

Strategic Growth

✦ **50.1 million**
Passengers carried
by Aeroflot Group

✦ **40.5%**
Share of the Russian air
transportation market

STRATEGIC REPORT

Message from the Chairman of the Board of Directors	20
Message from the Chief Executive Officer	24
Market Overview	28
Strategy Overview	34
Business Model	44
Operating Results	46
Financial Review	94
Corporate Social Responsibility	108

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 1.5 million passengers with flat-rate tickets and since the programme began in 2015 that number has exceeded 4.3 million. Aeroflot extended this 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.



Message from the Chairman of the Board of Directors

continued

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 procurement 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.

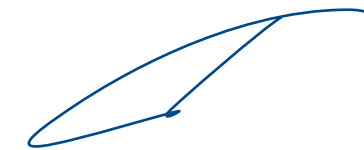
Aeroflot charts its development path and launches new initiatives in cooperation with the Russian state. The most effectual way to ensure plans are coordinated are regular meetings between Aeroflot's CEO and the President of the Russian Federation.

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



Message from the Chief Executive Officer

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.



Message from the Chief Executive Officer continued

The world's largest travel website, TripAdvisor, recognised Aeroflot as the best airline in Europe and best Business Class in the world. The World Travel Awards, known as the Oscars of the travel industry, awarded Aeroflot the prestigious recognition as Europe's Leading Airline Brand. We were also recognised as China's Favourite International Airline at the Flyer Awards 2017, edging out Qatar Airways that had won this category the previous two years.

Aeroflot fully leveraged the expanding Russian air travel market. 2017 was another record year for Aeroflot. As Aeroflot Group we carried 50.1 million passengers, 15.4% more than in 2016. Aeroflot – Russian Airlines carried 32.8 million passengers, a year-on-year increase of 13.3%. This increase reflects the strong growth of the Russian market and, as per IATA data, was nearly twice the growth rate of the global airline industry (+7.1%). Revenue passenger kilometres for Aeroflot Group in 2017 increased by 16.2% year-on-year and available seat kilometres increased by 14.2% year-on-year. The passenger load factor for the Group rose by 1.4 percentage points to 82.8%.

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 mid-tier subsidiary, Rossiya, increased passenger traffic by 27% year-on-year. Today Rossiya is comfortably in the Top 3 largest air carriers in Russia.

Our subsidiary airline that specialises 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.

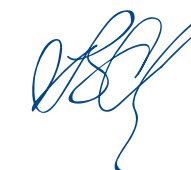
Our strong traffic results and measures to increase efficiency have delivered excellent financial results. Under IFRS, Aeroflot Group increased revenue by 7.5% year-on-year to RUB 533 billion. We ended the year with net income of RUB 23.1 billion. EBITDAR was RUB 122 billion and the EBITDAR margin came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

In 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 4.1 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).

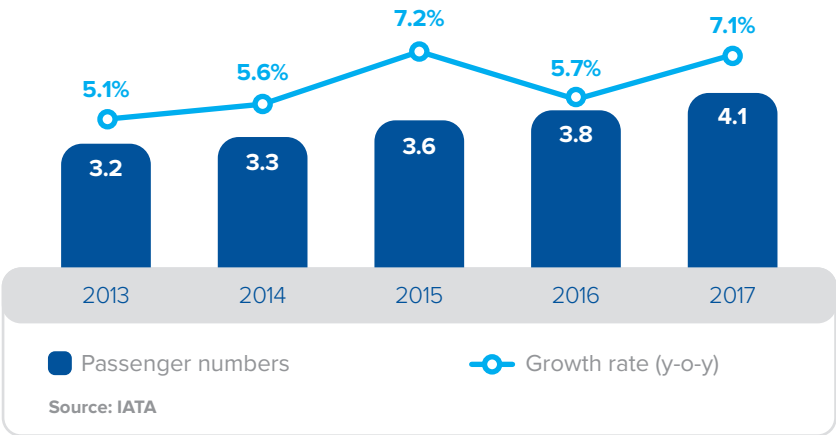
Asia-Pacific was the fastest growing market in 2017, with the passenger turnover up 10.0% year-on-year. Europe ranked second in terms of growth, with the passenger turnover growing by 8.0%. Latin America and Africa grew by 7.5% and 7.0%, respectively, while the North American market saw a 4.0% increase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

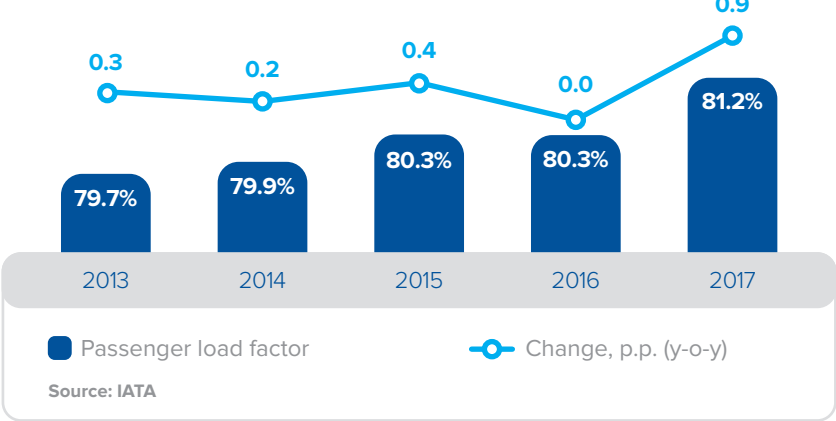
The growing passenger turnover pushed the costs up by 7.3% to USD 691 billion. During 2017, oil and, accordingly, jet fuel prices grew: overall, global jet fuel prices recovered to the 2015 level and became one of the key factors driving the EBIT margin down by 0.9 p.p. year-on-year to 8.3%. Profitability 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.

Scheduled passenger traffic in the global market
BILLION PAX



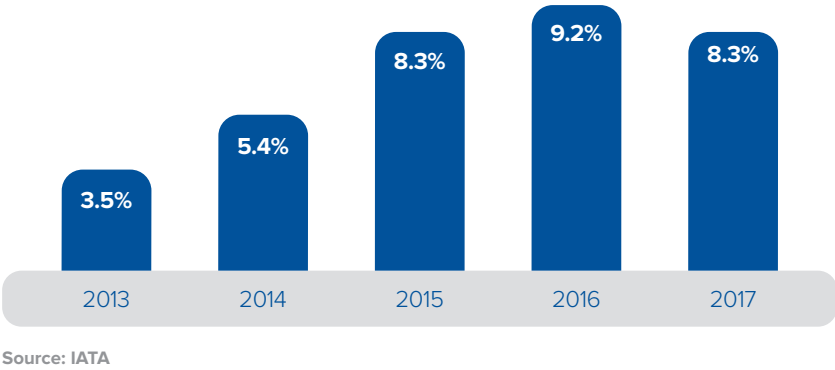
Passenger load factor in the global market
%



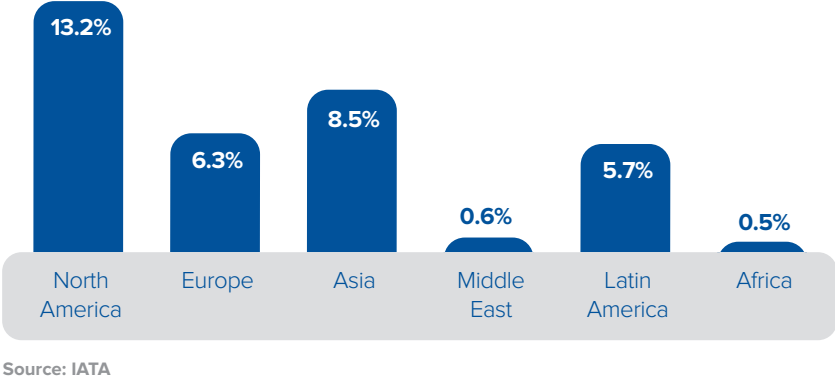
Global revenue
USD BILLION



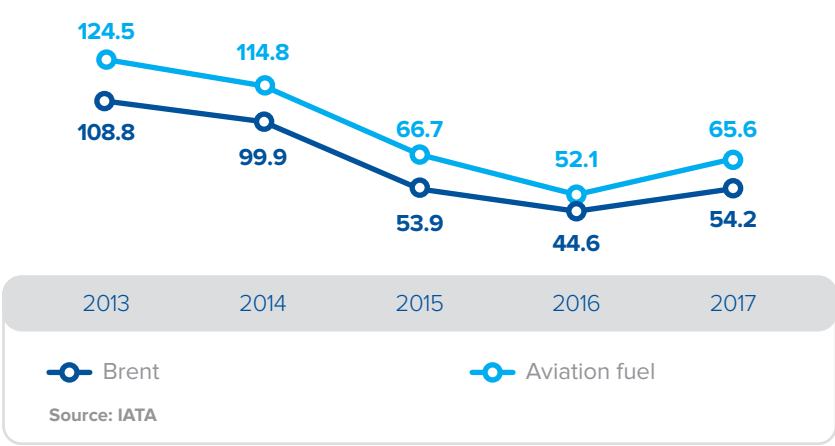
Global EBIT margin
%



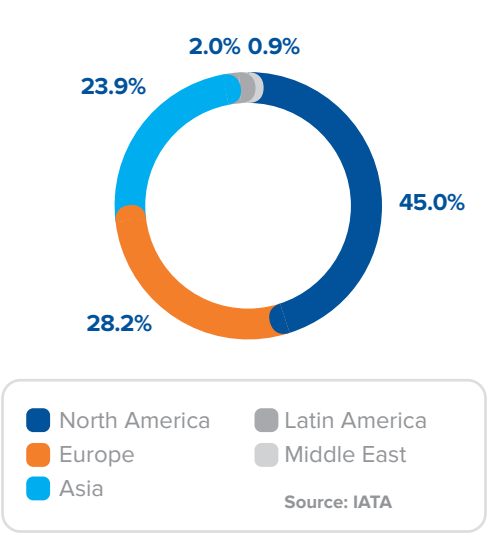
Global EBIT margin in 2017 by region
%



Oil and aviation fuel prices
USD PER BARREL



Global net profit in 2017 by region
%



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.

Market Overview

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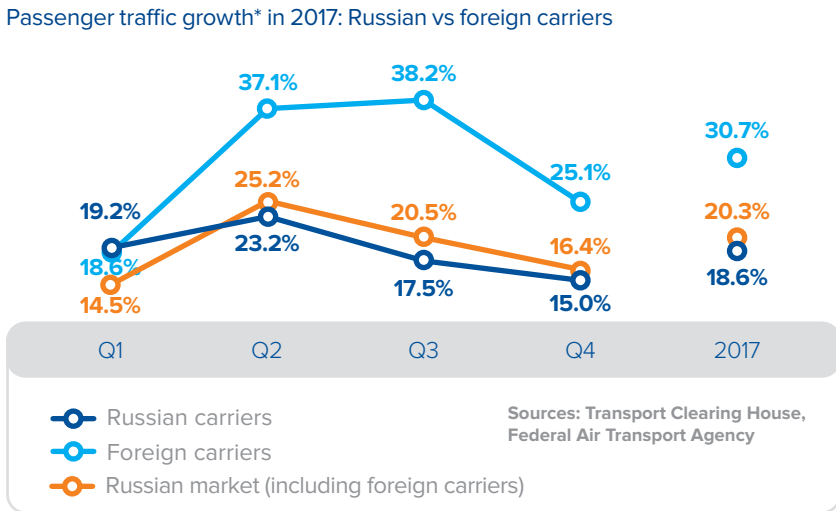
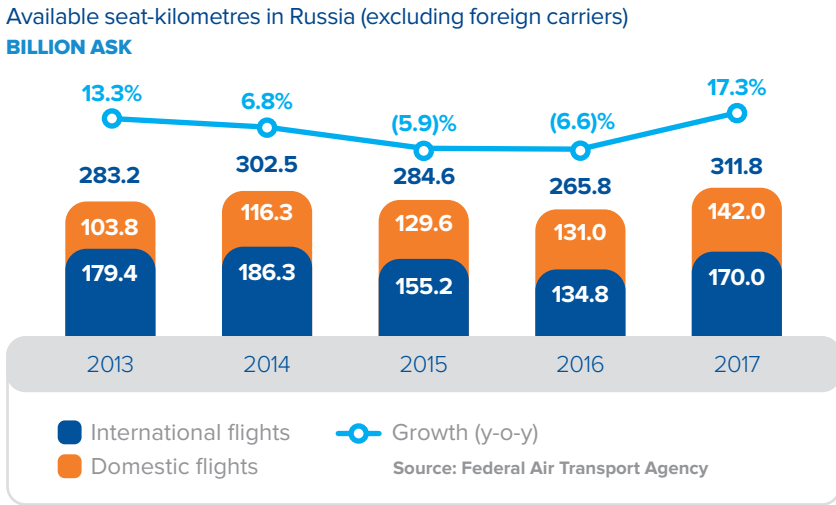
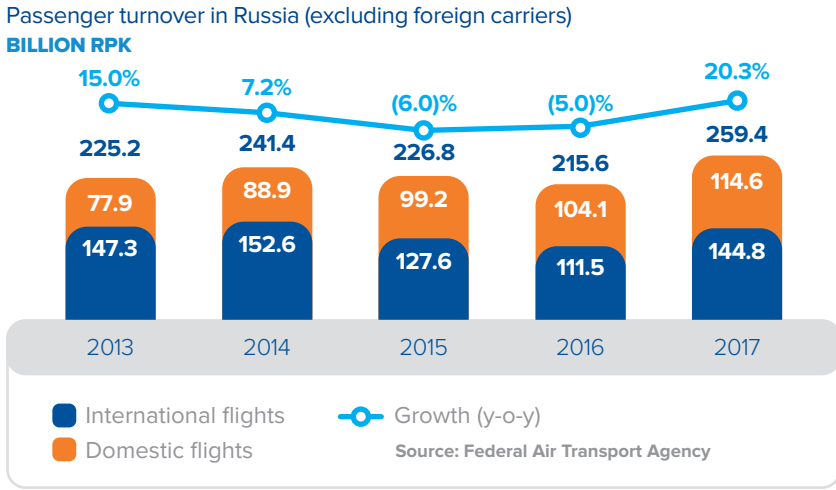
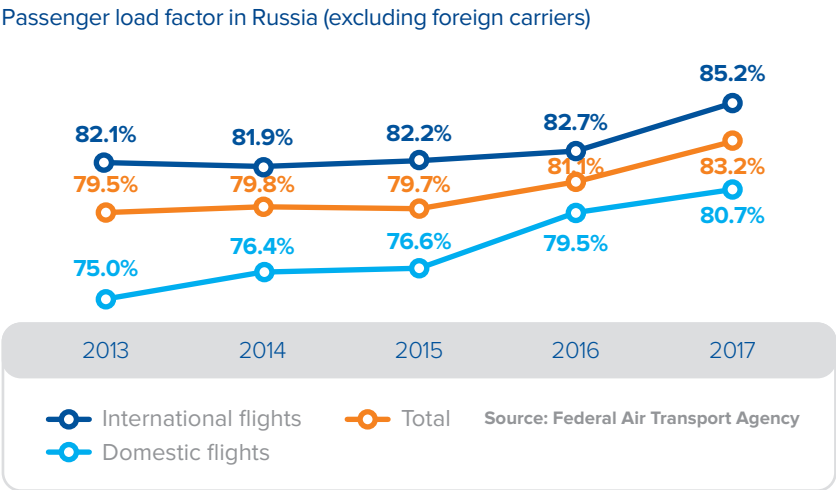
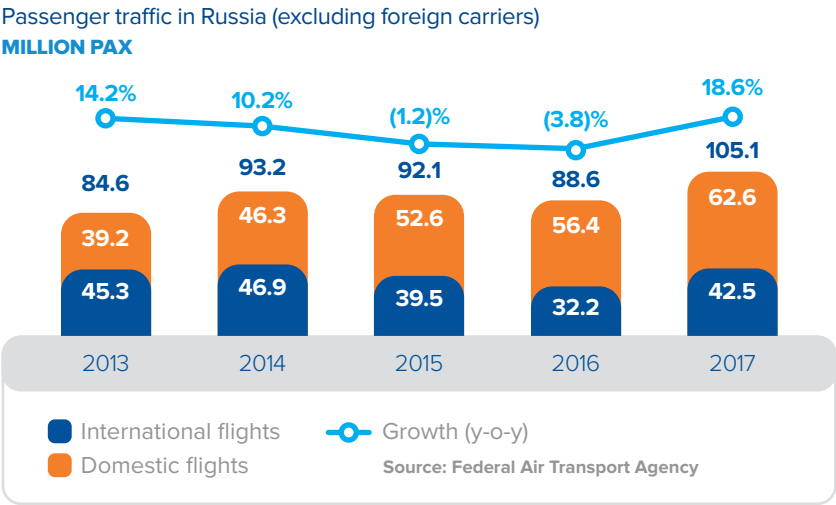
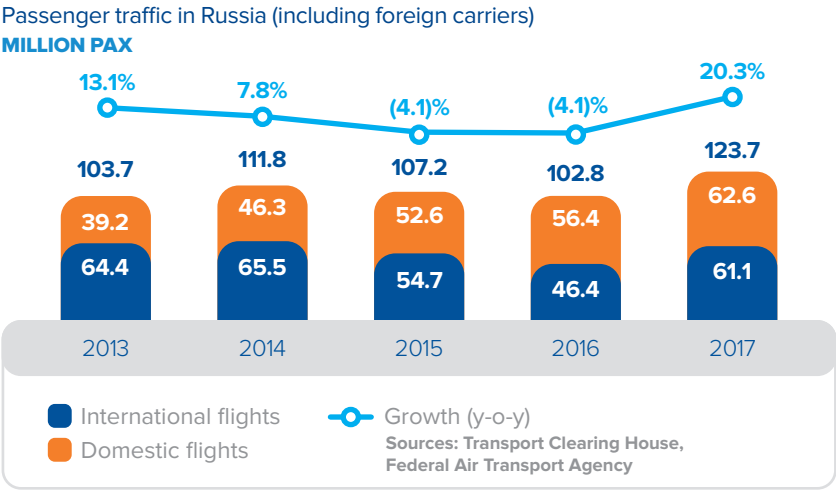
Russian airline industry

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 cold weather in the European part of Russia, adding to the traffic both abroad and to resort destinations in Southern Russia.

The resumption 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 growth in passenger traffic on international routes (including foreign carriers). The average passenger load factor for international flights was 85.2%, up 2.5 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 114.6 billion RPK, up 10.0% year-on-year due to the expansion of domestic tourism driven by a partial shift in outbound tourism flows. The average passenger load factor for domestic flights in 2017 was 80.7%, up 1.2 p.p. year-on-year.



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 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" market¹ share was 38.2% in 2017.

Aeroflot Group's closest competitors are S7 Group (11.5%), Ural Airlines (6.5%), 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.

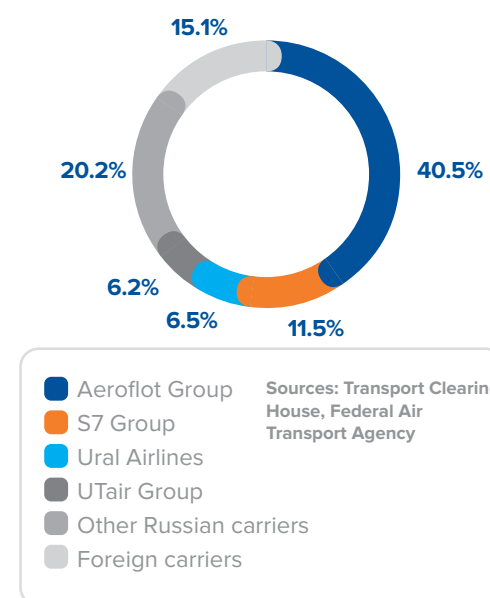
¹ "Net" market is calculated on the base of traffic statistics for the Russian market including foreign carriers but excluding connecting passengers on international flights. The "net" market figures provide for a more accurate representation of the Group's Russian market share since passengers flying between Europe and Asia (for instance) and making connections in Moscow by definition are not originating or terminating their trips in the Russian cities.

* Year-on-year change.

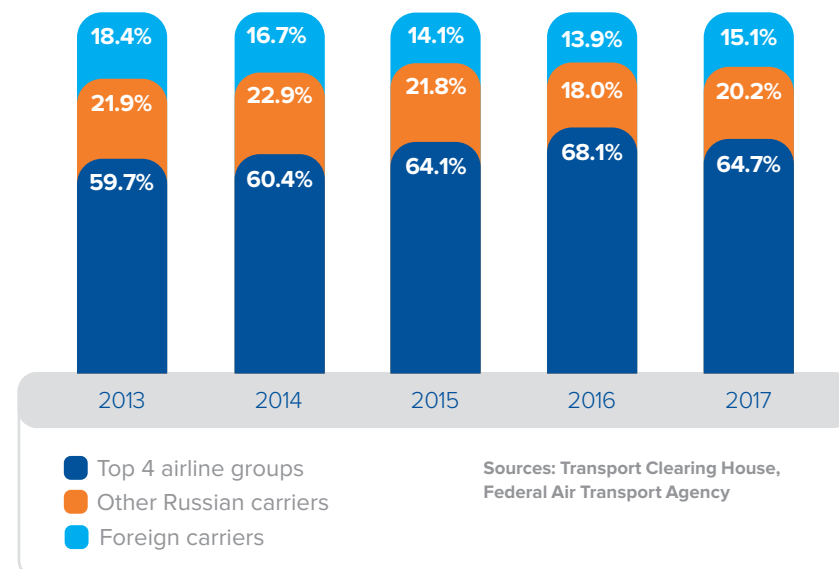
Market Overview

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Key Russian airline industry players by total passenger traffic in 2017



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



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

	2013	2014	2015	2016	2017
International traffic	27.0	26.1	29.3	39.4	36.9
Domestic traffic	36.1	38.0	44.6	44.6	44.1
Total	30.5	31.0	36.8	42.3	40.5

Aeroflot Group's market share evolution by passenger traffic ("net" market*), %

	2013	2014	2015	2016	2017
International traffic	24.1	22.6	24.1	33.9	31.7
Domestic traffic	36.1	38.0	44.6	44.6	44.1
Total	28.8	29.1	34.5	40.0	38.2

* "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.

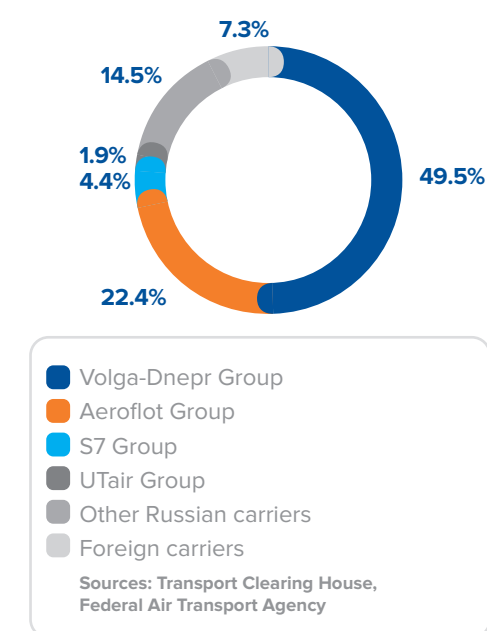
Aircargo market

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.

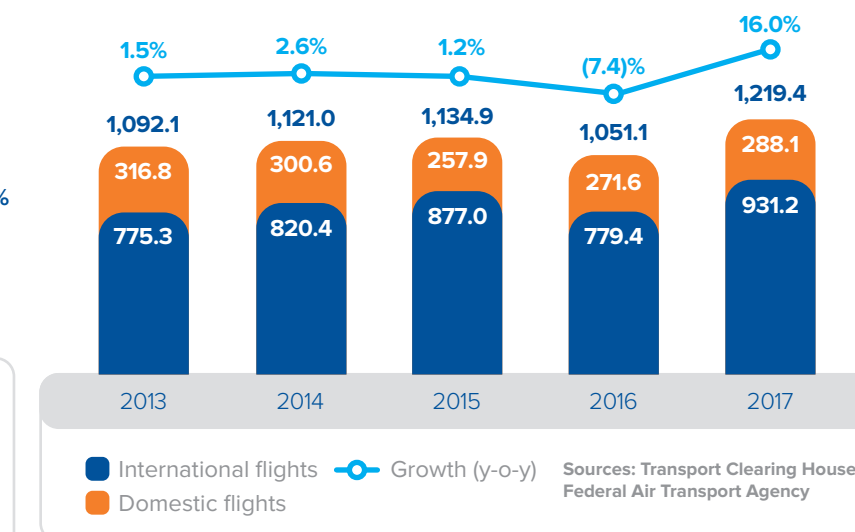
The Russian air cargo market (including foreign carriers) grew by 16.0% year-on-year in 2017 to 1.2 million tonnes. The international cargo traffic accounted for the bulk of the market at 76.4%, having increased by 19.5% to 931.2 thousand tonnes. The domestic cargo traffic was up by 6.1% to 288.1 thousand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

Russian air cargo market by volume in 2017



Russian air cargo market volume (including foreign carriers)
THOUSAND TONNES



Strategy Overview

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 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 targets 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.

AEROFLOT GROUP'S LONG-TERM STRATEGIC GOALS

2025 GOALS	PROGRESS
Join the TOP 5 European airlines by passenger traffic and revenue	Ranked 7th by passenger traffic and 5th by revenue ¹
Join the TOP 20 global players by passenger traffic and revenue	Ranked 20th by passenger traffic and 24th by revenue ¹
Carry OVER 70 MILLION passengers, including AT LEAST 30 MILLION on domestic routes	50.1 million passengers in total, including 27.6 million on domestic routes
Increase passenger traffic via the main hub in Moscow, with the share of transfer passengers reaching AT LEAST 32%	Aeroflot's share of transfer passengers (including domestic and international) is 42.9%
Ensure STRONG presence in the market	The Group is present in all price segments across all geographies
Sources: Airline Business, ATW, Flight Global, the Company's estimates	¹ As at the publication date of this Annual Report – data for 2016.



Strategy Overview

continued

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 these goals may be affected by significant fluctuations of FX rates and the continued process of international market consolidation.

2018–2022	up to 2025
MEDIUM-TERM STRATEGY	LONG-TERM STRATEGY
KEY AREAS	
<ul style="list-style-type: none">— Aeroflot Group's multi-brand platform development— Route network and fleet expansion— IT infrastructure enhancement— Product development— A-Technics development	<ul style="list-style-type: none">— Growth scenarios— Growth tools— Marketing strategy— Network strategy— Fleet strategy— Constraints
STRATEGIC GOALS	
A set of operational and financial targets for 2018–2022, in line with the Group's long-term goals	Long-term passenger traffic and revenue targets benchmarked against global peers
THE DATE OF APPROVAL BY THE BOARD OF DIRECTORS	
6 December 2017	13 July 2011

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.

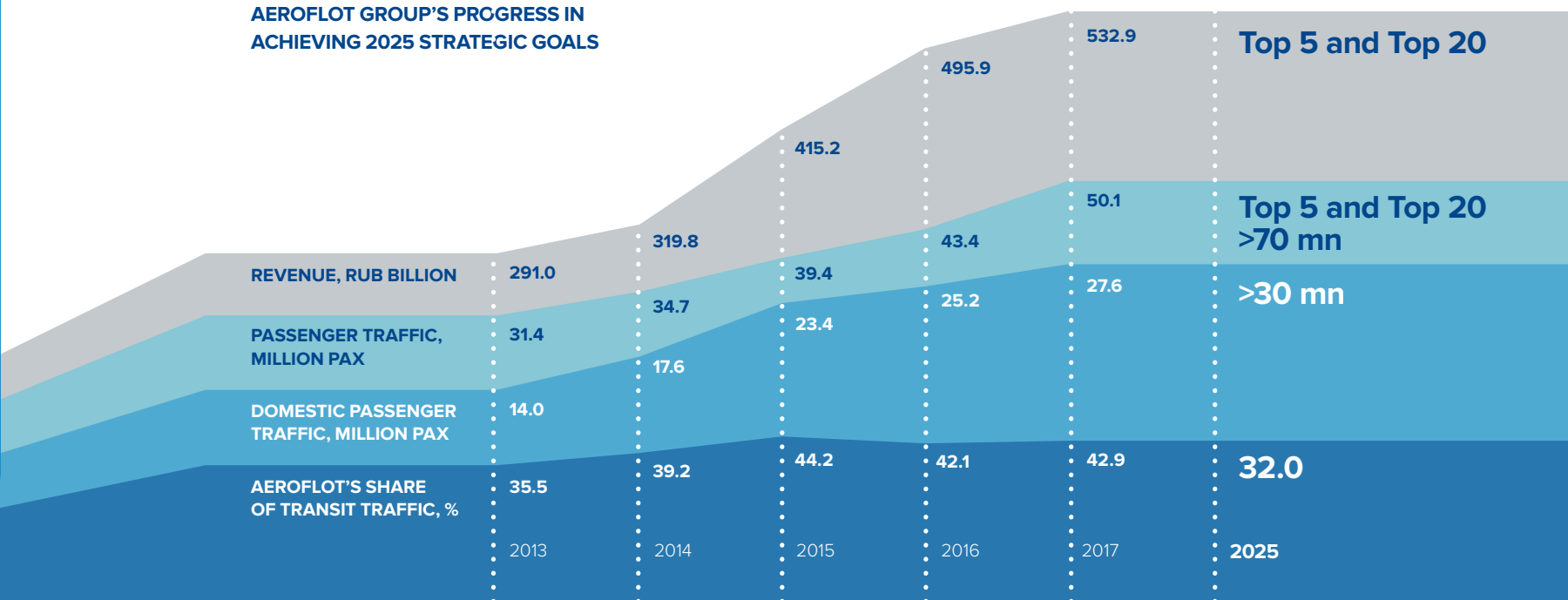
In 2017, Aeroflot Group continued to enhance its route network by frequency and connectivity, supported by consistent efforts to improve the hub at Moscow Sheremetyevo airport. Aeroflot focused on reducing CASK, optimising the fleet, and boosting its sales performance. Pobeda, Aeroflot's low-cost carrier, 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.

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 schedule, 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	Sharpen the digital focus and drive innovation	Boost the Group's ancillary revenue	

AEROFLOT GROUP'S PROGRESS IN ACHIEVING 2025 STRATEGIC GOALS



Strategy Overview

continued

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.

Premium product

Regional and charter products in the mid-price segment

Low-cost product

Regional product for Far East

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.

TYPE OF FLIGHTS	SCHEDULED FLIGHTS	SCHEDULED AND CHARTER FLIGHTS	SCHEDULED FLIGHTS	SCHEDULED FLIGHTS
BUSINESS MODEL	<ul style="list-style-type: none">Hub and spoke modelTransit passenger traffic on domestic and international routesHigh frequency of flightsEconomy and business class	<ul style="list-style-type: none">Point-to-point flights within RussiaLimited connectivityPopular international destinationsCharter flights to the most popular leisure destinationsEconomy and business class	<ul style="list-style-type: none">Point-to-point flights to MoscowPoint-to-point flights between regionsHigh passenger load factor and fleet utilisationEconomy class	<ul style="list-style-type: none">Passenger flights in the Far EastLocal flights to remote destinations within the regionEconomy and business class
FLIGHT RANGE	Unlimited	<ul style="list-style-type: none">Short- and medium-haul flightsLong-haul routes (Far East, charters)	Short- and medium-haul flights	Short- and medium-haul flights
AIRCRAFT FLEET	<ul style="list-style-type: none">Narrow-body aircraftWide-body aircraft	<ul style="list-style-type: none">Narrow-body aircraftWide-body aircraft	Narrow-body aircraft	Narrow-body aircraft
TARGET GROUP	<ul style="list-style-type: none">BusinessVisiting friends and relativesLeisure	<ul style="list-style-type: none">Visiting friends and relativesLeisureBusiness	<ul style="list-style-type: none">LeisureVisiting friends and relatives	<ul style="list-style-type: none">Visiting friends and relativesBusiness
BASE AIRPORT	Moscow (Sheremetyevo)	<ul style="list-style-type: none">Moscow (Vnukovo)Saint Petersburg (Pulkovo)Airports in Orenburg and Rostov-on-Don	<ul style="list-style-type: none">Moscow (Vnukovo)Airports in Russia's regions	<ul style="list-style-type: none">VladivostokKhabarovskYuzhno-Sakhalinsk
SHARE OF INTERNATIONAL PASSENGERS IN THE AIRLINE'S PASSENGER TRAFFIC	~50%	~35%	~20%	~25% (Asia Pacific)

Strategy Overview

continued

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.

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.

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.

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.

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



Strategy Overview

continued

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 the A350 Door Trainer; upgrading and improving the visualisation system of the FFS A320 flight simulator; purchasing airport visuals for the FFS A330 flight simulator, etc.
- upgrade aircraft: ongoing equipment of aircraft with WiFEC; replacement of business class seats onboard Airbus A330s; integration of electronic devices for pre-flight and in-flight management of air 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 workwear, ensuring seamless operation of business units.

For details on the 2017 Investment Programme (approved by PJSC Aeroflot's Board of Directors on 24 November 2016) see PJSC Aeroflot's 2016 Annual Report.

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-Technics, a highly competitive provider of maintenance services, within Aeroflot Group at Vnukovo and Orenburg airports.

Successful implementation and consistent progress towards the achievement of its goals drive Aeroflot Group's leadership among the world's largest airlines by cost per available seat-kilometre (CASK) (the main unit cost and operational performance indicator in the aviation industry: a ratio of total operating expenses to passenger capacity for an airline's existing flights and schedule). With major peers featuring an average CASK at 7.3 cents, Aeroflot saved 27% in 2017 at 5.3 cents per seat-kilometre. A slight year-on-year CASK growth was due to the rouble's appreciation against the US dollar and the subsequent growth of the USD equivalent of the rouble-denominated servicing costs in Russian airports, the Group's payroll expenses, and jet fuel costs when fuelling in Russia.

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 (15 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.

Business Model

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.

ASSETS BASE



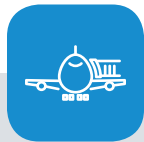
Route network

313

Scheduled routes

52

Countries



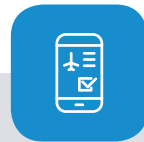
Aircraft fleet

332

Aircraft

4.1 years

Average age of Aeroflot airline fleet



Newest innovative technologies

Own data center

Integrated information security system

Information technology on board



In-house maintenance and repair facility

7

Hangars to maintain Aeroflot's own and third-party aircraft



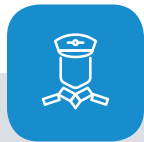
Well-established brand and leader in the Russian market

6.7 million

Participants in the loyalty programme

40.5%

Share in Russian air transportation market



Highly skilled personnel

38.9 thousand

Employees

Training platform and simulation centre

Medical centre

MARKETS, SUPPLIERS AND PARTNERS

LEASING

COUNTERPARTIES

Fueling facilities
Airports
Service providers
Maintenance and repair

INTERNAL COST STREAMS

Maintenance and repair
Staff
General and administrative
Other

SKYTEAM PARTNERS

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.

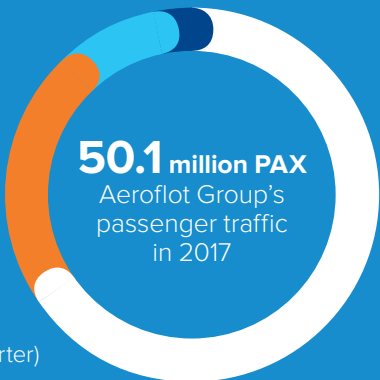
Effective corporate strategy tailored to the market environment allowed Aeroflot Group to strengthen its global market position.

9.1%

POBEDA
(Low-cost segment)

22.3%

ROSSIYA
(Base segment, charter)



3.1%

AURORA
(Regional flights)

65.5%

AEROFLOT
(Premium segment)

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

Technological Growth

7
Hangars to maintain aircraft

121.2 thousand
Served flights from Sheremetyevo Airport

OPERATING RESULTS

Operating Highlights	48
Route Network	57
Aircraft Fleet	70
Flight Safety and Aviation Security	78
Aircraft Maintenance and Repair Stations	80
Information Technology and Innovation	82
Sales and Distribution	86
Improved Customer Service and Brand Management	90

Operating Highlights

Aeroflot Group: all flights

Item	2013	2014	2015	2016	2017
Passenger traffic, million PAX	31.4	34.7	39.4	43.4	50.1
change, %	14.3	10.7	13.4	10.3	15.4
Passenger turnover, billion RPK	85.3	90.1	97.6	112.1	130.2
change, %	14.3	5.6	8.4	14.8	16.2
Available seat-kilometres, billion ASK	109.1	115.8	124.7	137.7	157.2
change, %	14.1	6.2	7.7	10.4	14.2
Passenger load factor, %	78.2	77.8	78.3	81.4	82.8
change, p.p.	0.1	(0.4)	0.5	3.1	1.4
Cargo and mail, thousand tonnes	204.6	166.3	156.3	205.8	273.4
change, %	(8.6)	(18.7)	(6.0)	31.6	32.8
Revenue tonne-kilometres, billion TKM	8.7	8.8	9.5	11.0	13.0
change, %	9.3	1.9	7.0	16.5	17.7
Flights, thousand	264.9	286.7	323.8	331.9	368.5
change, %	9.5	8.2	13.0	2.5	11.0
Stage length, km	2,717	2,593	2,479	2,581	2,598
change, %	0.0	(4.5)	(4.4)	4.1	0.7

Aeroflot Group: domestic flights

Item	2013	2014	2015	2016	2017
Passenger traffic, million PAX	14.0	17.6	23.4	25.1	27.6
change, %	21.6	26.0	32.5	7.6	9.7
Passenger turnover, billion RPK	29.2	35.0	44.7	48.7	53.2
change, %	19.8	19.9	27.8	8.9	9.3
Available seat-kilometres, billion ASK	37.6	43.6	56.3	58.3	63.8
change, %	18.2	16.2	29.0	3.7	9.4
Passenger load factor, %	77.7	80.2	79.4	83.5	83.4
change, p.p.	1.0	2.5	(0.8)	4.1	(0.1)
Cargo and mail, thousand tonnes	82.8	82.0	79.1	107.8	120.0
change, %	17.1	(0.9)	(3.4)	36.2	11.3
Revenue tonne-kilometres, billion TKM	3.0	3.5	4.3	4.8	5.3
change, %	19.2	17.4	24.5	11.9	8.9
Flights, thousand	127.8	151.0	195.0	196.0	215
change, %	13.4	18.2	29.2	0.5	9.7
Stage length, km	2,083	1,982	1,912	1,935	1,929
change, %	(1.5)	(4.8)	(3.5)	1.2	(0.4)

Aeroflot Group: international flights

Item	2013	2014	2015	2016	2017
Passenger traffic, million PAX	17.4	17.1	16.0	18.3	22.5
change, %	8.9	(1.7)	(6.2)	14.1	23.3
Passenger turnover, billion RPK	56.1	55.1	52.9	63.4	77.0
change, %	11.6	(1.8)	(3.9)	19.8	21.4
Available seat-kilometres, billion ASK	71.5	72.2	68.5	79.4	93.4
change, %	12.0	1.0	(5.2)	15.8	17.8
Passenger load factor, %	78.4	76.3	77.3	80.0	82.5
change, p.p.	(0.3)	(2.1)	1.0	2.7	2.5
Cargo and mail, thousand tonnes	121.8	84.3	77.2	98.0	153.3
change, %	(20.5)	(30.8)	(8.5)	27.0	56.5
Revenue tonne-kilometres, billion TKM	5.7	5.3	5.2	6.2	7.7
change, %	4.9	(6.1)	(4.3)	20.3	24.5
Flights, thousand	137.1	135.7	128.8	135.9	153.4
change, %	6.2	(1.0)	(5.1)	5.5	12.9
Stage length, km	3,226	3,223	3,304	3,468	3,416
change, %	2.4	(0.1)	2.5	5.0	(1.5)

Operating Highlights

continued

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%.

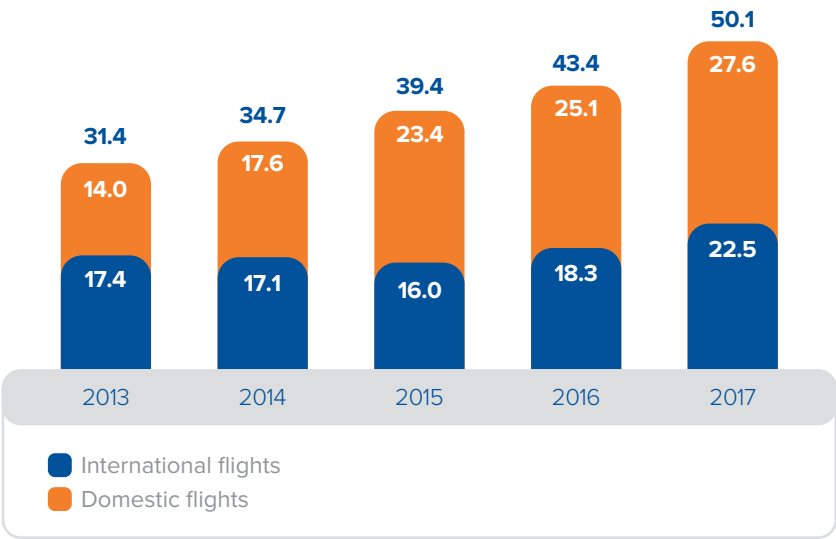
Domestic flights

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.

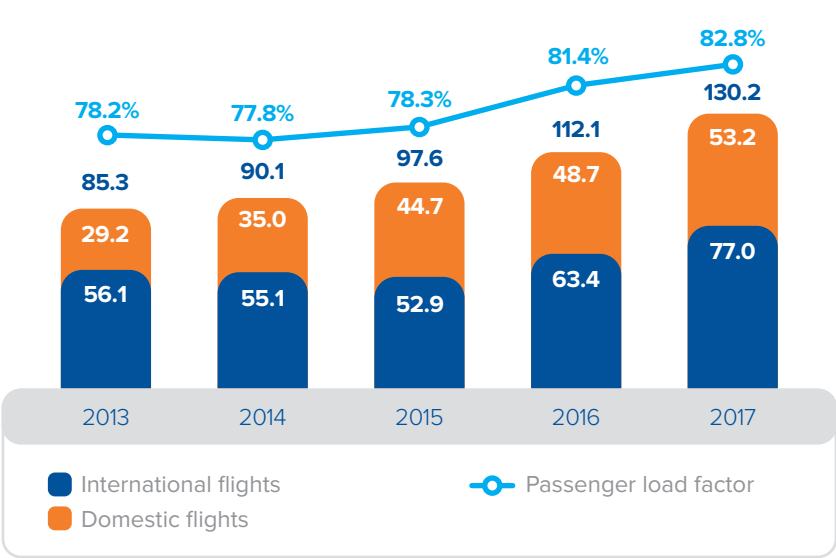
The passenger turnover grew 9.3% to 53.2 billion RPK while the capacity was up 9.4% to 63.8 billion ASK. The passenger load factor decreased by 0.1 p.p. to 83.4%.

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 passenger traffic
MILLION PAX



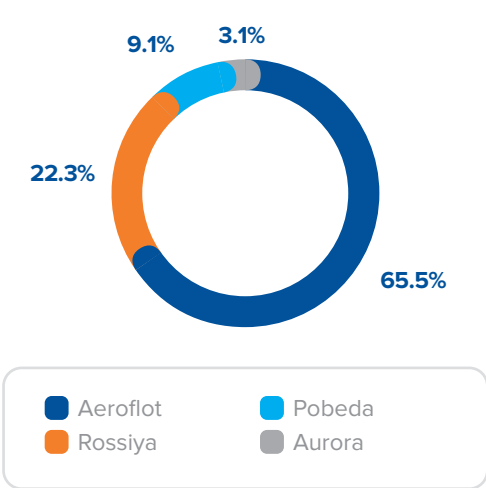
Aeroflot Group's passenger turnover, billion RPK, and passenger load factor
BILLION RPK AND %



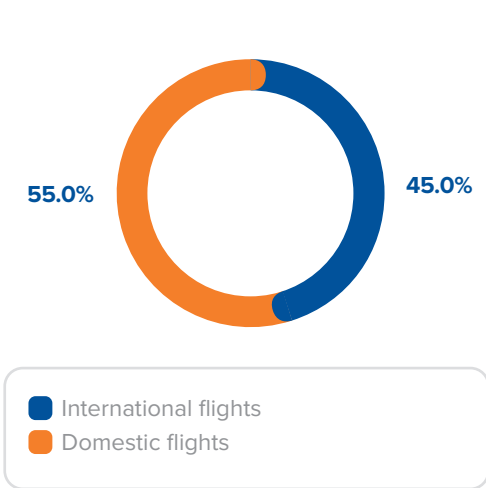
Aeroflot Group's operational performance by region (scheduled and charter flights)

Region	Passenger traffic, million PAX			Passenger turnover, billion RPK			Available seat-kilometres, billion ASK			Passenger load factor, %		
	2016	2017	change, %	2016	2017	change, %	2016	2017	change, %	2016	2017	change, p.p.
Russia	24.7	26.7	7.9	47.9	51.4	7.2	57.5	61.9	7.7	83.4	83.0	(0.4)
Europe	9.0	10.5	17.0	20.1	23.8	18.7	26.5	30.5	15.2	75.6	77.9	2.3
Asia	3.1	3.4	11.2	19.8	21.9	10.7	24.8	26.6	7.2	79.9	82.5	2.6
CIS	2.4	2.8	18.2	5.4	6.2	14.8	6.6	7.4	12.2	82.2	84.1	1.9
Middle East	1.5	1.9	26.8	4.6	5.7	23.7	6.0	7.1	19.5	77.7	80.4	2.7
Americas	0.9	1.0	11.2	7.9	8.6	9.1	9.3	10.4	12.2	84.9	82.6	(2.3)
Scheduled flights	41.7	46.4	11.5	105.7	117.7	11.3	130.6	144.0	10.2	80.9	81.7	0.8
Charter flights	1.8	3.7	108.2	6.4	12.5	96.9	7.0	13.3	89.3	91.1	94.6	3.6
Total flights	43.4	50.1	15.4	112.1	130.2	16.2	137.7	157.2	14.2	81.4	82.8	1.4

Aeroflot Group's 2017 passenger traffic breakdown by airline



Aeroflot Group's 2017 passenger traffic breakdown by destination



Operating Highlights

continued

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, rouble 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.

Aeroflot airline

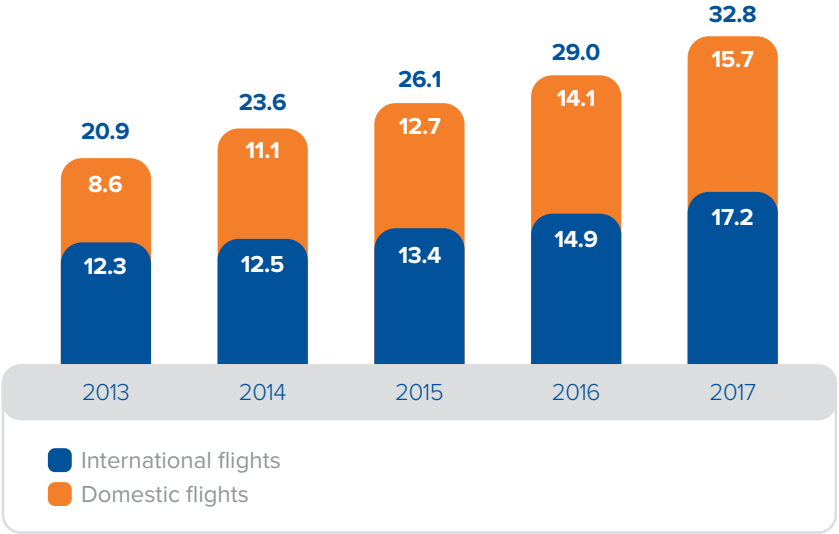
In 2017, Aeroflot airline carried a total of 32.8 million passengers, up 13.3% year-on-year, making 243,317 flights.

The 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%.

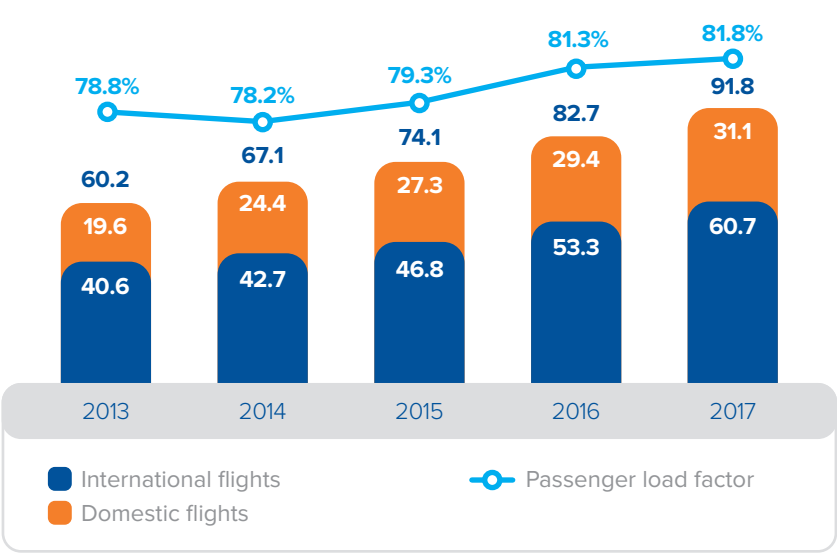
Domestic flights

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.

Aeroflot airline’s passenger traffic
MILLION PAX



Aeroflot airline’s passenger turnover, billion RPK, and passenger load factor
BILLION RPK AND %



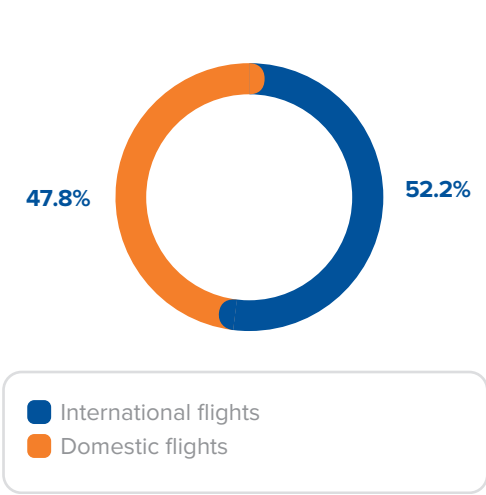
Operating Highlights

continued

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

Region	Passenger traffic, million PAX			Passenger turnover, billion RPK			Available seat-kilometres, billion ASK			Passenger load factor, %		
	2016	2017	change, %	2016	2017	change, %	2016	2017	change, %	2016	2017	change, p.p.
Russia	14.1	15.7	11.2	29.4	31.1	6.1	34.4	36.9	7.4	85.4	84.4	(1.1)
Europe	7.7	8.9	15.3	17.3	20.1	16.7	22.9	26.2	14.5	75.4	76.9	1.5
Asia	2.8	3.1	11.3	19.3	21.4	10.6	24.1	25.8	7.1	80.2	82.8	2.6
CIS	2.1	2.5	16.5	4.7	5.4	15.0	5.7	6.4	13.1	82.5	83.9	1.3
Middle East	1.4	1.7	24.9	4.1	5.1	23.7	5.4	6.4	19.2	77.4	80.3	2.9
Americas	0.9	1.0	10.8	7.9	8.6	9.1	9.3	10.4	12.2	84.9	82.6	(2.3)
Scheduled flights	29.0	32.8	13.3	82.7	91.8	11.0	101.7	112.2	10.3	81.3	81.8	0.5
Charter flights	0.01	0.01	38.3	0.03	0.03	(0.7)	0.08	0.09	3.3	31.5	30.3	(1.2)
Total flights	29.0	32.8	13.3	82.7	91.8	11.0	101.8	112.2	10.3	81.3	81.8	0.5

Aeroflot airline's 2017 passenger traffic breakdown by destination



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 13.7% 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 FC.

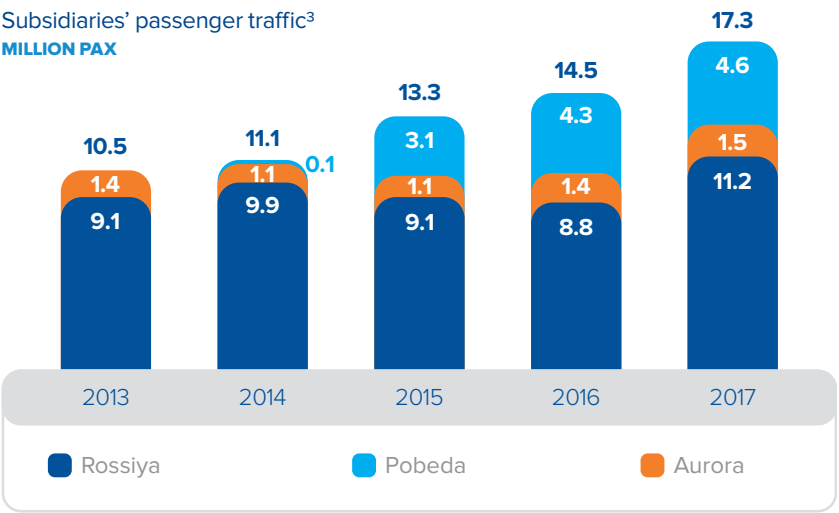
Subsidiary airlines: Rossiya, Pobeda and Aurora

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.

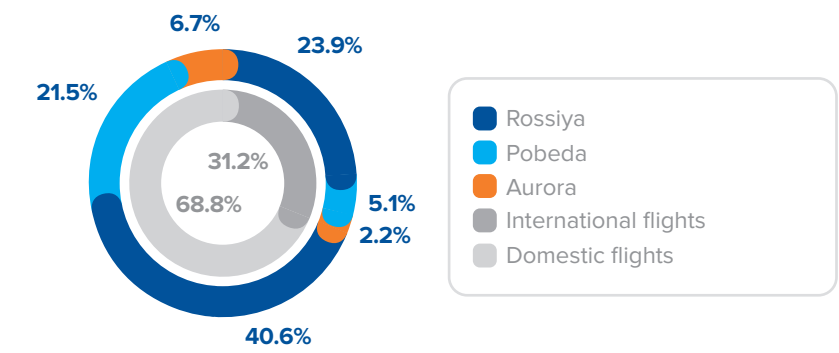
Rossiya airline recorded the highest growth rate in 2017, with 11.2 million passengers carried and the passenger traffic on pro-forma basis up 26.7%¹, driven by the higher demand in the leisure market and the capacity supply for charter flights offered together with Biblio Globus tour operator. Saint Petersburg delivered high growth rates with Rossiya airline carrying 5.5 million passengers via Pulkovo airport, up 16.8% year-on-year². 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.



Subsidiaries' 2017 passenger traffic breakdown³



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.

Operating Highlights

continued

Cargo and mail operations

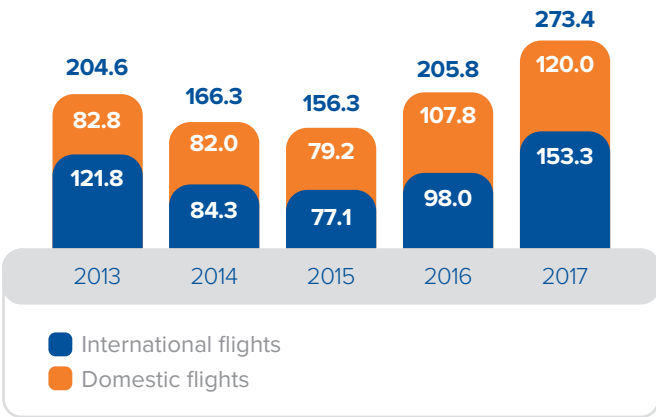
Aeroflot Group does not have a dedicated cargo fleet and exploits a belly cargo model for cargo and mail transportation. In 2017, Aeroflot Group carried 273,400 tonnes of cargo and mail, up 32.8% year-on-year.

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%.

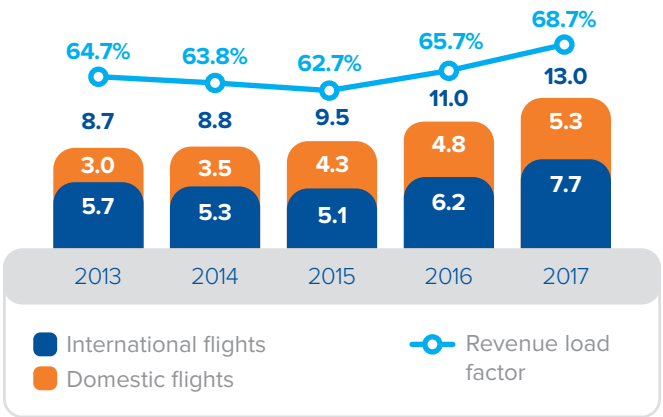
The growth in cargo and mail operations is associated with the upbeat demand and the expansion of the wide-body aircraft fleet, including high cargo capacity Boeing 747s and Boeing 777s added to the Group's fleet in 2016–2017.

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%.

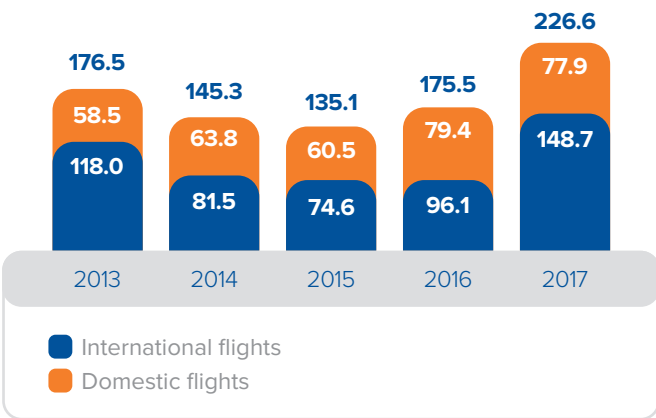
Aeroflot Group's cargo and mail operations
THOUSAND TONNES



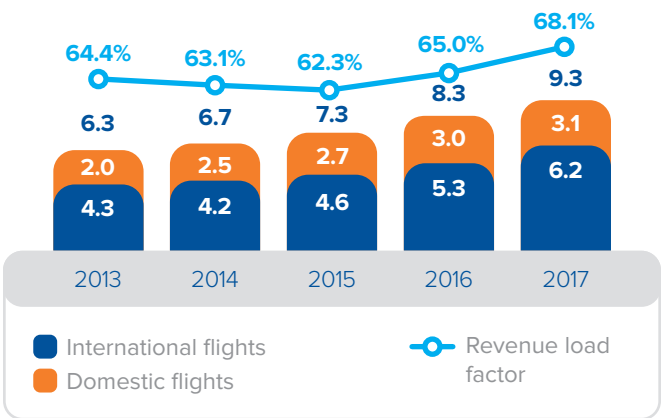
Aeroflot Group's revenue tonne-kilometres and revenue load factor, BILLION TKM AND %



Aeroflot airline's cargo and mail operations
THOUSAND TONNES



Aeroflot airline's revenue tonne-kilometres and revenue load factor, BILLION TKM AND %



Route Network

Aeroflot Group's route network development¹

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.

New scheduled routes in 2017



Number of Aeroflot Group's routes

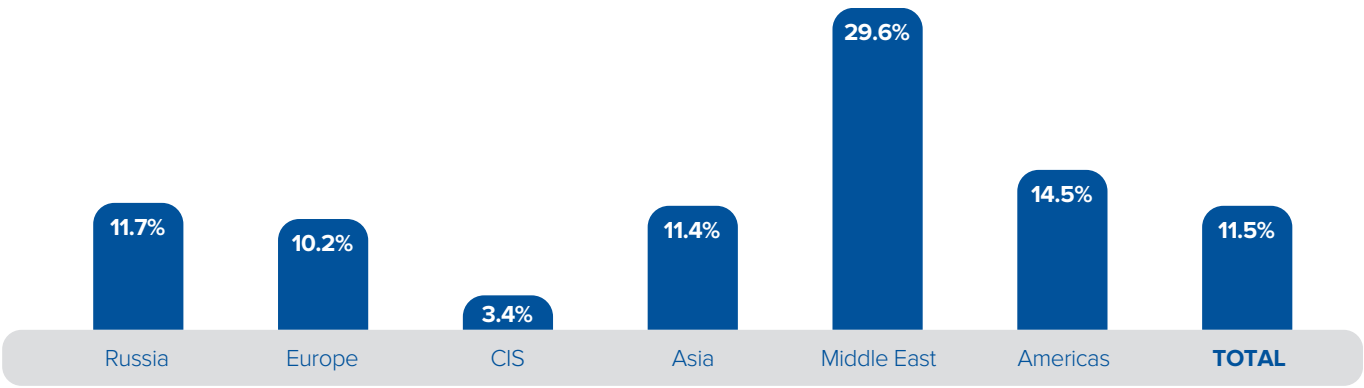
	2016			2017			Change, %		
	Sch.	Chart.	Total	Sch.	Chart.	Total	Sch.	Chart.	Total
International	139	116	214	136	146	240	(2.2)	25.9	12.1
Domestic	140	60	163	142	86	189	1.4	43.3	16.0
Medium-haul	253	161	341	252	219	392	(0.4)	36.0	15.0
Long-haul	26	15	36	26	13	37	–	(13.3)	2.8
Total	279	176	377	278	232	429	(0.4)	31.8	13.8

¹ 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.

Route Network

continued

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



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 Airline's route network development

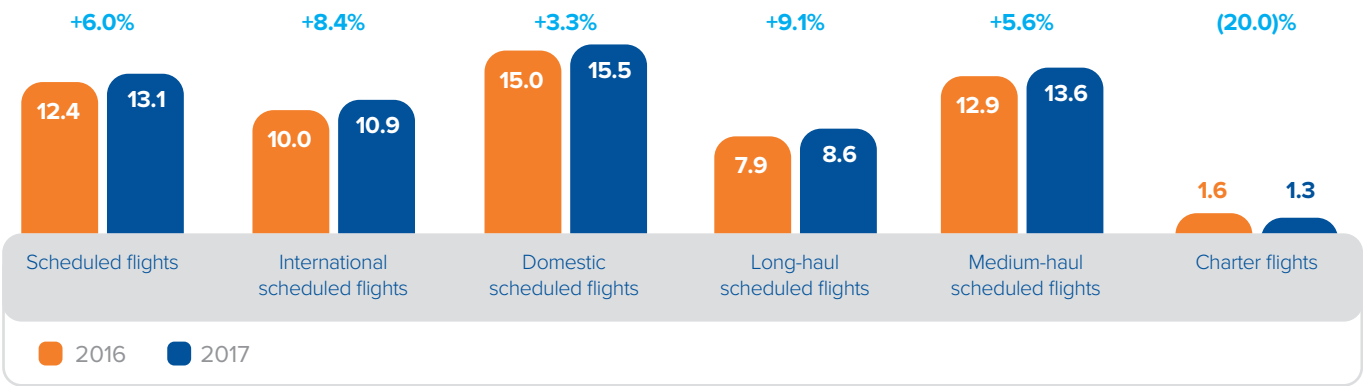
In 2017, Aeroflot airline's network covered 139 scheduled routes to 51 countries (including Russia). The number of both international and domestic scheduled routes grew 2.3% and 8.7% year-on-year, respectively.

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, Salekhard, 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 for 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.

Average weekly frequency of Aeroflot Group's flights

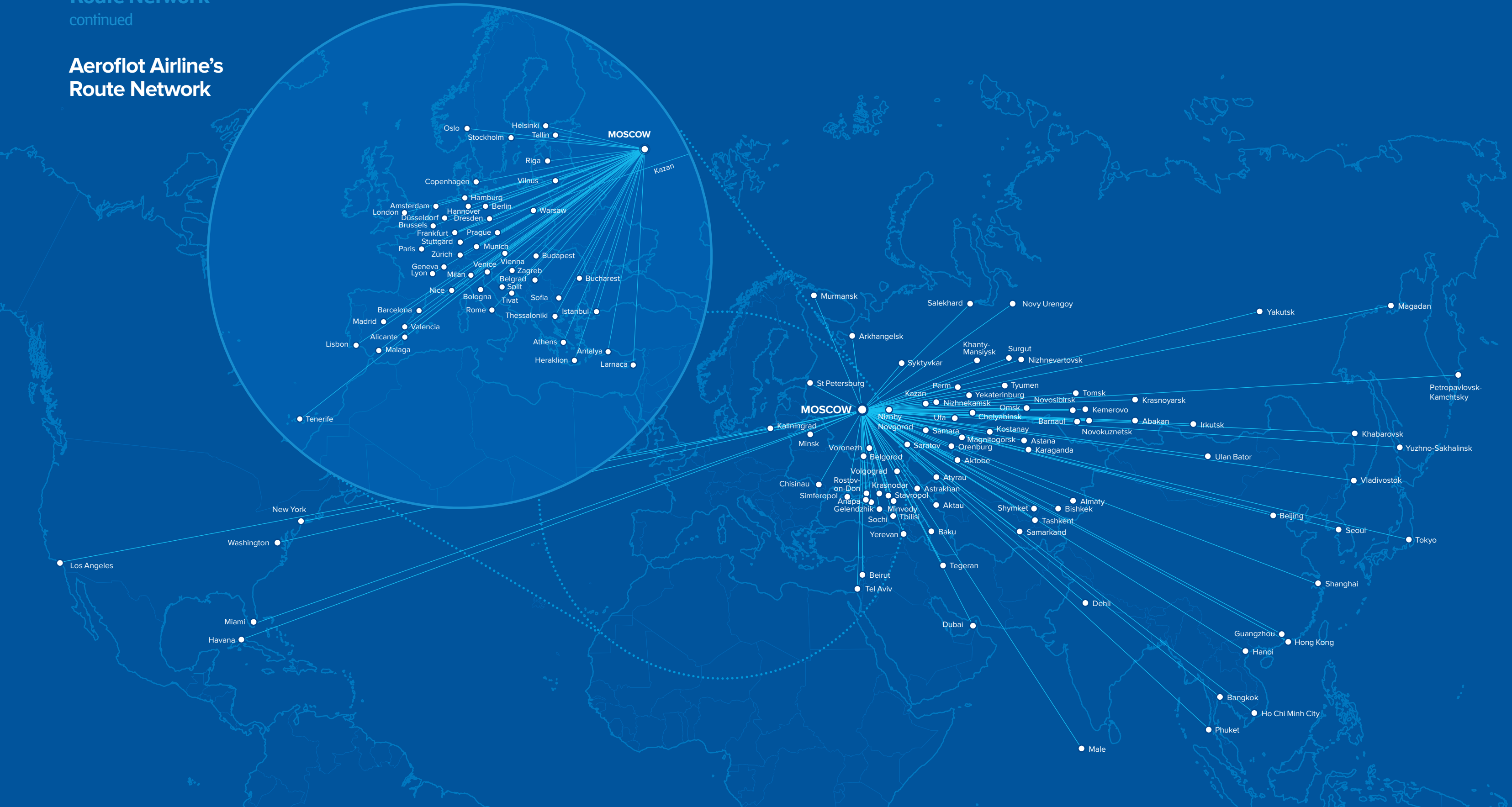


Number of Aeroflot airline's routes

	2016			2017			Change, %		
	Sch.	Chart.	Total	Sch.	Chart.	Total	Sch.	Chart.	Total
International	87	20	99	89	31	103	2.3	55.0	4.0
Domestic	46	13	48	50	25	64	8.7	92.3	33.3
Medium-haul	108	30	119	114	56	142	5.6	86.7	19.3
Long-haul	25	3	28	25	—	25	—	—	(10.7)
Total	133	33	147	139	56	167	4.5	69.7	13.6

Route Network
continued

Aeroflot Airline's
Route Network



Route Network

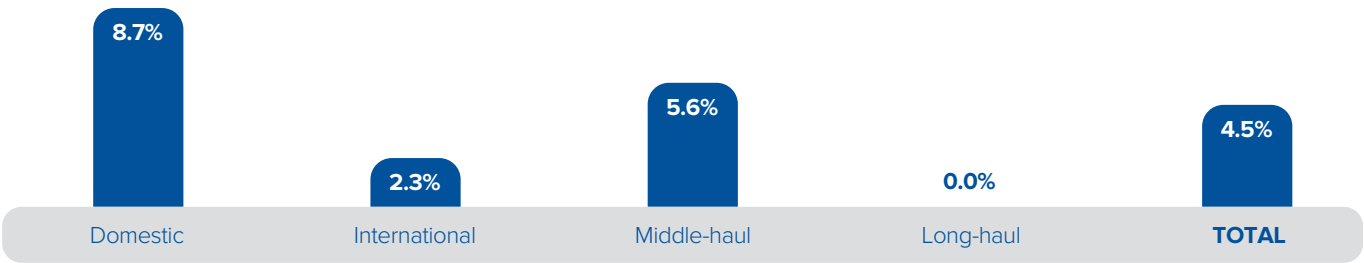
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Rossiya and Aurora Airlines' Route Network

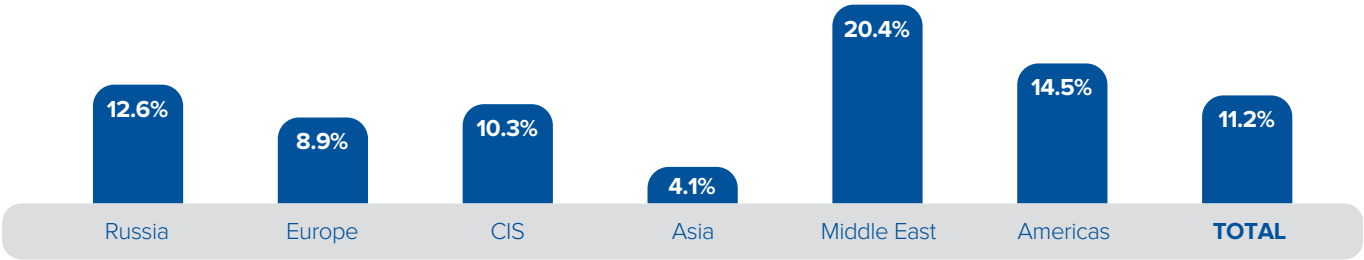
Route Network

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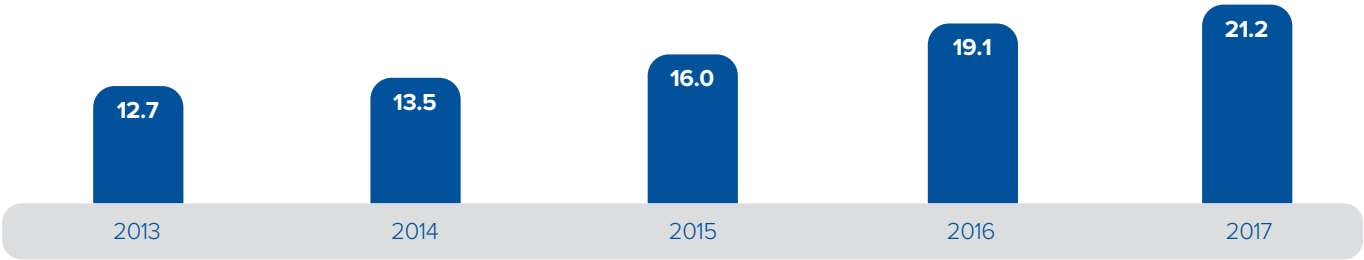
Aeroflot airline's scheduled routes (2017 vs 2016)



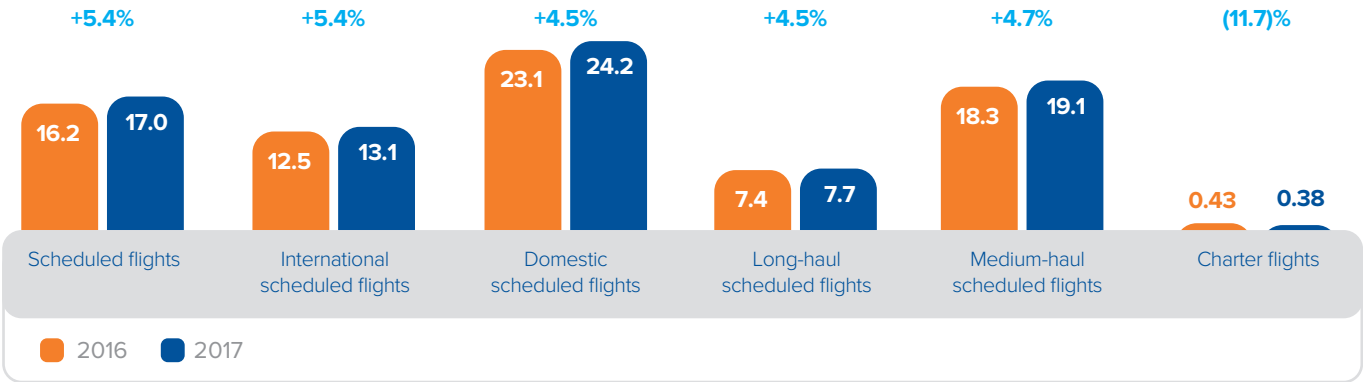
Aeroflot airline's scheduled flights by region (2017 vs 2016)



Connectivity ratio for Aeroflot airline's own flights



Average weekly frequency of Aeroflot airline's flights



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

continue

Pobeda airline's route network in 2017



Pobeda airline

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).

Aeroflot airline's key international transit routes in 2017



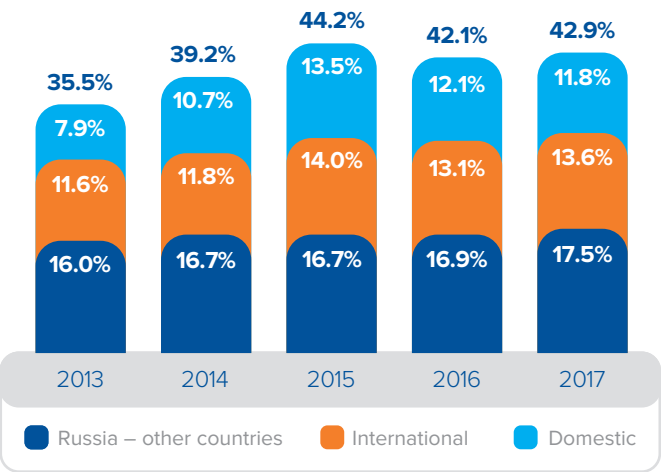
Transfer traffic on domestic and international routes

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.

Share of transfer passengers in Aeroflot airline's total passenger traffic



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	Rossiya airline	Aurora airline
<ul style="list-style-type: none">— Seven new permits to operate international scheduled passenger services from Moscow to Burgas, Verona, Kaunas, Melbourne, Naples, Auckland, and Sidney— Nineteen additional permits to increase the frequencies of international scheduled passenger services from Moscow to Aktobe, Astana, Athens, Barcelona, Bologna, Budapest, Hong Kong, Dubai, Heraklion, Kyzylorda, Lyon, Madrid, Milan, Minsk, Prague, Rome, Helsinki, Shanghai, and Stuttgart— One new permit to operate international non-scheduled (charter) passenger service from Moscow to Grenoble	<ul style="list-style-type: none">— Three new permits to operate international scheduled passenger services from Moscow to Punta Cana, from Saint Petersburg to Goa, and from Yekaterinburg to Antalya— Three additional permits to increase the frequencies of international scheduled passenger services from Saint Petersburg to Nice, Paris, and Rimini— Eight new permits to operate international non-scheduled (charter) passenger service from Moscow to Barcelona, Burgas, Varna, and Sofia, from Saint Petersburg to Burgas, Varna, and Barcelona, and from Yekaterinburg to Barcelona	<ul style="list-style-type: none">— Four additional permits to operate international scheduled passenger services from Vladivostok to Hong Kong, Tokyo, and Yanji and from Yuzhno-Sakhalinsk to Sapporo.

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 – Kaunas, and obtained a permit to sign a codeshare agreement with partner airlines to operate Moscow – Melbourne, Moscow – Auckland, and Moscow – Sidney routes.

Codeshare and interline agreements

Codeshare agreements enable Aeroflot Group to expand its route network adding both point-to-point flights and flights beyond the partner hubs, as well as increase the 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 codeshare agreements on new routes with China Southern, Alitalia, Air Serbia, Air France, and Siberia Airlines.

During 2017, PJSC Aeroflot had 30 codeshare agreements with foreign and Russian airlines:

- Twenty agreements under which Aeroflot airline acted both as a partner operator and a marketing operator: Air France, KLM, Alitalia, Finnair, Czech Airlines, LOT-Polish Airlines, Bulgaria Air, Korean Air, Air Serbia, MIAT, Air Baltic, Air Europa, Garuda Indonesia, Icelandair, Kenya Airways, Saudi Arabian Airlines, China Eastern Airlines, China Southern Airlines, Delta Air Lines, and Siberia Airlines
- Four agreements under which Aeroflot airline acted as a partner operator only: Cubana de Aviacion, 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, Bangkok Airways, and Royal Air Maroc
- Two codeshare 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 codeshare agreements were foreign-based Alitalia, 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/MIBA FORUM, a non-profit organisation uniting over 230 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.



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 16,609 flights on a daily basis.

SkyTeam Alliance had 20 members in 2017, including Aeroflot – Russian Airlines, Aerolineas Argentinas, Aeromexico, Air Europa, Air France, KLM, Alitalia, China Airlines, China Eastern Airlines, China Southern Airlines, Czech Airlines, Delta Air Lines, Kenya Airways, Korean Air, Middle East Airlines, Saudi Arabian Airlines, TAROM, Vietnam Airlines, Xiamen Airlines, and Garuda Indonesia.

As a SkyTeam partner, Aeroflot carried over 513 thousand passengers in 2017 under codeshare and interline agreements with Alliance members. About 334 thousand Aeroflot passengers were carried by its 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'S AIRCRAFT FLEET EVOLUTION

	2013	2017
Narrow-body (regional)	SSJ100 An-148 An-24 DHC-8-200/300	SSJ100 DHC-8-200/300/400 DHC-6-400
Narrow-body (medium-haul)	Airbus A319/320/321 Boeing 737 Classic Boeing 737 NG	Airbus A319/320/321 Boeing 737 NG
Wide-body	Airbus A330 Boeing 767 Boeing 777 Il-96 Tu-204 MD-11F	Airbus A330 Boeing 747 Boeing 777
	13 types of aircraft	8 types of aircraft

AVERAGE AGE OF AIRCRAFT FLEET AEROFLOT AIRLINE

5.2 years 2013 4.1 years 2017

AVERAGE AGE OF AIRCRAFT FLEET AEROFLOT GROUP

7.7 years 2013 6.2 years 2017

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

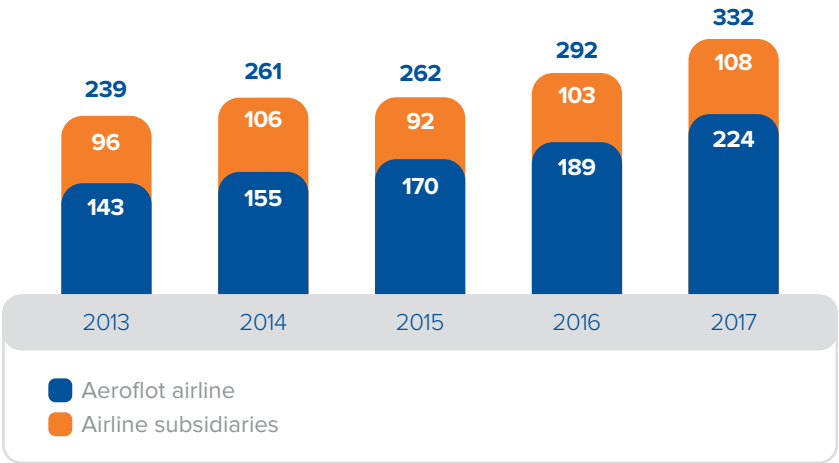
Aeroflot airline's fleet comprises several types of aircraft produced by major manufacturers and focuses on addressing the needs of both the mass-market and premium segments. Aircraft offer two to three travel classes to serve passengers in flight.

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.

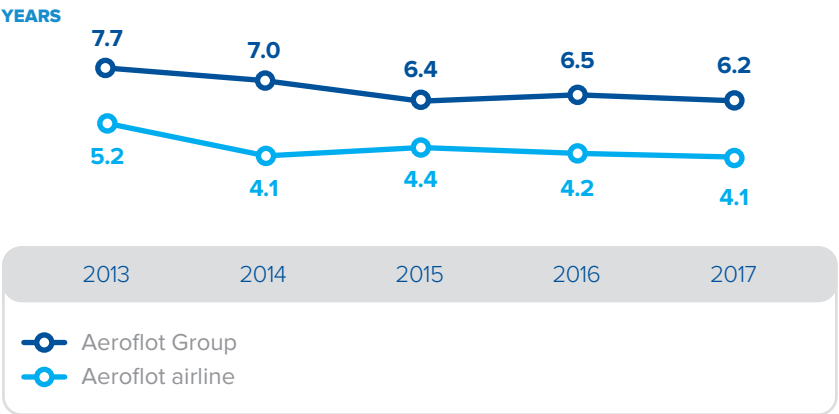
Aurora airline operates Airbus A319 narrow-body aircraft on scheduled routes and turboprops for local flights.

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

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



Average age of aircraft fleet in operation



Aeroflot Group's aircraft fleet by type

Airline	Manufacturer	Types	Models	
			Narrow-body	Wide-body
AEROFLOT Russian Airlines	AIRBUS BOEING UAC	5	– Airbus A320 (family) – Boeing 737 NG – SSJ100	– Airbus A330 – Boeing 777
ROSSIYA	AIRBUS BOEING	4	– Airbus A320 (family) – Boeing 737 NG	– Boeing 747 – Boeing 777
Aurora	VIKING BOMBARDIER AIRBUS	3	– DHC-6-400 – DHC-8-200/300/400 – Airbus A319	
pobeda	BOEING	1	– Boeing 737 NG	

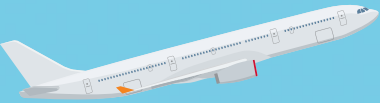
Note. Data exclude aircraft that were out of operation by the Group's airlines (Mi-8 in 2013, An-148 and An-24 in 2017).

Aircraft Fleet

continued

Wide-body

LONG-HAUL



Airbus A330-300	17 aircraft
Length, m	63.69
Wingspan, m	60.3
Seating capacity, seats	296–302
Maximum take-off weight, kg	230,000
Engines	RR Trent 772B
Flight range, km	9,500



Boeing 777-300ER	21 aircraft
Length, m	73.86
Wingspan, m	64.8
Seating capacity, seats	402
Maximum take-off weight, kg	317,515
Engines	GE 90-115BL
Flight range, km	11,200



Boeing 747-400	9 aircraft
Length, m	70.7
Wingspan, m	64.4
Seating capacity, seats	447–522
Maximum take-off weight, kg	385,553–396,893
Engines	CF6-80C2, PW4056
Flight range, km	13,400



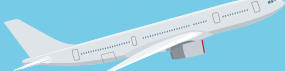
Airbus A330-200	5 aircraft
Length, m	58.82
Wingspan, m	60.3
Seating capacity, seats	241
Maximum take-off weight, kg	230,000
Engines	RR Trent 772B
Flight range, km	11,200

Narrow-body

MIDDLE-HAUL



Boeing 737-800	68 aircraft
Length, m	39.5
Wingspan, m	35.8
Seating capacity, seats	158–189
Maximum take-off weight, kg	79,015
Engines	CFM 56-7B x 2
Flight range, km	4,500



Airbus A321	38 aircraft
Length, m	44.5
Wingspan, m	34.1
Seating capacity, seats	170–183
Maximum take-off weight, kg	89,000
Engines	CFM 56-5B
Flight range, km	3,800



Airbus A320	80 aircraft
Length, m	37.6
Wingspan, m	34.1
Seating capacity, seats	140–168
Maximum take-off weight, kg	75,500–77,000
Engines	CFM 56-5A/5B
Flight range, km	4,000–5,500



Airbus A319	36 aircraft
Length, m	33.8
Wingspan, m	34.1
Seating capacity, seats	128–138
Maximum take-off weight, kg	70,000
Engines	CFM 56-5A/5B
Flight range, km	3,500–6,800

Narrow-body

REGIONAL



SSJ100	37 aircraft
Length, m	29.9
Wingspan, m	27.8
Seating capacity, seats	87
Maximum take-off weight, kg	45,880
Engines	Power Jet SaM146
Flight range, km	2,400



DHC 8-402	5 aircraft
Length, m	32.8
Wingspan, m	28.4
Seating capacity, seats	70
Maximum take-off weight, kg	29,574
Engines	PW150A
Flight range, km	2,532



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



DHC 8-200	2 aircraft
Length, m	22.2
Wingspan, m	25.9
Seating capacity, seats	37
Maximum take-off weight, kg	16,466
Engines	PW123 C
Flight range, km	1,713



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



Aircraft Fleet
continued

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-8s and one An-24 (leased out and not operated by Aeroflot Group).

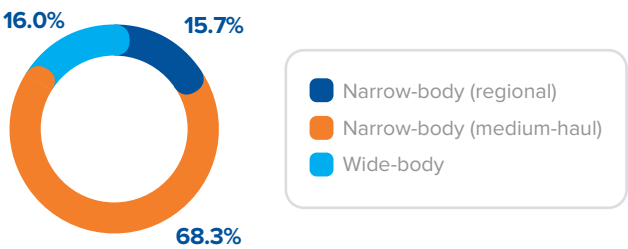
During 2017, Aeroflot Group was actively expanding its operating capacity with 54 new aircraft added to the fleet. Over the same period, Aeroflot Group phased out 14 aircraft: thus, the net fleet increase amounted to 40 aircraft.

Aeroflot Group's aircraft fleet

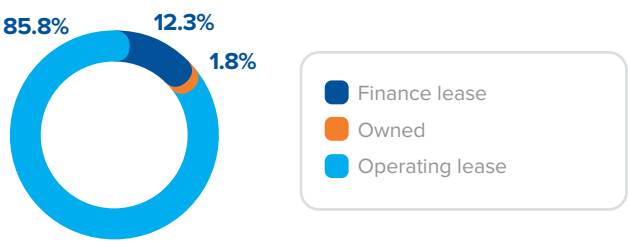
Type of aircraft	As at 31 December 2016	Change 2017		As at 31 December 2017	Owned	Operating lease	Finance lease
		Phased in	Phased out				
Airbus A330-200	5	–	–	5	–	–	–
Airbus A330-300	17	–	–	17	–	9	8
Boeing 777-200ER	1	–	(1)	–	–	–	–
Boeing 777-300ER	20	1	–	21	–	11	10
Boeing 747-400	7	2	–	9	–	9	–
Wide-body	50	3	(1)	52	–	34	18
Airbus A319	36	–	–	36	–	27	9
Airbus A320	75	11	(6)	80	–	80	–
Airbus A321	32	8	(2)	38	–	25	13
Boeing 737-800	49	24	(5)	68	–	68	–
Narrow-body (medium-haul)	192	43	(13)	222	–	200	22
DHC-6-400	2	1	–	3	–	3	–
DHC-8-200	2	–	–	2	–	2	–
DHC-8-300	4	–	–	4	1	3	–
DHC-8-402	5	–	–	5	5	–	–
SSJ100	30	7	–	37	–	37	–
An-148*	6	–	–	6	–	–	6
An-24*	1	–	–	1	1	–	–
Narrow-body (regional)	50	8	–	58	7	45	6
Total	292	54	(14)	332	7	279	46

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

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

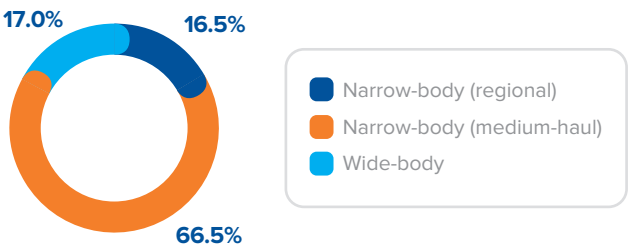


Aeroflot Group's fleet by type of ownership as at 31 December 2017

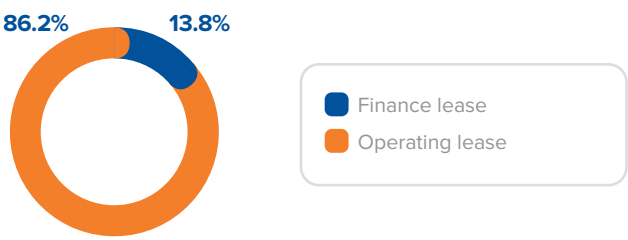


Note. Excluding six An-148s and one An-24 subleased and leased out.

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



Aeroflot airline's fleet by type of ownership as at 31 December 2017



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.

Aeroflot airline's aircraft fleet

Type of aircraft	As at 31 December 2016	As at 31 December 2017	Change
Airbus A330	22	22	–
Boeing 777	15	16	1
Wide-body	37	38	1
Airbus A320	70	75	5
Airbus A321	32	38	6
Boeing 737	20	36	16
Narrow-body (medium-haul)	122	149	27
SSJ100	30	37	7
Narrow-body (regional)	30	37	7
Total	189	224	35

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

Type of aircraft	As at 31 December 2016	As at 31 December 2017	Change
Airbus A319	26	26	—
Boeing 737	17	16	(1)
Boeing 747	7	9	2
Boeing 777	6	5	(1)
Airbus A320	5	5	—
An-148*	6	6	—
Rossiya airline	67	67	—
Airbus A319	10	10	—
DHC-8	11	11	—
DHC-6	2	3	1
An-24*	1	1	—
Aurora airline	24	25	1
Boeing 737	12	16	4
Pobeda airline	12	16	4
Total	103	108	5

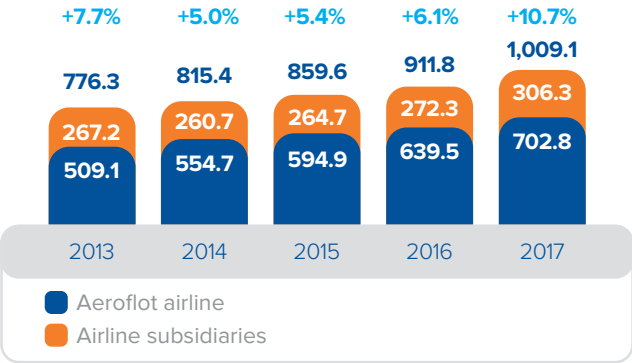
* Aircraft were out of operation and were subleased or leased out.

Flight hours

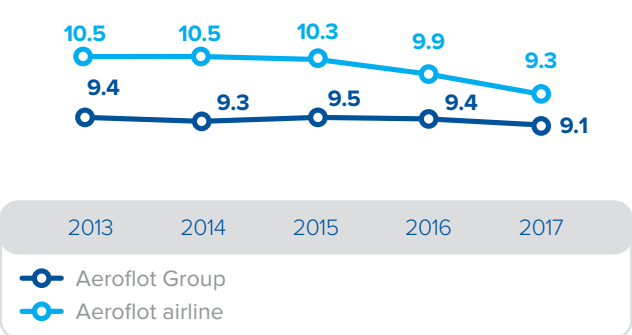
Aeroflot Group maintains high fleet utilisation efficiency. Due to the expansion of Aeroflot Group operations in 2017, flight hours increased by 10.7% year-on-year to 1,009 thousand hours. Aeroflot airline posted a 9.9% increase to 703 thousand hours.

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.

Flight hours, THOUSAND HOURS



Average flight hours per aircraft in operation per day



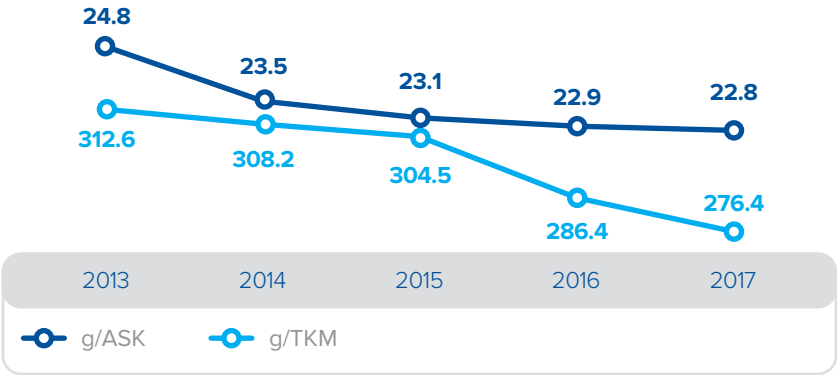
Note. The number of aircraft in operation in the reporting year is calculated as the average of the number of aircraft as at the start and the end of the period.

Fuel efficiency

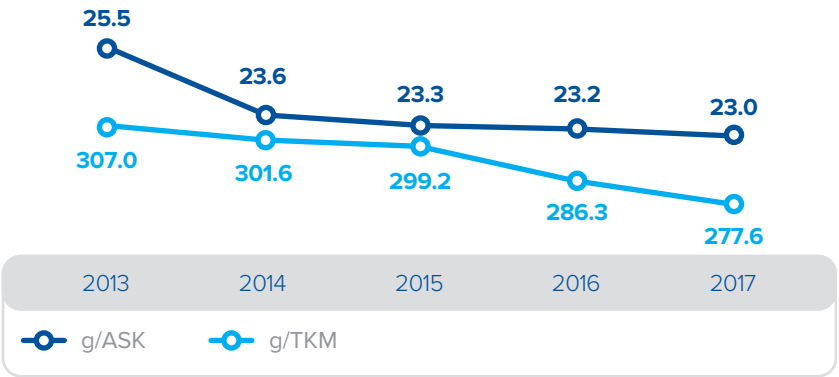
In 2017, specific fuel consumption across Aeroflot Group decreased by 10.0 grams (or 3.5%) year-on-year to 276.4 grams per tonne-kilometre (TKM). Specific fuel consumption at Aeroflot airline decreased by 8.7 grams (or 3.0%) to 277.6 g/TKM. The efficiency, including by passenger turnover, continued to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

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

Specific fuel consumption in Aeroflot Group



Specific fuel consumption in Aeroflot airline



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.

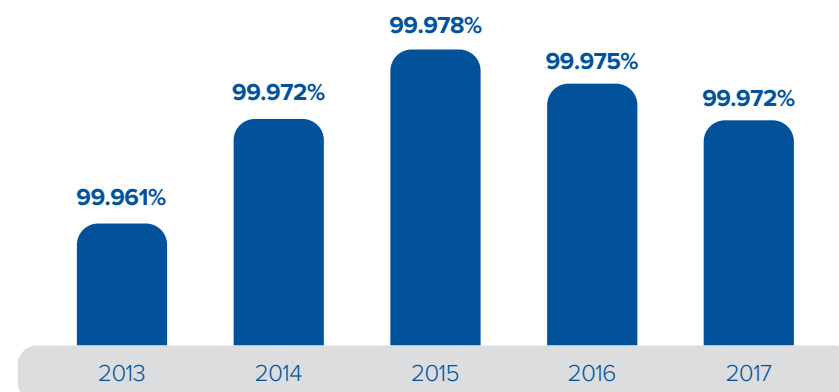
In 2017, PJSC Aeroflot had a series of inspections and audits that confirmed the high level of flight safety maintained by the Company. Specifically, during a scheduled audit of Aeroflot's operations for compliance with IOSA (the IATA Operational Safety Audit), IATA auditors found zero non-compliances.

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.

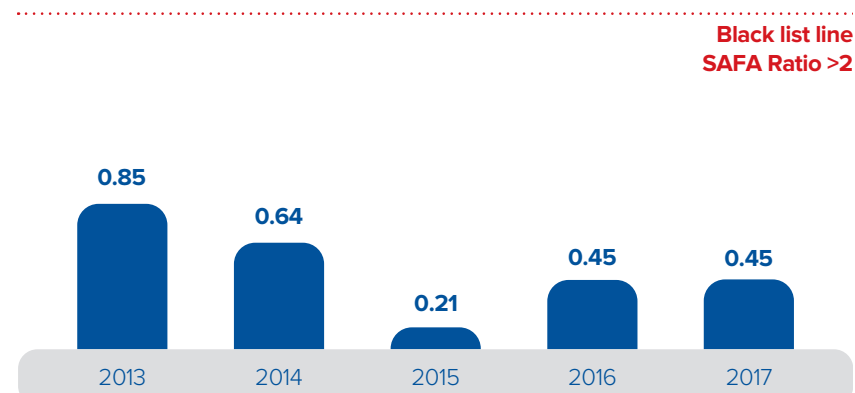
99.972%

Flight safety level of Aeroflot airline

Flight safety level of Aeroflot airline



SAFA ratio of Aeroflot airline



Inspections run by Federal Air Transport Agency and Federal Service for Supervision of Transport (Rostransnadzor) commissions reaffirmed PJSC Aeroflot's ability to operate safe commercial flights as required by the Federal Aviation Rules. In addition, during 2017, inspections were performed at:

- airport refuelling facilities by the IATA Fuel Quality Pool (IFQP)
- Aeroflot airline's aircraft in European airports under the SAFA Programme
- Sheremetyevo airport including apron inspections and quality of ground handling and maintenance inspections
- airports within Aeroflot's airline route network and representative offices of the Company to ensure flight safety.

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 9001:2015 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.

0.45

The SAFA ratio calculated based on inspections run under the Safety Assessment of Foreign Aircraft Programme

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).

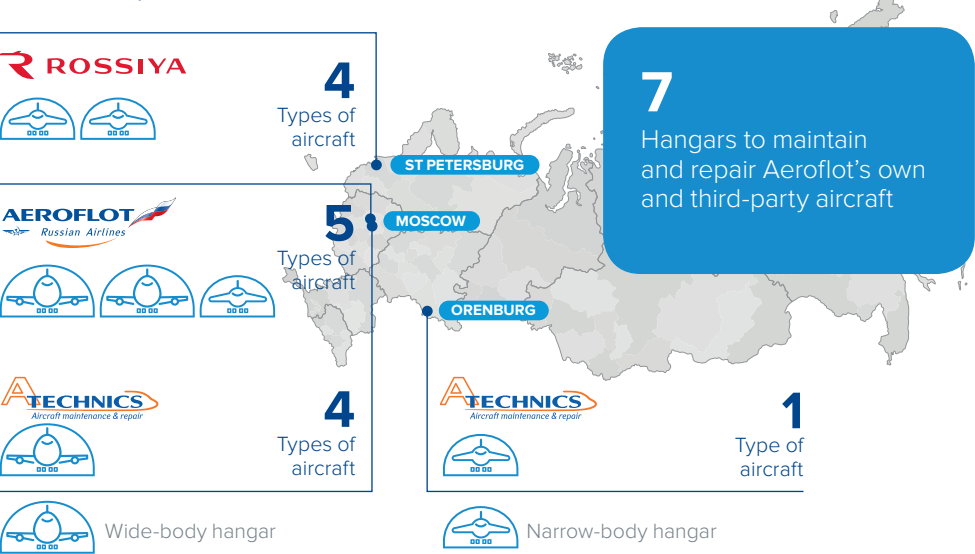
Aeroflot also continued to enhance its integrated canine service ensuring security through olfactory monitoring of Sheremetyevo airport facilities.

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.

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.

Aeroflot Group's MRO facilities



Maintenance facilities at airports and types of maintenance

Airport and location	Company	Line maintenance	Base maintenance
SHEREMETYEVO AIRPORT Moscow	Aeroflot	Airbus A320 Family Airbus A330 Boeing 777 Boeing 737-800 NG Sukhoi Superjet RRJ-95	Airbus A320 Family Airbus A330 Boeing 737-800 NG Sukhoi Superjet RRJ-95
VNUKOV AIRPORT Moscow	A-Technics	Airbus A320 Family Boeing 737 Boeing 747 Boeing 777	Airbus A320 Family Boeing 737 Boeing 747 Boeing 777
PULKOVO AIRPORT Saint Petersburg	Rossiia	Airbus A320 Family Boeing 737 Boeing 747 Boeing 777	Airbus A320 Family
ORENBURG AIRPORT Orenburg	A-Technics	Boeing 737	Boeing 737
VLADIVOSTOK AIRPORT Vladivostok	Aurora	DHC-6-400 DHC-8-200/300/400 Airbus A319	DHC-6-400
YUZHNO-SAKHALINSK AIRPORT Yuzhno-Sakhalinsk	Aurora	DHC-6-400 Airbus A319 DHC-8-200/300/400	DHC-8-200/300/400 (excluding C-check)

Aeroflot Group'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.

MRO divisions at PJSC Aeroflot are the Aircraft Maintenance Department, Airworthiness Department, and Quality Assurance Department. Aeroflot subsidiaries also have relevant departments; however, the Group consistently centralises MRO to separate base and line maintenance.

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

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

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

Scheduled maintenance of all types of operated aircraft is performed under programmes developed in line with guidelines provided by aircraft and key components manufacturers. 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.

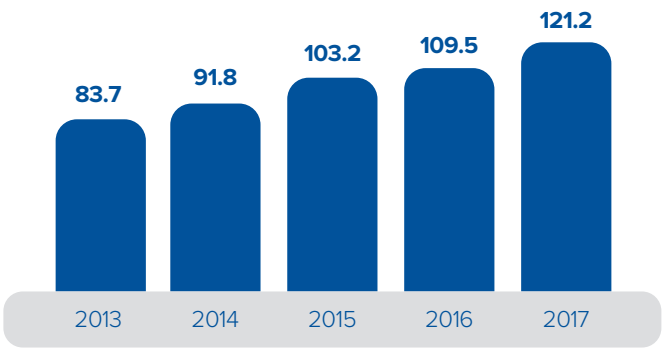
Aeroflot continued the construction of Hangar 4 at Sheremetyevo airport, launched in 2016, to perform maintenance and repairs for wide-body Boeing 777s and Airbus A350s, a maintenance annex building, and the foundation for a special-purpose vehicle MRO facility.

The Group continued to expand A-Technics, its specialist aircraft and component maintenance and repair subsidiary, which was cleared for Boeing 737 NGs 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 C14 scope of authorisation to its Orenburg arm to perform maintenance and overhaul for Boeing 747 wheels and brakes.

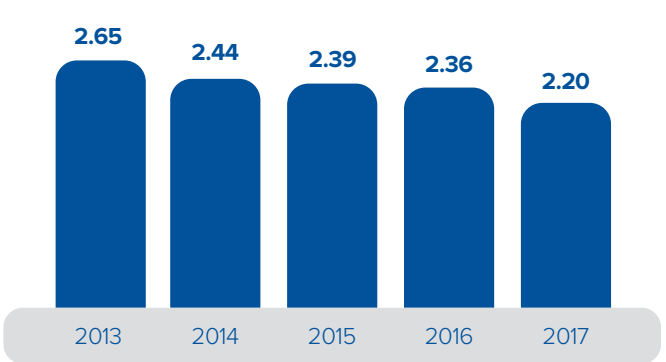
MRO divisions at PJSC Aeroflot

AIRCRAFT MAINTENANCE DEPARTMENT	Maintenance of Aeroflot and other Group airlines' aircraft
AIRWORTHINESS DEPARTMENT	Maintains airworthiness of aircraft operated by Aeroflot airline, manages technical condition of the fleet throughout the entire aircraft life cycle, develops and implements PJSC Aeroflot's strategy and policy covering aircraft operation
QUALITY ASSURANCE DEPARTMENT	Develops a quality management system for aircraft maintenance and airworthiness

Take-offs serviced at Sheremetyevo airport
THOUSAND



Labour intensity per flight hour of Aeroflot airline aircraft
MAN-HOUR



Information Technology and Innovation

Aeroflot’s mobile app named the best in Russia by TAdviser

Aeroflot received the SAP Expanding Horizons Award for pioneering SAP Audit Management system in Russia

Aeroflot won the Wings of Russia National Airline Award in the E-Commerce category

Information technology

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

WEBSITE AND MOBILE APPLICATIONS	Mobile application for passengers	Aeroflot’s mobile app now provides an even better user experience. The app’s home screen was redesigned, with the app’s functionality significantly enhanced. Now passengers can look up the next available flight on the home screen, scan their national passport, do a check-in and purchase tickets with a single touch, as well as scan their bank card using Russian-made recognition technology. Moreover, the mobile app now shows weather and FX rates at the point of destination.
	Travel Guide – an online tool to plan a trip	The new Travel Guide section of the website helps passengers find key information on cities and countries they plan to visit. Information on flights is also available in the section.
IMPROVED SALES PROCESS	Building a shared airline retailing environment under the NDC programme	Aeroflot has implemented a milestone project to build an integrated airline retailing environment to the IATA’s NDC standard. Aeroflot received the highest, Level 3 status under the IATA’s NDC programme. Aeroflot’s NDC system already comprises travel metasearch engines SkyScanner, AviaSales, Momondo, Dohop, and Airinme.

Key IT projects in 2017 continued

IMPROVED SALES PROCESS	Single payment platform	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 book hotels, with over 1.4 million insurance policies and 40 thousand Aeroexpress tickets sold since the programme’s launch. The value added services were also made available to customers who have already purchased their air tickets.
IN-FLIGHT CONNECTIVITY	“On-Board Internet”	In 2017, Aeroflot launched a programme to roll out in-flight Wi-Fi entertainment and Internet services in 81 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.
INFORMATION SECURITY	Enhancement of information security systems	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.
CUSTOMER INTERACTION MANAGEMENT	Multimedia Contact Centre	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.
	Customer interaction platform	A new, special IT solution was deployed in 2017 to handle calls in different channels, ensuring their proper categorisation and routing. A special solution was also implemented to track the Company’s public image across social media, enabling inter alia feedback from opinion leaders including popular bloggers and journalists.
AIRCRAFT MAINTENANCE SERVICES	Integrated resource management system for ground handling services	In 2017, Aeroflot implemented the RMS Inform suite, a resource management system for ground handling services and passenger transport operations. The RMS Inform solution has enabled the Company to streamline core business processes through effective allocation of tasks between employees and forward-looking resource planning.
	AMOS automated MRO software solution	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 ERP and legacy OPS systems. Cross-system synchronisation has enabled the Company to optimise its aircraft maintenance, repair & overhaul (MRO) monitoring processes.

Information Technology and Innovation

continued

Innovation-driven development

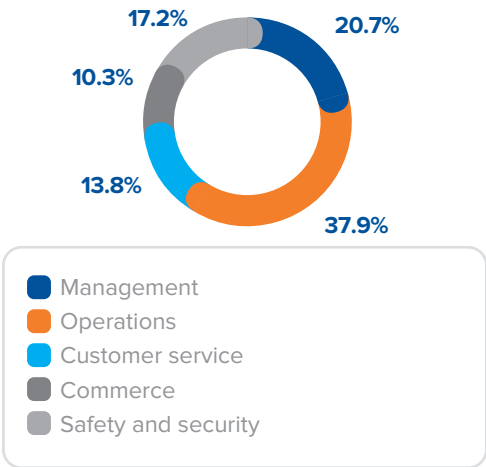
As a leading global airline, Aeroflot has a strong focus on implementing advanced and innovative technology and solutions across all areas of its activities. The Group has in place the Innovative Development Programme until 2025 which defines the key focus areas, activities, and KPIs for innovation.

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 Innovative Development in 2016. Due to changes in subsidiary airlines organisation and the establishment of integrated Rossiya airline, the Group launched a process in 2017 to update the Programme.

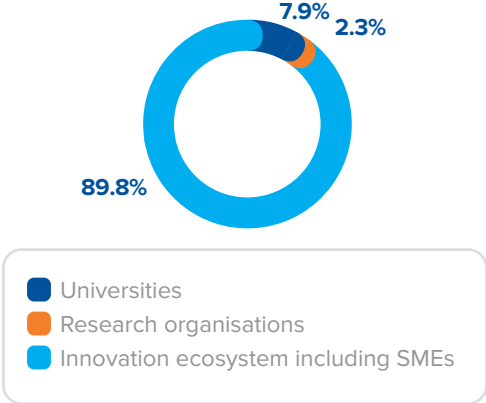
The Programme has been incorporated into the Group's overall strategy and aims at achieving technology leadership in the global aviation industry and sharpening the Group's competitive edge on key operating and innovation performance measures.

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 metrics and introduce advanced, powerful technologies including in information security. The Innovative Development 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



R&D costs by researcher



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 an intelligent diagnostics and prognostics system for Aeroflot fleet aircraft components and assemblies using Big Data approaches and tools

Aeroflot is implementing a project to develop a proprietary intelligent diagnostics and predictive maintenance system for aircraft. During 2017, research was carried out to enable failure prediction in aircraft components and assemblies for a limited number of fault conditions, resulting in a pilot system which comprised a set of software elements representing a number of prototype modules including mathematical prediction models.

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 adaptation of a prototype automated IT system for flight crew professional training, to be commercially deployed at Aeroflot

The project aims to develop an online flight crew training and testing system facilitating the automation of corporate training processes. The prototype IT system for flight crew professional training was adapted in 2017.

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 code¹. Subsidiary airlines sell tickets for own flights independently. Pobeda airline offers air tickets through own website and online booking systems.

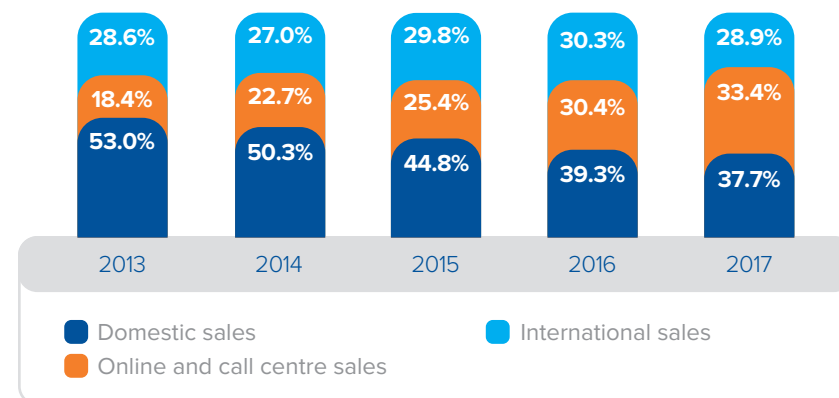
Commercial management of flight loads for services operated by subsidiary airlines under codeshare agreements enables Aeroflot to centralise management for sales, revenue, route network, and fleet planning across the Group.

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 (BSP, ARC, Transport Clearing House (TCH)), own sales offices, and Aeroflot's website and call centre.

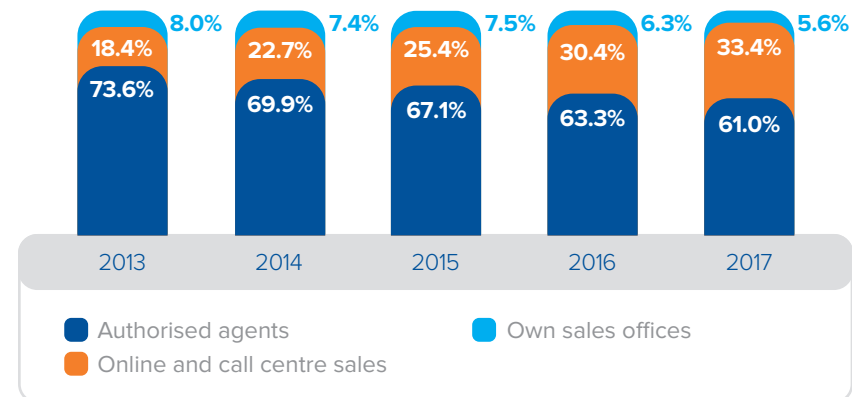
Online sales are actively growing, driven by more accessible and easy-to-use web apps, and the growing number of mobile digital devices. The share of PJSC Aeroflot online sales (including the call centre) grew from 18.3% to 33.4% over the past five years. Channel-wise, agents remain the biggest contributor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

Breakdown of Aeroflot's sales revenue



Aeroflot's sales by channel



Note. Online sales and sales via the call centre are effected both in Russia and abroad.

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.

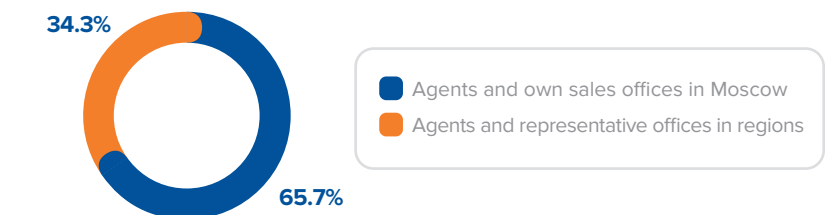
The share of sales through agents in Russia reduced overall due to a partial migration of sales online. The share of agents with BSP and TCH projects in Russia declined to 70.1% year-on-year while sales via authorised agents increased to 18.5%. Sales through own sales offices were flat year-on-year at 11.4%.

International sales

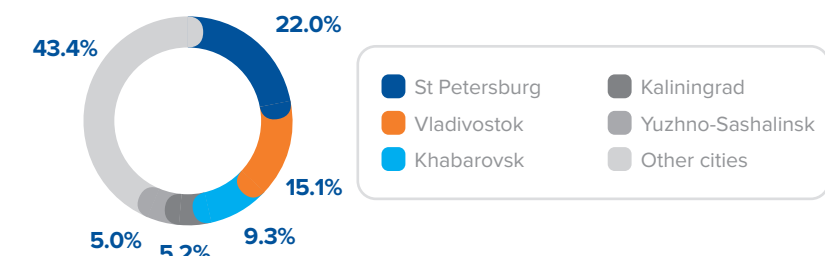
In 2017, Aeroflot's operations in international markets focused on:

- 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.

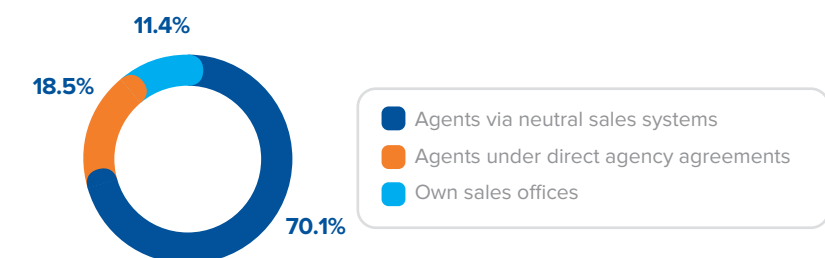
Geographical split of Aeroflot's domestic sales revenue in 2017



Top 5 cities (excluding Moscow) by contribution to Aeroflot's domestic sales revenue in 2017



Aeroflot's domestic sales by channel in 2017



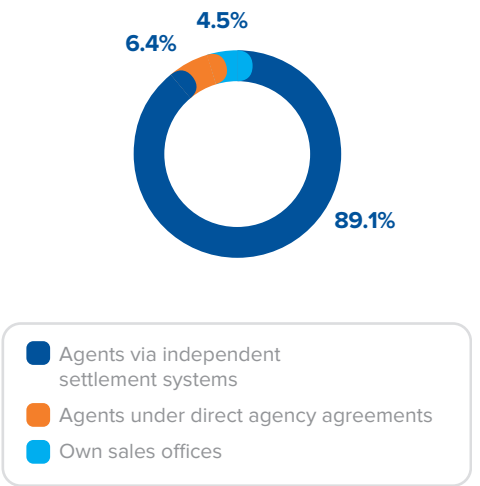
¹ Aeroflot's sales include revenue of Aeroflot airline and revenue from flights by Rossiya and Aurora subsidiary airlines under 100% commercial management.

Sales and Distribution

continued

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.

Aeroflot's international sales by channel in 2017

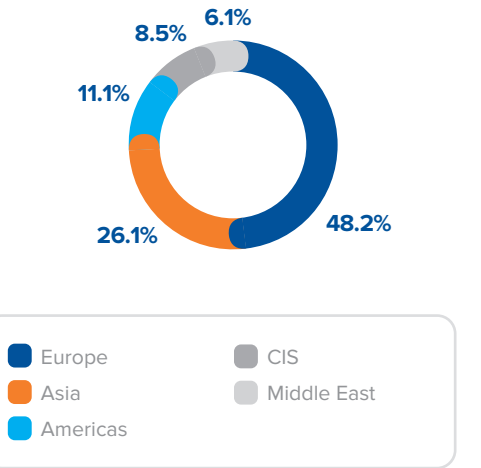


Corporate sales

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.

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



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.

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.

Improved Customer Service and Brand Management

BF

Brand Finance

A strong brand is one of Aeroflot Group'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.

The Company is focused on continuously promoting its brand, raising brand awareness, and driving consumer loyalty through excellent customer service. The market positions of Aeroflot and the Group are further consolidated through operational excellence and providing the highest quality service throughout all stages of air travel. At the same time, the Company runs a wide range of communication and marketing campaigns to support its promotion and attract new customers. According to Brand Finance, the Aeroflot brand was valued at USD 1.43 billion in 2017, compared with USD 1.27 billion in 2016.

- 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 excellent service.
- 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 recognising 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. In the autumn of 2017, Aeroflot took part in the Circle of Light Moscow International Festival, one of the Top 3 international lighting design festivals, held under the auspices of the Moscow Government.

The largest portion of Aeroflot's strategic advertising activities in 2017 was carried out through traditional media to help support sales.

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.

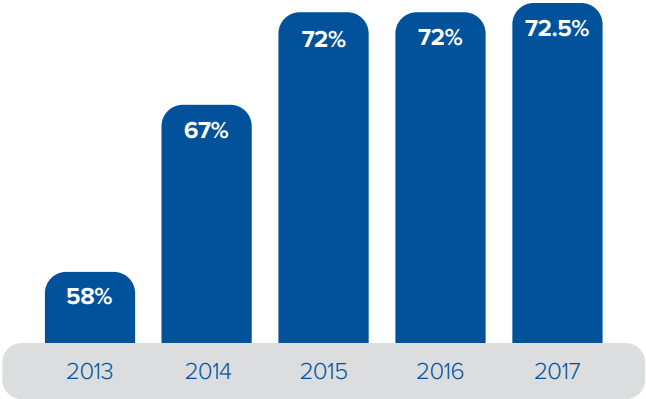
Aeroflot is actively implementing Big Data tools for marketing communications. During 2017, the Company partnered with third-party advertising platforms Yandex, Google, and MyTarget (Mail.ru) to launch a series of marketing campaigns using dynamic customer base segmentation. Aeroflot plans to further 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 Airs@t survey, as well as a joint SkyTeam Customer Experience Research project covering all member airlines.

Aeroflot airline's NPS index



Improved Customer Service and Brand Management

continued

Customer experience

Aeroflot Group consistently 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 internal, 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 menus, expands its range of in-flight entertainment, and improves upon the functionality and usability of its mobile apps and website.

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 complies 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.

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



IN-FLIGHT SERVICES

- New tableware on certain flights
- New in-flight menu featuring Russian cuisine
- The entertainment system is now available in Chinese, with more content in foreign languages
- Functionalities such as subtitles and text-to-speech voice readers added for passengers with disabilities
- More cocktail 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 airlines: 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 kits were developed



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 trainings 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



ONLINE SERVICES¹

- 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 centres – specifically, Aurora airline launched a 24/7 contact centre

¹ Website, mobile website, and mobile app.

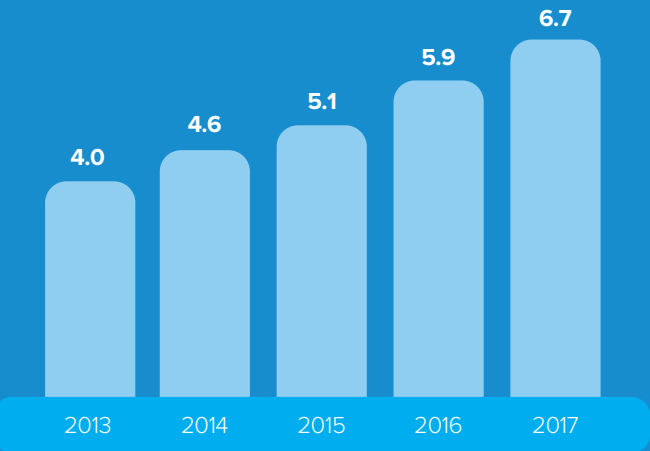
Aeroflot Bonus

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.

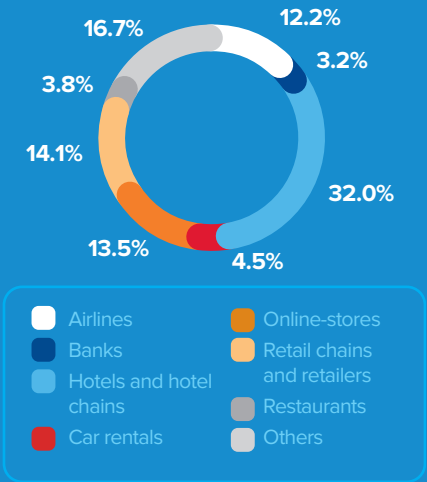
In 2017, Aeroflot Bonus won two Freddie Awards in two categories – the Best Customer Service, and the Best Redemption Ability.

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.

Aeroflot Bonus members
MILLION



Aeroflot Bonus partners



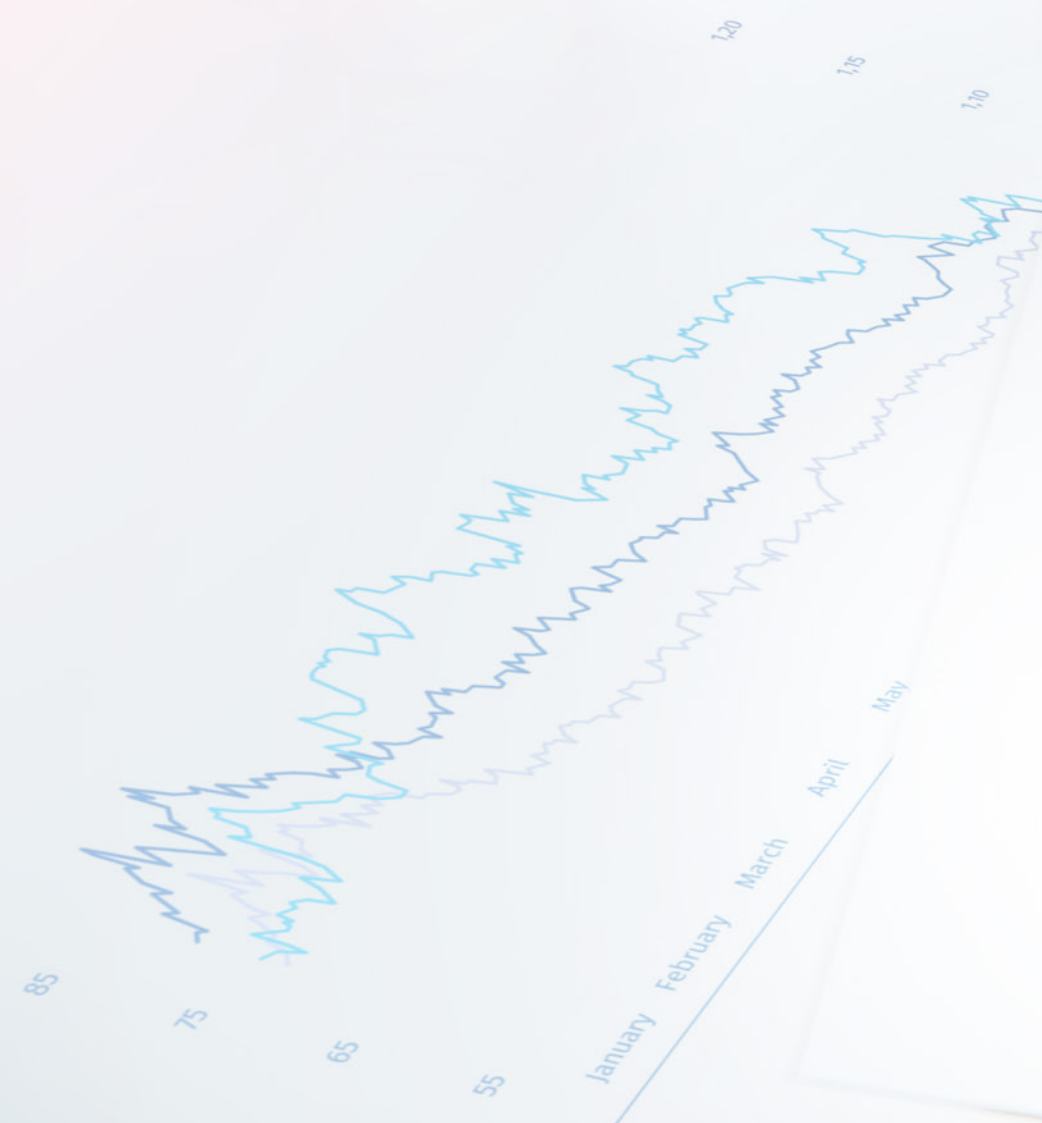
In 2017, 62 new partners joined the programme, with the total number of partners at year-end at 156, including 19 airlines. The partners include airlines, banks, hotels, car rental services, online stores, retailers, restaurants, and many more. The Company held more than 10 partner promotions in 2017, including joint projects with Sberbank, Otkritie Bank, Europcar, and AVIS. Aeroflot also continued to enhance its bonus miles programmes 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.

Financial Growth

RUB 532.9 billion
Aeroflot Group's revenue

RUB 23.1 billion
Aeroflot Group's net profit



FINANCIAL REVIEW

Financial Highlights	96
Traffic and Other Revenue	97
Yields	98
Operating Costs	99
Cost per Available Seat-Kilometre (CASK)	101
EBITDA and EBITDAR	102
Finance Income and Costs	102
Cash Flows	103
Capital Expenditure	105
Debt and Liquidity	106

Financial Highlights

Financial Highlights

Financial highlights

RUB million, unless otherwise stated	2016	2017	Change, %
Revenue	495,880	532,934	7.5
EBITDAR ¹	137,567	121,808	(11.5)
EBITDAR margin, %	27.7	22.9	(4.8) p.p.
EBITDA ¹	78,004	56,015	(28.2)
EBITDA margin, %	15.7	10.5	(5.2) p.p.
Operating profit	63,254	40,411	(36.1)
Operating profit margin, %	12.8	7.6	(5.2) p.p.
Profit for the period	38,826	23,060	(40.6)
Net profit margin, %	7.8	4.3	(3.5) p.p.

2017 was yet another landmark year for Aeroflot Group, as its airlines carried 50.1 million passengers, up 15.4% year-on-year. The Group took full advantage of the opportunities offered by the growing passenger transportation market in both the scheduled and charter segments. The Group continued its sustainable growth on domestic and international routes. Aeroflot Group ensured a high utilisation rate of its much increased capacity (+14.2% year-on-year), with the passenger load factor up 1.4 p.p. year-on-year to 82.8%. Therefore, operations development and growth were the key drivers of financial results.

Furthermore, the 2017 financial results reflect the normalisation of the margins to the Group's historical profitability driven by a number of market factors. A changing competitive landscape and international carriers adding capacity back into the Russian market and the re-opening of the Turkish market with subsequent structural changes in demand, as well as the rouble appreciation, put pressure on yields. On the other hand, higher oil prices and changes in the correlation pattern between oil and exchange rate contributed to an increase in fuel costs, a key expense item accounting for 24.9% of operating costs.

Given the impact of FX swings and higher fuel prices – as well as lower income on returns of prepayments for aircraft related to exchange rate differences accounted for in P&L that affected the 2016 results (FX effect on returns of prepayments in 2016 totalled about RUB 12.7 billion) – the financial result for 2017 was lower. In turn, the significant reduction of the debt burden thanks to early repayment of credit lines during the year, as well as savings on other non-operational costs, supported net profit, which came in at RUB 23,060 million.

Traffic and Other Revenue

Revenue

RUB million, unless otherwise stated	2016	2017	Change, %
Revenue from passenger flights	421,377	458,390	8.8
including scheduled flights	403,760	427,529	5.9
charter flights	17,617	30,861	75.2
Revenue from cargo	12,589	16,526	31.3
Total traffic revenue	433,966	474,916	9.4
Other revenue	61,914	58,018	(6.3)
including revenue from airline agreements	35,923	33,196	(7.6)
revenue from FFP partners	11,846	11,588	(2.2)
other revenue	14,145	13,234	(6.4)
Total revenue	495,880	532,934	7.5

Note. FFP – revenue from partners under the frequent flyer programme.

In 2017, Aeroflot Group's revenue increased by 7.5% year-on-year to RUB 532,934 million.

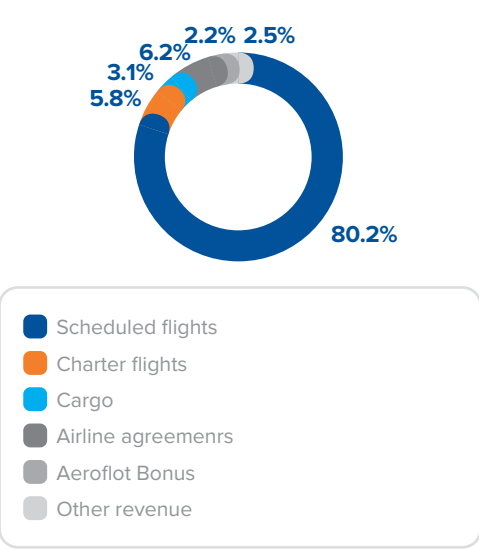
Revenue from scheduled passenger flights increased by 5.9% year-on-year to RUB 427,529 million, driven by an increase in passenger traffic. Revenue growth was affected by a decrease in yields, primarily on international routes, due to the rouble appreciation and a corresponding adjustment to FX-denominated 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.

Revenue breakdown, 2017



¹ EBITDAR = EBITDA + operating lease expenses. EBITDA = operating profit + depreciation and amortisation + customs duties.

Financial Highlights
continued

Revenue growth decomposition
RUB MILLION



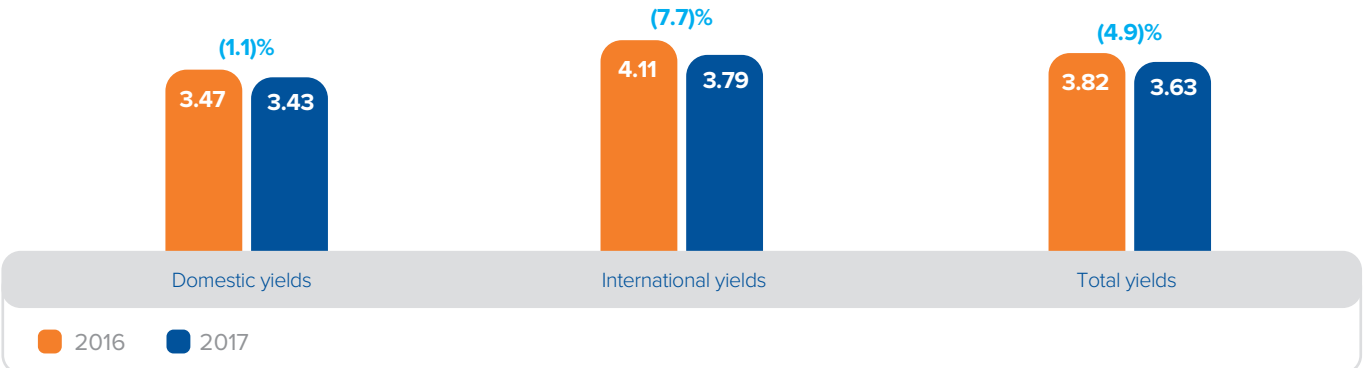
Yields

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).

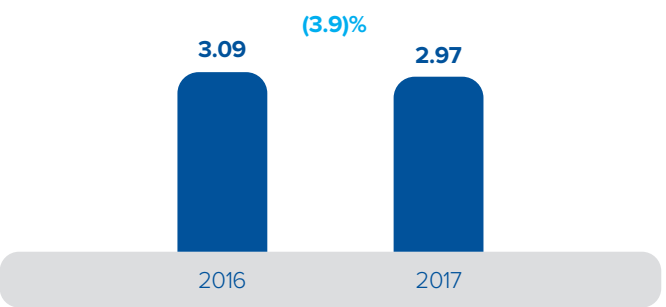
Domestic yields came under pressure from competition and the route network mix (long-haul operations development at Rossiya airline). As a result, Rossiya's average distance flown increased from 2,300 kilometres to 2,500 kilometres, or by 8.3%, while the share of flights to the cities of the Far East in the airline's total passenger-kilometres on domestic flights increased from 21.6% in 2016 to 27.6% 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.

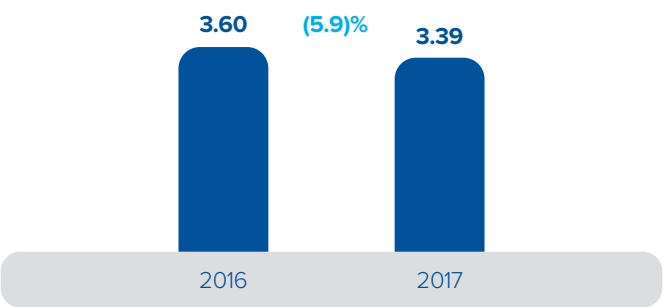
Scheduled flight yields
RUB



Scheduled flight RASK
RUB



Total RASK (including other revenue)
RUB



Operating Costs

Operating costs

RUB million, unless otherwise stated	2016	2017	Change, %
Aircraft, traffic, and passenger servicing	87,227	96,418	10.5
% of revenue	17.6	18.1	0.5 p.p.
Staff	64,682	82,801	28.0
% of revenue	13.0	15.5	2.5 p.p.
Operating lease	59,563	65,793	10.5
% of revenue	12.0	12.3	0.3 p.p.
Aircraft maintenance	38,236	36,433	(4.7)
% of revenue	7.7	6.8	(0.9) p.p.
Sales and marketing, administration and general expenses	30,294	36,139	19.3
% of revenue	6.1	6.8	0.7 p.p.
Depreciation, amortisation, and customs duties	14,750	15,604	5.8
% of revenue	3.0	2.9	(0.1) p.p.
Communication expenses	14,697	14,795	0.7
% of revenue	3.0	2.8	(0.2) p.p.
Other expenses	21,595	21,855	1.2
% of revenue	4.4	4.1	(0.3) p.p.
Operating costs, excluding aircraft fuel	331,044	369,838	11.7
% of revenue	66.8	69.4	2.6 p.p.
Aviation fuel	101,582	122,685	20.8
% of revenue	20.5	23.0	2.5 p.p.
Total operating costs	432,626	492,523	13.8
% of revenue	87.2	92.4	5.2 p.p.

Financial Highlights

continued

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 17.7%, 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.

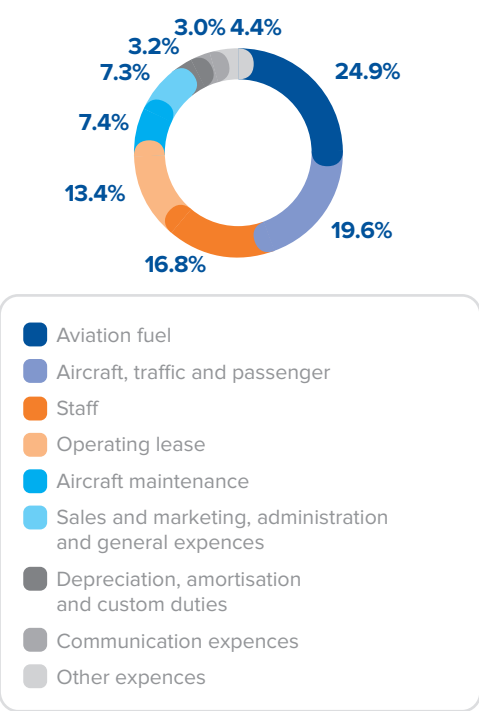
Sales and marketing, administration and general expenses grew by 19.3% year-on-year to RUB 36,139 million due to increased investments in marketing campaigns, in particular, promoting Aeroflot in key international markets. This programme is delivering notable results as Aeroflot carried 4.4 million international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

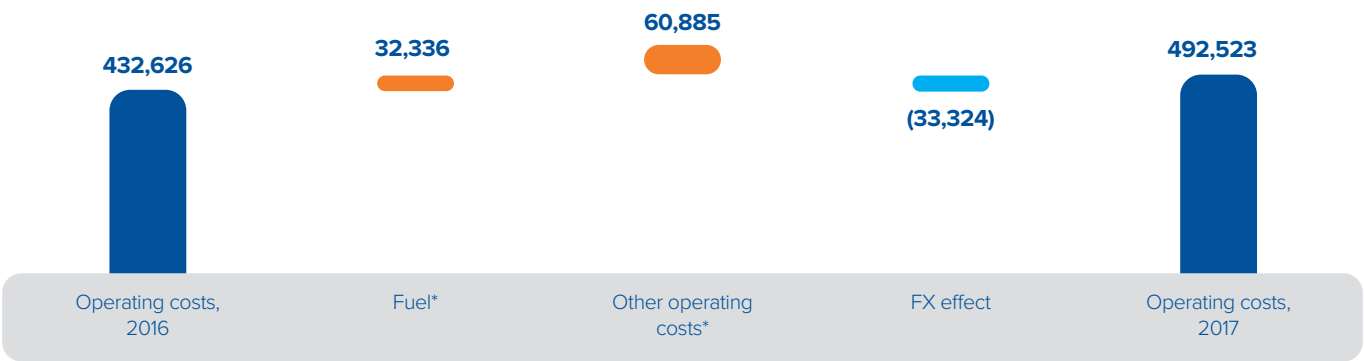
Communication expenses including the services of global distribution systems totalled RUB 14,795 million having increased insignificantly by 0.7% due to the operations growth and the rouble appreciation.

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

Operating costs breakdown, 2017



Decomposition of changes in operating costs
RUB MILLION



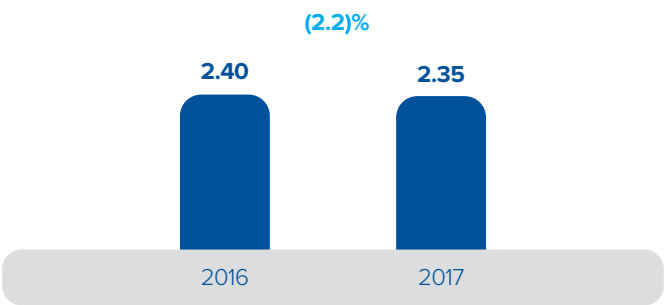
* Without FX effect.

Cost per Available Seat-Kilometre (CASK)

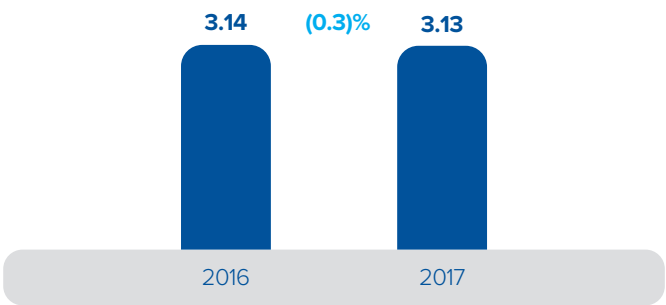
During the year, the Company exercised efficient cost control. Cost per available seat-kilometre (CASK) decreased by 0.3% to RUB 3.13, driven largely by a 5.8% growth of unit aviation fuel

costs. Excluding fuel costs, CASK decreased by 2.2% or by RUB 2.35 per seat-kilometre.

CASK excluding specific fuel costs
RUB



Total CASK
RUB



Financial Highlights

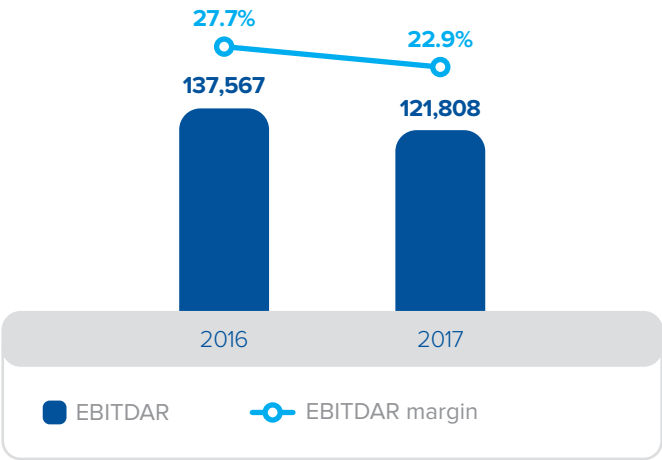
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EBITDA and EBITDAR

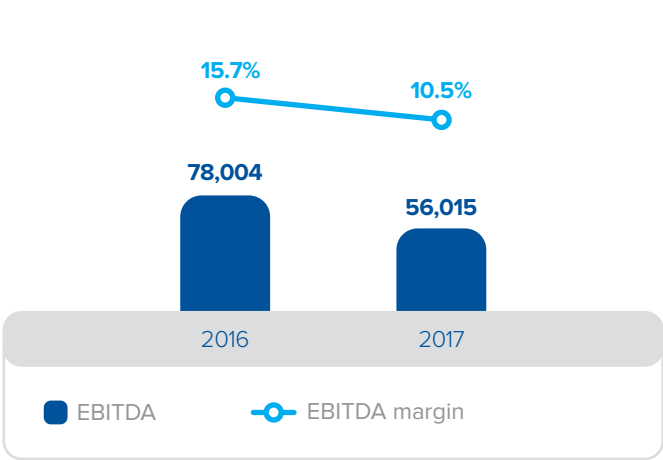
In 2017, Aeroflot Group's EBITDA totalled RUB 56,015 million. EBITDA margin decreased to 10.5% (15.7% in 2016). EBITDAR for 2017 was RUB 121,808 million. EBITDAR margin decreased

to 22.9% (27.7% in 2016). This trend reflects the normalisation of profitability and the impact of the aforementioned factors.

EBITDAR and EBITDAR margin
RUB MILLION AND %



EBITDA and EBITDA margin
RUB MILLION AND %



Finance Income and Costs

Non-operating profit and loss

RUB million, unless otherwise stated	2016	2017	Change, %
Operating profit	63,254	40,411	(36.1)
Loss from sale and impairment of investments, net	(2,935)	(144)	(95.1)
Finance income	19,802	7,127	(64.0)
Finance costs	(9,443)	(8,225)	(12.9)
Hedging result	(12,310)	(5,613)	(54.4)
Share of results of associates	12	170	–
Result from disposal of subsidiaries	(5,099)	–	–
Profit before income tax	53,281	33,726	(36.7)
Income tax expense	(14,455)	(10,666)	(26.2)
Profit for the period	38,826	23,060	(40.6)

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

RUB million, unless otherwise stated	2016	2017	Change, %
Profit before income tax	53,281	33,726	(36.7)
Cash flows from operating activities before working capital changes	81,994	65,330	(20.3)
Increase in accounts receivable and prepayments	(6,191)	(27,816)	>100
Increase in expendable spare parts and inventories	(2,809)	(2,672)	(4.9)
Increase in accounts payable and accrued liabilities	13,387	24,964	86.5
Cash flows from operating activities after working capital changes	86,381	59,806	(30.8)
Income tax paid	(13,943)	(13,019)	(6.6)
Net cash flows from operating activities	73,647	47,432	(35.6)
Cash flows from investing activities:			
Purchases of PPE and intangible assets	(10,222)	(7,681)	(24.9)
Prepayments for aircraft	(18,806)	(7,931)	(57.8)
Return of prepayments for aircraft	29,362	26,274	(10.5)
Net cash flows used from investing activities	10,331	14,369	39.1
Free cash flow	83,978	61,801	(26.4)
Cash flows from financing activities:			
Repayment of loans and borrowings	(72,991)	(17,417)	(76.1)
Repayment of the principal of financial lease liabilities	(27,024)	(15,513)	(42.6)
Net cash flows used in financing activities	80,495	46,821	(41.8)
Net increase in cash and cash equivalents	783	14,502	>100
Cash and cash equivalents at the end of the period	31,476	45,978	46.1

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 are primarily included equipment acquired by PJSC Aeroflot under finance lease for RUB 1,872 million, and spare parts for PJSC Aeroflot's aircraft used for overhaul acquired for RUB 1,583 million.

Purchases of intangible assets in 2017 mainly included SAP development software, as well as other software solutions and licences for office and other IT systems.

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.

Net capital expenditure

RUB million, unless otherwise stated	31.12.2016	31.12.2017	Change, %
Purchases of PPE and intangible assets	(10,222)	(7,681)	(24.9)
Proceeds from sale of assets held for sale	6,471	1,856	(71.3)
Proceeds from sale of property, plant and equipment	84	88	4.8
Net capital expenditure	(3,667)	(5,737)	56.4

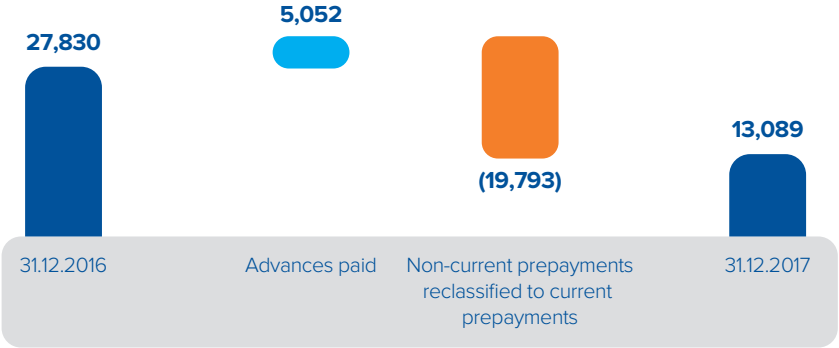
Purchases of property, plant and equipment, and intangible assets

RUB MILLION



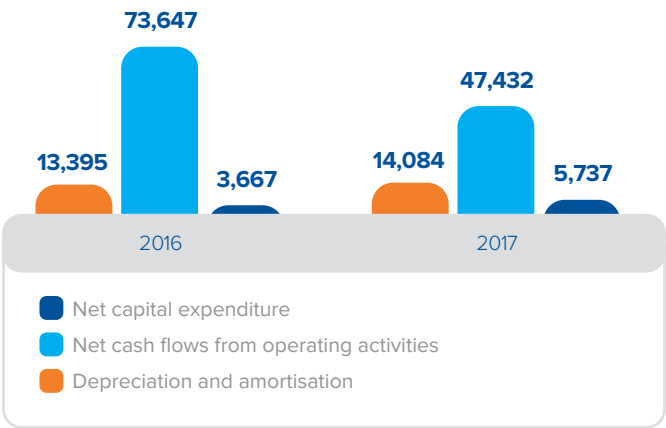
Change in prepayments for aircraft (non-current portion)

RUB MILLION



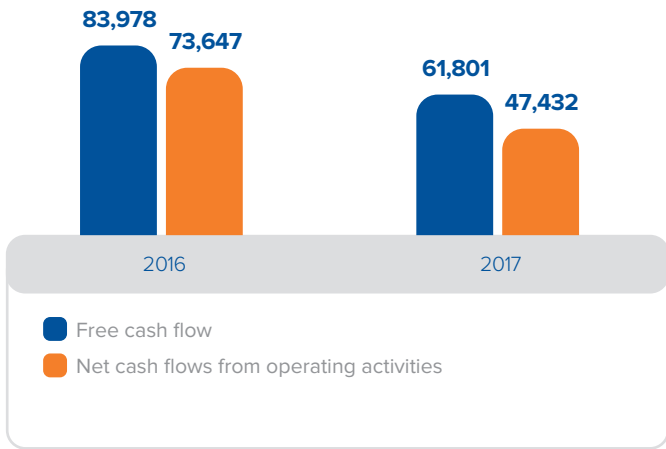
Net capital expenditure, cash flows from operating activities, depreciation and amortisation

RUB MILLION



Cash flows from operating activities and free cash flow

RUB MILLION



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

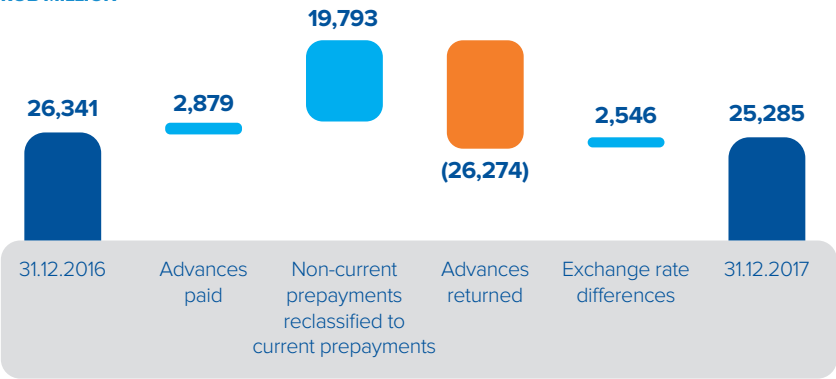
In 2017, non-current liabilities decreased by 16.5% to RUB 115,005 million. The key drivers behind this decrease were finance lease liabilities, which went down by 18.0% due to the rouble appreciation in the reporting period and the reclassification of non-current liabilities to current liabilities.

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.

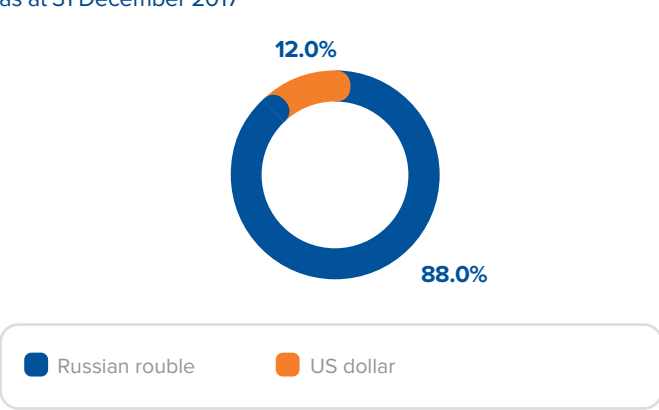
Change in prepayments for aircraft (current portion)
RUB MILLION



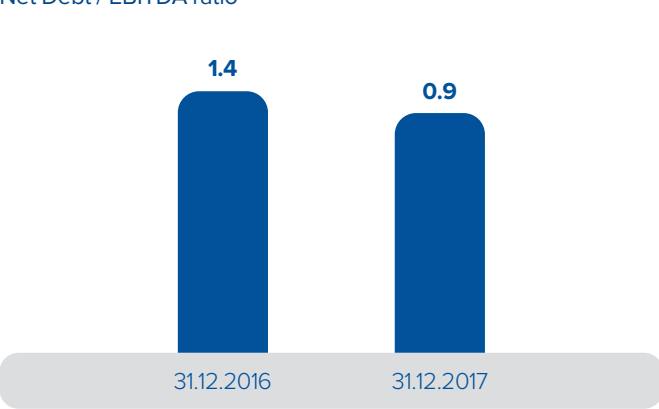
Debt

RUB million, unless otherwise stated	31.12.2016	31.12.2017	Change, %
Loans and borrowings	20,367	3,181	(84.4)
Finance lease	122,736	100,689	(18.0)
Pension liabilities	805	922	14.5
Total debt	143,908	104,792	(27.2)
Cash, cash equivalents, and short-term investments	37,795	54,909	45.3
Net debt	106,113	49,883	(53.0)
Net Debt / EBITDA ratio	1.4x	0.9x	–

Breakdown of loans and borrowings by currency
as at 31 December 2017

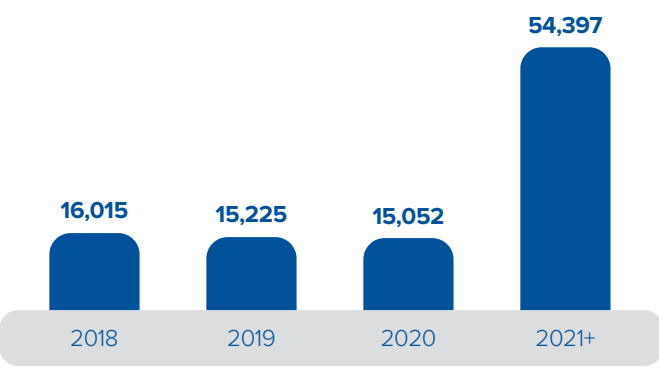


Net Debt / EBITDA ratio

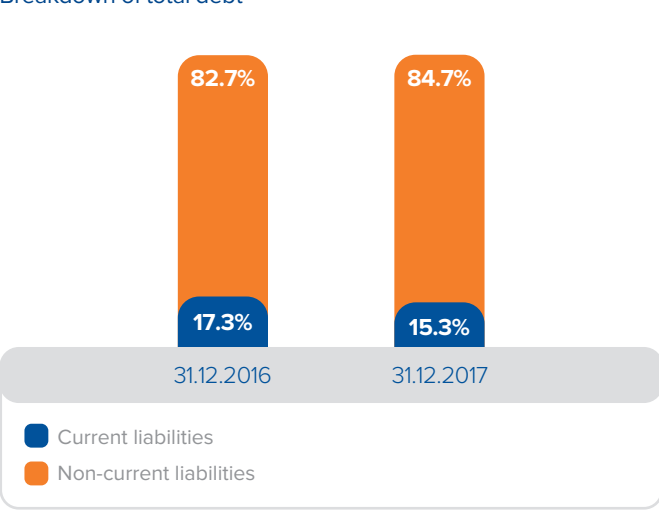


Note. Excluding operating lease capitalisation.

Finance lease repayment schedule
RUB MILLION



Breakdown of total debt



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	110
HR Policy	112
Supporting Charities and Regional Development	119
Sponsorship	121
Environmental Protection Programme	122
Procurement	127

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.



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.



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.



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 values

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
- Conduct employee certifications;
- Develop incentive systems
- Maintain high levels of employee loyalty
- Provide employees with social support
- Strengthen the Group's positive image as the leading employer in the air transportation market

PJSC Aeroflot has in place the Corporate Conduct Code, a list of ethical and moral standards 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.

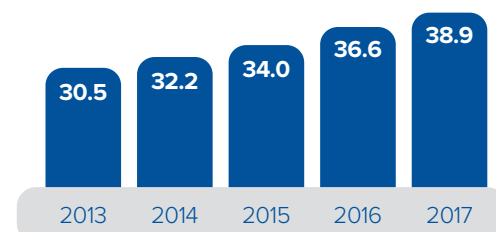
Personnel structure¹

As at 31 December 2017, the total headcount of Aeroflot Group was 38,870 employees², 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.

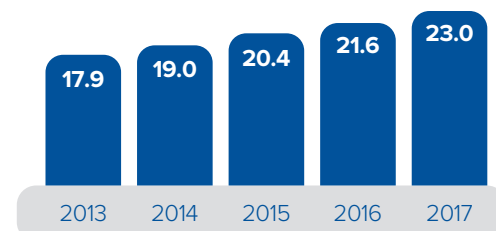
As at 31 December 2017, PJSC Aeroflot's headcount increased by 6.7% to 22,991 employees (21,554 as at 31 December 2016).

- 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 181 employees as at 31 December 2017).
- ³ Includes pilots-in-command, co-pilots, and other flight crew members (flight engineers, pilot instructors, and others).

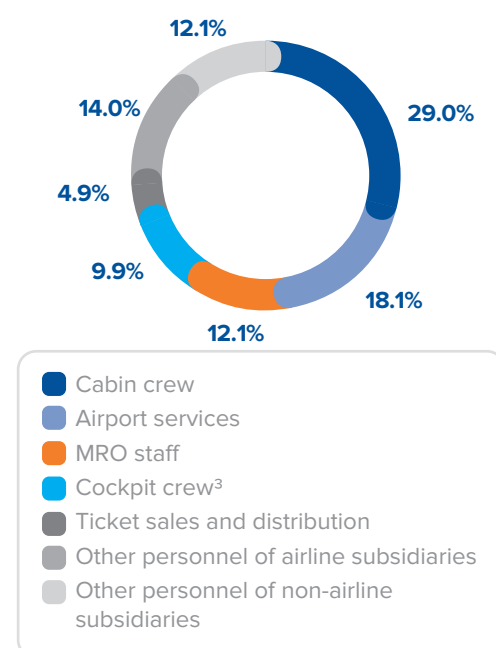
Aeroflot Group's headcount
THOUSAND PEOPLE



PJSC Aeroflot's headcount
THOUSAND PEOPLE



Aeroflot Group's headcount breakdown
by category, 2017

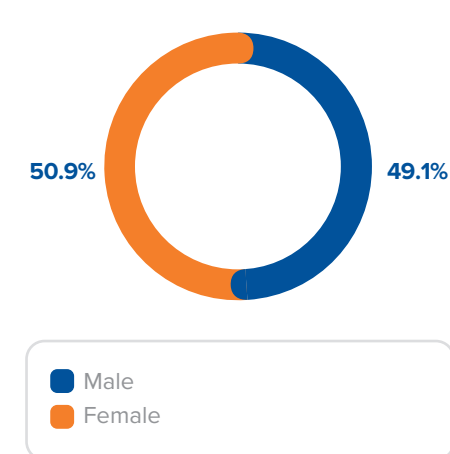


Women account for 50.9% of Aeroflot Group's total headcount. Specifically, the parent company PJSC Aeroflot employs 11,740 women, including flight attendants, office and maintenance service employees, as well as pilots. As at the end of 2017, 31 female pilots were employed by Aeroflot airline, five by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

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

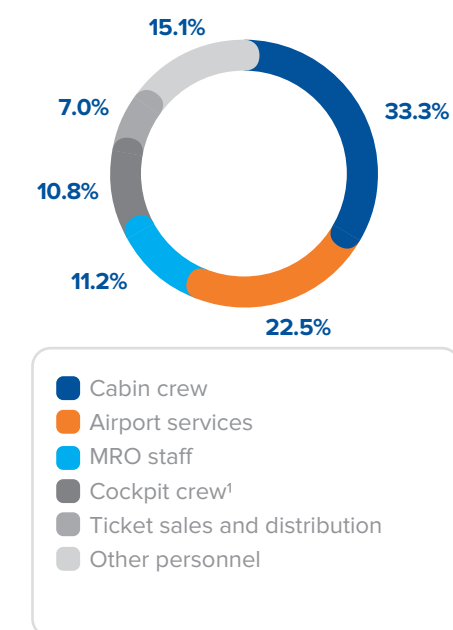
Personnel turnover at PJSC Aeroflot in 2017 was 6.8% (7.5% in 2016).

Aeroflot Group's headcount breakdown
by gender, 2017

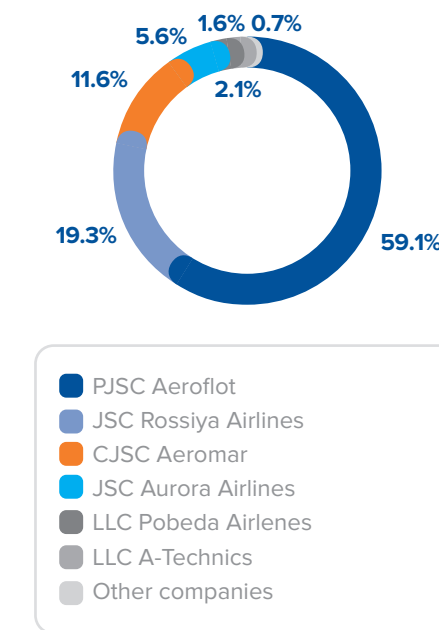


- ¹ Includes pilots-in-command, co-pilots, and other flight crew members (flight engineers, pilot instructors, and others).

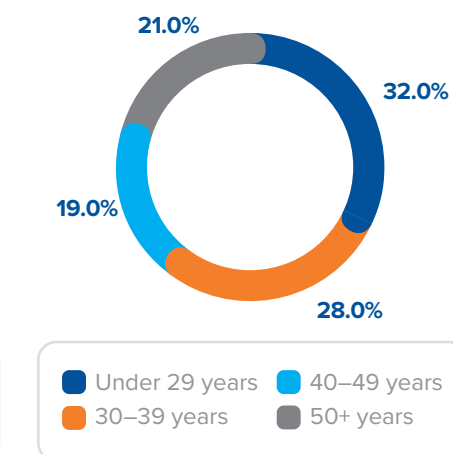
PJSC Aeroflot's headcount breakdown
by category, 2017



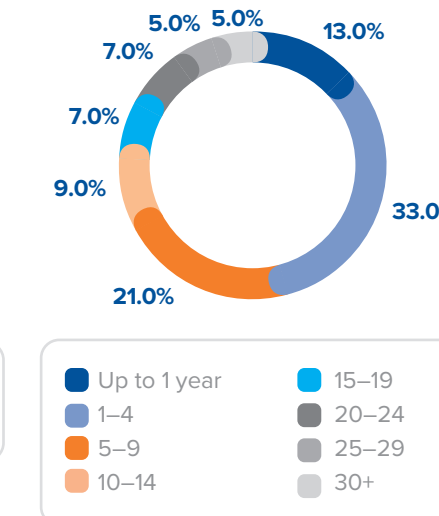
Aeroflot Group's headcount breakdown
by company, 2017



PJSC Aeroflot's headcount breakdown
by age, 2017



PJSC Aeroflot's headcount breakdown
by years with the Company, 2017



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.

Furthermore, 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 educational contracts for targeted training committing them to work with the Company for a certain period of time. The first students enrolled in the programme graduated in 2017.

PJSC Aeroflot also continued to cooperate with seven civil aviation technical schools and universities under the Personal Scholarship project, including Ulyanovsk Civil Aviation Institute, the Saint Petersburg State University of Civil Aviation, Buguruslan, Sasovo, and Krasny Kut Civil Aviation Schools, as well as Egorievsk and Kirsanov Civil Aviation Technical Colleges. Each year, PJSC Aeroflot allocates up to 50 personal

scholarships of RUB 10,000 per month. So far, 182 students received corporate scholarships.

In 2017, jointly with the Federal Air Transport Agency and United Aircraft Corporation, PJSC Aeroflot held its Best in the Sky contest for students of Ulyanovsk Civil Aviation Institute, and Sasovo and Krasny Kut Civil Aviation Schools. The best future pilots of the Russian commercial aircraft Sukhoi Superjet 100 were named following the contest.

Personnel training and development

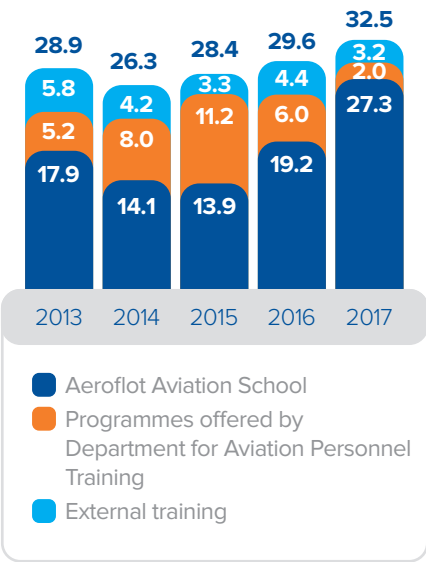
The robust training and professional development process ensures that Aeroflot Group's employees maintain high specialist skills in line with current requirements of international standards and the Federal Aviation Rules.

In 2017, PJSC Aeroflot arranged for training for 32,500 employees (some employees completed more than one training programme) both in-house and externally, across a range of training, retraining, professional development, and certification programmes.

In 2017, Aeroflot's subsidiary, Aeroflot Aviation School private vocational educational institution, arranged for training for more than 27 thousand employees of PJSC Aeroflot. Retraining and professional development courses mainly focused on:

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

Employees enrolled in training programmes



Training for more than 3,000 employees was arranged in external educational institutions and training centres under the following programmes:

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

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. It was also certified for 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 MFTD A320 flight simulators. The Company also completed works under the agreement with JSC Sukhoi Civil Aircraft to manufacture a procedure trainer for SSJ100 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 specialised 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 Office of Aeroflot in the Russian Federation, the Best Representative Office of Aeroflot Abroad, the Best Example of Aeroflot's Values, and the Best Mentor. The winners received significant cash bonuses and a good incentive for career advancement.

Talent pool

PJSC Aeroflot continued 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 at 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 its 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 recognises employees' high performance. In 2017, two employees received government awards of the Russian Federation, 117 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 RGS and Non-Governmental Pension Fund of Sberbank.

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

Upon retirement, the Company complements the state-funded pension of an employee participating in the scheme with a corporate pension. As at the end of 2017, corporate pensions were paid to 4,300 former employees of the Company.

The Company also runs an incentive scheme to provide mandatory pension insurance through co-financed contributions to the cumulative part of the state-paid pensions. Personal pension contributions of the insurance scheme participants are matched by those of the employer at 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 712 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 on average benefiting from the free lease arrangements. Most of the housing options are provided at Aeroflot's Flight Camp based at Ozero Krugloe Hotel Complex.

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.

Financial assistance

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

Daycare spending compensation for employees' kids

During 2017, over 2,300 employees of the Company were provided with daycare spending compensation benefits for their children.

Additional social benefits for flight crews

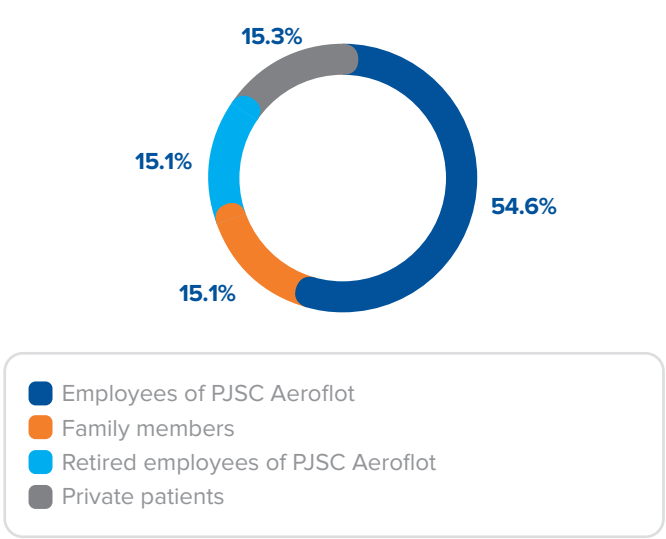
A number of additional social benefits are provided to flight crew members, including:

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

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 crews, 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 for a wide range of laboratory tests. In 2017, it reported a total of 246,800 visits and conducted aeromedical assessment of 5,400 patients.

Number of people registered with the medical centre for healthcare services



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 9,000. 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

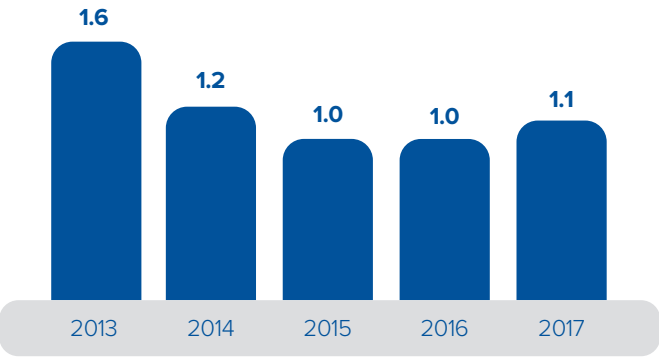
PJSC Aeroflot has in place an efficient occupational health and safety system compliant with the applicable regulations and international best practice. The Company has a certificate confirming its compliance with regulatory occupational safety requirements. The Company strives to eliminate occupational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

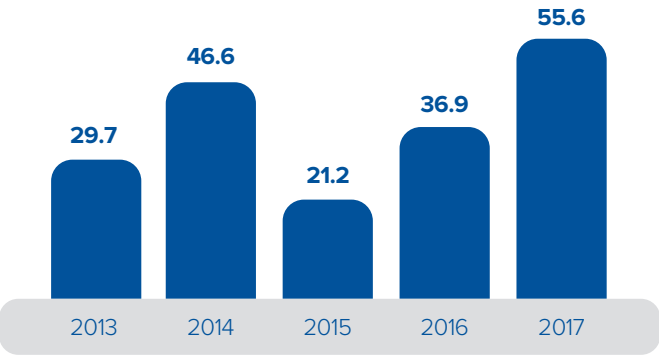
Throughout the year, health and safety trainings were arranged with a focus on occupational diseases and injuries prevention. To prevent occupational diseases, employees passed regular medical examinations.

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. A premium of 4% to 24% to the salary is set for employees exposed to harmful working conditions.

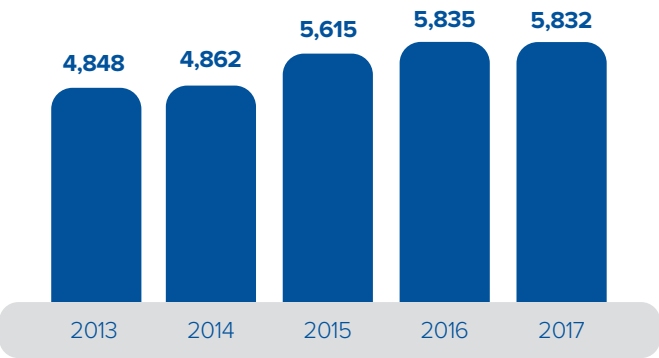
Number of injuries per 1,000 employees of PJSC Aeroflot
PEOPLE



Lost time incident rate (per injured person) in PJSC Aeroflot



Number of workplaces subject to special assessment of working conditions



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

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

Supporting Charities and Regional Development

As a socially responsible business, PJSC Aeroflot 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 European Russia. 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, Petropavlosk-Kamchatsky, Magadan, Kaliningrad, 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.

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 – Makhachkala, Saint Petersburg – Nalchik, Saint Petersburg – Vladikavkaz, Krasnoyarsk – Yekaterinburg, 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 Belyov 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.

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 Give 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 6,173 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.

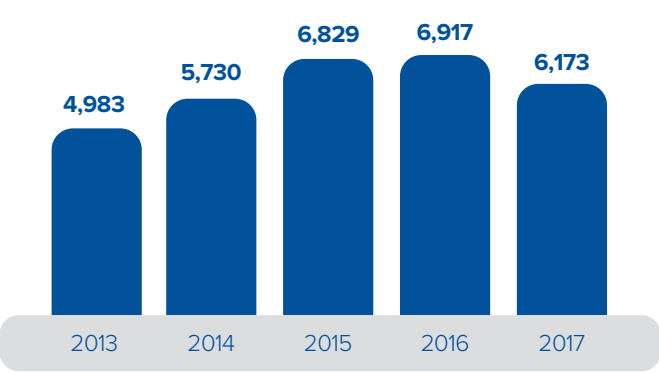
Orphanage support

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.

Tickets issued under the Miles of Mercy programme



Targeted aid

In 2017, Aeroflot continued to support the Moscow comprehensive school with primary pilot training by financing the final round of the Student Aviation Olympiad, which took place in May on the airline’s premises.

During the year, the Company provided financial support for the Veteran Club of Top Managers of the Civil Aviation Industry “Opyt Club”, All-Russian Non-Government Organisation Russian Geographical Society, the Saint Petersburg sledge hockey sports club, the Wheelchair Dance Sport Federation, Russian Veterans’ Service Organisation, the Oleg Lundstrem Arts and Culture Foundation, and a children’s hospice. The charitable support was provided in the form of free tickets for the total of RUB 400,000.

The Company also provided information support to the Mercy Charity Organisation and the organisers of the Run for Help charity run for children with cancer.

Aeroflot also helped organise the Drawing Saint Petersburg international children’s drawing competition, which brought together over a thousand schoolchildren from across the CIS.

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 1,600 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.

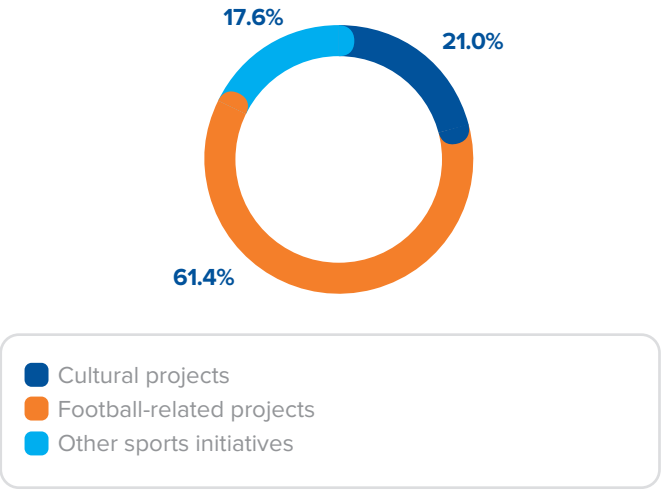
Support of passengers in need

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.

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).

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



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.

The carrier once again proved itself worthy of its national airline title by acting as the official carrier for the most important business forums such as the Russian Investment Forum, International Arctic Forum, Saint Petersburg International Economic Forum, and Eastern Economic Forum.

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
- Optimise 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 minimise 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 instalment 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).

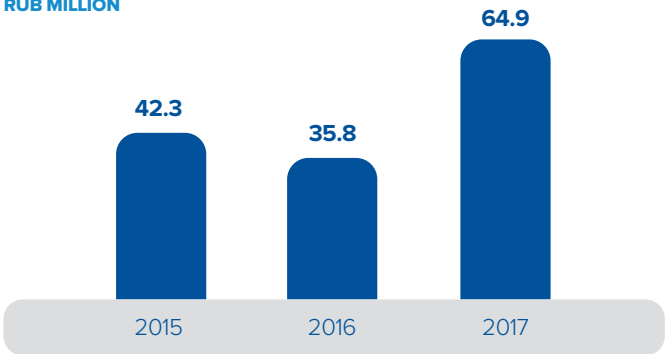
Efforts to improve the QMS are aligned with activities to further improve the assessment framework for KPI-based evaluation of performance and progress on the implementation of internal and external QMS standards applied by the IATA, SkyTeam, and Aeroflot Group.

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.

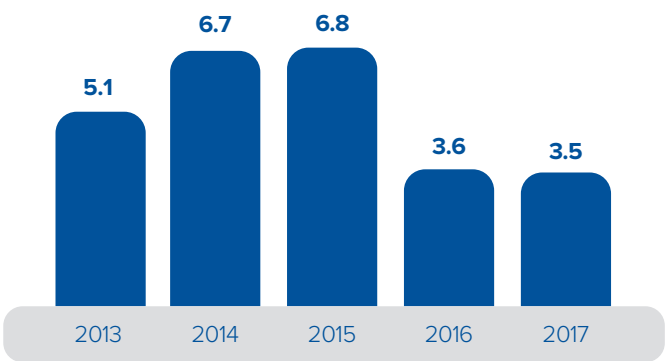
In May 2017, Aeroflot airline successfully passed the IATA Operational Safety Audit for IOSA compliance for the seventh time. The IOSA certificate and operator status were extended until October 2019.

Total environmental protection costs*
RUB MILLION



*Including third-party services.

Total environmental fees
RUB MILLION



Corporate Social Responsibility

continued

Fuel efficiency and air quality initiatives

PJSC Aeroflot is implementing environmental impact mitigation initiatives: almost all of its fleet is in compliance with ICAO standards for noise levels and atmospheric pollution. Fuel efficiency management is one of the Company’s operational priorities as higher fuel efficiency reduces greenhouse gas emissions.

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, totalling 277.6 grams per tonne-kilometre (TKM) in 2017, while specific CO₂ emissions decreased by 9.5% to 875.1 g/TKM.

Fuel efficiency and air quality initiatives

	2013	2014	2015	2016	2017
Fuel consumption, tonnes	1,946,846	2,028,842	2,183,335	2,365,190	2,588,100
Specific fuel consumption, g/TKM	307.0	301.6	299.2	286.3	277.6
CO ₂ emissions, tonnes	6,132,564.9	6,390,852.3	6,877,505.3	7,450,348.5	8,152,515
Specific CO ₂ emissions, g/TKM	967.4	950.7	943.5	902.8	875.1

CO₂ emissions are fully monitored and recorded throughout the route network in line with the applicable Russian and European laws and regulations. CO₂ emissions reporting is guided by national standards and the procedure adopted by the EU Emissions Trading System (EU ETS). In 2017, as part of compliance with the EU ETS requirements, PJSC Aeroflot passed the CO₂ emissions verification audit of its 2016 annual report, following which the operational CO₂ emissions will be compensated through purchasing missing quotas.

The Company carries out regular fine-tuning of instrumental controls and fuel system to ensure compliance with permitted toxicity and smoke levels. In 2017, the Company also conducted a study of pollutant emissions at the paint facilities of the Aircraft Technical Service Department and the Ground Handling Department, which revealed no excessive emissions above the authorised limit. Furthermore, to mitigate pollutant emissions, the Company conducts regular ventilation system inspections at its operational and office premises.

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 DZM, 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 2.1.5.980-00 “Sanitation Requirements to Surface Waters Protection”.

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.

Water consumption by PJSC Aeroflot, THOUSAND CUBIC METRES

	2015	2016	2017
Total	22.0	24.1	22.0
from public water supply network	22.0	24.1	22.0

Water discharge by PJSC Aeroflot, THOUSAND CUBIC METRES

	2015	2016	2017
Total	19.4	19.3	17.7
including: treated water (surface drains from the site of the office building complex, facilities, and structures)	2.3	1.2	1.4
passed to other companies for treatment (sewage)	17.1	18.1	16.3

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

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

	2015	2016	2017
Total:	21,385.9	23,136.9	26,660.9
including:			
hazard class 1	2.2	3.9	2.4
hazard class 2	1.4	6.0	6.4
hazard class 3	2,448.5	2,508.3	2,353.4
hazard class 4	18,528.3	19,926.7	23,647.4
hazard class 5	405.5	692.0	651.4

Total waste of PJSC Aeroflot by disposal method, TONNES

	2015	2016	2017
Handed over for recycling	0.0	8.1	3.9
Handed over for disposal	2,066.6	250.6	258.3
Handed over for neutralisation	12,180.9	16,714.2	20,542.9
Landfilled	7,138.4	6,164.0	5,255.8

Energy consumption by PJSC Aeroflot

Actual consumption		
	in physical terms	in RUB '000 (net of VAT)
Total aviation fuel, tonnes	2,588,155	84,816,468
Heat*, Gcal	39,732	61,765
Electricity*, kWh	29,836,234	111,688
Motor fuel, total, litres	5,445,147	185,948
Aviation lubricants, litres	247,205	180,471

* 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/soveshchatelnymi-organ>.

Corporate Social Responsibility

continued

Procurement highlights of PJSC Aeroflot

Item	2016	2017
Total procurement, RUB million	384,949.3	448,299.9
Competitive online procurement (by value), %	56.4	61.1
Single source procurement, %	63.9	62.3
Savings through competitive procurement (excluding aviation fuel) in 2017, RUB million	1,732.1	5,309.6
Average number of bidders	3.30	3.25
Procurement from SMEs, %	65.0	89.4

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 (65.0% 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 recognized 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 prioritise 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.