels, car rental services, online stores, retailers, and many more. The Company held more than 10 partner promotions in 2017, including joint projects with Sberbank, Otkritie Bank, Europcar, and Alfa Bank. Aeroflot also continued to enhance its bonus schemes for premium bank products, including Alfa Bank and Otkritie Bank premium cards, attracting high-value bank customers.

A series of bonus miles promotions was also held, such as a monthly Light Awards promotion whereby passengers could purchase award tickets for certain flights using less bonus miles. On 20–27 December 2017, Aeroflot held the 95 Days of Pleasant Travel promotion to celebrate its 95th anniversary, whereby bonus programme members could purchase award tickets for Aeroflot and Rossiya airline flights with discounts of up to 30%. The programme attracted over 15 thousand new members through original play promotions launched with Disney.

1 Website, mobile website, and mobile app.
Financial Growth

RUB 532.9 billion
Aeroflot Group’s revenue

RUB 23.1 billion
Aeroflot Group’s net profit
In 2017, Aeroflot Group’s revenue increased by 7.5% year-on-year to RUB 532,934 million.
Revenue from scheduled passenger flights increased by 5.9% year-on-year to RUB 427,529 million, driven by an increase in passenger traffic. Revenue growth was affected by a decrease in yields, primarily on international routes, due to the rouble appreciation and a corresponding adjustment to FX-denominated revenue.
Revenue from charter flights increased by 75.2% to RUB 30,861 million, supported, among other things, by the expansion of Rossiya’s charter programme. Rapid growth resulted in revenue from charter flights increasing from 3.6% of the Group’s total revenue in 2016 to 5.8% in 2017.
Revenue from cargo increased by 31.3% year-on-year to RUB 16,526 million on the back of additions of wide-body aircraft to the Group’s fleet and a 32.8% growth in the cargo and mail volumes. This increase enabled the share of cargo revenue to grow from 2.5% in 2016 to 3.1% in 2017.
Other revenue decreased by 6.3% year-on-year to RUB 58,018 million, mainly due to a decrease in the rouble equivalent of FX-denominated revenues from airline agreements as a consequence of exchange rate fluctuations.
Financial Highlights

Revenue growth decomposition

<table>
<thead>
<tr>
<th>Segment</th>
<th>2016</th>
<th>2017</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>495,880</td>
<td>532,934</td>
<td>7.4</td>
</tr>
<tr>
<td>Scheduled flights</td>
<td>23,769</td>
<td>27,295</td>
<td>15.1</td>
</tr>
<tr>
<td>Charter flights</td>
<td>13,243</td>
<td>17,743</td>
<td>33.8</td>
</tr>
<tr>
<td>Cargo</td>
<td>3,938</td>
<td>3,995</td>
<td>1.5</td>
</tr>
<tr>
<td>Other revenue</td>
<td>(3,995)</td>
<td>(3,995)</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Yields

In 2017, scheduled flight yields decreased by 4.9% including yields on international destinations (by 7.7%) and yields on domestic destinations (by 1.1%). Yields were mainly influenced by the competitive environment in the market and the development of Pobeda airline which, being a low-cost carrier, provides air transportation with lower yields. International yield decrease primarily resulted from the foreign exchange effect as all fare groups (for outbound and inbound flights and for international transfer) are denominated in foreign currencies. In particular, during the year, the rouble appreciated by 11.2% against the euro and by 13.0% against the US dollar (the average of RUB 74.2 per EUR and RUB 67.0 per USD in 2016; RUB 65.9 per EUR and RUB 58.4 per USD in 2017).

Domestic yields came under pressure from competition and the route network mix (long-haul operations development at Rossiya airline). As a result, Rossiya’s average distance flown increased from 2,300 kilometres to 2,500 kilometres, or by 8.3%, while the share of flights to the cities of the Far East in the airline’s total passenger-kilometres on domestic flights increased from 21% in 2016 to 26% in 2017.

In the international segment, FX rates complemented the effect of competition. Rouble appreciation boosted demand, while increased demand resulted in capacity growth both from foreign carriers and Russian charter operators. At the same time, the re-opening of the Turkish market in late 2016 had a major impact on the results in the reporting period and determined the geographical re-distribution of demand from Russian consumers.

Operating Costs

<table>
<thead>
<tr>
<th>Category</th>
<th>2016</th>
<th>2017</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aircraft, traffic, and passenger servicing</td>
<td>87,227</td>
<td>96,418</td>
<td>10.5</td>
</tr>
<tr>
<td>% of revenue</td>
<td>17.6%</td>
<td>18.1%</td>
<td>0.5 p.p.</td>
</tr>
<tr>
<td>Staff</td>
<td>64,882</td>
<td>82,801</td>
<td>28.0</td>
</tr>
<tr>
<td>% of revenue</td>
<td>13.0%</td>
<td>15.5%</td>
<td>2.5 p.p.</td>
</tr>
<tr>
<td>Operating lease</td>
<td>59,563</td>
<td>65,793</td>
<td>10.5</td>
</tr>
<tr>
<td>% of revenue</td>
<td>12.0%</td>
<td>12.3%</td>
<td>0.3 p.p.</td>
</tr>
<tr>
<td>Aircraft maintenance</td>
<td>38,236</td>
<td>36,433</td>
<td>(4.7)</td>
</tr>
<tr>
<td>% of revenue</td>
<td>7.7%</td>
<td>6.8%</td>
<td>(0.9) p.p.</td>
</tr>
<tr>
<td>Sales and marketing, administration and general expenses</td>
<td>30,294</td>
<td>36,139</td>
<td>19.3</td>
</tr>
<tr>
<td>% of revenue</td>
<td>6.1%</td>
<td>6.8%</td>
<td>0.7 p.p.</td>
</tr>
<tr>
<td>Depreciation, amortisation, and customs duties</td>
<td>14,750</td>
<td>15,694</td>
<td>6.4</td>
</tr>
<tr>
<td>% of revenue</td>
<td>3.0%</td>
<td>2.9%</td>
<td>(0.1) p.p.</td>
</tr>
<tr>
<td>Communication expenses</td>
<td>14,687</td>
<td>14,795</td>
<td>0.7</td>
</tr>
<tr>
<td>% of revenue</td>
<td>3.0%</td>
<td>2.9%</td>
<td>(0.1) p.p.</td>
</tr>
<tr>
<td>Other expenses</td>
<td>21,595</td>
<td>21,855</td>
<td>1.2</td>
</tr>
<tr>
<td>% of revenue</td>
<td>4.4%</td>
<td>4.4%</td>
<td>(0.0) p.p.</td>
</tr>
<tr>
<td>Operating costs, excluding aircraft fuel</td>
<td>331,046</td>
<td>369,638</td>
<td>12.0</td>
</tr>
<tr>
<td>% of revenue</td>
<td>66.9%</td>
<td>69.4%</td>
<td>2.5 p.p.</td>
</tr>
<tr>
<td>Aviation fuel</td>
<td>101,582</td>
<td>122,685</td>
<td>20.8</td>
</tr>
<tr>
<td>% of revenue</td>
<td>30.5%</td>
<td>33.0%</td>
<td>(2.5) p.p.</td>
</tr>
<tr>
<td>Total operating costs</td>
<td>432,626</td>
<td>492,523</td>
<td>13.8</td>
</tr>
<tr>
<td>% of revenue</td>
<td>87.2%</td>
<td>92.4%</td>
<td>5.2 p.p.</td>
</tr>
</tbody>
</table>
In 2017, aviation fuel costs increased by 20.8% year-on-year to RUB 122,685 million. The increase was driven by higher rouble-denomination average price of aviation fuel amid changes in the price of oil and exchange rates, as well as an increase in traffic and flight hours. The strengthening of the rouble mitigated the increase in expenses due to the Group’s expansion. Excluding aviation fuel costs, operating costs increased by 11.7% year-on-year to RUB 369,838 million.

Aircraft and passenger servicing costs totalled RUB 96,418 million, up 10.5% year-on-year, due primarily to the growth of passenger traffic and increased airport taxes. This item was also impacted by new initiatives aimed at boosting service quality.

Staff costs grew 28.0% year-on-year and totalled RUB 82,801 million, as a result of wage indexation in accordance with the collective bargaining agreement, an increase in the number of staff to support operational growth, growth of the variable component of remuneration linked to the achievement of corporate KPIs (for FY 2016), and an increase in unused vacation fund (one-off adjustment), as well as payment of bonuses to pilots.

Operating lease expenses grew to RUB 65,793 million, up 10.5% year-on-year, due to fleet expansion (the net increase in the Group’s leased fleet was 42 aircraft, or 177%, compared with 31 December 2016) and an increase in the average LIBOR 6M rate by 0.42 p.p. year-on-year.

Aircraft maintenance costs decreased by 4.7% year-on-year to RUB 36,433 million. Aircraft maintenance costs were significantly impacted by the rouble appreciation, as well as by the ongoing development of A-Technics, Group’s maintenance subsidiary, resulting in increasing volumes of in-house maintenance.

Sales and marketing, administration and general expenses grew by 19.3% year-on-year to RUB 36,139 million due to increased investments in marketing campaigns, in particular, promoting Aeroflot in key international markets. This programme is delivering notable results as Aeroflot carried 4.4 million international transfer passengers in 2017, a 18.6% increase year-on-year.

Depreciation, amortisation and customs duties increased by 5.8% year-on-year to RUB 15,604 million due to the commissioning of IT equipment during the year.

Communication expenses including the services of global distribution systems totalled RUB 14,795 million having increased insignificantly by 0.7% due to the operations growth and the rouble appreciation.

Other expenses increased by 1.2% year-on-year to RUB 21,855 million.

Cost per Available Seat-Kilometre (CASK)

During the year, the Company exercised efficient cost control. Cost per available seat-kilometre (CASK) decreased by 0.3% to RUB 3.13, driven largely by a 5.8% growth of unit aviation fuel costs. Excluding fuel costs, CASK decreased by 2.2% or by RUB 2.35 per seat-kilometre.
Financial Highlights

EBITDA and EBITDAR

In 2017, Aeroflot Group’s EBITDA totalled RUB 56,015 million. EBITDA margin decreased to 10.5% (15.7% in 2016). EBITDAR for 2017 was RUB 121,808 million. EBITDAR margin decreased to 22.9% (27.7% in 2016). This trend reflects the normalisation of profitability and the impact of the aforementioned factors.

<table>
<thead>
<tr>
<th>EBITDAR and EBITDAR margin</th>
<th>RUB million and %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td>EBITDAR</td>
<td>EBITDAR margin</td>
</tr>
<tr>
<td>137,567</td>
<td>27.7%</td>
</tr>
<tr>
<td>121,808</td>
<td>22.9%</td>
</tr>
</tbody>
</table>

EBITDA and EBITDA margin

<table>
<thead>
<tr>
<th>EBITDA and EBITDA margin</th>
<th>RUB million and %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td>EBITDA</td>
<td>EBITDA margin</td>
</tr>
<tr>
<td>78,004</td>
<td>15.7%</td>
</tr>
<tr>
<td>56,015</td>
<td>10.5%</td>
</tr>
</tbody>
</table>

Finance Income and Costs

Non-operating profit and loss

Finance income decreased by 64.0% year-on-year to RUB 7,127 million, mainly due to lower foreign exchange gains.

Finance costs decreased by 12.9% year-on-year to RUB 8,225 million, primarily due to falling debt levels and a subsequent reduction in loan interest expense.

The hedging result of RUB 5,613 million was attributable to the effect of revenue hedging with liabilities in foreign currencies (finance lease). This cost item does not cover hedging transactions as no such contracts existed in the reporting period, instead, it reflects the FX effect of finance lease revaluation related to actual payments during the reporting period. The rouble appreciation had a positive impact on finance lease liabilities and respective effect of revaluation recognised in Company’s equity.

Cash Flows

Condensed consolidated statement of cash flows

<table>
<thead>
<tr>
<th>RUB million, unless otherwise stated</th>
<th>2016</th>
<th>2017</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit</td>
<td>63,254</td>
<td>40,411</td>
<td>(36.1)</td>
</tr>
<tr>
<td>Loss from sale and impairment of investments, net</td>
<td>(2,935)</td>
<td>(444)</td>
<td>(95.1)</td>
</tr>
<tr>
<td>Finance income</td>
<td>18,812</td>
<td>7,277</td>
<td>(60.3)</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(9,443)</td>
<td>(6,225)</td>
<td>(34.0)</td>
</tr>
<tr>
<td>Hedging result</td>
<td>(52,310)</td>
<td>(5,613)</td>
<td>(90.5)</td>
</tr>
<tr>
<td>Share of results of associates</td>
<td>12</td>
<td>170</td>
<td></td>
</tr>
<tr>
<td>Result from disposal of subsidiaries</td>
<td>(6,099)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before income tax</td>
<td>53,281</td>
<td>33,726</td>
<td>(36.7)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(14,495)</td>
<td>(9,866)</td>
<td>(25.2)</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>38,826</td>
<td>23,860</td>
<td>(40.6)</td>
</tr>
</tbody>
</table>
Financial Highlights
continued

Cash flows from operating activities
In 2017, net cash flows from operating activities reached RUB 47,432 million in 2017, while profit before income tax amounted to RUB 33,736 million. Key non-cash adjustments of profit before income tax made to net cash flows from operating activities for 2017 were related to:

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

Working capital
In the reporting period, working capital change was RUB 5,524 million, mainly impacted by an increase of RUB 27,816 million in accounts receivable and prepayments, in line with revenue growth.
Cash flows from operating activities were largely affected by an increase in accounts payable and accrued liabilities, in line with the growth in operating costs by 13.8% in 2017.

Free cash flow
In 2017, free cash flow totalled RUB 61,801 million. A 26.4% decrease compared to 2016 resulted from a 35.6% decrease in net cash flows from operating activities, as well as from a 39.1% increase in net cash flows from investing activities.
Cash and cash equivalents grew by 46.1% to RUB 45,978 million, driven among other factors by the effect of exchange rate fluctuations.

Capital Expenditure
In 2017, capital expenditure totalled RUB 5,737 million. Purchases of property, plant and equipment and intangible assets were primarily included in the total. Purchases of property, plant and equipment are primarily included in the total.
Purchases of property, plant and equipment and intangible assets were primarily included in the total. Purchases of property, plant and equipment and intangible assets were primarily included in the total.

Non-current assets
In 2017, non-current decreased by 8.3% and reached RUB 155,128 million, primarily driven by a 53.0% decrease in prepayments for aircraft due to the reclassification of non-current prepayments to current prepayments.

Current assets
Current assets increased by 29.2% and reached RUB 168,202 million. The change was mainly due to a 46.1% increase in cash and cash equivalents, and an 18.9% increase in accounts receivable and prepayments.

Note: Net capital expenditure is capital expenditure less proceeds from sale of property, plant and equipment, and proceeds from sale of assets held for sale.
Financial Highlights continued

Equity
In 2017, equity, including non-controlling interest, grew to RUB 67,299 million.

The key driver behind this change was the decrease in the hedging reserve, which comprised revaluation of derivatives under IAS 39 and revaluation of finance lease liabilities. Another contributor to the gain was an increase in profit from sale of treasury shares, mainly driven by the sale of its quasi-treasury stock by the subsidiary Aeroflot-Finance.

Current liabilities
In 2017, total current liabilities increased by 16.8% due to an increase in accounts payable and accrued liabilities, unearned traffic revenue, and provisions for liabilities by 36.3%, 11.9%, and 77.8% respectively.

Non-current liabilities
In 2017, non-current liabilities decreased by 16.5% to RUB115,005 million. The key drivers behind this decrease were finance lease liabilities, which went down by 16.0% due to the rouble appreciation in the reporting period and the reclassification of non-current liabilities to current liabilities.

Debt and Liquidity
As at 31 December 2017, total debt decreased by 27.2% year-on-year to RUB 104,792 million, primarily driven by scheduled and early repayments of loans and borrowings, as well as payment of finance lease liabilities, and revaluation of finance lease liabilities following the rouble appreciation against the US dollar as at 31 December 2017 compared to 31 December 2016. As a result, the Group now has two active loans totalling RUB 3,181 million. Despite significant repayments, cash and short-term financial investments increased by more than 45.3% versus 31 December 2016 and totalled RUB 54,909 million.

As at 31 December 2017, Aeroflot Group had RUB 103.2 billion undrawn credit lines from major Russian and international banks.

<table>
<thead>
<tr>
<th>Debt</th>
<th>RUB million, unless otherwise stated</th>
<th>31.12.2016</th>
<th>31.12.2017</th>
<th>Change, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and borrowings</td>
<td>20,367</td>
<td>3,181</td>
<td>(84.4)</td>
<td></td>
</tr>
<tr>
<td>Finance lease</td>
<td>122,736</td>
<td>100,689</td>
<td>(20.0)</td>
<td></td>
</tr>
<tr>
<td>Pension liabilities</td>
<td>805</td>
<td>922</td>
<td>14.5</td>
<td></td>
</tr>
<tr>
<td>Total debt</td>
<td>143,908</td>
<td>104,792</td>
<td>(27.2)</td>
<td></td>
</tr>
<tr>
<td>Cash, cash equivalents, and short-term investments</td>
<td>27,026</td>
<td>54,909</td>
<td>45.3</td>
<td></td>
</tr>
<tr>
<td>Net debt</td>
<td>106,113</td>
<td>49,883</td>
<td>(53.0)</td>
<td></td>
</tr>
<tr>
<td>Net Debt / EBITDA ratio</td>
<td>1.4х</td>
<td>0.9х</td>
<td>—</td>
<td></td>
</tr>
</tbody>
</table>

Finance lease repayment schedule

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021+</th>
</tr>
</thead>
<tbody>
<tr>
<td>RUB million</td>
<td>16,015</td>
<td>15,225</td>
<td>15,052</td>
<td>54,397</td>
</tr>
</tbody>
</table>

Breakdown of total debt

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td>17.3%</td>
<td></td>
<td></td>
<td>15.3%</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>82.7%</td>
<td></td>
<td></td>
<td>84.7%</td>
</tr>
</tbody>
</table>

Note: Excluding operating lease capitalisation.
Social Growth

- **38.9 thousand**
  Employees work in Aeroflot Group

- **1.5 million**
  Passengers carried under the flat fare programme
Corporate Social Responsibility

Approach to Sustainable Development

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

The Group is committed to the principles of sustainable business development and complies with all applicable HR, health, safety and environmental protection legislation. Aeroflot seeks to contribute to the country’s social and economic development by participating in programmes aimed at improving transport accessibility, and in projects supporting Russian regions. The Company implements programmes to provide support for vulnerable groups and promote culture and sports. Improving the energy efficiency and environmental performance of the Company’s operations is an integral element of our sustainable development policy.

PJSC Aeroflot’s Public Council, a consultative and advisory body, continued to operate in 2017; it had been established to enable broad public discussion of the Company’s operations. The Public Council comprises 25 prominent figures of Russian culture, education, healthcare, sports, mass media, business, industry associations, civil society organisations, and human rights groups. The Council members participate in its activities on a pro-bono basis.

The Council’s purposes include helping PJSC Aeroflot formulate its position on key aspects of the Russian airline industry’s development, and making recommendations to the Government on regulation and development of the industry. The Public Council helps Aeroflot promptly address the interests of society, make right strategic decisions following changes in the external environment, and consistently enhance service offering in response to the requests of passengers and general public.

The Council held two meetings in 2017, discussing a number of topics, including:
— Aeroflot’s development as the leader of the Russian air transportation industry
— Aeroflot’s interaction with society and the state
— Achievement of Aeroflot’s strategic goals
— The Company’s operating and financial results
— Implementation of advanced information technologies, digitalisation, and the use of Big Data solutions
— Changes in laws and regulations on air transportation, including those initiated or supported by Aeroflot
— Improvement of air transport accessibility for the Russian population

CUSTOMER TRUST

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

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

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

RESULTS FOR SHAREHOLDERS

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

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

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

TEAMWORK

We are a closely-knit team of professionals who cannot imagine living without the sky.

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

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

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

SOCIAL RESPONSIBILITY

We care about the environment and continuously improve energy and environmental efficiency, using a modern and young fleet of aircraft and the most advanced technology.

We are fully aware of our responsibility to society and actively participate in socially important and charitable projects.

We participate actively in the development of the Russian air transport network and create new jobs in the regions.

We support and actively participate in the development of the Russian aircraft manufacturing industry.
Corporate Social Responsibility
continued

HR Policy

Aeroflot Group’s HR policy is designed to expand the Group’s local and global market footprint and win the trust of passengers, partners, and all stakeholders. Aeroflot’s priorities include attracting and retaining talent and ensuring their professional development, improving economic efficiency in all areas of HR management, as well as fostering a unique corporate culture to ensure the Company’s strong competitive edge.

Aeroflot consistently reviews and enhances its employees’ compensation and benefit packages, and develops flexible incentive schemes helping each employee reach their full potential.

Priority areas of the HR policy:
— Identify and attract candidates, including for cockpit and cabin crew positions;
— Retain highly skilled employees;
— Train employees, including training for working on new types of aircraft;
— Build up the talent pool;
— Strengthen the Group’s positive image as the leading employer in the air transportation market;
— Provide employees with social support;
— Strengthen the Group’s positive image as the leading employer in the air transportation market.

Personnel structure

As at 31 December 2017, the total headcount of Aeroflot Group was 38,970 employees1, having increased by 6.3% year-on-year (36,556 employees as at 31 December 2016). The increase was driven by the fleet and route network expansion.

As at 31 December 2017, PJSC Aeroflot’s headcount increased by 6.7% to 22,991 employees (21,554 as at 31 December 2016). The increase was driven by the fleet and route network expansion.

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

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Aeroflot Group’s headcount

<table>
<thead>
<tr>
<th>THOUSAND PEOPLE</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cabin crew</td>
<td>17.9</td>
<td>19.0</td>
<td>20.4</td>
<td>21.6</td>
<td>23.0</td>
</tr>
<tr>
<td>Cockpit crew</td>
<td>14.0</td>
<td>12.1</td>
<td>18.1</td>
<td>29.0</td>
<td>21.0</td>
</tr>
<tr>
<td>Ticket sales and distribution</td>
<td>4.9</td>
<td>4.9</td>
<td>5.0</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Other personnel</td>
<td>30.5</td>
<td>32.2</td>
<td>34.0</td>
<td>36.6</td>
<td>38.9</td>
</tr>
</tbody>
</table>

PJSC Aeroflot’s headcount

<table>
<thead>
<tr>
<th>THOUSAND PEOPLE</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cabin crew</td>
<td>11.2</td>
<td>12.5</td>
<td>20.9</td>
<td>27.7</td>
<td>32.5</td>
</tr>
<tr>
<td>Aircraft services</td>
<td>1.6</td>
<td>1.6</td>
<td>1.6</td>
<td>1.6</td>
<td>1.6</td>
</tr>
<tr>
<td>MRO staff</td>
<td>7.0</td>
<td>7.0</td>
<td>7.0</td>
<td>7.0</td>
<td>7.0</td>
</tr>
<tr>
<td>Other personnel</td>
<td>59.1</td>
<td>59.1</td>
<td>59.1</td>
<td>59.1</td>
<td>59.1</td>
</tr>
</tbody>
</table>

Women account for 50.9% of Aeroflot Group’s total headcount. Specifically, the parent company PJSC Aeroflot employs 11,740 women, including flight attendants, office and maintenance service employees, as well as pilots. As at the end of 2017, 31 female pilots were employed by Aeroflot airline, five by Rossiya airline, and two by Aurora airline.

As at 31 December 2017, there were 38 non-resident pilots on PJSC Aeroflot’s headcount.

Personal turnover at PJSC Aeroflot in 2017 was 6.8% (7.5% in 2016).

1. Headcount and personnel breakdown as at the year-end.
2. Aeroflot Group’s total headcount excluding the staff of Aeroflot Aviation School (137 employees as at 31 December 2016) and 101 employees as at 31 December 2015.
3. Includes pilots-in-command, co-pilots, and other flight crew members (flight engineers, pilot instructors, and others).

1. Headcount and personnel breakdown as at the year-end.
2. Aeroflot Group’s total headcount excluding the staff of Aeroflot Aviation School (137 employees as at 31 December 2016) and 101 employees as at 31 December 2015.
3. Includes pilots-in-command, co-pilots, and other flight crew members (flight engineers, pilot instructors, and others).
Corporate Social Responsibility continued

Recruitment

Recruitment to the Company is guided by the Regulations on the Procedure for Personnel Recruitment and Hiring dated 25 June 2010 and includes job posting on PJSC Aeroflot’s official website, corporate intranet portal, and dedicated websites, as well as in the media.

Further more, Aeroflot develops partnerships with educational institutions to attract promising young specialists and improve the quality of its future employees training. PJSC Aeroflot annually selects the best graduates of civil aviation educational institutions who will complete additional simulator training in compliance with corporate standards. Moreover, the Company’s business units engage graduates of industry schools and universities for on-the-job training and internships.

In the reporting period, the Company continued to participate in the targeted training programme financed from the federal budget. Contracts for targeted training were signed with three industry universities: the Saint Petersburg State University of Civil Aviation, Ulyanovsk Civil Aviation Institute, and the Moscow State Technical University of Civil Aviation. Over five years, 278 students signed contracts for targeted training committing them to work with the Company for a certain period of time. The first students enrolled in the training programme financed from the federal budget graduated in 2017.

In 2017, PJSC Aeroflot contracted with seven civil aviation educational institutions to provide training for more than 27 thousand civil aviation employees, including training on aircraft engines, engines for special-purpose vehicles, special purpose vehicle access training (training for special-purpose vehicle drivers), and special-purpose vehicle access training (training for special-purpose vehicle drivers, flight attendant training, pilot training on new aircraft types, engineering personnel training, air traffic security, regulations for hazardous cargo transportation, occupational safety, foreign languages, and certification programmes).

In the reporting period, the Company’s Department for Aviation Personnel Training delivered training to more than 2,000 employees, including retraining courses in new aircraft types for pilots, pilot-in-command training for candidate pilots, initial training for pilot instructors, and training for examiners, as well as CRM courses and training in the flight safety management system.

In 2017, the Department developed 17 specialist training programmes for Kazan Civil Aviation School students, in compliance with the Federal Aviation Rules dated 29 September 2015 approved by the Ministry of Transport of the Russian Federation and was granted an unlimited certificate as an aviation training centre.

A number of innovative projects were implemented, including the upgrade of FFS A320 and FFS A320 flight simulators. The Company also completed works under the agreement with JSC Sukhoi Civil Aircraft to manufacture a procedure trainer for 55,000 flight crew training. Furthermore, PJSC Aeroflot continued efforts to establish a comprehensive training centre for aviation personnel working on MC-21 aircraft.

Training platform

PJSC Aeroflot uses its own training platform providing training for cockpit and cabin crews of Aeroflot and its subsidiaries. The training platform is currently equipped with 23 modern simulators and mock-ups produced both in Russia and abroad. In the reporting period, a number of projects were implemented to enhance the quality of cockpit and cabin crew training using the Company’s own simulators, including the upgrade of simulators, and improvements to the flight control computer. More than 9,000 crews completed training on full flight and special-purpose simulators, while more than 4,000 employees completed training on Land–Water simulators and mock-ups for emergency response training.

Best in Trade professional skills competition

Aeroflot holds the Best in Trade professional skills competition to reinforce corporate culture, identify and reward the best employees, and promote the airline’s general trade jobs. Approximately 700 employees representing 20 trades took part in the competition in 2017. The competition comprised four special categories: the Best Representative of Aeroflot in the Russian Federation, the Best Representative Office of Aeroflot in the World, the Best in Trade (Aeroflot’s Values), and the Best Mentor. The winners received significant cash bonuses and a good incentive for career advancement.

Talent pool

PJSC Aeroflot continues building its talent pool. In 2017, key vacancies were filled with internal candidates listed in the talent pool for senior management positions, while the Company continued building the middle management talent pool and the talent pool for the Company’s representative offices abroad. As of the end of the reporting period, 149 and 131 employees respectively were included in those talent pools.

Incentive system

PJSC Aeroflot continues to develop its employee incentive system to improve operational efficiency and sharpen its competitive edge. The Company uses flexible incentive schemes and consistently enhances employees’ compensation and benefits packages.

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

The Company places special emphasis on attracting and motivating pilots through competitive pay levels and regular salary indexation. To attract qualified flight crews, the Company has in place a system of one-off incentive payments at hiring. The airline compensates pilots for training expenses through educational contracts incurred when quitting their previous job, or employees’ own expenses on their education.

The Company also widely uses non-financial incentives. In line with its Collective Agreement, Aeroflot rewards and recognizes employees’ high performance. In 2017, two employees received government awards of the Russian Federation, RTF received industry awards of the Russian Ministry of Transport, and 20 received awards of other agencies. More than 1,200 employees were recognised with corporate awards.
Corporate Social Responsibility

continued

Social programmes for Company employees

The Company runs a wide range of social programmes to create a comfortable environment encouraging employees’ professional and personal development, and ensure their social protection. Social programmes strengthen the Company’s competitive position, help attract qualified specialists, improve overall performance, foster a favourable social and psychological climate, and boost the Company’s profile as a socially responsible employer.

PJSC Aeroflot has in place a Collective Agreement which was extended until 1 December 2020 by the joint resolution of the employer and the employees’ representative on 10 August 2017. The social package described in the Collective Agreement considerably exceeds benefits, guarantees, and compensations established by applicable labour laws.

Occupational pension scheme

Aeroflot runs a pension scheme based on joint participation of the employer and the employee. Occupational pension is funded from employees’ monthly pension contributions; the Company’s quarterly contributions, the annual investment income accrued on the employee’s contributions by a non-governmental pension fund, and the employer’s contribution.

The corporate occupational pension scheme covers 6,200 employees. In 2017, personal contributions of the scheme participants were matched by those of the airline at the rate of 20%.

Since 2016, the occupational pension scheme for the Company’s employees was coordinated by two corporate non-governmental pension funds, Non-Governmental Pension Fund of Sberbank and Non-Governmental Pension Fund RGS.

To attract and retain pilots-in-command, the Company has in place special Golden Anchor pension plan. The Company awards annual bonuses to the scheme participants with the rate of 20%–50%.

Resort therapy

In 2017, 3,800 employees of PJSC Aeroflot and their family members benefited from rehabilitation treatment at health resorts, including 725 children accompanied by their parents under the Healthy Child programme. The programme was financed using voluntary health insurance coverage and funds from the budget of the Social Insurance Fund of the Russian Federation, which is formed from insurance contributions made by the Company to insure employees against work accidents and occupational diseases.

The Company partners with health resorts in Southern Russia and Slovakia. A special free health rehabilitation programme for 511 pilots and flight attendants was set up in the Czech Republic.

Sports events

Programmes to promote corporate sports and organise holiday events are designed to strengthen the corporate culture. In 2017, sports facilities were rented for permanent sporting clubs where employees can play football, volleyball, hockey, basketball, and tennis. Aeroflot’s sports teams successfully competed in futsal tournaments for the CSA Cup, Aviation and Space Cup, and Aviation Industry Cup, as well as in the corporate tennis tournament. To improve health and promote wellbeing among the Company’s employees, fitness club memberships were offered throughout the year.

Housing programme for Aeroflot airline’s flight crews

In 2017, 19 Aeroflot’s pilots continued to participate in a housing programme, with the Company subsidising interest payments on employees’ mortgage loans.

Corporate housing for key employees

During the year, the Company’s key employees from the regions were provided with company-owned housing close to Sheremetyevo airport, with more than 1,500 employees occupying the free lease arrangement. Most of the housing options are provided at Aeroflot’s Flight Camp based at Ozero Krugloe Hotel Complex.

Aeroflot’s medical centre

PJSC Aeroflot has its own medical centre providing healthcare services to current employees and their families, as well as retired employees, including aeromedical assessment and rehabilitation of cockpit and cabin crew, and pre-flight medical examinations. The medical centre comprises a polyclinic, an inpatient hospital, and an outpatient surgery with a day hospital. The polyclinic offers a wide range of laboratory tests. In 2017, it reported a total of 246,800 visits and conducted aeromedical assessment of 5,400 patients.

Daycare spending compensation for employees’ kids

During 2017, 400 employees of the Company were provided with daycare spending compensation benefits for their children.

Additional social benefits for flight crews

A number of additional social benefits are provided to flight crew members, including:

— 70-day paid annual leave
— special insurance programmes with payments increased significantly in December 2017
— free access to diverse sports facilities for training.

Financial assistance

In 2017, the Company provided financial support to 234 current and former employees in difficult circumstances.

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Company vehicles and corporate parking

Company vehicles are used to transport employees to work at the Company’s offices located near Sheremetyevo airport. In 2017, around 3,600 employees benefited from Company vehicle transportation on a daily basis.

To provide the personnel of the Company’s operating units with parking places, in 2017, six parking lots were rented near Moscow Sheremetyevo airport.

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Corporate Social Responsibility continued

Social partnership
PJSC Aeroflot successfully develops social partnership. Ten corporate trade unions representing four different trade unions operate within the Company, including the Moscow Trade Union of Aviation Workers, Sheremetyevo Trade Union of Flight Personnel, Sheremetyevo Trade Union of Flight Attendants, and All-Russian Trade Union of Civil Aviation Engineering Workers. The total number of members of all corporate trade unions is about 5,000. Employees’ interests in the social partnership are represented by the United Representative Body of Aeroflot’s employees, which comprises representatives of the majority of corporate trade unions.

Occupational health and safety
PJSC Aeroflot has in place an efficient occupational health and safety system compliant with the applicable regulations and international best practice. The Company has a certificate confirming its compliance with regulatory occupational safety requirements. The Company strives to eliminate occupational injuries and diseases, and prevent hazardous situations.

During 2017 there were 21 accidents of varying severity, including three serious accidents. Human factor played a significant part in all the accidents.

Throughout the year, health and safety trainings were arranged with a focus on occupational diseases and injuries prevention. To prevent occupational diseases, employees passed regular medical examinations.

As at the end of 2017, in accordance with Federal Law No. 426-FZ On Special Assessment of Working Conditions, PJSC Aeroflot carried out a special assessment of 5,832 workplaces, of which 4,385 were found to have acceptable working conditions. The total number of members of all corporate trade unions is about 5,000. Employees’ interests in the social partnership are represented by the United Representative Body of Aeroflot’s employees, which comprises representatives of the majority of corporate trade unions.

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

Supporting Charities and Regional Development
As a socially responsible business, PJSC Aeroflot has a wide range of social and charitable programmes. The Group makes meaningful contributions to the social and economic development of Russian regions by providing government-sponsored passenger transportation, and its charitable activities are primarily focused on supporting vulnerable groups such as children and veterans.

The Group’s subsidiaries strive to contribute to charity campaigns initiated by Aeroflot and provide targeted aid in the regions in which they operate, with a special focus on supporting veterans.

Social and economic development of Russian regions
Improving the accessibility of Russia’s regions
Improving the accessibility of Russia’s regions, including remote destinations, remains a major priority of Aeroflot. The Company has an extensive route network and supports the government-sponsored programme maintaining airline passenger services between the Far East and Europe. Furthermore, Aeroflot airline runs a flat fare programme for economy class flights to remote regions. Flat fares apply to flights heading to Vladivostok, Yuzhno-Sakhalinsk, Khabarovsk, Petropavlovsk-Kamchatsky, Magadan, Kalingrad, and Simferopol.

To support accessibility of the Russian Far East, Aeroflot extended the flat fares through to 2018 to include its Rossiya subsidiary’s flights connecting to cities in the Far East, which will help expand the passenger offering on key domestic routes. Flat fares are applicable to point-to-point transportation only.

Aeroflot carried more than 1.5 million passengers through flat rates in 2017 and over 4.3 million passengers since the initiative began in 2015.

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

Supporting regions
One of the Group’s main achievements is developed domestic route network. In the reporting period, Aeroflot airline launched new services to Belgorod, Khanty-Mansiysk, and Salekhard.

Aeroflot Group places a special focus on increasing the number of its inter-regional flights. In 2017, Pobeda airline did not use the Moscow transit hub for 50% of its flights. The company launched unique flights within Russia. Surgut – Mahachkala, Saint-Petersburg – Natchik, Saint-Petersburg – Vladivostok, Krasnoyarsk – Yakutsk, Krasnoyarsk – Novosibirsk, Novosibirsk – Yekaterinburg, and Rostov – Yekaterinburg, among others. During the year, 350 thousand tickets for Pobeda airline flights were sold for as low as RUB 499, thereby increasing social mobility.

Aeroflot also contributed to promoting traditional Russian products by adding Tula honey-cake and Beliyov pastila to the on-board menu, thereby raising awareness of the Tula Region as a unique Russian producer of world-famous merchandise historically associated with Russia.

Aeroflot signed a partnership agreement with the government of the Republic of Tatarstan to launch a joint IT development programme for civil aviation in Innopolis University. The partnership will be focused on developing technologies which improve access to air transportation, and the parties will also begin seeking out solutions to optimise the ground infrastructure.

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Corporate Social Responsibility continued

Helping children

Miles of Mercy programme
Aeroflot adopted its Miles of Mercy programme as a way to provide assistance to severely ill children. The campaign encourages Aeroflot Bonus programme members to donate their bonus miles to partner charitable organisations, including the Gile Life fund, Vladimir Spivakov International Charity Foundation, Russian Assistance Fund operated by the Kommersant Publishing House, and the Life Line fund. The contributed miles are used to carry children with serious health conditions to countries and cities where they can receive their required treatments. In 2017, a total of 6,773 tickets and 135.7 million bonus miles were donated to support the activities of charitable organisations.

Train of Hope
Train of Hope is a charity programme organised to help children deprived of parental care to find new families. In 2017, the company provided its continued support of the “Children’s Flight” of the Train of Hope initiative by providing free air transportation for the children and prospective adoptive parents.

Orphanage support
Aeroflot continued to support two orphanages during 2017: the Pokrov Orphanage in the Vladimir Region and St Sergius Boarding School in the Sergiev Posad District in the Moscow Region.

Aeroflot organised summer holidays for the Pokrov Orphanage at a Tuapse children’s recreational camp and financed renovation, medical equipment, and an outdoor football pitch.

The Company organised renovations for St Sergius Boarding School’s forge and residential building, and also purchased forge equipment. A total of RUB 6.5 million went towards charitable support for orphanages in 2017.

Support of passengers in need
Aeroflot runs a programme supporting passengers in urgent need to reach their destinations due to extraordinary circumstances, covering high-demand domestic flights in which the least expensive economy booking classes have been sold out.

Support for Great Patriotic War (WWII) Veterans

Annual Great Victory Day campaign
For the celebrations of the 72nd anniversary of Victory Day in 2017, Aeroflot carried veterans of the Great Patriotic War (WWII). From 3 May to 12 June, Aeroflot airline carried more than 4,500 veterans and their accompanying persons free of charge and provided hotel accommodation for over 40 participants. During the campaign, more than 1,650 veterans were accompanied by airport employees who helped throughout the departure process at Sheremetyevo airport. The veterans were also provided priority treatment and special service.

Charitable support to the Great Patriotic War (WWII) veterans from among retired Aeroflot employees
Aeroflot seeks to help veterans beyond anniversaries by providing monthly food packages to its retired employees who took part in the Great Patriotic War (WWII). A total of RUB 9.8 million went towards veteran food packages in 2017.

As part of their social support initiative for senior citizens, Aeroflot and the Veterans Administration organised a Grand Kremlin Palace tour for the eldest civil aviation workers.

Breakdown of PJSC Aeroflot’s spending on sponsorship programmes in 2017

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cultural projects</td>
<td>61.4%</td>
</tr>
<tr>
<td>Football-related projects</td>
<td>21.0%</td>
</tr>
<tr>
<td>Other sports initiatives</td>
<td>17.6%</td>
</tr>
</tbody>
</table>

Sponsorship

In 2017, PJSC Aeroflot continued its sponsorship support to sports, culture, business, and other social projects, initiatives, and organisations. In the reporting period, the Company allocated a total of RUB 2 billion for sponsorship support, maintaining a similar amount to contributions in previous years (RUB 2.1 billion in 2016).

Sport

As a General Partner of the Olympic Committee of Russia, Aeroflot airline continued providing flight services to sports teams and the Olympic team in 2017. As a partner of the Russian Volleyball Federation and the Russian Football Union, Aeroflot supported the national Russian teams at international competitions.

The Company and the Russian Chess Federation held the annual Aeroflot OPEN international chess tournament in 2017. Aeroflot also provided support to Otradnoe showjumping club, which hosted a Showjumping World Cup stage. The Company continued to team up with the Russian Basketball Federation, Russian Cycling Federation, Russian Federation of Acrobatic Rock’N’Roll, and Russian Golf Association.
Corporate Social Responsibility continued

Throughout 2017, Aeroflot welcomed new partnerships to its sponsorship portfolio, with the Table Tennis Federation of Russia, Rugby Federation of Russia, and Boxing Federation of Russia, while renewing its commitment to remain the Official Carrier of CSKA Professional Football Club and CSKA Professional Basketball Club.

The Company’s support to sports clubs has provided significant benefits from the exposure to many millions of spectators through a wide range of marketing and advertising options as well as enhanced visibility of the Aeroflot brand at all games played by CSKA teams.

In the global market, Aeroflot is raising its recognition and boosting its profile as a premium carrier through the Company’s partnership with Manchester United FC.

Cultural projects

In 2017, the Company continued to support the Roskino film production company in holding events to promote Russian cinema at international film festivals held in Berlin, Cannes, Toronto, London, and Los Angeles. The airline also became a general partner of the Golden Gramophone National Music Award. In addition, Aeroflot was a partner of Tatyana Navka’s “Ruslan and Lyudmila” skating show in 2017.

Supporting business and industry events

Aeroflot supported the largest industry event – the International Aviation and Space Salon MAKS-2017. Aeroflot also shared its vision of future civil aviation development by demonstrating an interactive route map and presented its "Travel of the Future" game at the Russia Focused on the Future exhibition in 2017.

Environmental Protection Programme

Ensuring environmental sustainability across all segments of its business remains an unchanged priority of PJSC Aeroflot. Governed by the precautionary principle, the Company seeks to prevent any potential environmental impacts even where there is no definitive science to prove that any particular activity is harmful to the environment. The Company’s environmental policy is aimed at improving the energy efficiency and environmental performance of its products – air transportation of passengers, baggage, cargo, and mail. Aeroflot places special emphasis on improving fuel efficiency of its aircraft fleet, which helps reduce its environmental footprint and cut fuel costs, a major operating expense item.

Aeroflot sets itself the following key environmental sustainability objectives:

- Maintain an environmental management
- Upgrade its aircraft fleet, replace outdated energy-intensive types of aircraft with new assets offering enhanced fuel efficiency
- Introduce resource-saving processes and technologies
- Optimize the route network and roll out new piloting techniques to reduce noise pollution and cut emissions from aircraft engines
- Manage waste with a focus on recycling to minimize the environmental impact
- Identify and benefit from new opportunities to improve environmental performance
- Include environmental performance indicators in the supplier and contractor selection process
- Raise environmental awareness and promote resource efficiency among PJSC Aeroflot’s employees.

In pursuance of Executive Order of the President of the Russian Federation No. 889 On Selected Measures to Improve Energy and Environmental Efficiency of the Russian Economy dated 4 June 2008, the Company continues to implement its Energy Saving and Environmental Performance Programme until 2020, providing for a 42% decrease in specific fuel consumption across the fleet by 2020 from the 2007 rate.

PJSC Aeroflot’s total environmental protection expenses increased year-on-year to RUB 64.9 million in 2017 due to the paint shop renovation at the Aircraft Technical Service Department (procurement and installation of new gas cleaners and a paint booth), and the replacement of filter caps at the Melkisarovo office building treatment facilities.

In accordance with the applicable environmental laws, PJSC Aeroflot pays environmental fees which totalled RUB 3.5 million in 2017.

The Company also paid fines of RUB 485,000 for violating environmental laws in 2017.

Quality management system

PJSC Aeroflot has in place an integrated management system with the quality management system (QMS) as its core element. For many years, PJSC Aeroflot’s QMS has successfully passed certification audits under ISO 9001 (Quality Management System) and registrations under the IATA’s industry programmes (IOSA – Operational Safety Audit, ISAGO – Safety Audit for Ground Operations).

Efforts to improve the QMS are aligned with activities to further improve the assessment framework for KPI-based evaluation of performance and progress on the implementation of international and external QMS standards applied by the IATA, SkyTeam, and Aeroflot Group.

In February 2017, PJSC Aeroflot’s integrated environmental management system successfully passed a re-certification audit. The audit was carried out by TÜV Rheinland Russia, a branch of the world’s leading certification agency, and looked at compliance with ISO 9001:2015 (Quality Management Systems) and ISO 14001:2004 (Environmental Management Systems).

The compliance audit revealed no critical instances of non-compliance and confirmed that PJSC Aeroflot’s integrated management system met the international standards ISO 9001 and ISO 14001.

In May 2017, Aeroflot airline successfully passed the IATA Operational Safety Audit for IOSA compliance for the seventh time. The IOSA certificate and operator status were extended until October 2019.
Fuel efficiency and air quality initiatives

PJSC Aeroflot develops and implements its annual fuel efficiency and cost-cutting programme which has helped PJSC Aeroflot reduce its specific fuel consumption by 9.6% over the past five years, totaling 277.6 grams per tonne-kilometre (TKM) in 2017, while specific CO₂ emissions decreased by 9.5% to 875.1 g/TKM.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1,946.846</td>
<td>2,028.842</td>
<td>2,083.335</td>
<td>2,365.190</td>
<td>2,588.100</td>
</tr>
<tr>
<td>Specific fuel consumption, g/TKM</td>
<td>307.0</td>
<td>301.6</td>
<td>299.2</td>
<td>286.3</td>
<td>277.6</td>
</tr>
<tr>
<td>CO₂ emissions, tonnes</td>
<td>6,332,564.9</td>
<td>6,390,852.3</td>
<td>6,877,505.3</td>
<td>7,450,346.5</td>
<td>8,152,515</td>
</tr>
<tr>
<td>Specific CO₂ emissions, g/TKM</td>
<td>967.4</td>
<td>950.7</td>
<td>943.5</td>
<td>902.8</td>
<td>875.1</td>
</tr>
</tbody>
</table>

Carbon Disclosure Project (CDP)

In 2017, PJSC Aeroflot received its first international Carbon Disclosure Project (CDP) rating for disclosures on climate change management and greenhouse gas emissions. Under the CDP, companies from across the globe make standardised reports on their greenhouse gas emissions and on climate change activities. According to the published CDP rating, PJSC Aeroflot was awarded a performance score of D (Disclosure), a good result for a first-time participant. PJSC Aeroflot also mapped out a number of initiatives to be implemented in 2018 to raise its rating. Today, the rating includes over 800 institutional investors with more than USD 95 trillion under management and is consistently gaining popularity both among investors and companies disclosing their information and seeking to improve their scores.

Sustainable use of water

PJSC Aeroflot is consistently reducing its negative impact on water bodies and ensuring the sustainable use of water. In 2017, PJSC Aeroflot and SPU-1 ZDM, a service provider for the Melkisarovo office building, monitored the quantity and quality of wastewater discharged by the building’s treatment facilities, both of which comply with Sanitation Rules and Regulations 2.15.980-00 “Sanitation Requirements to Surface Waters Protection”.

Water consumption by PJSC Aeroflot, THOUSAND CUBIC METRES

<table>
<thead>
<tr>
<th>Total</th>
<th>2017</th>
<th>2016</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water consumption across the route network and in the workplace</td>
<td>2,028.842</td>
<td>2,083.335</td>
<td>2,365.190</td>
<td>2,588.100</td>
<td>2,774.2</td>
</tr>
<tr>
<td>Total consumption</td>
<td>875.1 g/TKM</td>
<td>902.8 g/TKM</td>
<td>943.5 g/TKM</td>
<td>943.5 g/TKM</td>
<td>950.7 g/TKM</td>
</tr>
<tr>
<td>Total CO₂ emissions</td>
<td>277.6 g/TKM</td>
<td>286.3 g/TKM</td>
<td>299.2 g/TKM</td>
<td>301.6 g/TKM</td>
<td>307.0 g/TKM</td>
</tr>
<tr>
<td>Total specific CO₂ emissions</td>
<td>875.1 g/TKM</td>
<td>902.8 g/TKM</td>
<td>943.5 g/TKM</td>
<td>943.5 g/TKM</td>
<td>950.7 g/TKM</td>
</tr>
</tbody>
</table>

Reduced generation and disposal of production and consumption waste

PJSC Aeroflot is working towards reducing its production and consumption waste disposed to landfills and growing the share of waste sent for recycling and disposal. Throughout 2017, PJSC Aeroflot regularly inspected waste storage sites of production and consumption waste, as well as maintained monthly records of generation and movement of production and consumption waste across its business units.

The following documents were prepared and submitted to the environmental authorities:

- 2-TP (waste) and 4-OC statistical reports, submitted to the Federal State Statistics Service and the Central Federal District Department of the Federal Service for Supervision of Use of Natural Resources
- The technical report on the consistency of the production process, materials, and waste management used at the Sheremetyevo site
- The technical report for the Company’s Melkisarovo office building
- The draft standard for waste generation and waste storage limits at the Sheremetyevo site, developed by the Company and approved with the Central Federal District Department of the Federal Service for Supervision of Use of Natural Resources

During the year, the Company’s specialists monitored the morphometrics of the Klyazma River. In line with the applicable standards, PJSC Aeroflot submitted regular wastewater quality and quantity reports to supervisory authorities in 2017.
Corporate Social Responsibility continued

The Company runs regular employee workshops on production and consumption waste management. To arrange paper waste sorting, PJSC Aeroflot allocated sites for paper and cardboard waste storage and its subsequent handover for recycling in 2017. As at the end of the year, the total waste of PJSC Aeroflot increased by 15.2% year-on-year to 26,700 tonnes. No critical industrial spills were registered at PJSC Aeroflot in 2017.

Total waste of PJSC Aeroflot by hazard class, TONNES

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>21,385.9</td>
<td>23,136.9</td>
<td>26,660.9</td>
</tr>
<tr>
<td>including:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>hazard class 1</td>
<td>2.2</td>
<td>3.9</td>
<td>2.4</td>
</tr>
<tr>
<td>hazard class 2</td>
<td>14</td>
<td>6.0</td>
<td>6.4</td>
</tr>
<tr>
<td>hazard class 3</td>
<td>2,448.5</td>
<td>2,508.3</td>
<td>2,353.4</td>
</tr>
<tr>
<td>hazard class 4</td>
<td>16,528.1</td>
<td>15,926.7</td>
<td>23,647.4</td>
</tr>
<tr>
<td>hazard class 5</td>
<td>405.5</td>
<td>692.0</td>
<td>651.4</td>
</tr>
</tbody>
</table>

Total waste of PJSC Aeroflot by disposal method, TONNES

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Handed over for recycling</td>
<td>0.0</td>
<td>81.0</td>
<td>3.9</td>
</tr>
<tr>
<td>Handed over for disposal</td>
<td>2,066.6</td>
<td>250.6</td>
<td>258.3</td>
</tr>
<tr>
<td>Handed over for neutralisation</td>
<td>12,180.9</td>
<td>16,744.2</td>
<td>20,542.9</td>
</tr>
<tr>
<td>Landfilled</td>
<td>7,138.4</td>
<td>6,564.0</td>
<td>5,255.8</td>
</tr>
</tbody>
</table>

Energy consumption by PJSC Aeroflot

<table>
<thead>
<tr>
<th></th>
<th>Actual consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>in physical terms</td>
<td>in RUB '000 (net of VAT)</td>
</tr>
<tr>
<td>Total aviation fuel, tonnes</td>
<td>2,588,155</td>
</tr>
<tr>
<td>Heat*, Gigajoules</td>
<td>39,732</td>
</tr>
<tr>
<td>Electricity*, MWh</td>
<td>28,836,234</td>
</tr>
<tr>
<td>Motor fuel, total, litres</td>
<td>5,445,147</td>
</tr>
<tr>
<td>Aviation lubricants, litres</td>
<td>247,205</td>
</tr>
</tbody>
</table>

* Excluding representative offices and branches.

Procurement

The procurement process in PJSC Aeroflot and its subsidiaries is organised in line with the best practices, including online bidding. The Group is consistently committed to procurement transparency and prioritises equality, fairness, non-discrimination, and ensuring that no unreasonable and restrictive business practices are applied towards bidders. Procurement activities at Aeroflot Group comply with Federal Law No. 223-FZ On Procurement of Goods and Services by Certain Legal Entities dated 18 July 2011, PJSC Aeroflot's Regulations on Procurement of Goods, Works, and Services, relevant policies of Aeroflot's subsidiaries, and other procurement-related regulations adopted by the Russian Government.

The procurement is based on:
— information transparency
— targeted and efficient spending on purchasing goods, works, services, and implementing cost-cutting initiatives
— unlimited access to bidding through eliminating non-measurable bidder requirements
— equality, fairness, non-discrimination, and ensuring that no unreasonable and restrictive business practices are applied towards bidders.

Key procurement objectives are to:
— increase the share of competitive procurement
— increase the share of online procurement
— create the environment which fully and timely responds to the needs of PJSC Aeroflot and its subsidiaries
— support SMEs
— prevent discrimination and unreasonable restrictions on the number of bidders.

In 2017, procurement totalled RUB 448.3 billion. The value of competitive online procurement accounted for 61.1% of the total in 2017, in line with the requirements of the Federal Agency for State Property Management (Instruction No. GN-13/1206 dated 21 January 2011). In 2017 the procurement saved RUB 5.3 billion, net of aviation fuel procurement cost savings through competitive bidding with formula-based pricing and contracts with vertically integrated oil producers.

In the reporting period, the Advisory Board in charge of independent audit of PJSC Aeroflot’s procurement efficiency continued its activities. The Advisory Board includes representatives of public organisations, economists, industry scientists, and well-known procurement experts. Proceedings of the Advisory Board, including minutes of meetings, are published on the Company’s official website at https://www.aeroflot.ru/ru-ru/content/sovedchislenny-organ.
Procurement highlights of PJSC Aeroflot

<table>
<thead>
<tr>
<th>Item</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total procurement, RUB million</td>
<td>384,949.3</td>
<td>448,299.9</td>
</tr>
<tr>
<td>Competitive online procurement (by value), %</td>
<td>56.4</td>
<td>61.1</td>
</tr>
<tr>
<td>Single source procurement, %</td>
<td>63.9</td>
<td>62.3</td>
</tr>
<tr>
<td>Savings through competitive procurement (excluding aviation fuel) in 2017, RUB million</td>
<td>3,391</td>
<td>5,309.6</td>
</tr>
<tr>
<td>Average number of bidders</td>
<td>65.0</td>
<td>3.25</td>
</tr>
<tr>
<td>Procurement from SMEs, %</td>
<td>89.4</td>
<td>65.0</td>
</tr>
</tbody>
</table>

Fuel procurement

The key objective of fuel procurement is to ensure timely and uninterrupted fuel supplies to PJSC Aeroflot and its subsidiaries, while maintaining high flight security and maximising the efficiency of fuel pricing.

In 2017, all fuel supply contracts were signed by PJSC Aeroflot based on the results of competitive bidding won by tenderers who had offered the best financial terms and guaranteed the required reliability, including security assurance.

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

In 2017, to optimise its fuel procurement expenses, the Company mostly used formula-based pricing. Pobeda airline pursued a flexible fuel procurement policy by purchasing either from PJSC Aeroflot or under direct supply contracts, depending on the terms offered by individual airports.

Optimisation of fuel procurement at PJSC Aeroflot is supervised by the Fuel Commission.

Procurement from small and medium-sized enterprises

Procurement from small and medium-sized enterprises (SMEs) accounted for 89.4% of the total in 2017, having increased notably since the previous year (85.0% in 2016). This share far exceeds the target set by Russian Government Resolution No. 1352 On Specifics of Participation of Small and Medium-Sized Enterprises in Procurement of Goods, Works, and Services by Certain Types of Legal Entities dated 11 December 2014, according to which the annual share of procurement from SMEs may not be less than 18% of the aggregate annual value of contracts awarded to winning bidders.

PJSC Aeroflot liaises with relevant organisations to expand access to the Company’s procurement process for SMEs. To ensure accurate reporting on procurement from SMEs, the Company optimised the list of SME-specific procurement codes, updated SAP data to verify counterparties’ SME status, and arranged for working sessions with SMEs.

PJSC Aeroflot has been recognised by two letters of commendation from RSMB Corporation for its significant contribution to the development of small and medium-sized business.

The Company intends to continue its successful partnership with RSMB Corporation and SMEs and promises procurement of innovative and high-tech products from this market segment. Aeroflot scheduled a number of initiatives to facilitate access of SMEs to PJSC Aeroflot’s procurement, including development and approval of subsidiary partnership programmes, organising regional workshops together with RSMB Corporation, and updating the pilot SME partnership initiative aimed at facilitating the submission of proposals for PJSC Aeroflot’s procurement processes.
Corporate Growth

7++
National Corporate Governance Rating scale

45.2%
Free float
Corporate Governance System

Corporate governance framework and enhancement in 2017

PJSC Aeroflot recognises its high corporate, public, and social responsibility and undertakes to comply with high corporate governance standards set by Russian and international best practices to improve its sustainability and performance.

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

To enhance its corporate governance, PJSC Aeroflot has developed and approved a roadmap to implement expert recommendations from the non-profit partnership, Russian Institute of Directors.

PJSC Aeroflot scored 7++ on the National Corporate Governance Rating scale, according to the 2017 assessment performed as part of the annual corporate governance practice monitoring, an improvement vs the 2016 (7+) and 2015 (7) ratings.

The rating indicates that PJSC Aeroflot complies with Russian corporate governance regulations and quite a few recommendations set out in the Corporate Governance Code recommended by the Bank of Russia. Shareholders of the Company have low exposure to the risk of loss due to the corporate governance quality.

PJSC Aeroflot made a big effort to significantly improve its corporate governance and comply with recommendations of the Russian Corporate Governance Code in 2017. In September 2017, Aeroflot-Finance, a subsidiary of PJSC Aeroflot, sold 4.84% of PJSC Aeroflot shares (quasi-treasury stock) enabling compliance with the Corporate Governance Code’s rules on compliance with recommendations set out in the Corporate Governance Code.

The Corporate Governance Code of PJSC Aeroflot was adopted in 2017 as part of implementation of the Russian Corporate Governance Code recommendations and formalises PJSC Aeroflot’s commitment to high corporate governance standards and their further improvement. Major efforts were also made to enhance Aeroflot Group’s integrated risk management system.

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

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

The Revision Committee supervises the Company’s financial and business operations, its units and services. PJSC Aeroflot’s financial and operational activities are also audited in accordance with both the Russian Accounting Standards (RAS) and the International Financial Reporting Standards (IFRS) by external auditors and the Internal Audit Department accountable to the Audit Committee of PJSC Aeroflot’s Board of Directors.

Key documents ensuring protection of PJSC Aeroflot shareholder rights include:
- Articles of Association
- Regulations on the General Meeting of Shareholders
- Regulations on the Board of Directors
- Regulations on the Management Board
- Regulations on the Revision Committee
- Corporate Governance Code
- Regulations on the Corporate Information Policy
- Dividend Policy
- Corporate Conduct Code

Compliance with the Russian Corporate Governance Code

<table>
<thead>
<tr>
<th>Code section</th>
<th>Principles recommended by the Code</th>
<th>Complied with</th>
<th>Not fully complied with</th>
<th>Not complied with</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholder Rights</td>
<td>13</td>
<td>11</td>
<td>2</td>
<td>—</td>
</tr>
<tr>
<td>Board of Directors</td>
<td>36</td>
<td>29</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Corporate Secretary</td>
<td>2</td>
<td>2</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Remuneration System</td>
<td>10</td>
<td>9</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Risk Management System</td>
<td>6</td>
<td>4</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Information Disclosure</td>
<td>7</td>
<td>7</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Material Corporate Actions</td>
<td>5</td>
<td>4</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>79</td>
<td>68</td>
<td>7</td>
<td>4</td>
</tr>
</tbody>
</table>

Note: Statistics are based on the Corporate Governance Code Compliance Report (Appendix to the Annual Report).
PJSC Aeroflot controls interests in (holds shares in the charter capital of) a number of subsidiaries, including airlines, where PJSC Aeroflot also ensures compliance with the top standards of corporate governance by development and implementation of Group-wide policies and principles. The Company developed a cross-functional governance system for its aviation subsidiaries. To ensure supervision over financial and business activities of its subsidiary airlines, the Group enabled each of them to have a dedicated revision committee made up of PJSC Aeroflot’s representatives. In addition to revision committee inspections, the airlines are subject to inspections by an auditor approved pursuant to the relevant bidding procedures.

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

General Meeting of Shareholders

The General Meeting of Shareholders is the Company’s supreme governing body. The respective scope of authority and procedures for convening, holding, and summarising Annual General Meetings of Shareholders (AGMs) are set forth in the Company’s Articles of Association and Regulations on the General Meeting of Shareholders. The Annual General Meeting of Shareholders is held annually no earlier than three months and no later than six months after the end of the fiscal year.

Annual General Meeting of Shareholders on 26 June 2017

In 2017, PJSC Aeroflot convened the Annual General Meeting of Shareholders in Moscow on 26 June (Minutes No. 40 dated 28 June 2017). The meeting was attended by holders of 74.1% of PJSC Aeroflot’s share capital. The Annual General Meeting of Shareholders approved the Company’s Annual Report, 2016 financial statements (including the profit and loss statement), the Board’s recommendations on the distribution of the net profit for FY2016, and the remunerations of the members of the Board of Directors and the Revision Committee, as recommended by the Board of Directors.

New Board of Directors and Revision Committee were elected. Pursuant to the relevant bidding procedures, the Company selected an auditor for 2018 to audit the Company’s statements prepared under the Russian Accounting Standards (RAS) and the International Financial Reporting Standards (IFRS). It also adopted new versions of PJSC Aeroflot’s Articles of Association, Regulations on the General Meeting of Shareholders, Regulations on the Board of Directors, Regulations on the Management Board, and Regulations on Remuneration and Compensation Payments to the Members of the Board of Directors of PJSC Aeroflot. The Company also endorsed a number of interested party transactions.

The Annual General Meeting of Shareholders of PJSC Aeroflot approved a dividend of RUB 17.4795 per ordinary share for FY2016, with total dividend payments of RUB 19,413,018,000. This resolution took into account the recommendations of the Board of Directors and was passed in line with PJSC Aeroflot’s Dividend Policy, which stipulates that Aeroflot Group’s net profit (under IFRS) forms the base for calculating dividends.

Extraordinary General Meeting of Shareholders on 26 December 2017

The Extraordinary General Meeting (EGM) of Shareholders held on 26 December 2017 (Minutes No. 41 dated 27 December 2017) was attended by holders of 63.6% of PJSC Aeroflot’s share capital.

The EGM approved the interested party transaction (several associated transactions) related to the lease of 20 new regional jets Sukhoi Superjet 100 between PJSC Aeroflot, VEB-leasing, and Sukhoi Civil Aircraft, as well as a major interested party transaction related to the commercial management of flight loads for services operated by Rossiya Airlines (including pricing and ticket sales for such flights under the agreements for joint flight operation (code share / blocked space)).
Corporate Governance System

continued

Board of Directors

PJSC Aeroflot’s Board of Directors has overall supervising authority over the Company. The Board of Directors is responsible for the Company’s operations, excluding matters within the authority of PJSC Aeroflot’s General Meeting of Shareholders, Management Board, and Chief Executive Officer. The procedures for convening and holding the Board meetings, along with other Board activities, are stipulated by the Regulations on PJSC Aeroflot’s Board of Directors in line with the Federal Law On Joint-Stock Companies.

The Board’s key focus areas include the Company’s long-term sustainable development, effective oversight of its executive bodies, uncompromising observance and protection of shareholder rights and their legitimate interests.

The main objectives of the Board of Directors are to:

— define the core areas of business for the Company (including subsidiary airlines) to increase its operating profit
— operate for the benefit of shareholders, supervise the implementation of corporate initiatives
— supervise the activities of the Company’s Management Board and Chief Executive Officer
— present resolutions on matters within the authority of the General Meeting of Shareholders for approval by shareholders
— discuss and approve business plans
— determine the procedure for distributing profit and covering for loss
— develop the Company’s dividend policy, work out proposals on the amount of dividend on Company shares and dividend payment procedure, and present them for approval by the General Meeting of Shareholders
— approve the annual budget and monitor its performance
— discuss and pre-approve draft annual reports, annual accounting statements, and profit and loss accounts
— analyse audit reports and opinions of the Revision Committee, and present documents featuring the results of such audits for consideration by the Company’s shareholders
— present proposals to the General Meeting of Shareholders on the appointment of the Company’s auditor
— determine the policy on issuing the Company’s securities
— approve the Company’s special registrar and the terms and conditions of the contract therefor, as well as the contract nomination.

In line with the action plan for the Board of Directors, the Board meetings are held at least once a month. The action plan for the Board of Directors is approved at the end of the year preceding the year covered in the plan. As a rule, the action plan includes essential matters concerning the Company’s operations (strategy, finance, budget and risks, human resources, etc.), which are to be discussed in line with the strategic and business planning cycle. Proposals made by members of the Board of Directors and the Company’s management are factored in. Extraordinary meetings may be convened to make decisions on urgent matters.

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

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

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

Chairman of the Board of Directors

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

Independent directors

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

The presence of independent directors enhances corporate governance in the Company. Independent members of the Board of Directors are actively involved in the activities of the Board committees. In accordance with the requirements of the Moscow Exchange, independent directors head the Board of Directors’ Audit Committee and Personnel and Remuneration Committee.

The majority of members of the Board of Directors’ Committees are also independent directors, which helps achieve a balanced and independent position on agenda items.

Membership of the Board of Directors

As at 31 December 2017, PJSC Aeroflot’s Board of Directors was comprised of the Chairman (non-executive director), two executive directors, four non-executive directors, and four independent directors.

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

In the reporting year, no members of the Company’s Board of Directors purchased or disposed of their shares in the Company.

In 2017, no claims were filed against members of the Board of Directors.
Corporate Governance System

Membership of the Board of Directors as at 31 December 2017

MIKHAIL POLUBOYARINOV
Chairman of the Board of Directors, Non-Executive Director
Since 2005. Director of the Infrastructure Department and Deputy Chairman of Vnesheconombank. First Deputy Chairman of Vnesheconombank.
Member of PJSC Aeroflot’s Board of Directors since 2007.
Born on 2 April 1956 in Moscow.
In 1979, graduated from Moscow Financial University with a degree in Finance and Credit. In 1988, graduated from the Plekhanov Russian University of Economics with a PhD in Economics majoring in Finance. In 1989, graduated from the Diplomatic Academy of the Ministry of Foreign Affairs of the Russian Federation with a degree in International Economic Relations.

NO SHAREHOLDING IN PJSC AEROFLOT.

VITALY SAVELEV
Executive Director
Since 10 April 2009. CEO of PJSC Aeroflot.
Member of PJSC Aeroflot’s Board of Directors since 2009.
Born on 10 January 1964 in Tashkent.
In 1986, graduated from Kalinin Leningrad Polytechnic Institute (St Petersburg Polytechnic University). In 1992, graduated from Ivanovo State University of Economics. Did an internship abroad. PhD in Economics.

NO SHAREHOLDING IN PJSC AEROFLOT.

ALEXEY GERMANOVICH
Independent Director
Currently, independent director on the boards of directors at Unipro (formerly, EOn Russia); Bank St Petersburg; and Ameriabank (Armenia).
From 2002 to 2012, Director of School of Public Administration at the Plekhanov Russian University of Economics. Since 2012, he held various managerial positions at Rosnano, an investment company within Rosatom Corporation.
From 2002 to 2012, he held various managerial positions at Rosnano, an investment company within Rosatom Corporation.

NO SHAREHOLDING IN PJSC AEROFLOT.

MIKHAIL VOROVODIN
Non-Executive Director
Member of the Strategy Committee and the Personnel and Remuneration Committee of the Board of Directors
Since July 2009. CEO of VSMPO-AVISMA Corporation.
Member of PJSC Aeroflot’s Board of Directors since 2009.
Born on 5 May 1975 in Moscow.

Member of the Strategy Committee and the Personnel and Remuneration Committee of the Board of Directors at VSMPO-AVISMA Corporation.
Since 2006, member of the Board of Directors at VSMPO-AVISMA Corporation.
From 2009 to 2010, he was appointed First Deputy CEO – Executive Director of Prominvest.

NO SHAREHOLDING IN PJSC AEROFLOT.

From 1984 to 1987,, Deputy Director of the All-Union Sovietsprombanktrust.
From 1987 to 1990, Deputy Head of the Department at Gazprombank.
From 1990 to 1993, President of the US-Russian joint venture Dialoginvest.
From 1993 to 1995, Chairman of the Management Board at Rosbukha Bank.
From 1995 to 2001, Chairman of the Management Board at Mosnarbank.
From 2000 to 2002, Deputy Chairman of the Management Board at Gazprom.
From 2007 to 2009, First Vice-President of Sberbank Financial Corporation.
Since 10 April 2009, CEO of PJSC Aeroflot.
At different periods, Mr. Saveliev served as chairman of the boards of directors of the All-Russian Exhibition Centre (VVC), the Russian Bank for Development, MTS, Comstar, SMM, SkyLink, and other companies.
Recipient of the Order “For Merit to the Fatherland”, 4th class, the Order of Honour, the Order of Friendship; he was awarded a Letter of Acknowledgement from the President of the Russian Federation, numerous medals of the Russian Federation, and industry awards.

NO SHAREHOLDING IN PJSC AEROFLOT.
Corporate Governance System

Membership of the Board of Directors as at 31 December 2017 (continued)

IGOR KAMENSKOY
Independent Director
Head of the Strategy Committee, member of the Audit Committee and the Personnel and Remuneration Committee of the Board of Directors
Since 2015, Managing Director of Renaissance Broker.
Member of PJSC Aeroflot’s Board of Directors since 2014.
Born on 25 January 1968 in Kiev.
In 1993, graduated from Moscow State Pedagogical Institute with a degree in Russian Language and Literature.
From 2000 to 2004, Chairman of the Board of Directors of Renaissance Capital.
From 2002 to 2004, member of the Federation Council’s Deputy Chairman of the Federation Council Committee.
From 2000 to 2012, Advisor to the Chairman of the State Duma.
From 1992 to 1998, Vice-President of BankTracker.
NO SHAREHOLDING IN PJSC AEROFLOT.

DMITRY PESKOV
Non-Executive Director
Member of the Personnel and Remuneration Committee and the Strategy Committee of the Board of Directors
Since 2011, Director of Young Professionals at the Agency for Strategic Initiatives.
Member of PJSC Aeroflot’s Board of Directors since 2014.
Born on 26 December 1975 in Voronezh.
Graduated from Voronezh State University in 1998. In 1999, obtained a Master’s degree in Political Studies from the Moscow School of Social and Economic Sciences and the University of Manchester.
Member of the Government Expert Council, member of the Board of Directors at RVC.
Since 2009, Head of Strategic Initiatives at All-Russian Exhibition Centre.
Since 2002, has led the strategy development exercise, chaired the Internet Policy Centre, and overseen the establishment of the Russian International Studies Association at the Moscow State Institute of International Relations (MGIMO University). Last position held – Deputy Scientific Vice-President, Innovation Director.
NO SHAREHOLDING IN PJSC AEROFLOT.

DMITRY SAPRYKIN
Executive Director
Member of the Strategy Committee of the Board of Directors
Since November 2015, CEO of Rossiya Airlines.
Member of PJSC Aeroflot’s Board of Directors since 2011.
Born in 1974 in Moscow.
From 2013 to 2015, Deputy CEO for Sales and Property Issues at PJSC Aeroflot.
From 2009 to 2013, Deputy CEO for Legal and Property Issues at PJSC Aeroflot.
From 2007 to 2009, Director of Transaction Support, Deputy Head of the Legal Division at Sistema Financial Corporation.
From 2006 to 2007, CEO of Moscow Cellular Communications.
From 2004 to 2006, Deputy CEO for Corporate Affairs and Finance at Sibur.
From 2001 to 2004, Division Head and Director of NMM and Capital Markets Department at MTS.
From 1996 to 1998, Chief Legal Adviser at Bank Menatep.
NO SHAREHOLDING IN PJSC AEROFLOT.

LARS ERIK ANDERS BERGSTROM
Independent Director
Member of the Audit Committee and the Personnel and Remuneration Committee of the Board of Directors
Since 2016, Senior Advisor at UB Capital (United Bankers of Finland).
Member of PJSC Aeroflot’s Board of Directors since 2017.
Born on 16 October 1965 in Uppsala, Sweden.
From 1988 to 1992, studied in the Stockholm School of Economics and Business Administration majoring in Finance and Eastern European Studies.
Since 1995, founder and manager of his own advisory and investment company, Montecito Capital.
From 2006 to 2013, Managing Director, Head of Russia/CIS at Carnegie Investment Bank, Stockholm, Sweden.
From 2000 to 2005, private equity investor and founder of Trustlink, a software vendor with offices in Moscow, Stockholm, and San Mateo, California.
From 1996 to 2000, CEO of SEB Enskilda Securities Corporate Finance, Moscow, Russia.
From 1991 to 1995, CEO of ABN Amro (Equities) Russia for emerging markets development.
In 1994, Harvard University Officer, Advisor, and board member at the Russian Privatisation Centre of the Russian Property Committee. Goier (normanhoeve), Moscow, where he managed restructuring of privatised Russian corporations.
In 1993, Advisor to the Ministry of Finance of the Russian Federation. Deputy Director of the Monetary and Finance Unit, Moscow.
In 1987, Vice-Consul, Consulate General of Sweden in Leningrad and Riga, the USSR.
NO SHAREHOLDING IN PJSC AEROFLOT.
Corporation Governance System

Membership of the Board of Directors as at 31 December 2017 (continued)

VASILY SIDOROV
Independent Director
Head of the Audit Committee, member of the Personnel and Remuneration Committee, and the Strategy Committee of the Board of Directors
Since November 2012, CEO of Arda.
Member of PJSC Aeroflot’s Board of Directors since 2013.
Born on 2 February 1971 in Athens, Greece.
In 1993, graduated from the Moscow State Institute of International Relations (MSU) University, with a degree in International Public Law, and from the Wharton Business School of the University of Pennsylvania with a degree in Finance.
Since June 2012, member of the Board of Directors of Russian Railways.
From 1993 to 2012, CEO of Arda.
NO SHAREHOLDING IN PJSC AEROFLOT.

Sergey Chemezov
Non-Executive Director
Since December 2007, CEO of Rostec State Corporation.
Member of PJSC Aeroflot’s Board of Directors since 2011.
Born on 20 August 1952 in Cheremkhovo, the Irkutsk Region.
Graduated from the Irkutsk Institute of National Economy, completed Advanced Courses at the Military Academy of the General Staff of the Russian Armed Forces, Doctor of Economics, Professor, full member of the Academy of Military Science.
Chairman of the boards of directors at Rosoboronexport, VSMPO-AVISMA Corporation, Kamaz, and Uralkali.
Member of the boards of directors at International Financial Club, and Alliance Rusmo.Rus-BY Joint Venture. Member of the supervisory boards at Roskom, and Rostec State Corporation.
From 2004 to 2007, CEO of Rosoboronexport.
From 2001 to 2004, First Deputy CEO of Rosoboronexport.
From 1995 to 2001, CEO of Promexport.
From 1996 to 1999, Head of Foreign Economic Relations at the Administrative Office of the Russian President.
From 1988 to 1996, Deputy CEO of Promexport.
Since 1980, worked at the Luch Research-Industrial Association; from 1983 to 1988, served as Head of the Luch Association representative office in East Germany.
Started his career at Irkutsk Scientific and Research Institute for Rare and Non-Ferrous Metals.
Member of the Bureau of the Supreme Council of the United Russia Party. Chairman of the Russian Engineering Union.
President of the Russian Union of Engineering Employers. Head of the Department of Military and Engineering Cooperation and High-Tech at the Moscow State Institute of International Relations (MSU) University.
Recipient of high government awards and winner of a large number of other prestigious awards.
NO SHAREHOLDING IN PJSC AEROFLOT.

YURY SLYUSAR
Non-Executive Director
Member of the Strategy Committee of the Board of Directors
Since January 2015, President of United Aircraft Corporation.
Member of PJSC Aeroflot’s Board of Directors since 2015.
Born on 20 July 1974 in Rostov-on-Don.
In 1996, graduated from Lomonosov Moscow State University with a degree in Law. In 2003, completed a post-graduate programme at the Academy of National Economy under the Government of the Russian Federation. PhD in Economics.
In 2010, was appointed Deputy Minister of Industry and Trade of the Russian Federation.
In 2010, Director of the Aviation Industry Department at the Ministry of Industry and Trade of the Russian Federation.
In 2009, was appointed Assistant to the Minister of Industry and Trade of the Russian Federation.
Since 2003, Commercial Director of Rostvertol, Rostov-on-Don.
Until 2003, worked with various business entities.
NO SHAREHOLDING IN PJSC AEROFLOT.

Executive Secretary of the Board of Directors
ALEKSEY MELEKHIN
Born in 1977, graduated from the Institute of Economics and Entrepreneurship. Obtained a PhD from the Russian Presidential Academy of National Economy and Public Administration. Mr Melekhin joined PJSC Aeroflot in 1998. Held a number of positions from legal counsel to regulations drafting and alignment work of the Company’s Administration to Corporate Governance Department Director.
He is currently responsible for the administrative and information support of the Company’s Board of Directors and General Meeting of Shareholders, and supervises compliance by the Company’s bodies and officers with corporate governance rules and procedures stipulated by the laws of the Russian Federation, the Company’s Articles of Association, and internal documents.
NO SHAREHOLDING IN PJSC AEROFLOT.
Corporate Governance System

continued

Changes in the membership of the Board of Directors in 2017

- Kirill Androsov was removed from the Board of Directors as from 26 June 2017 by resolution of the Annual General Meeting of Shareholders (Minutes No. 40 dated 26 June 2017).
- Roman Pakhomov was removed from the Board of Directors as from 26 June 2017 by resolution of the Annual General Meeting of Shareholders (Minutes No. 40 dated 26 June 2017).
- Mikhail Alekseev was removed from the Board of Directors as from 26 June 2017 by resolution of the Annual General Meeting of Shareholders (Minutes No. 40 dated 26 June 2017).
- Mikhail Poluboyarinov was elected to the Board of Directors as from 26 June 2017 by resolution of the Annual General Meeting of Shareholders (Minutes No. 40 dated 26 June 2017).
- Lars Bergstrom was elected to the Board of Directors as from 26 June 2017 by resolution of the Annual General Meeting of Shareholders (Minutes No. 40 dated 26 June 2017).
- Mikhail Voevodin was elected to the Board of Directors as from 26 June 2017 by resolution of the Annual General Meeting of Shareholders (Minutes No. 40 dated 26 June 2017).

Other members of the Board of Directors were re-elected at the 2017 AGM. Mikhail Poluboyarinov, First Deputy Chairman and a member of the Management Board of State Corporation Bank for Development and Foreign Economic Affairs (Vnesheconombank), was elected as the new Chairman of the Board of Directors at the meeting of the Board held on 31 August 2017.

Board of Directors Performance Report for 2017

In 2017, PJSC Aeroflot’s Board of Directors held 16 meetings, including 9 meetings in person and 7 meetings in absentia, which addressed over 150 matters and passed over 330 resolutions.

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

Number of meetings held by the Board of Directors

<table>
<thead>
<tr>
<th>Year</th>
<th>In person</th>
<th>In absentia</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
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<td></td>
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<td>2015</td>
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<tr>
<td>2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note. Data format: the number of meetings attended by the member of the Board of Directors / the total number of meetings held in 2017.

Directors attendance at Board meetings in 2017

<table>
<thead>
<tr>
<th>Board member</th>
<th>Status</th>
<th>Board of Directors</th>
<th>Audit Committee</th>
<th>Personnel and Remuneration Committee</th>
<th>Strategy Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mikhail Alekseev*</td>
<td>Non-Executive Director</td>
<td>9/5/5</td>
<td>5/3/5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kirill Androsov*</td>
<td>Chairman of the Board of Directors</td>
<td>9/5/5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lars Erik Bergstrom**</td>
<td>Independent Director</td>
<td>7/2/7</td>
<td>5/0/6</td>
<td>4/1/5</td>
<td></td>
</tr>
<tr>
<td>Mikhail Voevodin**</td>
<td>Non-Executive Director</td>
<td>7/2/7</td>
<td>4/0/5</td>
<td>5/6</td>
<td></td>
</tr>
<tr>
<td>Alexey Germanovitch</td>
<td>Independent Director</td>
<td>16/7/16</td>
<td>12/12</td>
<td>8/0/8</td>
<td>11/11</td>
</tr>
<tr>
<td>Igor Kamenskoy</td>
<td>Independent Director</td>
<td>16/7/16</td>
<td>12/12</td>
<td>8/0/8</td>
<td>11/11</td>
</tr>
<tr>
<td>Roman Pakhomov*</td>
<td>Non-Executive Director</td>
<td>9/5/5</td>
<td>6/4</td>
<td>3/3</td>
<td></td>
</tr>
<tr>
<td>Dmitry Peskov</td>
<td>Executive Director</td>
<td>16/4/16</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mikhail Poluboyarinov**</td>
<td>Chairman of the Board of Directors</td>
<td>7/2/7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vitaly Savelyev</td>
<td>Executive Director</td>
<td>16/7/16</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dmitry Sapyrykin</td>
<td>Executive Director</td>
<td>16/7/16</td>
<td>10/7/16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vasily Sidorenko</td>
<td>Independent Director</td>
<td>16/7/16</td>
<td>12/12</td>
<td>8/0/8</td>
<td>11/11</td>
</tr>
<tr>
<td>Yuriy Slyusar</td>
<td>Non-Executive Director</td>
<td>15/3/16</td>
<td></td>
<td>11/0/11</td>
<td></td>
</tr>
<tr>
<td>Sergey Chemezov</td>
<td>Non-Executive Director</td>
<td>16/10/16</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note. Data format: the number of meetings attended by the member of the Board of Directors / the total number of meetings held in 2017. Attendance through written opinions or questionnaires (the meetings held in absentia) is shown in brackets.
* Member of the Board of Directors as from the Annual General Meeting of Shareholders held on 26 June 2017.
** Member of the Board of Directors up to the Annual General Meeting of Shareholders held on 26 June 2017.
Corporate Governance System
continued

Key matters discussed by the Board of Directors in 2017

**STRATEGIC DEVELOPMENT**
- Progress in implementation of Aeroflot Group’s Strategy
- Aeroflot Group’s Long-Term Development Programme update and KPIs achievement
- Enhancement of Aeroflot Group’s IT
- Results of PJSC Aeroflot’s Innovative Development Programme in 2016
- Independent assessment of innovative development programmes update for partly state-owned companies

**FINANCIAL AND ECONOMIC PERFORMANCE AND INVESTMENTS**
- Performance of Aeroflot Group’s consolidated budget KPIs
- PJSC Aeroflot’s budget for 2018
- Aeroflot Group’s operational KPIs forecast for 2018
- Annual accounting statements, including the Company’s income statement for the fiscal year 2016
- Opinions of PJSC Aeroflot’s auditors (under RAS and IFRS) for the fiscal year 2016
- Non-airline revenues
- Exchange-Traded Bond Programme
- Approval of PJSC Aeroflot’s Investment Programme and other projects to develop infrastructure in the Far Eastern Federal District

**CORPORATE GOVERNANCE**
- Dividend policy of PJSC Aeroflot
- Implementation of the Corporate Governance Code
- KPIs for 2018
- Incentive programme at PJSC Aeroflot
- Preparation for the next Annual General Meeting of Shareholders of PJSC Aeroflot
- Preparation for an Extraordinary General Meeting of Shareholders of PJSC Aeroflot
- Risk management system at Aeroflot Group
- Organisational structure of PJSC Aeroflot
- Shareholder and investor relations
- Disclosure of Aeroflot Group’s Q1 2017 IFRS financial results
- PJSC Aeroflot’s auditors for 2017
- Audit of the interim results of Aeroflot Group’s Long-Term Development Programme for 2017
- Approval of a subsidiary’s transactions
- PJSC Aeroflot’s budget for 2016
- PJSC Aeroflot’s internal documents

**TRANSACTIONS**
- Aircraft lease transactions
- Approval of major transactions and interested party transactions

**OTHER**
- Flight safety at Aeroflot airlines
- Enhancement of service offerings within Aeroflot Group
- Customer interaction management
- Procurement at PJSC Aeroflot
- Progress in introducing professional standards in the Company’s operations
- Use of the Sponsorship Fund
- Results of charitable activities
- Aeroflot Bonus expansion

Committees of the Board of Directors

To improve the effectiveness of resolutions passed by the Board of Directors, ensure more detailed preliminary discussions of most important matters, and prepare relevant recommendations, PJSC Aeroflot has three dedicated Committees of the Board of Directors:

- Audit Committee
- Personnel and Remuneration Committee
- Strategy Committee

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

In 2017, the Board of Directors’ Committees held a total of 14 meetings, including joint meetings, addressing matters related to the operations of Aeroflot Group and submitting detailed recommendations and proposals to the Company’s Board of Directors and Management Board.

Audit Committee

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

In 2017, the Audit Committee held a total of 12 meetings (in person). The Committee’s meeting agendas were compiled in line with the Committee’s active plan approved by the first post-election meeting, and reflected the instructions of the Board of Directors.

Changes in the membership of the Audit Committee in 2017

<table>
<thead>
<tr>
<th>Committee membership from January to June 2017</th>
<th>Committee membership from September to December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vasily Sidorov – Independent Director, Head of the Committee</td>
<td>Vasily Sidorov – Independent Director, Head of the Committee</td>
</tr>
<tr>
<td>Alexey Germanovich – Independent Director</td>
<td>Lars Erik Bergstrom – Independent Director</td>
</tr>
<tr>
<td>Igor Kamenskoy – Independent Director</td>
<td>Alexey Germanovich – Independent Director</td>
</tr>
<tr>
<td>Roman Pakhomov – Non-Executive Director</td>
<td>Igor Kamenskoy – Independent Director</td>
</tr>
</tbody>
</table>

Elected by resolution of the Board of Directors on 31 August 2017

Elected by resolution of the Board of Directors on 8 September 2016
Corporate Governance System continued

**Personnel and Remuneration Committee**

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

In 2017, the Personnel and Remuneration Committee held a total of eight meetings, including one meeting held in absentia. The Committee’s meeting agendas were compiled in line with the Committee’s activities plan approved by the first post-election meeting, and reflected the instructions of the Board of Directors.

| Changes in the membership of the Personnel and Remuneration Committee in 2017 |
| Committee membership from January to June 2017 | Committee membership from September to December 2017 |
| Igor Kamenskoy – Independent Director, Head of the Committee | Alexey Germanovich – Independent Director, Head of the Committee |
| Alexey Germanovich – Independent Director | Lars Erik Bergstrom – Independent Director |
| Vasily Sidorov – Independent Director | Mikhail Voevodin – Non-Executive Director |
| Roman Pakhomov – Non-Executive Director | Vasily Sidorov – Independent Director |
| Dmitry Peskov – Non-Executive Director | Igor Kamenskoy – Independent Director |
| Dmitry Peskov – Non-Executive Director | | Elected by resolution of the Board of Directors on 8 September 2016 | Elected by resolution of the Board of Directors on 31 August 2017 |

Key matters discussed in 2017:
- Remuneration of the Company’s management, members of the Board of Directors and the Revision Committee
- Long-Term Incentive Programme
- CEO and management KPIs
- Aeroflot Group’s Long-Term Development Programme KPIs
- Assessment of the Board of Directors
- The Company’s organisational structure
- Consideration of proposals and preparation of recommendations on nominees to PJSC Aeroflot’s Board of Directors and Revision Committee representing the interests of the state in the corporate year 2018–2019
- PJSC Aeroflot’s internal documents

**Strategy Committee**

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

In 2017, the Strategy Committee held a total of 11 meetings (in person). The Committee’s meeting agendas were compiled in line with the Committee’s activities plan approved by the first post-election meeting, and reflected the instructions of the Board of Directors.

| Changes in the membership of the Strategy Committee in 2017 |
| Committee membership from January to June 2017 | Committee membership from September to December 2017 |
| Roman Pakhomov – Non-Executive Director, Head of the Committee | Igor Kamenskoy – Independent Director, Head of the Committee |
| Mikhail Alekseev – Non-Executive Director | Mikhail Voevodin – Non-Executive Director |
| Alexey Germanovich – Independent Director | Alexey Germanovich – Independent Director |
| Igor Kamenskoy – Independent Director | Dmitry Peskov – Non-Executive Director |
| Dmitry Peskov – Non-Executive Director | Dmitry Saprykin – Executive Director |
| Dmitry Saprykin – Executive Director | Vasily Sidorov – Independent Director |
| Vasily Sidorov – Independent Director | Yury Slyusar – Non-Executive Director |
| Yury Slyusar – Non-Executive Director | Giorgio Callegari – member of the Management Board, Deputy CEO for Strategy and Alliances |
| Giorgio Callegari – member of the Management Board, Deputy CEO for Strategy and Alliances | Shamil Kurmashov – member of the Management Board, Deputy CEO for Commerce and Finance |
| Shamil Kurmashov – member of the Management Board, Deputy CEO for Commerce and Finance | Roman Pakhomov – CEO of Aviacapital Service |
| | | Elected by resolution of the Board of Directors on 8 September 2016 | Elected by resolution of the Board of Directors on 31 August 2017 |

Key matters discussed in 2017:
- Implementation of Aeroflot Group’s development strategy
- Implementation of Aeroflot Group’s Long-Term Development Programme
- Implementation of Aeroflot Group’s marketing strategy
- Aeroflot Group’s development strategy and Long-Term Development Programme update
- Strategic partnerships with airlines
- Dividend policy
- Aeroflot Group’s IT strategy
- Shareholder and investor relations
- Enhancement of Aeroflot Group’s subsidiary airlines
- Enhancement of maintenance and repair operators within Aeroflot Group
- Assessment of innovative development programmes update for partially state-owned companies
- Results of PJSC Aeroflot’s Innovative Development Programme
- Aircraft fleet expansion
Corporate Governance System continued

Management Board and CEO

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

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

Vitaly Saveliev has been PJSC Aeroflot’s CEO since April 2009, in October 2013, the Board of Directors resolved to extend his term of office until 2018.

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

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

In the reporting period, members of the Management Board did not enter into transactions with PJSC Aeroflot shares.

Membership of the Management Board as at 31 December 2017

VITALY SAVELIEV
Chairman of the Management Board, CEO
Born on 18 January 1954 in Tashkent. In 1977, graduated from Leningrad Polytechnic Institute (St Petersburg Polytechnic University). In 1986, graduated from the Leningrad Institute of Engineering and Economics (the St Petersburg State University of Economics), Did an internship abroad. PhD in Economics. From 1977 to 1984, was engaged in the construction of the Sayan–Shushenskaya HBP where he worked his way up from an engineer to the general designer of the hydroelectric associations.

From 1984 to 1987, Deputy Director of All-Union Sevzapmetallurgmontazh Trust.
From 1987 to 1992, Deputy Head of Chief Directorate at Glavleningradinzhstroi.
From 1992 to 1993, President of the US-Russian joint venture DialogInvest.
From 1993 to 1995, Chairman of the Management Board at Rossiya Bank.
From 1995 to 2001, Chairman of the Management Board at Merseyev Saint Petersburg.
From 2001 to 2002, Deputy Chairman of the Management Board at Gazprom.
From 2004 to 2007, Head of the position of Deputy Minister of Economic Development and Trade of the Russian Federation.
From 2007 to 2008, First Vice-President of Sistema Financial Corporation.
Since 16 April 2009, CEO of PJSC Aeroflot.
At different periods, Mr Saveliev served as chairman of the boards of directors of All-Russian Exhibition Centre (VDV), the Russian Bank for Development, MTS, Comstar, SMM, SkyLink, Indian Shyam Telelink, and other companies.
Recipient of the Order “For Merit to the Fatherland”, 4th class, the Order of Friendship; he was awarded a Letter of Acknowledgement from the Minister of Transport of the Russian Federation.

HAS A 0.12% SHAREHOLDING IN PJSC AEROFLOT.

VLADIMIR ANTONOV
First Deputy CEO for Aviation Safety
Born in 1953. Graduated from Moscow Railway Engineering Institute.
From 1977 to 1990, served in the armed forces.
From 1995 to 2011, Deputy CEO for Economic and Aviation Safety, Deputy CEO for Aviation Safety, Deputy CEO for Aviation and Operating Safety, and First Deputy CEO for Operations at PJSC Aeroflot.
Since 2019, First Deputy CEO for Aviation Safety at PJSC Aeroflot.
Recipient of a Medal of the Order “For Merit to the Fatherland”, 2nd class, other government and industry awards.
HAS A 0.000425% SHAREHOLDING IN PJSC AEROFLOT.

VASILY AVILOV
Deputy CEO for Administrative Management
From 1997 to 2013, Head of Administration, Director of the Administrative Department, Deputy CEO – Executive Director at PJSC Aeroflot.
Since 2013, Deputy CEO for Administrative Management at PJSC Aeroflot.
Recipient of a Medal of the Order “For Merit to the Fatherland”, 1st class, a Medal “For Battle-Merit”, a Certificate of Honour of the President of the Russian Federation, and industry awards.
HAS A 0.0000002% SHAREHOLDING IN PJSC AEROFLOT.

VLADIMIR ALEXANDROV
Deputy CEO for Legal and Property Matters
From 2010 to 2015, Deputy Head of the Legal Support Section of the Legal Department, Deputy Director of Legal Department, Advisor to the CEO for government relations.
In August 2015, he was appointed Legal Department Director at PJSC Aeroflot.
Since 1 July 2016, Deputy CEO for Legal and Property Matters at PJSC Aeroflot.
Has a Letter of Acknowledgement from the Minister of Transport of the Russian Federation.
NO SHAREHOLDING IN PJSC AEROFLOT.

KIRILL BOGDANOV
Deputy CEO for Information Technologies
Born in 1963. Graduated from Leningrad Polytechnic Institute (St Petersburg Polytechnic University).
From 2002 to 2004, Advisor to the Vice-President at United Company GROS.
From 2004 to 2007, Executive Director of R4RAN International.
From 2007 to 2009, Director of Development and Control at Telecom Assets at Sistema Financial Corporation.
Since 2009, Deputy Head of the Information Systems Department at PJSC Aeroflot.
Advisor to the CEO, Deputy CEO for Information Technologies.
Has a Letter of Acknowledgement from the President of the Russian Federation.
NO SHAREHOLDING IN PJSC AEROFLOT.
CORPORATE GOVERNANCE

Corporate Governance System

Membership of the Management Board as at 31 December 2017

VADIM ZINGMAN
Deputy CEO for Customer Relations
- From 2001 to 2008, Deputy Director of the Department for Government Regulation of Foreign Trade at the Ministry of Economic Development and Trade of the Russian Federation.
- From 2008 to 2010, Director of Government Relations at Sistema Financial Corporation.
- From 2009 to 2012, Advisor to the CEO, Deputy CEO for Customer Relations and Deputy CEO for Operations and Quality Management at PJSC Aeroflot.
- Since 2012, Deputy CEO for Customer Relations at PJSC Aeroflot.

NO SHAREHOLDING IN PJSC AEROFLOT.

GIORGIO CALLEGARI
Deputy CEO for Strategy and Alliances
- Born in 1959. Graduated from Turin Polytechnic University (Italy).
- From 1988 to 1989, VP of Sales, member of the Board of Directors and the Executive Committee at Moex Viajes.
- From 1990 to 2011, sales manager, Vice-President for Sales, Vice-President for Business Development, Vice-President for Alliances, Business Development and International Relations, Executive Vice-President for Alliances and Strategy at Alitalia.
- Since 2012, Deputy CEO for Strategy and Alliances at PJSC Aeroflot.

NO SHAREHOLDING IN PJSC AEROFLOT.

GEORGIY MATVEEV
Director of Safety Management
- From 2001 to 2012, Deputy Chief Flight Safety Inspector and Deputy Director of Flight Safety Management at PJSC Aeroflot.
- Since 2012, Director of Safety Management at PJSC Aeroflot.
- Recipient of the honorary title of the Honoured Pilot of the Russian Federation, and numerous industry awards.

NO SHAREHOLDING IN PJSC AEROFLOT.

SHAMIL KURMASHOV
Deputy CEO for Commerce and Finance
- Born in 1978. Graduated from the Moscow State Institute of International Relations (MGIMO University). PhD in Economics.
- From 2004 to 2007, Deputy CEO for Finance and Investment at Sistema Telecom.
- From 2007 to 2009, Director of Investments, Deputy Head of the Finance and Investment Division at Sistema Financial Corporation.
- From 2009 to 2013, Advisor to the CEO, Deputy CEO for Finance and Investment, and Deputy CEO for Commerce and Finance at PJSC Aeroflot.
- From 2013 to 2016, Deputy CEO for Finance and Network and Revenue Management at PJSC Aeroflot.
- Since 2016, Deputy CEO for Commerce and Finance at PJSC Aeroflot.
- Has a Letter of Acknowledgement from the President of the Russian Federation.
- 0.000007% SHAREHOLDING IN PJSC AEROFLOT.

IGOR PARAHIN
Deputy CEO – Technical Director
- Born in 1961. Graduated from the Moscow Institute of Civil Aviation Engineers.
- From 2001 to 2011, Head of Programme, Deputy Director of the Aviabusiness Higher Commercial School.
- Since 2011, Acting Technical Director, Technical Director at PJSC Aeroflot.
- Has a Letter of Acknowledgement from the President of the Russian Federation.
- HAS A 0.00007% SHAREHOLDING IN PJSC AEROFLOT.

IGOR CHALIK
Deputy CEO – Flight Director
- Born in 1957. Graduated from the Aktyubinsk Higher School of Civil Aviation.
- From 2003 to 2008, Commander of the A320 Air Squadron at PJSC Aeroflot.
- From 2008 to 2010, Commander of the A330 Air Squadron at PJSC Aeroflot.
- Since 2010, Deputy CEO – Flight Director at PJSC Aeroflot.
- Recipient of the honorary title of the Honoured Pilot of the Russian Federation, the Medal of Nesterov, and industry awards.
- HAS A 0.000117% SHAREHOLDING IN PJSC AEROFLOT.

There were no changes in the membership of PJSC Aeroflot’s Management Board in 2017.
Corporate Governance System

Management Board Report for 2017

In 2017, the Management Board of PJSC Aeroflot held a total of 39 meetings, including 8 meetings in absentia. Key matters discussed in 2017:

- PJSC Aeroflot’s flight safety
- Terms of operation of PJSC Aeroflot’s aircraft fleet
- Aeroflot Group’s development in the context of infrastructure constraints
- Implementation of PJSC Aeroflot’s Innovative Development Programme
- Implementation of the R&D plan
- Enhancement of Aeroflot Group’s IT
- Results of implementing the Big Data enabled dynamic segmentation project
- Preparation for the 2018 FIFA World Cup
- Promotion of PJSC Aeroflot’s strategic partnerships
- Opening of representative offices
- Shareholder and investor relations
- Implementation of updated elements of PJSC Aeroflot’s corporate philosophy
- Mentoring concept at PJSC Aeroflot
- Introduction of professional standards in PJSC Aeroflot’s operations
- Charity projects for a number of institutions
- Sponsorship initiatives

Committees

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

Committee for Innovative Development

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

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

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

In 2017, the Committee for Innovative Development held a total of three meetings and discussed the following matters:

- Establishing an innovation team responsible for expert review, analysis, and development of recommendations on key innovation decisions by engaging universities, research organisations, state innovation institutions, and the venture community
- Reviewing PJSC Aeroflot’s employee and manager incentive system to improve innovative performance when identifying solutions and preventing conflicts of interests when accepting third-party deliverables
- A concept of a crowdsourcing context to introduce Blockchain and Big Data into Aeroflot’s operations
- The Innovative Development Programme progress in 2016
- A concept of developing an ongoing in-house innovation system
- Summarising the automated one-stop-shop system testing results
- Summarising expert reviews of proposals submitted via the one-stop-shop system

Membership of the Committee for Innovative Development as at 31 December 2017

Vadim Zingman
Deputy CEO for Customer Service, Chairman of the Committee
Andrey Polozov-Yablonsky
Advisor to the CEO, Director for Innovation, Deputy Chairman of the Committee
Sergey Krylov
Director of the Information Systems Department
Alexey Korsunsky
Deputy Director for Flight Training and Training Methodology of the Flight Operations Department
Aasit Sarapov
Deputy Director of the Aviation Security Management Department
Dmitry Sakanov
Head of Strategic Projects Coordination at the Corporate Strategy Department
Ekaterina Krystshina
Advisor to the Deputy CEO for Communications
Alexander Fadeev
Advisor to the CEO and Technical Director

Committee for Finance and Investments

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

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

In 2017, the Committee for Finance and Investments held a total of 23 meetings including 21 meetings in absentia.

Membership of the Committee for Finance and Investments as at 31 December 2017

Shamil Kurmashov
Deputy CEO for Commerce and Finance, Chairman of the Committee
Giorgio Callegari
Deputy CEO for Strategy and Alliances
Irina Melnikova
Chief Accountant
Evgeny Zemchenko
Director of the Corporate Strategy Department
Anton Lopatin
Director of the Financial Planning and Analysis Department
Arkady Petrosyan
Director of the Risk Management Department
Mikhail Safarov
Director of the Product Management Department
Andrey Sogrin
Director of the Public Relations Department
Ilya Torkhorzhenko
Director of the Administrative Department, Secretary of the Committee
Andrey Chikhanchin
Advisor to the CEO and Technical Director
Vasiliy Timofeev
Advisor to the Director of the Corporate Finance Department
Sergey Sumarov
First Deputy Director of the Department for Economic Security
Elena Shilina
Advisor to the Deputy CEO for Commerce and Finance
Dmitry Galin
Advisor to the CEO, Director for Innovation
Corporate Governance System

Remuneration of members of the Board of Directors and the management

The Company has in place a structured remuneration system for members of the governing bodies designed to link the amount of bonus payments to the achievement of short-term targets, and align the long-term interests of the Company’s management and its shareholders. Short-term incentive is provided in the form of cash bonuses, while long-term incentive implies payments based on share capitalisation benchmarked against different metrics.

The total variable remuneration of Board members is equivalent to 0.5% of PJSC Aeroflot’s market capitalisation growth over the lifetime of the Long-Term Incentive Programme. The 2016—2019 Long-Term Incentive Programme draws heavily on the following underlying metrics:

- Metric 1 (maximum weight of ½) the Company’s market capitalisation growth in the relevant year
- Metric 2 (maximum weight of ½) PJSC Aeroflot’s ranking among five foreign airline peers based on the market capitalisation change in the relevant year

As per the resolution of PJSC Aeroflot’s Management Board to provide incentives for the management to pursue Group-wide corporate objectives and improve the Group’s overall performance. The KPIs for other employees of PJSC Aeroflot were approved by the CEO’s Order No. 463 dated 30 December 2016.

Management remuneration

The remuneration system designed for the management and the other staff enables the Company to engage and retain highly qualified professionals. Remuneration of management is comprised of the fixed component (official salary) and the variable component (current bonuses and long-term incentives).

Current bonuses depend on the Group-wide performance and are calculated in accordance with the Company’s KPI-Based Employee Bonus System. The KPI-Based Employee Bonus System is formalised by the Regulations on Bonus Payments to the Managers and Specialists of PJSC Aeroflot. The Regulations stipulate that the variable component of the management compensation amount shall depend on their quarterly and annual performance against the KPIs approved for the relevant reporting period.

To provide for long-term incentives for PJSC Aeroflot’s management, the Long-Term Incentive Programme for January 2016 to 30 June 2019 was approved by the Board of Directors on 26 May 2016 and updated by the resolution of the Board of Directors of PJSC Aeroflot on 29 May 2017. The Programme covers the CEO, members of the Management Board, department heads, Chief Accountant, and other employees of the Company, on the CEO’s resolution. As at the end of 2017, 54 employees were enrolled in the Programme. The total pool of the Long-Term Management Incentive Programme is equivalent to 3.0% of PJSC Aeroflot’s market capitalisation growth over the lifetime of the Long-Term Incentive Programme. The 2016—2019 Long-Term Management Incentive Programme draws heavily on the following underlying metrics:

- PJSC Aeroflot’s market capitalisation growth in all relevant interim periods
- PJSC Aeroflot’s ranking among five international airline peers based on the market capitalisation change in each relevant interim period
- Achievement of the capitalisation target following the Long-Term Incentive Programme

The annual remuneration is paid as follows:

- ¾ of the remuneration pool is paid out for the relevant interim period
- ¼ of the remuneration pool is set aside until the end of the Long-Term Incentive Programme (June 2019) and paid out subject to the achievement of the capitalisation target

KPI system

The list and weights of KPIs for the CEO of PJSC Aeroflot for 2017 which form part of the corporate KPI system, were approved by the Board of Directors of PJSC Aeroflot on 24 November 2016 (Minutes No. 6). The 2017 KPI targets for the CEO of PJSC Aeroflot were approved by the Board of Directors of PJSC Aeroflot on 22 December 2016 (Minutes No. 7).

From 2015 onward, the scope of the CEO’s KPI list (with KPI weights and targets) is fully in line with the KPIs of our Long-Term Development Programme and extended to include all members of PJSC Aeroflot’s Management Board to provide incentives for the management to pursue Group-wide corporate objectives and improve the Group’s overall performance. The KPIs for other employees of PJSC Aeroflot were approved by the CEO’s Order No. 463 dated 30 December 2016.
Corporate Governance System

continued

2017 KPI targets for the CEO of PJSC Aeroflot

<table>
<thead>
<tr>
<th>KPI</th>
<th>2016</th>
<th>2017</th>
<th>Reasons for inconsistencies (2017A vs 2017P)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Shareholder Return (TSR)</td>
<td>15.0</td>
<td>13.5</td>
<td>Decrease is due to changes in the share price resulting from:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>— the impact of macroeconomic factors on the Company’s operating profit and net profit</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>— changes in the Russian equity market (the Moscow Exchange index decreased by 5.5% in 2017, which is relatively comparable to the 9.4% decrease in Aeroflot share price).</td>
</tr>
<tr>
<td>ROIC</td>
<td>20.0</td>
<td>14.9</td>
<td></td>
</tr>
<tr>
<td>Long-Term Debt / EBITDAR</td>
<td>5.0</td>
<td>0.93</td>
<td>Financial leverage reduction was due to the depreciation of the US dollar in late 2017 (plan rate – RUB 67 per US dollar, actual rate – RUB 57.6 per US dollar), which drove a reduction in the rouble equivalent of finance lease liabilities.</td>
</tr>
<tr>
<td>Integrated Innovation Key Performance Indicator (IIKPI)</td>
<td>10.0</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Investment Programme Efficiency</td>
<td>5.0</td>
<td>2.0</td>
<td>High returns on the 2017 investment projects and lower raps.</td>
</tr>
<tr>
<td>CASK Reduction</td>
<td>5.0</td>
<td>4.9</td>
<td>As per the resolution of PJSC Aeroflot’s Board of Directors, the indicator was replaced with the CASK KPI (for Aeroflot Group) (for more details see above).</td>
</tr>
<tr>
<td>CASK</td>
<td>cent per ASK</td>
<td>5.0</td>
<td>The rouble appreciation against the US dollar in 2017 led to a higher US dollar equivalent of the rouble-denominated costs which account for almost half of Aeroflot Group’s total operating costs.</td>
</tr>
<tr>
<td>Share of State-Subsidised Funding in Total Funding Secured</td>
<td>5.0</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td>Punctuality</td>
<td>5.0</td>
<td>0.0</td>
<td>Aeroflot Group’s initiatives to improve punctuality of aircraft departures include:</td>
</tr>
</tbody>
</table>

Note: 2016 and 2017 KPIs are calculated for Aeroflot Group, except for PJSC Aeroflot’s Flight Safety KPI.
* The value shown is the minimal value achieved in 2017.
Corporate Governance System

In 2017, the majority of the Long-Term Development Programme KPIs for PJSC Aeroflot’s management were met/exceeded as a result of efficient operations. Failure to meet the KPI targets was due to the impact of macroeconomic factors.

The 2018 KPI list, weights, and targets for PJSC Aeroflot’s CEO were approved by PJSC Aeroflot’s Board of Directors on 21 December 2017 (Minutes No. 7). The updated 2018 KPI targets for the CEO of PJSC Aeroflot were approved by the Board of Directors of PJSC Aeroflot on 26 April 2018 (Minutes No. 13).

2018 KPIs for PJSC Aeroflot’s CEO

<table>
<thead>
<tr>
<th>KPI</th>
<th>Unit</th>
<th>Weight, %</th>
<th>Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Shareholder Return (TSR)</td>
<td>%</td>
<td>10.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Return on Invested Capital (ROIC)</td>
<td>%</td>
<td>20.0</td>
<td>15.2</td>
</tr>
<tr>
<td>Long-Term Debt / EBITDAR</td>
<td>–</td>
<td>5.0</td>
<td>0.67</td>
</tr>
<tr>
<td>Integrated Innovation Key Performance Indicator (IIKPI)</td>
<td>%</td>
<td>10.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Investment Programme Efficiency</td>
<td>–</td>
<td>5.0</td>
<td>4.42</td>
</tr>
<tr>
<td>CASK</td>
<td>cent per ASK</td>
<td>5.0</td>
<td>4.9*</td>
</tr>
<tr>
<td>Share of State-Subsidised Funding in Total Funding Secured</td>
<td>%</td>
<td>5.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Punctuality</td>
<td>%</td>
<td>5.0</td>
<td>87.0</td>
</tr>
<tr>
<td>PJSC Aeroflot’s Flight Safety</td>
<td>%</td>
<td>15.0</td>
<td>99.957</td>
</tr>
<tr>
<td>Passenger Load Factor</td>
<td>%</td>
<td>10.0</td>
<td>82.7</td>
</tr>
<tr>
<td>Overall Productivity</td>
<td>mn ASK per emp.</td>
<td>10.0</td>
<td>4.334</td>
</tr>
</tbody>
</table>

Note. All KPIs calculated for Aeroflot Group, except for PJSC Aeroflot’s Flight Safety.

* The target value of 4.9 cent per ASK is the lowest value achieved by Aeroflot Group in 2016.

The list and weights of the 2018 KPIs for the CEO comply with the guidelines issued by federal executive authorities, and reflect the Company’s specifics and strategic priorities.

Remuneration of members of PJSC Aeroflot’s Board of Directors paid in 2017

<table>
<thead>
<tr>
<th>Member of the Board of Directors</th>
<th>Remuneration for the period from 1 January 2016 to 30 June 2016</th>
<th>Remuneration under the Long-Term Incentive Programme, RUB</th>
<th>Remuneration for the period from 1 July 2016 to 30 June 2017</th>
<th>Fixed component, RUB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kirill Androsov</td>
<td>5,210,526</td>
<td>4,316,610</td>
<td>9,900,000</td>
<td>8,368,280</td>
</tr>
<tr>
<td>Mikhail Alekseyev</td>
<td>3,107,368</td>
<td>2,574,270</td>
<td>6,750,000</td>
<td>5,850,000</td>
</tr>
<tr>
<td>Alexey Germanovich</td>
<td></td>
<td></td>
<td>8,550,000</td>
<td>8,550,000</td>
</tr>
<tr>
<td>Igor Kamensky</td>
<td>4,547,368</td>
<td>3,767,220</td>
<td>10,350,000</td>
<td>10,350,000</td>
</tr>
<tr>
<td>Mariia Maranov</td>
<td>4,232,368</td>
<td>3,506,260</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Roman Pukhov</td>
<td>6,792,368</td>
<td>5,593,930</td>
<td>15,350,000</td>
<td>15,350,000</td>
</tr>
<tr>
<td>Dmitry Peskov</td>
<td>4,547,368</td>
<td>3,056,260</td>
<td>10,350,000</td>
<td>10,350,000</td>
</tr>
<tr>
<td>Vitaly Savelyuk</td>
<td></td>
<td></td>
<td>4,900,000</td>
<td>4,900,000</td>
</tr>
<tr>
<td>Dmitry Saprykin</td>
<td></td>
<td></td>
<td>8,550,000</td>
<td>8,550,000</td>
</tr>
<tr>
<td>Vasily Sidorov</td>
<td>6,632,368</td>
<td>5,494,520</td>
<td>10,350,000</td>
<td>10,350,000</td>
</tr>
<tr>
<td>Yury Slyusar</td>
<td>3,107,368</td>
<td>2,574,270</td>
<td>4,500,000</td>
<td>4,500,000</td>
</tr>
<tr>
<td>Sergey Chemezov</td>
<td>947,368</td>
<td>784,840</td>
<td>1,800,000</td>
<td>1,800,000</td>
</tr>
<tr>
<td>Total</td>
<td>38,769,470</td>
<td>32,118,180</td>
<td>69,300,000</td>
<td>69,300,000</td>
</tr>
</tbody>
</table>

The remuneration (salary, additional compensations, and bonuses) paid to the members of PJSC Aeroflot’s Management Board in 2017 totalled RUB 694,758,610; in 2016, the remuneration totalled RUB 598,825,846. Remuneration under the Long-Term Incentive Programme was also paid in the reporting period and totalled RUB 2,238,417,192; in 2016, no such payments were made.

Remuneration of members of PJSC Aeroflot’s Management Board paid in 2017

<table>
<thead>
<tr>
<th>Remuneration type</th>
<th>Amount, RUB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary and additional compensations</td>
<td>410,071,226</td>
</tr>
<tr>
<td>Bonuses</td>
<td>384,439,324</td>
</tr>
<tr>
<td>Other income</td>
<td>3,148,060</td>
</tr>
<tr>
<td>Total</td>
<td>694,758,610</td>
</tr>
</tbody>
</table>
Corporate Governance System

Directors and officers liability insurance

As part of its efforts to provide insurance protection, PJSC Aeroflot has signed an agreement for liability insurance of the Company’s directors and officers, as well as representatives of PJSC Aeroflot on governing bodies of its subsidiaries, providing for reimbursement for loss caused to third parties, arising from claims filed by third parties against the insured due to their wrongful acts committed in their management roles. A securities claim filed against the Company also constitutes the amount of insurance coverage is USD 100 million per claim and in total. The insurance period is one year. The total insurance premium is USD 99 thousand.

Regulation of possible conflicts of interest within PJSC Aeroflot’s governing bodies

Conflicts of interest at PJSC Aeroflot are regulated by the following documents:

— Corporate Conduct Code of PJSC Aeroflot
— Procedure for reporting to the employer on personal interest that leads or may lead to a conflict of interest
— Aeroflot Group’s Anti-Corruption Policy

Internal control and audit

PJSC Aeroflot has in place a centralised internal audit function, headed by the Director of the Internal Audit Department who functionally reports to the Board of Directors of PJSC Aeroflot and to the Audit Committee of the Board of Directors.

Depending on the scale of their business and related risks, the Company’s controlled entities arrange for internal audit to be conducted by either PJSC Aeroflot’s Internal Audit Department or the internal audit unit or permanent internal auditor of their own. Heads of such units and internal auditors of controlled entities functionally report to the Director of the Internal Audit Department of PJSC Aeroflot.

The internal control systems are designed to maximise the Aeroflot Group’s transparency, financial performance, and compliance with the applicable laws.

Audit Committee and its role

The Board of Directors of PJSC Aeroflot approves internal documents regulating its general policy on risk management and internal controls and establishes principles of, and approaches to, the risk management and internal control system within PJSC Aeroflot.

The Audit Committee of PJSC Aeroflot’s Board of Directors enhances supervision over financial and business operations to optimise capex, protect shareholder interests, and ensure the growth of PJSC Aeroflot’s assets.

Coordinating with the PJSC Aeroflot’s executive bodies, the Revision Committee and the Internal Audit Department, the Audit Committee prepares and submits for consideration by the Board of Directors recommendations for:

— develop and provide for the implementation of the business plan
— establish and provide for compliance with effective internal controls
— provide for effective and transparent governance at PJSC Aeroflot, including prevention and termination of abuse by executive bodies and officers
— prevent, identify, and limit conditions giving rise to financial and operational risks
— provide for reliability of financial data used or disclosed by PJSC Aeroflot
— recommendations and proposals on other matters, as resolved by the Board of Directors of PJSC Aeroflot.

Risk management and internal controls assessment based on the reports by the Company’s Internal Audit Department is regularly discussed by the Audit Committee of the Board of Directors.

When conducting audits, the Internal Audit Department draws conclusions on the performance of the risk management and internal controls for each audited entity. To further improve risk management across key business processes within PJSC Aeroflot, the Audit Committee of the Board of Directors also receives regular reports on the Company’s key risks.

PJSC Aeroflot has in place a practice of confidential reporting to the Board of Directors (the Internal Audit Department), its corporate body Internal Audit Department.

The Hotline operates on a confidential and anonymous basis. All received reports are reviewed by the Internal Audit Department.

Results of internal and external audit assessments by the Audit Committee for 2017

Throughout 2017, the Audit Committee of the Company’s Board of Directors reviewed the day-to-day operations of the Internal Audit Department and the audit results. The 2017 activity plan of the Internal Audit Department was approved by the Audit Committee. The Director of the Internal Audit Department held regular meetings with the Audit Committee which reviewed, approved, and gave a positive assessment of the Internal Audit Department’s performance in 2017.

The Audit Committee reviews, on an annual basis, the results of the external audit of PJSC Aeroflot’s financial statements prepared under the RAS and, on a quarterly basis, of the consolidated financial statements prepared under the IFRS. Opinions issued by external auditors in 2017 received a positive assessment by the Audit Committee.

In 2017, Aeroflot Group’s Internal Audit Department and internal audit units conducted a total of 40 audits of the Company’s business units and subsidiaries to identify potential risks and assess the internal controls within Aeroflot Group’s key business segments and processes.

Audits were followed by over 400 recommendations on further improvement of Aeroflot Group’s operations, with most of them approved and implemented by the management.

In 2017, the Internal Audit Department reviewed over 1,500 reports submitted to the Board of Directors (the Internal Audit Department) via the confidential reporting Hotline. Internal investigations were conducted to follow up on some reviews.

The Internal Audit Department regularly reports to the PJSC Aeroflot’s Revision Committee and Board of Directors on its progress under the annual activities plan, audits made, following the Department’s recommendations, and operation of the Board of Directors’ Hotline.

Internal Audit Department

The Internal Audit Department is an independent business unit established to provide PJSC Aeroflot’s governing bodies with independent and reliable guaranties and advisory services to enhance the operations of PJSC Aeroflot and Aeroflot Group companies by applying a holistic consistent approach to assessment and proposals to management, internal controls, and corporate governance processes.

Aeroflot Group ensures independence and objectivity of its internal audit by managing its reporting lines: the Director of the Internal Audit Department reports to the Board of Directors of PJSC Aeroflot and to the Audit Committee of the Board of Directors and administratively reports to PJSC Aeroflot’s CEO.

In its operation, the Department is guided by the International Standards for the Professional Practice of Internal Auditing and the underlying principles of independence, objectivity, proficiency, and professional care. The purpose of the Internal Audit Department is to support financial and business performance of PJSC Aeroflot, achievement of financial and operational targets, protection of assets, fair disclosure of the Company’s financial and business data, compliance with the applicable laws.

The Internal Audit Department strives to assist PJSC Aeroflot in achieving its strategic goals through applying a holistic consistent approach to assessment and improvement of risk management, internal controls, and corporate governance processes.

PJSC Aeroflot automated its internal audit function in 2017 to optimise auditing and monitoring recommendations compliance, as well as to comply with the International Standards for the Professional Practice of Internal Auditing. Aeroflot pioneered the selection of SAP Mira as the SAP component to be heavily invested in enhancing the standard SAP AM functionality, a joint effort of Aeroflot’s project team and the SAP developer team. The product enabled much faster and more transparent auditing with lower operating costs required to ensure the internal audit quality.

In order to improve the quality of internal audit, Aeroflot’s guidelines on planning, performing, and assessing the quality of internal audits were updated. In addition, over 15 model audit plans covering key business processes of the Company were standardised in 2017 to harmonise risk-oriented audit procedures.

Revision Committee

The Revision Committee supervises PJSC Aeroflot’s financial and business operations to provide reasonable assurance of the Company’s business, fulfilling meeting the interests of its shareholders and requirements set forth in the applicable laws of the Russian Federation. In its operation, the Revision Committee is guided by the PJSC Aeroflot’s Articles of Association and the Regulations on the Revision Committee.

As prescribed by the Regulations, the Revision Committee checked for accuracy the information contained in the annual financial statements for 2017, including the income statement and other documents submitted to the Annual General Meeting of Shareholders. The Committee benchmarked the metrics of the Company’s financial and business operations in 2013–2017 and the Company’s compliance with the applicable laws in 2017.
Corporate Governance System continued

Based on these audits, the Revision Committee prepared and approved a relevant report on the balance sheet and financial performance assessment results. The Committee’s report reflected changes in the balance sheet structure and key change drivers, assessing a number of the Company’s financial and business operations, including risk management, internal controls, and compliance. The audits and checks for compliance with the applicable laws enabled the Committee to develop recommendations on improvement of the Company’s performance and thereby increase earnings and cut costs.

In its report, the Revision Committee passed a positive opinion on the overall accuracy of the Company’s financial statements citing no material grounds to disprove the information provided in the Balance Sheet and Income Statement of PJSC Aeroflot as at 31 December 2017. The report also listed the Committee’s recommendations on the Company’s financial and business performance and legal compliance.

Remuneration of PJSC Aeroflot’s Revision Committee in 2017

<table>
<thead>
<tr>
<th>Revision Committee member</th>
<th>Remuneration, RUB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Igor Belikov</td>
<td>1,312,761</td>
</tr>
<tr>
<td>Marina Mikhina</td>
<td>1,031,455</td>
</tr>
<tr>
<td>Ekaterina Nikitina</td>
<td>1,031,455</td>
</tr>
<tr>
<td>Sergey Ubugunov</td>
<td>1,031,455</td>
</tr>
<tr>
<td>Vasily Shipilov</td>
<td></td>
</tr>
</tbody>
</table>

The Annual General Meeting of Shareholders of 26 June 2017 (Minutes No. 40 dated 28 June 2017) elected the following members of PJSC Aeroflot’s Revision Committee:
- Igor Belikov – Director of the Russian Institute of Directors
- Ekaterina Nikitina – Advisor to the President of PJSC TransNatl
- Mikhail Sorekin – Head of the Management Department of the Federal Agency for State Property Management
- Sergey Ubugunov – Head of Division at the Ministry of Transport of the Russian Federation
- Vasily Shipilov – Deputy Head of Division at the Ministry of Economic Development of the Russian Federation

The Annual General Meeting of Shareholders also resolved to pay members of the Revision Committee the total remuneration of RUB 3,375,671.

External audit

Each year, PJSC Aeroflot engages external auditors to conduct an independent assessment of its accounting (financial) statements. External auditors are engaged through public tenders which ensure unbiased selection of the successful bidder based on auditing experience, the proposed audit scope and timeline, and the track record in the Company’s industry.

The audit firm which won the public tender for conducting annual audit of the Company’s accounting (financial) statements is recommended by the Board of Directors for approval by the Annual General Meeting of Shareholders in accordance with the applicable laws.

The Annual General Meeting of Shareholders approved PricewaterhouseCoopers Audit (Minutes No. 40 dated 28 June 2017) as the auditor of the Company’s consolidated financial statements for 2017 prepared under the International Financial Reporting Standards (IFRS). The total fee paid to PricewaterhouseCoopers International Limited for audit, audit-related, and other services in 2017 amounted to RUB 67,416,000 (net of VAT). The key scope of services rendered under the 2017 contract included a general review of the IFRS interim and condensed consolidated financial statements for 6M and 9M 2017, audit of the IFRS consolidated financial statements for 2017, guidance, as well as streamlining, automation, and diagnostics of the Company’s business processes.

Anti-corruption policy

Aeroflot Group openly states zero tolerance for unfair and illegal business practices and takes additional voluntary anti-corruption commitments recommended by international and Russian laws. PJSC Aeroflot is committed to public anti-corruption measures, transparent and open procurement processes, rejection of illicit benefits, creates effective feedback channels, and fights corruption by sharing information. In 2015, PJSC Aeroflot signed up to the Anti-Corruption Charter of the Russian Business.

On 21 December 2015, PJSC Aeroflot’s Board of Directors (Minutes No. 8) approved Aeroflot Group’s Anti-Corruption Policy designed to create a uniform approach to Federal Law No. 273-FZ On Countering Corruption dated 25 December 2008, which provides for development and adoption of measures to prevent and counter corruption.

PJSC Aeroflot has in place a procedure for reporting on corrupt practices or conflicts of interest.

The Company also has a roadmap for anti-corruption risk management and internal control processes at PJSC Aeroflot, approved by the Board of Directors. We are also working to integrate the Guidelines on Anti-Corruption Risk Management and Internal Controls in partially state-owned joint-stock companies, approved by Order of the Federal Agency for State Property Management No. 80 dated 2 March 2016.

The Deputy Director of the Department for Economic Security is responsible for compliance management. PJSC Aeroflot set up a dedicated incident reporting channel – okb@aeroflot.ru, which is described on the Company’s website. The Company guarantees confidentiality when receiving and reviewing incident reports and no negative consequences for individuals who raised their concerns in good faith.

PJSC Aeroflot is a member of the Russia Corruption Committee and the Board of Directors has approved the Anti-Corruption Charter of the Russian Business, which is publicly available on the Website.
Corporate Governance System

Information disclosure

To enhance its corporate transparency and equity story, the Company strives to ensure timely disclosure of complete and accurate material information on its operations. The Company’s disclosure is guided by requirements and recommendations of federal laws, the Bank of Russia, Russian and foreign trading hubs where the Company’s securities are listed, as well as corporate documents such as the Regulations on the Corporate Information Policy and the Regulations on Providing Access to Insider Information.

The main objectives of PJSC Aeroflot’s corporate information policy are to:

— ensure compliance with the Russian law and regulatory requirements of the securities market;
— enhance information transparency and confidence in communications with the Company’s shareholders, security holders, investors, creditors, and other stakeholders, and ensure protection of their rights and legitimate interests;
— focus on fully meeting the demand of shareholders, investors, professional security traders, and other stakeholders for fair disclosures of the corporate and business information;
— secure shareholders’ rights to receive material information required to exercise their corporate governance rights maintain professional and trust-based relationships of the Company with mass media providing for free information sharing without prejudice to the rights and legitimate interests of shareholders, investors, and other parties;
— protect insider information.

Information on PJSC Aeroflot is promptly communicated to the widest possible audience through publication of such messages, press, and news releases in the news feed updated in real time on PJSC Aeroflot’s disclosure page (http://disclosure.skrin.ru) and in the Shareholders and Investors section of Aeroflot’s website (http://ir.aeroflot.ru).

For more details on information disclosure see the Investor Relations section.

Internal regulations guiding the Annual Report

Baseline internal regulations used to prepare this Annual Report, including key internal regulations governing the internal audit, as well as the risk management and internal control system, are:

— Articles of Association of PJSC Aeroflot
— Corporate Governance Code of PJSC Aeroflot
— Corporate Conduct Code of PJSC Aeroflot
— Regulations on the General Meeting of Shareholders of PJSC Aeroflot
— Regulations on the Board of Directors of PJSC Aeroflot
— Regulations on the Management Board of PJSC Aeroflot
— Regulations on the Executive Secretary of the Board of Directors and the Board of Directors Office of PJSC Aeroflot
— Regulations on the Personnel and Remuneration Committee of the Board of Directors of PJSC Aeroflot
— Regulations on the Audit Committee of the Board of Directors of PJSC Aeroflot
— Regulations on the Strategy Committee of the Board of Directors of PJSC Aeroflot
— Regulations on the Revision Committee of PJSC Aeroflot
— Regulations on Internal Audit at Aeroflot Group
— Regulations on Aeroflot Group’s Risk Management System
— Dividend Policy of PJSC Aeroflot
— Regulations on Corporate Information Policy
— Regulations on Providing Access to Insider Information
— Aeroflot Group’s Anti-Corruption Policy
— Regulations on the System of Disclosure of Confidential Information to the Board of Directors (Audit Committee of the Board of Directors) – Hotline
— Environmental Policy of PJSC Aeroflot.

Risk Management

Aeroflot Group’s risk management policy is aimed at building up a comprehensive system that helps promptly identify risks that affect the Company, assess their materiality, and take measures to minimize both the likelihood of risks being realized and losses they can lead to.

Aeroflot Group’s risk management procedures are governed by the Regulations on Aeroflot Group’s Risk Management System approved in 2015 and updated in 2017. The document lays down the framework for a unified risk assessment and management methodology (goals, tasks, principles of organization and operation of the corporate risk management system (CRMS), and approaches to, and principles of, the distribution of rights, obligations and responsibilities of participants in the risk management system at PJSC Aeroflot and its controlled entities). Risk management is applied across all management levels and functional and project areas. The respective functions are distributed among the Board of Directors, the Audit Committee of the Board of Directors, the Management Board, and business units of PJSC Aeroflot. A standalone unit (Risk Management Department) has been set up in the Company to:

— generally coordinate risk management processes;
— develop guidelines to govern risk management processes;
— arrange personnel training in risk management and internal control;
— review the risk portfolio and develop proposals on response strategy and reallocation of resources to manage respective risks;
— prepare consolidated risk reports;
— perform day-to-day monitoring of the risk management process in the Company’s business units and in its controlled entities, as prescribed;
— prepare information and inform the Board of Directors and executive bodies as to the efficiency of the risk management process.
Risk Management
continued

Risk management flow chart

- Making decisions on matters of the General Meeting of Shareholders
- Determining key parameters of the CRMS (goals, tasks, operating principles, architecture, risk appetite, etc.)
- Managing risks within the authority of the Board of Directors
- Making decisions on providing necessary resources to the CRMS participants
- Assessing the CRMS performance
- Approving the Risk Register and Risk Map
- Development, operational management, and monitoring of the CRMS
- Making decisions on management of risks within the authority of the CRMS participants at the executive management level
- Making decisions on allocation of resources among the CRMS participants
- Making decisions on identifying instruments and parameters for financial risk hedges
- Making decisions on the selection procedure for counterparties to financial risk hedges
- Making decisions on the roles, responsibilities, and cooperation procedure of the management tier and line management tier stakeholders in the financial risk hedging process
- Executing, following up on, and continuously improving risk management procedures
- Making decisions on management of risks within the authority of line management.

Risk management structure

- Risk identification
  Definitions and descriptions of risk elements (including sources, events, causes, and implications)
- Risk assessment
  Analysing risk, its implications, and forms of impact on the achievement of Aeroflot Group’s goals
- Development, implementation, and follow-up of risk management activities
  Developing, implementing, and following up on risk management activities to achieve the goals of the Group and the risk management system, and linking risks to applicable risk appetite levels
- Monitoring
  Supervising the identification, assessment, implementation, and follow-up of risk management activities
Risk Management
continued

Enhancement of the risk management system
Selected activities implemented in 2017 to enhance integrated risk management in PJSC Aeroflot:
— The Board of Directors of PJSC Aeroflot approved the updated Aeroflot Group’s Risk Register and Risk Map prepared in line with the Risk Management Standard
— The Board of Directors of PJSC Aeroflot approved the Risk Agency Statement of Aeroflot Group
— PJSC Aeroflot’s employees were trained in risk management and internal control
— Implementation of the Risk Management Standard in controlled entities was launched

Principal risks and mitigation measures

<table>
<thead>
<tr>
<th>Risk</th>
<th>Description</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital markets access risks</td>
<td>Risks of insolvency occurring to the Group’s inability to raise debt for its financial and business activities on acceptable terms</td>
<td>The market situation is monitored; a competitive environment for credit institutions is set up; measures to enhance the Group’s equity story are taken; and relationships with credit rating agencies are managed</td>
</tr>
<tr>
<td>BUSINESS RISKS</td>
<td>Strategic risks</td>
<td>Risks of insolvency occurring to errors (false) made when making decisions on the Group’s business and growth strategy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Risks of insolvency occurring to conflicts, terrorist attacks, or threats of attacks</td>
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<tr>
<td></td>
<td>Environmental risks</td>
<td>Risks of negative changes in the environment or long-term negative implications of these changes caused to anthropogenic impacts</td>
</tr>
<tr>
<td>Industry risks</td>
<td>Risks of insolvency occurring in the air transportation industry</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Industry risks are mitigated by:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>— operating a high-frequency route network</td>
<td></td>
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<tr>
<td></td>
<td>— using a hub model at the base airport</td>
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<tr>
<td></td>
<td>— maintaining Europe’s youngest aircraft fleet</td>
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<td></td>
<td>— targeting the premium passenger segment (convenient departure and arrival times, high-quality service)</td>
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<td></td>
<td>— driving innovation across all areas of the business</td>
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<td></td>
<td>— maintaining a high level of flight safety</td>
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<td></td>
<td>— promptly adjusting existing fares, running marketing campaigns and various promotions</td>
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<td></td>
<td>— matching aircraft capacity to the passenger traffic on a given route</td>
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<td></td>
<td>— expanding the route network to countries popular among tourists year-round</td>
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<td></td>
<td>— requesting slots in advance and forecasting constraints</td>
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<td></td>
<td>— diversifying debt across currencies and instruments, and regularly considering financial hedging options involving derivatives on aviation fuel and FX rates</td>
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<tr>
<td></td>
<td>— mitigating exposure to FX risk or fuel price risk</td>
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<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FINANCIAL RISKS</td>
<td>Market risks</td>
<td>Risks of underperformance against targets (financial, operating, strategic, etc.) due to FX rate, commodity price, or market interest rate fluctuations</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit risk</td>
<td>Risk of insolvency occurring to failures by a counterparty in meeting its contractual obligations to Aeroflot Group companies</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liquidity risk</td>
<td>Risk of insolvency occurring to an inability of an organisation to fully meet its obligations as they fall due</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Capital markets access risks
In order to improve risk management performance, Aeroflot Group carries out regular CRMSE performance assessments both as part of day-to-day operations and in the form of in-house or independent third-party assessments. The management, Audit Committee of the Board of Directors, and Board of Directors receive regular reports on risk management and the CRMSE performance across Aeroflot Group.

The Board of Directors of PJSC Aeroflot approved the Risk Management Standard in controlled entities was launched.
## Risk Management continued

### Risk Mitigation

<table>
<thead>
<tr>
<th>Risk</th>
<th>Description</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service quality risk</td>
<td>Risk of incurring losses from potential refusal by consumers to buy goods or services of the Group companies or outsourced services as a result of products and services offered by the companies failing to meet the quality requirements of consumers.</td>
<td>A process to obtain feedback from customers through a number of channels and ensure timely and full consideration of all incoming communications and complaints has been put in place. The demand for services offered is also tracked, and measures to enhance service quality, improve consumer loyalty and experience, and monitor employee compliance with regulations are taken.</td>
</tr>
<tr>
<td>Reputational risks</td>
<td>Risks of incurring losses from factors that arise from, or result in, damage to the Group’s reputation or that an organisation would incur as a result of reduced brand value or negative perceptions of the organisation’s image by customers, creditors, business partners, shareholders, or the public.</td>
<td>Aeroflot takes pride in its reputation as a safe carrier and a reliable business partner; therefore, it takes all necessary steps to protect its reputation, ensure management integrity and effectiveness, and maintain a positive image among customers, counterparties, shareholders, and business partners. A strong focus is maintained on analysing and improving customer experience, and on deploying cutting-edge customer service technologies. The information environment around Aeroflot Group is continuously monitored and analyzed, communications with NGOs are maintained, and procedures to monitor compliance with process flows and regulations are set up.</td>
</tr>
<tr>
<td>Aviation safety risks</td>
<td>Risks of incurring losses from unlawful interference with aviation activities.</td>
<td>The situation is monitored and analysed and remedial measures to ensure safety at the base airport and destination airports are taken. Airports are audited on a regular basis, the level of aviation security at destination airports and compliance with regulations are monitored, independent experts are engaged, and the state of internal and external access control systems is monitored on a 24/7 basis.</td>
</tr>
<tr>
<td>Flight safety risks</td>
<td>Forecast likelihood and severity of implications of one or several threats being realised with respect to aviation activities related to aircraft operation or directly supporting such operation (technical and commercial)</td>
<td>Aircraft condition, aircraft maintenance, and the operation of the corporate healthcare unit in terms of medical examination of flight crews are monitored, medical equipment is replaced; operations and operating processes are continuously monitored.</td>
</tr>
<tr>
<td>IT risks</td>
<td>Risks of incurring losses from the use of information technologies by the company</td>
<td>Relations with IT vendors and developers have been established, channel redundancy and data backup procedures are implemented, skilled personnel are recruited and trained, and the causes of IT failures are investigated.</td>
</tr>
<tr>
<td>HR risks</td>
<td>A group of risks that arise from, or affect, the Group’s personnel (or an individual employee), including the lack of required/appropriate number of employees as determined based on the current and forward-looking business plans and existing business processes</td>
<td>An effective recruitment process has been put in place, training and professional development courses for employees are organised, also, staff pay levels are monitored in order to remain in line with the market, and a range of social benefits and guarantees is offered to employees.</td>
</tr>
<tr>
<td>Risks of quality purchased spare parts, units, components, and materials</td>
<td>Risks of losses due to quality and authenticity (originality) of spare parts and units purchased by Aeroflot Group, as well as components and materials to support its core business</td>
<td>Quality of supplies and suppliers’ operations is monitored and analyzed, and procurement and supplier selection procedures are improved.</td>
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<tr>
<td>Economic and information security risks</td>
<td>Risks of losses related to changes in the corporate internal and external environment that may lead to the relevant item losing its economic value.</td>
<td>An effective system to monitor, identify, locate and prevent threats and vulnerabilities has been put in place, and steps are taken on an ongoing basis to monitor employee compliance with economic and information security requirements, and to identify and prevent offences.</td>
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### OPERATIONAL RISKS

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</table>
**Impact of key financial risks realised in 2017**

Aeroflot Group’s key financial risks are associated with changes in foreign exchange rates (EUR/RUB, USD/RUB, EUR/USD), jet fuel prices in the Russian and international markets, and market interest rates (primarily LIBOR). These risk factors are interlinked, most notably changes in the EUR/RUB and USD/RUB exchange rates and jet fuel prices affected by oil prices.

### Effect of changes in FX rates and other macroeconomic factors on EBITDA of Aeroflot Group

<table>
<thead>
<tr>
<th>RUB MILLION</th>
<th>Net of FX effect.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significance changes in the above risk factors had a major impact on the Group’s performance in 2017 primarily due to sharp changes in FX rates and fuel prices.</td>
<td></td>
</tr>
</tbody>
</table>

In 2017, the average RUB/USD exchange rate appreciated by 13.1% year-on-year. The rouble rose by 11.2% against the euro, and the average EUR/USD exchange rate appreciated by 2.1%. These factors put pressure on Aeroflot’s FX-denominated revenue but changes in USD/EUR exchange rate had a positive impact on the Company with its foreign currency expenses mostly denominated in USD and FX revenues mostly denominated in EUR.

Global oil prices showed a strong growth in 2017, with the year-average price of Brent crude benchmark rising by 23.3% while the rouble appreciated against the US dollar only by 13.1%, as mentioned earlier. Thus, rouble oil prices grew by 5.6%, pushing jet fuel prices by 7.6%.

### Currency and price risks

Aeroflot Group’s exposure to currency risk results from the vast share of the Company’s income and expenses being affected by changes in the EUR/RUB and USD/RUB exchange rates:

- Sales revenue from international flight tickets is collected in foreign currency (in foreign markets or from transit passengers), or in roubles based on euro prices, with fares across the Group’s core markets priced mostly in euros
- Fuel costs, lease payments, and maintenance costs (key foreign currency expenses accounting for 24.9%, 13.4%, and 7.4% of the Group’s operating costs, respectively) are denominated in US dollars with some operating expenses denominated in euros and roubles

### Interest rate risk

The Group’s exposure to interest rate risk results from changes in the debt market interest rates affecting the costs of borrowings and loans, and driving operating lease costs escalation. Specifically, costs under lease agreements of Aeroflot Group are linked to LIBOR 6M and 3M market interest rates. In 2017, the 6M rate went up from 1.31% to 1.83%, while the 3M rate increased from 1.00% to 1.69% year-on-year (as at 31 December).

Interest rate swaps are a common instrument to mitigate interest rate risk. This risk factor has a limited materiality for the Group, and no transactions to convert the floating rates into fixed rates were undertaken.
Insurance against operational risks

Aeroflot Group uses insurance as an effective tool to manage risks. Aeroflot Group’s underlying approach is to take out, whenever practically possible, full coverage for all types of risks. The Group’s key operational risks are insured, with coverage for aviation risks, such as actual or constructive total loss, disappearance or damage of aircraft, its components and/or units, risks of airline/operator liability for injury, death, or property damage to passengers or third parties, and war risks accounting for 60% of the total insurance costs.

As part of its efforts to provide insurance protection, PJSC Aeroflot has signed an agreement for liability insurance of PJSC Aeroflot, its directors and officers with a liability limit of USD 100 million.

Aeroflot Group also uses various insurance programmes covering a wide range of non-aviation operational risks of support operations, including all types of compulsory and most types of voluntary civil liability insurance, motor insurance, property insurance (real estate, flight simulators, IT equipment), personal insurance (voluntary medical insurance for employees, their families, and retired employees of Aeroflot Group, accident insurance, disability insurance for flight crews, and travel insurance).

In 2017, all insurance contracts were renewed as scheduled. Given that all insurance policies are purchased as part of the consolidated procurement process, insurance rates and premiums of the Group companies were reduced for many types of policies. Subsidiary airlines of PJSC Aeroflot were included in consolidated reinsurance coverage, which helped reduce the aviation risk insurance rates by 70%. Thus, despite the growing fleet, the overall aviation risk insurance premium remained almost flat versus the previous insurance period.

Outlook and plans for 2018

Aeroflot group consistently improves its corporate risk management. As part of efforts to enhance the corporate risk management system and improve its performance, special focus will be placed in 2018 on improving approaches to quantitative risk assessment, roll-out of key risk indicator system, and streamlining information flows, infrastructure, and communication channels enabling early risk identification, analysis, and mitigation follow-up.

Share capital

As at 31 December 2017, PJSC Aeroflot’s charter capital consisted of 110,696,299 ordinary registered uncancelled shares with a par value of RUB 1 each. The Company did not issue preferred shares.

State registration numbers of PJSC Aeroflot’s ordinary share issues are 73-1-p-5942 (dated 22 June 1995) and 1-02-00010-A (dated 1 February 1999). These issues were merged by Decree No. 04-168/r of the Federal Securities Commission of Russia dated 23 January 2004, following which the issues of PJSC Aeroflot ordinary shares were assigned state registration number 1-04-00010-A on 23 January 2004.

Key shareholders of PJSC Aeroflot

<table>
<thead>
<tr>
<th>Holder</th>
<th>As at 31 December 2016</th>
<th>As at 31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of shares</td>
<td>Shareholding, %</td>
</tr>
<tr>
<td>Legal entities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian Federation (represented by the Federal Agency for State Property Management)</td>
<td>O</td>
<td>568,335,339</td>
</tr>
<tr>
<td>National Settlement Depository</td>
<td>N</td>
<td>387,462,361</td>
</tr>
<tr>
<td>Aeroflot-Finance*</td>
<td>O</td>
<td>53,716,189</td>
</tr>
<tr>
<td>RT-Business Development</td>
<td>O</td>
<td>16,720,724</td>
</tr>
<tr>
<td>Aviacapital Service**</td>
<td>O</td>
<td>22,688,599</td>
</tr>
<tr>
<td>Individuals***</td>
<td>O</td>
<td>61,693,087</td>
</tr>
<tr>
<td>Holders</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* O means “owner”, N means “nominee”.
** Aeroflot-Finance’s stake includes the stake held by nominees, with the number of quasi-treasury shares unchanged in 2014–2016.
*** Aviacapital Service’s stake includes the stake held by nominees.
**** Partially including the management and members of the Company’s subsidiaries.

Note. Free float represents shares not owned by the state or partially state-owned companies, and not directly owned by the Company, the Group’s subsidiaries or the Company’s management.

Key shareholders of PJSC Aeroflot

<table>
<thead>
<tr>
<th>Shareholders as at 31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russian Federation</td>
</tr>
<tr>
<td>Rostec Corporation</td>
</tr>
<tr>
<td>Management and Directors</td>
</tr>
<tr>
<td>Institutional investors</td>
</tr>
<tr>
<td>Retail investors</td>
</tr>
</tbody>
</table>
In addition to outstanding shares, the Company has the right to issue a further 250 million ordinary registered shares (authorised shares). No additional shares were issued in 2017.

The total number of PJSC Aeroflot’s shareholders as at 31 December 2017 was 11,101, vs 11,377 as at 31 December 2016, comprising mostly individuals.

PJSC Aeroflot’s register of shareholders is kept by Independent Registrar Company (License No. 045-13954-000001, issued by the Bank of Russia). The register holder’s details are provided in the Contact Details appendix to this Annual Report.

As at 31 December 2017, PJSC Aeroflot’s market capitalisation was RUB 153.8 billion, down 9.4% year-on-year.

PJSC Aeroflot share price was strongly driven by the general trend in the Russian stock market: as at the year-end, PJSC Aeroflot share price changed relatively on par with MOEX Russia Index (down by 9.4% and 5.5%, respectively). The external factors that affected the Group’s financial performance, including growing fuel prices due to higher oil prices in the global market and the rouble appreciation against global currencies in the reporting period (vs 2016), were an additional source of pressure on the share price.

Airline stock indices grew in 2017, supported by the stronger financial performance of some companies and the overall better environment in some regional markets, which indicates that this growth was driven by the low base of the previous years. In addition, segment share prices were supported by the positive investor outlook on the air transportation industry in the medium-term.

**Analyst recommendations**

<table>
<thead>
<tr>
<th>Date</th>
<th>Recommendations</th>
<th>Bloomberg consensus forecast, RUB</th>
<th>Target price range, RUB</th>
<th>Number of analysts</th>
</tr>
</thead>
<tbody>
<tr>
<td>31.12.2017</td>
<td>33% Buy, 67% Hold</td>
<td>125-125-233</td>
<td>130-184</td>
<td>12</td>
</tr>
</tbody>
</table>

**Average daily trading volumes on the Moscow Exchange**

<table>
<thead>
<tr>
<th>Year</th>
<th>ADTV, thousand shares</th>
<th>ADTV, RUB million</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>2,235</td>
<td>1,308</td>
</tr>
<tr>
<td>2014</td>
<td>5,079</td>
<td>4,191</td>
</tr>
<tr>
<td>2015</td>
<td>4,911</td>
<td>3,839</td>
</tr>
<tr>
<td>2016</td>
<td>4,193</td>
<td>3,839</td>
</tr>
<tr>
<td>2017</td>
<td>4,638</td>
<td>3,839</td>
</tr>
</tbody>
</table>

**Price per PJSC Aeroflot share, RUB**

<table>
<thead>
<tr>
<th>Year</th>
<th>First trading day</th>
<th>High</th>
<th>Low</th>
<th>Last trading day</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>46.2</td>
<td>85.1</td>
<td>65.9</td>
<td>83.8</td>
<td>85.1</td>
</tr>
<tr>
<td>2014</td>
<td>83.2</td>
<td>88.0</td>
<td>65.9</td>
<td>88.0</td>
<td>88.0</td>
</tr>
<tr>
<td>2015</td>
<td>33.2</td>
<td>50.4</td>
<td>32.5</td>
<td>32.2</td>
<td>32.2</td>
</tr>
<tr>
<td>2016</td>
<td>56.2</td>
<td>152.9</td>
<td>56.1</td>
<td>56.2</td>
<td>56.2</td>
</tr>
<tr>
<td>2017</td>
<td>138.5</td>
<td>152.9</td>
<td>138.5</td>
<td>138.5</td>
<td>138.5</td>
</tr>
</tbody>
</table>

**Average daily trading volumes on the Moscow Exchange**

Note: The average daily trading volume was calculated based on the closing price.

**PJC Aeroflot share price performance vs Bloomberg Airlines Index, 2017**
Investor Relations, Equity and Debt

GDR and ADR programmes

Outside Russia, PJSC Aeroflot shares are traded as global depositary receipts (GDRs) at the over-the-counter section of the Frankfurt Stock Exchange. One GDR represents five ordinary shares. Deutsche Bank Trust Company Americas acts as the depository bank, and LLC Deutsche Bank is the custodian. A total of 8,527,895 shares were converted into GDRs as at 31 December 2017, representing 0.8% of the charter capital. No shares were converted into ADRs. As at 31 December 2017, the price of one depositary receipt stood at EUR 5.91, down 14.5% year-on-year.

<table>
<thead>
<tr>
<th>Programme</th>
<th>Ratio (shares: GDR)</th>
<th>Programme</th>
<th>Ratio (shares: ADR)</th>
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<tbody>
<tr>
<td>PJSC Aeroflot’s GDR programme</td>
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<td>PJSC Aeroflot’s Level-1 ADR programme</td>
<td>5:1</td>
</tr>
<tr>
<td>ISIN</td>
<td>US693491004</td>
<td>ISIN</td>
<td>US693493003</td>
</tr>
</tbody>
</table>

Credit ratings

PJSC Aeroflot has a credit rating from Fitch Ratings. In November 2017, the rating agency affirmed the Company’s Long-Term Local and Foreign Currency Issuer Default Rating (IDR) at B+ and put it under review for a possible upgrade to a Positive outlook.

Fitch Ratings upgraded Aeroflot’s credit rating to B+ – with a Stable outlook in March 2018. The upgraded credit rating reflects the positive trend in the Russian transportation industry, improved financial and business performance of the Company, and updated rating guidance for partially state-owned companies. When rating the Company, Fitch Ratings considered its strengths including the extensive and diversified route network, successful hub enhancement and route network expansion strategies, and strong position of the carrier in Russia.

Dividend policy

Dividend policy is a key corporate governance element and a key measure of a company’s performance in upholding the rights of its investors. PJSC Aeroflot has in place the Regulations on the Dividend Policy, which seek to maximise the transparency of procedures used to determine the amount of dividends and pay them out to the benefit of shareholders and investors. The Regulations determine the approach used by the Board of Directors to make recommendations for the General Meeting of Shareholders on profit distribution, including dividend payout.

The key principles of PJSC Aeroflot’s dividend policy are as follows:

- The amount of dividend is calculated using a tailored system of ratio indicators, which factors in the results of the reporting year, Aeroflot Group’s debt ratio, and mid-term financial plan.
- The target level of dividend payouts is set at 25% of Aeroflot Group’s net income.

The Annual General Meeting of Shareholders held on 26 June 2017 approved a dividend payout for FY2016 at 50% of Aeroflot Group’s net income reported in its consolidated IFRS statements. The dividend was RUB 17.48 per ordinary share, a record high in the modern history of the Company.

Investor relations

The Company is strongly focused on its relationships with existing and prospective investors. PJSC Aeroflot communicates with investors by providing objective, reliable, and consistent information about its activities and complies with current disclosure standards, seeking to maximise transparency.

The Company maintains a continued dialogue with shareholders and investors to ensure that securities market participants get complete information about its activities. The Company timely discloses material information on its operations as press releases and material facts via authorised disclosure platforms, in full compliance with Russian laws. The Company makes regular disclosures in its IFRS and RAS financial statements and releases investor presentations on its official website.

Investor Relations, Equity and Debt continued

PJSC Aeroflot’s dividend history

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividend per share, RUB</th>
<th>Total dividends, RUB thousand</th>
<th>Dividend payout ratio, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>118</td>
<td>1,292,313</td>
<td>26.0</td>
</tr>
<tr>
<td>2013</td>
<td>2.50</td>
<td>1,292,149</td>
<td>26.0</td>
</tr>
<tr>
<td>2014</td>
<td>–</td>
<td>1,292,149</td>
<td>–</td>
</tr>
<tr>
<td>2015</td>
<td>–</td>
<td>1,292,149</td>
<td>–</td>
</tr>
<tr>
<td>2016</td>
<td>–</td>
<td>1,292,149</td>
<td>–</td>
</tr>
</tbody>
</table>

Accounting standards used to calculate the net income:
- IFRS
- RAS

Form and other terms of payment for declared dividends:
- In cash

Investor relations (continued)

Investor presentations on its official website.

Investor Relations, Equity and Debt continued

Outside Russia, PJSC Aeroflot shares are traded as global depositary receipts (GDRs) at the over-the-counter section of the Frankfurt Stock Exchange. One GDR represents five ordinary shares. Deutsche Bank Trust Company Americas acts as the depository bank, and LLC Deutsche Bank is the custodian. A total of 8,527,895 shares were converted into GDRs as at 31 December 2017, representing 0.8% of the charter capital. No shares were converted into ADRs. As at 31 December 2017, the price of one depositary receipt stood at EUR 5.91, down 14.5% year-on-year.

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Investor Relations, Equity and Debt
continued

2017 IR highlights

JANUARY
Investor roadshows in San Francisco, Chicago, New York, Miami, Tampa, and Boston

FEBRUARY
Investor meetings at the UBS Russia Corporate Day, Moscow

MARCH
Disclosure of the Company’s performance for 2016 Investor conference call with the Company’s management
Investor meetings at Goldman Sachs CEEMEA Corporate Days, Frankfurt
Investor meetings at Raiffeisen Centrobank Institutional Investor Conference, Zürs
Investor roadshow meetings, London

APRIL
Investor meetings at Moscow Exchange Forum, Moscow

MAY
Investor roadshows in Tallinn, Helsinki, Stockholm, Copenhagen, Boston, and New York
Management presentation at the East Capital Investor Trip, Moscow

JUNE
Investor meetings at Renaissance Capital’s Annual Investor Conference, Moscow
Annual General Meeting of Shareholders

JULY
Presentation at the Moscow Exchange retail investor online workshop, Moscow
The launch of Aeroflot Group’s Databook

AUGUST
Disclosure of the Company’s performance for 2M 2017
Investor conference call with the Company’s management

SEPTEMBER
Company presentations at the Verno Capital Investor Day, Moscow
Management presentation at the Prosperity Investor Trip, Moscow

OCTOBER
Investor meetings at VTB Capital’s RUSSIA CALLING! Investment Forum, Moscow
Investor site visit to Aeroflot’s facilities at Sheremetyevo airport

NOVEMBER
Disclosure of the Company’s performance for 2017
Investor conference call with the Company’s management

DECEMBER
Investor meetings at Wood & Co’s EME Conference, Prague
Management meetings with investors at Moscow Exchange Forum, London
Investor meetings at the ATON Transportation Day investment conference, Moscow
Management meetings with investors and analysts at the Aeroflot Capital Markets Day

IN 2017, THE COMPANY’S INVESTOR RELATIONS WERE RECOGNISED BY A NUMBER OF AWARDS

Investor Relations

Aeroflot’s IR team received the Grand Prix for Best Overall Investor Relations (Top 3) from IR Magazine Russia & CIS and for the fourth year in a row was named the best in the transport sector.

Aeroflot’s IR team received the IR Rising Star award from IR Magazine Europe. Head of Aeroflot’s IR is the only leader from Russia, Eastern Europe, and emerging markets nominated in the IR Rising Star category.

Annual Report

Aeroflot’s 2016 Annual Report was named the winner in the Best Annual Report of the Company with the Market Capitalisation of RUB 40 Billion to RUB 200 Billion category of the Annual Report Competition hosted by the Moscow Exchange.

Aeroflot’s 2016 Annual Report also won in a number of categories at Vision Awards hosted by the League of American Communications Professionals (LACP), including:
- Platinum Medal in the Transportation & Logistics category
- Top 100 Reports Worldwide
- Top 20 Reports in the EMEA Region
- Top 20 Russian Reports.

Sale of quasi-treasury stock of PJSC Aeroflot

In September 2017, a quasi-treasury stock of PJSC Aeroflot totaling 4.84% of its charter capital was sold through accelerated bookbuilding. The buyers included a wide range of international investors from the UK and continental Europe, as well as Russian investment funds.

The bookbuild price was at RUB 182 per ordinary share, a 4.2% discount to the pre-launch closing price. Following the sale, PJSC Aeroflot’s free float increased to 45.2%.

Meetings with PJSC Aeroflot’s investors, shareholders, and other stakeholders

<table>
<thead>
<tr>
<th>Year</th>
<th>Meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>166</td>
</tr>
<tr>
<td>2015</td>
<td>205</td>
</tr>
<tr>
<td>2016</td>
<td>296</td>
</tr>
<tr>
<td>2017</td>
<td>257</td>
</tr>
</tbody>
</table>

Geography of investment funds with shareholdings in PJSC Aeroflot, 2017

- 28.6% UK and Ireland
- 30.1% Russian Federation
- 24.9% Continental Europe
- 16.0% North America
- Other
Statement of management’s responsibilities for the preparation and approval of the Consolidated Financial Statements as at and for the year ended 31 December 2017

The following statement, which should be read in conjunction with the independent auditor’s responsibilities, as stated in the independent auditor’s report set out below, is intended to distinguish between the respective responsibilities of management and the independent auditors in relation to the Consolidated Financial Statements of Public Joint Stock Company Aeroflot – Russian Airlines and its subsidiaries (the “Group”).

Management is responsible for the preparation of Consolidated Financial Statements that present fairly the consolidated financial position of the Group as at 31 December 2017, and the financial results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards (“IFRS”).

In preparing the consolidated financial statements, management is responsible for:

— selecting suitable accounting principles and applying them consistently;
— making judgements and estimates that are reasonable and prudent;
— stating whether International Financial Reporting Standards (IFRS) have been complied with, subject to any material departures that are properly disclosed and explained in the notes to Consolidated Financial Statements; and
— preparing the Consolidated Financial Statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

— designing, implementing and maintaining an effective system of internal controls, throughout the Group;
— maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and the financial results of its operations and cash flows and which enable them to ensure that the Consolidated Financial Statements of the Group are prepared in accordance with IFRS;
— maintaining statutory accounting records in compliance with local legislation and accounting standards in the relevant jurisdictions in which the Group operates;
— taking such steps as are reasonably available to them to safeguard the Group’s assets; and
— preventing and detecting fraud and other irregularities.

The Consolidated Financial Statements of the Group as at and for the year ended 31 December 2017 (set out on pages 192-250) were approved on 28 February 2018 and signed on behalf of management by:

V.G. Saveliev
General Director

Sh.R. Kurmashov
Deputy General Director for Commerce
and Finance
To the Shareholders and Board of Directors of PJSC Aeroflot:

Our opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of PJSC Aeroflot and its subsidiaries (together – the “Group”) as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited
The Group’s consolidated financial statements comprise:

— the consolidated statement of financial position as at 31 December 2017;
— the consolidated statement of profit or loss for the year then ended;
— the consolidated statement of comprehensive income for the year then ended;
— the consolidated statement of changes in equity for the year then ended;
— the consolidated statement of cash flows for the year then ended; and
— the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Auditor’s Professional Ethics Code and Auditor’s Independence Rules that are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach
Overview

— Key audit matter 1: classification of aircraft lease arrangements;
— Key audit matter 2: evaluation of goodwill impairment

Materiality
The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

Overall group materiality
RUB 5,340 million

How we determined it
1% of revenue for the reporting year

Rationale for the materiality benchmark applied
We chose revenue as the materiality benchmark. Given the volatility of the Group’s financial results, revenue represents a more appropriate measure of the size of the business and risks of misstatement than profit before tax. We chose 1% of the benchmark, which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
We tested the mathematical accuracy of the allocation of goodwill to the aircraft lease term represents a major part of the aircraft’s value, and the option to purchase the aircraft at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised.

We assessed the competence and objectivity of the independent appraiser, to verify the fair value of Airbus A320s and A321s leased by the Group in 2017, management engaged an external independent appraiser. Based on the information on the fair value of the aircraft provided by the independent appraiser and analysis of other information, the Group classified these arrangements as operating leases.

We assessed the competence and objectivity of the independent appraiser, and the adequacy of the scope of work done. In particular, we performed the following procedures:

1. A review of the methodology used to determine the aircraft value,
2. A review of external factors into account,
3. Analysis of the conformity of the technical characteristics of the evaluated aircraft and similar aircraft,
4. Verification of the mathematical correctness of the calculations,
5. Test of the input data type and production date on aircraft and the cost of installed additional equipment (provided by management to the external expert).

For these items, if the ratios of the minimal lease payment to the fair value of the aircraft were between 80% and 95%, we performed a detailed analysis of all the terms of the lease agreements based on the criteria specified in IAS 17, leases.

We verified that the related disclosures in the consolidated financial statements were consistent with the requirements of IAS 17, Leases.

None of the above procedures revealed any inconsistencies in the classification of the lease agreements or any other errors in the presentation of related information in the consolidated financial statements.

Classification of aircraft lease arrangements

See Notes 2, 28 and 40

The Group’s companies purchase and use aircraft under financial and operating leases.

As at 31 December 2017, the Group’s statement of financial position includes liabilities and assets related to aircraft lease arrangements in the amount of RUB 96,245 million and RUB 66,485 million, respectively.

The undiscounted future minimum lease payments under non-cancelable aircraft operating leases arrangements at the reporting date amounted to RUB 660,581 million.

To classify leases, the Group reviewed the contract terms under the criteria set by IAS 17, Leases. The Group performs this analysis for each contract.

Factors taken into account by the Group when classifying lease arrangements include but are not limited to the following:

1. Transfer of ownership of the assets to the Group by the end of the lease term.
2. The option to purchase the aircraft at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised.
3. Whether the lease term covers the major part of the economic life of the aircraft.
4. Whether the present value of the minimum lease payment amounts to at least substantially all of the fair value of the leased asset at the inception of the lease. For classifying lease agreements as operating leases this ratio should exceed determined threshold during classification test performed by the Group.

As a basic measure of the fair value of the aircraft, the Group uses the value of the aircraft agreed upon in the respective lease agreement if there are no indicators that it should not be used.

For new 2017 lease agreements in which there were indicators that the aircraft value defined in the contract differs from the fair value, the Group involved an independent expert to determine the fair value of the aircraft.

We focused on this matter because the classification of leases involves applying significant judgements and estimates regarding the classification criteria underlined above.

Management assessed new aircraft lease arrangements entered in 2017 as operating or finance leases and provided us with the results of the assessment. We reviewed management’s assessment and analysed the lease arrangements entered during the reporting period selected on a sample basis for:

1. Transfer of ownership of the aircraft to the Group at the end of the lease term;
2. the Group’s option to purchase the aircraft at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
3. the aircraft lease term represents a major part of the aircraft’s economic life.

We performed independent calculations to assess whether the interest rate implicit in the lease or the Group’s incremental borrowing rate of interest had been reasonably determined. We reviewed whether the present value of minimum lease payments amounted to 90% or more of the fair value of the leased asset.

To verify the fair value of Airbus A320s and A321s leased by the Group in 2017, management engaged an external independent appraiser. Based on the information on the fair value of the aircraft provided by the independent appraiser and analysis of other information, the Group classified these arrangements as operating leases.

We assessed the competence and objectivity of the independent appraiser, and the adequacy of the scope of work done. In particular, we performed the following procedures:

1. A review of the methodology used to determine the aircraft value,
2. A review of external factors into account,
3. Analysis of the conformity of the technical characteristics of the evaluated aircraft and similar aircraft,
4. Verification of the mathematical correctness of the calculations,
5. Test of the input data type and production date on aircraft and the cost of installed additional equipment (provided by management to the external expert).

For these items, if the ratios of the minimal lease payment to the fair value of the aircraft were between 80% and 95%, we performed a detailed analysis of all the terms of the lease agreements based on the criteria specified in IAS 17, leases.

We verified that the related disclosures in the consolidated financial statements were consistent with the requirements of IAS 17, Leases.

None of the above procedures revealed any inconsistencies in the classification of the lease agreements or any other errors in the presentation of related information in the consolidated financial statements.

Evaluation of goodwill impairment

See Note 23

As at 31 December 2017, the Group recognised goodwill in the amount of RUB 6,660 million, including RUB 5,502 million allocated to JSC Rossiya Airlines.

In accordance with IAS 36, Impairment of Assets, management tests the goodwill for impairment at least once a year.

As at 31 December 2017, the Group performed a test for the impairment of goodwill. As a result of the test, there was no need to recognise any impairment loss.

We focused on this matter due to the value of the goodwill as well as because the test for impairment involves applying significant judgements and estimates regarding the future results of business operations for each cash-generating unit (CGU).

Key audit matter

How our audit addressed the key audit matter

Management performed an impairment test and presented us with the outcome. The testing applied the value-in-use model based on discounted cash flows for the relevant CGUs. We performed the following procedures:

1. We tested the mathematical accuracy of the allocation of goodwill to the aircraft lease term represents a major part of the aircraft’s value, and the option to purchase the aircraft at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised.
2. We assessed the competence and objectivity of the independent appraiser, and the adequacy of the scope of work done. In particular, we specifically focused on whether all relevant CGUs were identified.
3. We compared the estimated seat occupancy rates, yield and cost of available seat-kilometre (ASK) rates to the actual rates for 2017.
4. We assessed the reasonableness of the methodology for cash flow estimation applied to testing and checked the calculations for mathematical accuracy and consistency with the methodology set by IAS 36, Impairment of Assets.
5. We analysed the key assumptions applied by management to their estimates through their benchmarking against available market data:
   a. aviation fuel prices, exchange rates and assumed long-term growth rate,
   b. discount rate, by assessing the weighted average cost of capital for the Group companies and for their peers, subject to required adjustments.
6. We identified that the results of testing are most sensitive to assumptions in respect of yields, seat occupancy and discount rate.
7. We checked the sensitivity analysis of the key assumptions performed by management to come to the general conclusion on the absence of impairment, by analysing the results with the application of assumptions that, in our opinion, are sufficiently conservative.
8. We checked the disclosures included in Note 23 to the consolidated financial statements, in terms of their completeness and consistency with the requirements imposed by IAS 36, Impairment of Assets.

As a result of these procedures, we came to the conclusion that the key assumptions applied by management for testing goodwill impairment and their conclusion that there was no impairment of goodwill as at the reporting date do not require any adjustments for the presentation of information in the consolidated financial statements.
How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to be able to give an opinion on the consolidated financial statements as a whole, taking into account the geographic and management structure of the Group, as well as the accounting processes and controls and the industry in which the Group operates.

We identified the following significant components in respect of which we carried out the audit:

— PJSC Aeroflot;
— JSC Rossiya Airlines;
— CJSC Aeromar;
— LLC Polpreda Airlines.

The work in respect of material components was performed by the engagement team of AO PricewaterhouseCoopers Audit. We additionally performed substantive testing in respect of revenue for the reporting year for LLC Polpreda Airlines.

We also performed analytical procedures for other Group companies that, in our opinion, had no material qualitative or quantitative effect on the Group's consolidated financial statements.

Other information

Management is responsible for the other information. The other information includes the Annual Report and Issuer’s Report for the first quarter of 2018, but does not include the consolidated financial statements and our auditor’s report thereon. The Annual Report and Issuer’s Report for the first quarter of 2018 will be available to us after the auditor’s report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of management and those charged with the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with IFRS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with IFRS, we exercise professional judgment and maintain professional scepticism throughout the audit. We also— identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intimidation, misrepresentation, or the override of internal control. Thus, we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
— Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
— Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our auditor’s report.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The certified auditor responsible for the audit resulting in this independent auditor’s report is Andrei Nikolayevich Korabiev.

28 February 2018

Moscow, Russian Federation

Independent Auditor’s Report continued

APPENDIXES

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APPENDIXES
Consolidated Statement of Profit or Loss for the year ended 31 December 2017

(All amounts in millions of Russian Roubles, unless otherwise stated)

<table>
<thead>
<tr>
<th>Note</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traffic revenue</td>
<td>5</td>
<td>474,916</td>
</tr>
<tr>
<td>Other revenue</td>
<td>6</td>
<td>58,018</td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td>532,934</td>
</tr>
<tr>
<td>Operating costs, excluding staff costs and depreciation and amortisation</td>
<td>7</td>
<td>(394,528)</td>
</tr>
<tr>
<td>Staff costs</td>
<td>8</td>
<td>(82,801)</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td></td>
<td>(14,084)</td>
</tr>
<tr>
<td>Other operating income/(expenses), net</td>
<td>9</td>
<td>(1,110)</td>
</tr>
<tr>
<td>Operating costs</td>
<td></td>
<td>(492,523)</td>
</tr>
<tr>
<td>Operating profit</td>
<td></td>
<td>40,411</td>
</tr>
<tr>
<td>Loss from sale and impairment of investments, net</td>
<td></td>
<td>17</td>
</tr>
<tr>
<td>Finance income</td>
<td>10</td>
<td>7,127</td>
</tr>
<tr>
<td>Finance costs</td>
<td></td>
<td>(8,225)</td>
</tr>
<tr>
<td>Hedging result</td>
<td></td>
<td>(5,613)</td>
</tr>
<tr>
<td>Share of results of associates</td>
<td></td>
<td>170</td>
</tr>
<tr>
<td>Result from disposal of subsidiaries</td>
<td></td>
<td>21</td>
</tr>
<tr>
<td>Profit before income tax</td>
<td></td>
<td>33,726</td>
</tr>
<tr>
<td>Income tax</td>
<td></td>
<td>(10,666)</td>
</tr>
<tr>
<td>PROFIT FOR THE YEAR</td>
<td></td>
<td>23,060</td>
</tr>
</tbody>
</table>

Profit for the year attributable to:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholders of the Company</td>
<td></td>
<td>22,872</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td></td>
<td>188</td>
</tr>
<tr>
<td>PROFIT FOR THE YEAR</td>
<td></td>
<td>23,060</td>
</tr>
</tbody>
</table>

Profit per share – basic and diluted (in Roubles per share) | | 213 | 354 |

Weighted average number of shares outstanding | | 1,054.9 | 1,054.9 |

Approved on 28 February 2018 and signed on behalf of management

V.G. Saveliev
General Director

Sh.R. Kurmashov
Deputy General Director for Commerce and Finance

The Consolidated Statement of Profit or Loss should be read in conjunction with the notes set out on pages 200 to 250 which are forming part of the Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2017

(All amounts in millions of Russian Roubles, unless otherwise stated)

<table>
<thead>
<tr>
<th>Note</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year</td>
<td></td>
<td>23,060</td>
</tr>
<tr>
<td>Other comprehensive income:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that may be reclassified subsequently to profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit from the change in fair value of hedging derivative financial instruments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effect from hedging revenue with foreign currency liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred tax related to the effect on cash flow hedging instruments recognized in other comprehensive income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income for the year</td>
<td></td>
<td>9,028</td>
</tr>
<tr>
<td>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</td>
<td></td>
<td>32,088</td>
</tr>
</tbody>
</table>

Total comprehensive income attributable to:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholders of the Company</td>
<td></td>
<td>31,900</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td></td>
<td>188</td>
</tr>
<tr>
<td>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</td>
<td></td>
<td>32,088</td>
</tr>
</tbody>
</table>

The Consolidated Statement of Comprehensive Income should be read in conjunction with the notes set out on pages 200 to 250 which are forming part of the Consolidated Financial Statements.
## APPENDIXES

### Consolidated Statement of Financial Position as at 31 December 2017

(All amounts in millions of Russian Roubles, unless otherwise stated)

<table>
<thead>
<tr>
<th></th>
<th>Note</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>12</td>
<td>45,978</td>
<td>31,476</td>
</tr>
<tr>
<td>Short-term financial investments</td>
<td>17</td>
<td>8,931</td>
<td>6,319</td>
</tr>
<tr>
<td>Accounts receivable and prepayments</td>
<td>14</td>
<td>92,332</td>
<td>78,172</td>
</tr>
<tr>
<td>Current income tax prepayment</td>
<td>3</td>
<td>3,580</td>
<td>2,679</td>
</tr>
<tr>
<td>Aircraft lease security deposits</td>
<td>13</td>
<td>423</td>
<td>320</td>
</tr>
<tr>
<td>Expendable spare parts and inventories</td>
<td>16</td>
<td>12,811</td>
<td>10,040</td>
</tr>
<tr>
<td>Assets classified as held for sale</td>
<td>20</td>
<td>3,125</td>
<td>1,140</td>
</tr>
<tr>
<td>Other current assets</td>
<td>42</td>
<td>422</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td></td>
<td>168,202</td>
<td>130,146</td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>19</td>
<td>97,932</td>
<td>104,897</td>
</tr>
<tr>
<td>Prepayments for aircraft</td>
<td>15</td>
<td>13,089</td>
<td>27,830</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>11</td>
<td>10,396</td>
<td>12,252</td>
</tr>
<tr>
<td>Goodwill</td>
<td>23</td>
<td>6,660</td>
<td>6,660</td>
</tr>
<tr>
<td>Long-term financial investments</td>
<td>17</td>
<td>3,338</td>
<td>3,306</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>22</td>
<td>2,054</td>
<td>1,825</td>
</tr>
<tr>
<td>Aircraft lease security deposits</td>
<td>13</td>
<td>1,602</td>
<td>2,181</td>
</tr>
<tr>
<td>Investments in associates</td>
<td>32</td>
<td>1,059</td>
<td>1,300</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>6</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td></td>
<td>155,128</td>
<td>169,161</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td></td>
<td>323,330</td>
<td>299,307</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Note</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LIABILITIES AND EQUITY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>25</td>
<td>67,953</td>
<td>49,868</td>
</tr>
<tr>
<td>Unearned traffic revenue</td>
<td>26</td>
<td>43,695</td>
<td>39,044</td>
</tr>
<tr>
<td>Deferred revenue related to frequent flyer programme</td>
<td>27</td>
<td>17,220</td>
<td>1,607</td>
</tr>
<tr>
<td>Provisions for liabilities</td>
<td>28</td>
<td>9,433</td>
<td>5,304</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>29</td>
<td>6,660</td>
<td>6,660</td>
</tr>
<tr>
<td>Liabilities related to assets held for sale</td>
<td>30</td>
<td>2,210</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td></td>
<td>141,026</td>
<td>120,725</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term loans and borrowings</td>
<td>29</td>
<td>3,181</td>
<td>11,058</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>28</td>
<td>84,674</td>
<td>107,143</td>
</tr>
<tr>
<td>Provisions for liabilities</td>
<td>27</td>
<td>16,949</td>
<td>10,791</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>11</td>
<td>66</td>
<td>59</td>
</tr>
<tr>
<td>Deferred revenue related to frequent flyer programme</td>
<td>26</td>
<td>3,842</td>
<td>3,623</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>30</td>
<td>6,291</td>
<td>5,159</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td></td>
<td>115,005</td>
<td>137,813</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td></td>
<td>256,031</td>
<td>258,538</td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>32</td>
<td>1,359</td>
<td>1,359</td>
</tr>
<tr>
<td>Treasury share reserve</td>
<td>-</td>
<td>(3,576)</td>
<td>-</td>
</tr>
<tr>
<td>Accumulated profit on disposal of treasury shares</td>
<td>33</td>
<td>7,884</td>
<td>1,659</td>
</tr>
<tr>
<td>Investment revaluation reserve</td>
<td>-</td>
<td>(5)</td>
<td>(5)</td>
</tr>
<tr>
<td>Hedging reserve</td>
<td>24</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>22</td>
<td>81,476</td>
<td>77,198</td>
</tr>
<tr>
<td><strong>Equity attributable to shareholders of the Company</strong></td>
<td></td>
<td>65,535</td>
<td>42,483</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>17</td>
<td>1,764</td>
<td>1,648</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td></td>
<td>67,299</td>
<td>40,769</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND EQUITY</strong></td>
<td></td>
<td>323,330</td>
<td>299,307</td>
</tr>
</tbody>
</table>

The Consolidated Statement of Financial Position should be read in conjunction with the notes set out on pages 200 to 205 which are forming part of the Consolidated Financial Statements.
Consolidated Statement of Cash Flows for the year ended 31 December 2017

(All amounts in millions of Russian Roubles, unless otherwise stated)

<table>
<thead>
<tr>
<th>Cash flows from operating activities:</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit before income tax</td>
<td>33,726</td>
<td>53,281</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>19,22</td>
<td>14,084</td>
</tr>
<tr>
<td>Change in impairment provision for accounts receivable and prepayment</td>
<td>9</td>
<td>(338)</td>
</tr>
<tr>
<td>Change in provision for impairment of property, plant and equipment</td>
<td>2</td>
<td>(36)</td>
</tr>
<tr>
<td>Change in provision for impairment of expendable spare parts and inventory</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in provision for impairment of obsolete expendable spare parts and inventory</td>
<td>9</td>
<td>216</td>
</tr>
<tr>
<td>Change in provision for impairment of inventory</td>
<td>19</td>
<td>(24)</td>
</tr>
<tr>
<td>Loss on sale of property, plant and equipment</td>
<td>852</td>
<td>885</td>
</tr>
<tr>
<td>Loss on disposal of property, plant and equipment</td>
<td>21</td>
<td>5,099</td>
</tr>
<tr>
<td>Loss on sale and impairment of investments, net</td>
<td>144</td>
<td>2,935</td>
</tr>
<tr>
<td>Loss on change in the fair value of derivative financial instruments</td>
<td>5,582</td>
<td>12,310</td>
</tr>
<tr>
<td>Change in provisions for liabilities</td>
<td>9,27</td>
<td>11,190</td>
</tr>
<tr>
<td>Interest expense</td>
<td>8,179</td>
<td>8,907</td>
</tr>
<tr>
<td>Interest income</td>
<td>(4,718)</td>
<td>(4,169)</td>
</tr>
<tr>
<td>Foreign exchange gain</td>
<td>(2,409)</td>
<td>(15,597)</td>
</tr>
<tr>
<td>Other finance expense/(income), net</td>
<td>467</td>
<td>447</td>
</tr>
<tr>
<td>Dividend income</td>
<td>(88)</td>
<td>(29)</td>
</tr>
<tr>
<td>Gain on disposal of assets classified as held for sale</td>
<td>702</td>
<td>(2,764)</td>
</tr>
<tr>
<td>Other operating income, net</td>
<td>8,21</td>
<td>(7,764)</td>
</tr>
<tr>
<td>Total operating cash flows before working capital changes</td>
<td>65,330</td>
<td>81,994</td>
</tr>
</tbody>
</table>

Cash flows from investing activities:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposits return</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Deposits placement</td>
<td>(26,300)</td>
<td>(10,435)</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>88</td>
<td>84</td>
</tr>
<tr>
<td>Proceeds from sale of subsidiary</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Proceeds from sale of asset held for sale</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Proceeds from sale of assets held for sale</td>
<td>1,856</td>
<td>6,471</td>
</tr>
<tr>
<td>Purchases of property, plant and equipment and intangible assets</td>
<td>(30,220)</td>
<td>(30,220)</td>
</tr>
<tr>
<td>Dividends received</td>
<td>59</td>
<td>82</td>
</tr>
<tr>
<td>Prepayments for aircraft</td>
<td>(7,931)</td>
<td>(18,806)</td>
</tr>
<tr>
<td>Return of prepayments for aircraft</td>
<td>18</td>
<td>28,274</td>
</tr>
<tr>
<td>Payment of operating lease security deposits</td>
<td>(5,254)</td>
<td>(5,254)</td>
</tr>
<tr>
<td>Return of operating lease security deposits</td>
<td>19</td>
<td>3,405</td>
</tr>
<tr>
<td>Total operating cash flows after working capital changes</td>
<td>69,771</td>
<td>98,507</td>
</tr>
</tbody>
</table>

Cash flows from financing activities:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from loans and borrowings</td>
<td>29</td>
<td>30,885</td>
</tr>
<tr>
<td>Repayment of loans and borrowings</td>
<td>(17,417)</td>
<td>(72,991)</td>
</tr>
<tr>
<td>Proceeds from sale of own shares</td>
<td>9,730</td>
<td>0</td>
</tr>
<tr>
<td>Repayment of the principal element of finance lease liabilities</td>
<td>(27,024)</td>
<td>(27,024)</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(4,762)</td>
<td>(6,954)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(15,513)</td>
<td>(27,024)</td>
</tr>
<tr>
<td>Realisation on settlement of derivative financial instruments, net</td>
<td>(4,362)</td>
<td>(4,362)</td>
</tr>
<tr>
<td>Net cash used in financing activities</td>
<td>(46,821)</td>
<td>(80,495)</td>
</tr>
</tbody>
</table>

Net cash flows from investing activities: 14,369 10,231

Cash flows from financing activities:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash flows from operating activities</td>
<td>47,432</td>
<td>73,647</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the year</td>
<td>31,476</td>
<td>30,693</td>
</tr>
<tr>
<td>Change in cash and cash equivalents</td>
<td>14,369</td>
<td>10,231</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the year</td>
<td>45,978</td>
<td>31,476</td>
</tr>
</tbody>
</table>
## Consolidated Statement of Changes in Equity for the year ended 31 December 2017

(All amounts in millions of Russian Roubles, unless otherwise stated)

<table>
<thead>
<tr>
<th>Note</th>
<th>Share capital</th>
<th>Accumulated profit on disposal of treasury shares less treasury shares reserve</th>
<th>Investment revaluation reserve</th>
<th>Hedging reserve</th>
<th>Retained earnings</th>
<th>Total Non-controlling interest</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January 2016</td>
<td>1,359</td>
<td>(1,912)</td>
<td>(5)</td>
<td>(54,720)</td>
<td>37,755</td>
<td>(25,523)</td>
<td>(19,597)</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Profit from the change in fair value of derivative financial instruments and the effect of hedge net of related deferred tax</td>
<td>24, 28</td>
<td>30,533</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total other comprehensive income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Subsidiary company disposal</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dividends declared</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>31 December 2016</td>
<td>1,359</td>
<td>(1,912)</td>
<td>(5)</td>
<td>(54,177)</td>
<td>71,518</td>
<td>42,453</td>
<td>(1,684)</td>
</tr>
<tr>
<td>1 January 2017</td>
<td>1,359</td>
<td>(1,912)</td>
<td>(5)</td>
<td>(54,177)</td>
<td>71,518</td>
<td>42,453</td>
<td>(1,684)</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Profit from the change in fair value of derivative financial instruments and the effect of hedge net of related deferred tax</td>
<td>24, 28</td>
<td>-</td>
<td>9,028</td>
<td>-</td>
<td>9,028</td>
<td>-</td>
<td>9,028</td>
</tr>
<tr>
<td>Total other comprehensive income</td>
<td>-</td>
<td>-</td>
<td>9,028</td>
<td>-</td>
<td>9,028</td>
<td>-</td>
<td>9,028</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>-</td>
<td>-</td>
<td>9,028</td>
<td>-</td>
<td>9,028</td>
<td>-</td>
<td>9,028</td>
</tr>
<tr>
<td>Sale of treasury shares</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dividends declared</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>31 December 2017</td>
<td>1,359</td>
<td>7,864</td>
<td>(5)</td>
<td>(25,159)</td>
<td>81,476</td>
<td>65,535</td>
<td>1,764</td>
</tr>
</tbody>
</table>

The Consolidated Statement of Changes in Equity should be read in conjunction with the notes set out on pages 200 to 250 which are forming part of the Consolidated Financial Statements.
Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(All amounts in millions of Russian Roubles, unless otherwise stated)

1. Nature of the Business

Aeroflot-Russian Airlines (the “Company” or “Aeroflot”) was formed as an open joint stock company in accordance with a Russian Federation Government decree issued in 1992 (hereinafter, the ‘1992 Decree’). The 1992 Decree conferred all the rights and obligations of Aeroflot-Soviet Airlines and its structural units upon the Company, including inter-governmental bilateral agreements and agreements signed with foreign airlines and civil aviation enterprises. Under Russian Federation Presidential Decree No. 1009 of 4 August 2004, the Company was included in the official List of Strategic Entities and Strategic Joint Stock Companies.

The Company’s principal activities are the provision of passenger and cargo air transportation services, both domestically and internationally, and other aviation services from Moscow Sheremetyevo Airport. The Company and its subsidiaries (the “Group”) are also involved in airline catering and hotel operations. Associated entities mainly comprise aviation security services and other ancillary services.

During 2016 the Group disposed of ОJSC Vladivostok Avia and СJSC Aeroflot-Cargo as a result of their liquidation in May and September, respectively (Note 21).

As at 31 December 2017 and 2016, the Government of the Russian Federation (the “RF”) as represented by the Federal Agency for Management of State Property owned 51.17% of the Company. The Company’s headquarters are located in Moscow at 10 Arbat Street, 119002, RF.

The principal subsidiaries are:

<table>
<thead>
<tr>
<th>Company name</th>
<th>Registered address</th>
<th>Principal activity</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>JSC Rossiya airlines (“AK Rossiya”)</td>
<td>St. Petersburg, RF</td>
<td>Airline</td>
<td>75% minus one share</td>
<td>75% minus one share</td>
</tr>
<tr>
<td>LLC Pobeda Airlines (“Pobeda”)</td>
<td>Moscow, RF</td>
<td>Airline</td>
<td>100.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td>JSC Aurora Airlines (“AK Aurora”)</td>
<td>Yuzhno-Sakhalinsk, RF</td>
<td>Airline</td>
<td>51.00%</td>
<td>51.00%</td>
</tr>
<tr>
<td>LLC Aeroflot-Finance (“Aeroflot-Finance”)</td>
<td>Moscow, RF</td>
<td>Finance services</td>
<td>100.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td>CJSC Sheremtel</td>
<td>Moscow Region, RF</td>
<td>Hotel</td>
<td>100.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td>LLC A-Technics</td>
<td>Moscow, RF</td>
<td>Technical maintenance</td>
<td>100.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td>JSC Orenburg airlines (“Orenburgavia”)</td>
<td>Orenburg, RF</td>
<td>Airline</td>
<td>100.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td>JSC Domavia (“Domavia”)</td>
<td>Rostov-on-Don, RF</td>
<td>Airline</td>
<td>100.00%</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

The Group’s major associate is:

<table>
<thead>
<tr>
<th>Company name</th>
<th>Registered address</th>
<th>Principal activity</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>CJSC Sheremetyevo Bezopasnost</td>
<td>Moscow Region, RF</td>
<td>Aviation security</td>
<td>45.00%</td>
<td>45.00%</td>
</tr>
</tbody>
</table>

The table below provides information on the Group’s aircraft fleet as at 31 December 2017 (number of items):

<table>
<thead>
<tr>
<th>Type of aircraft</th>
<th>Ownership</th>
<th>PJSC Aeroflot</th>
<th>AK Rossiya</th>
<th>AK Aurora</th>
<th>AK Pobeda</th>
<th>Group total</th>
</tr>
</thead>
<tbody>
<tr>
<td>An-24</td>
<td>Owned</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>DHC B-Q200</td>
<td>Owned</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>DHC B-Q402</td>
<td>Owned</td>
<td>-</td>
<td>5</td>
<td>-</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total owned aircraft</strong></td>
<td></td>
<td>-</td>
<td>7</td>
<td>-</td>
<td>-</td>
<td>7</td>
</tr>
<tr>
<td>Airbus A319</td>
<td>Finance lease</td>
<td>-</td>
<td>9</td>
<td>-</td>
<td>-</td>
<td>9</td>
</tr>
<tr>
<td>Airbus A321</td>
<td>Finance lease</td>
<td>13</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>13</td>
</tr>
<tr>
<td>Airbus A330</td>
<td>Finance lease</td>
<td>-</td>
<td>8</td>
<td>-</td>
<td>-</td>
<td>8</td>
</tr>
<tr>
<td>Boeing 777</td>
<td>Finance lease</td>
<td>-</td>
<td>10</td>
<td>-</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td><strong>An-146</strong></td>
<td>Finance lease</td>
<td>-</td>
<td>6</td>
<td>-</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total under finance leases</strong></td>
<td></td>
<td>31</td>
<td>15</td>
<td>-</td>
<td>-</td>
<td>46</td>
</tr>
<tr>
<td>SSJ 100</td>
<td>Operating lease</td>
<td>-</td>
<td>37</td>
<td>-</td>
<td>-</td>
<td>37</td>
</tr>
<tr>
<td>Airbus A319</td>
<td>Operating lease</td>
<td>-</td>
<td>10</td>
<td>-</td>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>Airbus A320</td>
<td>Operating lease</td>
<td>75</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>75</td>
</tr>
<tr>
<td>Airbus A321</td>
<td>Operating lease</td>
<td>-</td>
<td>25</td>
<td>-</td>
<td>-</td>
<td>25</td>
</tr>
<tr>
<td>Airbus A330</td>
<td>Operating lease</td>
<td>34</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>34</td>
</tr>
<tr>
<td>Boeing 737</td>
<td>Operating lease</td>
<td>36</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>36</td>
</tr>
<tr>
<td>Boeing 6747</td>
<td>Operating lease</td>
<td>-</td>
<td>9</td>
<td>-</td>
<td>-</td>
<td>9</td>
</tr>
<tr>
<td>Boeing 7777</td>
<td>Operating lease</td>
<td>6</td>
<td>5</td>
<td>-</td>
<td>-</td>
<td>11</td>
</tr>
<tr>
<td>DHC B-Q200</td>
<td>Operating lease</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>DHC B-Q402</td>
<td>Operating lease</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total under operating leases</strong></td>
<td></td>
<td>193</td>
<td>52</td>
<td>18</td>
<td>16</td>
<td>279</td>
</tr>
<tr>
<td><strong>TOTAL FLEET</strong></td>
<td></td>
<td>224</td>
<td>67</td>
<td>25</td>
<td>16</td>
<td>332</td>
</tr>
</tbody>
</table>

As at 31 December 2017, 6 An-146 and 1 An-24 aircraft were leased out.
Notes to the Consolidated Financial Statements for the year ended 31 December 2017
(All amounts in millions of Russian Roubles, unless otherwise stated)
continued

2. Basis of Preparation and Accounting Policies

Basis of presentation
The Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards (‘IFRS’) and in accordance with the Federal Law No. 208 – FZ “On consolidated financial reporting” dated 27 July 2010. The Consolidated Financial Statements are presented in millions of Russian Roubles (“RUB million”), except where specifically noted otherwise.

These Consolidated Financial Statements have been prepared on the historical cost convention except for financial instruments which are initially recognised at fair value and financial assets and financial liabilities measured at fair value through profit or loss, as well as derivative financial instruments to which specific hedge accounting rules are applicable. The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the periods presented in these Consolidated Financial Statements, unless otherwise stated.

All significant subsidiaries directly or indirectly controlled by the Group are included in these Consolidated Financial Statements. A list of the Group’s principal subsidiaries is set out in Note 1.

Going concern
Management prepared these Consolidated Financial Statements on a going concern basis. In making this judgement management considered the Group’s financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of the situation in the financial markets on the operations of the Group.

Functional and presentation currency
The functional currency of the Company and its subsidiaries is the Russian Ruble (“RUB” or “rouble”), the presentation currency of the Group’s consolidated financial statements.

Consolidation
Subsidiaries represent investees, including structured entities, which the Group controls, as the Group:
(i) has power to control significant operations which has a considerable impact on the investee’s income,
(ii) bears the risks related to variable income from its involvement with investee or is entitled to such income, and
(iii) is able to use its powers with regard to the investee in order to influence the amount of its income.

The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de facto power over the investee.

Protective rights of other investors, such as those that relate to fundamental changes of investee’s activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee.

Subsidiaries are deconsolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

Subsidiaries are included in the Consolidated Financial Statements at the acquisition method: identifiable assets acquired and liabilities and contingent liabilities recognised in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Goodwill is allocated to the cash-generating units (namely, the Group’s subsidiaries or business units). These units represent the lowest level at which the Group participates in the financial activities of the acquiree and through which the Group204
controls the acquisition of the service potential of the acquiree.

Goodwill is carried at cost less accumulated impairment losses, if any. The Group performs goodwill impairment testing at least on an annual basis and the results of this testing are included in the annual impairment testing of goodwill.

Goodwill is included in the determination of the fair values of the acquiree’s identifiable assets and liabilities. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the Consolidated Statement of Changes in Equity.

Purchases of non-controlling interests
The Group applies the economic entity model to account for transactions with owners of non-controlling interests. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the Consolidated Statement of Changes in Equity.

Investments in associates
Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanied a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated impairment losses. If any dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in the Group’s share of net assets of an associate are accounted as follows:
(i) the Group’s share of profits or losses of associates is included in the Consolidated Statement of Profit or Loss for the year as a share of financial results of equity accounted investments,
(ii) the Group’s share in other comprehensive income is recorded as a separate line item in other comprehensive income,
(ii) the Group’s share in other comprehensive income is recorded as a separate line item in other comprehensive income,
(ii) all other changes in the Group’s share of the carrying value of net assets of the associates are recorded in the Consolidated Statement of Profit or Loss within the share of financial results of equity accounted investments.

When the Group’s share of losses in an associate exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the associate’s assets.

Disposals of subsidiaries or associates
When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest in an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss or vice versa.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest in an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss or vice versa.

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Goodwill
Goodwill is measured at cost less accumulated impairment losses, if any. The Group performs goodwill impairment testing at least on an annual basis and whenever there are indications that goodwill may be impaired. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently recovered

Goodwill is allocated to the cash-generating units (namely, the Group’s subsidiaries or business units). These units represent the lowest level at which the Group controls the acquiree and are not larger than an operating division of their acquiree.

Gain or loss on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.

The Group measures non-controlling interest that represents the ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction basis, either at:
(a) fair value, or
(b) in proportion to the non-controlling share in the net assets of the acquiree.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated, unless the cost cannot be recovered. The Company and its subsidiaries use uniform accounting policies consistent with the Group’s policies. Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests that are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group’s equity.
Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(All amounts in millions of Russian Roubles, unless otherwise stated)

continued

Foreign currency translation
Monetary assets and liabilities denominated in foreign currency are translated into each entity’s functional currency at the official exchange rate of the Central Bank of the Russian Federation ("CBRF") at the respective end of the reporting period. Transactions in foreign currencies are recorded at the rates of exchange prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of transactions in foreign currency and from the translation of monetary assets and liabilities denominated in foreign currency into each entity’s functional currency at year-end official exchange rates of the CBRF are recognised in the Consolidated Statement of Profit or Loss for the year within finance income or costs except for foreign exchange differences arising on translation of hedge financial instruments. Foreign exchange differences on hedge instruments are recognised in other comprehensive income.

Translation at year-end rates does not apply to non-monetary items in the Consolidated Statement of Financial Position that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments denominated in foreign currency, are translated using the exchange rate at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

The table below presents official US Dollar and Euro to rouble exchange rates used for the translation of monetary assets and liabilities into foreign currencies:

<table>
<thead>
<tr>
<th>Official exchange rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rubles for 1 US Dollar</td>
</tr>
<tr>
<td>Average rate for 2017</td>
</tr>
<tr>
<td>68.35</td>
</tr>
<tr>
<td>69.50</td>
</tr>
<tr>
<td>67.60</td>
</tr>
<tr>
<td>60.66</td>
</tr>
</tbody>
</table>

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of sales related taxes.

Passenger revenue: Ticket sales are reported as traffic revenue when the transportation service has been provided. The value of tickets sold and still valid but not used during the reporting period is reported in the Group’s Consolidated Statement of Financial Position in a separate line item (unearned traffic revenue). If the Group agrees to transport goods to a specified location, the revenue is recognised when the goods are transferred to the customer at the destination point. Revenues from sale of services are recognised in the period in which the services were rendered.

Segment information
The Group determines its operating segments based on the information that internally is provided to the General Director of the Group, who is the Group’s chief operating decision maker. Segments whose revenue, financial result or assets are not less than ten percent or more of all the segments are reported separately.

Intangible assets
The Group’s intangible assets other than goodwill have indefinite useful lives and primarily include capitalised computer software with the useful life of 5 years. Intangible assets are amortised using the straight-line method over their useful lives. Acquired licences for computer software are capitalised on the basis of the acquisition cost and amortised on a straigh-line basis.

Property, plant and equipment
Property, plant and equipment are reported at cost, less accumulated depreciation and impairment losses (where applicable). Depreciation is calculated in order to allocate the cost less estimated residual value where applicable over the remaining useful lives of the assets.

- **(a) Fleet**
  - Owned aircraft and engines. Owned fleet consists of foreign-made aircraft and engines, which are both Russian and foreign-made. The full list of aircraft is presented in Note 1.
  - Finance leased aircraft and engines. Where assets are financed through finance leases, where substantially all the risks and rewards of ownership are transferred to the Group, the assets are treated as if they had been purchased outright.
  - Capitalised costs on regular maintenance and improvements projects that are significant in size (mainly aircraft modifications involving installation of replacement parts) are capitalised. The carrying amount of those parts that are replaceable are derecognised from the Group’s Consolidated Statement of Financial Position and included in operating costs in the Group’s Consolidated Statement of Profit or Loss. Capitalised costs of aircraft checks and major modernisation and improvements projects are depreciated on a straight-line basis to the projected date of the next check or based on estimates of their useful lives. Ordinary repair and maintenance costs of aircraft are expensed as incurred and included in operating costs (aircraft maintenance) in the Group’s Consolidated Statement of Profit or Loss.
  - Depreciation of fleet. The Group depreciates fleet assets owned or held under finance leases on a straight-line basis to the end of their estimated useful life or lease term, if it is shorter. The airframe, engines and interior of aircraft are depreciated separately over their respective estimated useful lives.

  The Group’s fleet and other fixed assets have the following useful lives:

<table>
<thead>
<tr>
<th>Aircraft</th>
<th>Engines</th>
<th>Interiors</th>
<th>Buildings</th>
<th>Facilities and transport vehicles</th>
<th>Other non-current assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-30 years</td>
<td>10 years</td>
<td>5 years</td>
<td>15-50 years</td>
<td>3-5 years</td>
<td>10 years</td>
</tr>
</tbody>
</table>

- **(b) Land, buildings and other plant and equipment**

  Property, plant and equipment is stated at the historical US Dollar cost recalculated at the exchange rate on 1 January 2007, the date of the change of the functional currency of the Company and its major subsidiaries from the US Dollar to the Russian Rouble or the historical cost if property, plant and equipment was acquired after specified date. Depreciation is accrued based on the straight-line method on all property, plant and equipment based upon their expected useful lives or, in the case of leasehold properties, over the duration of the leases or useful life if it is shorter. The useful lives of the Group’s property, plant and equipment range from 5 to 50 years. Land is not depreciated.

Revenue from bilateral airline agreements is recognised when earned with reference to the terms of each agreement. Hotel services sold but not yet provided is reported in the Group’s Consolidated Statement of Financial Position in a separate line item (unearned traffic revenue). Translation at year-end rates does not apply to non-monetary items in the Consolidated Statement of Financial Position that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments denominated in foreign currency, are translated using the exchange rate at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

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Segment information
The Group determines its operating segments based on the information that internally is provided to the General Director of the Group, who is the Group’s chief operating decision maker. Segments whose revenue, financial result or assets are not less than ten percent or more of all the segments are reported separately.

Intangible assets
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Property, plant and equipment
Property, plant and equipment are reported at cost, less accumulated depreciation and impairment losses (where applicable). Depreciation is calculated in order to allocate the cost less estimated residual value where applicable over the remaining useful lives of the assets.

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Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(All amounts in millions of Russian Roubles, unless otherwise stated)

Notes continued

6 Construction in progress

Construction in progress represents costs related to construction of property, plant and equipment, including corresponding variable out-of-pocket expenses directly attributable to the cost of construction, as well as the acquisition cost of other assets that require assembly or any other preparation. The carrying value of construction in progress is regularly analysed for the potential accrual of the impairment provision.

Gain or loss on disposal of property, plant and equipment

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Group's Consolidated Statement of Profit or Loss within operating income or expenses.

Financial lease

Where the Group is a lessee in a lease that substantially affects all the risks and rewards incidental to ownership to the Group, the assets leased are recognised in the Group's Consolidated Statement of Financial Position. Interest expenses within lease payments are charged to profit or loss over the lease term using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

Customs duties, legal fees and other initial direct costs increase the total amount recorded in assets in the Group's Consolidated Statement of Financial Position. The interest component of lease payments is included in financial costs in the Group's Consolidated Statement of Profit or Loss.

Non-current assets classified as held for sale

Non-current assets and disposal groups (which may include both non-current and current assets) are classified in the Consolidated Statement of Financial Position as 'non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction (including loss of control of a subsidiary holding the assets) within twelve months after the reporting period. Assets are reclassified if all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year; and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a single geographic area, or an investment in a business that is acquired as a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a single geographic area, or an investment in a business that is acquired as a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Sales proceeds from the disposal of an asset are recognised at the carrying amount of the asset and the associated disposal costs are charged to profit or loss. The recognition of the gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset.

Aircraft lease security deposits represent amounts paid to the lessors of aircraft in accordance with the provisions of operating lease agreements. These deposits are included in the Group's Consolidated Statement of Financial Position as a current liability.

Borrowing costs capitalised are calculated at the Group’s average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

Impairment of property, plant and equipment

At each reporting date the management reviews its property, plant and equipment to determine whether there is any indication of impairment of those assets. If any such indication exists, the recoverable amount of the asset is estimated by management as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recorded within operating costs in the year in which the impairment is identified. An impairment loss related to plant and asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset’s value in use or fair value less costs to sell.

Operating leases

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership to the lessor to the Group, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term.

Leased aircraft related direct expenses are included within the Group's Consolidated Statement of Financial Position.

Related direct expenses including custom duties for imported leased aircraft are recognised within non-current assets at the time of the aircraft transfer and amortised using a straight-line method over the term of lease agreement. Amortisation charges are recognised within operating costs. In compliance with the customs legislation of the Russian Federation, the Group pays customs duties in instalments, and therefore custom duties payment obligations are initially recognised at amortised cost.

The operating lease agreements include requirements to perform regular repairs and maintenance works during the lease term. Accordingly, the Group accounts for these works in the preparation of the financial statements, and the related amounts are included in operating expenses in the year in which they are performed.

Gain or loss on disposal of property, plant and equipment

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Group's Consolidated Statement of Profit or Loss.

Aircraft lease security deposits

Aircraft lease security deposits represent amounts paid to the lessors of aircraft in accordance with the provisions of operating lease agreements. These deposits are included in the Group’s Consolidated Statement of Financial Position as a current liability.

Classification of financial assets

Financial assets have the following categories: (a) loans and receivables, (b) financial assets available for sale, and (c) financial assets measured at fair value through profit or loss, which are recognised in this category from the date of the initial recognition. Loans and receivables are unquoted on active market or non-derivative financial assets with fixed or determinable payments other than those that the

Capitalisation of borrowing costs

Borrowing costs include interest accrued, foreign exchange difference and other costs directly attributable to the acquisition, construction or production of assets that are not carried at fair value and that necessarily take a substantial period of time to ready for intended use or sale (the qualifying assets), as well as any direct expenses for locating, appraising or arranging for the acquisition of such assets. If the borrowing period exceeds one year, the Group capitalises a pro-rata share of the borrowing costs that have been incurred in the reporting period on an accruals basis. The capitalisation process is applied on an accruals basis. The Group accords a pro-rata share of the borrowing costs that have been incurred in the reporting period on an accruals basis.

The capitalisation starts when the Group

(a) incurs expenses related to the qualifying asset;
(b) incurs borrowing costs; or
(c) takes measures to get the asset ready for intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs related to capital expenditure made on qualifying assets.
Notes to the Consolidated Financial Statements for the year ended 31 December 2017 (All amounts in millions of Russian Roubles, unless otherwise stated) continued

Financial instruments – key measurement terms

Depending on the classification, financial instruments are carried at fair value, cost or amortised cost, as described below.

Fair value – is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is a price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price per unit for the individual asset or liability and the quantity held by the entity.

A portfolio of derivative instruments or other financial assets or liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position in an asset or paid to transfer a net short position in a liability, less any costs of sale and including transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees and costs deferred at initial recognition if any), are not presented separately and are included in the carrying values of related items in the Consolidated Statement of Profit or Loss within gains and losses from financing activities as a separate line.

The effective interest method includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Amortised costs are the amount at which the financial instrument was recognised at initial recognition less any principal repayments, minus any accrued interest, and for financial assets - less any write-down (direct or through the valuation provision account) for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the Consolidated Statement of Financial Position.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of interest-bearing instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs consist of brokers' or dealers' commission fees, legal fees, underwriting discounts and agents' and advisers' fees by regulatory agencies and securities exchanges, and transfer taxes and duties imposed on property transfer. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Initial recognition of financial instruments

Debt instruments, including financial instruments subject to special hedge accounting rules, are initially recognised at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions for the same instrument or by a valuation technique whose inputs include data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the Group becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets and liabilities

The Group derecognises financial assets when:

(a) the assets are redeemed or the rights to cash flows from the assets expire; or
(b) the Group has transferred the rights to the cash flows from financial assets or entered into a transfer agreement, while:

(i) all risks and rewards of ownership of the assets, including control, have been transferred;

(ii) the Group does not continue to have a legally enforceable right to receive cash flows from the assets or to give cash flows to the assets, or both; and

(iii) the Group has ceased to be the counterparty in the financial assets.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (i) must not be contingent on a future event and (ii) must be legally enforceable in all of the following circumstances (i.e. the normal course of business, (i) in the event of default and (ii) in the event of insolvency or bankruptcy).

Financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at fair value. The measurement of the fair value of the derivative is based on the transaction price at inception. The group uses derivatives to manage and hedge its exposure to a wide range of market risks, including foreign exchange rates, interest rate and price risk.

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items.

The various fair values of derivative instruments used for hedging purposes are disclosed in note 24. The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Statement of Profit or Loss as a separate line below operating result of the Group.

Amounts accumulated in equity are released to profit or loss (as profit or loss from financing activities) in the periods when the hedged item affects profit or loss. For example, when the forecast sale that is hedged takes place. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Consolidated Statement of Profit or Loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Consolidated Statement of Profit or Loss within gains and losses from financing activities as a separate line.

The hedging result in the Consolidated Statement of Profit or Loss is the change in the fair value of the hedging derivative financial instruments (realised hedging) and the reverse effect of the hedging risk impact on the related hedge transactions recorded in operating activities.
Notes to the Consolidated Financial Statements for the year ended 31 December 2017
(All amounts in millions of Russian Roubles, unless otherwise stated)
continued

Available-for-sale investments
Available for sale investments are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in profit or loss for the year as finance income. Dividends on available-for-sale equity instruments are recognised in profit or loss for the year as finance income when the Group’s right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss is reclassified from other comprehensive income to finance income or profit or loss for the year.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events (“loss events”) that occurred after the initial recognition of available-for-sale investments. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is classified as other comprehensive income in finance costs in profit or loss for the year.

Impairment losses on equity instruments are not reversed and any subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period’s profit or loss.

Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call at banks, and short-term highly liquid investments (including bank deposits) with contractual maturities of ninety days or less, earning interest income. Cash and cash equivalents are carried at amortised cost using the effective interest method.

Restricted balances are excluded from cash and cash equivalents for the purposes of the Consolidated Statement of Cash Flows. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets in the Group’s Consolidated Statement of Financial Position.

Cash flows arising from the receipt of interests are classified as cash flows from investing activities in the Statement of Cash Flows.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and are subsequently measured at amortised cost using the effective interest method. Doubtful accounts receivable balances are assessed individually and any impairment losses are included in other operating costs in the Group’s Consolidated Statement of Profit or Loss.

Impairment of financial assets carried at amortised cost
Impairment losses are recognised in profit or loss when incurred as a result of one or more events (“loss events”) that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that are relatively estimated. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any.

Impairment losses are always recognised through an allowance account to write down the asset’s carrying amount to the present value of expected cash flows (which include future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against any related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account within the profit or loss for the year.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification. The renegotiated asset is then derecognised and a new asset is recognised at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

Prepayments
In these Consolidated Financial Statements, prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be delivered after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are included to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in the Group’s Consolidated Statement of Profit or Loss for the year.

Trade and other payables
Trade payables are accrued when the counterparty performs its obligations under the contract and are carried at amortised cost using the effective interest method.

Loans and borrowings
Loans and borrowings are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Short-term loans and borrowings comprise:
— interest bearing loans and borrowings with a term shorter than one year; and
— current portion of long-term loans and borrowings.

Long-term loans and borrowings include liabilities with the maturity exceeding one year.

Expendable spare parts and inventories
Inventories, including all expendable spare parts, are valued at cost or net realisable value, whichever is lower.

The costs are determined as the actual acquisition cost of spare parts for aircraft maintenance and as the cost of other inventories on the first-in, first-out (“FIFO”) basis.

The Group sets off the full amount of obsolete inventories which the Group does not plan to continue using in its operations.

Value added taxes
Value added tax (“VAT”) related to sales of goods or provision of services is recorded as a liability to the tax authorities on an accruals basis. Domestic flights in general are subject to VAT at 10% and international flights are subject to VAT at 0%. Input VAT invoiced by domestic suppliers as well as VAT paid in respect of imported leased aircraft and spare parts may be recovered, subject to certain restrictions, against output VAT. The recovery of input VAT is typically delayed by up to six months and sometimes longer due to compulsory tax audit requirements and other administrative matters. Input VAT claimed for recovery at the date of the Consolidated Statement of Financial Position is presented net of the output VAT liability. Recoverable input VAT that is not claimed for recovery in the current period is recorded in the Consolidated Statement of Financial Position as VAT receivable. VAT receivable that is not expected to be recovered within the twelve months from the reporting date is classified as a non-current asset. Where provision has been made for uncollectible receivables, the bad debt expense is recorded at the gross amount of the account receivable, including VAT.

Frequent fyer programme
Since 1999 the Group operates a frequent fyer programme referred to as Aeroflot Bonus. Subject to the programme’s terms, to stimulate interest in using the Company’s services, Aeroflot Bonus miles are awarded for the use of the Group’s services and its partners, as well as to new promo miles to encourage participation in the programme. The miles earned entitle members to a number of benefits such as free flights, flight class upgrades and reissue miles for special awards from programme partners if the additional conditions of the programme are met.

In accordance with FRC 12 Customer Loyalty Rewards Programme, the fair value of miles accumulated on the Group’s own flights but not used by Aeroflot Bonus participants is recognised under current and current deferred revenue related to frequent fyer programme (Note 26) within current and non-current liabilities, respectively, in the Group’s Consolidated Statement of Financial Position.

The fair value of miles accumulated by Aeroflot Bonus participants for using services provided by the partners of the programme is recognised as other current and current deferred liabilities related to frequent fyer programme (Notes 25 and 30) in accounts payable and accrued liabilities in the Group’s Consolidated Statement of Financial Position.

The fair value of the accumulated bonus miles is the same for the miles earned by the participants on the Group’s own flights and the accumulated by the participants for using the services of the programme partners.
Notes to the Consolidated Financial Statements for the year ended 31 December 2017
(All amounts in millions of Russian Roubles, unless otherwise stated)\continued

Other accrued liabilities related to bonus miles accumulated but not used, the cost of which reflects the best estimate of the cost required to settle an existing liability in accordance with IAS 37 - Provisions. Contingent Liabilities and Contingent Assets are recognised within accounts payable and accrued liabilities, respectively, in the Group’s Consolidated Statement of Financial Position. With the use of bonus miles, revenue from the loyalty programme is recognised when services are provided to program participants by reducing current deferred revenue and other current liabilities.

Employee benefits
Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and etc.) are accrued in the year in which the associated services are rendered by the employees of the Group.

Provisions for liabilities
Provisions for liabilities are recognised if, and only if, the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date to reflect the current best estimate. (Note 27). Where the effect of the time value of money is significant, the amount of a provision is stated at the present value of the expenditures required to settle the obligation.

Income tax
Income taxes have been provided in the Consolidated Financial Statements in accordance with legislation using tax rates and legislative regulations enacted or substantively enacted at the end of the reporting period. Income tax expense/benefit comprises current and deferred tax and is recognised in the Consolidated Statement of Financial Position for the year, unless it should be recorded within other comprehensive income or income or directly in equity since it relates to transactions which are also recognised within other comprehensive income or directly in equity in this or any other period. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and non-monetary benefits (such as health services and etc.) are accrued in the year in which the associated services are rendered by the employees of the Group.

Deferred income tax assets and liabilities are netted only within the different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and non-monetary benefits (such as health services and etc.) are accrued in the year in which the associated services are rendered by the employees of the Group.

Deferred revenue and other current liabilities.
With the use of bonus miles, revenue from the loyalty programme is recognised when services are provided to program participants by reducing current deferred revenue and other current liabilities.

Pensions
The Group makes certain payments to employees on retirement. These obligations represent obligations under a defined benefit pension plan. For such plans the pension accounting costs are assessed using the projected unit credit method. Under this method the cost of providing pensions is charged to the Consolidated Statement of Profit or Loss in order to spread the regular cost over the service lives of employees. Actuarial gains and losses are recognised in other comprehensive income immediately. The pension liability for non-vested employees is calculated based on a minimum annual pension payment and does not include increases, if any, to be made by management in the future. Where such post-employment employee benefits fall due more than twelve months after the reporting date they are discounted using a discount rate determined by reference to the government bond yields at the reporting date. The Group also participates in a defined contribution plan, under which the Group has contributed to making additional contributions as a percentage (20% in 2017) of the contribution made by employees choosing to participate in the plan. Contributions made by the Group on defined contribution plans are charged to expenses when incurred. Contributions are also made to the Government Pension fund at the statutory rates in force during the year. Such contributions are expense as incurred.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Share-based compensation
He titre to future equity compensation (shares or share options) to employees for the provided services is measured at fair value of those instruments at the date of the transfer and is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to these awards.

Services, including employee services received in exchange for cash-settled share-based payments, are recognised at the fair value of the liability incurred and are expensed when consumed or capitalised as assets, which are depreciated or amortised. The liability is re-measured at each balance sheet date to its fair value, with all changes recognised immediately in profit or loss.

Treasury shares purchased
Where the Company on its subsidiaries purchase the Company’s equity instruments, the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Company’s owners until the equity instruments are cancelled, reissued or disposed of. The Company’s shares, which are held as treasury stock or belong to the Company’s subsidiaries, are reflected as a reduction of the Group’s equity.

The sale or re-issue of such shares does not impact net profit for the current year and is recognised as a change in the shareholders’ equity of the Group. Where such shares are subsequently sold or realised, any consideration received, net of any indirectly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company’s shareholders.

Dividend distributions and payments by the Company are recorded net of the dividends related to treasury shares.

Dividends
Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved by the shareholders in the General Shareholders’ Meeting.

Earnings/loss per share
Earnings per share are determined by dividing the profit or loss attributable to the Company’s shareholders by the weighted average number of participating shares outstanding during the reporting year. The calculation of diluted earnings per share includes shares planned to be used in the option programmes when the average market price of ordinary shares for the period exceeds the exercise price of the options.
3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the Consolidated Financial Statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimates, in the process of applying the accounting policies. Judgements that have the most significant affect on the amounts recognised in the Consolidated Financial Statements and estimates that can cause a significant adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- **Useful lives and residual value of property, plant and equipment**
  - The assessment of the expected useful lives and residual value of property, plant and equipment, management considers the following factors: nature of the expected use, estimated technical obsolescence and physical wear. A change in each of the above conditions or estimates may require the adjustment of future depreciation expenses.

- **Value of tickets which were sold, but will not be used**
  - Sales representing the value of tickets that have been issued, but which will never be used, are recognised as traffic revenue at the reporting date based on an analysis of historical income from unused tickets. The assessment of the probability that the tickets will not be used is a matter of management judgement. A change in these estimates may require the adjustment to the revenue amount in the Consolidated Statement of Profit or Loss (Note 5) and to the unrealised traffic revenue in the Consolidated Statement of Financial Position.

- **Frequent flyer programme**
  - For the report of the Group’s operations and recognises the liability pertaining to its miles earned by Aeroflot Bonus programme members. The estimate has been made based on the statistical information available to the Group and reflects the expected mile utilisation pattern after the reporting date multiplied by their assessed fair value. The assessment of the fair value of airmile, as well as the management’s expectations regarding the amount of miles to be used by Aeroflot Bonus members, are a matter of management judgement. A change in these estimates may require the adjustment of deferred revenue, other current and non-current liabilities related to frequent flyer programme in the Consolidated Statement of Financial Position (Note 26) and adjustment to revenue in the Consolidated Statement of Profit or Loss (Note 5).

- **Compliance with tax legislation**
  - Compliance with tax legislation, particularly in the Russian Federation, is subject to a significant degree of interpretation and can be routinely challenged. Management is required to make certain judgements when determining the potential tax consequences of existing transactions. In such cases, the Group recognises potential tax obligations and the related estimate as a provision when it is probable that the liability has been incurred and the amount can be reasonably estimated.

- **Classification of a lease agreement as operating and finance lease**
  - Management applies professional judgement with regard to the classification of aircraft lease agreements as operating and finance lease agreements in order to determine whether all significant risks and rewards related to the ownership of an asset are transferred to the Group in accordance with the agreement and which risks and rewards are significant. A change in these estimates may require a different approach to aircraft accounting.

- **Estimated impairment of investment**
  - The Group tests goodwill for impairment at least annually. The recoverable amount of each cash-generating unit was determined based on value-in-use calculations. These calculations require the use of estimates as further detailed in Note 23.

- **Deferred tax asset recognition**
  - The recognised deferred tax asset relates to income taxes recoverable from future deductions from income tax expense and is recorded in the Consolidated Statement of Financial Position. Deferred income tax assets are recognised to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on the medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017 (All amounts in millions of Russian Roubles, unless otherwise stated) continued

4. Adoption of New or Revised Standards and Interpretations

**New standards and interpretations effective from 1 January 2017**

The following amended standards became effective for the Group from 1 January 2017, but did not have any material impact on the Group.

- **Disclosure initiative – Amendments to IAS 7** (issued on 26 January 2016 and effective for the periods beginning on or after 1 January 2017). The Group has disclosed the required information in Note 27 of these Consolidated Financial Statements.

- **Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12** (issued on 19 January 2016 and effective for the periods beginning on or after 1 January 2017).

- **Annual Improvements to IFRS 2014 – 2018 cycle** (issued on 8 December 2015 and effective for annual periods beginning on or after 1 January 2017 for amendments to IFRS 15).

**New Accounting standards and Pronouncements**

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2018 or later, and which the Group considers to be of particular importance:

- **IFRS 9 “Financial Instruments: Classification and Measurement”** (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). The main differences between the new standard, which may affect the Group’s Consolidated Financial Statements at the date of application, are as follows: investments in equity instruments should always be measured at fair value. In this case, management can make a decision that can not be reversed on the reflection of changes in fair value in other comprehensive income, if the instrument is not standard for trade. In such a case, equity instrument is held for trade, changes in fair value are recognised in profit or loss.

- **IFRS 15 “Revenue from contracts with customers” with amendments made on 12 April 2016** (effective for the periods beginning on or after 1 January 2018). This interpretation considers how to determine the date of the transaction when applying the standard on foreign currency transactions, IAS 21. The implementation addresses an entity’s obligations to consider in advance foreign currency-denominated contracts. The Group is currently assessing the impact of the interpretation on its Consolidated Financial Statements.

**IFRIC 22 “Foreign currency transactions and advance consideration”** (issued on 6 December 2016 and effective for annual periods beginning on or after 1 January 2018). This interpretation considers how to determine the date of the transaction when applying the standard on foreign currency transactions, IAS 21. The implementation addresses an entity’s obligations to consider in advance foreign currency-denominated contracts. The Group is currently assessing the impact of the interpretation on its Consolidated Financial Statements.
Notes to the Consolidated Financial Statements for the year ended 31 December 2017
(All amounts in millions of Russian Roubles, unless otherwise stated)
continued

IFRS 17 “Insurance Contracts” (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021); The Group is currently assessing the impact of the new standard on its financial statements;
IFRIC 23 “Uncertainty over Income Tax Treatments” (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019). The Group is currently assessing the impact of the interpretation on its Consolidated Financial Statements;
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after the date of approval by IASB);
Amendments to IFRS 2 “Share-based payments” (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018);
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach);
Transfers of Investment Property - Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018);
Annual Improvements to IFRS 2014 – 2016 cycle - Amendments to IAS 1 and IAS 28 (issued on 8 December 2016 and effective for the periods beginning on or after 1 January 2018);
Propayment Features with Negative Compensation - Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019);
Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019);
Annual Improvements to IFRSs 2015-2017 cycle - Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019);
Amendments to IAS 19 “Employee Benefits” (issued on February 7, 2018 and effective for annual periods beginning on or after 1 January 2019).

5. Traffic Revenue

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scheduled passenger flights</td>
<td>427,529</td>
<td>403,760</td>
</tr>
<tr>
<td>Charter passenger flights</td>
<td>30,861</td>
<td>17,617</td>
</tr>
<tr>
<td>Cargo flights</td>
<td>16,526</td>
<td>12,589</td>
</tr>
<tr>
<td><strong>Total traffic revenue</strong></td>
<td><strong>474,916</strong></td>
<td><strong>433,966</strong></td>
</tr>
</tbody>
</table>

6. Other Revenue

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airline agreements revenue</td>
<td>33,196</td>
<td>35,923</td>
</tr>
<tr>
<td>Revenue from partners under frequent flyer programme</td>
<td>11,588</td>
<td>11,846</td>
</tr>
<tr>
<td>Refueling services</td>
<td>198</td>
<td>3,515</td>
</tr>
<tr>
<td>In-flight catering services</td>
<td>1,670</td>
<td>1,426</td>
</tr>
<tr>
<td>Ground handling and maintenance</td>
<td>1,253</td>
<td>1,382</td>
</tr>
<tr>
<td>Sales of duty free goods</td>
<td>1,349</td>
<td>1,429</td>
</tr>
<tr>
<td>Hotel revenue</td>
<td>448</td>
<td>491</td>
</tr>
<tr>
<td>Other revenue</td>
<td>8,134</td>
<td>6,979</td>
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<tr>
<td><strong>Total other revenue</strong></td>
<td><strong>58,018</strong></td>
<td><strong>61,914</strong></td>
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</table>

7. Operating Costs Less Staff Costs and Depreciation and Amortisation

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aircraft servicing and ground handling</td>
<td>76,332</td>
<td>70,908</td>
</tr>
<tr>
<td>Operating lease expenses</td>
<td>65,793</td>
<td>59,563</td>
</tr>
<tr>
<td>Aircraft maintenance</td>
<td>38,433</td>
<td>38,236</td>
</tr>
<tr>
<td>Sales and marketing expenses</td>
<td>17,498</td>
<td>13,887</td>
</tr>
<tr>
<td>Communication expenses</td>
<td>14,795</td>
<td>14,697</td>
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<tr>
<td>Administration and general expenses</td>
<td>18,390</td>
<td>16,407</td>
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<tr>
<td>Passenger services expenses</td>
<td>20,086</td>
<td>16,319</td>
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<tr>
<td>Food cost for in-flight catering</td>
<td>10,425</td>
<td>8,714</td>
</tr>
<tr>
<td>Insurance expenses</td>
<td>2,025</td>
<td>2,059</td>
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<tr>
<td>Customs duties</td>
<td>1,520</td>
<td>1,355</td>
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<tr>
<td>Cost of duty-free goods sold</td>
<td>836</td>
<td>732</td>
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<tr>
<td>Other expenses</td>
<td>7,459</td>
<td>9,563</td>
</tr>
<tr>
<td><strong>Operating costs less aircraft fuel, staff costs and depreciation and amortisation</strong></td>
<td><strong>271,845</strong></td>
<td><strong>252,440</strong></td>
</tr>
<tr>
<td><strong>Total operating costs less staff costs and depreciation and amortisation</strong></td>
<td><strong>394,528</strong></td>
<td><strong>354,022</strong></td>
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</table>

8. Staff Costs

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries</td>
<td>63,842</td>
<td>50,885</td>
</tr>
<tr>
<td>Pension costs</td>
<td>12,669</td>
<td>10,577</td>
</tr>
<tr>
<td>Social security costs</td>
<td>6,290</td>
<td>3,220</td>
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<tr>
<td><strong>Total staff costs</strong></td>
<td><strong>82,801</strong></td>
<td><strong>64,682</strong></td>
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</table>

Pension costs include:— compulsory payments to the Pension Fund of the RF;— contributions to a non-governmental pension fund under a defined contribution pension plan in which the Group makes additional pension contributions as a fixed percentage (20% for 12 months of 2017, 20% for 12 months of 2016) of transfers made personally by employees participating in the programme, and— an increase in the net present value of the future benefits which the Group expects to pay to its employees upon their retirement under defined benefit pension plans.
## Notes to the Consolidated Financial Statements for the year ended 31 December 2017
(All amounts in millions of Russian Roubles, unless otherwise stated)
continued

<table>
<thead>
<tr>
<th>Payments to the RF Pension Fund</th>
<th>2017</th>
<th>2016</th>
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</thead>
<tbody>
<tr>
<td>12,650</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Change in liabilities for pension plans</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td></td>
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</table>

Total pension costs: 12,669

### 9. Other Operating Income and Expenses, Net

<table>
<thead>
<tr>
<th>Payments</th>
<th>2017</th>
<th>2016</th>
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<tr>
<td>7,889</td>
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<tr>
<td>5,972</td>
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#### 9.1 Other Operating Income

<table>
<thead>
<tr>
<th>Payments</th>
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</thead>
<tbody>
<tr>
<td>4,718</td>
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</tr>
<tr>
<td>4,169</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### 9.2 Other Operating Expenses

<table>
<thead>
<tr>
<th>Payments</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>(8,179)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(8,907)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 10. Finance Income and Costs

<table>
<thead>
<tr>
<th>Payments</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>7,127</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19,802</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 11. Income Tax

<table>
<thead>
<tr>
<th>Payments</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,666</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14,455</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Reconciliation of the income tax estimated based on the applicable tax rate to the income tax is presented below:

<table>
<thead>
<tr>
<th>Payments</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>33,726</td>
<td></td>
<td></td>
</tr>
<tr>
<td>53,281</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 11.1 Income Tax

<table>
<thead>
<tr>
<th>Payments</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>11,038</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12,931</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 11.2 Tax Rate applicable in accordance with Russian legislation

<table>
<thead>
<tr>
<th>Payments</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>19%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 11.3 Tax effect of items which are not deductible or assessable for taxation purposes

<table>
<thead>
<tr>
<th>Payments</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>759</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,076</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 11.4 Recognition of previously unrecognised tax losses

<table>
<thead>
<tr>
<th>Payments</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>443</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,263</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 11.5 Prior years income tax adjustments

<table>
<thead>
<tr>
<th>Payments</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>661</td>
<td></td>
<td></td>
</tr>
<tr>
<td>416</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total income tax: 10,666
Notes to the Consolidated Financial Statements for the year ended 31 December 2017
(All amounts in millions of Russian Roubles, unless otherwise stated)

continued

<table>
<thead>
<tr>
<th>31 December 2017</th>
<th>Changes for the year</th>
<th>31 December 2016</th>
<th>Changes for the year</th>
<th>31 December 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax effect of temporary differences:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax losses carried forward</td>
<td>50</td>
<td>(123)</td>
<td>143</td>
<td>70</td>
</tr>
<tr>
<td>Long-term financial investments</td>
<td>18</td>
<td>(249)</td>
<td>259</td>
<td>58</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>124</td>
<td>24</td>
<td>116</td>
<td>(57)</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>1,249</td>
<td>124</td>
<td>1,372</td>
<td>91</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>20,316</td>
<td>(4,345)</td>
<td>24,561</td>
<td>(4,348)</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>4,215</td>
<td>3,321</td>
<td>8,014</td>
<td>882</td>
</tr>
<tr>
<td>Derivative financial instruments</td>
<td>15</td>
<td>5</td>
<td>(90)</td>
<td>960</td>
</tr>
<tr>
<td>Deferred tax assets before tax set off</td>
<td>28,660</td>
<td>-</td>
<td>30,090</td>
<td>-</td>
</tr>
<tr>
<td>Tax set off</td>
<td>(18,204)</td>
<td>-</td>
<td>(17,038)</td>
<td>-</td>
</tr>
<tr>
<td>Deferred tax assets after tax set off</td>
<td>10,456</td>
<td>-</td>
<td>13,052</td>
<td>-</td>
</tr>
</tbody>
</table>

APPENDIXES

12. Cash and Cash Equivalents

31 December 2017

| Total cash and cash equivalents | 45,978 |

31 December 2016

| Total cash and cash equivalents | 31,476 |

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets are disclosed in Note 36.

About 49% of the Group's funds are held in 2 highly reliable state-controlled Russian banks – PJSC VTB Bank with long-term credit rating BB+ (S&P rating agency) and PJSC Sberbank (hereinafter “Sberbank”) with long-term credit rating BBB- (Fitch rating agency) as at 31 December 2017 (as at 31 December 2016 35% of Group’s cash was held in PJSC VTB Bank with long-term credit rating BB+ (S&P rating agency) and “Sberbank” with long-term credit rating BBB- (Fitch rating agency). The remaining part of the Group’s cash is also located primarily in the largest Russian banks with a stable long-term credit rating according to international rating agencies.

As at 31 December 2017 the Group had restricted cash of RUB 583 million (31 December 2016: RUB 148 million) recorded as part of other non-current assets in the amount RUB 161 million and as part of other current assets in the amount RUB 422 million in the Group's Consolidated Statement of Financial Position.

13. Aircraft Lease Security Deposits

A security deposit is held with the lessor to secure the lessee’s fulfilment of its obligations in full, on a timely basis and in good faith. The security deposit is transferred to the lessor by instalments or in a single instalment. The security deposit is usually equal to three monthly lease payments. The lessor has the right to replace the security deposit, in full or in part, with a letter of credit. The security deposit can be offset against the last lease payment or any other payment if there is any non-fulfilment of obligations by the lessee. The security deposit is returned subsequent to the lease agreement’s termination or return of the aircraft immediately after the date of lease termination and if there is no outstanding obligation of the lessee.

As at 31 December 2017 the Group recognised deferred tax assets from tax losses of subsidiaries in the amount of RUB 20 million (31 December 2016: RUB 143 million).

As at 31 December 2017 the Group did not recognize deferred tax liabilities for temporary differences in the amount of RUB 5,661 million (31 December 2016: RUB 3,570 million) related to investments in subsidiaries, as the Group can control reimbursement periods of these temporary differences and does not plan to reimburse them for the foreseeable future.

Since January 2017, previously existing restriction of 10 years losses carried forward use was cancelled (which means that the losses incurred since 2007 can be carried forward until complete use). Limitations for the recognition of losses carried forward for the period from 2017 to 2020 have been introduced in Russian legislation. In accordance with the new rules, the amount of used tax loss carry forwards can’t exceed 50% of the tax base of relevant year. These changes will not have material impact on the Group’s Consolidated Financial Statements.
Notes to the Consolidated Financial Statements for the year ended 31 December 2017
(All amounts in millions of Russian Roubles, unless otherwise stated)
continued

### Aircraft lease security deposits

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January 2016</td>
<td>4,790</td>
</tr>
<tr>
<td>Payment of security deposits</td>
<td>2,504</td>
</tr>
<tr>
<td>Amortisation charge for the year</td>
<td>380</td>
</tr>
<tr>
<td>Return of security deposits during the year</td>
<td>(2,426)</td>
</tr>
<tr>
<td>Foreign exchange difference</td>
<td>(886)</td>
</tr>
<tr>
<td>Revenue from operations</td>
<td>317</td>
</tr>
<tr>
<td>Reclassification to assets held for sale</td>
<td>20</td>
</tr>
<tr>
<td>Other</td>
<td>81</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,891</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2016</td>
<td>2,501</td>
</tr>
<tr>
<td>Payment of security deposits</td>
<td>211</td>
</tr>
<tr>
<td>Amortisation charge for the year</td>
<td>137</td>
</tr>
<tr>
<td>Return of security deposits during the year</td>
<td>(325)</td>
</tr>
<tr>
<td>Set off against accounts payable</td>
<td>(380)</td>
</tr>
<tr>
<td>Foreign exchange difference</td>
<td>(199)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,025</strong></td>
</tr>
</tbody>
</table>

### Analysis of aircraft lease security deposits by their credit quality

- **Major international lease companies**: 1,934
- **Russian lease companies**: 31

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2017</td>
<td>2,025</td>
</tr>
<tr>
<td>31 December 2016</td>
<td>2,501</td>
</tr>
</tbody>
</table>

14. Accounts Receivable and Prepayments

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2017</td>
<td>36,853</td>
</tr>
<tr>
<td>31 December 2016</td>
<td>31,329</td>
</tr>
<tr>
<td><strong>Total financial receivables</strong></td>
<td><strong>68,182</strong></td>
</tr>
<tr>
<td>Prepayments for delivery of aircraft</td>
<td>25,285</td>
</tr>
<tr>
<td>VAT and other taxes recoverable</td>
<td>15,842</td>
</tr>
<tr>
<td>Prepayments to suppliers</td>
<td>13,833</td>
</tr>
<tr>
<td>Deferred customs duties related to the imported aircraft under operating leases, current portion</td>
<td>397</td>
</tr>
<tr>
<td>Other receivables</td>
<td>3,152</td>
</tr>
<tr>
<td><strong>Accounts receivable and prepayments</strong></td>
<td><strong>52,932</strong></td>
</tr>
</tbody>
</table>

As at 31 December 2017 the Group recognised impairment provision for accounts receivable from OJSC Transaero Airlines for passengers transportation, refueling services, aircraft servicing and ground handling of RUB 7,014 million (31 December 2016: 7,286 million).

Accounts receivable and prepayments include prepayments for acquisition of aircraft to be delivered within 12 months after the reporting date. Movements on the Prepayments for delivery of aircraft line item are due to the approaching aircraft delivery dates as well as the refund of prepayments related to the delivery of aircraft in the current period.

Deferred customs duties of RUB 397 million as of 31 December 2017 (31 December 2016: RUB 579 million) relate to the current portion of paid customs duties on imported aircraft under operating leases. These customs duties are recognised within operating costs in the Group’s Consolidated Statement of Profit or Loss over the term of the operating lease. The non-current portion of the deferred customs duties is disclosed in Note 18.

Financial receivables are analysed by currencies in Note 36.

As at 31 December 2017 and 31 December 2016, sufficient impairment provision was made against accounts receivable and prepayments.

As at 31 December 2017 and 31 December 2016, the current part of prepayments for aircraft include advance payments for the acquisition of the following aircraft:

<table>
<thead>
<tr>
<th>Type of aircraft</th>
<th>Number of aircraft, units</th>
<th>Expected delivery date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boeing B787</td>
<td>22</td>
<td>2017</td>
</tr>
<tr>
<td>Boeing 777</td>
<td>1</td>
<td>2018</td>
</tr>
<tr>
<td>Airbus A320</td>
<td>10</td>
<td>2016</td>
</tr>
<tr>
<td>Airbus A321</td>
<td>8</td>
<td>2016</td>
</tr>
</tbody>
</table>

As at 31 December 2017, the expected type of lease for these aircraft is not defined.

As at 31 December 2017 possible options for settling on agreement for delivery of 22 Boeing B787 aircraft were under consideration by the Group’s management.
The movements in impairment provision for accounts receivable and prepayments are as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Impairment provision</th>
<th>1 January 2016</th>
<th>Increase in impairment provision</th>
<th>Provision use</th>
<th>Release of provision</th>
<th>31 December 2016</th>
<th>Increase in impairment provision</th>
<th>Provision use</th>
<th>Release of provision</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January 2016</td>
<td></td>
<td>10,609</td>
<td></td>
<td></td>
<td>(8,823)</td>
<td>12,342</td>
<td>5</td>
<td></td>
<td>(504)</td>
<td>11,886</td>
</tr>
<tr>
<td>31 December 2016</td>
<td></td>
<td></td>
<td></td>
<td>(484)</td>
<td></td>
<td></td>
<td></td>
<td>(484)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>31 December 2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(0)</td>
<td></td>
</tr>
</tbody>
</table>

Financial receivables are analysed by credit quality in Note 36.

15. Non-Current Portion of Prepayments for Aircraft

As at 31 December 2017 and 31 December 2016 non-current portion of prepayments for aircraft were RUB 13,089 million and RUB 27,830 million, respectively. Change of non-current portion of prepayments is due to approaching the contractual period of delivery and payment of new non-current prepayments to suppliers.

As at 31 December 2017 and 31 December 2016 non-current prepayments include advance payments for the acquisition of the following aircraft:

<table>
<thead>
<tr>
<th>Type of aircraft</th>
<th>Number of aircraft, units</th>
<th>Expected delivery date</th>
<th>Number of aircraft, units</th>
<th>Expected delivery date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airbus A350</td>
<td>22</td>
<td>2019-2023</td>
<td>22</td>
<td>2019-2023</td>
</tr>
<tr>
<td>Boeing 777</td>
<td>5</td>
<td>2009-2021</td>
<td>5</td>
<td>2009-2021</td>
</tr>
<tr>
<td>Airbus A320</td>
<td>10</td>
<td>2018</td>
<td>10</td>
<td>2018</td>
</tr>
<tr>
<td>Airbus A321</td>
<td>4</td>
<td>2018</td>
<td>4</td>
<td>2018</td>
</tr>
</tbody>
</table>

As at 31 December 2017, the expected type of lease for these aircraft is not defined.

16. Expendable Spare Parts and Inventories

<table>
<thead>
<tr>
<th></th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expendable spare parts</td>
<td>9,605</td>
<td>7,833</td>
</tr>
<tr>
<td>Fuel</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Other inventories</td>
<td>716</td>
<td>865</td>
</tr>
<tr>
<td>Total</td>
<td>13,390</td>
<td>11,208</td>
</tr>
<tr>
<td>Less: written-off obsolete expendable spare parts and inventories</td>
<td>(1,069)</td>
<td>(1,168)</td>
</tr>
<tr>
<td>Total</td>
<td>12,811</td>
<td>10,040</td>
</tr>
</tbody>
</table>

17. Financial Investments

<table>
<thead>
<tr>
<th></th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available-for-sale securities</td>
<td>3,252</td>
<td>3,252</td>
</tr>
<tr>
<td>SITA Investment Certificates</td>
<td>54</td>
<td>52</td>
</tr>
<tr>
<td>Total available-for-sale investments</td>
<td>3,306</td>
<td>3,304</td>
</tr>
<tr>
<td>Other long-term investments</td>
<td>32</td>
<td>2</td>
</tr>
<tr>
<td>Total long-term financial investments</td>
<td>3,338</td>
<td>3,306</td>
</tr>
</tbody>
</table>

As at 31 December 2017 and 31 December 2016, available-for-sale securities are mainly represented by the value of the Group’s investment in JSC MASH in the share of 2.428%, a state-related company engaged in servicing of aircraft, passengers and handling cargo of Russian and foreign airlines, and providing non-aviation services to entities operating in Sheremetyevo airport and adjacent area.

Due to the market quotes absence the Group’s investment in JSC MASH is measured at historical cost less accumulated impairment losses and recognised in the Consolidated Statement of Financial position in amount 3,203 million as at 31 December 2017 (31 December 2016: RUB 3,203 million).

The following factors taken into account by the Group in assessing the possible impairment of investment in JSC MASH has the most significant impact on the assessment of recoverable value of this investment:

(a) the weighted average cost of capital equal to 13.7% in 2017 (in 2016: 16.7%) based on public capital markets data, data about peer companies and the actual cost of capital of JSC MASH determined based on the effective rate in financial statements;
(b) forecasts for macro assumptions based on an Economist Intelligence Unit forecast;
(c) passenger traffic growth rates based on data from public sources distributed over the forecast period in accordance with the average annual growth rate of passenger traffic, taking into account the growth of up to 80 million passengers in 2026.

The Group performed a sensitivity analysis of key assumptions used in the financial model of JSC MASH.

As at 31 December 2017, a reasonably possible change in the weighted average cost of capital and passenger traffic growth for JSC MASH does not result in an additional impairment of this investment.
Notes to the Consolidated Financial Statements for the year ended 31 December 2017
(All amounts in millions of Russian Roubles, unless otherwise stated)

18. Other Non-current Assets

<table>
<thead>
<tr>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred customs duties related to the imported aircraft under operating leases, non-current portion</td>
<td>162</td>
</tr>
<tr>
<td>Prepaid expenses for operating lease transactions</td>
<td>15,427</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>4,139</td>
</tr>
<tr>
<td>Total other non-current assets</td>
<td>19,238</td>
</tr>
</tbody>
</table>

The Group paid advances in amount of RUB 11,688 million for operating lease of 18 aircraft delivered during 12 months of 2017 (during 12 months of 2016: RUB 6,468 million, 14 aircraft). The above mentioned advances were recognised as part of non-current assets. These assets should be written off to operating lease expenses over the term of the operating lease agreements.

19. Property, Plant and Equipment

<table>
<thead>
<tr>
<th>Owned aircraft and engines</th>
<th>Leased aircraft and engines</th>
<th>Land and buildings</th>
<th>Transport equipment and other</th>
<th>Construction in progress</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January 2016</td>
<td>8,494</td>
<td>106,777</td>
<td>10,445</td>
<td>20,416</td>
<td>4,871</td>
</tr>
<tr>
<td>Additions (i)</td>
<td>2,134</td>
<td>32</td>
<td>26</td>
<td>3,003</td>
<td>4,128</td>
</tr>
<tr>
<td>Capitalised expenditures</td>
<td>1,910</td>
<td>-</td>
<td>-</td>
<td>632</td>
<td>2,442</td>
</tr>
<tr>
<td>Disposals</td>
<td>(988)</td>
<td>(392)</td>
<td>(14)</td>
<td>(3)</td>
<td>(2,524)</td>
</tr>
<tr>
<td>Transfers from assets classified as held for sale (note 20)</td>
<td>-</td>
<td>-</td>
<td>3,613</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfers to assets held for sale (note 20)</td>
<td>(366)</td>
<td>-</td>
<td>-</td>
<td>(223)</td>
<td>(589)</td>
</tr>
<tr>
<td>Transfers</td>
<td>3,507</td>
<td>1,076</td>
<td>52</td>
<td>1,059</td>
<td>(4,694)</td>
</tr>
<tr>
<td>31 December 2016</td>
<td>8,947</td>
<td>112,942</td>
<td>10,131</td>
<td>23,937</td>
<td>4,721</td>
</tr>
<tr>
<td>Additions (ii)</td>
<td>3,178</td>
<td>-</td>
<td>28</td>
<td>3,337</td>
<td>2,180</td>
</tr>
<tr>
<td>Capitalised expenditures</td>
<td>1,810</td>
<td>-</td>
<td>-</td>
<td>632</td>
<td>2,442</td>
</tr>
<tr>
<td>Disposals</td>
<td>(988)</td>
<td>(91)</td>
<td>(691)</td>
<td>(7)</td>
<td>(2,375)</td>
</tr>
<tr>
<td>Transfers to assets classified as held for sale (note 20)</td>
<td>(322)</td>
<td>(6,476)</td>
<td>-</td>
<td>-</td>
<td>(6,598)</td>
</tr>
<tr>
<td>Transfers (iii)</td>
<td>2,652</td>
<td>1,325</td>
<td>83</td>
<td>423</td>
<td>(4,483)</td>
</tr>
<tr>
<td>31 December 2017</td>
<td>12,583</td>
<td>107,716</td>
<td>10,151</td>
<td>27,606</td>
<td>3,627</td>
</tr>
</tbody>
</table>

Accumulated depreciation

| 1 January 2016 | (909) | (36,934) | (4,758) | (9,835) | (73) | (42,509) |
| Charge for the year | (762) | (9,765) | (355) | (2,569) | - | (12,447) |
| Recovery of impairment provision | - | - | - | 11 | - | 11 |
| Disposals | 135 | - | 722 | - | - | 1,057 |
| Transfers from assets classified as held for sale (note 20) | (1,338) | - | - | - | (1,338) | - |
| Transfers to assets classified as held for sale (note 20) | - | - | 277 | - | - | 277 |
| 31 December 2016 | (1,515) | (36,756) | (4,970) | (11,670) | (73) | (64,985) |
| Change for the year | (5,565) | (8,283) | (264) | (3,242) | - | (13,350) |
| Recovery/(accrual) of impairment provision | 21 | - | 5 | (2) | - | 24 |
| Disposals | 140 | 705 | 65 | 524 | - | 1,435 |
| Transfers to assets classified as held for sale (note 20) | 18 | 3,643 | - | - | 3,661 | - |
| 31 December 2017 | (2,892) | (40,599) | (5,169) | (14,384) | (73) | (63,210) |

Carrying amount

| 31 December 2016 | 6,636 | 76,386 | 5,161 | 12,286 | 4,648 | 104,897 |
| 31 December 2017 | 9,691 | 66,485 | 4,982 | 13,222 | 3,552 | 97,932 |
Notes to the Consolidated Financial Statements for the year ended 31 December 2017
(All amounts in millions of Russian Roubles, unless otherwise stated)

During 2016 additions mainly relate to the purchase of 2 aircraft DHC-8 for JCS Avrora and purchase of equipment in finance leases.
During 2017 additions mainly relate to the purchase of equipment in finance leases as well as the spare parts for aircraft, used for capital repairs.
During 2017 transfers primarily relate to 2 aircraft DHC-8 for JCS Avrora.
Capitalised borrowing costs for 12 months 2017 amounted to RUB 81,296 million (2016: RUB 632 million). Capitalisation rate of interest expenses and forex for the period was 4.2% p.a. (2016: 3.2%).
As at 31 December 2017 the cost of fully depreciated property, plant and equipment was RUB 10,033 million (31 December 2016: RUB 6,990 million).

20. Assets Classified as Held for Sale

As at 31 December 2017, 4 Airbus A321 aircraft (31 December 2016: 2 aircraft) operated under finance lease agreements were targeted for disposal; therefore, at the end of the reporting period these assets and related liabilities were classified as held for sale.
As at 31 December 2017, the amount of net assets held for sale amounted to RUB 915 million (31 December 2016: RUB 140 million).

21. Disposal of Subsidiaries

On 17 May 2016, the Group disposed of ОJSC Vladivostok Avia as a result of liquidation. A loss from the disposal in the amount of RUB 7,726 million was recognised in profit or loss for 12 months of 2016. ОJSC Vladivostok Avia did not conduct any significant operating activities in 2016.
On 14 July 2016, the Group sold АЛ Rejsebureau A/S. A loss from the sale in the amount of RUB 2,784 million was recognised in profit or loss for 12 months of 2016.
On 6 September 2016, the Group disposed of СJSC Aeroflot-Cargo as a result of liquidation. A profit from the disposal in the amount of RUB 639 million was recognised in profit or loss for 12 months of 2016. СJSC Aeroflot-Cargo did not conduct any significant operating activities in 2016.

\[\text{Initial cost of fixed assets} \quad \text{Accumulated depreciation and impairment} \quad \text{Aircraft lease security deposits} \quad \text{Total assets} \quad \text{Total liabilities} \]

\begin{tabular}{|c|c|c|c|c|}
\hline
1 January 2016 & 18,539 & (10,850) & 43 & 7,722 \hline
Additions & 589 & (277) & 312 & - \hline
Disposals & (2,456) & 7,880 & (2) & (4,588) \hline
Transfers to property, plant, equipment & (3,838) & 1,338 & (4) & (2,376) \hline
31 December 2016 & 3,049 & (1,909) & (14) & - \hline
\end{tabular}

\[\text{Initial cost of fixed assets} \quad \text{Accumulated depreciation and impairment} \quad \text{Total assets} \quad \text{Total liabilities} \]

\begin{tabular}{|c|c|c|c|}
\hline
1 January 2017 & 3,049 & (1,909) & 1,140 & - \hline
Additions & 1,709 & (1,088) & 1,956 & (2,798) \hline
Disposals & (2,888) & 1,956 & 972 & 465 \hline
Increase/release of impairment & 20 & 20 & - & - \hline
Revaluation & - & - & - & - \hline
31 December 2017 & 6,759 & (3,634) & 3,126 & (2,210) \hline
\end{tabular}

During 12 months, the Group disposed of 2 Airbus A321 aircraft (during 12 months 2016: 2 Airbus A319 aircraft, 1 Airbus A320 aircraft and 6 Airbus A320 aircraft), profit from disposal of mentioned aircraft amounted to RUB 201 million (during 12 months 2016: RUB 2,784 million).

22. Intangible Assets

\[\text{Software} \quad \text{Licences} \quad \text{Investments in software and R&D} \quad \text{Trademark and client base} \quad \text{Other} \quad \text{Total} \]

\begin{tabular}{|c|c|c|c|c|}
\hline
1 January 2016 & 3,026 & 134 & 1,201 & 1,686 & 39 & 5,086 \hline
Additions & 121 & (133) & 632 & - & - & - \hline
Disposals & (375) & (44) & (5) & (981) & (6) & (5,521) \hline
31 December 2016 & 2,840 & 134 & 1,192 & 1,630 & 36 & 5,832 \hline
Additions & 152 & (16) & 614 & - & - & - \hline
Disposals & (94) & (3) & - & (20) & - & - \hline
Transfer & (415) & (442) & - & - & - & - \hline
31 December 2017 & 3,793 & 134 & 1,192 & 1,630 & 97 & 6,546 \hline
\end{tabular}

During 2017 additions mainly relate to the purchase of equipment in finance leases as well as the spare parts for aircraft, used for capital repairs.
During 2016 additions mainly relate to the purchase of 2 aircraft DHC-8 for JCS Avrora and purchase of equipment in finance leases.
On 13 July 2016, the Group disposed of СJSC Aeroflot-Cargo as a result of liquidation. A profit from the disposal in the amount of RUB 201 million (during 12 months 2016: to RUB 2,784 million).
On 14 July 2016, the Group sold АЛ Rejsebureau A/S. A loss from the sale in the amount of RUB 2,784 million was recognised in profit or loss for 12 months of 2016.
On 6 September 2016, the Group disposed of ОJSC Vladivostok Avia as a result of liquidation. A profit from the disposal in the amount of RUB 639 million was recognised in profit or loss for 12 months of 2016. ОJSC Vladivostok Avia did not conduct any significant operating activities in 2016.

\[\text{Cost} \quad \text{Software} \quad \text{Licences} \quad \text{Investments in software and R&D} \quad \text{Trademark and client base} \quad \text{Other} \quad \text{Total} \]

\begin{tabular}{|c|c|c|c|c|c|c|}
\hline
1 January 2016 & (2,325) & (89) & - & (981) & (1) & (3,396) \hline
Charge for the year & (794) & (22) & - & - & - & (1,046) \hline
Disposals & 256 & 71 & - & - & - & 327 \hline
31 December 2016 & (2,779) & (89) & (139) & (1,040) & (18) & (4,492) \hline
Charge for the year & (471) & (93) & (535) & (20) & (734) & - \hline
Disposals & 23 & 24 & - & - & - & 47 \hline
31 December 2017 & (3,242) & (89) & (103) & (1,040) & (18) & (4,492) \hline
Carrying amount & 61 & 45 & 1,192 & 491 & 36 & 1,825 \hline
31 December 2017 & 551 & 45 & 789 & 590 & 79 & 2,054 \hline
\end{tabular}
23. Goodwill

For the purposes of impairment testing, goodwill is allocated between the cash generating units (the “CGUs”), i.e. the Group subsidiaries that represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and are not larger than an operating segment of the Group.

The aggregate carrying amount of goodwill, allocated to the Group’s business units as at 31 December 2017 and as at 31 December 2016 is presented in the table below:

<table>
<thead>
<tr>
<th>CGU name</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>AK Rossiya</td>
<td>6,502</td>
<td>6,502</td>
</tr>
<tr>
<td>AK Aurora</td>
<td>158</td>
<td>158</td>
</tr>
<tr>
<td>Total</td>
<td>6,660</td>
<td>6,660</td>
</tr>
</tbody>
</table>

The recoverable amount of CGU was calculated on the basis of value in use, which was determined by discounting the future cash flows to be generated as a result of the CGU’s operations.

Key assumptions against which the recoverable amounts are estimated concerned the discount rate, the rate of return and the growth rate for the calculation of the terminal value.

AK Rossiya

The discount rate calculation is based on weighted average cost of capital (WACC) and amounts to 12.8% p.a. for the entire forecast period (31 December 2016: 15.8% p.a.).

The growth rate for the terminal value calculation was set at the level of Russia’s GDP long-term growth rate of 2.7% p.a. (2016: 1.5% p.a.).

The budget for 2018 of “AK Rossiya” was adopted as a basis to forecasting the cash flows.

The Group’s management has conducted a sensitivity analysis of the goodwill impairment test results to changes in rates of return as the most sensitive indicator. In case of decrease of this rate by 1% even though all other variables hold constant, it would result in an impairment of CGU’s goodwill in the full amount. The results of the impairment test for goodwill are also sensitive to assumptions regarding seat occupancy and discount rates.

24. Derivative Financial Instruments

As at 31 December 2017, there were no derivative financial instruments in the Group’s portfolio.

In early 2016, the Group closed cross-currency interest rate swap agreement upon their maturity. For these instruments, the Group applied a cash flow hedge accounting model according to IAS 39, “Financial Instruments: Recognition and Measurement”. Up until the date of their expiration during 12 months 2016, the Group recognised profit of RUB 456 million from revaluation of these derivative financial instruments within other comprehensive income together with a corresponding deferred tax liability of RUB 98 million. As a result of the termination of this transaction, accumulated loss of RUB 3,994 million was recognised within financial expenses (Note 10).

25. Accounts Payable and Accrued Liabilities

As at 31 December 2017, staff related liabilities primarily include salary payable, as well as social contribution liabilities of RUB 13,270 million (31 December 2016: RUB 9,106 million) and the unused vacation accrual of RUB 6,071 million.

Financial payables by currency are analysed in Note 36.
Notes to the Consolidated Financial Statements for the year ended 31 December 2017  
(All amounts in millions of Russian Roubles, unless otherwise stated)  
continued

### 27. Provisions for Liabilities

<table>
<thead>
<tr>
<th>Date</th>
<th>Regular repairs and maintenance works</th>
<th>Other provisions</th>
<th>Total provisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January 2016</td>
<td>10,721</td>
<td>3,715</td>
<td>14,436</td>
</tr>
<tr>
<td>Additional provision for the year</td>
<td>6,150</td>
<td>2,348</td>
<td>8,498</td>
</tr>
<tr>
<td>Release of provision for the year</td>
<td>(1,757)</td>
<td>(1,568)</td>
<td>(3,325)</td>
</tr>
<tr>
<td>Recovery of provision for the year</td>
<td>(889)</td>
<td>(981)</td>
<td>(1,870)</td>
</tr>
<tr>
<td>Unwinding of the discount</td>
<td>1,562</td>
<td>1,562</td>
<td></td>
</tr>
<tr>
<td>Foreign exchange gain, net</td>
<td>(286)</td>
<td>(286)</td>
<td></td>
</tr>
<tr>
<td>Other changes</td>
<td>(543)</td>
<td>(543)</td>
<td></td>
</tr>
<tr>
<td>31 December 2016</td>
<td>13,510</td>
<td>2,585</td>
<td>16,095</td>
</tr>
<tr>
<td>Additional provision for the year</td>
<td>13,197</td>
<td>1,725</td>
<td>14,922</td>
</tr>
<tr>
<td>Release of provision for the year</td>
<td>(2,814)</td>
<td>(26)</td>
<td>(2,841)</td>
</tr>
<tr>
<td>Recovery of provision for the year</td>
<td>(1,271)</td>
<td>(2,521)</td>
<td>(3,792)</td>
</tr>
<tr>
<td>Unwinding of the discount</td>
<td>2,807</td>
<td>2,807</td>
<td></td>
</tr>
<tr>
<td>Foreign exchange gain, net</td>
<td>(836)</td>
<td>(836)</td>
<td></td>
</tr>
<tr>
<td>31 December 2017</td>
<td>24,654</td>
<td>1,728</td>
<td>26,382</td>
</tr>
</tbody>
</table>

#### 28. Finance Lease Liabilities

The Group leases aircraft from third and related parties under finance lease agreements (Note 38). The aircraft that the Group have operated under finance lease agreements as at 31 December 2017 are listed in Note 1.

<table>
<thead>
<tr>
<th>Date</th>
<th>Principal</th>
<th>Future interest expense</th>
<th>Total payments</th>
<th>Principal</th>
<th>Future interest expense</th>
<th>Total payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2017</td>
<td>100,689</td>
<td>10,581</td>
<td>111,270</td>
<td>122,736</td>
<td>10,581</td>
<td>137,317</td>
</tr>
</tbody>
</table>

#### Litigations

The Group is a defendant in legal claims of a different nature. Provisions for liabilities represent management’s best estimate of probable losses on existing and potential lawsuits (Note 42).

The Group also made a provision of RUB 1,666 million for obligations to pay capitalized social payments stipulated by the legislation of the Russian Federation in connection with the start of bankruptcy proceedings against JSC Donavia.

The Group is a defendant in legal claims of a different nature. Provisions for liabilities represent management’s best estimate of probable losses on existing and potential lawsuits (Note 42).

The Group is a defendant in legal claims of a different nature. Provisions for liabilities represent management’s best estimate of probable losses on existing and potential lawsuits (Note 42).

#### Tax risks

The Group makes a provision for contingent liabilities, including accrued fines and penalties based on the best management’s estimate of the amount of additional taxes that may be required to be paid (Note 42).

#### Regular repairs and maintenance works

As at 31 December 2017, the Group made a provision of RUB 24,654 million (31 December 2016: RUB 13,510 million) for regular repairs and maintenance works of aircraft used under operating lease terms.

As at 31 December 2017, the total amount of the finance lease liability relating to leased aircraft and aircraft engines amounted to RUB 96,265 million (31 December 2016: RUB 118,686 million).

As at 31 December 2017, interest payable amounted to RUB 391 million (31 December 2016: RUB 80 million) is included in accounts payable and accrued liabilities.
29. Loans and Borrowings

<table>
<thead>
<tr>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term loans and other borrowings:</td>
<td></td>
</tr>
<tr>
<td>Short-term loans in Euro</td>
<td>4,478</td>
</tr>
<tr>
<td>Short-term loans in Russian Roubles</td>
<td>4,718</td>
</tr>
<tr>
<td>Current portion of long-term loans and borrowings in Russian Roubles</td>
<td>427</td>
</tr>
<tr>
<td>Total short-term loans and borrowings</td>
<td>9,513</td>
</tr>
<tr>
<td>Long-term loans and other borrowings:</td>
<td></td>
</tr>
<tr>
<td>Long-term loans in Russian Roubles</td>
<td>2,800</td>
</tr>
<tr>
<td>Long-term loans and borrowings in US dollars</td>
<td>381</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
</tr>
<tr>
<td>Current portion of long-term loans and borrowings in Russian Roubles</td>
<td>4,718</td>
</tr>
<tr>
<td>Total long-term loans and borrowings</td>
<td>3,181</td>
</tr>
</tbody>
</table>

The main changes in loans and borrowings during reporting period

The Group has opened a non-revolving credit line with PJSC Sberbank (floating interest rate) in the amount of RUB 12,581 million. As at 31 December 2017 payables for mentioned credit line were paid in full (as at 31 December 2016, the outstanding amount was RUB 12,694 million).

The Group has opened a credit line with PJSC Sovcombank (floating interest rate) in the amount of RUB 6,000 million, which can be obtained in Russian Roubles, euro or US dollars. As at 31 December 2017 the outstanding amount was RUB 2,800 million (as at 31 December 2016 the outstanding amount was RUB 2,800 million). The credit line was unsecured and issued for the period up to November 2021.

The Group has opened a credit line with PJSC Bank VTB (floating interest rate) in the amount of US Dollars 250 million, which can be obtained in Russian Roubles, euro or US dollars. As at 31 December 2017 the loan was paid in full (as at 31 December 2016 the outstanding amount was RUB 4,478 million). The credit line is unsecured and issued for the period up to October 2018.

As at 31 December 2017 and 31 December 2016 the Group had no secured loans or borrowings.

As at 31 December 2017 and 31 December 2016, the fair values of loans and borrowings were not materially different from their carrying amounts.

Exchange bonds program

In December 2017 the Board of Directors of PJSC Aeroflot approved the Program of Exchange-Traded Bonds of the P01-BO series. At the end of January 2018 the Program was registered by PJSC Moskovskaya Birzha MMVB-RTS. The maximum amount of nominal values of exchange bonds that can be placed under the program is RUB 24,650 million with a maximum maturity of 3,640 days inclusive from the start date of placement. The expected dates and volume of bonds placement as of the date of this Consolidated Financial Statements are not determined.

Undrawn commitments

As at 31 December 2017, the Group was able to raise RUB 103,975 million in cash (31 December 2016: RUB 89,247 million) available under existing credit lines granted to the Group by various lending institutions.

30. Other Non-current Liabilities

<table>
<thead>
<tr>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other non-current liabilities related to frequent flyer programme (Note 26)</td>
<td>2,583</td>
</tr>
<tr>
<td>Deferred benefit pension obligation, non-current portion</td>
<td>912</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>2,805</td>
</tr>
<tr>
<td>Total other non-current liabilities</td>
<td>6,291</td>
</tr>
</tbody>
</table>

31. Non-controlling Interest

The following table provides information about the subsidiary (AK Rossiya) with non-controlling interest that is material to the Group:

<table>
<thead>
<tr>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portion of non-controlling interest's voting rights held</td>
<td>25% plus 1 share</td>
</tr>
<tr>
<td>(Loss)/Profit attributable to non-controlling interest for the year</td>
<td>(552)</td>
</tr>
<tr>
<td>Accumulated losses attributable to non-controlling interests in subsidiary</td>
<td>(4,221)</td>
</tr>
</tbody>
</table>

The summarised financial information of AK Rossiya is presented below:

<table>
<thead>
<tr>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>18,539</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>13,171</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>24,854</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>23,938</td>
</tr>
<tr>
<td>Revenue</td>
<td>94,816</td>
</tr>
<tr>
<td>(Loss)/Income for the year</td>
<td>(2,127)</td>
</tr>
<tr>
<td>Comprehensive income for the year</td>
<td>(2,127)</td>
</tr>
</tbody>
</table>

As at 31 December 2017 and 2016 there are no significant restrictions in getting access to the subsidiary’s assets or using them for settling the subsidiary’s obligations.
Notes to the Consolidated Financial Statements for the year ended 31 December 2017
(All amounts in millions of Russian Roubles, unless otherwise stated)
continued

32. Share Capital
As at 31 December 2017 and 31 December 2016, share capital was equal to RUB 1,359 million.

<table>
<thead>
<tr>
<th></th>
<th>Number of ordinary shares authorised and issued (shares)</th>
<th>Number of treasury shares (shares)</th>
<th>Number of ordinary shares outstanding (shares)</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2016</td>
<td>1,110,616,299</td>
<td>53,716,189</td>
<td>1,056,900,110</td>
</tr>
<tr>
<td>31 December 2017</td>
<td>1,110,616,299</td>
<td></td>
<td>1,110,616,299</td>
</tr>
</tbody>
</table>

All issued shares are fully paid. In addition to shares that have been placed, the Company is entitled to place another 250,000,000 ordinary registered shares (31 December 2016: 250,000,000 shares) with a par value of RUB 1 per share (31 December 2016: RUB 1 per share). Each ordinary share entitles the bearer to one vote.

In September 2017, the Company sold 53,716,189 of its own shares, previously bought out by the subsidiary LLC Aeroflot Finance. These ordinary shares carry voting rights in the same proportion as other ordinary shares.

The Company’s shares are listed on Moscow Exchange. As at 31 December 2017 and 31 December 2016, the weighted average price was RUB 139.10 per share and RUB 152.96 per share, respectively.

33. Dividends
At the annual shareholders’ meeting held on 26 June 2017 the shareholders approved dividends in respect of 2016 in the amount of RUB 17.4795 per share. All dividends are declared and paid in Russian Roubles.

At the annual shareholders’ meeting held on 27 June 2016 it was resolved not to declare and pay dividends for 2015.

34. Operating Segments
The Group has a number of operating segments, but none of them, except for “Passenger Traffic,” meet the quantitative threshold for determining reportable segment. Flight routes information was aggregated in “Passenger Traffic” segment as passenger flight services on different routes have similar economic characteristics and meet aggregation criteria.

The passenger traffic operational performance is measured based on internal management reports which are reviewed by the Group’s General Director. Passenger traffic revenue by flight routes is allocated based on the geographic destinations of flights. Passenger traffic revenue by flight routes is used to measure performance as the Group believes that such information is the most material in evaluating the results.

Segment information is presented based on financial information prepared in accordance with IFRS.

Group assets are located mainly in Russian Federation.

The realisation between the segments is carried out on market terms and is eliminated upon consolidation.
### Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(All amounts in millions of Russian Roubles, unless otherwise stated)

#### continued

<table>
<thead>
<tr>
<th>2016</th>
<th>Passenger traffic</th>
<th>Other</th>
<th>Inter-segment sales elimination</th>
<th>Total Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenue</td>
<td>492,455</td>
<td>19,378</td>
<td>(15,953)</td>
<td>495,880</td>
</tr>
<tr>
<td>Operating profit</td>
<td>62,207</td>
<td>980</td>
<td>67</td>
<td>63,254</td>
</tr>
<tr>
<td>Loss on sale and impairment of investments, net</td>
<td>-</td>
<td>3,425</td>
<td>-</td>
<td>3,425</td>
</tr>
<tr>
<td>Finance income</td>
<td>-</td>
<td>-</td>
<td>18,802</td>
<td>18,802</td>
</tr>
<tr>
<td>Finance costs</td>
<td>-</td>
<td>-</td>
<td>(9,443)</td>
<td>(9,443)</td>
</tr>
<tr>
<td>Hedging result</td>
<td>-</td>
<td>-</td>
<td>(12,310)</td>
<td>(12,310)</td>
</tr>
<tr>
<td>Share in financial results of associated companies</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Subsidiaries disposal</td>
<td>-</td>
<td>138</td>
<td>-</td>
<td>138</td>
</tr>
<tr>
<td>Profit before income tax</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>53,281</td>
</tr>
<tr>
<td>Income tax</td>
<td>-</td>
<td>-</td>
<td>(14,455)</td>
<td>(14,455)</td>
</tr>
<tr>
<td>Profit for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>38,826</td>
</tr>
</tbody>
</table>

#### 31 December 2016

| Segment assets | 288,553 | 9,221 | (13,495) | 284,279 |
| Investments in associates | - | - | - | 98 |
| Unallocated assets | - | - | - | 14,930 |
| Total assets | 299,307 | 5,447 | (4,419) | 300,135 |
| Segment liabilities | 257,270 | 6,471 | - | 258,498 |
| Unallocated liabilities | - | - | - | 40 |
| Total liabilities | 258,538 | 6,471 | (4,419) | 264,580 |

#### 2017

| Capital expenditures and PP&E additions (Note 19) | 11,823 | 552 | - | 12,375 |

#### 35. Presentation Of Financial Instruments by Measurement Category

Financial assets and liabilities are classified by measurement categories as at 31 December 2017 as follows:

<table>
<thead>
<tr>
<th>Available-for-sale financial assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>12</td>
</tr>
<tr>
<td>Short-term financial investments</td>
<td>17</td>
</tr>
<tr>
<td>Financial receivables</td>
<td>14</td>
</tr>
<tr>
<td>Aircraft lease security deposits</td>
<td>13</td>
</tr>
<tr>
<td>Long-term financial instruments</td>
<td>17</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>161</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>-</td>
</tr>
</tbody>
</table>
APPENDIXES

Notes to the Consolidated Financial Statements for the year ended 31 December 2017
(All amounts in millions of Russian Roubles, unless otherwise stated)
continued

<table>
<thead>
<tr>
<th>Note</th>
<th>Other financial liabilities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>41,040</td>
<td>41,040</td>
</tr>
<tr>
<td>28</td>
<td>100,589</td>
<td>100,589</td>
</tr>
<tr>
<td>29</td>
<td>3,381</td>
<td>3,381</td>
</tr>
<tr>
<td>356</td>
<td>2,306</td>
<td></td>
</tr>
<tr>
<td>306</td>
<td>2,306</td>
<td></td>
</tr>
<tr>
<td>145,216</td>
<td>145,216</td>
<td></td>
</tr>
</tbody>
</table>

Total financial liabilities

Financial assets and liabilities are classified by measurement categories as at 31 December 2016 as follows:

<table>
<thead>
<tr>
<th>Note</th>
<th>Loans and receivables</th>
<th>Available-for-sale financial assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>31,476</td>
<td>31,476</td>
<td>31,476</td>
</tr>
<tr>
<td>17</td>
<td>6,318</td>
<td>1</td>
<td>6,319</td>
</tr>
<tr>
<td>14</td>
<td>28,039</td>
<td></td>
<td>28,039</td>
</tr>
<tr>
<td>13</td>
<td>2,501</td>
<td></td>
<td>2,501</td>
</tr>
<tr>
<td>17</td>
<td>2</td>
<td>3,304</td>
<td>3,306</td>
</tr>
<tr>
<td>148</td>
<td></td>
<td></td>
<td>148</td>
</tr>
<tr>
<td>68,484</td>
<td>3,304</td>
<td></td>
<td>71,789</td>
</tr>
</tbody>
</table>

Notes to the Consolidated Financial Statements for the year ended 31 December 2017
(All amounts in millions of Russian Roubles, unless otherwise stated)
continued

36. Risks Connected with Financial Instruments

The Group manages risks related to financial instruments, which include market risk (currency risk, interest rate risk and aircraft fuel price risk), credit risk, liquidity risk and capital management risk.

Liquidity risk

The Group is exposed to liquidity risk, i.e. the risk that the Group will not be able to meet its financial obligations as they fall due. The Group’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed financial conditions, without incurring unacceptable losses or risking damage to the Group’s reputation. The Group utilises a detailed budgeting and cash forecasting process to ensure its liquidity is maintained at appropriate levels.

The following are the Group’s financial liabilities as at 31 December 2017 and 31 December 2016 by contractual maturity (based on the remaining period from the reporting date to the contractual settlement date). The amounts in the table are contractual undiscounted cash flows (including future interest payments) as at respective reporting dates:

<table>
<thead>
<tr>
<th>Contractual rate</th>
<th>Effective rate</th>
<th>0–12 months</th>
<th>1–2 years</th>
<th>2–5 years</th>
<th>Over 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 December 2017</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and borrowings in foreign currency</td>
<td>3.1%</td>
<td>3.1%</td>
<td>43,1</td>
<td>40</td>
<td>3,664</td>
<td>111,270</td>
</tr>
<tr>
<td>Loans and borrowings in Roubles</td>
<td>11.3%</td>
<td>11.3%</td>
<td>240</td>
<td>224</td>
<td>3,200</td>
<td>6,520</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>2.9%</td>
<td>3.0%</td>
<td>18,856</td>
<td>17,593</td>
<td>49,565</td>
<td>25,256</td>
</tr>
<tr>
<td>Financial payables</td>
<td>41,040</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>41,040</td>
<td></td>
</tr>
<tr>
<td>Liabilities for guarantees issued</td>
<td>1,618</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,618</td>
<td></td>
</tr>
<tr>
<td>Total future payments, including interest payments</td>
<td>61,754</td>
<td>17,817</td>
<td>52,765</td>
<td>25,687</td>
<td>158,023</td>
<td></td>
</tr>
<tr>
<td>31 December 2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and borrowings in foreign currency</td>
<td>3.4%</td>
<td>3.4%</td>
<td>4,584</td>
<td>-</td>
<td>-</td>
<td>5,030</td>
</tr>
<tr>
<td>Loans and borrowings in Roubles</td>
<td>11.7%</td>
<td>11.7%</td>
<td>6,085</td>
<td>8,894</td>
<td>3,501</td>
<td>18,400</td>
</tr>
<tr>
<td>Finance lease liabilities</td>
<td>2.9%</td>
<td>2.9%</td>
<td>19,256</td>
<td>20,998</td>
<td>53,901</td>
<td>43,436</td>
</tr>
<tr>
<td>Financial payables</td>
<td>30,631</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>30,631</td>
<td></td>
</tr>
<tr>
<td>Liabilities for guarantees issued</td>
<td>1,225</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,225</td>
<td></td>
</tr>
<tr>
<td>Total future payments, including interest payments</td>
<td>61,780</td>
<td>29,812</td>
<td>57,207</td>
<td>43,882</td>
<td>192,681</td>
<td></td>
</tr>
</tbody>
</table>

Currency risk

The Group is exposed to currency risk in relation to revenue as well as purchases and borrowings that are denominated in a currency other than Rouble. The currencies in which these transactions are primarily denominated are Euro and US Dollar.

The Group analyses the exchange rate trends on a regular basis.

The Group uses long-term lease liabilities nominated in US Dollars as hedging instrument for risk of change in US Dollar exchange rate in relation to revenue (Note 28).
Notes to the Consolidated Financial Statements for the year ended 31 December 2017
(All amounts in millions of Russian Roubles, unless otherwise stated)
continued

The Group’s exposure to foreign currency risk was as follows based on notional amounts of financial instruments:

<table>
<thead>
<tr>
<th></th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>In millions of Russian Roubles</td>
<td>Note</td>
<td>US Dollar</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>12</td>
<td>1,979</td>
</tr>
<tr>
<td>Financial receivables</td>
<td></td>
<td>18,689</td>
</tr>
<tr>
<td>Aircraft lease security deposits</td>
<td></td>
<td>1,380</td>
</tr>
<tr>
<td>Total assets</td>
<td></td>
<td>22,369</td>
</tr>
<tr>
<td>Total liabilities</td>
<td></td>
<td>112,752</td>
</tr>
<tr>
<td>Total (liabilities)/assets</td>
<td>net</td>
<td>(90,383)</td>
</tr>
</tbody>
</table>

Strengthening or weakening of listed below currencies against rouble as at 31 December 2017 and 31 December 2016, would change profit after tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant:

<table>
<thead>
<tr>
<th></th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of change in rate of currency versus rouble</td>
<td>Effect on profit after tax (increase)/ (decrease)</td>
<td>Effect on profit after tax (increase)/ (decrease)</td>
</tr>
<tr>
<td>US Dollar</td>
<td>20%</td>
<td>1,301</td>
</tr>
<tr>
<td>Euro</td>
<td>20%</td>
<td>(408)</td>
</tr>
<tr>
<td>Other currencies</td>
<td>20%</td>
<td>(70)</td>
</tr>
</tbody>
</table>

As at 31 December 2017 the increase in the US dollar rate against rouble by 20% would have led to a reduction in the amount of the Group’s equity by RUB 14,481 million. The change of other currencies would have no material impact on equity. As at 31 December 2016 the increase in the US dollar rate against rouble by 20% would have led to a reduction in the amount of the Group’s equity by RUB 17,684 million. The change of other currencies would have no material impact on equity.

Interest rate risk
The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial results and cash flows. Changes in interest rates impact primarily on change in cost of borrowings (fixed interest rate borrowings) or future cash flows (variable interest rate borrowings). At the time of raising new borrowings as well as finance lease management uses judgment to decide whether it believes that a fixed or variable interest rate would be more favourable to the Group over the expected period until maturity.

As at 31 December 2017 and 31 December 2016, the interest rate profiles of the Group’s interest-bearing financial instruments were:

<table>
<thead>
<tr>
<th></th>
<th>Carrying amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31 December 2017</td>
</tr>
<tr>
<td>Fixed rate financial instruments</td>
<td></td>
</tr>
<tr>
<td>Financial assets</td>
<td>99,487</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>98,487</td>
</tr>
<tr>
<td>Total fixed rate financial instrument</td>
<td>33,796</td>
</tr>
<tr>
<td>Variable rate financial instruments</td>
<td></td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>(97,052)</td>
</tr>
<tr>
<td>Variable rate financial liabilities</td>
<td>(97,052)</td>
</tr>
<tr>
<td>Total variable rate financial instruments</td>
<td>33,796</td>
</tr>
</tbody>
</table>

As at 31 December 2017 and 31 December 2016 the Group had loans and finance lease with variable interest rates. If the variable part of interest rates on loans as at 31 December 2017 and 31 December 2018 were 20% higher or lower than the actual variable part of interest rates for the year, with all other variables held constant, interest expense would not have changed significantly (2016: would not have changed significantly).

Aircraft fuel price risk
The results of the Group’s operations are significantly impacted by changes in the price of aircraft fuel. The increase or decrease in prices for aircraft fuel as at 31 December 2017 and as at 31 December 2016 would result in a change in the financial result in the amounts presented below:

<table>
<thead>
<tr>
<th></th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of change in price</td>
<td>Effect on profit after tax (increase)/ (decrease)</td>
<td>Effect on profit after tax (increase)/ (decrease)</td>
</tr>
<tr>
<td>Increase in the price of aircraft fuel</td>
<td>10%</td>
<td>9,815</td>
</tr>
<tr>
<td>Decrease in the price of aircraft fuel</td>
<td>10%</td>
<td>(9,815)</td>
</tr>
</tbody>
</table>

Capital management risk
The Group manages its capital in comparison with rivals in the airline industry on the basis of the following ratios:

- net debt to total capital.
- total debt to EBITDA, and
- net debt to EBITDA.

The Group manages its capital to ensure its ability to continue as a going concern while maximizing the return to the Company’s shareholders through the optimization of the Group’s debt to equity ratio.

The Group assumes that its capital in comparison with rivals in the airline industry on the basis of the following ratios:

- net debt to total capital.
- total debt to EBITDA, and
- net debt to EBITDA.
### Notes to the Consolidated Financial Statements for the year ended 31 December 2017 (All amounts in millions of Russian Roubles, unless otherwise stated) continued

Total debt consists of short-term and long-term borrowings (including the current portion), finance lease liabilities, customs duties payable on imported leased aircraft and defined benefit pension obligation.

Net debt is defined as total debt less cash, cash equivalents and short-term financial investments.

Total capital consists of equity attributable to the Company’s shareholders and net debt.

EBITDA is calculated as operating profit before depreciation, amortization and customs duties expenses.

The ratios are as follows:

<table>
<thead>
<tr>
<th></th>
<th>As at and for the year ended 31 December 2017</th>
<th>As at and for the year ended 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total capital</td>
<td>148,518</td>
<td>149,586</td>
</tr>
<tr>
<td>Cash and cash equivalents and short-term financial investments</td>
<td>143,968</td>
<td>144,938</td>
</tr>
<tr>
<td>Net debt</td>
<td>4,548</td>
<td>4,656</td>
</tr>
<tr>
<td>Equity attributable to shareholders of the Company</td>
<td>148,518</td>
<td>149,586</td>
</tr>
</tbody>
</table>

**EBITDA**

|                                | 58,035                                     | 61,030                                     |
|                                | 78,004                                     | 78,004                                     |

Net debt/Total capital

|                                | 0.4                                         | 0.7                                         |
|                                | 1.9                                         | 1.8                                         |
| Net debt/EBITDA                | 0.9                                         | 1.4                                         |

These ratios are analysed by Group’s management over time without any limitations.

There were no changes in the Group’s approach to capital management in 2017 and 2016.

Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements in 2017 and 2016, except for minimum share capital according to the legislation.

### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group’s cash and cash equivalents, financial receivables and investments in securities.

The Group conducts transactions with the following major types of counterparties:

1. The Group has credit risk associated with travel agents and industry organizations. A significant share of the Group’s sales is made via travel agencies. Due to the fact that receivables from travel agents are diversified and the overall credit risk related to travel agencies is assessed by management as low.

2. Receivables from other airlines and agencies are regulated through the IATA clearing house, in particular for agency sales using BSP and CASS settlement systems, and ARC for part of US agents. Regular settlements ensure that the exposure to credit risk is mitigated to the greatest extent possible.

3. Credit risk arising from dealing with government institutions and banks is assessed as low.

4. Management actively monitors its investing performance and in accordance to current policy investing only in liquid securities with high credit ratings. Management does not expect any counterparty to fail to meet its obligations.

5. When working with banks, a system of credit limits is implemented, taking into account that the credit risks that arise when working with banks are limited, and are assessed as low.

As at 31 December 2017 the total amount of investments into securities was RUB 3,252 million (31 December 2016: RUB 3,252 million), major part of financial receivables amounted to RUB 21,140 million relates to receivables regulated by clearing house (31 December 2016: RUB 19,054 million).

### Credit risk

The maximum exposure to the credit risk net of impairment provision is set out in the table below:

<table>
<thead>
<tr>
<th></th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents (excluding petty cash) (Note 12)</td>
<td>45,891</td>
<td>31,387</td>
</tr>
<tr>
<td>Financial receivables (Note 14)</td>
<td>14,995</td>
<td>28,389</td>
</tr>
<tr>
<td>Short-term financial investments (Note 17)</td>
<td>6,370</td>
<td>3,306</td>
</tr>
<tr>
<td>Long-term financial investments (Note 17)</td>
<td>9,338</td>
<td>7,200</td>
</tr>
<tr>
<td>Aircraft lease security deposits (Note 13)</td>
<td>12,024</td>
<td>2,501</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>583</td>
<td>148</td>
</tr>
<tr>
<td><strong>Total financial assets exposed to credit risk</strong></td>
<td><strong>59,759</strong></td>
<td><strong>71,700</strong></td>
</tr>
</tbody>
</table>

### Analysis by credit quality of financial receivables is as follows:

<table>
<thead>
<tr>
<th></th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Past due impaired receivables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- less than 45 days overdue</td>
<td>4</td>
<td>89</td>
</tr>
<tr>
<td>- 46 days to 90 days overdue</td>
<td>41</td>
<td>75</td>
</tr>
<tr>
<td>- 91 days to 2 years overdue</td>
<td>3,571</td>
<td>7,995</td>
</tr>
<tr>
<td>- more than 2 years overdue</td>
<td>4,270</td>
<td>4,783</td>
</tr>
<tr>
<td><strong>Total impaired receivables</strong></td>
<td><strong>11,888</strong></td>
<td><strong>12,342</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Past due but not impaired</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- less than 90 days overdue</td>
<td>116</td>
<td>33</td>
</tr>
<tr>
<td><strong>Total past due but not impaired receivables</strong></td>
<td><strong>116</strong></td>
<td><strong>33</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts receivable by category of external credit rating</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable with investment rating</td>
<td>5,237</td>
<td>3,967</td>
</tr>
<tr>
<td>Accounts receivable with non-investment rating</td>
<td>3,510</td>
<td>2,894</td>
</tr>
<tr>
<td>Accounts receivable without external rating</td>
<td>19,054</td>
<td>10,328</td>
</tr>
<tr>
<td><strong>Total not overdue and not impaired receivables</strong></td>
<td><strong>34,956</strong></td>
<td><strong>28,006</strong></td>
</tr>
</tbody>
</table>

Payables of counterparties with investment rating includes payables with a rating at least BBB- (Fitch and S&P rating agencies) or Baa3 (Moody’s rating agency). Payables of counterparties having a rating below the “investing” are classified as “Non-investment rating”. Non-rated payables consist mainly of airline debt, as well as agents BSP, CASS, ARC and direct agents.
Notes to the Consolidated Financial Statements for the year ended 31 December 2017
(All amounts in millions of Russian Roubles, unless otherwise stated)

37. Changes in Liabilities Arising from Financial Activities

The table below summarises the changes in the Group’s liabilities arising from financial activities for each of the periods presented. Cash flows for these liabilities are reflected in the Statement of Cash Flows as part of financial activities:

<table>
<thead>
<tr>
<th>Period</th>
<th>Borrowings</th>
<th>Finance lease liabilities</th>
<th>Other liabilities arising from financing activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 January 2017</td>
<td>20,367</td>
<td>122,736</td>
<td>1</td>
<td>143,104</td>
</tr>
<tr>
<td>Cash repayment of liabilities</td>
<td>(18,634)</td>
<td>(56,859)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forex adjustments</td>
<td>1,098</td>
<td>(1,567)</td>
<td></td>
<td>(469)</td>
</tr>
<tr>
<td>Other changes not related to cash flows</td>
<td>1,037</td>
<td>(1,567)</td>
<td></td>
<td>(530)</td>
</tr>
<tr>
<td>31 December 2017</td>
<td>3,181</td>
<td>100,689</td>
<td>65</td>
<td>103,935</td>
</tr>
<tr>
<td>1 January 2016</td>
<td>68,460</td>
<td>164,524</td>
<td>4,800</td>
<td>237,784</td>
</tr>
<tr>
<td>Cash repayment of liabilities</td>
<td>(45,893)</td>
<td>(4,410)</td>
<td></td>
<td>(50,303)</td>
</tr>
<tr>
<td>Forex adjustments</td>
<td>(5,765)</td>
<td>(435)</td>
<td></td>
<td>(6,200)</td>
</tr>
<tr>
<td>Other changes not related to cash flows</td>
<td>3,567</td>
<td>(1,036)</td>
<td></td>
<td>(2,530)</td>
</tr>
<tr>
<td>31 December 2016</td>
<td>20,367</td>
<td>122,736</td>
<td>1</td>
<td>143,104</td>
</tr>
</tbody>
</table>

Dividends paid in the amount of RUB 18,859 million are reflected in changes of other liabilities for 2017.

Dividends paid in the amount of RUB 40 million are reflected in changes of other liabilities for 2016.

38. Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. The best evidence of the fair value is an active quoted market price of a financial instrument.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. Management uses all available market information in estimating the fair value of financial instruments.

Financial assets carried at amortised cost

The fair value of instruments with a floating interest rate is normally equal to their carrying value. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates effective on debt capital markets for new instruments with similar credit risk and similar maturity. Discount rates used depend on the credit risk of the counterparty. Carrying amounts of financial receivables (Note 14), lease security deposits (Note 18) and deposits for more than 90 days other financial assets and loans issued (Note 17) approximate their fair values, which belong to Level 2 in the fair value hierarchy. Cash and cash equivalents (both exception for cash on hand) belong to level 2 and are carried at amortised cost which is approximately equal to their fair value. The Group’s investment in JSC MAZ-Holdings to Level 3 in the fair value hierarchy and are measured at initial cost less accumulated impairment losses due to the absence of quoted prices.

Liabilities carried at amortised cost

The fair value of financial instruments is measured based on the current market quotes, if any. The estimated fair value of unquoted fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. As at 31 December 2017 and 31 December 2016, the fair values of financial payables (Note 25), finance lease liabilities (Note 26) loans, borrowings and bonds (Note 29) were not materially different from their carrying amounts. The fair values of financial payables, finance lease liabilities and loans and borrowings are categorised as Levels 2, while bonds are categorised as Level 1 in the fair value hierarchy.

39. Related-Party Transactions

Parties are generally considered to be related if they are under common control or if one party has the ability to control the other party or can exercise significant influence over joint control over the other party in making financial and operational decisions. In considering each possible related party relationship attention is directed to the economic substance of the relationship, not merely the legal form.

As at 31 December 2017 and 31 December 2016, the outstanding balances with related parties and income and expense items with related parties for the years ended 31 December 2017 and 31 December 2016 were disclosed below:

**Associates**

In July 2017 the Group acquired a 25.5% stake in LLC Aeromar-Ufa, which is based at Ufa International Airport. The main activity of the organisation is in-flight catering service.

As at 31 December 2017 and 31 December 2016, the outstanding balances with associates and income and expense items with associates for the years ended 31 December 2017 and 31 December 2016 were as follows:

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts receivable</td>
<td>25</td>
<td>7</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>84</td>
<td>7</td>
</tr>
</tbody>
</table>
| The amounts outstanding to and from associates will be settled mainly in cash.

**Transactions**

<table>
<thead>
<tr>
<th>Transaction</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales to associates</td>
<td>1,877</td>
<td>1,564</td>
</tr>
<tr>
<td>Purchases from associates</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Purchases from associates consist primarily of aviation security services.
Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(All amounts in millions of Russian Roubles, unless otherwise stated)

### Government-related entities

At 31 December 2017 and 31 December 2016, the Government of the RF represented by the Federal Agency for Management of State Property owned 51.97% of the Company. The Group operates in an economic environment where the entities are directly or indirectly controlled by the Government of the RF through its government authorities, agencies, associations and other organizations, collectively referred to as government-related entities.

The Group decided to apply the exemption from disclosure of individually insignificant transactions and balances with the state and its related parties because the Russian government has control, joint control or significant influence over such parties.

The Group has transactions with government-related entities, including but not limited to the following transactions:

- banking services
- investments in JSC MASH
- finance and operating lease
- guarantees on liabilities
- purchase of aircraft fuel
- purchase of air navigation and airport services
- government subsidies

Outstanding balances of cash at current rouble, foreign currency and deposit accounts in the government-related banks:

<table>
<thead>
<tr>
<th></th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>22,539</td>
<td>13,048</td>
</tr>
</tbody>
</table>

The amounts of the Group’s finance lease liabilities are disclosed in Note 28. The share of liabilities to the government-related entities is approximately 73% for finance lease (31 December 2016: 74%). The share of the government-related entities in the amount of the future minimum lease payments under non-cancelable operating leases agreements (note 40) is approximately 35% (31 December 2016: 39%). The share of interest expenses on finance lease is approximately 90% and 38% for operating lease expenses (2016: 86% and 32%, respectively).

For the year ended 31 December 2017 the share of the Group's transactions with government-related entities was about 24% of operating costs and more than 2% of revenue (2016: about 20% and less than 3%, respectively). These expenses primarily include supplies of motor fuels, aircraft and engines operating lease expenses, as well as the cost of air navigation and aircraft maintenance services at airports.

As at 31 December 2017 the Group issued guarantees for the amount of RUB 1,618 million to a government-related entity to secure obligations under operating lease agreements (note 3). The guarantees on liabilities amounted to RUB 816 million.

Compensation of key management personnel

The remuneration of key management personnel comprised the Board of Directors and the Management Committee as well as key managers of flight and ground personnel who have significant power and responsibilities on key control and planning decisions of the Group, including salary and bonuses as well as other compensation in 2017, amounted to RUB 2,317 million. In connection with actualization of the Regulation on Remunerations of PJSC Aeroflot, approved by the Board of Directors after reporting date in April 2017, comparative total amount of compensation for the key management (the Board of Directors, the Management Committee and the key-managers of flight and ground personnel who have significant power and responsibilities on key control and planning decisions of the Group) regarding to the expenses of 2016 year amounted to RUB 2,358 million.

Bonuses for key management based on the Company’s capitalisation

In 2016 the Group approved bonus programmes for its key management personnel and members of the Company’s Board of Directors. These programmes run for 3 years and are to be exercised in 4 tranches of cash payments. The amounts of payments depend on the level of increase in the Company’s capitalisation, the Company’s capitalisation growth rates against its peers based on the results of each reporting period and achievement of targeted capitalisation by the end of the programmes. The fair value of the liabilities under the bonus programmes as of 31 December 2017, included in accounts payable, was determined based on the expected payment amount for the reporting period from 1 January 2017 till 31 December 2017 and amount of payment deferred till the end of the programmes.

Expenses under bonus programmes amounted to RUB 3,722 million in 2017 and were reflected in labor costs and other financial expenses in the Group’s Consolidated Financial Statements of profit or loss (in 2016: RUB 1,937 million). As at 31 December 2017 the outstanding amount of the liability under these programmes was RUB 2,558 million (31 December 2016: RUB 1,594 million).

### 40. Commitments under Operating Leases

Future minimum lease payments under non-cancelable aircraft and other operating lease agreements with third and related parties (Note 35) are as follows:

<table>
<thead>
<tr>
<th></th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>On demand or within 1 year</td>
<td>73,565</td>
<td>58,191</td>
</tr>
<tr>
<td>Later than 1 year and not later than 5 years</td>
<td>272,048</td>
<td>218,470</td>
</tr>
<tr>
<td>Later than 5 years</td>
<td>314,968</td>
<td>233,224</td>
</tr>
</tbody>
</table>

Total operating lease commitments: 660,581 715,804

The amounts above represent base rentals payable. Maintenance fees payable to the lessor, based on actual flight hours, and other usage variables are not included in the amounts.

The amount that the Group received under operating lease agreements as at 31 December 2017 are listed in Note 3. The Group received aircraft under operating lease agreements for the term of 11 to 15 years.

### 41. Capital Commitments

As at 31 December 2017, the Group agreements on future acquisition of property, plant and equipment with third parties amounted to RUB 304,307 million (31 December 2016: RUB 418,671 million). These commitments mainly relate to purchase of 22 Boeing 787 (31 December 2016: 22 aircraft; 22 Airbus A350 (31 December 2016: 22 aircraft), 15 Airbus A320/321 (31 December 2016: 33 aircraft) and 6 Boeing B777 (31 December 2016: 1) aircraft which are expected to be used under operating or finance lease agreements. Therefore no cash outflow on entered agreements is expected.

### 42. Contingencies

#### Operating Environment of the Group

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. The Russian economy was growing in 2017, after overcoming the economic recession of 2015 and 2016. The economy is negatively impacted by low oil prices, ongoing political tension in the region and international sanctions against certain Russian companies and individuals. The financial markets continue to be volatile.

The taxation system in the RF continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes fuzzy and contradictory and subject to varying interpretations by different tax authorities. Taxes are subject to audit and investigation by a number of authorities, which have the authority to impose severe fines and penalties charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

Recent events within the RF suggest that the tax authorities are taking a more tough stance in their interpretation and enforcement of tax legislation.

#### Tax contingencies

The tax system in the RF continues to evolve and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are sometimes fuzzy and contradictory and subject to varying interpretations by different tax authorities. Taxes are subject to audit and investigation by a number of authorities, which have the authority to impose severe fines and penalties charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the RF suggest that the tax authorities are taking a more tough stance in their interpretation and enforcement of tax legislation.
Notes to the Consolidated Financial Statements for the year ended 31 December 2017  
(All amounts in millions of Russian Roubles, unless otherwise stated)  
continued

These circumstances may create tax risks in the RF that are substantially more significant than in other countries. The Group’s management believes that it has provided adequately for tax liabilities in these Consolidated Financial Statements based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of these provisions by the relevant authorities could differ and the effect on these Consolidated Financial Statements, if the authorities were successful in enforcing their interpretations, could be significant.

Since 1 July 2015, the Russian Government has decided to decrease VAT on domestic passenger and baggage carriage by to 7% for two years, in 2017 the term was extended until 31 December 2020. This is aimed at improving the financial and economic position of the airlines providing domestic services.

In accordance with amendments to the Russian Tax Code made in 2015, excess duties charged on the aviation fuel obtained by the Group’s airlines are subject to deduction using the following special coefficients: 1.84 for 2016, 2.08 for 2017.

Since 1 January 2015, the Russian Tax Code has been supplemented with the framework of beneficial ownership to the income paid from the RF (beneficial ownership framework) for the purposes of applying tax benefits under the Double Tax Treaties (DTT). Given the ambiguity of the new rules application procedure and absence of any practice to that effect, it is impossible to reliably assess the potential outcome of any disputes with tax authorities over compliance with the beneficial ownership confirmation requirements, however they may have a significant impact on the Group.

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm’s length. Management has implemented internal controls to be in compliance with this transfer pricing legislation.

Tax liabilities arising from transactions between Group companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Changes in tax legislation or its enforcement in relation to such issues as transfer pricing may lead to an increase in the Group’s effective income tax rate.

In addition to the above matters, as at 31 December 2017 and 31 December 2016 management estimates that the Group has no possible exposure to other than remote tax risks. Management will vigorously defend the Group’s positions and interpretations that were applied in calculating taxes recognised in these Consolidated Financial Statements, if these are challenged by the tax authorities.

Insurance

The Group maintains insurance in accordance with the legislation. In addition, the Group issues risks under various voluntary insurance programs, including management’s liability, Group’s liability and risks of loss of aircraft under operating and finance lease.

Litigations

During the reporting period the Group was involved (both as a plaintiff and a defendant) in a number of court proceedings arising in the ordinary course of business. Management believes that there are no current court proceedings or other claims outstanding which could have a material effect on the results of operations and financial position of the Group.

As at 31 December 2017 the Group’s subsidiaries JSC Orenair and JSC Donavia were within bankruptcy process, thus their assets of RUB 1,779 million, including cash and cash equivalents in the amount of RUB 422 million, have had limited availability to the Group as it is defined by Russian legislation.

43. Subsequent Events

In February 2018, the Company and the leasing company Aviakapital-Servis (a subsidiary of the State Corporation Rostec) signed a firm contract for the delivery of 50 MS-21 aircraft under lease contract for 12 years.

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## Entities in which PJSC Aeroflot Holds Shares or Interest as at 31 December 2017

### continued

<table>
<thead>
<tr>
<th>Full and abbreviated name</th>
<th>Stake, %</th>
<th>Purpose</th>
<th>Form</th>
<th>Amount, RUB thousand</th>
<th>Core operations as defined in the Articles of Association</th>
<th>Revenue in 2017 RUB thousand*</th>
<th>Profit/(loss) in 2017 RUB thousand*</th>
<th>Dividends received in 2017 RUB thousand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited Liability Company Aeroflot—Finance, LLC Aeroflot—Finance</td>
<td>99.9999</td>
<td>Implement investment projects</td>
<td>Capital</td>
<td>5,739,229</td>
<td>Implementation of financial projects</td>
<td>10,594,995</td>
<td>919,307</td>
<td>1,599,998</td>
</tr>
<tr>
<td>Limited Liability Company Aeroflot—Branding</td>
<td>Provided maintenance and repair services for Aeroflot Group’s aircraft</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1,777,351</td>
<td>327,697</td>
<td>–</td>
</tr>
<tr>
<td>Limited Liability Company Aeroflot—Finance, LLC Aeroflot—Finance</td>
<td>100</td>
<td>Provide maintenance and repair services for Aeroflot Group’s aircraft</td>
<td>Shares</td>
<td>87</td>
<td>Production and quality of food for in-flight catering, in-flight shopping service, aircraft cleaning and servicing</td>
<td>18,942,266</td>
<td>1,443,383</td>
<td>222,830</td>
</tr>
</tbody>
</table>

* According to RAS.
** Including tax on dividends.
*** Net of VAT (20%).

### Major Transactions and Interested Party Transactions

#### Major transactions


#### Interested party transactions

Execution of Presidential and Governmental Instructions

<table>
<thead>
<tr>
<th>No.</th>
<th>Document type, date, and number</th>
<th>Summary</th>
<th>Evaluation status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.2</td>
<td>The Guidelines on Anti-Corruption Risk Management and Internal Controls of Partially State-Owned Joint-Stock Companies (approved by Order No. 68 of the Federal Agency for Federal Property Management on 2 March 2016)</td>
<td>Clause 3.1 Identifying and assessing corruption risks, areas (business processes) and operational exposures to corruption risks</td>
<td>Not clarified</td>
</tr>
</tbody>
</table>

APPENDIXES

1.3.4: The corruption prevention measures outlined in the Russian Federation No. DM-P17-2666, Russian Federation No. DM-P17-2666, by 1 April 2017.

- Establishing rules for the execution of initiatives aimed at setting up a risk management and internal control system to prevent and counter corruption
- Establishing rules for the execution of initiatives aimed at improving the efficiency of anti-corruption initiatives
- Establishing rules for the execution of initiatives aimed at the effective control of the implementation of the internal controls prescribed by clause 5.3 of the Guidelines. Following the audit, measures to further enhance these initiatives were developed and implemented.
- For the following areas of PJSC Aeroflot:
  - Each of the Clauses of the National Anti-Corruption Plan for 2016–2017 (as of 1 April 2016)


- The Corruption Risk Management Section was added to the Company’s Standard STO UR 21.9 Risk Management and Internal Controls
- Improving the efficiency of anti-corruption initiatives
- Implementing the Roadmap, PJSC Aeroflot:
  - To implement the Roadmap, PJSC Aeroflot:
  - In order to cover anti-corruption initiatives, the Russian Federation No. DM-P17-2666, Russian Federation No. DM-P17-2666, by 1 April 2017.
  - To implement the Roadmap, PJSC Aeroflot:

APPENDIXES
### Execution of Presidential and Governmental Instructions

#### APPENDIXES

<table>
<thead>
<tr>
<th>No.</th>
<th>Document type, date, and number</th>
<th>Summary</th>
<th>Execution status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.5</td>
<td>Article 46 of Federal Law No. 209-FZ On Joint-Stock Companies dated 26 December 1996</td>
<td>Pursue regulations of banks that are not treated as commercially sensitive information.</td>
<td>Execution in progress to file applicable Russian laws on information disclosure. The minutes of PJSC Aeroflot’s Board of Directors are posted on the Company’s account in the interdepartmental portal for state property management.</td>
</tr>
<tr>
<td>1.7</td>
<td>Instruction of the Government of the Russian Federation No. PS-727 dated 07 January 2007</td>
<td>Execution in progress to file applicable Russian laws on information disclosure. The information was submitted within prescribed timelines.</td>
<td></td>
</tr>
<tr>
<td>1.8</td>
<td>Instruction of the Government of the Russian Federation No. PS-4968 dated 09 September 2007</td>
<td>Execution in progress to file applicable Russian laws on information disclosure. The information was submitted within prescribed timelines.</td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>On specifics of participation of small and medium-sized enterprises in procurement of goods, works, and services by certain types of legal entities (Decree of the President of the Russian Federation No. 287 On Measures to Further Develop Small and Medium-Sized Business Enterprises dated 8 June 2015, Resolution of the Government of the Russian Federation No. 1485 dated 11 December 2010)</td>
<td>The Advisory Board was set up (Order No. 360 dated 18 June 2016), amendments were made (Order No. 51 dated 24 March 2016), the membership structure of the Advisory Board was approved (Instruction No. 242/U dated 18 December 2014), amendments were made (Instruction No. 242/U dated 10 December 2015). Regulations on the Advisory Board were developed (69-2015-APPENDIX of Order No. 360 dated 18 June 2016). Commercial launch of the one-stop-shop system took place in April 2017.</td>
<td></td>
</tr>
</tbody>
</table>
### Summary

#### Execution of Presidential and Governmental Instructions

<table>
<thead>
<tr>
<th>No.</th>
<th>Document type, date and number</th>
<th>Description</th>
<th>Evaluation status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Instruction of the Government of the Russian Federation No. 707 (6) dated 7 December 2012</td>
<td>Ensure the efficiency of the customer’s interaction with SMEs, including as regards procurement of innovative products. 1. Increase the share of procurement of the total annual volume of procurement through public tenders to the extent and within the timelines stipulated in paragraph 7 of the Road Map – the share of procurement in the total annual volume of procurement through public tenders in 2015 should at least 45% 2. Increase the share of procurement in the total annual volume of procurement through public tenders in 2016 should at least 50% 3. The share of procurement in the total annual volume of procurement through public tenders in 2017 should be at least 55%</td>
<td>Execution is in progress, taking into account the Company’s business specifics.</td>
</tr>
<tr>
<td>2</td>
<td>Methodology for determining the life cycle of goods, works, and services</td>
<td>The methodology for determining the life cycle of goods, works, and services to be procured (the Methodology) was approved by the CEO’s Order No. 321 dated 28 September 2015 after obtaining a positive opinion of the auditor, Higher School of Economics (No. 6.18.1-19/1706-06 dated 17 June 2015). Procurement document templates were approved, with a focus on the procurement procedures in place at the Company (requests for proposals, tender). Document templates were developed taking into account the simplified participation of SMEs in procurement. The pilot programme of the Company’s partnership with SMEs was developed and approved by the CEO’s Order No. 950 dated 26 November 2016. An on 1 January 2017, SMEs joined the pilot partnership programme.</td>
<td>Execution is in progress, in line with the approved Methodology.</td>
</tr>
<tr>
<td>3</td>
<td>Instruction of the Government of the Russian Federation No. 707 (6) dated 7 December 2012</td>
<td>Ensure the efficiency of the customer’s interaction with SMEs, including as regards procurement of innovative products. 1. Increase the share of procurement of the total annual volume of procurement through public tenders to the extent and within the timelines stipulated in paragraph 7 of the Road Map – the share of procurement in the total annual volume of procurement through public tenders in 2015 should at least 45% 2. Increase the share of procurement in the total annual volume of procurement through public tenders in 2016 should at least 50% 3. The share of procurement in the total annual volume of procurement through public tenders in 2017 should be at least 55%</td>
<td>Execution is in progress, taking into account the Company’s business specifics.</td>
</tr>
<tr>
<td>4</td>
<td>Procurement document templates</td>
<td>Procurement document templates were approved with a focus on the procurement procedures in place at the Company (requests for proposals, tender). Document templates were developed taking into account the simplified participation of SMEs in procurement. The pilot programme of the Company’s partnership with SMEs was developed and approved by the CEO’s Order No. 950 dated 26 November 2016. An on 1 January 2017, SMEs joined the pilot partnership programme.</td>
<td>Execution is in progress, in line with the approved Methodology.</td>
</tr>
<tr>
<td>5</td>
<td>Develop a methodology for determining the life cycle of goods, works, and services to be procured</td>
<td>The methodology for determining the life cycle of goods, works, and services to be procured (the Methodology) was approved by the CEO’s Order No. 321 dated 28 September 2015 after obtaining a positive opinion of the auditor, Higher School of Economics (No. 6.18.1-19/1706-06 dated 17 June 2015). Procurement document templates were approved, with a focus on the procurement procedures in place at the Company (requests for proposals, tender). Document templates were developed taking into account the simplified participation of SMEs in procurement. The pilot programme of the Company’s partnership with SMEs was developed and approved by the CEO’s Order No. 950 dated 26 November 2016. An on 1 January 2017, SMEs joined the pilot partnership programme.</td>
<td>Execution is in progress, in line with the approved Methodology.</td>
</tr>
<tr>
<td>6</td>
<td>Develop and adopt a methodology for determining the life cycle of goods, works, and services to be procured</td>
<td>The methodology for determining the life cycle of goods, works, and services to be procured (the Methodology) was approved by the CEO’s Order No. 321 dated 28 September 2015 after obtaining a positive opinion of the auditor, Higher School of Economics (No. 6.18.1-19/1706-06 dated 17 June 2015). Procurement document templates were approved, with a focus on the procurement procedures in place at the Company (requests for proposals, tender). Document templates were developed taking into account the simplified participation of SMEs in procurement. The pilot programme of the Company’s partnership with SMEs was developed and approved by the CEO’s Order No. 950 dated 26 November 2016. An on 1 January 2017, SMEs joined the pilot partnership programme.</td>
<td>Execution is in progress, in line with the approved Methodology.</td>
</tr>
<tr>
<td>7</td>
<td>Amend amendments to the customer’s regulations on procurement or other executive documents with respect to procurement involving SMEs, only if such amendments include mandatory provisions on the following: 1. mandatorily providing SMEs with the right to choose between bank guarantee and cash collateral as the security, as well as of introduction of additional signed to bonds guarantee and cash collateral (lead security terms, and granting of priority and preferential treatment of the right to assign the title of lead security). 2. mandatory data on the status of the lead security within no more than seven business days from the assessment of the feedback results to SME vendors, except for those reviewed by the leading the mandatory data on the status of the lead security within no more than seven business days from signing a contract with SME vendors. 3. the customer’s obligation to set maximum time for payment for work completed (10 business days after the date of closing documents with an SME acting as the service provider); and a maximum period of 10 business days from the complete date of obligations secured by a deferred payment, if it is in accordance with the customer’s (contractor’s, service provider’s) obligations. 4. the possibility to assign claims under contracts with SMEs to financial institutions. 5. Develop a methodology for determining the life cycle of goods, works, and services to be procured</td>
<td>Amendments were made. The version of the Regulations on Procurement of Goods, Works, and Services was approved by PJSC Aeroflot’s Board of Directors on 29 April 2016 (Minutes No. 16). Amendments were made. The version of the Regulations on Procurement of Goods, Works, and Services was approved by PJSC Aeroflot’s Board of Directors on 29 April 2016 (Minutes No. 16). The methodology for determining the life cycle of goods, works, and services to be procured (the Methodology) was approved by the CEO’s Order No. 321 dated 28 September 2015 after obtaining a positive opinion of the auditor, Higher School of Economics (No. 6.18.1-19/1706-06 dated 17 June 2015). Procurement document templates were approved, with a focus on the procurement procedures in place at the Company (requests for proposals, tender). Document templates were developed taking into account the simplified participation of SMEs in procurement. The pilot programme of the Company’s partnership with SMEs was developed and approved by the CEO’s Order No. 950 dated 26 November 2016. An on 1 January 2017, SMEs joined the pilot partnership programme.</td>
<td>Execution is in progress, in line with the approved Methodology.</td>
</tr>
<tr>
<td>8</td>
<td>Develop and adopt a methodology for determining the life cycle of goods, works, and services to be procured</td>
<td>The methodology for determining the life cycle of goods, works, and services to be procured (the Methodology) was approved by the CEO’s Order No. 321 dated 28 September 2015 after obtaining a positive opinion of the auditor, Higher School of Economics (No. 6.18.1-19/1706-06 dated 17 June 2015). Procurement document templates were approved, with a focus on the procurement procedures in place at the Company (requests for proposals, tender). Document templates were developed taking into account the simplified participation of SMEs in procurement. The pilot programme of the Company’s partnership with SMEs was developed and approved by the CEO’s Order No. 950 dated 26 November 2016. An on 1 January 2017, SMEs joined the pilot partnership programme.</td>
<td>Execution is in progress, in line with the approved Methodology.</td>
</tr>
</tbody>
</table>

The relevant measure was included in KPI lists for department director level managers engaged in the procurement of goods, works, and services in 2014. The Achievement of Targets for the Share of Procurement from SMEs KPI weighing 5% was included in the list of KPIs of PJSC Aeroflot’s KPI system and KPI lists for relevant department heads in 2015. The Overall Productivity KPI (for Aeroflot Group) were included in the list of KPIs of PJSC Aeroflot’s KPI system and KPI lists for relevant department heads in 2015.

Amendments were made. Regulations on Procurement targeting the specific participation of small and medium-sized enterprises were approved by the Board of Directors on 29 April 2016 (Minutes No. 54). The Overall Productivity KPI (for Aeroflot Group) were included in the list of KPIs of PJSC Aeroflot’s KPI system and KPI lists for relevant department heads in 2015.

The share of procurements shall be determined using the “life cycle cost of a product or work result” for innovative, high-tech or technically sophisticated products in the cycle of goods, works and services to be procured (the Methodology) was approved by the CEO’s Order No. 321 dated 28 September 2015.

SME associations were developed taking into account the simplified participation of SMEs in procurement. Procedures in place at the Company (requests for proposals, tender). Document templates were approved, with a focus on the procurement procedures in place at the Company (requests for proposals, tender). Document templates were developed taking into account the simplified participation of SMEs in procurement. The pilot programme of the Company’s partnership with SMEs was developed and approved by the CEO’s Order No. 950 dated 26 November 2016. An on 1 January 2017, SMEs joined the pilot partnership programme. Procurement document templates were approved, with a focus on the procurement procedures in place at the Company (requests for proposals, tender). Document templates were developed taking into account the simplified participation of SMEs in procurement. The pilot programme of the Company’s partnership with SMEs was developed and approved by the CEO’s Order No. 950 dated 26 November 2016. An on 1 January 2017, SMEs joined the pilot partnership programme. Procurement document templates were approved, with a focus on the procurement procedures in place at the Company (requests for proposals, tender). Document templates were developed taking into account the simplified participation of SMEs in procurement. The pilot programme of the Company’s partnership with SMEs was developed and approved by the CEO’s Order No. 950 dated 26 November 2016. An on 1 January 2017, SMEs joined the pilot partnership programme.
Execution of Presidential and Governmental Instructions continued

On assessment of draft plans for procurement of goods, works, and services; draft plans for procurement of innovative and high-tech products, pharmaceuticals and products, draft amendments to these plans, prior to approval for these plans with Russian laws providing for SMEs participation in state and municipal works and services for the needs of joint-stock companies, and the conditions of these plans with Russian laws for procurement of goods, works, and services by federal state enterprises and federal state organizations. PJSC Aeroflot's drapment procurement plan for purchases of goods, works, and services in 2017 was published on the unified information system on 26 December 2016, No. 219675/06 (notification No. F19755/06 and compliance with Russian laws (Findings of PJSC Aeroflot Corporation No. 052-006/06 dated 26 December 2016). All amendments to the plan that were published in the unified information system in our time and then compliance with Russian laws was approved by PJSC Corporation. The CEO (PJSC Aeroflot Corporation) has repeatedly approved amendments to our procurement policies that increased the procurement of goods, works, and services from SMEs for significant contribution to SME development, in accordance with the above-provisioned Government of the Russian Federation. The list was published on PJSC Aeroflot’s website (Documents subsection, Sales and Procurement section). The list of certain goods, works, and services which shall comply with the requirements set forth for their usability and other characteristics was approved by the CEO’s Order No. 206 dated 30 August 2016.

2.3 Instruction of the Government of the Russian Federation No. 10667-pp dated 14 December 2016 on procurement regulation and the development of procurement regulations for purchases of goods, works, and services, and the development of procurement policies of joint-stock companies (the Instruction of the Government of the Russian Federation No. 7704p-P13 dated 14 March 2017). The version of the Regulations on Procurement of Goods,Works, and Services (RF-60-0060) was approved by the Board of Directors on 26 September 2017 (Minutes No. 9). “Clause 6.15. When conducting procurement procedures including SMEs: only the customer shall assign the possibility to assign the customer under procurement contracts with no necessity in the compliance of this contract of the terms stipulated by clause 22.2 of RF-60-0060 to a company (disclosure agency) which signed a issue agreement with a SME against assignment of the customer under procurement contracts with no necessity in the compliance of this contract of the terms stipulated by clause 22.2 of RF-60-0060 to a company (disclosure agency).”

2.4 Decree of the Government of the Russian Federation No. 165-pp dated 13 December 2016 on the implementation of the Long-Term Development Programme (the LDP) of PJSC Aeroflot. The regulations on procurement and the requirements of JSC PJSC Aeroflot’s Key Performance Indicators and the list of KPIs were reviewed and approved by PJSC Aeroflot’s Board of Directors on 21 December 2017 (Minutes No. 86). The version of the Regulations on Procurement of Goods, Works, and Services (RF-60-0060) was approved by the Board of Directors on 26 September 2017 (Minutes No. 9). “Clause 15.6. When conducting procurement procedures including SMEs: only the customer shall assign the possibility to assign the customer under procurement contracts with no necessity in the compliance of this contract of the terms stipulated by clause 22.2 of RF-60-0060 to a company (disclosure agency) which signed a issue agreement with a SME against assignment of the customer under procurement contracts with no necessity in the compliance of this contract of the terms stipulated by clause 22.2 of RF-60-0060 to a company (disclosure agency).”

3.1 Instruction of the Government of the Russian Federation No. 7704p-P13 dated 14 December 2016 on the implementation of the Long-Term Development Programme (the LDP) of PJSC Aeroflot. The list of certain goods, works, and services which shall comply with the requirements set forth for their usability and other characteristics was approved by the CEO’s Order No. 206 dated 30 August 2016. The list was published on PJSC Aeroflot’s website (Documents subsection, Sales and Procurement section). The list of certain goods, works, and services which shall comply with the requirements set forth for their usability and other characteristics was approved by the CEO’s Order No. 206 dated 30 August 2016. The list was published on PJSC Aeroflot’s website (Documents subsection, Sales and Procurement section). The list of certain goods, works, and services which shall comply with the requirements set forth for their usability and other characteristics was approved by the CEO’s Order No. 206 dated 30 August 2016.

3.2 Instruction of the Government of the Russian Federation No. 6561-pp dated 260 October 2016 on amendments to the Terms of the Long-Term Development Programme of PJSC Aeroflot. The terms of the procurement policy are forced to sign long-term contracts with Russian manufacturers of innovative building materials to increase the procurement of goods, works, and services from SMEs, for significant contribution to SME development and to increase the procurement of goods, works, and services from SMEs, for significant contribution to SME development.

3.3 Instruction of the Government of the Russian Federation No. 7704p-P13 dated 14 December 2016 on the implementation of the Long-Term Development Programme (the LDP) of PJSC Aeroflot. The versions of the Regulations on Procurement of Goods, Works, and Services (RF-60-0060) were approved by the Board of Directors on 26 September 2017 (Minutes No. 9). “Clause 6.15. When conducting procurement procedures including SMEs: only the customer shall assign the possibility to assign the customer under procurement contracts with no necessity in the compliance of this contract of the terms stipulated by clause 22.2 of RF-60-0060 to a company (disclosure agency) which signed a issue agreement with a SME against assignment of the customer under procurement contracts with no necessity in the compliance of this contract of the terms stipulated by clause 22.2 of RF-60-0060 to a company (disclosure agency).”

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No. Document type, date and number
3.3 Instruction of the Government of the Russian Federation No. 7704p-P13 dated 14 December 2016 on the implementation of the Long-Term Development Programme (the LDP) of PJSC Aeroflot. The version of the Regulations on Procurement of Goods, Works, and Services (RF-60-0060) was approved by the Board of Directors on 26 September 2017 (Minutes No. 9). “Clause 6.15. When conducting procurement procedures including SMEs: only the customer shall assign the possibility to assign the customer under procurement contracts with no necessity in the compliance of this contract of the terms stipulated by clause 22.2 of RF-60-0060 to a company (disclosure agency) which signed a issue agreement with a SME against assignment of the customer under procurement contracts with no necessity in the compliance of this contract of the terms stipulated by clause 22.2 of RF-60-0060 to a company (disclosure agency).”

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### Execution of Presidential and Governmental Instructions

**No.** Document type, date and number | Summary | Execution status
--- | --- | ---
4.2 | Instruction of the President of the Russian Federation No. 20-ФЗ dated 22 July 2010 | The Programme for Non-Core Assets disposal of JSC Aeroflot was approved by JSC Aeroflot’s Board of Directors on 26 July 2010 (Minutes No. 1). The updated Programme for Non-Core Assets disposal of JSC Aeroflot was approved by JSC Aeroflot’s Board of Directors on 29 December 2017 (Minutes No. 7). | The Programme for Non-Core Assets Disposal of JSC Aeroflot was approved by JSC Aeroflot’s Board of Directors on 26 July 2010 (Minutes No. 1). The updated Programme for Non-Core Assets Disposal of JSC Aeroflot was approved by JSC Aeroflot’s Board of Directors on 29 December 2017 (Minutes No. 7).

4.3 | Instruction of the President of the Russian Federation No. 61-ФЗ dated 10 May 2016 | The Regulations on Procurement of Goods, Works, and Services have been in place since 25 August 2016 (Minutes No. 1). | The Procedure for Using Voluntary Environmental Protection tools was approved and introduced by Order No. 23 dated 10 February 2016.

### APPENDICES

**No.** Document type, date and number | Summary | Execution status
--- | --- | ---
APPENDIXES | The information is posted in the Company’s account on the intranet portal for state property management in the Instructions section — “Instruction No. 97 Long-term Development Programme” and “Instruction No. 29 The Company’s Internal Documents.” | The information is posted in the Company’s account on the intranet portal for state property management in the Instructions section — “Instruction No. 97 Long-term Development Programme” and “Instruction No. 29 The Company’s Internal Documents.”
Execution of Presidential and Governmental Instructions continued

5.4 Minutes of the Meeting of the Inter-Agency Working Group on Supporting Innovative Development Priorities of the Præsidium of the Presidential Council for Economic Modernisation and Innovation Development of Russia held on 15 September 2017 (Minutes No. 8).

Clause 4, section I. Ensure the review of the KPIs, as well as the proposals of state-owned companies’ senior management on quality improvement of preparedness and implementation of these innovative development programmes (IDPs) at the meetings of the Board of Directors.

Clause 4, section II. Approve the KPIs for 2017 after the indicator lower than the initial 2014–2016 values. Ensure the initial KPIs approved for the indicators not lower than the average values for the past five years (2012–2017) by 30 June 2018.

Clause 4, section III. On making decisions providing for the following:

5.1 Development (update) of companies and their subsidiaries (if any), within one month, of a set of proposals on the target values of KPIs for 2019 for the implementation of the above activities was included in the respective sections of the LDPs, KPIs, and IDPs.

5.2 The development of the IIKPIs for 2019 was rescheduled for May 2018 (Minutes of the Meeting of the Inter-Agency Working Group on Supporting Innovative Development Priorities of the Præsidium of the Presidential Council for Economic Modernisation and Innovation Development of Russia No. 1 dated 4 July 2017).

5.3 The report on the implementation of PJSC Aeroflot’s Innovative Development Programme in 2016 was approved by PJSC Aeroflot’s Board of Directors on 28 September 2017 (Minutes No. 47/Pl dated 30 June 2017) and submitted to federal executive authorities for review.

5.4 The integrated innovative key performance indicator (KPI) for Aeroflot Group has been included in the KPI list of Aeroflot Group Long Term Development Programme and PJSC Aeroflot’s KPIs for senior management since 2016 and is taken into account when determining the amount of senior management’s performance payment for 2017 achievement.

Annually report on the implementation of the set of measures (list of measures) as part of the long-term development programme aimed at achieving the KPI of reducing operating expenses (costs) by at least 2%–3% annually.

The report on the implementation of PJSC Aeroflot’s Innovative Development Programme in 2017 (Minutes No. 9) was submitted to federal executive authorities for review.

Ensure the target IIKPI approval for 2018 for the indicators not lower than the actual 2014–2016 values.

The IIKPIs for 2017 were approved for the indicators lower than the actual 2014–2016 values.

The IIKPI calculation method were submitted to the Russian Ministry of Transport (our reference number: 511-2, date: 17 January 2018).

The development of the IIKPI for 2019 was rescheduled for May 2018 (Minutes of the Meeting of the Inter-Agency Working Group on Supporting Innovative Development Priorities of the Præsidium of the Presidential Council for Economic Modernisation and Innovation Development of Russia No. 2 dated 9 November 2017, clause 3, section II). The updated LDP 2016–2022 of Aeroflot Group was approved by PJSC Aeroflot’s Board of Directors on 20 December 2017 (Minutes No. 5).

Directors on 21 December 2017 (Minutes No. 7).

The updated LDP 2018–2022 of Aeroflot Group was approved by PJSC Aeroflot’s Board of Directors on 20 December 2017 (Minutes No. 5).

The set of measures (list of measures) aimed at achieving the target IIKPI of Aeroflot Group, as well as on the calculation method was submitted to the Russian Ministry of Transport (our reference number: 511-2, date: 17 January 2018).

The final assessment of the Innovative Development Programme (IDP) update at PJSC Aeroflot’s KPIs for senior management since 2016 and is taken into account when determining the amount of senior management’s performance payment for 2017 achievement.

The results of the independent assessment of the IDP implementation quality, as well as proposals on improving the quality of IDP preparation and implementation were reviewed at the meeting of PJSC Aeroflot’s Board of Directors on 28 September 2017 (Minutes No. 5).

Clause 4, section I. Ensure the review of the KPIs, as well as the proposals of state-owned companies’ senior management on quality improvement of preparedness and implementation of these innovative development programmes (IDPs) at the meetings of the Board of Directors.

Clause 4, section II. Approve the KPIs for 2017 after the indicator lower than the initial 2014–2016 values. Ensure the initial KPIs approved for the indicators not lower than the average values for the past five years (2012–2017) by 30 June 2018.

Clause 4, section III. On making decisions providing for the following:

On making decisions providing for the following:

5.2 The report on the implementation of PJSC Aeroflot’s Innovative Development Programme in 2017 (Minutes No. 9) was submitted to federal executive authorities for review.

5.4 The integrated innovative key performance indicator (KPI) for Aeroflo...
### Execution of Presidential and Governmental Instructions continued

#### No.
<table>
<thead>
<tr>
<th>Document type, date, and number</th>
<th>Summary</th>
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<tbody>
<tr>
<td>3</td>
<td>On disposal of non-core assets (Paragraph 4, subsection 1, clause 2 of Decree of the President of the Russian Federation No. 516 dated 7 May 2012 On Long-Term National Economic Policy, Instruction of the Government of the Russian Federation No. SP-P13-668 dated 5 January 2014 and No. SP-P13-8562 dated 19 November 2016, Instruction of President of the Russian Federation Vladimir Putin No. 386 dated 22 February 2016)</td>
<td>The Programme for Non-Core Assets Disposal was approved by PJSC Aeroflot's Board of Directors on 17 October 2016 (Minutes No. 3). The updated Programme for Non-Core Assets Disposal (including the Register of Non-Core Assets and the Action Plan on Non-Core Assets Disposal) of PJSC Aeroflot was approved by PJSC Aeroflot's Board of Directors on 17 October 2016 (Minutes No. 3). PJSC Aeroflot's Programme for Non-Core Assets Disposal updated in line with the Guidelines on Identification of Non-Core Assets Disposal, Register of Non-Core Assets and Action Plan on Non-Core Assets Disposal (Appendix 2 to the Programme) was approved by PJSC Aeroflot's Board of Directors on 21 December 2016 (Minutes No. 7). The Programme for Non-Core Assets Disposal was approved by PJSC Aeroflot’s Board of Directors on 26 July 2012 (Minutes No. 1). The proposed Programme for Non-Core Assets Disposal were reviewed at the meetings of PJSC Aeroflot’s Board of Directors on a quarterly basis. The information is posted in the Company’s account on the interdepartmental portal for state property management.</td>
</tr>
<tr>
<td>7.1</td>
<td>Disposal of Non-Core Assets (approved by Instruction of the Government of the Russian Federation No. SP-P13-8562 dated 7 July 2016) Guidelines on Identification of Non-Core Assets Disposal (approved by Instruction of the Government of the Russian Federation No. SP-P13-4530 dated 7 July 2016) Guidelines on Identification and Disposal of Non-Core Assets (approved by Resolution of the Government of the Russian Federation No. 496 dated 15 May 2015)</td>
<td>The Programme for Non-Core Assets Disposal was approved by PJSC Aeroflot's Board of Directors on 17 October 2016 (Minutes No. 3). The updated Programme for Non-Core Assets Disposal (including the Register of Non-Core Assets and the Action Plan on Non-Core Assets Disposal) of PJSC Aeroflot was approved by PJSC Aeroflot's Board of Directors on 17 October 2016 (Minutes No. 3). PJSC Aeroflot’s Programme for Non-Core Assets Disposal updated in line with the Guidelines on Identification of Non-Core Assets Disposal, Register of Non-Core Assets and Action Plan on Non-Core Assets Disposal (Appendix 2 to the Programme) was approved by PJSC Aeroflot’s Board of Directors on 21 December 2016 (Minutes No. 7). The Programme for Non-Core Assets Disposal was approved by PJSC Aeroflot’s Board of Directors on 26 July 2012 (Minutes No. 1). The proposed Programme for Non-Core Assets Disposal were reviewed at the meetings of PJSC Aeroflot’s Board of Directors on a quarterly basis. The information is posted in the Company’s account on the interdepartmental portal for state property management.</td>
</tr>
<tr>
<td>7.2</td>
<td>Instruction of the Government of the Russian Federation No. 496-P13 dated 15 May 2015</td>
<td>The Programme for Non-Core Assets Disposal was approved by PJSC Aeroflot's Board of Directors on 17 October 2016 (Minutes No. 3). The updated Programme for Non-Core Assets Disposal (including the Register of Non-Core Assets and the Action Plan on Non-Core Assets Disposal) of PJSC Aeroflot was approved by PJSC Aeroflot's Board of Directors on 17 October 2016 (Minutes No. 3). PJSC Aeroflot’s Programme for Non-Core Assets Disposal updated in line with the Guidelines on Identification of Non-Core Assets Disposal, Register of Non-Core Assets and Action Plan on Non-Core Assets Disposal (Appendix 2 to the Programme) was approved by PJSC Aeroflot’s Board of Directors on 21 December 2016 (Minutes No. 7). The Programme for Non-Core Assets Disposal was approved by PJSC Aeroflot’s Board of Directors on 26 July 2012 (Minutes No. 1). The proposed Programme for Non-Core Assets Disposal were reviewed at the meetings of PJSC Aeroflot’s Board of Directors on a quarterly basis. The information is posted in the Company’s account on the interdepartmental portal for state property management.</td>
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<tr>
<td>8</td>
<td>On managing intellectual property rights (Appendix 1 to the Programme for Non-Core Assets Disposal (Rossiya airline’s Board of Directors on 31 March 2016)); the audit of assets was conducted in the Company’s subsidiaries, following which non-core assets were identified in Rossiya airline and included in the Rossiya airline’s non-core assets register (Appendix 1 to the Programme); the action plan for disposition of non-core assets was prepared in the Rossiya airline and included in the Rossiya airline’s non-core assets register (Appendix 2 to the Programme); the programme for disposal of non-core assets was approved by Rossiya airline’s Board of Directors on 17 October 2016); the programme for non-core assets disposal was approved by Rossiya airline’s Board of Directors on 26 July 2012; the matter was reviewed at the meeting of Rossiya airline’s Board of Directors on 26 July 2012)</td>
<td>The implementation of key regulations and an Action Plan on Intellectual Property Rights Management in the Rossiya airline’s management system was approved by Rossiya airline’s Board of Directors on 26 July 2012 (Minutes No. 1). The matter was reviewed at the meeting of Rossiya airline’s Board of Directors on 26 July 2012. The Deputy CEO for Customer Relations was appointed responsible for the implementation of the Regulations on Intellectual Property Rights Management.</td>
</tr>
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## Execution of Presidential and Governmental Instructions continued

<table>
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<tr>
<th>No</th>
<th>Document type, date and number</th>
<th>Summary</th>
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<tbody>
<tr>
<td>9.1</td>
<td>Instructions of the Government of the Russian Federation No. 4972p-P13 dated 11 July 2016</td>
<td>On schedule substitution of imported products (works, services) with those of Russian origin (works, services), having similar specifications and consumer properties</td>
<td>The requirements were included in PJSC Aeroflot’s Regulations on Procurement of Goods, Works and Services (version RI-GD-148F) approved by the Board of Directors on 17 October 2016 (Minutes No. 3).</td>
</tr>
</tbody>
</table>

The matter was reviewed at the meeting of PJSC Aeroflot’s Board of Directors on 17 October 2016 (Minutes No. 3). The Company’s Management Board has been instructed to set up a procedure for schedule substitution of imported products, works, and services of the subsidiaries and to approve them by PJSC Aeroflot by more than 50%. |

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</table>

The requirements were considered at the Regulations on Administration of Goods, Works and Services (version RI-GD-148F) approved by the Board of Directors on 23 June 2017 (Minutes No. 13). Amendments to the Guidelines for Determining and Applying Criteria Assessment and Company’s Policies, Procedures, and Standards (RI-GD-196/19) dated 23 June 2017. |

### APPENDIXES
### Execution of Presidential and Governmental Institutions continued

<table>
<thead>
<tr>
<th>No</th>
<th>Document type, date and number</th>
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<th>Execution status</th>
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<tbody>
<tr>
<td>111</td>
<td>Instruction of the Ministry of Labour and Social Protection of the Russian Federation No. 147/3-P13 dated 27 June 2016 (reference number: 2557, dated 2 August 2016)</td>
<td>Adapt decisions providing for the following: – Establishment of corporate standards (during overhaul or in case of emergency) on ensuring accessibility of the entity’s facilities and services for disabled people; – Certification of facilities and services for ensuring accessibility of the entity’s facilities and services for disabled people; – Training courses for personnel engaged in ensuring accessibility of the entity’s facilities and services for disabled people; – Donation of up to 300 vehicles for the entity’s budget and provision of the necessary financial and material support.</td>
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<td>111</td>
<td>Instruction of the Ministry of Labour and Social Protection of the Russian Federation No. 147/3-P13 dated 27 June 2016 (reference number: 2557, dated 2 August 2016)</td>
<td>Adopt decisions providing for the following: – Establishment of corporate standards (during overhaul or in case of emergency) on ensuring accessibility of the entity’s facilities and services for disabled people; – Certification of facilities and services for ensuring accessibility of the entity’s facilities and services for disabled people; – Training courses for personnel engaged in ensuring accessibility of the entity’s facilities and services for disabled people; – Donation of up to 300 vehicles for the entity’s budget and provision of the necessary financial and material support.</td>
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<td>Adopt decisions providing for the following: – Establishment of corporate standards (during overhaul or in case of emergency) on ensuring accessibility of the entity’s facilities and services for disabled people; – Certification of facilities and services for ensuring accessibility of the entity’s facilities and services for disabled people; – Training courses for personnel engaged in ensuring accessibility of the entity’s facilities and services for disabled people; – Donation of up to 300 vehicles for the entity’s budget and provision of the necessary financial and material support.</td>
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<th>No</th>
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<th>Summary</th>
<th>Execution status</th>
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</thead>
</table>
10. On increasing labour productivity, creating and upgrading highly productive jobs

10.1 Clause 6, section 2 of the Action Plan

The implementation of the Long-Term Development Programme (LDP) calls for the need to include measures aimed at increasing labour productivity within the LDP. The Action Plan sets out measures aimed at increasing labour productivity, including:

- Include the key metrics for adequate talent pipeline in the long-term development programme, including engineering and technical positions necessary to implement the key measures within the Company’s strategic development.


The company ensures fair and equitable treatment of all shareholders in exercising their corporate governance rights.

10.3 The Labour Productivity Indicator (for the Aeroflot Group) has been included in the KPI list of Aeroflot Group’s Long-Term Development Programme and PAGC’s (Joint-Stock Company) KPI management and is taken into account when determining the amount of remuneration, including CEO’s bonus payments for KPI achievement.

10.4 The Labour Productivity KPI enforcement (for the Aeroflot Group) is considered by Aeroflot’s Board of Directors on a quarterly basis. Information on KPI achievement is annually posted on the Company’s account on the interdepartmental portal for state property management in the instructions section - “Instruction No. 19 Increasing Labour Productivity”.

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The corporate governance framework and practices ensure equal conditions for all shareholders owning the same type (class) of shares, including minority and non-resident shareholders. Shareholders are provided with reliable and full information about the company’s activities and are able to freely dispose of their shares without any interference. The company makes every effort to prevent and not resolve to place a transparent and clear mechanism to determine the dividend amount and payout procedure.

<table>
<thead>
<tr>
<th>Corporate governance principles</th>
<th>Compliance criteria</th>
<th>Compliance status</th>
<th>Reasons for non-compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.2 Shares are given equal and fair opportunities to share profits of the company in the form of dividends.</td>
<td>The company does not resolve to place a transparent and clear mechanism to determine the dividend amount and payout procedure.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>1.2.1 The company has designed and put in place a transparent and clear mechanism to determine the dividend amount and payout procedure.</td>
<td>The company does not resolve to place a transparent and clear mechanism to determine the dividend amount and payout procedure.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>1.2.2 The company’s dividend policy clearly identifies financial/economic circumstances under which the company shall not pay out dividends.</td>
<td>The company’s dividend policy clearly identifies financial/economic circumstances under which the company shall not pay out dividends.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>1.2.3 The company does not allow for dividend payments to be deferred.</td>
<td>The company’s dividend policy clearly identifies financial/economic circumstances under which the company shall not pay out dividends.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>1.2.4 The company does not allow for dividend rights of its existing shareholders to be denied or limited.</td>
<td>The company’s dividend policy clearly identifies financial/economic circumstances under which the company shall not pay out dividends.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>1.2.5 The company does not allow for dividend payments to be deferred.</td>
<td>The company’s dividend policy clearly identifies financial/economic circumstances under which the company shall not pay out dividends.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>1.2.6 The company’s dividend policy ensures that the company shall not pay out dividends.</td>
<td>The company’s dividend policy clearly identifies financial/economic circumstances under which the company shall not pay out dividends.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>1.3.2 The board of directors determines the company’s remuneration and reimbursement (compensation) policy for its directors, members of executive bodies, and other key executives.</td>
<td>The board of directors determines the company’s remuneration and reimbursement (compensation) policy for its directors, members of executive bodies, and other key executives.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>1.4.1 The company developed and put in place a remuneration and reimbursement (compensation) policy for its directors, members of executive bodies, and other key executives.</td>
<td>The board of directors assesses the company’s remuneration and reimbursement (compensation) policy for its directors, members of executive bodies, and other key executives.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>1.5.1 The board of directors chooses the company’s board members and appoints and dismisses executive bodies, and other key executives.</td>
<td>The board of directors determines the company’s remuneration and reimbursement (compensation) policy for its directors, members of executive bodies, and other key executives.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>1.5.2 The board of directors plays a key role in preventing, identifying, and resolving internal conflicts between the company’s board, shareholders, and employees.</td>
<td>The board of directors determines the company’s remuneration and reimbursement (compensation) policy for its directors, members of executive bodies, and other key executives.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>1.5.3 The board of directors sets key lines of business.</td>
<td>The board of directors determines the company’s remuneration and reimbursement (compensation) policy for its directors, members of executive bodies, and other key executives.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>1.5.4 The board of directors approves the company’s key performance indicators and targets for the company, assesses and controls the company’s performance, and monitors and evaluates the performance of the company’s executive bodies.</td>
<td>The board of directors determines the company’s remuneration and reimbursement (compensation) policy for its directors, members of executive bodies, and other key executives.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>1.5.5 The board of directors and the executive body on the implementation of the company’s long-term development strategy and core lines of business.</td>
<td>The board of directors determines the company’s remuneration and reimbursement (compensation) policy for its directors, members of executive bodies, and other key executives.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>1.6.1 Shares are provided with reliable and full information about the company’s activities and are able to freely dispose of their shares without any interference.</td>
<td>The board of directors determines the company’s remuneration and reimbursement (compensation) policy for its directors, members of executive bodies, and other key executives.</td>
<td>Full</td>
<td></td>
</tr>
</tbody>
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Report on Compliance with the Principles and Recommendations
Set Out in the Corporate Governance Code

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<tbody>
<tr>
<td>2.16</td>
<td>The board of directors plays a key role in ensuring that the company is transparent, timely and fully discloses its information, and provides its shareholders with unhindered access to the company’s documents.</td>
<td>1. The board of directors plays a key role in preventing, identifying, and resolving internal conflicts.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>2.17</td>
<td>The board of directors fulfills the company’s corporate governance practices and plays a key role in material corporate actions of the company.</td>
<td>2. The company sets up mechanisms to identify transactions leading to a conflict of interest and to resolve such conflicts.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>2.18</td>
<td>The board of directors is accountable to the company’s shareholders.</td>
<td>3. The company sets up procedures for shareholders to express their position on such questions to the board of directors and committee meetings.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>2.19</td>
<td>The board of directors manages the company in an efficient and professional manner and is capable of making fair and independent judgements and adopting resolutions in the best interests of the company and its shareholders.</td>
<td>4. The board of directors reviews its own performance on a regular basis. In such assessment, substance should prevail over form.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>2.20</td>
<td>The board of directors ensures the company’s directors are not influenced in the performance of their duties by beneficial ownership and, if necessary, by independent director supervising the company’s activities.</td>
<td>5. The company assesses compliance of independent directors with independence criteria at a regular basis. In such assessment, substance should prevail over form.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>2.21</td>
<td>The board of directors manages the company’s corporate governance practices and is capable of making fair and independent judgements and adopting resolutions in the best interests of the company and its shareholders.</td>
<td>6. The company assesses its nomination committee for required experience, expertise, business skills, and enjoys its shareholders’ confidence.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>2.22</td>
<td>The board of directors ensures the company’s directors are not influenced in the performance of their duties by beneficial ownership and, if necessary, by independent director supervising the company’s activities.</td>
<td>7. The board of directors supervises management and in ensuring that the company performs its activities in the most efficient way, including the ability to set up committees of the board of directors and enable the company to make unbiased resolutions.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>2.23</td>
<td>The board of directors considers the board of directors acts in the best interests of the company and its shareholders.</td>
<td>8. The company assesses its nomination committee for required experience, expertise, business skills, and enjoys its shareholders’ confidence.</td>
<td>Full</td>
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<tr>
<td>2.24</td>
<td>The company has a sufficient number of directors to organize the board of directors’ activities in the most efficient way, including the ability to set up committees of the board of directors and enable the company’s substantial minority shareholders to rent a seat in the board of directors for whom they vote.</td>
<td>1. As part of assessment of the board of directors’ performance in the reporting period, the board of directors considered whether the number of directors met the company’s needs and shareholders’ interests.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>2.25</td>
<td>The board of directors includes a sufficient number of independent directors.</td>
<td>2. The reporting period, the board of directors is comprised of independent directors only. As part of assessment of the board of directors’ performance in the reporting period, the board of directors considered whether the number of independent directors met the company’s needs and shareholders’ interests.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>2.26</td>
<td>The board of directors includes a sufficient number of independent directors.</td>
<td>3. As part of assessment of the board of directors’ performance in the reporting period, the board of directors considered whether the number of independent directors met the company’s needs and shareholders’ interests.</td>
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<tr>
<td>2.27</td>
<td>The board of directors considers the board of directors acts in the best interests of the company and its shareholders.</td>
<td>1. As part of assessment of the board of directors’ performance in the reporting period, the board of directors considered whether the number of directors met the company’s needs and shareholders’ interests.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>2.28</td>
<td>The company has a sufficient number of directors to organize the board of directors’ activities in the most efficient way, including the ability to set up committees of the board of directors and enable the company’s substantial minority shareholders to rent a seat in the board of directors for whom they vote.</td>
<td>1. As part of assessment of the board of directors’ performance in the reporting period, the board of directors considered whether the number of directors met the company’s needs and shareholders’ interests.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>2.29</td>
<td>The board of directors includes a sufficient number of independent directors.</td>
<td>2. The reporting period, the board of directors is comprised of independent directors only. As part of assessment of the board of directors’ performance in the reporting period, the board of directors considered whether the number of independent directors met the company’s needs and shareholders’ interests.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>2.30</td>
<td>The board of directors includes a sufficient number of independent directors.</td>
<td>3. As part of assessment of the board of directors’ performance in the reporting period, the board of directors considered whether the number of independent directors met the company’s needs and shareholders’ interests.</td>
<td>Full</td>
<td></td>
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APPENDIXES
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<tr>
<td>2.5.2</td>
<td>The chairman of the board of directors maintains a constructive and representative relationship with the executive directors and ensures that the board of directors is well informed and that it has the opportunity to discuss key matters. The chairman of the board of directors also ensures that the board of directors is informed of the key decisions made by the executive directors.</td>
<td>The company’s internal documents set out the duty of the chairman of the board of directors to ensure that all directors are adequately informed before meetings of the board of directors.</td>
<td>Full</td>
<td>Not applicable.</td>
</tr>
<tr>
<td>2.6.3</td>
<td>Directors act reasonably and in good faith in the best interests of the company and its shareholders, on a fully informed and with due care and diligence.</td>
<td>The company’s internal documents set out the duty of directors to act reasonably and in good faith in the best interests of the company and its shareholders.</td>
<td>Full</td>
<td>Not applicable.</td>
</tr>
<tr>
<td>2.7.1</td>
<td>All directors have equal access to the information and documents necessary for the performance of their duties.</td>
<td>The company’s articles of association provide for the right of each director to receive all information necessary to perform his or her duties.</td>
<td>Full</td>
<td>Not applicable.</td>
</tr>
<tr>
<td>2.7.2</td>
<td>Meetings of the board of directors, preparatory for each meeting, and attendance by directors ensure efficient performance by the board of directors.</td>
<td>The company’s internal documents set out the duty of directors to attend meetings and prepare for them in a timely manner.</td>
<td>Full</td>
<td>Not applicable.</td>
</tr>
<tr>
<td>2.8.2</td>
<td>The board of directors has set up a remuneration committee to determine the remuneration of members of the board of directors and its committees.</td>
<td>The board of directors set up a remuneration committee to determine the remuneration of its members.</td>
<td>Full</td>
<td>Not applicable.</td>
</tr>
</tbody>
</table>
Remuneration payable by the company is sufficient to attract, motivate, and retain people with competencies and qualifications required by the company. Remuneration payable is determined in a manner that makes part of the company’s remuneration policy. The company’s remuneration policy (policies) stipulates (stipulate) all types of expenses, benefits, and privileges provided to such persons.

The board of directors ensures performance assessment of the board of directors, its committees and members of the board of directors.

The board of directors ensures performance assessment of the board of directors, its committees and members of the board of directors. The board of directors’ performance assessment is served at determining the efficiency of the board of directors, its committees and members; consistency of their work with the company’s growth requirements; and, as well as balancing, the work of the board of directors and executive bodies for improvement.

Performance of the board of directors, its committees, and members is assessed regularly at least once in three years to conduct an independent assessment of the board of directors performance.

2.9.2 The board of directors reports to the board of directors, its committees, and members the results of their work during the reporting period.

The company engaged an external advisor to conduct an independent assessment of the board of directors performance on the basis of the last three reporting periods.

The board of directors’ performance assessment is based on the results of the procedures for determination of the amount of remuneration due to directors, executive bodies, and other key executives of the company.

The board of directors approves the appointment, dismissal, and additional remuneration of the corporate secretary.

The board of directors approves the appointment, dismissal, and additional remuneration of the corporate secretary.

The company’s remuneration policy (policies) includes transparent mechanisms for determining the amount of remuneration due to directors, executive bodies, and other key executives of the company, and regulates all types of expenses, benefits, and privileges provided to such persons.

2.9.1 The board of directors approves the annual remuneration policy (policies) for directors, executive bodies, and other key executives of the company.

The company defines a policy or reimbursement (appropriation) of expenses, reflecting a balance of expenses and specifying various levels that directors, executive bodies and other key executives of the company may claim. Such policy costs may cover part of the company remuneration policy.

The company pays fixed annual remuneration to its directors. The company does not pay remuneration for attending particular meetings of the board of directors or its committees. The company does not apply any form of short-term incentive as additional financial incentive for its directors.

4.1.2 The company’s remuneration policy (policies) includes transparent mechanisms for determining the amount of remuneration due to directors, executive bodies, and other key executives of the company, and regulates all types of expenses, benefits, and privileges provided to such persons.

2.9. The company’s remuneration policy (policies) stipulates (stipulate) all types of expenses, benefits, and privileges provided to such persons.

The board of directors approves the annual remuneration policy (policies) for directors, executive bodies, and other key executives of the company. The board of directors, including its committees, ensures control over the introduction and implementation of the company’s remuneration policy, meeting, and amendment as required.

In addition to the fixed remuneration, company’s executives may claim remuneration due to members of executive bodies, and other key executives of the company. The company pays fixed annual remuneration to its directors. The company does not pay remuneration for attending particular meetings of the board of directors or its committees. The company does not apply any form of short-term incentive as additional financial incentive for its directors.

The company’s remuneration policy (policies) includes transparent mechanisms for determining the amount of remuneration due to directors, executive bodies, and other key executives of the company, and regulates all types of expenses, benefits, and privileges provided to such persons.

2.9. The board of directors approves the annual remuneration policy (policies) for directors, executive bodies, and other key executives of the company. The board of directors, including its committees, ensures control over the introduction and implementation of the company’s remuneration policy, meeting, and amendment as required.

The company’s remuneration policy (policies) includes transparent mechanisms for determining the amount of remuneration due to directors, executive bodies, and other key executives of the company, and regulates all types of expenses, benefits, and privileges provided to such persons.

The board of directors ensures performance assessment of the board of directors, its committees and members of the board of directors.

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The board of directors ensures performance assessment of the board of directors, its committees and members of the board of directors.

The board of directors reports to the board of directors, its committees, and members the results of their work during the reporting period.

The company engaged an external advisor to conduct an independent assessment of the board of directors performance on the basis of the last three reporting periods.

The board of directors’ performance assessment is based on the results of the procedures for determination of the amount of remuneration due to directors, executive bodies, and other key executives of the company.

The company’s remuneration policy (policies) includes transparent mechanisms for determining the amount of remuneration due to directors, executive bodies, and other key executives of the company, and regulates all types of expenses, benefits, and privileges provided to such persons.

The board of directors ensures performance assessment of the board of directors, its committees and members of the board of directors.

The board of directors ensures performance assessment of the board of directors, its committees and members of the board of directors.

The board of directors reports to the board of directors, its committees, and members the results of their work during the reporting period.

The company engaged an external advisor to conduct an independent assessment of the board of directors performance on the basis of the last three reporting periods.

The board of directors’ performance assessment is based on the results of the procedures for determination of the amount of remuneration due to directors, executive bodies, and other key executives of the company.
## Report on Compliance with the Principles and Recommendations Set Out in the Corporate Governance Code

### continued

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<tbody>
<tr>
<td>4.2.2</td>
<td>The company has in place a long-term incentive programme for members of executive board, and other key executives of the company with the use of the company’s shares (options and other derivative instruments which the company’s shares are the underlying asset).</td>
<td>1. The company has in place a long-term incentive programme for members of executive board, and other key executives of the company with the use of the company’s shares (financial instruments based on the company’s shares).</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. The long-term incentive programme for members of executive board, and other key executives of the company reflects the right to dispose of shares and other financial instruments used in the programme (in effect at least three years after such shares or other financial instruments are granted). The right to dispose of such shares or other financial instruments is limited to the executive board.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.3.9</td>
<td>The compensation (salary, perquisites payable by the company in cases of early termination of members of executive board or key executives of the company’s subsidiaries, provided that there have been no actions in bad faith on their part, does not exceed the double amount of the fixed component of their annual remuneration.</td>
<td>In the reporting period, the compensation (salary, perquisites payable by the company in case of early termination of members of executive board or key executives of the company’s subsidiaries, provided that there have been no actions in bad faith on their part, did not exceed the double amount of the fixed component of their annual remuneration</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.1.1</td>
<td>The company's board of directors assessed the principles of and internal controls related to risk management and internal controls at the company.</td>
<td>The company’s board of directors determined the principles of and internal controls related to risk management and internal controls at the company (in effect at least three years after such shares or other financial instruments are granted). The right to dispose of such shares or other financial instruments is limited to the executive board.</td>
<td>Full</td>
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<tr>
<td></td>
<td></td>
<td>1. To perform internal audits, the company set up a separate business unit – internal audit division, which has a separate business unit – internal audit division, and reporting lines to the board of directors or one of its committees.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>5.1.2</td>
<td>The company's board of directors takes the company's performance targets.</td>
<td>The company’s board of directors takes the company’s performance targets.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>5.1.3</td>
<td>The company's board of directors determined the principles of and internal controls ensuring efficient exchange of information by the company, its shareholders, investors, and other stakeholders.</td>
<td>The company’s board of directors determined the principles of and internal controls ensuring efficient exchange of information by the company, its shareholders, investors, and other stakeholders.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>5.2.1</td>
<td>The company discloses information on its corporate governance and general principles of corporate governance, including disclosure on its website.</td>
<td>The company discloses information on its corporate governance and general principles of corporate governance, including disclosure on its website.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>5.2.2</td>
<td>The company discloses information based on the principles of regulatory consistency and principles, as well as availability, reliability, comparability, and comparability of disclosed data.</td>
<td>The company discloses information based on the principles of regulatory consistency and principles, as well as availability, reliability, comparability, and comparability of disclosed data.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>6.1.1</td>
<td>The company's annual report contains information on the key aspects of its operational and financial performance.</td>
<td>The company's annual report contains information on the key aspects of its operational and financial performance.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1. The company's annual report contains information on the key aspects of its operational and financial performance.</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>2. If the company’s securities are traded on foreign organised markets, the company ensured concerted and uniform disclosure of material information in those markets, the company ensured concerted and uniform disclosure of material information in those markets.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.1.2</td>
<td>The company discloses information on its corporate governance and general principles of corporate governance, including disclosure on its website.</td>
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<td>6.1.3</td>
<td>The company discloses information on the principles of regulatory consistency and principles, as well as availability, reliability, comparability, and comparability of disclosed data.</td>
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<td>Full</td>
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<td>6.1.4</td>
<td>The company discloses information based on the principles of regulatory consistency and principles, as well as availability, reliability, comparability, and comparability of disclosed data.</td>
<td>The company discloses information based on the principles of regulatory consistency and principles, as well as availability, reliability, comparability, and comparability of disclosed data.</td>
<td>Full</td>
<td></td>
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<tr>
<td>6.2.1</td>
<td>The company discloses information to its controlling person, a shareholder, an employee, or to any other company’s shareholder, investor, or employee in the reporting period.</td>
<td>The company discloses information to its controlling person, a shareholder, an employee, or to any other company’s shareholder, investor, or employee in the reporting period.</td>
<td>Full</td>
<td></td>
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<tr>
<td>6.2.2</td>
<td>The company discloses information to the board of directors.</td>
<td>The company discloses information to the board of directors.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>6.2.3</td>
<td>The company discloses information to the board of directors, independent of the board of directors’ committees (as defined by the Code).</td>
<td>The company discloses information to the board of directors, independent of the board of directors’ committees (as defined by the Code).</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>6.2.4</td>
<td>The company discloses information to any other board of directors’ committees.</td>
<td>The company discloses information to any other board of directors’ committees.</td>
<td>Full</td>
<td></td>
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<tr>
<td>6.2.5</td>
<td>The company discloses information to any other board of directors’ committees.</td>
<td>The company discloses information to any other board of directors’ committees.</td>
<td>Full</td>
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</tr>
<tr>
<td>6.2.6</td>
<td>The company discloses information to the board of directors.</td>
<td>The company discloses information to the board of directors.</td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>6.2.7</td>
<td>The company discloses information in its corporate governance and general principles of corporate governance, including disclosure on its website.</td>
<td>The company discloses information in its corporate governance and general principles of corporate governance, including disclosure on its website.</td>
<td>Full</td>
<td></td>
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<td>6.2.8</td>
<td>The company discloses information on the principles of regulatory consistency and principles, as well as availability, reliability, comparability, and comparability of disclosed data.</td>
<td>The company discloses information on the principles of regulatory consistency and principles, as well as availability, reliability, comparability, and comparability of disclosed data.</td>
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<td>6.2.9</td>
<td>The company discloses information based on the principles of regulatory consistency and principles, as well as availability, reliability, comparability, and comparability of disclosed data.</td>
<td>The company discloses information based on the principles of regulatory consistency and principles, as well as availability, reliability, comparability, and comparability of disclosed data.</td>
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<td>6.1</td>
<td>The company provides information and documents requested by its shareholders in accordance with principles of fairness and ease of access.</td>
<td></td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>6.2</td>
<td>The company provides information and documents requested by its shareholders in accordance with principles of fairness and ease of access.</td>
<td></td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>6.3</td>
<td>When providing information to shareholders, the company ensures reasonable balance between the interests of particular shareholders and its own interests consisting in preserving the confidentiality of important commercial information which may materially affect its competitive edge.</td>
<td></td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>7.1.1</td>
<td>Actions that materially affect or may affect the company’s share capital structure and its financial position and accordingly the position of its shareholders (“material corporate actions”) are taken on fair terms ensuring that the rights and interests of the shareholders and other stakeholders are observed.</td>
<td></td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>7.1.2</td>
<td>Material corporate actions include at least: company’s articles of association contain less stringent rules and procedures related to material corporate actions than required by law.</td>
<td></td>
<td>Partial</td>
<td>PJSC Aeroflot intends to achieve full compliance with this principle of the Code in the future.</td>
</tr>
<tr>
<td>7.1.3</td>
<td>When taking material corporate actions, the company has in place a procedure enabling independent directors to express their opinion on material corporate actions prior to approval thereof.</td>
<td></td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>7.2</td>
<td>The company performs material corporate actions in such a way as to ensure that shareholders timely receive complete information about such actions, allowing them to influence such actions and guaranteeing adequate protection of their rights when performing such actions.</td>
<td></td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>7.2.1</td>
<td>Information about material corporate actions is disclosed with explanations of the grounds, circumstances, and consequences thereof.</td>
<td></td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>7.2.2</td>
<td>When providing information to shareholders, the company ensures reasonable balance between the interests of particular shareholders and its own interests consisting in preserving the confidentiality of important commercial information which may materially affect its competitive edge.</td>
<td></td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>7.2.3</td>
<td>The company’s internal documents set out a procedure for engaging an independent appraiser to estimate the value of assets either disposed of or acquired in a major transaction or in connection therewith.</td>
<td></td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>7.2.4</td>
<td>The company’s internal documents set out a procedure for engaging an independent appraiser to estimate the value of shares acquired and bought back by the company.</td>
<td></td>
<td>Full</td>
<td></td>
</tr>
<tr>
<td>7.2.5</td>
<td>The company’s internal documents provide for an expanded list of grounds on which members of the company’s board of directors, as well as other persons on the applicable level, are deemed to be related parties to the company’s transactions.</td>
<td></td>
<td>Full</td>
<td></td>
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</tbody>
</table>

APPENDICES
Information About the Programme for Disposal of Non-Core Assets

The Programme for Disposal of PJSC Aeroflot’s Non-Core Assets (version No. 7) was approved by PJSC Aeroflot’s Board of Directors on 21 December 2017 (Minutes No. 7). The Programme provides for disposal of eight non-core assets (shares, stakes in the share capital of business entities, real estate) owned by PJSC Aeroflot’s Board of Directors resolved to retain three assets and to exclude another three assets from the Non-Core Asset Register following their reclassification as core assets. The Programme also contains criteria for classification of assets as non-core, the non-core asset register, information on circumstances, book and market value, approach to selecting assets for disposal, as well as disposal methods, procedures and drawbacks.

The non-core assets owned by PJSC Aeroflot include property and property rights which are outside its flight services, but may be closely related to the development of the Company’s end product.

The Company’s approach to technological (non-core) assets that have a significant impact on the core business of PJSC Aeroflot is based on non-production criteria (achievement of non-commercial objectives, type of business, goodwill, etc.). These assets are disposed of if the effect of ownership is insignificant.

Real estate assets are analysed to determine their highest and best use for the airline’s operational and commercial activities.

Disposal of PJSC Aeroflot’s non-core assets in 2017

<table>
<thead>
<tr>
<th>Asset</th>
<th>Inventory number</th>
<th>Reason for disposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel complex, Hotel complex, Republic of Cabo Verde</td>
<td>$2,230 (hotel, asset card SAP ERP 102000136), $2,200 (asset card SAP ERP 102000136), $2,300 (asset card SAP ERP 102000136)</td>
<td>Real estate assets are reclassified as core</td>
</tr>
<tr>
<td>200 Class A ordinary shares of Banco plc</td>
<td>600</td>
<td>Market value (of disposal) is higher than its book value</td>
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</tbody>
</table>

Contracts to purchase/sell securities/interest in non-core entities signed in 2017

<table>
<thead>
<tr>
<th>Reason for increase/ decease of stake in the share capital of subsidiaries and associates</th>
<th>Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>The sale of shares of Banco plc (including 200 Class A ordinary shares)</td>
<td>In reference to the resolution that introduced the change</td>
</tr>
<tr>
<td>The sale of shares of Banco plc (excluding 200 Class A ordinary shares)</td>
<td>In reference to the resolution that introduced the change</td>
</tr>
</tbody>
</table>

Operating Data

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger traffic, thousand PAX</td>
<td>20,802.4</td>
<td>23,670.0</td>
<td>26,917.5</td>
<td>28,877.6</td>
<td>32,840.2</td>
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<td>12,294.9</td>
<td>12,468.2</td>
<td>11,445.4</td>
<td>16,837.1</td>
<td>170,41.1</td>
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<td>International Routes</td>
<td>8,507.5</td>
<td>11,201.8</td>
<td>15,472.1</td>
<td>12,040.5</td>
<td>15,691.1</td>
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<tr>
<td>Passenger turnover, million RPK</td>
<td>60,226.3</td>
<td>67,212.7</td>
<td>74,115.9</td>
<td>82,693.9</td>
<td>91,809.9</td>
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<td>41,072.6</td>
<td>40,474.4</td>
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<td>60,663.4</td>
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<td>33,641.5</td>
<td>29,384.9</td>
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<td>Available seat-kilometres, million ASK</td>
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<td>60,296.1</td>
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<td>81.8</td>
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<td>81.9</td>
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<tr>
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<td>77.1</td>
<td>78.0</td>
<td>79.5</td>
<td>79.5</td>
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<td>Cargo and mail carried, thousand tonnes</td>
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<td>149.3</td>
<td>105.1</td>
<td>175.5</td>
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<tr>
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<td>120.0</td>
<td>94.5</td>
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<td>26,902.7</td>
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<td>28,977.9</td>
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<td>752.3</td>
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<td>1,583.6</td>
<td>1,000.0</td>
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<td>Available tonne-kilometres, million TCM</td>
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<td>6,752.7</td>
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<td>9,296.2</td>
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<td>4,271.6</td>
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<td>3,006.7</td>
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<td>Revenue tonne-kilometres, million TCM</td>
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<td>Domestic Routes</td>
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<td>5,983.1</td>
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<td>9,238.5</td>
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<td>Revenue total factors</td>
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<td>62.3</td>
<td>65.0</td>
<td>68.1</td>
</tr>
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<td>Domestic Routes</td>
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<td>62.6</td>
<td>64.9</td>
<td>67.1</td>
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<td>63.1</td>
<td>66.2</td>
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<tr>
<td>Revenue flight hours, hours</td>
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<td>124,356.0</td>
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<td>70,588.0</td>
<td>81,872.0</td>
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</tr>
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<td>Flight hours, hours</td>
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<td>554,609.0</td>
<td>594,863.0</td>
<td>639,524.0</td>
<td>702,807.0</td>
</tr>
</tbody>
</table>
### Rossiya airline

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger traffic, thousand PAX</td>
<td>9,084.7</td>
<td>9,562.6</td>
<td>9,066.9</td>
<td>8,800.3</td>
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<td>Domestic Routes</td>
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<td>6,070.2</td>
<td>7,094.7</td>
</tr>
<tr>
<td>Passenger turnover, million RPK</td>
<td>22,712.1</td>
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<td>28,119.2</td>
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<td>12,037.0</td>
<td>9,795.4</td>
<td>11,890.0</td>
<td>16,581.6</td>
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<tr>
<td>Domestic Routes</td>
<td>9,470.4</td>
<td>8,929.4</td>
<td>7,186.7</td>
<td>8,592.3</td>
<td>11,537.6</td>
</tr>
<tr>
<td>Available seat-kilometres, million ASK</td>
<td>28,445.3</td>
<td>27,502.0</td>
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<td>25,249.4</td>
<td>33,300.9</td>
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<td>International Routes</td>
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<td>13,892.2</td>
<td>15,248.2</td>
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<td>12,255.3</td>
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<td>Passenger load factor, %</td>
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<td>81.1%</td>
<td>84.4%</td>
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<td>77.9%</td>
<td>76.1%</td>
<td>86.5%</td>
<td>91.1%</td>
</tr>
<tr>
<td>Domestic Routes</td>
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<td>73.1%</td>
<td>77.7%</td>
<td>78.8%</td>
</tr>
<tr>
<td>Cargo and mail carried, thousand tonnes</td>
<td>177.0</td>
<td>163.0</td>
<td>148.0</td>
<td>227.0</td>
<td>328.0</td>
</tr>
<tr>
<td>International Routes</td>
<td>2.8</td>
<td>2.3</td>
<td>2.1</td>
<td>15.0</td>
<td>2.2</td>
</tr>
<tr>
<td>Domestic Routes</td>
<td>164.2</td>
<td>160.7</td>
<td>145.9</td>
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<td>326.0</td>
</tr>
<tr>
<td>Revenue tonne-kilometres, million TONK</td>
<td>2,052.2</td>
<td>1,925.2</td>
<td>1,558.3</td>
<td>1,936.2</td>
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</tr>
<tr>
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<td>486.0</td>
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<td>Passenger load factor, %</td>
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<td>69.9%</td>
<td>63.0%</td>
<td>66.4%</td>
<td>67.9%</td>
</tr>
<tr>
<td>International Routes</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>68.8%</td>
<td>78.8%</td>
</tr>
<tr>
<td>Domestic Routes</td>
<td>68.5%</td>
<td>69.9%</td>
<td>63.0%</td>
<td>66.4%</td>
<td>67.9%</td>
</tr>
<tr>
<td>Cargo and mail carried, thousand tonnes</td>
<td>0.5</td>
<td>0.3</td>
<td>0.3</td>
<td>6.0</td>
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</tr>
<tr>
<td>International Routes</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Domestic Routes</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Revenue tonne-kilometres, million TONK</td>
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<td>704.6</td>
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<td>725.7</td>
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<td>591.9</td>
<td>591.9</td>
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<td>209.2</td>
<td>412.8</td>
<td>412.8</td>
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<td>Revenue load factor, %</td>
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<td>70.0%</td>
<td>75.6%</td>
<td>82.9%</td>
<td>82.9%</td>
</tr>
<tr>
<td>International Routes</td>
<td>71.6%</td>
<td>70.0%</td>
<td>75.6%</td>
<td>82.9%</td>
<td>82.9%</td>
</tr>
<tr>
<td>Domestic Routes</td>
<td>71.6%</td>
<td>70.0%</td>
<td>75.6%</td>
<td>82.9%</td>
<td>82.9%</td>
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<tr>
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<td>62,046</td>
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<td>Flight hours, hours</td>
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<td>186,446</td>
<td>178,969</td>
<td>200,798</td>
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</table>

Note: For 2013–2016 consolidated data for Rossiya, Donavia and Orenair airlines.

### Pobeda airline

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2014</th>
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<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger traffic, thousand PAX</td>
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<td>4,582.9</td>
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<tr>
<td>Passenger turnover, million RPK</td>
<td>134.0</td>
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<td>85.1%</td>
<td>90.5%</td>
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<td>81.1%</td>
<td>85.1%</td>
<td>90.5%</td>
</tr>
<tr>
<td>Domestic Routes</td>
<td>78.0%</td>
<td>81.1%</td>
<td>85.1%</td>
<td>90.5%</td>
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<tr>
<td>Cargo and mail carried, thousand tonnes</td>
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<tr>
<td>International Routes</td>
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<td>–</td>
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<tr>
<td>Revenue tonne-kilometres, million TONK</td>
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<td>421.7</td>
<td>704.6</td>
<td>725.7</td>
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<tr>
<td>International Routes</td>
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<td>212.5</td>
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<td>6.0</td>
<td>209.2</td>
<td>412.8</td>
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<tr>
<td>Revenue load factor, %</td>
<td>71.6%</td>
<td>70.0%</td>
<td>75.6%</td>
<td>82.9%</td>
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<tr>
<td>International Routes</td>
<td>71.6%</td>
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<td>Domestic Routes</td>
<td>71.6%</td>
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<tr>
<td>Revenue flights</td>
<td>735.0</td>
<td>20,057.0</td>
<td>25,688.0</td>
<td>25,761.0</td>
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<tr>
<td>International Routes</td>
<td>735.0</td>
<td>20,057.0</td>
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<td>Domestic Routes</td>
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<td>Flight hours, hours</td>
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### Aurora airline

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<td>Passenger turnover, million RPK</td>
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<td>Revenue flights</td>
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<td>38,695</td>
<td>33,281</td>
<td>35,390</td>
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<td>307 (2016) Environmental Compliance</td>
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<td>307-1 Amount of significant fines and total number of non-monetary sanctions imposed for non-compliance with environmental laws and/or regulations</td>
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<td>401-1 New employee hires and employee turnover</td>
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<td>401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees</td>
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<td>403-1 Types of injury and rates of injury, occupational diseases, lost days, and absences, and number of work-related fatalities</td>
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<td>408 (2016) Child Labour</td>
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<tr>
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<td>12–16</td>
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</table>
Glossary

Aviation terminology

Aviation fuel - aviation fuel, lubricants, and special fluids.
Low-Cost Carrier (LCC) - an airline that offers lower fares than traditional airlines, reflecting limited service provision, while also charging additional fees for on-board and airport services.
Routes - domestic routes, international routes.
Code Sharing - agreement on joint commercial operation of a flight by two or more airlines, one of which acts as the operator (operates the flight in addition to selling tickets), while the others act as marketing partners (selling tickets only).
Network Carrier - an airline that, unlike low-cost carriers, offers a wide variety of services through one or more hubs with connecting flights.
Maintenance, Repair and Overhaul (MRO) - Technical maintenance, ongoing repairs, and major renovations to aircraft.
TCH - Transport Clearing House.
Hub - a hub airport is a central connection point for many different flights: passengers and goods are transported from their departure point to a hub, from which they are carried to their final destination on another plane with other passengers and goods from other parts of the world.
BSP/ARC (Billing and Settlement Plan / Airline Reporting Corporation) - settlement systems between agents and airlines, organised by IATA, that facilitate and simplify air transportation sales on neutral forms (not owned by any airline) thereby offering airlines the opportunity to expand their market presence, minimise financial risks and reduce expenses incurred through the maintenance of sales systems. ARC is an analogous system operated in the United States.
GDS (Global Distribution System) - a global computerized booking network used as a single access point by travel agents, online booking websites, and large corporates to book (reserve) tickets on airlines’ flights, as well as hotel rooms, rental cars, etc.
NDC (New Distribution Capability) - a new aviation industry standard (standards) being developed by the IATA to provide airlines with more opportunities to sell their services to passengers both via own channels (such as a website or sales offices), and travel agents. Airlines will be able to customize and offer their air products across all sales channels, improve investment performance, and manage air product pricing. The benefits for passengers will include a simple and convenient access to an airline’s products and services, as well as the opportunity to compare offers from different airlines on a range of metrics. Travel agents will be able to provide both a wider offering of products and services, and easier access to them.
IATA (International Air Transportation Association) - IATA, founded in 1945, is the prime vehicle for inter-airline cooperation in promoting safe, reliable, secure, and economical air services – for the benefit of the world’s consumers.
ICAO (International Civil Aviation Organization) - an international civil aviation body established following the signing of the Chicago Convention on International Civil Aviation in 1944. It is a specialized UN agency responsible for developing international standards, recommended practices and regulations regarding the technical, economic, and legal aspects of international civil aviation.
IOSA (International Operational Safety Audit) - The IATA IOSA program is an internationally recognized and accepted evaluation system designed to assess a company’s organization and operational management, flight operations, engineering and technical maintenance of aircraft, ground service for aircraft, the operational control systems including maintenance management and flight scheduling, onboard service, aviation safety, and provisions for transporting cargo and hazardous cargo.
ISO - The International Organization for Standardization.

Operational terminology

Passenger traffic (PAX) - the number of passengers carried by an airline.
Direct PAX - passengers flying with a stop-over in a hub airport on their way from origin to destination.
Transit PAX - passengers flying with a stop-over in a hub airport on their way from origin to destination.
Revenue Passenger-Kilometres (RPK) - a measure of passenger capacity actually used, representing the actual transport of one passenger over a distance of one kilometre.
Revenue Passenger-Kilometres (RPK) - an airline’s available passenger capacity, calculated as the sum of the products of the number of seats available for sale on each flight segment and the length of the segment.
Available Seat-Kilometres (ASK) - passenger capacity actually used, calculated as the sum of the products of the number of passengers carried on each flight segment and the length of the segment.
Tonne-Kilometres - a measure of cargo and passenger capacity used, representing the actual transport of one tonne of cargo (passengers at 90 kg per person, commercial cargo, and mail) over a distance of one kilometre.
Available Tonne-Kilometres (ATK) - an airline’s available cargo and passenger capacity, calculated as the sum of the products of the maximum commercial load in tonnes on each flight segment and the length of the segment. Maximum commercial load is determined based on relevant flight and transportation documents.
Revenue Tonne-Kilometres (TKM) - an airline’s available cargo and passenger capacity actually used, calculated as the sum of passenger, mail, and cargo tonne-kilometres.
Passenger Load Factor (PLF) - a measure of an airline’s passenger capacity utilization, calculated as the ratio of revenue passenger-kilometres (RPKs) to available seat-kilometres (ASKs).
Revenue Load Factor - a measure of an airline’s cargo and passenger capacity utilization, calculated as the ratio of revenue tonne-kilometres (TKMs) to available tonne-kilometres (ATKs).
Origin and Departure points (O&D) - locations between which passengers are transported. This term is used in measuring the quantitative indicators of various markets, as defined by arrival and departure points, irrespective of whether direct or transit traffic is involved.
Origin and Departure points (O&D) - locations between which passengers are transported. This term is used in measuring the quantitative indicators of various markets, as defined by arrival and departure points, irrespective of whether direct or transit traffic is involved.

Financial terminology

Unit revenue and cost - key performance measures in the aviation industry, defined as revenue or cost for ASK or RPK;
Yield - the ratio between passenger revenue and revenue passenger-kilometres;
Revenue per Available Seat-Kilometre (RASK) - the ratio between revenue (either passenger revenue or total revenue) and available seat-kilometres;
Cost per Available Seat-Kilometre (CASK) - measures the return on investment for shareholders, taking into account the share price appreciation and dividends paid;
Total Shareholder Return (TSR) - earnings before interest, taxes, depreciation, and amortization. Aeroflot includes customs duties in this indicator;
EBITDA - earnings before interest, taxes, depreciation, amortization, and operating lease expenses (rent costs).
EBITDAR - Aeroflot includes customs duties in this indicator.
Contact Information

FULL NAME
Public Joint Stock Company “Aeroflot – Russian Airlines”

ABBREVIATED
PJSC Aeroflot

CERTIFICATE OF REGISTRATION
issued by the Moscow Department of the Russian Ministry of Taxes and Levies on 2 August 2002, No. 1027700092661

TAXPAYER IDENTIFICATION NUMBER
7712040126

LOCATION
10 Arbat Str., Moscow, Russian Federation

POSTAL ADDRESS
10 Arbat Str., Moscow, 119002, Russian Federation

FOR RUSSIAN RETAIL SHAREHOLDERS
Corporate Governance Department
Tel./fax: +7 (495) 258-0684
E-mail: emitent@aeroflot.ru

FOR INVESTORS
Investor Relations
Tel.: +7 (495) 258-0686
E-mail: ir@aeroflot.ru

PRESS SERVICE
Tel.: +7 (499) 500-7387, (495) 752-9071
Fax: +7 (495) 753-8639
E-mail: presscentr@aeroflot.ru

REGISTRAR
SC “Independent Registrar Company”
Building 5B, 18, Stromynka Street, Moscow, 107076
Tel.: +7 (495) 926-8160
Fax: +7 (495) 926-8178
E-mail: info@nrcreg.ru

SHEREMETYEVO BRANCH OF THE REGISTRAR
Location: Aeroflot Aviation Personnel Training Department,
Building 6, Terminal B, Sheremetyevo Airport, Khimki,
Moscow Region
Tel./fax: +7 (495) 578-3680