



At the Height of Opportunities

Annual Report 2018

About this Report

This Annual Report presents data on operations of Public Joint Stock Company Aeroflot – Russian Airlines (“PJSC Aeroflot”, “Aeroflot airline”, or the “Company”) from 1 January 2018 through 31 December 2018. “Aeroflot Group” or the “Group” refers to PJSC Aeroflot and its controlled entities.

The Annual Report is published every year in the Russian and English languages. For easy navigation, the Annual Report is made available in electronic and interactive formats. The 2017 Annual Report was published in May 2018.

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

This Report discloses the Group's financial and operating results, the progress in strategy execution during reporting period, and describes the Group's corporate governance system. This Report has a particular focus on the Group's corporate social responsibility.

This Report has been prepared based on PJSC Aeroflot's management reports and in line with PJSC Aeroflot's consolidated IFRS financial statements for 2018. The sustainable development section of the Report was prepared based on the GRI Sustainability Reporting Standards (GRI SRS).

PJSC Aeroflot's consolidated IFRS financial statements for 2018 were audited by PricewaterhouseCoopers Audit.

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

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PJSC Aeroflot's Annual Report was approved by the Annual General Meeting of Shareholders on 25 June 2019 (Minutes No. 44 dated 26 June 2019).

Aeroflot Group's structure as at 2018 year-end

PJSC Aeroflot

AIRLINES

75% – 1 share
JSC Rossiya Airlines

100%
LLC Pobeda Airlines

51%
JSC Aurora Airlines

OTHER SUBSIDIARIES

51%
CJSC Aeromar

100%
LLC A-Technics

99,99%
LLC Aeroflot-Finance

100%
JSC Sherotel

100%
Aeroflot Aviation School

Note. PJSC Aeroflot also holds 100% stakes in Orenair and Donavia which are non-operating entities. PJSC Aeroflot holds a stake in LLC A-Technics via Aeroflot-Finance.


At the Height of Leadership

About Company

In 2018, Aeroflot celebrated its 95th anniversary, making it one of the oldest airlines in the world – yet it operates one of the youngest and most modern fleets. Together with its subsidiaries Aeroflot is a market leader in Russia and ranks among top 20 global airlines.

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Aeroflot Group Today




PASSENGERS

55.7 million
Passengers carried

+11.1%
Passenger traffic increase


82.7%
Passenger load factor

40.7%
Share of the Russian air transportation market



ROUTE NETWORK AND AIRCRAFT FLEET

>350 Scheduled routes	57 Countries	SkyTeam Aeroflot is a member of the SkyTeam global alliance
366 Aircraft in the fleet	4.2 Average age of Aeroflot airline's fleet	6.3 Average age of Aeroflot Group's fleet



EMPLOYEES

The largest employer in the industry

41.1 thousand
People employed by the Group companies

In 2018, Aeroflot turned 95. The anniversary year saw a number of milestone events highlighting the Group's rapid growth:




Strengthening position in Top 20 globally

Group airlines carried 55.7 million passengers strengthening its position in the world's Top 20 largest players




Accelerated low-cost carrier growth

Low-cost carrier Pobeda grew at an accelerated rate with passenger passenger traffic up by 56.8% to 7.2 million passengers



Updated Aeroflot Group Development Strategy 2023

Updated Aeroflot Group Development Strategy 2023 was adopted




RECOGNITIONS AND AWARDS

4 stars
in the Skytrax rating

Best Airline in Eastern Europe
Skytrax World Airline Awards 2011 and 2013–2018

5 stars
in the APEX rating

72%
Aeroflot airline's Net Promoter Score (NPS)




FINANCIAL HIGHLIGHTS

RUB 611.6 billion
Revenue

+14.8%
Revenue growth

RUB 122.5 billion
EBITDAR, 20.0% EBITDAR margin


RUB 5.7 billion
Net profit




SHAREHOLDERS AND INVESTORS

RUB 14.2 billion
Paid in dividends in 2017


40.9%
Free float


For more information about our performance please see Strategic Report section on pages 21–147




Domestic flights moved to a new terminal

Aeroflot airline's domestic flights were moved to Terminal B at Sheremetyevo airport



Rossiya airline's scheduled flights moved from Vnukovo to Sheremetyevo airport

Rossiya airline's scheduled flights operated from Moscow were moved from Vnukovo to Sheremetyevo airport



Cost optimisation and operational excellence

Following high growth in jet fuel prices, Aeroflot Group launched a major cost optimisation program

Aeroflot Group Airlines

64%

Share of the Group's passenger traffic



20%

Share of the Group's passenger traffic



13%

Share of the Group's passenger traffic



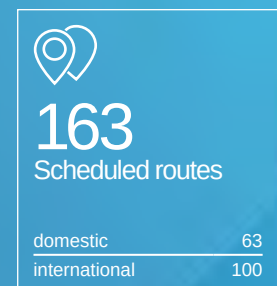
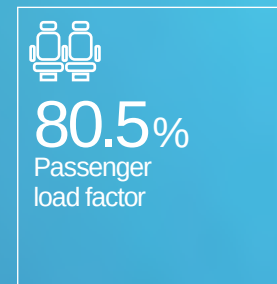
3%

Share of the Group's passenger traffic



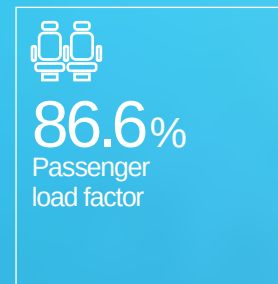
AEROFLOT

Aeroflot is Russia's leading carrier and one of the oldest airlines in the world which celebrated its 95th anniversary in 2018. Airline ss based at Moscow Sheremetyevo airport.



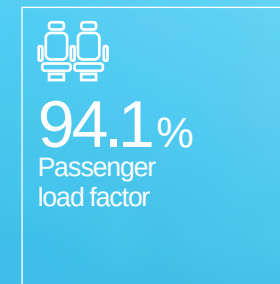
ROSSIYA

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



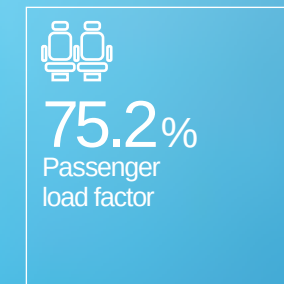
POBEDA

Pobeda is the leading low-cost airline in Russia. The goal of the airline is to improve accessibility of the regions via more affordable fares. Airline is primarily based at Moscow Vnukovo Airport.



AURORA

Aurora is the leading regional carrier in the Russian Far East. Airline is based at Vladivostok, Yuzhno-Sakhalinsk, and Khabarovsk airports and operates flights between the key population centres in the Far East and Siberia, as well as social flights to remote cities and villages of the region.

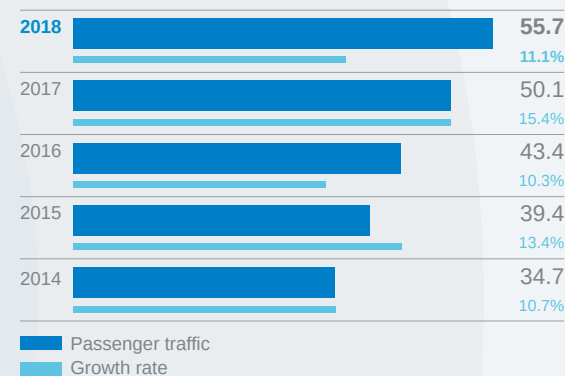


Operating and Financial Highlights

Operational Highlights

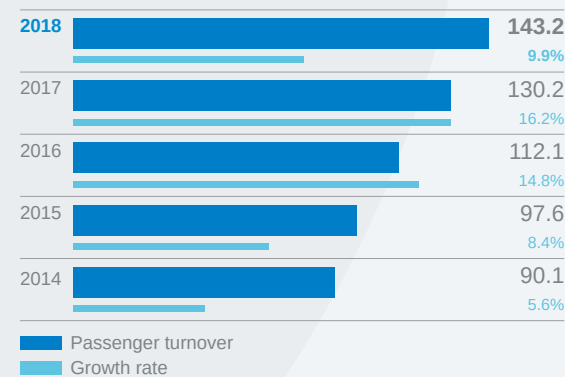
Passenger traffic (million PAX)

55.7



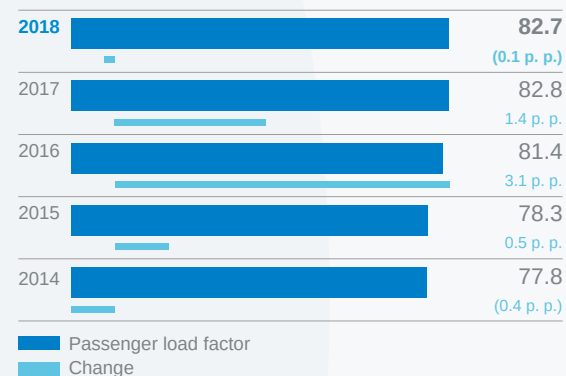
Passenger turnover (billion RPK)

143.2



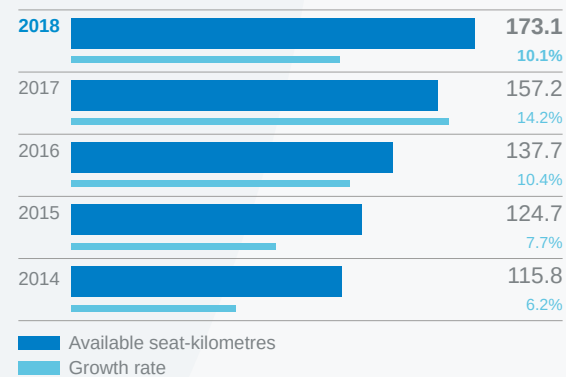
Passenger load factor (%)

82.7



Available seat-kilometres (billion ASK)

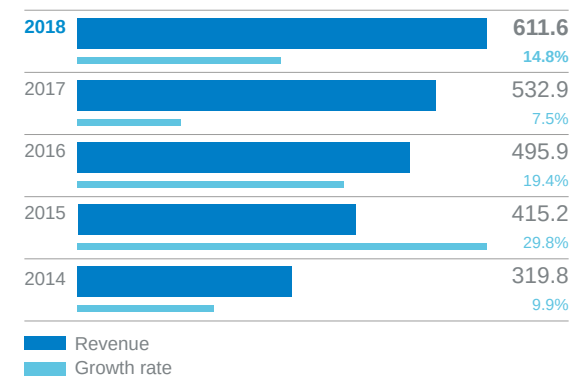
173.1



Financial Highlights

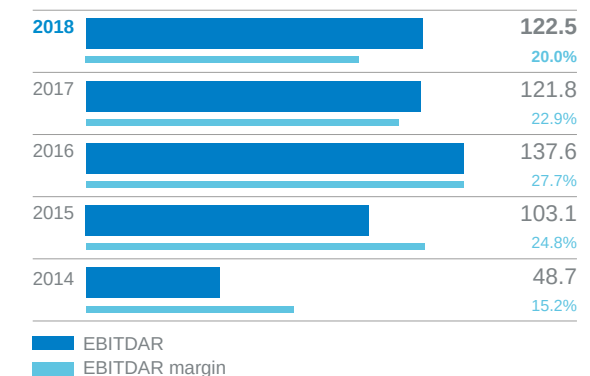
Revenue (RUB billion)

611.6



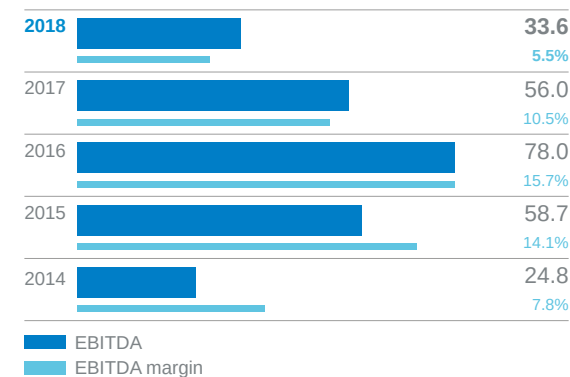
EBITDAR (RUB billion) and EBITDAR margin (%)

122.5



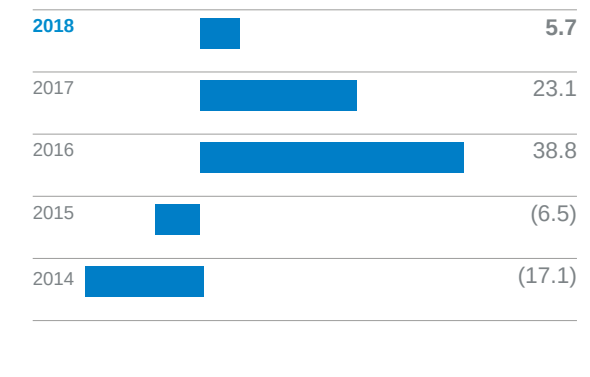
EBITDA (RUB billion) and EBITDA margin (%)

33.6



Net profit / (loss) (RUB billion)

5.7



Investment Case

Market leader

- As a major European airline, Aeroflot Group ranks among the world's Top 20 air carriers by passenger traffic.
- Leadership in the Russian air transportation market in both domestic and international network flights.
- The Russian market is one of the world's largest air markets still in the process of growth and evolution.

Balanced route network built around the hub at Moscow Sheremetyevo airport and one of the youngest aircraft fleets globally

- The high-quality network, ever increasing flight frequency, and new destinations unlock more potential for transfer traffic.
- Conveniently located at the intersection of transportation flows between Europe and Asia, Aeroflot is well-positioned to develop its international transit segment.
- A young and fuel-efficient fleet with highly standardised types of operated aircraft.

Aeroflot Group's share in the Russian market was 40.7% in 2018.

To improve flight connectivity, Rossiya airline moved its scheduled flights to Aeroflot's hub at Sheremetyevo. Aeroflot and Rossiya launched 20 new destinations with high potential of transfers from the base airport.

Diversified multi-brand offering

- Group companies operate in all market segments providing a wide coverage of the market by product and geography.
- Pobeda, the Group's vibrant LCC extremely popular in Russia, is among the world's most efficient low-cost airlines.

Standardised high-quality product

- Aeroflot's commitment to customer service excellence is recognised by both experts and passengers.
- A high customer satisfaction index (NPS).

The expansion of Pobeda's fleet accelerated its growth and added to the Group's operational and financial performance: 12.9% of all passengers and 17.5% of all domestic passengers of the Group are carried by Pobeda, an almost 4 p. p. increase year-on-year.

Aeroflot is certified with the 4 Star airline rating by British Skytrax. We are a seven-time winner of the Skytrax World Airline Awards as the Best Airline in Eastern Europe, and have also been recognised a Five Star Global Airline by APEX, a US-based airline passenger experience association.

90–100 million

Grow the number of passengers carried by Aeroflot Group

25–30 million

Grow the number of passengers carried by Pobeda

10–15 million

Ramp up our international transit passenger traffic

Set up an international hub in Krasnoyarsk and three regional bases in Sochi, Yekaterinburg, and Novosibirsk

Increase the fleet of the newest Russia-made aircraft

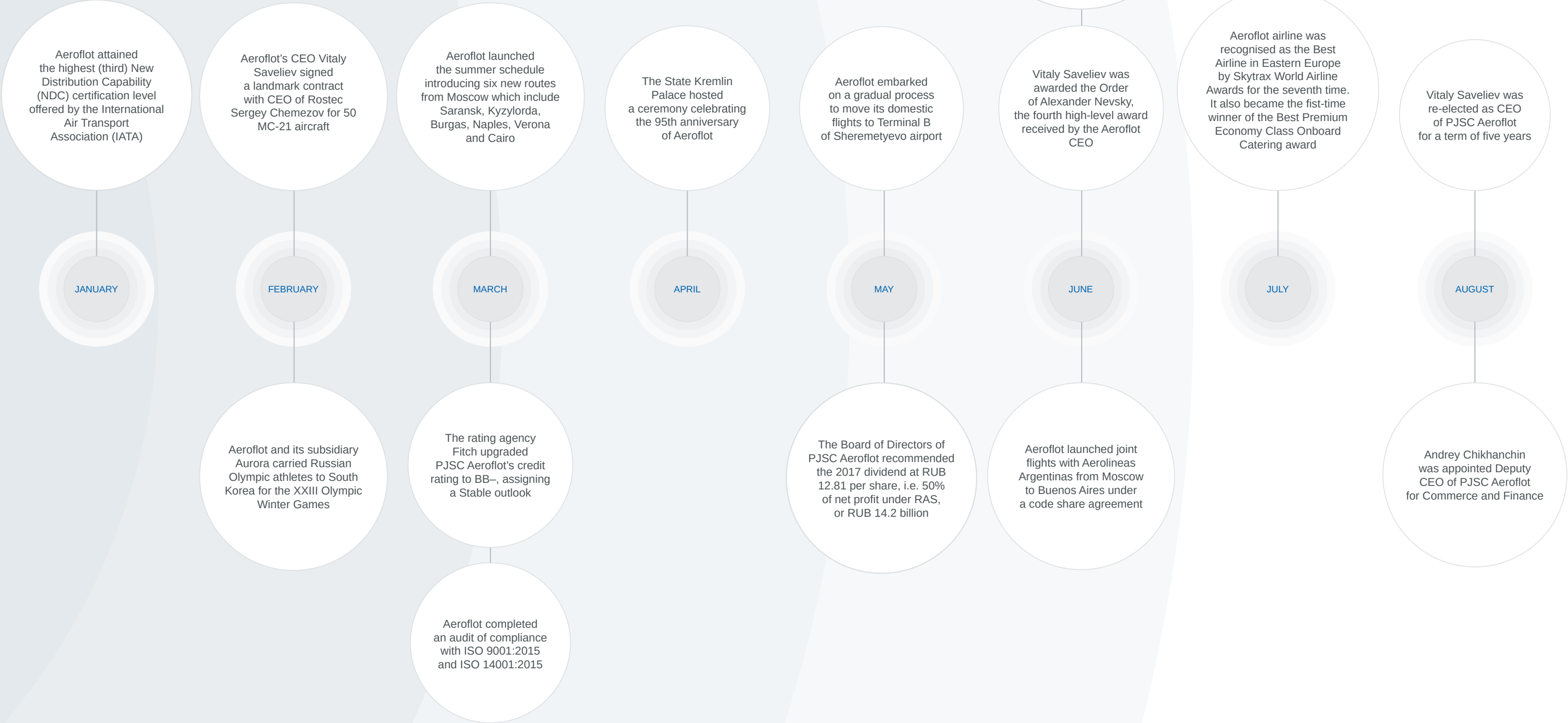
Drive digitalisation across Aeroflot Group airlines

2023 strategic goals

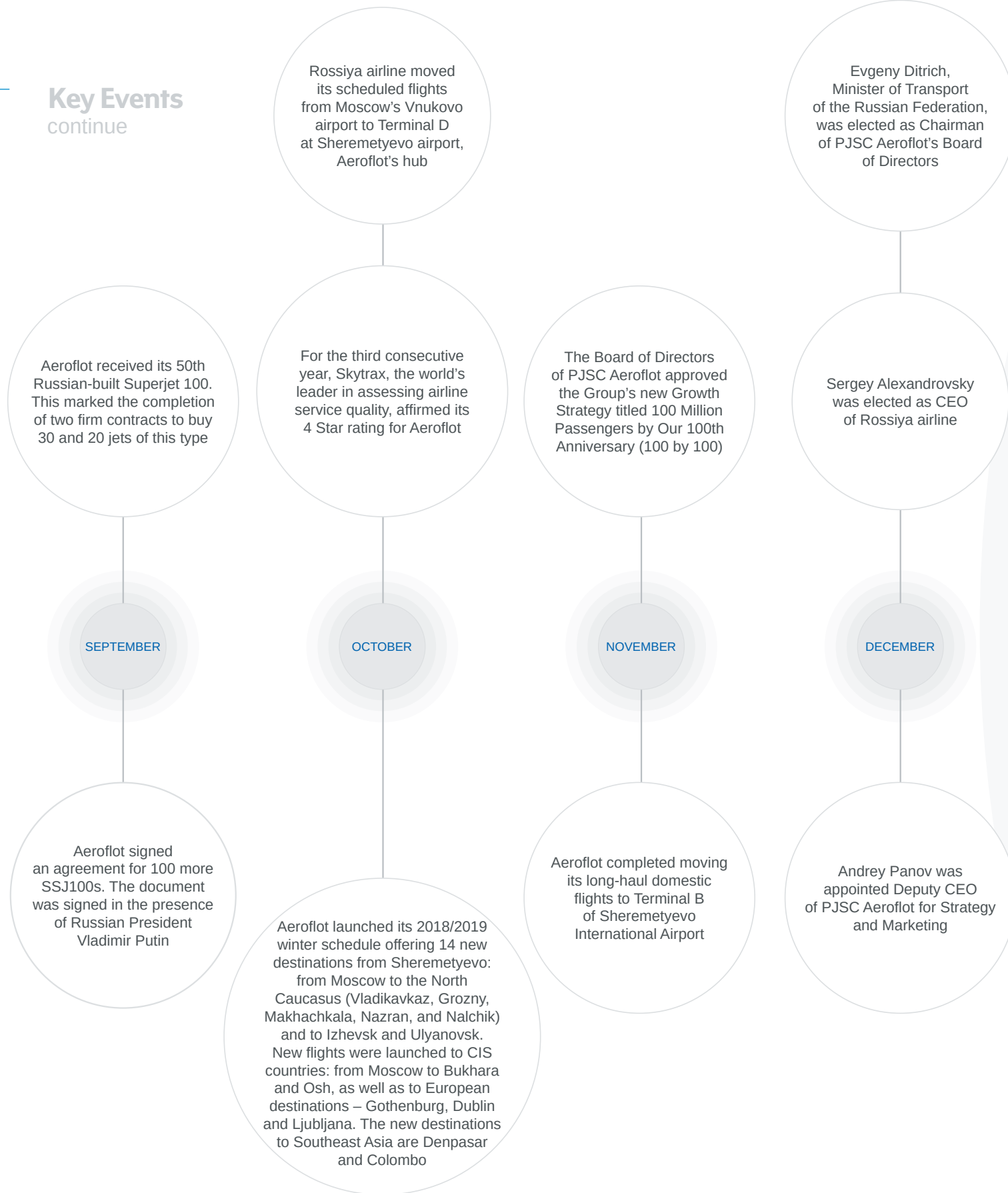
Aeroflot sees continued growth potential in both domestic and international transfer markets.

Our updated Strategy 2023 provides for the Group's growth to be focused on creating more shareholder value.

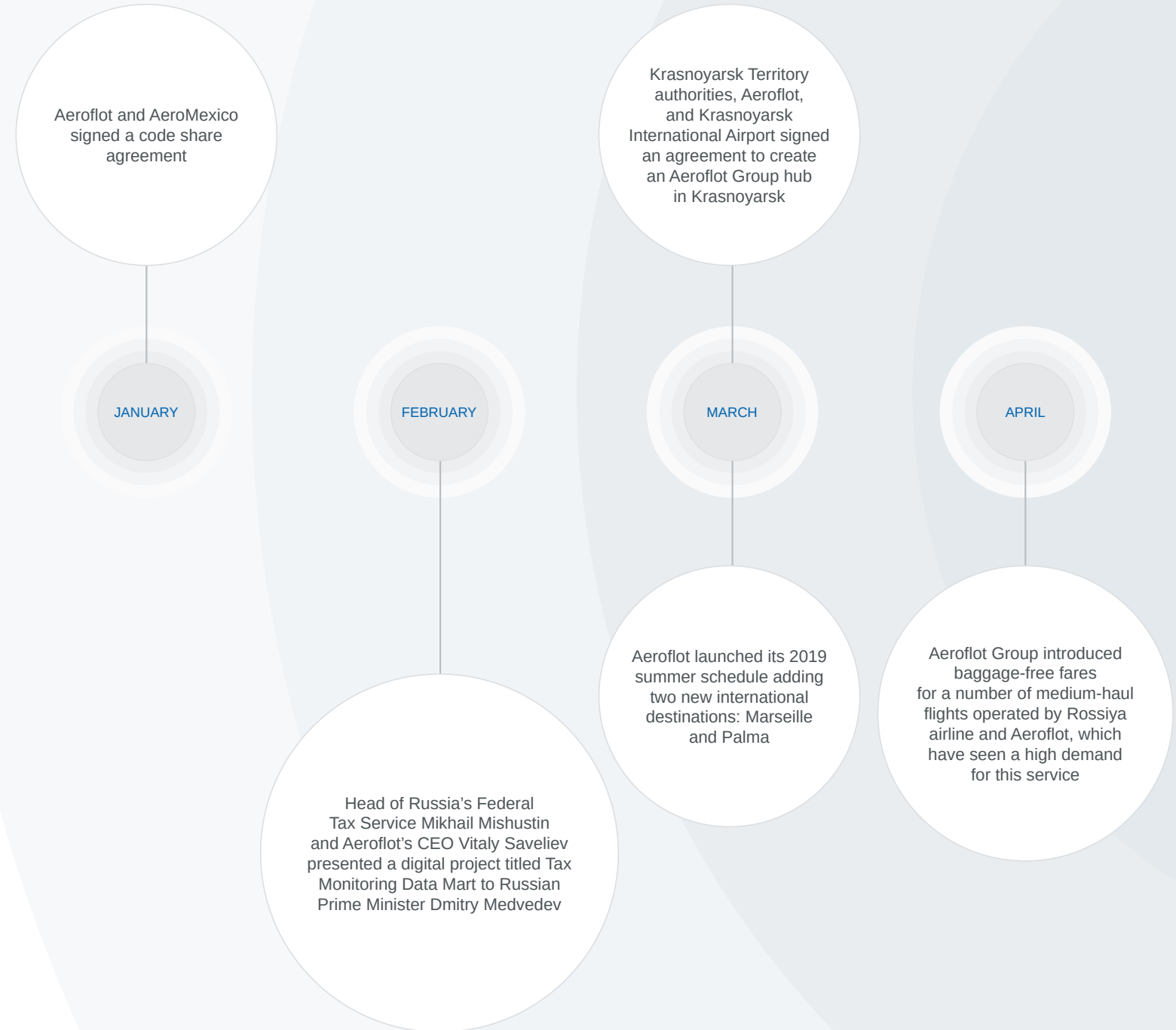
Key Events



Key Events continue



2019 Events after the reporting period



Awards and Ratings



World's strongest airline brand according to Brand Finance



Flyer Award's Favourite International Airline in China



Five Star Global Airline in APEX's ratings
APEX Passenger Choice Awards winner in the Best Global Airline in Europe and Best Seat Comfort in Europe categories



Best European Airline, Best Premium Economy in Europe, Best Business Class and Best Russian Airline at TripAdvisor Travellers' Choice Awards



4 Star rating by Skytrax



Best Airline in Eastern Europe at the 2018 Business Traveller Awards voted for by UK readers of the magazine



Best Airline in Eastern Europe at Skytrax World Airline Awards, for the sixth time in a row and for the seventh time in Aeroflot's history
First-time winner of Best Premium Economy Class Airline Catering



World's Leading Aviation Brand and World's Leading Airline – Business Class at the World Travel Awards 2018
Europe's Leading Airline Brand and Europe's Leading Airline – Business Class at the World Travel Awards for Europe
First-time winner of Europe's Leading Airline to Asia



Aeroflot ranked second in Europe and fifth in the world in on-time excellence at FlightStats' Annual On-Time Performance Service Awards held by FlightGlobal in 2018

Aeroflot was once again named one of the world's Top 20 air carriers by passenger traffic according to Air Transport World and Flight Airline Business.

Aeroflot placed fourth in Bain & Company's ranking of digitalisation of airlines.

Aeroflot was named one of the world's ten leading full-service airlines by reputable global booking portal eDreams, based on passenger reviews.

Once again the airline was listed among Forbes Global 2000 companies – the biggest, most powerful and most valuable public companies in the world.

The frequent-flyer programme offered by Aeroflot won three categories at the 2018 Freddie Awards: Best Customer Service, Best Redemption Ability, and Best Elite Program. Aeroflot also won the 210 AWARD for the greatest growth potential.

Aeroflot's legal team was named among Russia's top corporate legal services by The Legal 500.

Aeroflot for the fourth time won Randstad Award as the most attractive Russian employer in the Transport category.

Aeroflot won the Skyway Service Award in four categories: Best Airline in Business Class (scheduled international and domestic flights), Best Airline in Economy Class (scheduled international flights), and Best Loyalty Program.

Aeroflot Group was named Airline of the Year at the Wings of Russia National Airline Award in the International Scheduled Passenger Carrier category, also winning the Russian Airline of the Year – People's Choice Prize, Airline of the Year – Domestic Passenger Carrier, Group 1, Airline of the Year – Domestic Passenger Carrier, Group 2 (Pobeda), and Domestic and Regional Passenger Carrier (Aurora).

Aeroflot won the Russian Business Travel & MICE Award as the Best Airline for Business Travellers.

Aeroflot's Annual Report received an award in the Best Annual Report of the Company with the Market Capitalisation of RUB 40 Billion to RUB 200 Billion category and the Best Annual Report in the Transport Sector of the Annual Report Competition hosted by the Moscow Exchange and the RCB Media Group.

Aeroflot became the first ever Russian company to win the Grand Prix and three more categories at IPRA Golden World Awards, the leading international PR awards.

Pobeda airline won a special award established by Boeing for record utilization of Boeing 737 NG aircraft at the 16th Wings of the Future forum.

Company History: Key Milestones

Aeroflot's history represents an era rich in numerous events leading us to Aeroflot's 95th anniversary celebrated in 2018. Below are selected milestones that mark the path of Aeroflot's development.

1923–1940 Take-off

- 17 March 1923**
Joint Stock Company Dobrolet (the Russian Society for Voluntary Air Fleet) was established.
- 15 July 1923**
The first scheduled Moscow–Nizhny Novgorod route was launched. (Distance of 420 kilometres. Four passengers. Two flight crew members).
- 26 March 1932**
The abbreviated name, “Aeroflot”, was adopted by the Soviet Civil Aviation Fleet, the crew uniform and insignias were introduced.
- 1940**
410 thousand passengers were carried.

1941–1945 Thunderstorm

- Since the start of the Great Patriotic War, the Soviet Government suspended all civil aviation flights and Aeroflot switched to supporting the Red Army, with many of its pilots participating in the war.**
- Soviet aviators made daily flights to the besieged Leningrad, bringing people food and weapons. One of the hardest and most difficult tasks during the war was ferrying the crucial lend-lease military aircraft supplied by the United States to the USSR via the Alaska–Siberia–Urals route.
- Over 1.5 million flights were made during the war. Over 20 thousand Aeroflot aviators were decorated with orders and medals. During the war, Aeroflot pilots carried 2.5 million wounded and paratroopers, as well as 300 thousand tonnes of military and strategic cargo. 15 Aeroflot employees were awarded the highest title of the Hero of the Soviet Union.

1946–1990 Reaching the flight level

- The post-war period saw the air transportation industry recover and grow stronger with Aeroflot becoming the national symbol of progress in aviation. The Company launched the world's longest routes, operating transatlantic and transcontinental flights, and became the global leader by passenger traffic.**
- The world's first civilian jet air service using Tu-104 and, later, supersonic Tu 144 was launched. Aeroflot took on the new Soviet aircraft Il 12, Il 14, and Il 18 with higher-speed aircraft enabling flights to the USA, Canada, Cuba, Japan and other countries.
- 1959**
The new Sheremetyevo airport opens, with its ground service handling the first Aeroflot's Tu 104 flight from Leningrad to Moscow.
- 1967**
The Flight Attendant Service was established.
- 1971**
The Aeroflot Central Administration of International Air Traffic was set up.
- 1980**
Aeroflot was appointed the XXII Olympic Games general carrier, with the new Sheremetyevo 2 international air terminal inaugurated to support the event.
- 1990**
Aeroflot entered the Guinness Book of Records as the airline that carried 139 million passengers.



1991–2008 Turbulent times

- Following the collapse of the Soviet Union, the unified civil aviation fleet was split into several hundred airlines. However, the state stepped in to prevent unregulated industry fragmentation and saved Aeroflot as a national carrier.**
- Cutting-edge foreign aircraft came into service: Airbus A310-300, Boeing 777 200, Boeing 737 400, and Boeing 767 300ER. The 2008–2009 global financial crisis left the Company in a challenging financial situation.
- 1992**
Joint Stock Company Aeroflot Russian International Airlines was established.
- 1997**
Aeroflot shares started trading on the RTS exchange (Moscow Exchange).
- 1999**
Launch of Aeroflot's website (www.aeroflot.ru).
- 2006**
Aeroflot became a member of SkyTeam Airline Alliance.

2009–2018 Flying high

- A new management team took charge and implemented an anti-crisis action plan including massive fleet additions. Aeroflot launched business process digitisation projects and improved service standards. New services were launched to enhance passenger experience, including the use of mobile phones and Wi Fi access on-board.**
- 2009**
Vitaly Saveliev was appointed as CEO of Aeroflot by the Russian Government.
- 2011**
Aeroflot was awarded the prestigious Skytrax World Airline Award as the Best Airline in Eastern Europe for the first time and successfully lived up to this rating six more times.
- The Russian Government transferred Rostec Corporation's carriers to Aeroflot, which prompted large-scale airline integration.
- Adoption of Aeroflot Group Development Strategy 2025.
- 2013**
The Internet On-Board programme progressed to the next stage targeting phased rollout of Wi-Fi networks on board all Aeroflot's wide-body aircraft.
- The Group established a unified carrier in the Russian Far East, Aurora airline, through consolidating regional Sakhalin Airways and Vladivostok Avia.
- 2014**
Launch of Pobeda airline – Group's low-cost carrier.
- 2015**
100% of Aeroflot's business processes were digitised.
- 2016**
Aeroflot was certified with the 4 Star airline rating by the global rating agency Skytrax for its high-quality service.
- Big Data solutions were introduced as part of Aeroflot's effort to develop digital projects.
- Aeroflot ranked 4th among its global peers by digitisation.
- Aeroflot's subsidiaries were consolidated to create a new united carrier, Rossiya Airlines. The Group's multi-brand platform was finalised.
- 2017**
Aeroflot Group carried over 50 million passengers, ranking among the Top 20 largest global players for the first time in 30 years.
- 2018**
Adoption of updated Aeroflot Group Development Strategy 2023.

At the Height of New Frontiers

Strategic Report

Aeroflot is proud of the 95-year history of its brand and is confident about its future. Today Aeroflot is defined by its commitment to innovation and development of digital technologies. Aeroflot's new strategy was adopted after the Company achieved some of its previous key strategic goals ahead of schedule. The new strategy is expected to take Aeroflot to a qualitatively new level of development.

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**Evgeny Ditrich**Chairman of the Board of Directors
PJSC Aeroflot

Message from the Chairman of the Board of Directors

DEAR SHAREHOLDERS!

For Aeroflot, 2018 was a launchpad for future achievements. We have a number of very important goals ahead of us – Aeroflot will play a significant role in implementing projects of national importance.

In 2018, Aeroflot celebrated its 95th anniversary. On 17 March 1923, OJSC Dobrolet (“Russian Voluntary Air Fleet”), Aeroflot’s predecessor, was established. According to its charter, the aim of Dobrolet was to develop civil aviation by “opening routes to carry passengers, mail and cargo”. Aeroflot Group’s 2023 development strategy once again focuses on our historic mission – efficient transport integration of the world’s largest country.

A twofold increase in passenger numbers is one of our key goals. However, the structure of our passenger traffic is equally important to us, particularly the share of interregional passengers. One of President Putin’s May 2018 decrees emphasizes the importance of modernising the existing infrastructure of regional airports and increasing the share of regular interregional routes bypassing Moscow to 50% of the total number of domestic routes.

We have incorporated this into our Strategy-2023, according to which we plan to open four regional bases in Russia and significantly increase our capacities on domestic routes.

Aeroflot is already offering direct flights between major cities in southern Russia, and is planning to launch routes to new regions. This will help achieve the goal set out by the Russian Government of increasing transport mobility by one-third by 2024.

The flat fare programme run by Aeroflot and its subsidiary Rossiya Airlines continues to play an important role in improving transport accessibility, particularly in Russia’s Far East. In 2018, over 2.2 million people used the flat fare to travel between Moscow and cities in the Far East, as well as Simferopol and Kaliningrad. That is 41% more than in 2017.

One of Aeroflot Group’s airlines is Pobeda, a classic low-cost carrier, whose services are in high demand in Russia. Pobeda is not only delivering impressive results in the Russian market – it is also one of the most efficient low-cost carriers in the world. The high levels of demand for Pobeda’s services are due to its pricing policy, which in turn is supported by its high fleet utilisation rate. Pobeda operates an extensive route network, which includes interregional routes. Aeroflot Group’s target growth rates depend to a significant degree on Pobeda’s continued growth and its contribution to increasing transport mobility and accessibility in Russian regions.

In 2018, Aeroflot Group delivered positive net income as a result of an extensive cost-optimisation programme and active revenue and capacity management.

The positive outlook for Aeroflot and the high standards of the company’s corporate governance are widely recognised. In 2018, credit ratings agency Fitch revised PJSC Aeroflot’s rating from “B+” to “BB-” and affirmed its outlook at stable. Aeroflot also received a National Corporate Governance Rating of 7++ from the Russian Institute of Directors. This rating represents Advanced Corporate Management Practices according to the approved National Corporate Governance Rating scale.

Aeroflot is continuously working to improve civil aviation regulation. The Company has lobbied a number of laws that benefit the whole industry, including legislation to support the development of low-cost carriers and the introduction of stricter measures against obstructive passengers.

Aeroflot’s “100 by 100” development strategy was presented to President Vladimir Putin and received his approval.

Aeroflot is an acknowledged leader in the new digital economy that will largely define the future development of Russia. Aeroflot is one of Russia’s best service companies, while the company’s brand is one of the oldest and most recognizable in global aviation.

Ambitious goals have been set for Aeroflot and its subsidiaries, and by achieving them Aeroflot Group acts in the interests of Russia and its citizens. I count on your support in making and implementing decisions that will help unleash the potential of the Aeroflot Group – one of the most important assets of the Russian economy.

**Vitaly Saveliev**Chief Executive Officer
PJSC Aeroflot

Message from the Chief Executive Officer

DEAR SHAREHOLDERS!

In 2018, Aeroflot celebrated its 95th anniversary. We did so as a leading global airline – shortly before the anniversary, Aeroflot was named among the world's 20 largest airline groups by passenger traffic by two authoritative global aviation publications, Air Transport World and Flight Airline Business.

In 2018, we strengthened our position as one of the leading airlines on the international market. Aeroflot was once again named the world's strongest airline brand by Brand Finance. And we also confirmed our prestigious Skytrax 4-Star Airline Rating and Five Star Global Airline status in APEX's Official Airline Ratings.

During the year we implemented a number of initiatives to enhance customer service. They include the introduction of a streaming entertainment system on 26 Airbus A320 family aircraft, updates to our mobile app

and improvement of our onboard catering. We started operating domestic flights from the new terminal B at our Sheremetyevo hub. Widebody Boeing 777-300 aircraft were upgraded to improve service quality and cost efficiency.

Our efforts have been recognised by both passengers and industry experts. We have received over 50 accolades and been rated highly in authoritative industry ratings. Aeroflot won two categories at the prestigious Skytrax World Airline Awards – Best Airline in Eastern Europe and Best Premium Economy Onboard Catering – as well as key categories at the World Travel Awards – Europe's Leading Airline Brand and World's Best Business Class. In 2018, Aeroflot was for the first time named Best Airline in Eastern Europe at the Business Traveller Awards, and its customer service was recognised to be the best among Russian brands according to KPMG.

Throughout the year we continued to increase our operational efficiency. As a result, Aeroflot significantly strengthened its position among the most punctual airlines. In 2018, 82.98% of Aeroflot flights operated according to schedule. According to authoritative UK aviation publication FlightGlobal, Aeroflot was the world's fifth most punctual airline and second in Europe. Punctuality makes trips more comfortable for our passengers and allows us to avoid additional costs, which directly impact our finances.

Our operating results reflect our efforts to grow and develop the company further. In 2018, the airlines of Aeroflot Group carried 55.7 million passengers, up 11.1% year-on-year. Aeroflot, our flagship airline, carried 35.8 million passengers, an 8.9% increase year-on-year. We achieved a number of the goals of our Strategy-2025 well ahead of schedule, and having reassessed our capabilities we have now set ourselves new even more ambitious goals.

In 2018, the Board of Directors approved the Group's new Growth Strategy through 2023, with the title "100 Million Passengers by Our 100th Anniversary" (or "100 by 100"). The Group is now targeting 90-100 million passengers in 2023, when Aeroflot will celebrate its centenary. The strategy calls for the Group's low-cost carrier Pobeda to be a key growth driver. By 2023, Pobeda is expected to carry 25-30 million passengers annually. In the next five years we plan to further develop our Europe-Asia transit service via Moscow. Aeroflot has indisputable competitive advantages in the Europe-Asia transit segment and offers flights up to three hours shorter than peers on these routes. By 2023, we plan to increase our international transit traffic to 10-15 million and strengthen Moscow's status as a global transport hub. Aeroflot Group will open regional hubs across Russia – in Sochi, Ekaterinburg and Novosibirsk, as well as an international hub in Krasnoyarsk. This will help increase connectivity between Russian regions and will support their economic development.

To fulfil these goals Aeroflot needs a modern and reliable fleet. By 2026, Aeroflot Group plans to operate 200 Russian-built Superjet 100 and MC-21 aircraft. Another area of focus is the digitalisation of the Group's airlines.

Aeroflot currently ranks fourth globally in US-based consultancy Bain & Co.'s ranking of digitalisation of airlines. We are implementing major digital projects, including Big Data projects, working with AI technology and expanding our onboard internet programme.

Aeroflot believes that technology is an important tool that will help the Group to enhance customer service and improve cost-effectiveness, and will contribute to a more stable financial position even in a challenging market environment. Digitalisation coupled with an effective cost optimisation programme allowed Aeroflot Group to deliver positive FY 2018 results despite unprecedented fuel price growth and ruble depreciation. The Group's posted IFRS net income of RUB 5.7 billion. Aeroflot has once again demonstrated its ability to deliver growth even in a challenging market environment.

We are optimistic about our future and expect our operational development to have an impact on our financial results. According to the updated Strategy, by 2023, Aeroflot Group's revenue will reach RUB 1.3 trillion, compared to RUB 0.6 trillion in 2018. Together with revenue growth we focus on operating margins. Overall, we can say that one of the key goals of our strategy is to increase shareholder value.

Achieving strategic goals means entering a qualitatively new stage of development and further strengthening the Group's position in the global aviation market. Aeroflot can achieve historic passenger traffic records and give a new impetus to our century-old brand.

Aeroflot Group develops together with the country. We continue to focus on promoting sustainable business practices through our commitment to ESG standards. We support socio-economic growth and technological development and set the pace for the whole industry. Aeroflot plans to continue to deliver on its most important mission: to provide Russian citizens with a modern and reliable fleet. The interests of Russia and its citizens remain Aeroflot's key guidance.

Market Overview

Global airline industry

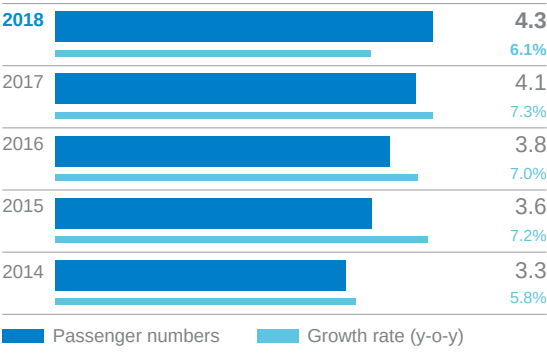
According to the IATA's estimates, the global scheduled passenger traffic grew by 6.1% in 2018 to 4.3 billion people, with the global passenger turnover up 6.5%. The passenger load factor was 81.9%, up 0.4 p. p.

Asia-Pacific was the fastest growing market in 2018, with the passenger turnover up 8.5% year-on-year. Europe ranked second in terms of growth, with its passenger turnover growing by 6.4%. The passenger traffic in Latin and North America rose by 6.0% and 5.0%, respectively. The passenger turnover grew by 4.6% in the Middle East and by 3.6% in Africa.

According to the ICAO, low-cost airlines carried 1.3 billion passengers in 2018, or about 30% of the total global air passenger traffic. Low-cost carriers have strong positions on European market with combined market share of 36%. The segment market shares Latin America (including the Caribbean) North America and Asia-Pacific are 35%, 30% and 29% respectively.

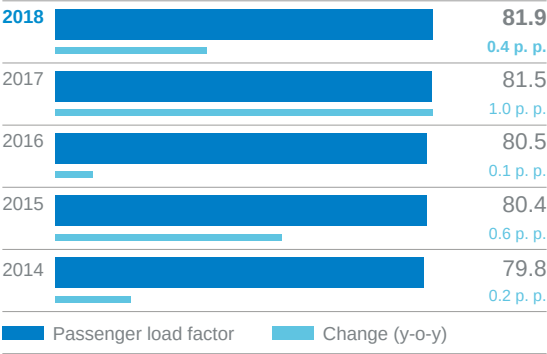
The IATA pre-estimated an increase of 8.7% year-on-year in industry-wide revenue in 2018 to USD 821 billion. Passenger flights consistently account for the bulk of the industry's revenue, their share standing at 68.7%.

Global scheduled passenger traffic (billion PAX)



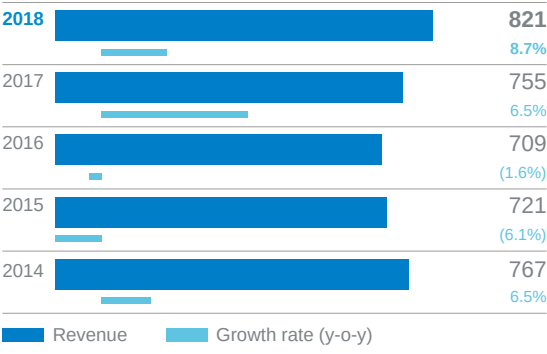
Source: IATA.

Passenger load factor (%)



Source: IATA.

Global revenue (USD billion)



Source: IATA.

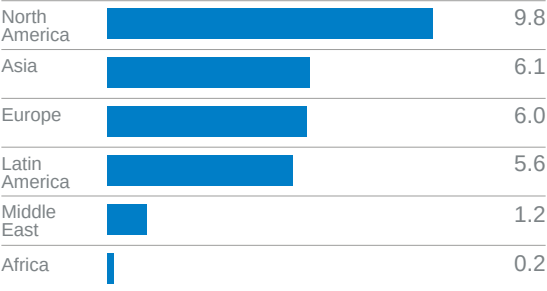
The industry's costs went up by 9.8% to USD 765 billion, largely driven by the substantial increase of oil prices during the year. The average global price per barrel of jet fuel was up 31.3%, putting pressure on the EBIT margin, which was down 0.9 p. p. year-on-year to 6.8%. Profitability levels still vary by region, with the highest level of 9.8% in North America, 6.1% in Asia-Pacific, 6.0% in Europe, 5.6% in Latin America, 1.2% in the Middle East, and 0.6% in Africa. The EBIT margin declined year-on-year across all regions.

Global EBIT margin (%)



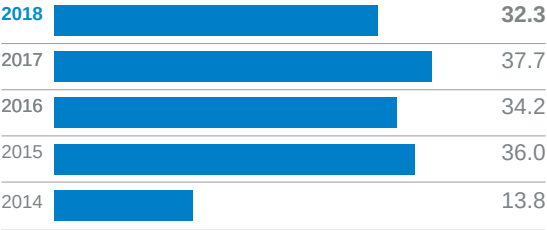
Source: IATA.

Global EBIT margin in 2018 by region (%)



Source: IATA.

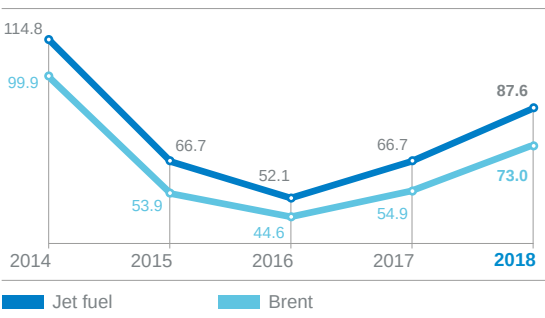
Global net profits (USD billion)



Source: IATA.

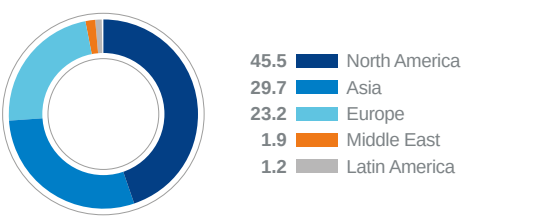
The IATA pre-estimated the 2018 industry net profits at USD 32.3 billion in 2018, or down from USD 37.7 billion last year. North America contributed almost half of the global net profits, while the Africa airline industry was loss-making.

Oil and jet fuel prices (USD per barrel)



Source: IATA.

Global net profits in 2018 by region (%)



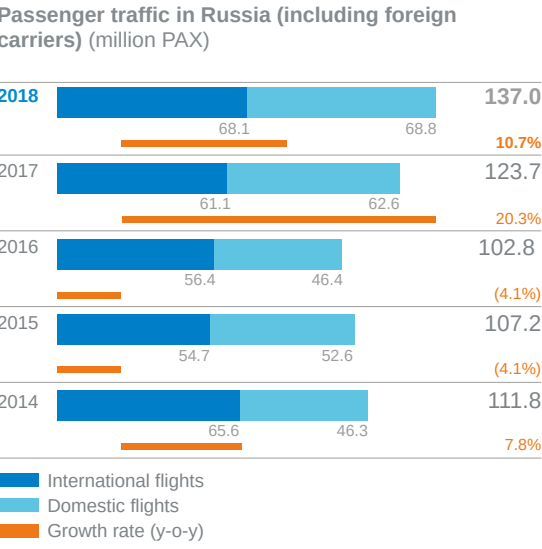
Note. Calculated based on data for regions with positive net profits. Excluding Africa, which generated a net loss of USD 0.4 billion in 2018.
Source: IATA.

Russian airline industry

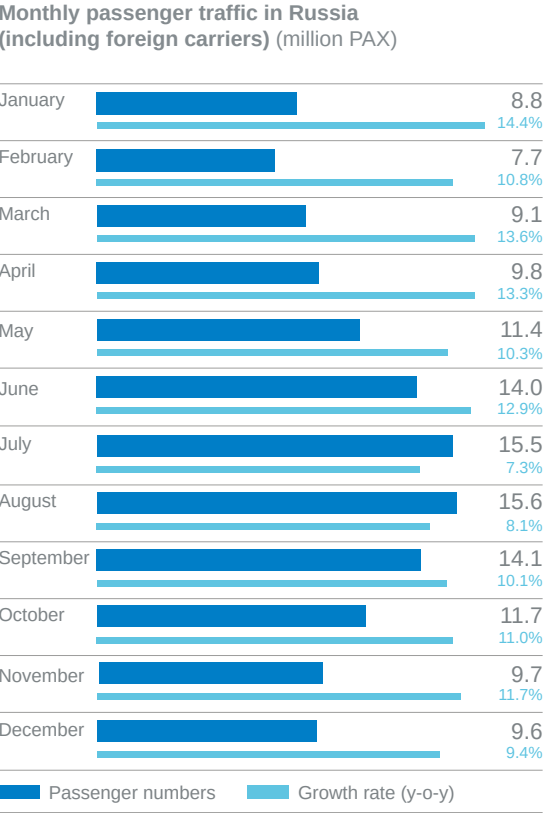
In 2018, the Russian civil aviation continued to build up its passenger traffic. The total size of the Russian market, including air transportation by foreign carriers from Russian airports, totalled 137.0 million passengers, up 10.7% year-on-year. Russian airlines carried 116.2 million passengers, with their total passenger turnover up 10.6% to 286.9 billion RPK.

Key growth drivers during the year included Russia's economic growth, improved capacities of Russian and foreign carriers, and the growth in the low-cost segment and transfer traffic.

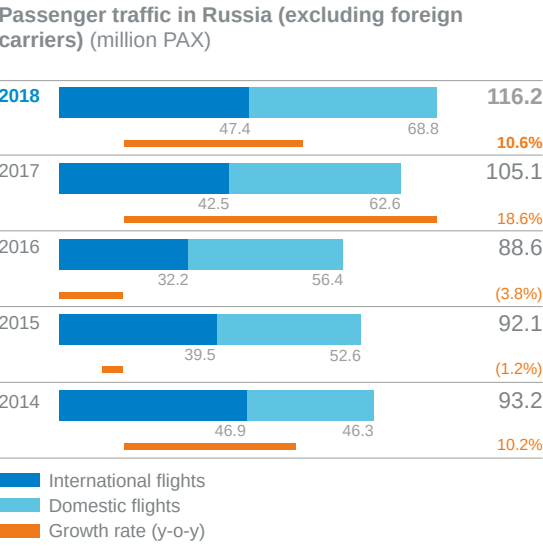
Stronger demand for air transportation during the 2018 World Cup in 11 Russian host cities was a major contribution to the growth of the Russian market. According to a Russian travel agency, the host cities were visited by 6.8 million fans and tourists, including 3.4 million foreigners. The tourist flow grew by about 40.0% in total. However, the number of "unique" tourists who received their FAN IDs was lower as only 1.8 million FAN IDs were issued. Although some fans also used other modes of transport, airports recorded an increase in passenger traffic during the World Cup. In particular, passenger numbers were up 13.8% year-on-year at Sheremetyevo airport, up 17.1% at Vnukovo airport, up 13.3% in Sochi, and up 11.1%–29.2% in other regions of Russia.



Sources: Transport Clearing House, Federal Air Transport Agency.



Sources: Transport Clearing House, Federal Air Transport Agency.



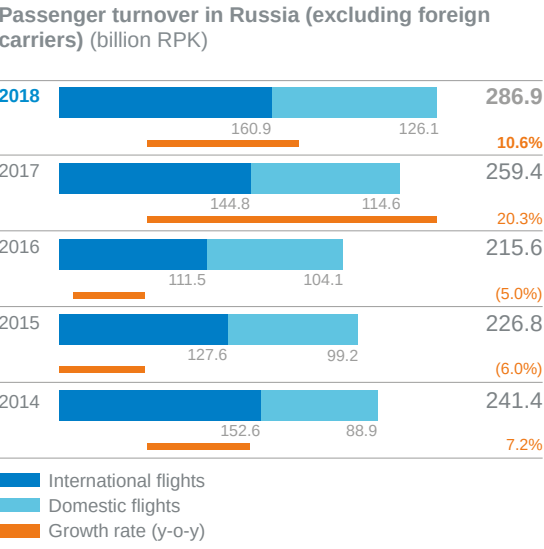
Source: Federal Air Transport Agency.

The impact by the championship was especially noticeable in the higher year-on-year growth rates of domestic passenger traffic recorded in June 2018 compared to growth rates in prior and subsequent periods.

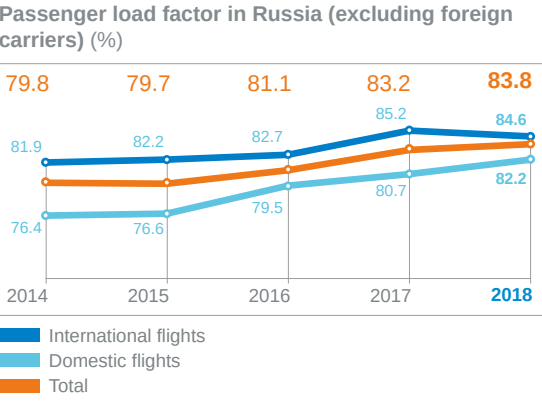
68.1 million passengers were carried on international routes in 2018 (including by foreign airlines), up 11.5% year-on-year. The increase in the international traffic was heavily influenced by charter flights to Turkey and the Turkish aviation authorities and air carriers continuing to actively incentivise Russian customers. The average passenger load factor for Russian airlines on international routes was 84.6%, down 0.6 p. p. year-on-year.

In 2018, Russian airlines carried 68.8 million passengers in the domestic market, up 10.0% year-on-year. The average passenger load factor for domestic flights was 82.8%, up 2.1 p. p. year-on-year.

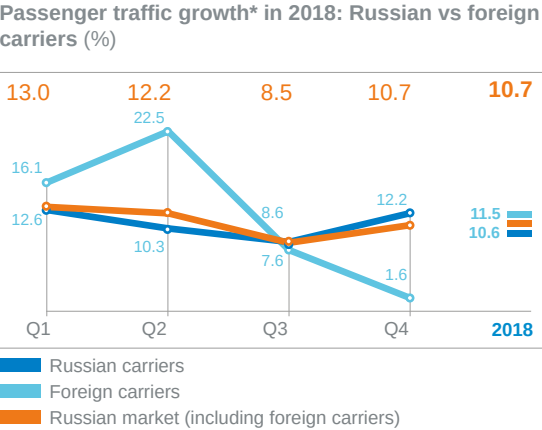
The Russian air passenger market is highly consolidated, with four largest players accounting for 64.6% of the total passenger traffic in 2018. The structure of the Russian market remained virtually unchanged year-on-year.



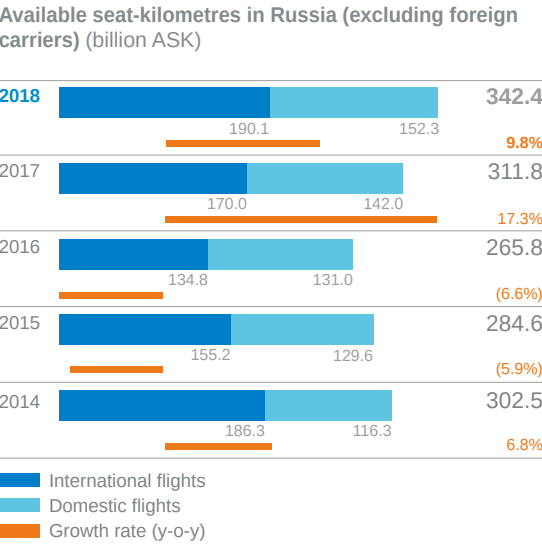
Source: Federal Air Transport Agency.



Source: Federal Air Transport Agency



* Year-on-year change.
Sources: Transport Clearing House, Federal Air Transport Agency.



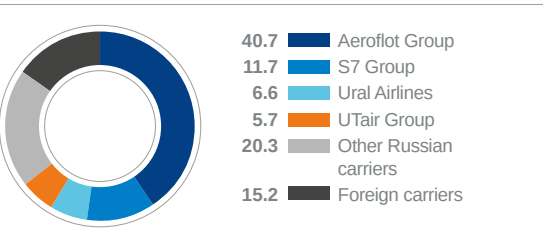
Source: Federal Air Transport Agency.

In 2018 Aeroflot Group's market share amounted to 40.7% of the market measured by passenger traffic (40.5% in 2017). Aeroflot Group's “net” market¹ share was 38.4% in 2018.

Aeroflot Group's closest competitors are S7 Group (11.7%), Ural Airlines (6.6%), and UTair Group (5.7%). The market shares of other Russian airlines and foreign carriers were 20.3% and 15.2%, respectively.

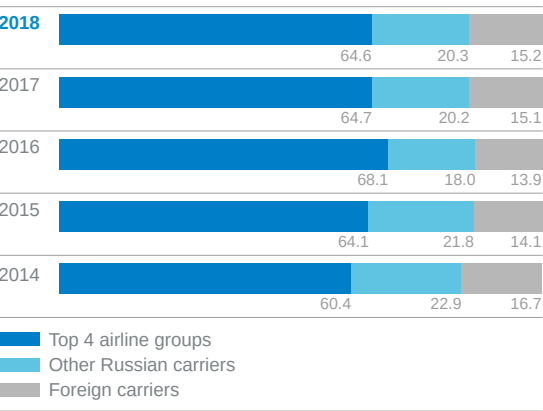
Overall, 2018 was a year characterised by intensified competition. Capacity build-up by foreign carriers had a significant impact on the industry. Foreign carriers started to increase flight frequencies and redeploy capacity previously pulled out of the Russian market as early as in 2017. Despite the market share of the foreigners remained more or less unchanged, market growth implied higher seat capacity and passenger traffic in the segment. Hence, in 2018, foreign airlines carried 20.8 million passengers in the Russian market (up 11.5% year-on-year), which is a material from a five-year low of 14.2 million passengers posted in 2016.

Russian airline industry players by total passenger traffic in 2018 (%)



Sources: Transport Clearing House, Federal Air Transport Agency.

Evolution of key players' market shares (%)



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

	2014	2015	2016	2017	2018
International traffic	26.1	29.3	39.4	36.9	36.3
Domestic traffic	38.0	44.6	44.6	44.1	45.0
Total	31.0	36.8	42.3	40.5	40.7

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

	2014	2015	2016	2017	2018
International traffic	22.6	24.1	33.9	31.7	31.2
Domestic traffic	38.0	44.6	44.6	44.1	45.0
Total	29.1	34.5	40.0	38.2	38.4

¹ “Net” market means the passenger traffic including foreign carriers, but excluding transfer passengers on international flights connecting in Moscow, which are not relevant for the Russian O&D market.

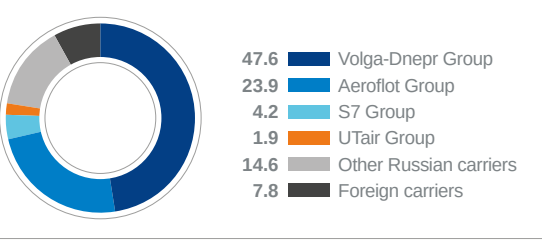
Air cargo market

According to the IATA, the global air cargo market totalled 63.7 million tonnes in 2018, up 3.6% year-on-year. The global cargo turnover increased by 4.1% with the industry's cargo revenue up 14.5% to USD 109.8 billion.

The Russian air cargo market grew by 4.4% year-on-year in 2018 to 1.3 million tonnes, or about 1.9% of the global market. The international cargo traffic accounted for the bulk of the Russian market at 77.0%, having increased by 5.2% to 980.0 thousand tonnes. The domestic cargo traffic was up 1.6% to 292.6 thousand tonnes.

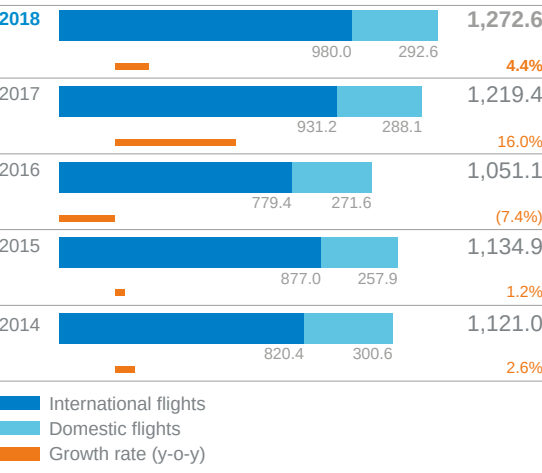
As at the year-end, Volga-Dnepr Group remained the air cargo market leader in Russia (47.6%). Aeroflot Group ranked second with 23.9% (22.4% in 2017). The four largest players account for 77.4% of the total cargo traffic in the Russian market.

Russian air cargo market by volume in 2018 (%)



Sources: Transport Clearing House, Federal Air Transport Agency.

Russian air cargo market volume (including foreign carriers) (thousand tonnes)



Sources: Transport Clearing House, Federal Air Transport Agency.

Development Strategy

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 class airlines.

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.

Updated Aeroflot Group Development Strategy

In 2018, the Board of Directors of PJSC Aeroflot approved the new Aeroflot Group Development Strategy 2023 (Minutes No. 5 dated 27 September 2018) as the key goals of the previous strategy, Aeroflot Group Development Strategy 2025, had been achieved ahead of schedule.

The new Aeroflot Group Strategy aims to further strengthen its position in the global air transportation market and to improve social mobility and air transport accessibility across Russian regions.

The Strategy outlines the key growth areas for the Group, its operational and financial performance targets. In line with the 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 Aeroflot Group Strategy and the Long-Term Development Programme.

Key growth areas and goals of Aeroflot Group



PASSENGER TRAFFIC

Carry 90–100 million passengers in 2023

- **Pobeda airline is a key growth driver** leveraging its strong operational efficiency to offer the lowest fares and extensive opportunities for passengers in all income brackets. By 2023, the Group's low-cost carrier **is expected to carry 25–30 million passengers a year.**
- **Aeroflot airline** will continue to grow as a premium carrier making a stronger focus on the transfer market.
- **Rossiya airline** will continue to expand its regional flights becoming the principal carrier offering flat fares on routes sponsored by the government.
- **Aurora airline** is expected to double its local operations in the Far Eastern Federal District.



INTERNATIONAL TRANSIT

International transit traffic of 10–15 million passengers in 2023

Aeroflot airline intends to leverage its competitive advantages to ramp up its international transit traffic. In particular, Aeroflot has an up to three-hour advantage over its competitors in transit time between Europe and Asia, a key air transportation market, while offering excellent customer experience at the lowest unit costs. It is already the number one carrier by transfer traffic at some routes from large European cities to Asian destinations.



REGIONAL BASES

Launch an international hub in Krasnoyarsk and three new regional bases in Sochi, Yekaterinburg, and Novosibirsk.

Increase regional traffic to 19 million passengers in 2023. Aeroflot Group will make a significant contribution to carrying out the instructions given by the Russian President to the Government to expand the network of scheduled inter-regional passenger routes, bypassing Moscow, to 50% of the total scheduled domestic flights by 2024.



AIRCRAFT FLEET

Bring 200 Russian-built Superjet 100 and MC 21 aircraft online by 2026

Aeroflot Group will work with the United Aircraft Corporation to ensure that all Russian-built aircraft meet the highest international standards of aircraft operations. **The Group will have to operate a total of approximately 520 aircraft** to achieve its target passenger traffic.



DIGITALISATION

Deliver a leading-edge level of digitalisation across Aeroflot Group

Aeroflot will retain its focus on **the extensive integration of cutting-edge digital technology**, including artificial intelligence.

Key initiatives and work streams within the long-term strategy

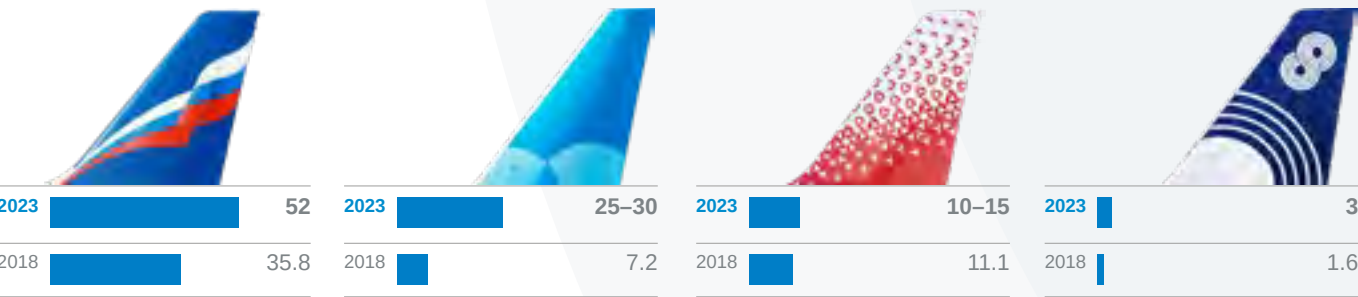
KEY DEVELOPMENT AREAS

-  Develop Aeroflot Group's route network through penetrating new markets and increasing the number of flights
-  Continuously upgrade the fleet
-  Develop Aeroflot Group's operations base
-  Improve the employee performance and labour productivity
-  Support innovative development of Aeroflot Group

DEVELOPMENT SEGMENTS

- Develop the premium passenger segment through improving the passenger experience, flight schedule, and expanding the route network
- Develop the low-cost passenger transportation segment
- Promote transfer traffic, including the international transit traffic
- Support national and regional passenger service programmes sponsored by the Government

Passenger traffic targets across Aeroflot Group



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:

- development of an efficient hub at Moscow Sheremetyevo airport to promote international transfer traffic
- availability of different capacity aircraft in the fleet and a reasonable balance between fleet diversification and standardisation to maximise operational flexibility
- 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.

Key programmes supporting the Development Strategy

The **Investment Programme** for 2019 was approved by PJSC Aeroflot's Board of Directors on 13 December 2018 (Minutes No. 10). It is designed to address long-term strategic objectives, improve the operations of business units, and continue the overall dynamic development of the Company's investment activities.

The 2019 Investment Programme focuses 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: procurement of tools and equipment to perform maintenance for all types of aircraft; fitting out of hangar facilities
- develop a training platform: purchasing and delivering an FFS A350 flight simulator; purchasing A321 and SSJ100 Door Trainers; upgrading the software for the FFS B737 flight simulator; purchasing airport visuals for the FFS SSJ100 flight simulator, etc.
- upgrade aircraft: ongoing equipment of aircraft with WiFEC; replacement of business class seats aboard Airbus A330s; having wheelchairs aboard Boeing 777 aircraft
- construct new facilities: continued construction of a new hangar for aircraft servicing; designing a building for the training platform; designing a facility for composite materials maintenance and repair, etc.
- develop the IT infrastructure: maintaining the existing and developing new information systems and further business process digitisation; developing digitisation projects; purchasing communication, telephone, and computer equipment

Cost cutting management plan for 2018

An emergency team was set up in 2018 to optimise costs and improve performance.

Emergency measures developed by the team to improve operational performance helped achieve positive financial results for the year despite the strong growth of the average jet fuel prices.

KEY COST CUTTING INITIATIVES INCLUDED:

- reducing selling, general, and administrative expenses
- streamlining the marketing budget
- negotiating discounts and special terms with service providers, including fuel suppliers

- 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 Group's 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.





Aeroflot Group's Innovative Development Programme 2025 was fully aligned with the regulatory guidelines of federal executive authorities and adopted by PJSC Aeroflot's Board of Directors on 25 August 2016.

The Innovative Development Programme covers the main innovation focus areas and activities at PJSC Aeroflot and its Rossiya and Aurora subsidiaries, as well as key mid- and long-term innovation KPIs to 2025. For more details on Aeroflot Group's Innovative Development Programme see the Information Technology and Innovation section.

- postponing further investment in customer service (to avoid any undue increase in operating costs)
- reducing management remuneration, including through releasing funds by early completion of the Long-Term Incentive Programme, etc.

Along with these initiatives, the Company focused on its income, including by optimising the day-to-day management of flight profitability and network operation, improving fares, adjusting the fuel surcharge, enhancing sales and load factor supervision and monitoring, developing additional revenue sources, and adopting operational changes.

Strategy implementation report

	2009	2018	Outlook for 2025
Join the Top 20 global players by passenger traffic	68th globally by passenger traffic	19th globally*	
Join the Top 5 European players by passenger traffic	15th in Europe	5th in Europe*	
Carry over 70 million passengers	11.1 million passengers	55.7 million passengers	
Carry at least 30 million domestic passengers	4.9 million passengers	31.0 million passengers	

* Rating for 2017. Ranked 5th among European traditional carriers.
Sources: Air Transport World's rating, Company data.

Aeroflot Group successfully implemented its Development Strategy 2025 adopted by PJSC Aeroflot's Board of Directors in 2011, having reached a number of milestone targets ahead of schedule. In particular, Aeroflot Group achieved the goal of its Strategy 2025 to become one of the world's largest airlines ahead of schedule: the Group joined Top 20 global air carriers by passenger traffic and Top 5 European traditional air carriers by revenue and passenger traffic.

During the years of the Strategy implementation, Aeroflot Group has built an innovative multi-brand platform providing a wide coverage across market segments and niches and has considerably increased its passenger traffic, including on domestic routes. As a result, the Company has cemented its position in the Russian market and has become a leader in the European

and global airline industry. Analysis of Aeroflot Group's growth trends and changes in external business environment during 2018 proved that the Group was well-positioned to achieve all goals set in its Strategy 2025 ahead of schedule. This, the continuing rapid growth of the Russian airline industry, and a considerable improvement of the global industry's overall performance, helped the Company to raise its strategic goals and projections for 2023.

2018 saw an upward trend in key operational KPIs, in line with the Group's Strategy and mid-term plans, including higher passenger and transfer traffic supported by the expansion of the route network. Aeroflot maintained a focus on low-cost flights, innovative technology, and customer service excellence. With jet fuel prices on the rise, a large-scale cost optimisation programme was launched.

TRANSFERRING LONG-HAUL DOMESTIC FLIGHTS TO TERMINAL B

In 2018, Aeroflot airline moved its domestic flights to the new Terminal B of Sheremetyevo International Airport.

The airline began to gradually transfer the flights in May 2018 and fully completed the transfer in November, by the start of its winter 2018/2019 season. Since the start of the winter season, the terminal has been handling a daily total of about 400 domestic flights.

According to the winter 2018/2019 schedule, Terminal D handled 40 domestic round trip flights: 8 flights to the Russian Far East by Aeroflot airline (3 routes: Vladivostok, Khabarovsk, Petropavlovsk-Kamchatsky) and 32 flights operated jointly with Rossiya airline (11 routes: Sochi, Magadan, Khabarovsk, Krasnodar, Mineralnye Vody, Petropavlovsk-Kamchatsky, Orenburg, Rostov-on-Don, Simferopol, Yuzhno-Sakhalinsk, and Vladivostok).

The new passenger Terminal B at Sheremetyevo airport is located within the northern sector of the airport and has an annual throughput of 20 million passengers. The terminal is connected to the airport's southern sector (Terminals D, E, and F) by passenger and baggage tunnels with automatic trains. Travelling between the airport's terminals takes four minutes. This inter-terminal link enables an extremely fast and efficient connection between different terminals of the airport.

New Terminal B of Sheremetyevo

-  Located within the northern sector of the airport
-  Annual throughput of 20 million passengers
-  The terminal is connected to the airport's southern sector (Terminals D, E, and F) by passenger and baggage tunnels with automatic trains
-  Travelling between the airport's terminals takes four minutes
-  This inter-terminal link enables an extremely fast and efficient connection between different terminals of the airport

TRANSFERRING SCHEDULED FLIGHTS OF ROSSIYA TO SHEREMETYEVO INTERNATIONAL AIRPORT

As part of reinforcing the hub at Sheremetyevo airport, scheduled flights of Rossiya airline under commercial operation of PJSC Aeroflot were transferred from Vnukovo airport to Sheremetyevo International Airport (Terminal D) as of winter 2018/2019. This initiative enhances the transfer potential of Rossiya airline flights through higher connectivity with Aeroflot's core network, thus drastically improving flight planning flexibility for passengers and making flights more cost effective.

SIGNING A CONTRACT FOR 50 LATEST MC-21 AIRCRAFT

In February 2018, PJSC Aeroflot and Rostec Corporation signed a firm contract for 50 Russian-built next generation MC 21 passenger aircraft. Under the contract, Aviacapital-Service (a leasing subsidiary of Rostec) will provide Aeroflot airline with 50 MC 21 300 aircraft on operating lease. The aircraft's configuration for Aeroflot is designed to carry 169 passengers (16 business class and 153 economy class seats). The deal was approved by the Annual General Meeting of Shareholders on 25 June 2018.

Long-term development programme

Aeroflot Group's Long-Term Development Programme (the LDP) was designed in accordance with Instruction 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 (Minutes No. 8). On 13 December 2018 (Minutes No. 10), PJSC Aeroflot's Board of Directors gave a general approval to the main provisions of Aeroflot Group's LDP for 2019–2023 updated to reflect the new Aeroflot Group Development Strategy 2023.

This involved a review of the Programme's key initiatives to support its implementation.

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 LONG-TERM DEVELOPMENT PROGRAMME'S KEY OBJECTIVES ARE TO:

- Develop the list of activities 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.

The LDP details strategic areas for the Group's development and includes a list of key initiatives and activities aimed at the strategy implementation in the medium term. The LDP complements and expands the key strategic initiatives set out in the Aeroflot Group Development Strategy 2023.

KEY INITIATIVES TO SUPPORT THE LONG-TERM DEVELOPMENT PROGRAMME PROGRESS:

- 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 an adequate talent pipeline
- Increase labour productivity.

The 2018 progress on Aeroflot Group's Long-Term Development Programme was audited by an external auditor, Nexia Pacioli. The auditor's opinion was issued on 29 March 2019.

Following the independent audit, the auditor expressed an opinion that the report reflecting the progress on Aeroflot Group's Long-Term Development Programme and achievement of the 2018 target KPIs was reliable in all material respects and was prepared in compliance with Aeroflot Group's Long-Term Development Programme for 2018–2022 which was approved by PJSC Aeroflot's Board of Directors on 21 December 2017 (Minutes No. 7).

The auditor confirmed the reliability, in all material respects, of the following data in the 2018 LDP progress report:

- Actual KPI performance: 7 out of 11 KPIs were achieved in 2018
- Progress on the initiatives and their current status: most of the initiatives had been completed
- Spending budgets in line with their intended purpose (compensations for the carrier's lost earnings and partial compensations for lease payments made under the Russian-built aircraft operating lease)

KPI system

The 2018 KPI list, weights, and targets for PJSC Aeroflot's CEO, which reflect the Company's KPI system, were approved by PJSC Aeroflot's Board of Directors on 21 December 2017 (Minutes No. 7), and updated by PJSC Aeroflot's Board of Directors on 26 April 2018 (Minutes No. 13) for the second quarter of 2018 and then on 31 October 2018 (Minutes No. 7) for the third quarter of 2018, in line with Aeroflot Group's adjusted 2018 budget.

2018 KPI targets and actual performance by PJSC Aeroflot's CEO

KPI*	Unit	2017				2018				Reasons for variance (2018A vs 2017P)
		Weight	Plan	Actual	Performance to plan	Weight	Plan	Actual	Performance to plan	
Total Shareholder Return (TSR)	%	10.0	13.5	1.2	8.89	10.0	20	(18)	0.00	Negative macroeconomic impact on Aeroflot Group's operating margins and net income during the year (due to higher fuel costs)
ROIC	%	20.0	14.9	14.9	100.00	20.0	12.9	12.0	93.02	Higher fuel costs
Long-term debt/EBITDAR	–	5.0	0.93	0.86	107.53	5.0	0.75	0.80	93.33	Higher fuel costs
Integrated Innovation Key Performance Indicator (IIKPI)	%	10.0	80	80*	100.00	10.0	100	100**	100.00	
Investment Programme Efficiency	–	5.0	5.22	6.88	131.80	5.0	10.91	20.11	184.33	High returns on the 2018 investment projects and lower capex
CASK	cent per ASK	5.0	4.9	5.32	91.43	5.0	4.9	5.45	88.78	Higher fuel costs and exchange rate fluctuations in 2016–2018 (the target of 4.9 cent per ASK was the lowest value achieved in 2016)
Share of State-Subsidised Funding in Total Funding Secured	%	5.0	0	0	100.00	5.0	0	0	100.00	

* The value shown is the minimal value achieved in 2017.
** According to Minutes No. 1 dated 27 February 2018 of a meeting of Inter-Agency Working Group on Supporting Innovative Development Priorities, the IIKPI bonus can be paid in full if the variance between the target KPI and actual performance does not exceed 10%.
Note. 2017 and 2018 KPIs are calculated for Aeroflot Group, except for PJSC Aeroflot's Flight Safety KPI.

From 2015 onward, the scope of the CEO's KPI list (with KPI weights and targets) is fully in line with the KPIs of our Long-Term Development Programme and extended to include all members of PJSC Aeroflot's Management Board to provide incentives for the management to pursue Group-wide corporate objectives. The list now also includes individual KPIs for Deputy CEOs and other members of the Management Board, with the aim to improve the Group's overall performance.

The KPIs for other employees of PJSC Aeroflot were approved by the CEO's Order No. 539 dated 29 December 2017; they were updated by the CEO's Order No. 375 dated 14 September 2018 for the second quarter of 2018 and then by the CEO's Order No. 490 dated 17 December 2018 for the third quarter of 2018, in line with Aeroflot Group's adjusted 2018 budget.

KPI*	Unit	2017				2018				Reasons for variance (2018A vs 2017P)
		Weight	Plan	Actual	Performance to plan	Weight	Plan	Actual	Performance to plan	
Punctuality	%	5.0	87.0	90.4	103.91	5.0	87.0	89.9	103.33	Aeroflot Group's initiatives to improve punctuality of aircraft departures include: → joint initiatives of PJSC Aeroflot, its business units, and third-party companies to improve punctuality of arrivals and departures to and from base/non-base airports → air traffic management to improve flight arrival punctuality and, consequently, flight departure punctuality
PJSC Aeroflot's Flight Safety	%	15.0	99.957	99.972	103.49	15.0	99.957	99.974	103.95	Effective flight safety management, including: → implementation of initiatives based on the results of air accident and incident investigations → monitoring of key operational risks and development of up-to-date corrective measures to mitigate them to acceptable exposure → reduction in number of air accidents and incidents associated with errors and violations in flight operations → reduction in the number of close-call incidents (from 2017)
Passenger Load Factor	%	10.0	80.0	82.8	103.50	10.0	82.0	82.7	100.85	Effective measures to increase utilisation of aircraft fleet
Overall Productivity	mn ASK per emp.	10.0	4.235	4.431	104.62	10.0	4.489	4.551	101.38	Higher productivity levels across Aeroflot Group supported by budget-controlled increase in work loads and headcount growth optimisation

Pursuant to the directives of the Russian Government, PJSC Aeroflot's KPI system embraces financial, economic, and industry-specific indicators, including:

- mandatory financial KPIs – Total Shareholder Return (TSR) and ROIC for Aeroflot Group – in line with the KPI Guidelines (Letter of the Federal Agency for State Property Management No. OD-11/22160 dated 26 May 2014)
- Overall Productivity KPI (for Aeroflot Group) – in line with the Russian Government's Directive No. 6362p-P13 dated 24 October 2013
- Share of Supplies from Small and Medium-Sized Businesses, Efficient Energy Use, and Environmental Friendliness KPIs were incorporated into PJSC Aeroflot's KPI system and KPI lists for relevant department heads – in line with the Russian Government's Directive No. 6362p-P13 dated 24 October 2013
- Integrated Innovation Key Performance Indicator (IIKPI) (for Aeroflot Group) – in line with Letter of the Deputy Minister of Economic Development of the Russian Federation No. 3142-OF/D06 dated 24 February 2012 and the Russian Government's Directive No. 1472p-P13 dated 3 March 2016

- Investment Programme Efficiency KPI (for Aeroflot Group) – in line with Directive of the Federal Agency for State Property Management No. PF-11/35029 dated 14 August 2014
- CASK KPI (for Aeroflot Group). As per the resolution of PJSC Aeroflot's Board of Directors dated 20 April 2017 (Minutes No. 14), the Company achieved the CASK reduction target in line with Directives of the Russian Government No. 2303p-P13 dated 16 April 2015 and No. 4750p-P13 dated 4 July 2016. Since 2017, the Company's objective is to maintain the achieved level
- Share of State-Subsidised Funding in Total Funding Secured KPI – in line with paragraph 2 of Instruction of the Russian Prime Minister Dmitry Medvedev No. AD P36-4617 dated 11 July 2015 on including the indicator showing investment capital raised in the private equity market.

As per the resolution of PJSC Aeroflot's Board of Directors adopted in 2017, Aviation Accident with Fatalities (Plane Crash) was set as the disqualification indicator (cancelling the bonus) in the KPI system.



Aeroflot's History

In 1976, Aeroflot carried over 100 million passengers in a year for the first time in the company's history, mainly on domestic routes. In 1990, Aeroflot entered the Guinness Book of Records as the largest airline in the world – that year the number of passengers carried reached 139 million, with 142 representative offices abroad and a fleet consisting of almost 2,000 aircraft.

In 2018, the majority of the Long-Term Development Programme KPIs for PJSC Aeroflot's CEO were met/exceeded as a result of efficient operations. KPI performance was affected by negative macroeconomic factors and higher potential sanctions risks.

Aeroflot Group Development Strategy 2023 involves a considerable increase in operational KPIs and development of new growth areas, including the launch of a new hub and regional bases. In view of these prospects and the significant increase and volatility of fuel costs, the existing financial KPIs – TSR and ROIC – which were earlier adopted as part of Aeroflot Group's Long-Term Development Programme and PJSC Aeroflot's CEO incentives, will not be used in 2019.

To bring the management incentive system in line with Aeroflot Group's short-term strategic priorities, PJSC Aeroflot's Board of Directors approved the following 2019 KPIs for PJSC Aeroflot's CEO (Minutes No. 12 dated 7 February 2019).

The CEO's KPI list and weights for 2019 reflect the Company's profile and strategic priorities and have been approved by the Russian Ministry of Transport, a federal executive body that oversees PJSC Aeroflot's activities.

2019 KPI targets for the CEO of PJSC Aeroflot

KPI	Weight	Unit	Plan
Revenue per Available Seat-Kilometre (RASK)	20%	RUB per ASK	3.76
CASK*	10%	cent per ASK	3.3
Integrated Innovation Key Performance Indicator (IIKPI)**	10%	%	100
Investment Programme Efficiency	5%	–	16.32
Share of State-Subsidised Funding in Total Funding Secured	5%	%	0
Punctuality	10%	%	87.0
PJSC Aeroflot's Flight Safety	20%	%	99.957
Passenger Load Factor	10%	%	82.4
Overall Productivity	10%	mn ASK per emp.	4.739***

* Calculations exclude fuel prices.
** According to Minutes No. 1 dated 27 February 2018 of a meeting of Inter-Agency Working Group on Supporting Innovative Development Priorities, the IIKPI bonus can be paid in full if the variance between the target KPI and actual performance does not exceed 10%.
*** The target is based on the 2019 budget.

Note. KPI performance is assessed on the basis of the Regulations on Bonus Payments to the Managers and Specialists of PJSC Aeroflot. KPIs are calculated for Aeroflot Group, except for PJSC Aeroflot's Flight Safety KPI.

Multi-brand platform



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, an effective flight schedule, convenient connecting flights for transfer passengers, and a young aircraft fleet.

Positioning	Premium product
Type of flights	Scheduled flights
Business model	<div>→ Hub model</div> <div>→ High frequency of flights</div> <div>→ Economy and business class</div> <div>→ Best-in-class service</div>
Flight range	<div>→ Short-haul flights</div> <div>→ Medium-haul flights</div> <div>→ Long-haul flights</div>
Aircraft fleet	<div>→ Narrow-body aircraft</div> <div>→ Wide-body aircraft</div>
Target group	<div>→ Business</div> <div>→ Visiting friends and relatives</div> <div>→ Leisure</div>
Base airport	Moscow (Sheremetyevo)
Share of international passengers in the airline's passenger traffic	<div><div></div>~50%</div>

Rossiya airline has three focal areas: scheduled flights from Saint Petersburg, scheduled flights from Moscow (mostly flat fares), and charter flights for tour operators. Rossiya's business scheduled flights is governed by Aeroflot, which means that tickets are sold via a shared website and that the two airlines are code sharing, thus ensuring connectivity between their networks.

Regional and charter products in the mid-price segment
Scheduled and charter flights
<div>→ Flights from Saint Petersburg and Moscow (connectivity with Aeroflot's network)</div> <div>→ Flat fares</div> <div>→ Charter flights to the most popular leisure destinations</div> <div>→ Economy and business class</div>
<div>→ Short-haul flights</div> <div>→ Medium-haul flights</div> <div>→ Long-haul flights</div>
<div>→ Narrow-body aircraft</div> <div>→ Wide-body aircraft</div>
<div>→ Visiting friends and relatives</div> <div>→ Leisure</div> <div>→ Business</div>
<div>→ Moscow (Vnukovo, Sheremetyevo)</div> <div>→ Saint Petersburg (Pulkovo)</div>
<div><div></div>~40%</div>

Aeroflot Group's strategic approach continues to be based on multi-brand offering, which helps maximise the coverage of all the key market segments. Each of the Group's airlines targets a dedicated market segment, thereby minimising intra-Group competition. Rossiya's scheduled flights were moved from Vnukovo airport to Aeroflot's hub, Sheremetyevo airport to drive internal synergies through additional transit flows between the route networks of Aeroflot Group airlines.

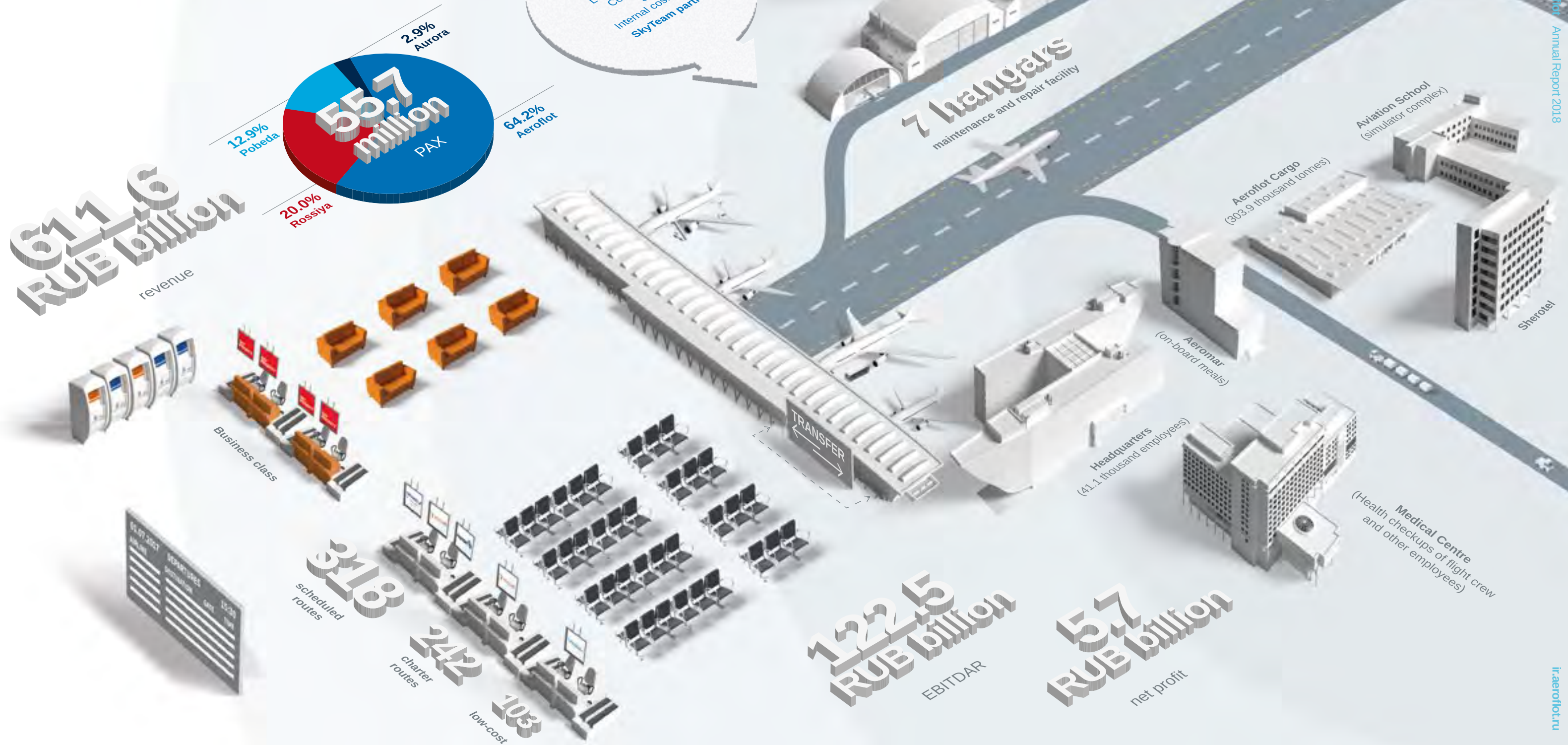
Pobeda airline targets the low-cost segment. Domestic flights from Moscow to Russia's regions, along with inter-regional flights within Russia, make up the bulk of the airline's route network, building stronger ties between Russian regions. The airline also expands its international route network.

Low-cost product
Scheduled flights
<div>→ Direct flights as the bulk of passenger traffic</div> <div>→ Flights between Russia's regions</div> <div>→ High passenger load factor and fleet utilisation</div> <div>→ Economy class only</div>
<div>→ Short-haul flights</div> <div>→ Medium-haul flights</div>
<div>→ Narrow-body aircraft</div>
<div>→ Leisure</div> <div>→ Visiting friends and relatives</div>
<div>→ Moscow (Vnukovo)</div> <div>→ Airports in Russia's regions</div>
<div><div></div>~25%</div>

Aurora airline focuses on local and inter-regional flights in the Far Eastern Federal District, connecting large cities in Russia's Far East and offering flights between major cities and remote towns.

Regional product for Far East
Scheduled flights
<div>→ Passenger flights in the Far East</div> <div>→ Local flights to remote destinations within the region</div> <div>→ Economy and business class</div>
<div>→ Short-haul flights</div> <div>→ Medium-haul flights</div>
<div>→ Narrow-body aircraft, including regional turboprops</div>
<div>→ Visiting friends and relatives</div> <div>→ Business</div>
<div>→ Vladivostok</div> <div>→ Khabarovsk</div> <div>→ Yuzhno-Sakhalinsk</div>
<div><div></div>~25% (Asia Pacific)</div>

Business Model



At the Height of Success



Operating Results

Aeroflot Group is the largest aviation holding in Eastern Europe operating in key market segments: from premium to budget air travel, from long-haul to regional. The low-cost airline created in 2014 allowed the Group to benefit from this market segment and contribute to the improvement of transport accessibility across Russia.

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Operating Highlights

Aeroflot Group: all flights

Item	2014	2015	2016	2017	2018
Passenger traffic, million PAX	34.7	39.4	43.4	50.1	55.7
change, %	10.7	13.4	10.3	15.4	11.1
Passenger turnover, billion RPK	90.1	97.6	112.1	130.2	143.2
change, %	5.6	8.4	14.8	16.2	9.9
Available seat-kilometres, billion ASK	115.8	124.7	137.7	157.2	173.1
change, %	6.2	7.7	10.4	14.2	10.1
Passenger load factor, %	77.8	78.3	81.4	82.8	82.7
change, p. p.	(0.4)	0.5	3.1	1.4	(0.1)
Cargo and mail, thousand tonnes	166.3	156.3	205.8	273.4	303.9
change, %	(18.7)	(6.0)	31.6	32.8	11.2
Revenue tonne-kilometres, billion TKM	8.8	9.5	11.0	13.0	14.2
change, %	1.9	7.0	16.5	17.7	9.5
Flights, thousand	286.7	323.8	331.9	368.5	411.5
change, %	8.2	13.0	2.5	11.0	11.7
Stage length, km	2,593	2,479	2,581	2,598	2,570
change, %	(4.5)	(4.4)	4.1	0.7	(1.1)

Aeroflot Group: domestic flights

Item	2014	2015	2016	2017	2018
Passenger traffic, million PAX	17.6	23.4	25.1	27.6	31.0
change, %	26.0	32.5	7.6	9.7	12.3
Passenger turnover, billion RPK	35.0	44.7	48.7	53.2	59.9
change, %	19.9	27.8	8.9	9.3	12.6
Available seat-kilometres, billion ASK	43.6	56.3	58.3	63.8	70.2
change, %	16.2	29.0	3.7	9.4	10.1
Passenger load factor, %	80.2	79.4	83.5	83.4	85.3
change, p. p.	2.5	(0.8)	4.1	(0.1)	1.9
Cargo and mail, thousand tonnes	82.0	79.1	107.8	120.0	132.7
change, %	(0.9)	(3.4)	36.2	11.3	10.6
Revenue tonne-kilometres, billion TKM	3.5	4.3	4.8	5.3	5.9
change, %	17.4	24.5	11.9	8.9	11.9
Flights, thousand	151.0	195.0	196.0	215.0	238.0
change, %	18.2	29.2	0.5	9.7	10.7
Stage length, km	1,982	1,912	1,935	1,929	1,934
change, %	(4.8)	(3.5)	1.2	(0.4)	0.3

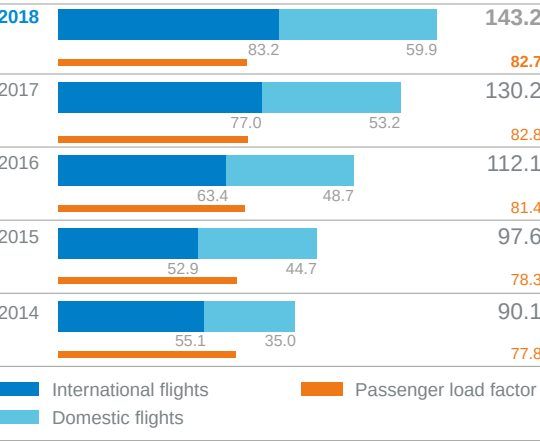
Aeroflot Group: international flights

Item	2014	2015	2016	2017	2018
Passenger traffic, million PAX	17.1	16.0	18.3	22.5	24.7
change, %	(1.7)	(6.2)	14.1	23.3	9.7
Passenger turnover, billion RPK	55.1	52.9	63.4	77.0	83.2
change, %	(1.8)	(3.9)	19.8	21.4	8.1
Available seat-kilometres, billion ASK	72.2	68.5	79.4	93.4	102.8
change, %	1.0	(5.2)	15.8	17.8	10.1
Passenger load factor, %	76.3	77.3	80.0	82.5	80.9
change, p. p.	(2.1)	1.0	2.7	2.5	(1.5)
Cargo and mail, thousand tonnes	84.3	77.2	98.0	153.3	171.1
change, %	(30.8)	(8.5)	27.0	56.5	11.6
Revenue tonne-kilometres, billion TKM	5.3	5.2	6.2	7.7	8.3
change, %	(6.1)	(4.3)	20.3	24.5	7.9
Flights, thousand	135.7	128.8	135.9	153.4	173.4
change, %	(1.0)	(5.1)	5.5	12.9	13.0
Stage length, km	3,223	3,304	3,468	3,416	3,366
change, %	(0.1)	2.5	5.0	(1.5)	(1.5)

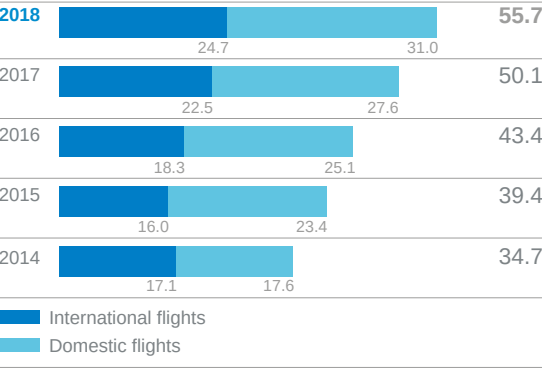
Aeroflot Group

Aeroflot Group carried a total of 55.7 million passengers in 2018, up 11.1% year-on-year, making a total 411,500 flights, or over 1,100 flights per day on average. The Group's capacity grew by 10.1% to 173.1 billion ASK, with the passenger turnover growing by 9.9% to 143.2 billion RPK and the passenger load factor staying almost flat year-on-year at 82.7%, down 0.1 p. p.

Aeroflot Group's passenger turnover (billion RPK) and passenger load factor (%)



Aeroflot Group's passenger traffic (million PAX)



Domestic flights

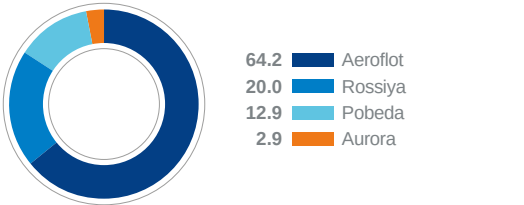
Aeroflot Group's airlines carried 31.0 million passengers on domestic routes in 2018, up 12.3% year-on-year, with the capacity growing by 10.1% to 70.2 billion ASK and the passenger turnover reaching 59.9 billion RPK, up by 12.6%. The passenger load factor was 85.3%, up 1.9 p. p. year-on-year.

The accelerated growth in domestic passenger traffic pushed the share of domestic flights in total passengers carried to 55.6%, up 0.6 p. p. year-on-year. In terms of passenger turnover, domestic flights account for 41.8% of the Group's total due to a lower stage length.

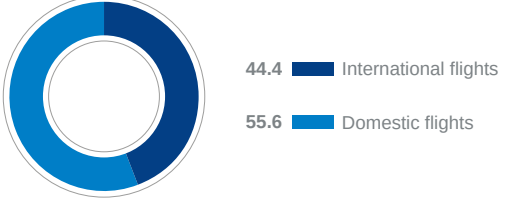
The positive trend in operational performance was driven by a continued increase in demand for domestic flights supported by the Group's route network expansion – new destinations and increased frequencies of flights to the most popular destinations. The development of the low-cost carrier Pobeda which accounted for half of the increase in the Group's domestic passenger traffic also played a major role.

Our stronger performance in the summer was also due to the World Cup held across eleven Russian cities, which led to an accelerated growth and higher passenger loads during the days of the event.

Aeroflot Group's 2018 passenger traffic breakdown by airline (%)



Aeroflot Group's 2018 passenger traffic breakdown by destination (%)



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, %		
	2017	2018	change, %	2017	2018	change, %	2017	2018	change, %	2017	2018	change, p. p.
Russia	26.7	30.2	13.2	51.4	58.4	13.7	61.9	68.6	10.9	83.0	85.1	2.1
Europe	10.5	12.0	13.6	23.8	27.3	14.5	30.5	36.0	18.0	77.9	75.7	(2.3)
Asia	3.4	3.6	4.7	21.9	23.0	4.7	26.6	28.1	5.8	82.5	81.6	(0.9)
CIS	2.8	3.0	6.0	6.2	6.5	4.0	7.4	7.7	4.1	84.1	84.0	(0.1)
Middle East	1.9	2.1	9.6	5.7	6.3	10.2	7.1	8.1	14.0	80.4	77.7	(2.7)
Americas	1.0	1.0	1.8	8.6	8.7	1.6	10.4	10.7	2.6	82.6	81.8	(0.8)
Total scheduled flights	46.4	51.9	11.8	117.7	130.2	10.6	144.0	159.3	10.7	81.7	81.7	–
Charter flights	3.7	3.8	2.4	12.5	13.0	3.5	13.3	13.8	4.0	94.6	94.1	(0.5)
Total flights	50.1	55.7	11.1	130.2	143.2	9.9	157.2	173.1	10.1	82.8	82.7	(0.1)

International flights

Increased capacity, new flights, the expansion of charter programme, and higher transfer traffic between Europe and Asia backed by the stable demand pushed the Group's international traffic up 9.7% year-on-year to 24.7 million passengers. The capacity grew by 10.1% to 102.8 billion ASK with the passenger turnover going up by 8.1% to 83.2 billion RPK and the passenger load factor for international destinations going down by 1.5 p. p. year-on-year to 80.9%.

The changing competitive environment, in particular, the return of foreign carriers to the Russian market, also influenced Aeroflot's operational performance. While their market share remained flat, the capacity and, accordingly, passenger traffic were up.

In 2018, the strongest growth in scheduled passenger traffic was on European routes due to the launch of flights to new destinations: popular resorts (Verona, Naples, Bargas), business travel destinations (Dublin and Gothenburg), as well as the increased frequencies of flights to best-selling, including among international travellers, destinations (such as Barcelona, Belgrade, Brussels, Lyon, Sofia, Stuttgart, and Tenerife).

The World Cup bolstered the Group's operational performance across international and domestic routes in the summer, with European destinations accounting for the bulk of the passenger traffic.





Aeroflot airline

In 2018, Aeroflot airline carried a total of 35.8 million passengers, up 8.9% year-on-year, making 273,177 flights.

The airline's passenger turnover grew 6.7% to 98.0 billion RPK, backed by a 8.4% capacity growth to 121.7 billion ASK. The passenger load factor declined by 1.3 p. p. to 80.5%.

In 2018, the total number of passengers carried by Aeroflot airline on domestic routes increased by 11.8% year-on-year to 17.5 million. The passenger turnover grew 8.9% to 33.9 billion RPK, with the capacity up by 8.8% to 40.2 billion ASK. The passenger load factor increased by 0.1 p. p. to 84.4%. Domestic flights accounted for 49.1% of Aeroflot airline's total passenger traffic.

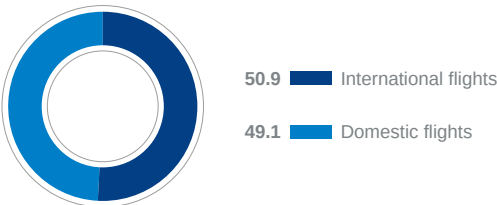
The total number of passengers carried by Aeroflot airline on international routes increased by 6.2% year-on-year in 2018 to 18.2 million. The passenger turnover grew 5.6% to 64.0 billion RPK, with the capacity up by 8.2% to 81.5 billion ASK. The passenger load factor decreased by 2.0 p. p. to 78.6%. International flights accounted for 50.9% of Aeroflot airline's total passenger traffic.

As in prior years, Aeroflot airline's charter operations continue to target athletic teams and official delegations, with 735 charter flights made in 2018.

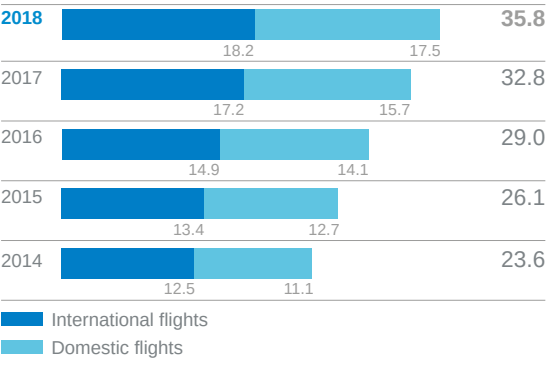
Aeroflot airline implemented a number of high-impact initiatives in 2018 to improve its on-time performance, including through strict enforcement of the boarding rules and baggage requirements.

In 2018, Aeroflot airline's on-time performance was at 82.98%, one of the best scores globally, and the carrier was ranked 5th most punctual airline globally and 2nd in Europe according to the UK's leading aviation publication FlightGlobal.

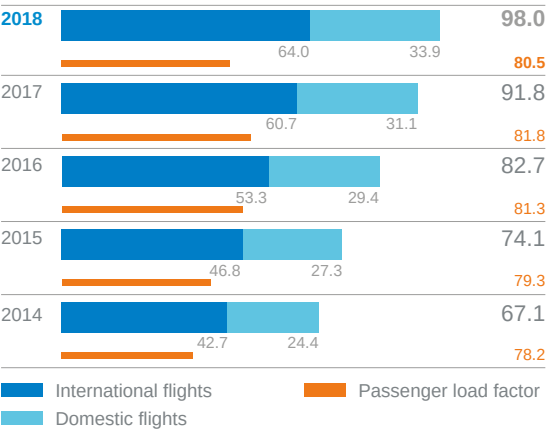
Aeroflot airline's 2018 passenger traffic breakdown by destination (%)



Aeroflot airline's passenger traffic (million PAX)



Aeroflot airline's passenger turnover (billion RPK) and passenger load factor (%)



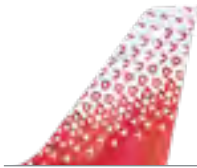
Aeroflot airline's operational performance by region (scheduled and charter flights)

Region	Passenger traffic, million PAX			Passenger turnover, billion RPK			Available seat-kilometres, billion ASK			Passenger load factor, %		
	2017	2018	change, %	2017	2018	change, %	2017	2018	change, %	2017	2018	change, p. p.
Russia	15.7	17.5	11.8	31.1	33.9	8.9	36.9	40.1	8.7	84.4	84.5	0.1
Europe	8.9	9.5	6.6	20.1	21.7	7.6	26.2	29.5	12.7	76.9	73.4	(3.5)
Asia	3.1	3.2	3.8	21.4	22.1	3.5	25.8	26.9	4.0	82.8	82.4	(0.4)
CIS	2.5	2.6	5.6	5.4	5.7	6.1	6.4	6.9	7.0	83.9	83.2	(0.7)
Middle East	1.7	1.9	11.7	5.1	5.8	12.3	6.4	7.4	16.5	80.3	77.4	(2.9)
Americas	1.0	1.0	1.8	8.6	8.7	1.6	10.4	10.7	2.6	82.6	81.8	(0.8)
Total scheduled flights	32.8	35.7	8.8	91.8	97.9	6.7	112.2	121.5	8.3	81.8	80.6	(1.2)
Charter flights	0.01	0.02	96.8	0.03	0.04	68.3	0.09	0.17	96.7	30.3	26.0	(4.4)
Total flights	32.8	35.8	8.9	91.8	98.0	6.7	112.2	121.7	8.4	81.8	80.5	(1.3)

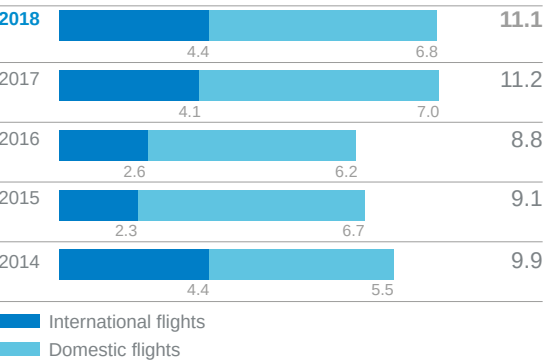
Rossiya airline

In 2018, Rossiya airline, the Group's second largest company, carried 11.1 million passengers, similar to the prior year. Pulkovo airport in Saint Petersburg accounted for most of the passenger traffic – 5.5 million passengers. Rossiya's most popular destinations operated from Saint Petersburg were Moscow (Vnukovo airport) and Russia's Black Sea resorts. The demand for charter flights remained stable, with the carrier slightly increasing its passenger traffic in the segment in 2018 through effective cooperation with Biblio Globus tour operator. Overall, the share of charter operations in Rossiya airline's total passenger traffic is stable at over one third of the total.

In 2018, Rossiya airline served almost 500 thousand transfer passengers at Pulkovo airport. The bulk of the carrier's transfer traffic comes from the programme supporting passenger flows from Russian regions to Europe via Saint Petersburg.

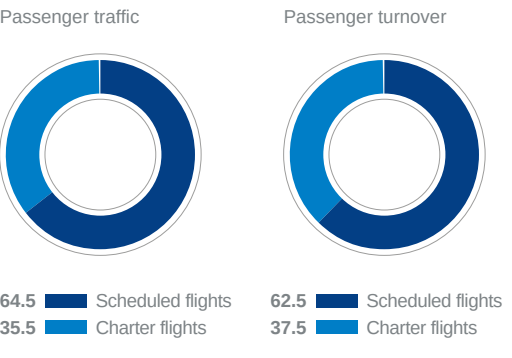


Rossiya airline's passenger traffic (million PAX)



Note. Data for 2014–2016 includes flights of Orenair and Donavia prior to their consolidation into Rossiya airline in 2016.

Rossiya airline's 2018 traffic breakdown by flight type (%)



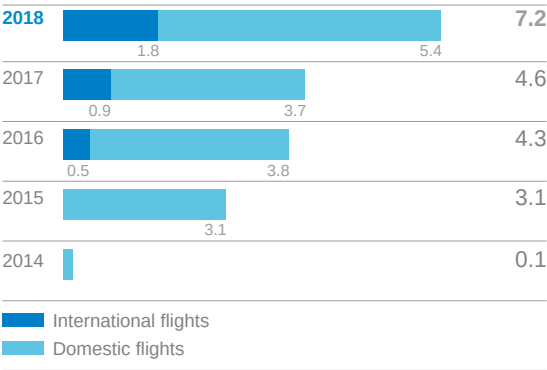
Note. Charter flights mean flights operated for tour operators.



Pobeda airline

In 2018, Pobeda's passenger traffic increased by 56.8% year-on-year to 7.2 million passengers. Eight new Boeing 737-800 aircraft were added to the carrier's fleet, expanding it from sixteen aircraft in early 2018 to twenty-four by 2018 year-end and becoming the primary driver of a 65.4% increase in capacity in 2018. The passenger load factor remained high at 94.1%, down 0.1 p. p. year-on-year, while Pobeda's on-time performance stood at 92.8%.

Pobeda airline's passenger traffic (million PAX)



Pobeda is the market leader across a number of metrics:

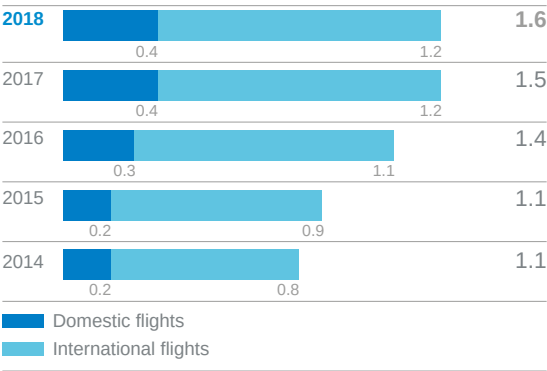
- Boeing 737 NG utilisation globally according to Boeing
- Lowest fares in Russia according to Biletix, Aviasales, and OneTwoTrip
- Passengers carried per aircraft
- Cost per flight hour
- Aircraft turnaround time in airports in Russia



Aurora airline

Aurora airline continued to expand into the Far East and increase the mobility of the population in the region. In 2018, the airline carried 1.6 million passengers, up 4.8% year-on-year. Traffic on local flights to remote destinations was also growing quite rapidly.

Aurora airline's passenger traffic (million PAX)



In 2018, Aurora carried 75,700 passengers on socially important flights within the Sakhalin Region, up 20% year-on-year, and 35 thousand passengers to destinations within the Primorsky Region. Since June 2018 (the commencement of flights), the company carried 19,700 passengers within the Khabarovsk Region. Thus, the total passenger traffic on the local flights (within a region) grew by 31.2% year-on-year to 130,500 passengers (99,500 passengers in 2017).

Cargo and mail operations

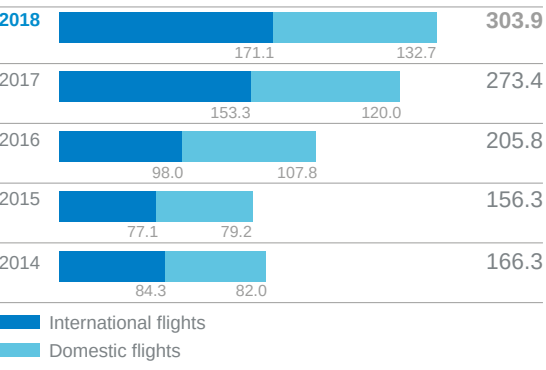
In 2018, Aeroflot Group carried 303,900 tonnes of cargo and mail, up 11.2% year-on-year. Aeroflot Group uses a belly cargo model, transporting cargo and mail in aircraft cargo holds on passenger flights.

In the reporting period, the cargo/mail tonne-kilometres (TKM) increased by 9.5% to 14.2 billion TKM, while the revenue load factor went up by 0.5 p. p. to 69.3%.

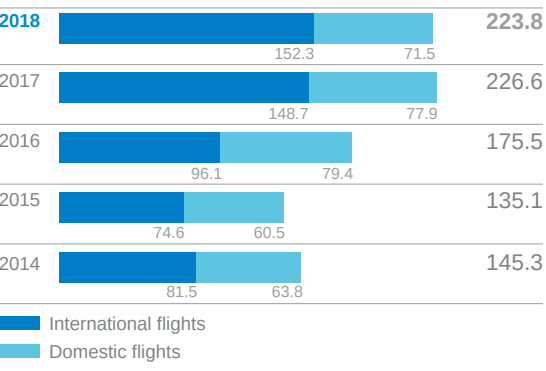
The growth in cargo and mail operations was associated, among other factors, with the expansion of the Group's wide-body aircraft fleet with six high cargo capacity Boeing 777-300 aircraft.

In 2018, Aeroflot airline carried 223,300 tonnes of cargo and mail, down 1.2% year-on-year. The cargo/mail tonne-kilometres increased by 5.9% to 9.9 billion TKM, with the revenue load factor at 67.4%, down by 0.7 p. p. year-on-year.

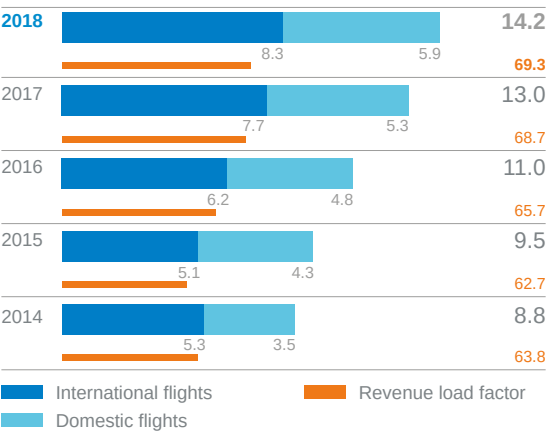
Aeroflot Group's cargo and mail operations (thousand tonnes)



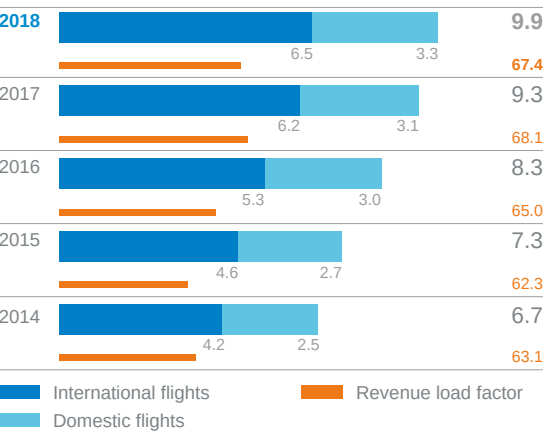
Aeroflot airline's cargo and mail operations (thousand tonnes)



Aeroflot Group's revenue tonne-kilometres (billion TKM) and revenue load factor (%)



Aeroflot airline's revenue tonne-kilometres (billion TKM) and revenue load factor (%)



Route Network

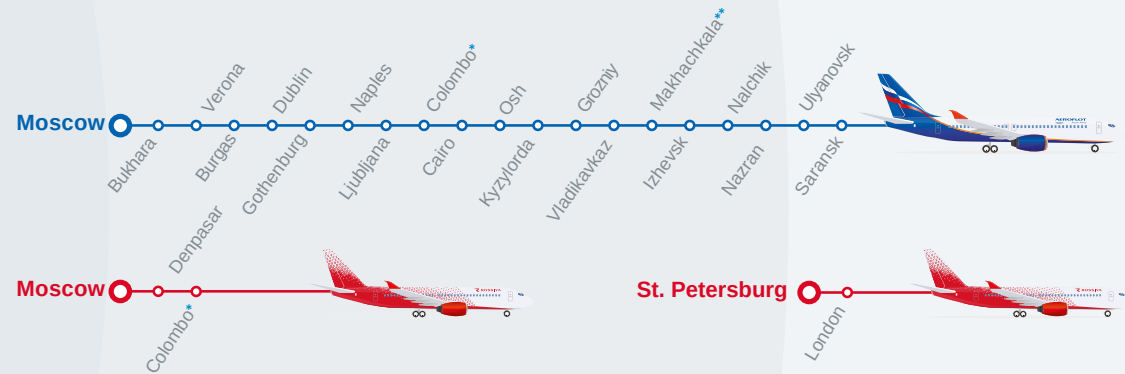
Aeroflot Group's route network development¹

In 2018, Aeroflot Group's airlines (Aeroflot, Rossiya, and Aurora) operated 318 scheduled routes to 56 countries (including Russia). Pobeda airline network comprises 103 destinations, including 57 unique for the Group. With Pobeda taken into account, the Group's airlines operated flights to 57 countries.

In 2018, the number of Aeroflot Group's scheduled routes grew 14.4% year-on-year, with domestic and international scheduled routes increasing by 23.2% and 5.1%, respectively. The total number of the Group-operated routes increased by 8,4% to 465.

During 2018, Aeroflot and Rossiya airlines launched scheduled flights from Sheremetyevo airport to 20 new destinations, including 8 domestic and 12 international.

New scheduled routes in 2018



* In December 2018, Aeroflot airline's flight to Colombo was switched to Rossiya's operations.
** In 2018, Aeroflot launched flights to Makhachkala from Sheremetyevo airport. The route was previously serviced by Rossiya airline from Vnukovo airport.

Number of Aeroflot Group's routes

	2017			2018			Change, %		
	sch.	chart.	total	sch.	chart.	total	sch.	chart.	total
International	136	146	240	143	150	250	5.1	2.7	4.2
Domestic	142	86	189	175	92	215	23.2	7.0	13.8
Medium-haul	252	219	392	290	232	428	15.1	5.9	9.2
Long-haul	26	13	37	28	10	37	7.7	(23.1)	—
Total	278	232	429	318	242	465	14.4	4.3	8.4

¹ Due to the separate status of the low-cost segment and its business specifics, the data on Aeroflot Group's route network includes the routes of Aeroflot airline and subsidiaries excluding Pobeda, unless otherwise stated.

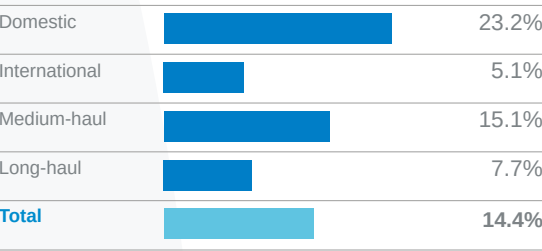
Rossiya airline's flights from Saint Petersburg to Almaty and Astana under commercial management of PJSC Aeroflot were discontinued as part of the Group network optimisation effort and performance improvement. Following the transfer of Rossiya airline's scheduled flights operated from Moscow to Sheremetyevo airport and the network optimisation, flights from Moscow to Anapa, Kazan, Barcelona, and Makhachkala were discontinued as these routes are serviced by Aeroflot airline.

Aeroflot Group continued increasing the frequency of scheduled service to the most popular destinations, with the average weekly frequency of scheduled flights in 2018 growing by 7.2% year-on-year (from 13.1 to 14.1). This figure grew 8.2% (from 10.9 to 11.8) for international and 6.7% (from 15.5 to 16.5) for domestic scheduled routes. The number of Aeroflot Group's scheduled flights grew by 8.1% year-on-year.

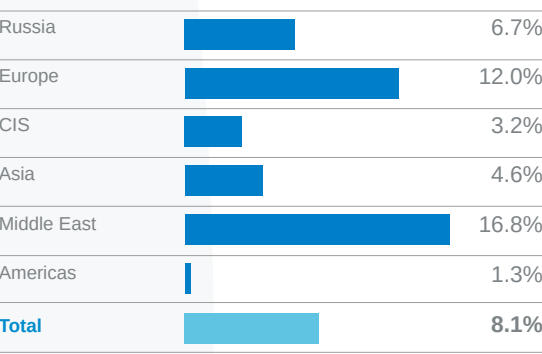
In planning its flight schedule, Aeroflot Group focuses on:

- 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)
- developing hub at Sheremetyevo airport
- growing the market share on the routes of presence and launching new services to destinations with high transfer traffic potential.

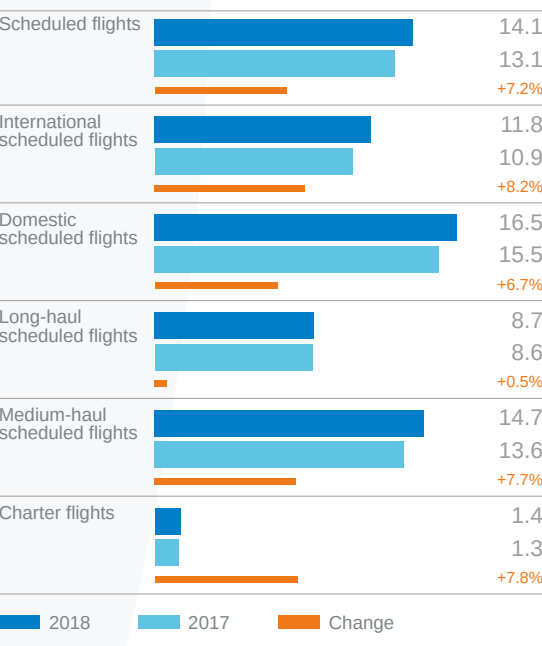
Aeroflot Group's scheduled flights by region (2018 vs 2017)



Aeroflot Group's scheduled flights by region (2018 vs 2017)



Average weekly frequency of Aeroflot Group's flights



Air services during the World Cup

Aeroflot’s route network comprises scheduled flights between Moscow and all the cities that hosted World Cup in 2018. With Rossiya subsidiary’s route network and Pobeda’s flights taken into account, we have provided a wide range of travel options for direct and transfer passengers. To improve air services between the host cities, additional domestic flights were launched during the days of the period of the championship. Specifically, during the group stage, Aeroflot airline

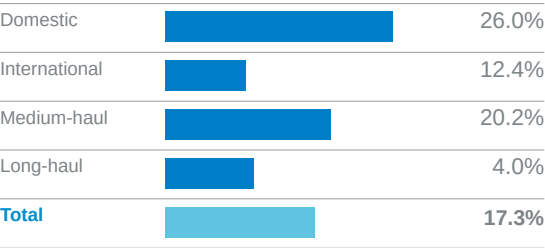
operated services on the Sochi–Kazan, Kazan–Kaliningrad, Kazan–Yekaterinburg, Volgograd–Nizhny Novgorod, and Volgograd–Kazan routes. Aeroflot also flew 11 additional flights on the Moscow–New York–Moscow route, as well as operated high-capacity aircraft on the most popular routes, with its destinations in Europe and the Americas accounting for the bulk of the passenger traffic.



Aeroflot Airline’s route network development

In 2018, Aeroflot airline’s network covered 163 scheduled routes to 56 countries (including Russia), with the number of its scheduled routes growing by 17.3% year-on-year.

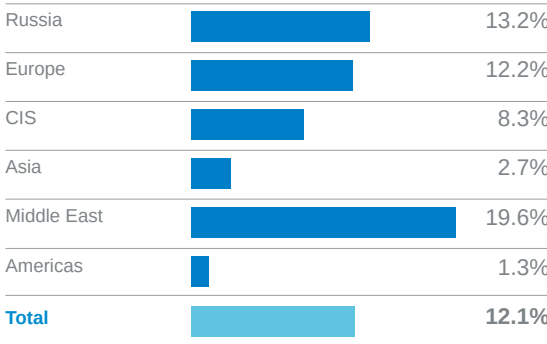
Aeroflot airline’s scheduled routes (2018 vs 2017)



Number of Aeroflot airline’s routes

	2017			2018			Change, %		
	sch.	chart.	total	sch.	chart.	total	sch.	chart.	total
International	89	31	103	100	48	123	12.4	54.8	19.4
Domestic	50	25	64	63	52	93	26.0	108.0	45.3
Medium-haul	114	56	142	137	97	188	20.2	73.2	32.4
Long-haul	25	–	25	26	3	28	4.0	–	12.0
Total	139	56	167	163	100	216	17.3	78.6	29.3

Aeroflot airline’s scheduled flights by region (2018 vs 2017)



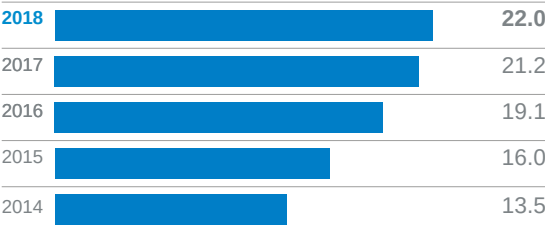
In 2018, the number of Aeroflot airline’s scheduled flights grew 12.1% year-on-year due to the increase in capacity on the most popular routes and the launch of new destinations.

- The Middle East segment reported the highest growth due to increased frequencies of flights to Turkey and Dubai. In addition, scheduled flights to Cairo, Egypt’s capital, were resumed after a long hiatus.
- European destinations saw the number of scheduled flights increase by 12.0% driven by increased frequencies and the launch of direct service from Moscow to Naples, Verona, and Burgas.
- The number of scheduled flights to the CIS increased by 3.2%, driven by the launch of direct services to Bukhara, Kyzylorda, and Osh routes and more frequent flights to Astana and Aktobe.
- The number of scheduled flights to Southeast Asia was up 4.6%, including due to the higher frequency of flights to Bangkok, Malé, Phuket, and Ho Chi Minh City, as well as the launch of flights to Denpasar and Colombo.
- The number of scheduled flights to North and Central America was up by 1.3% driven by the higher frequency of flights to Miami.
- Domestic destinations saw the number of scheduled flights increase by 6.7%. In particular, we increased the number of flights from Moscow to Arkhangelsk, Belgorod, Volgograd, Yekaterinburg, Kazan, Kemerovo, Krasnoyarsk, Murmansk, Nizhnevartovsk, Novosibirsk, Novy Urengoy, Perm, Saint Petersburg, Saratov, Surgut, Syktyvkar, Ufa, Khanty-Mansiysk, and Chelyabinsk. Aeroflot airline launched flights to the capitals of the North Caucasus regions of Russia , as well as to Saransk, Izhevsk, and Ulyanovsk.

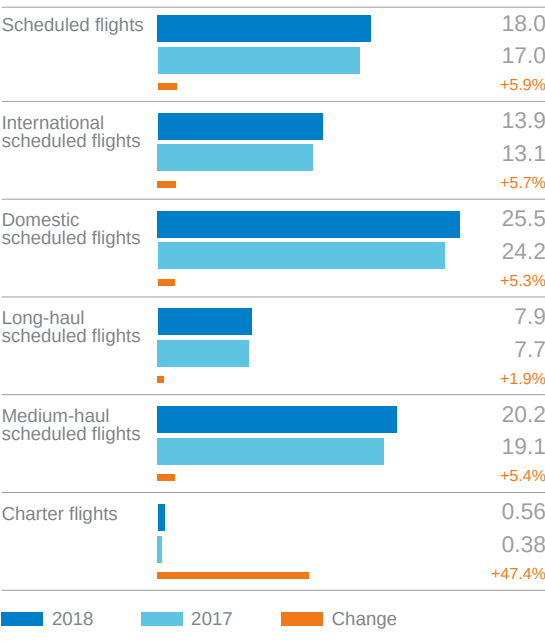
The connectivity ratio for Aeroflot airline’s own flights improved from 21.2 in 2017 to 22.0 in 2018.

The average weekly frequency of Aeroflot airline’s scheduled flights grew 5.9%, from 17.0 to 18.0 flights per route per week. International and domestic scheduled destinations saw the frequency grow by 5.7% (from 13.1 to 13.9 flights) and 5.3% (from 24.2 to 25.5 flights), respectively.

Connectivity ratio for Aeroflot airline’s own flights



Average weekly frequency of Aeroflot airline’s flights



Subsidiary airlines' route network development



Rossiya airline

In 2018, Rossiya airline operated scheduled services on 144 routes to 22 countries (100 domestic and 44 international), including 83 routes under commercial management of PJSC Aeroflot.

Rossiya airline's route network structure underwent planned yet fundamental changes during 2018. In October, with the launch of the winter flight schedule, Rossiya airline's scheduled flights under commercial management of PJSC Aeroflot were transferred from Vnukovo to Sheremetyevo airport. The consolidation of flights within Aeroflot's hub and the manifold increase in the connectivity potential of Rossiya airline's flights have significantly broadened the route planning options for passengers. Rossiya airline's flights are integrated into Aeroflot's Sheremetyevo airport-based wave connectivity scheme, which supports transfer traffic flows via the largest hub in Eastern Europe to the standards of leading network carriers.

Thus, Moscow flights are consolidated in Aeroflot Group's single hub, Sheremetyevo airport, while Pulkovo, the airline's historical base airport, continues to develop as a regional transport hub servicing the North-West of Russia.

In early 2018, Rossiya airline started operating flights from Moscow (using Boeing 747 and Boeing 777 aircraft) under the flat fare programme to improve transport accessibility for population in the Russian Far East.

Flights from Moscow (Sheremetyevo) to Denpasar, Bangkok, and Colombo were launched in the winter 2018/19 season.

Aurora is focused on securing transport accessibility and accommodating the demand for flights in the Russian Far East and to major cities in Siberia. Aurora also operates international services from Khabarovsk, Vladivostok, and Yuzhno-Sakhalinsk to South Korea, China, and Japan.

In 2018, Aurora airline operated scheduled services on 49 routes (38 domestic and 11 international) to four countries, including 21 routes under commercial management of PJSC Aeroflot. Local flights between major cities and remote destinations are a socially important part of Aurora's route network covering 14 socially important destinations in 2018.

Dalnerechensk–Khabarovsk and Khabarovsk–Nikolayevsk-on-Amur scheduled domestic flights were launched in 2018. The frequency of flights from Vladivostok to Yakutsk and Petropavlovsk-Kamchatsky was increased. The frequency of Vladivostok–Seoul international flight was also increased, and flights were resumed from Yuzhno-Sakhalinsk to Tokyo.



Aurora airline

Aurora's scheduled local routes in 2018





Pobeda airline actively expanded its route network in 2018. Whereas under the summer 2018 schedule it operated 72 routes (42 of which were unique for the Group), the number of routes in the winter 2018 schedule increased to 85 (45 of which were unique for the Group). Overall in 2018, Pobeda airline operated 103 routes, 57 of which were unique and complemented the Group's route network. Pobeda airline is based at Vnukovo airport in Moscow, and also operates flights from a number of regional airports in Russia.

Key areas of route network development in 2018:

- Continued development of route network from Moscow to domestic and international destinations. In developing its network of routes from Moscow, Pobeda prioritises serving significant markets and launching and ramping up new routes not serviced by other

airlines within the Group. In particular, flights from Moscow to Ulan-Ude, Petrozavodsk, Palermo, Salzburg, Innsbruck, Karlovy Vary, Leipzig, Baden-Baden, and a number of other destinations were unique to Pobeda in 2018 within the Group's route network

- Regional development, including increasing the number of flights between Russia's major cities and to the most popular destinations abroad. Expansion in the Saint Petersburg market during the year focused on the most popular destinations in Russia. New routes were also launched from Yekaterinburg, Sochi, and several other cities

Pobeda airline maintained price leadership among all Russian airlines in 2018, according to the largest ticket sales agents. The airline sold over 400 thousand tickets for as low as RUB 499/999, all airport taxes included.

Pobeda airline's routes in 2018



Transit development

The bulk of the Group's transit traffic is 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.

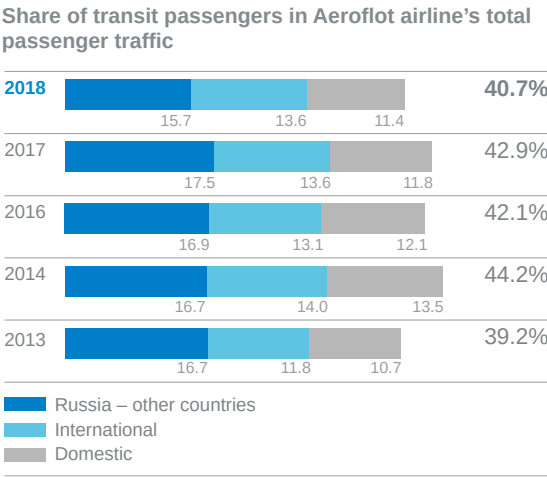
In 2018, the total transit traffic on Aeroflot airline's flights rose 3.6% year-on-year to 14.4 million passengers. Passengers in transit accounted for 40.7% of Aeroflot airline's total passenger traffic (42.9% in 2017).

Transit flows between Russia and other countries made up the bulk of Aeroflot airline's transfer passenger traffic, or 15.7% of the total. International transit traffic has the highest impact with a share of 13.6%, or 4.8 million transfer passengers. The domestic transit traffic was 11.4%.

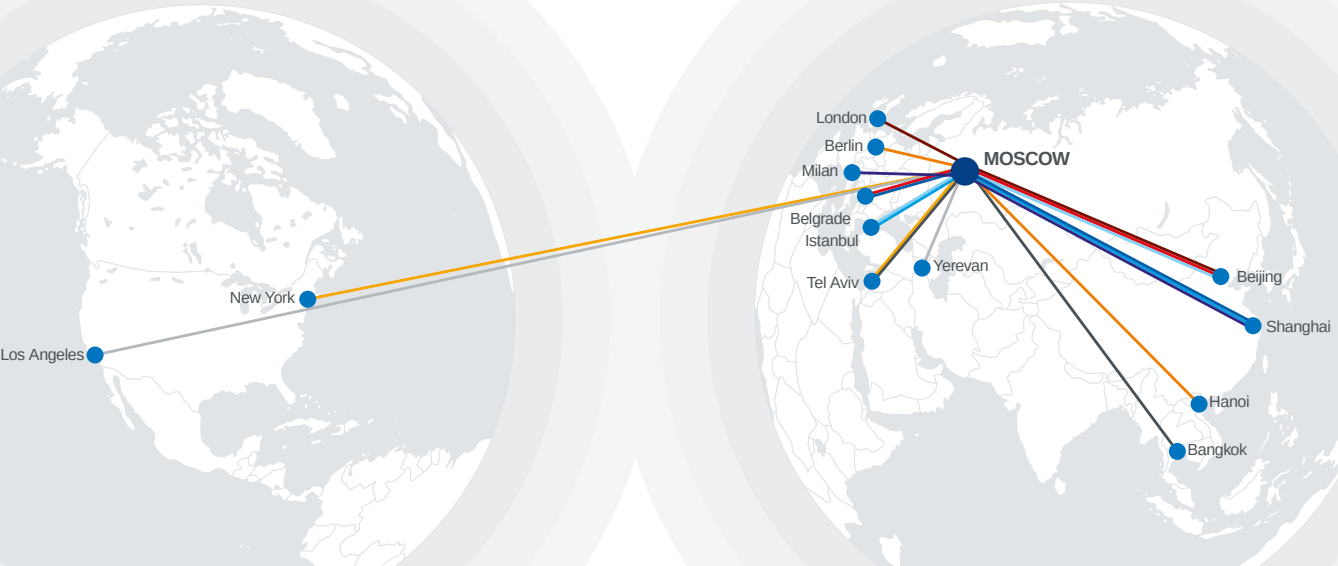


Aeroflot's History

The 1960–1980s saw a rapid expansion of Aeroflot's international network (a number of flights included stopovers). Respective services from Moscow were launched in the following years:
1953 – China (Beijing)
1954 – France (Paris)
1959 – United Kingdom (London)
1968 – United States (New York, NY)
1972 – Germany (Frankfurt)
1976 – Spain (Madrid)



Aeroflot airline's key international transit routes in 2018



Developing the route network and increasing flight frequencies: permits and designations

In order to ensure its strategic development, the Group continuously cooperates with regulators to obtain permits and designations to launch new routes and increase flight frequencies for existing ones. In 2018, 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

+15 new permits

to operate international scheduled passenger services from Moscow to Ashgabat, Bukhara, Victoria, Gothenburg, Dublin, Colombo, Kos, Ljubljana, Marseille, Nha Trang, Osh, Port Louis, Ürümqi, Chengdu, and Shenyang

+17 additional permits

to increase the frequencies of international scheduled passenger services from Moscow to Bangkok, Belgrade, Brussels, Budapest, Bucharest, Valencia, Guangzhou, Dubai, Lyon, Malé, Paris, Beijing, Seoul, Sofia, Istanbul, Tashkent, and Shanghai



ROSSIYA AIRLINE

+4 new permits

to operate international scheduled passenger services from Moscow to Goa, Colombo, and Denpasar, and from Saint Petersburg to London

+4 additional permits

to increase the frequencies of international scheduled passenger services from Saint Petersburg to Larnaca, Munich, Samarkand, and Tashkent

+8 new permits

to operate international non-scheduled (charter) passenger services from Moscow to Barcelona, Burgas, Varna, and Sofia, from Saint Petersburg to Burgas, Varna, and Barcelona, and from Yekaterinburg to Barcelona



AURORA AIRLINE

+1 new permit

to operate international scheduled passenger service from Vladivostok to Shanghai

+1 additional permit

for JSC Aurora Airlines to increase the frequency of international scheduled passenger service from Yuzhno-Sakhalinsk to Tokyo



Aeroflot's History

The 420 km passenger flight between Moscow and Nizhny Novgorod became the airline's first scheduled route. Aeroflot's first international route, Verkhneudinsk (Ulan-Ude)–Ulan Bator, was launched in 1926 and extended to Moscow in 1928. The route is considered to be Aeroflot's oldest international route still in operation.

Designations for PJSC Aeroflot as a regular carrier were obtained from the Russian Ministry of Foreign Affairs for the Moscow–Bukhara, Moscow–Dublin, Moscow–Ljubljana, Moscow–Osh, Moscow–Gothenburg, Moscow–Colombo, Moscow–Ürümqi, Moscow–Chengdu, and Moscow–Chenyang routes.

In March 2018, permits were renewed for Aeroflot airline (for 17 routes) and Rossiya airline (for 15 routes) to operate services on Transaero's routes for one year (until March 2019).

Aeroflot airline waived two permits to operate international scheduled passenger services from Moscow to Ashgabat and Kaunas in 2018.

Rossiya airline waived one permit to operate international scheduled passenger service from Saint Petersburg to Beijing, inherited from Transaero. The permit was waived due to not commencing the air service.

Aurora airline waived five permits to operate international scheduled passenger services on routes: Anadyr–Anchorage, Vladivostok–Petropavlovsk-Kamchatsky–Anchorage, Vladivostok–Anchorage, Yuzhno-Sakhalinsk–Anchorage, and Novosibirsk–Tashkent.

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 frequencies of flights on existing routes.

In 2018, joint flights were started with Aerolineas Argentinas on the Moscow–Madrid–Buenos Aires route and with Aerovias de Mexico (Aeromexico) on the Moscow–Paris/Madrid/Amsterdam/London–Mexico City routes. Codeshare agreements with Air Malta, Bulgaria Air, Air France, Korean Air, Saudi Arabian Airlines, Air Serbia, and with Aurora and Rossiya subsidiary airlines were extended to new routes.

PJSC Aeroflot had 30 codeshare agreements with foreign and Russian airlines in 2018:

- Twenty-two agreements under which Aeroflot airline acted both as a partner operator and a marketing operator: Aerolineas Argentinas, Aerovias de Mexico, Air Europa, Air France, Air Baltic, Air Serbia, Alitalia, Bulgaria Air, Czech Airlines, China Eastern Airlines, China Southern Airlines, Delta Air Lines, Finnair, Garuda Indonesia, Icelandair, Kenya Airways, KLM, Korean Air, LOT Polish Airlines, MIAT, Saudi Arabian Airlines, and Siberia Airlines
- Three agreements under which Aeroflot airline acted as a partner operator only: Cubana de Aviacion, Middle East Airlines, and TAROM

- Three agreements under which Aeroflot airline acted only as a marketing operator, selling partner flights under its code: Air Malta, Adria Airways, and Bangkok Airways
- Two agreements with Aeroflot Group's airlines under commercial management arrangements for operation of joint flights – with Rossiya and Aurora

PJSC Aeroflot's major partners by volume of business generated through codeshare agreements were Alitalia, Air France, Air Europa, Czech Airlines, Finnair, and KLM among foreign airlines, and Aeroflot Group's airlines and Siberia Airlines among Russian carriers.

Aeroflot's key priorities in cooperation under codeshare agreements:

- Building up Aeroflot's presence in promising markets
- Gaining a foothold in the markets where certain restrictions apply
- Further improving the existing route network, including through the expansion of the marketing flight network
- More efficient use of owned aircraft fleet

As at the end of 2018, PJSC Aeroflot had interline agreements with 132 carriers, including four Russian carriers and four CIS-based airlines.

Membership in the SkyTeam Alliance

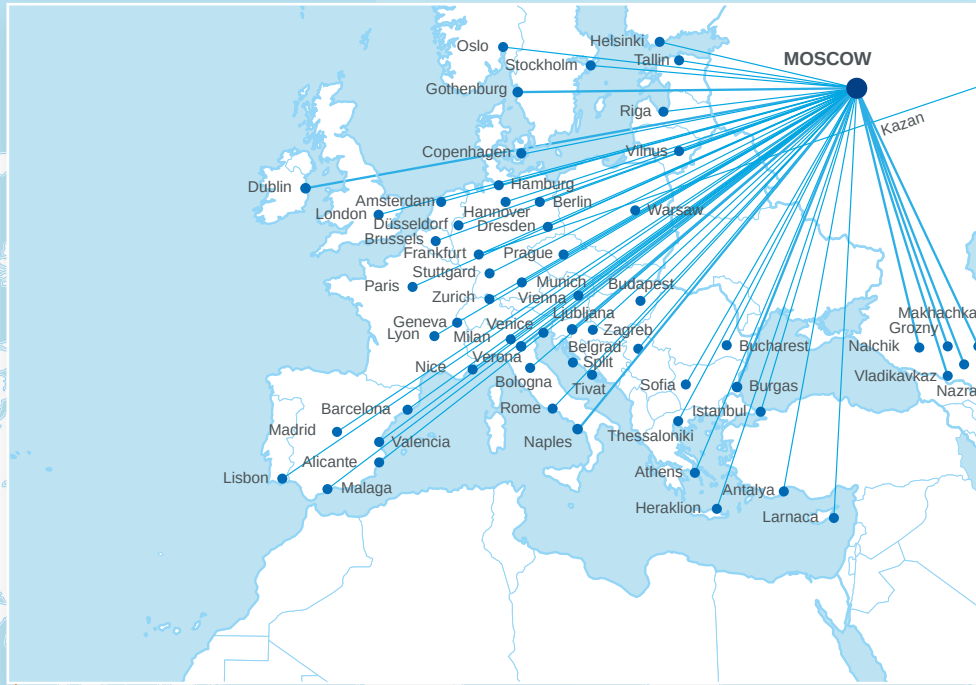
As a SkyTeam partner, Aeroflot carried over 545 thousand passengers in 2018 under codeshare and interline agreements with other SkyTeam Alliance members. About 313 thousand Aeroflot passengers were carried by its SkyTeam partners.

As a member of the SkyTeam Alliance, Aeroflot can 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.

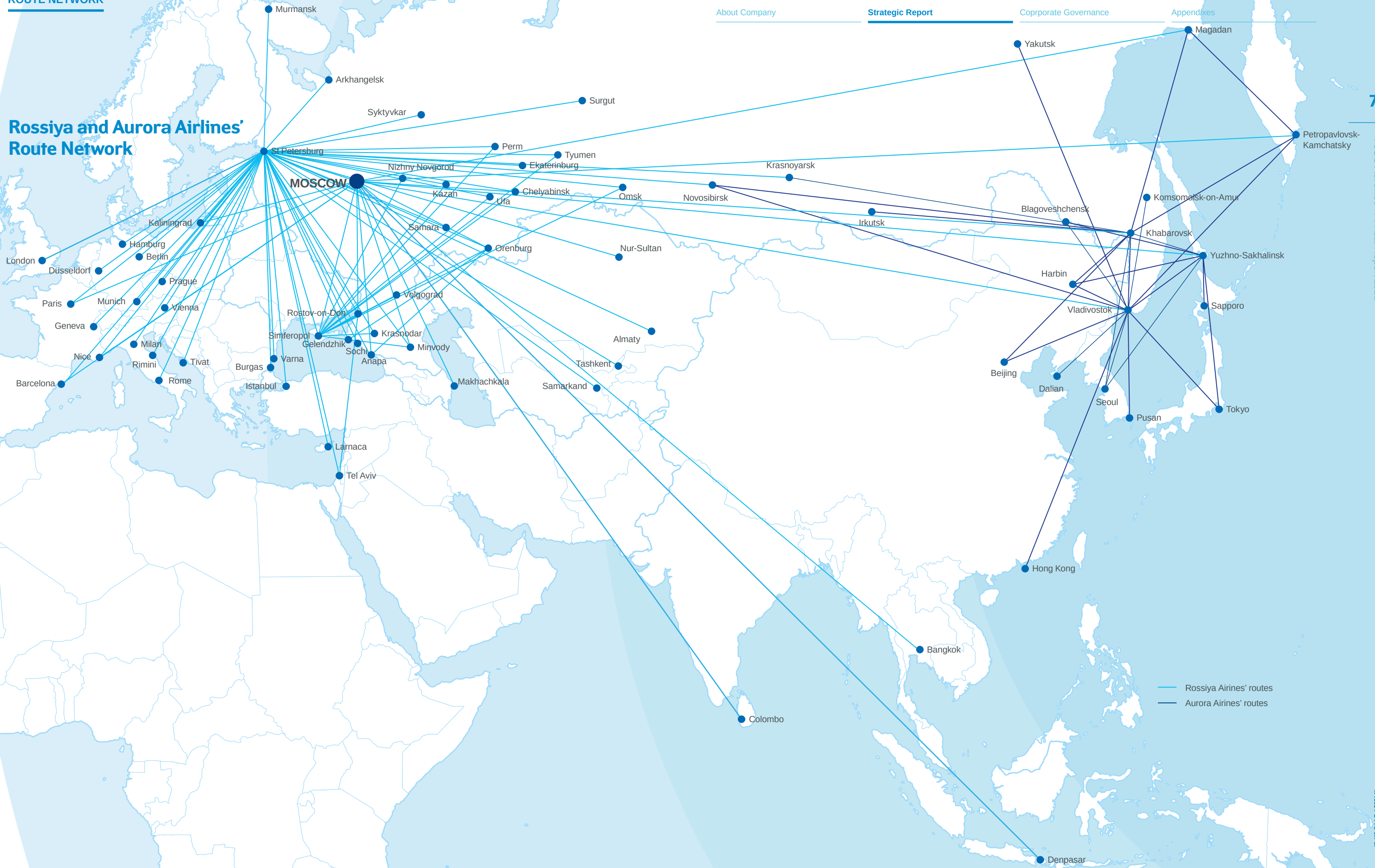
In 2018, the Alliance's aggregate route network comprised 1,074 destinations in 177 countries. SkyTeam's members, including Aeroflot airline, were making a total of 16,609 flights on a daily basis.

SkyTeam Alliance had 20 members in 2018, 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. In early 2019, China Southern Airlines left SkyTeam, and the Alliance management approved a new development strategy.

Aeroflot Airline's Route Network



Rossiya and Aurora Airlines' Route Network



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 seat capacity and efficiency of aircraft
- increasing the share of modern Russian-built aircraft used in operations.

Over the last years, the Group has been consistently refreshing its aircraft fleet, bringing the average age of the fleet in operation down from 7.0 years in 2014 to 6.3 years in 2018. Aeroflot airline's fleet is one of the youngest in the world, with an average age of 4.2 years as at 2018 year end.

To improve its operational performance and cut costs, the Group has been working to unify its aircraft fleet in the past several years. From 2014 to 2018, the types of aircraft in operation reduced from 11 to 8.

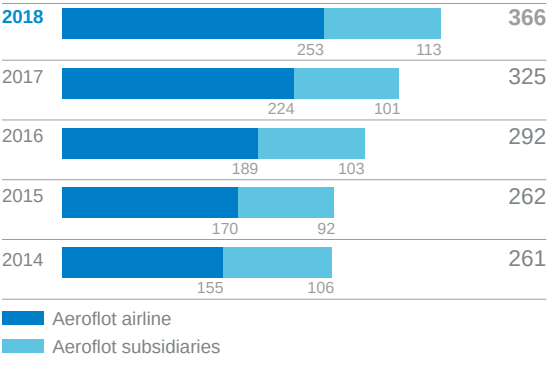
Aeroflot Group's aircraft fleet evolution

	2014
Narrow-body (regional)	<div>→ SSJ100</div> <div>→ An-148</div> <div>→ An-24</div> <div>→ DHC-8-200/300</div> <div>→ DHC-6-400</div>
Narrow-body (medium-haul)	<div>→ Airbus A319/320/321</div> <div>→ Boeing 737 Classic</div> <div>→ Boeing 737 NG</div>
Wide-body	<div>→ Airbus A330</div> <div>→ Boeing 767</div> <div>→ Boeing 777</div>

11 types of aircraft

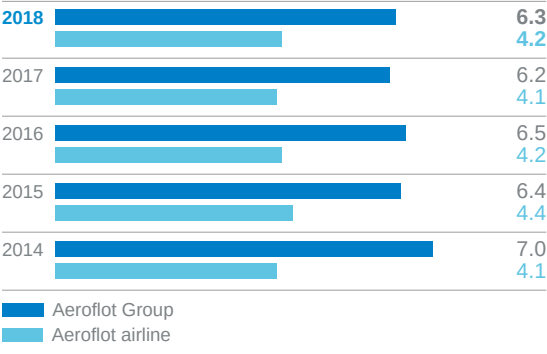
Note. Data exclude aircraft not operated by the Group's airlines (Mi-8 helicopters and Il-96 airliners in 2014; An-24 and An-148 airliners in 2018).

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



Note. Data for 2017 and 2018 exclude An-24 and An-148 aircraft that were not operated by the Group during the periods indicated

Average age of aircraft fleet in operation (years)



8 types of aircraft

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

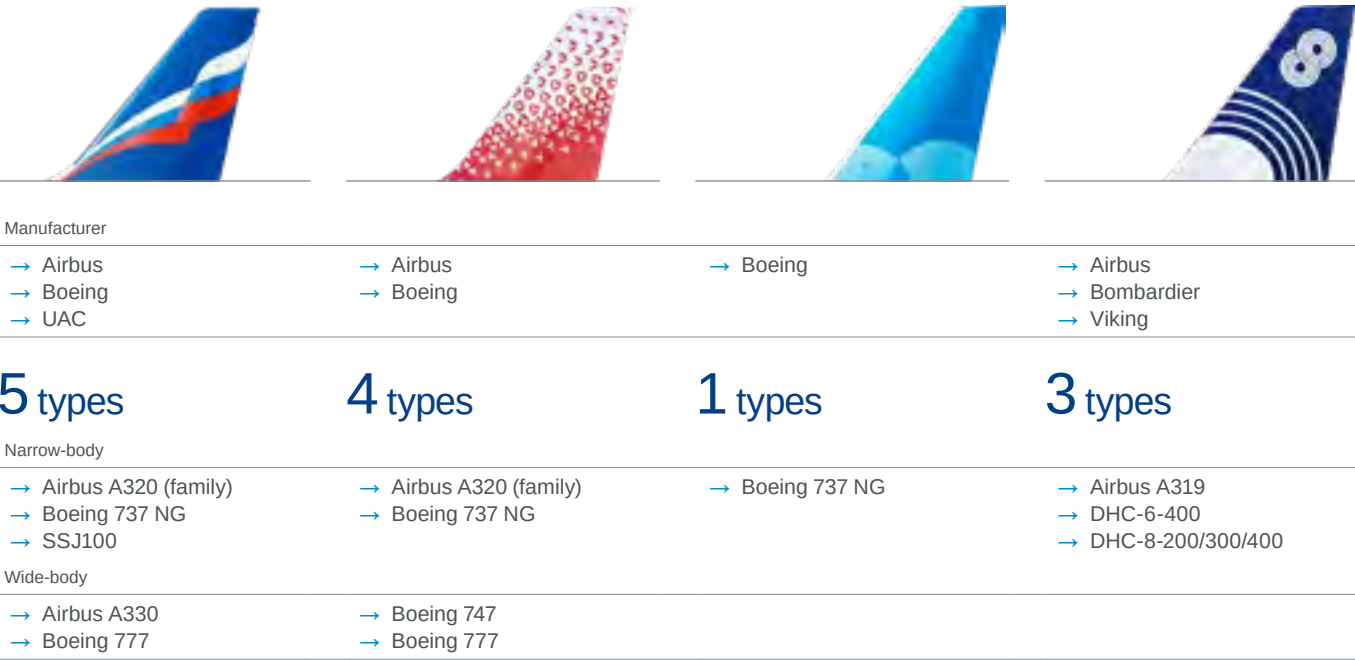
Aeroflot airline's fleet comprises several types of aircraft produced by major manufacturers and focuses on addressing the needs of both the mass-market and premium segments. Aircraft offer two to three travel classes to serve passengers in flight. As seat capacity in comparable narrow-body aircraft is different between Business and Economy classes, we can change the Business to Economy ratio for more effective, demand-driven capacity management.

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

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

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

Aeroflot Group's aircraft fleet by type

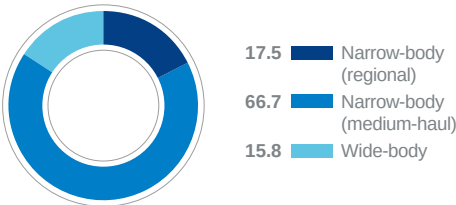


Aeroflot Group's aircraft fleet¹

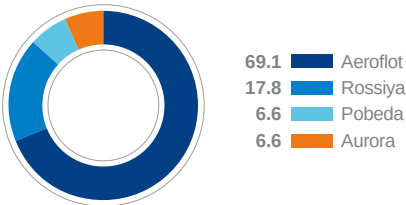
During 2018, Aeroflot Group was actively expanding its operating capacity with 55 new aircraft added to the fleet. Over the same period, Aeroflot Group phased out 14 aircraft: thus, the net fleet increase amounted to 41 aircraft.

As at 2018 year-end, Aeroflot Group operated a fleet of 366 aircraft, with narrow-body medium-haul aircraft comprising the bulk of the fleet (66.7%), narrow-body aircraft for regional flights representing 17.5% of the fleet, and wide-body aircraft for long-haul flights – 15.8%.

Aeroflot Group's fleet by type of aircraft as at 31 December 2018 (%)



Aeroflot Group's fleet by airline as at 31 December 2018 (%)



Aeroflot Group's aircraft fleet

Type of aircraft	As at 31 December 2017	Change 2018		As at 31 December 2018
		phased in	phased out	
Airbus A330-200	5	—	—	5
Airbus A330-300	17	—	—	17
Boeing 777-300	5	—	—	5
Boeing 777-300ER	16	6	—	22
Boeing 747-400	9	—	—	9
Wide-body	52	6	—	58
Airbus A319	36	—	1	35
Airbus A320	80	11	6	85
Airbus A321	38	5	6	37
Boeing 737-800	68	20	1	87
Narrow-body (medium-haul)	222	36	14	244
DHC-6-400	3	—	—	3
DHC-8-200	2	—	—	2
DHC-8-300	4	—	—	4
DHC-8-400	5	—	—	5
SSJ100	37	13	—	50
Narrow-body (regional)	51	13	—	64
Total	325	55	14	366

¹ Data exclude An-24 and An-148 aircraft that were not operated by Aeroflot Group in 2017 and 2018.



Aeroflot's History

Aeroflot's history is integral to the evolution of the Russian aircraft industry, with the Company always seeking to operate the most advanced aircraft.

In the 1960s, the reliable, fuel-efficient, and comfortable Il-18 became Aeroflot's most popular aircraft. As many as up to 24 Il-18 aircraft flights were departing daily from Moscow to Krasnoyarsk alone in the summer of 1969, with a total of up to 50 Il-18 aircraft based at Krasnoyarsk airport at the time.

In the 1970s and 1980s, medium-haul jetliners Tu-134 and Tu 154 became the mainstay of Aeroflot's fleet.



+29
net increase
in aircraft fleet

Aeroflot airlines' aircraft fleet

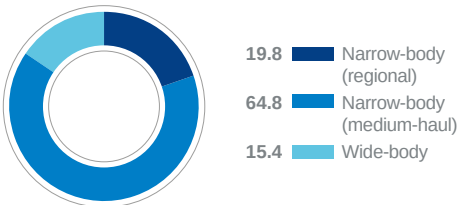
Type of aircraft	As at 31 December 2017	As at 31 December 2018	Change
Airbus A330-200	5	5	—
Airbus A330-300	17	17	—
Boeing 777-300ER	16	17	1
Wide-body	38	39	1
Airbus A320	75	80	5
Airbus A321	38	37	—1
Boeing 737-800	36	47	11
Narrow-body (medium-haul)	149	164	15
Superjet 100	37	50	13
Narrow-body (regional)	37	50	13
Total	224	253	29

Aeroflot airline's aircraft fleet

As at the end of 2018, the flagship airline of Aeroflot Group had 253 aircraft, including 164 narrow-body medium-haul aircraft, 50 regional narrow-body aircraft, and 39 wide-body aircraft.

Airbus A320 family, Boeing 737-800, SSJ100, and Boeing 777-300ER aircraft were added to Aeroflot airline's fleet in 2018. The net fleet increase amounted to 29 aircraft.

Aeroflot airline's fleet by type of aircraft as at 31 December 2018 (%)



Subsidiaries' aircraft fleet

Five Boeing 777-300ERs, one Boeing 737-800, and one Airbus A320 were added to Rossiya airline's fleet in 2018, resulting in a net fleet increase of four aircraft. As at 2018 year-end, Rossiya operated a fleet of 65 aircraft.

In 2018, Pobeda airline received eight new narrow-body Boeing 737-800 aircraft, expanding its total fleet of Boeing 737-800s to 24 aircraft as at the end of 2018.

Aurora airline's fleet remained flat year-on-year at 24 aircraft, including narrow-body medium-haul Airbus 319s, as well as DHC-8 and DHC-6 feeder (narrow-body turboprop) aircraft for local flights.

+12
net increase in aircraft fleet



+4



+8

Subsidiaries' aircraft fleet

Type of aircraft	As at 31 December 2017	As at 31 December 2018	Change
Airbus A319	26	25	(1)
Airbus A320	5	5	—
Boeing 737-800	16	16	—
Boeing 747	9	9	—
Boeing 777-300	5	5	—
Boeing 777-300ER	—	5	5
Rossiya airline	61	65	4
Airbus A319	10	10	—
DHC-6-400	3	3	—
DHC-8-200	2	2	—
DHC-8-300	4	4	—
DHC-8-400	5	5	—
Aurora airline	24	24	—
Boeing 737-800	16	24	8
Pobeda airline	16	24	8
Total	101	113	12

Note. Excluding An-24 and An-148 aircraft that were not operated by the Group in 2017 and 2018.

AIRCRAFT FLEET

Wide-body
Long-haul



Airbus A330-300	17 aircraft
Length,m	63.69
Wingspan,m	60.3
Seating capacity, seats	293-302
Maximum take-off weighth, kg	230,000
Engines	RR Trent 772B
Flight range, km	9,500



Airbus A330-200	5 aircraft
Length,m	58.82
Wingspan,m	60.3
Seating capacity, seats	229-241
Maximum take-off weighth, kg	230,000
Engines	RR Trent 772B
Flight range, km	11,200



Boeing 777-300ER	22 aircraft
Length,m	73.86
Wingspan,m	64.8
Seating capacity, seats	373-457
Maximum take-off weighth, kg	351,530
Engines	GE 90-115BL
Flight range, km	14,594



Boeing 777-300	5 aircraft
Length,m	73.9
Wingspan,m	60.9
Seating capacity, seats	373
Maximum take-off weighth, kg	299,370
Engines	RR211 Trent 892
Flight range, km	11,135



Boeing 747-400	9 aircraft
Length,m	70.6
Wingspan,m	64.4
Seating capacity, seats	447-522
Maximum take-off weighth, kg	396, 890
Engines	CF6-80C2, PW4056
Flight range, km	13,450

Narrow-body
Middle-haul



Boeing 737-800	87 aircraft
Length,m	39.5
Wingspan,m	35.8
Seating capacity, seats	158-189
Maximum take-off weighth, kg	79,015
Engines	CFM 56-7B x 2
Flight range, km	5,765



Airbus A321	37 aircraft
Length,m	44.5
Wingspan,m	35.8
Seating capacity, seats	170-183
Maximum take-off weighth, kg	89,000
Engines	CFM 56-5B
Flight range, km	3,800



Airbus A320	85 aircraft
Length,m	37.6
Wingspan,m	35.8
Seating capacity, seats	140-168
Maximum take-off weighth, kg	77,000
Engines	CFM 56-5A/5B
Flight range, km	6,150



Airbus A319	35 aircraft
Length,m	33.8
Wingspan,m	34.1
Seating capacity, seats	128-138
Maximum take-off weighth, kg	75,500
Engines	CFM 56-5A/5B
Flight range, km	6,800

Narrow-body
Regional



SSJ100	50 aircraft
Length,m	29.9
Wingspan,m	27.8
Seating capacity, seats	87
Maximum take-off weighth, kg	45,880
Engines	Power Jet SaM146
Flight range, km	2,400



DHC 8-400	5 aircraft
Length,m	32.8
Wingspan,m	28.4
Seating capacity, seats	70
Maximum take-off weighth, 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 weighth, 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 weighth, kg	16,466
Engines	PW123 C
Flight range, km	1,710



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

58
aircraft

366
aircraft

244
aircraft

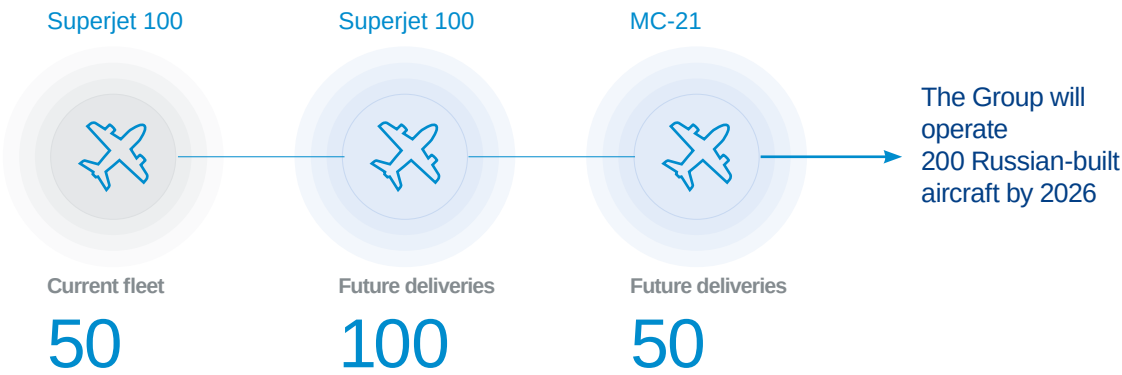
64
aircraft

Fleet development plans

PJSC Aeroflot continues to be the largest operator of Russian high-tech aircraft. As part of this major role, over the years, Aeroflot has helped to commission and improve all Russian aircraft models. It is Aeroflot's top priority to act in the interests of the Russian aviation industry and the country in general. The Company plans to operate 200 Russian-built aircraft by the end of 2026.

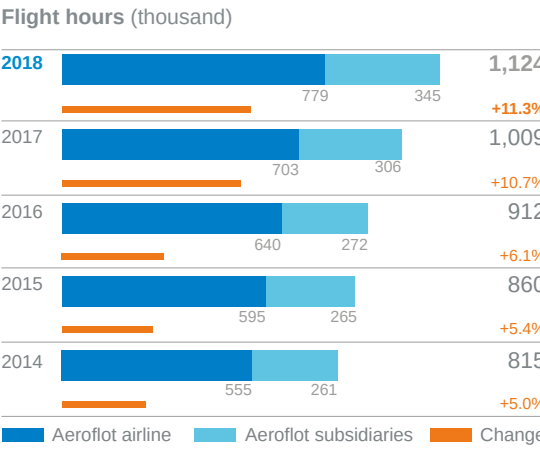
- PJSC Aeroflot and Rostec signed a contract in 2018 for delivery of 50 next-generation passenger aircraft, MC-21. The deal has made Aeroflot the largest operator of MC-21, Russia's latest medium-range aircraft. The deal was approved by the Annual General Meeting of Shareholders.
- Aeroflot took delivery of 50th Russian-built SSJ100 aircraft and signed a contract with United Aircraft Corporation for the delivery of 100 more SSJ100s between 2019 and 2026. The final contract will be signed once corporate approvals are obtained in accordance with Russian laws.

In line with its approved the Strategy 2023, Aeroflot Group also plans to expand its fleet of wide-body aircraft, a prerequisite for growing international transfer traffic. A contract has been signed for the delivery of 22 modern Airbus A350 airliners to gradually replace the A330 aircraft currently in operation. The first deliveries are expected in 2020.

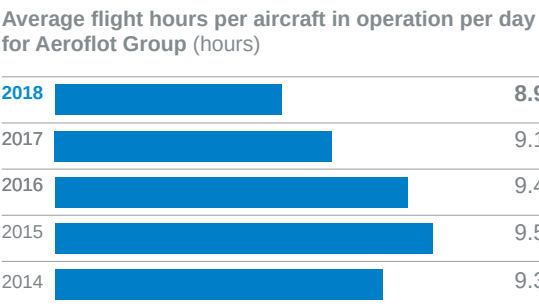


Flight hours

Aeroflot Group maintains high fleet utilisation efficiency. Due to the expansion of Aeroflot Group operations in 2018, flight hours increased by 11.3% year-on-year to 1,124 thousand hours. Aeroflot airline posted a 10.8% increase to 779 thousand hours.



Aeroflot Group's flight hours per aircraft in operation per day averaged at 8.9 vs 9.1 in the previous year. The 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 also averaged 8.9.



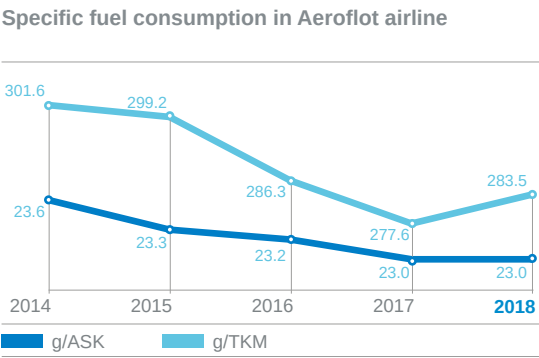
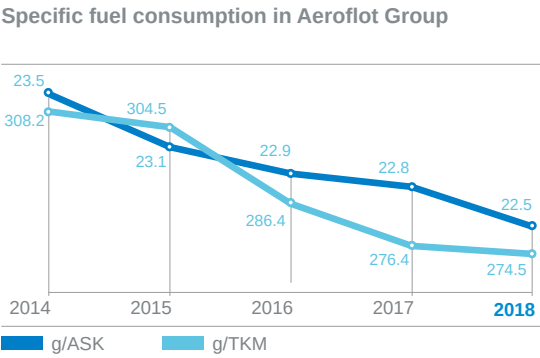
Note: The number of aircraft in operation in the reporting year is calculated as the average of the number of aircraft as at the start and the end of the period.

Fuel efficiency

In 2018, specific fuel consumption across Aeroflot Group decreased by 1.8 grams, or 0.7%, year-on-year to 274.5 grams per tonne-kilometre (TKM). Specific fuel consumption for Aeroflot airline increased by 6.0 grams, or 2.1%, to 283.5 g/TKM. At the same time, specific fuel consumption per passenger carried was reduced for Aeroflot Group from 22.8 to 22.5 grams per available seat-kilometre

(g/ASK) while for Aeroflot airline the indicator remained flat at 23.0 g/ASK.

High fuel efficiency is an important benefit of the young aircraft fleet. Operating a young aircraft fleet also helps reduce the environmental footprint and slash CO₂ and NO_x emissions into the atmosphere.



Flight Safety and Aviation Security

Flight safety and aviation security have always been a top priority for Aeroflot Group. Operations of Aeroflot Group airlines comply with the requirements of the Russian civil aviation laws as well as internationally accepted standards and recommended best practices.

Flight safety

PJSC Aeroflot maintains high flight safety levels. The flight safety index for Aeroflot airline and Aeroflot Group was 99.974% in 2018, exceeding the 2018 target of 99.957% and staying comfortably within the 99.900%–100% top range. The upward trend in flight safety is driven by the preventive measures taken by the Group companies as part of their continued efforts to enhance the flight safety management system.

99.974%

The flight safety index for Aeroflot airline

Flight safety level for Aeroflot airline (%)

2018	<div></div>	99.974
2017	<div></div>	99.970
2016	<div></div>	99.972
2015	<div></div>	99.976
2014	<div></div>	99.973

Flight safety level for Aeroflot Group (%)

2018	<div></div>	99.974
2017	<div></div>	99.972
2016	<div></div>	99.976
2015	<div></div>	99.978
2014	<div></div>	99.972

The Safety Assessment of Foreign Aircraft (SAFA) ratio for Aeroflot airline and Aeroflot Group declined year-on-year in 2018. The improvement was driven by fewer violations reported by EU SAFA ramp inspections. The SAFA ratio for the Group companies meets the EU requirements and does not exceed the Blacklist threshold (Ratio ≤ 2) as well the target ratios set by the Company (Ratio ≤ 0.95). Aurora airline was not subject to any inspections under the SAFA programme as the company did not offer flights to the European region.

SAFA ratio for Aeroflot Group airlines, 2018

Aeroflot Group	<div></div>	0.24
Aeroflot	<div></div>	0.30
Rossiya	<div></div>	0.19
Pobeda	<div></div>	0.06

Note. Aurora airline is not subject to SAFA audits as the company does not offer flights to Europe.

SAFA ratio for Aeroflot airline

2018	<div></div>	Black list line SAFA Ratio >2	0.30
2017	<div></div>		0.45
2016	<div></div>		0.45
2015	<div></div>		0.21
2014	<div></div>		0.64



The Company implemented a number of initiatives in 2018 to further deploy the flight safety management system, in particular:

- Information system for integrated processing and storage of PJSC Aeroflot's flight safety data was further developed, with its functionality expanded
- Design documents were developed for an R&D and technology project to conduct a feasibility study into developing a predictive model for aviation incidents related to operating PJSC Aeroflot's aircraft
- Operating unit managers were certified to use the flight safety management system, and other related activities were carried out

Inspections run by the Federal Air Transport Agency and Federal Service for Supervision of Transport (Rostransnadzor) commissions reaffirmed the Company's ability to operate safe commercial flights as required by the Federal Aviation Rules.

During 2018, PJSC Aeroflot performed internal inspections of:

- Aeroflot airline's aircraft in European airports under the SAFA Programme
- airport refuelling facilities via the IATA Fuel Quality Pool (IFQP)
- 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.

Inspection results help the Company identify key risks which are taken into account in continuous improvement of flight safety management. As part of the Company's flight safety management system, PJSC Aeroflot has in place the Safety Management Committee, whose main responsibilities include risk analysis and development of measures to achieve targets for flight safety and prevention of aviation incidents.

Mitigating the risks of aircraft ground damage is an important objective of improving flight safety. The Company carries out apron inspections and monitors the quality of ground handling services on a daily basis. The Company was involved in testing and commissioning of the new Terminal B at Sheremetyevo airport to ensure the preventive identification of potential gaps in flight safety arrangements covering the airport's apron and terminal.

Continuous bird activity monitoring and bird scaring activities are carried out at Sheremetyevo airfield in order to prevent bird-strike incidents.

PJSC Aeroflot has in place a voluntary reporting system for employees that can be accessed at the Voluntary Reporting section of the Company's intranet. All crew feedback is reviewed daily by the Safety Management Department to develop and implement relevant improvements.

Aviation and transportation security

In 2018, Aeroflot Group continued focusing on maintaining a robust aviation and transportation culture, as well as passenger and employee health and safety through liaising with airport security services, airlines, and law enforcement authorities. The implemented initiatives enabled the Group companies to ensure high safety and security levels before and during the 2018 World Cup.

PJSC Aeroflot continued to improve its Automated Aviation Security Management System that provides authorised employees with access to up-to-date information. The system helps assess the status of the security system in real time and monitor its compliance with the standards set by the airline's Security Programme, recommended ICAO and IATA standards, and laws of destination airport countries.

The Company's experts continued their long-standing involvement with SkyTeam Aviation Security Functional Experts (ASFE) group. For many years, Aeroflot's representatives in ASFE have led the experience sharing programmes to address unruly and disruptive passenger incidents.

The Company's experts have been actively involved in the efforts to improve the Russian aviation and transportation security legislation. The Company also has representatives in the Inter Agency Working Group on Aligning Aviation and Transportation Security Regulations and the Inter-Agency Working Group on Transportation Security Equipment Certification established by the Russian Ministry of Transport.

An important milestone was the entry into force of Federal Law No. 376-FZ On Amending the Aviation Code of the Russian Federation dated 5 December 2017, allowing a carrier to deny service to passengers included on its list of persons denied carriage (passenger blacklisting). The federal law was initiated by Aeroflot and developed by a working group of the State Duma of the Russian Federation with active involvement of the Company's representatives.

Aeroflot Group airlines carried out over 40 air safety inspections at airports within the Group's route network. Minor violations were remedied during the inspections.

The Company continued to develop its canine service to ensure transportation security. Aeroflot's integrated canine service is a biotech-based security solution, which ensures consistent and regular inspections of the airline's infrastructure and vehicles. It operates in a closed cycle, from reproduction of sniffer dog stock to training, to use in detection. The biotech-based solution ensures olfactory monitoring of Sheremetyevo airport facilities to detect explosives and explosive devices. The European Patent Office granted Aeroflot a European patent for its Method of Detecting Explosives and Other Target Substances in 2018.

Aeroflot airline has received the Innovation Time 2018 annual award in the Biotechnology and Genetic Engineering category. The award was won by the Company's "Aeroflot. Sulimov Dog" project. This marked the first time in the award's history when it was granted to a transportation and service company and not a specialist institution.

PJSC Aeroflot works in close partnership with its subsidiaries to ensure aviation security. A shared information space is being created by the Group companies to monitor processes in base airports and the progress of aviation security activities. PJSC Aeroflot monitors and analyses risks across the route network of the entire Group.

Aircraft Maintenance and Repair Stations

Aeroflot Group operates an efficient aircraft maintenance, repair, and overhaul (MRO) system which services the fleet of Aeroflot airline, subsidiary airlines, and third-party aircraft and ensures high reliability, flight safety, and on-time performance.

The MRO policy of Aeroflot Group airlines 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 providing employee training and development opportunities while constantly improving economic efficiency.

Each of the Group companies has departments responsible for airworthiness and maintenance of operated aircraft. The airlines also cooperate with one another under signed agreements.

Aeroflot Group has in place a strategic programme to centralise maintenance of aircraft and components for Aeroflot and subsidiary airlines. The centralisation provides for separating base and line maintenance.

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

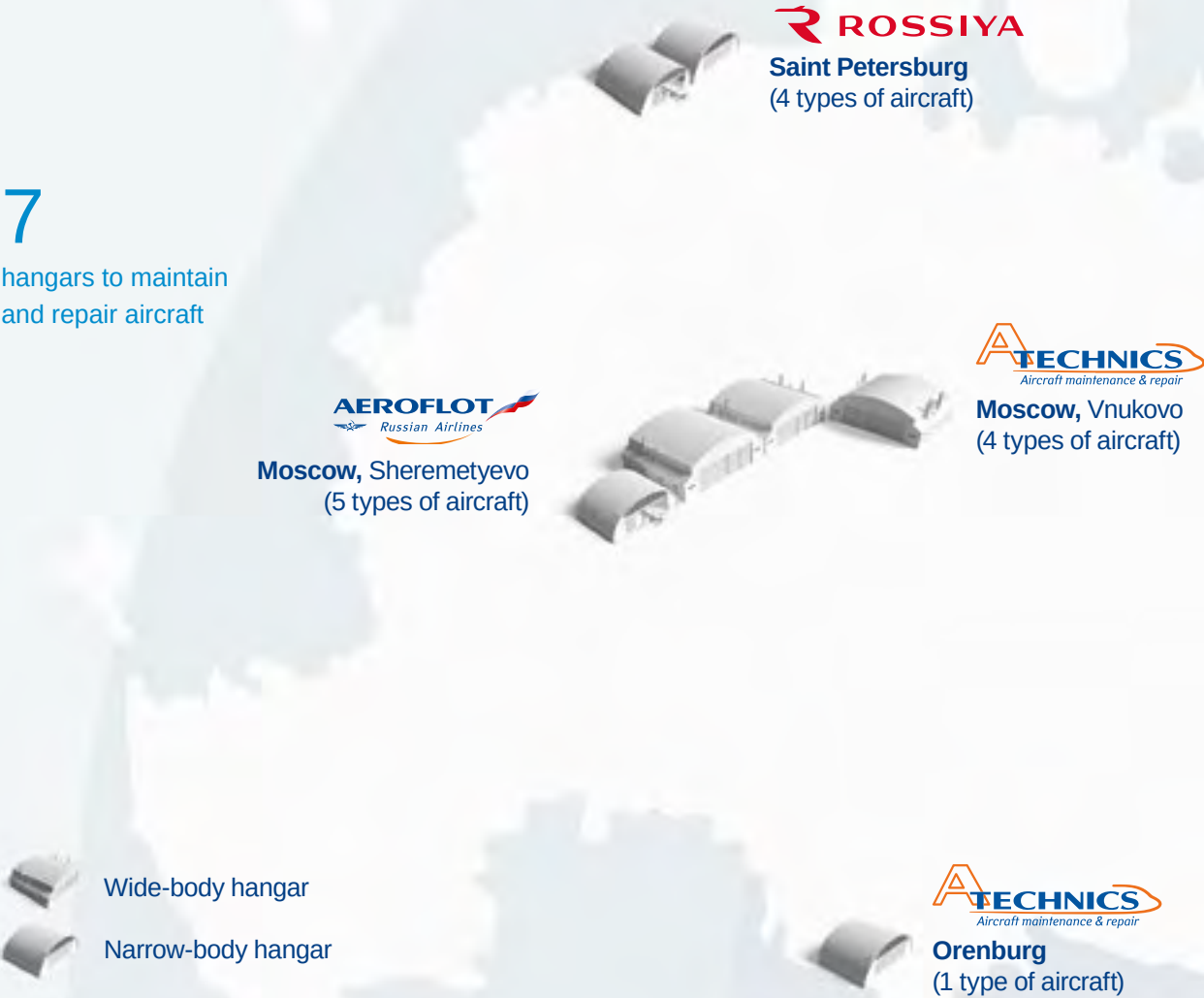
The Group includes A-Technics, a specialist aircraft and component maintenance and repair subsidiary operating maintenance centres in Moscow Vnukovo airport and Orenburg airport.

MRO divisions at PJSC Aeroflot

AIRCRAFT MAINTENANCE DEPARTMENT	AIRWORTHINESS DEPARTMENT	QUALITY ASSURANCE DEPARTMENT
Maintenance of Aeroflot and other Group airlines' aircraft	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	Develops a quality management system for aircraft maintenance and airworthiness

7

hangars to maintain and repair aircraft



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 737-800NG → Superjet RRJ-95	→ Airbus A320 family → Airbus A330 → Boeing 737-800NG → Superjet RRJ-95
Vnukovo 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)

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)

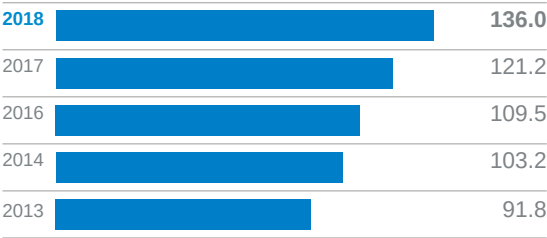
Scheduled maintenance of all types of operated aircraft is performed under programmes developed in line with guidelines provided by aircraft and key components manufacturers. Maintenance of key aircraft components, such as engines, landing gear, and auxiliary power unit (APU) is performed by third-party contractors.

In 2018, PJSC Aeroflot serviced 136 thousand take-offs at Sheremetyevo (base airport), up 12.1% year-on-year. Labour intensity per flight hour of Aeroflot fleet aircraft was 2.27 hours in 2018 (2.23 in 2017).

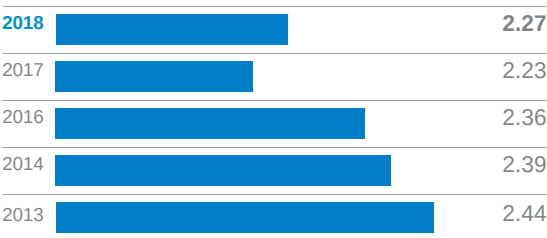
Along with its own fleet, PJSC Aeroflot also services third-party customers: around 27 carriers and approximately 42 aircraft maintenance organisations in 2018. Individual maintenance operations, such as maintenance of key aircraft components, are performed by third-party contractors. During 2018, around 57% of Aeroflot airline fleet heavy maintenance operations were performed by in-house maintenance facilities and 43% were subcontracted.

In 2018, Aeroflot continued the construction of Hangar 4 at Sheremetyevo airport, launched in 2017, 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.

Take-offs serviced at Sheremetyevo airport (thousand)



Labour intensity per flight hour of Aeroflot airline aircraft (man-hour)



A-Technics operations

A-Technics is a specialised aircraft maintenance and repair subsidiary established by Aeroflot Group in 2015. The company is based at Moscow Vnukovo airport, has a branch in Orenburg, and is certified to EASA standards.

In 2018, A-Technics serviced 37 Rossiya's aircraft, 30 Aeroflot's aircraft, and 5 Pobeda's aircraft, as well as other airlines' aircraft.

MAINTENANCE CAPABILITIES AT VNUKOVO AIRPORT



Focus on line and base maintenance for Boeing 737, Boeing 747, Boeing 777, and Airbus A320 family



Over 460 maintenance specialists averaging 12 years of experience in aircraft MRO



13,000 sq m of maintenance facilities (including two wide-body hangars, repair shops)

ORENBURG BRANCH



Focus on base maintenance for Boeing 737



Over 130 maintenance specialists averaging ten years of expertise in aircraft MRO



Around 4,000 sq m of maintenance facilities (two narrow-body hangars)



Full range of MRO shops with advanced equipment

Information Technology and Innovation

2018 was a year of consistent digital transformation across Aeroflot Group, covering both customer journeys and experience, and the Group's entire operations, including management of the Company, aircraft maintenance, and information security.

Information technology

Digital transformation takes place in line with the IT Strategy adopted by PJSC Aeroflot's Board of Directors on 29 August 2018 to contribute towards the Group's strategic goal of increasing passenger traffic.

The Company closely liaises with the industry community. In 2018, preparations were made for PJSC Aeroflot to join the Digital Transportation and Logistics Association focused on driving digital transformation across the transportation industry, as well as on creating and developing a single multimodal digital transportation and logistics environment across Russia.



Aeroflot received a prestigious award at the CNews AWARDS 2018 for the Transportation Industry IT Project of the Year consisting in the successful implementation of the new air service distribution standard, NDC, developed by the International Air Transport Association (IATA).



Aeroflot's Tax Monitoring Data Mart project won the Company a corporate tax award as the Tax Project of the Year as well as the SAP Value Award in the New Horizons category.



Aeroflot's team was among the leaders of the annual professional project management contest, Project Olympus 2018, winning the second prize for the Competent Project Office.



Aeroflot's team confirmed its status of the strongest airline team by winning the first prize for a second consecutive year at Sabre Intelligence Exchange Hackathon 2018, an international IT contest.

NEW PAYMENT OPTIONS

Aeroflot introduced new payment options for air tickets and value-added services through advanced payment services such as Samsung Pay and Google Pay, as well as a bank-card recognition module.

The new Pass2U e-wallet functionality is a convenient way for passengers to store tickets, boarding passes and Aeroflot Bonus loyalty cards.

MOBILE APPLICATION FOR PASSENGERS

A number of new functions were added to the mobile application enabling Aeroflot's customers to purchase health insurance, buy Aeroexpress tickets, rent cars, order special meals from the À la Carte menu on selected flights, pay for excess baggage as well track their baggage.

Maps of 12 global airports were added, including an interactive plan of Moscow Sheremetyevo airport with the airport building navigation feature.

MULTIMEDIA CONTACT CENTRE

The functionality of Aeroflot airline's contact centre was considerably expanded to optimise the work routine for operators and reduce response times, including a new dedicated hotline for passengers with disabilities and a dedicated information service to advise passengers on their baggage status and handle customer calls. Certain improvements were made to flight booking via Aeroflot's pay-by-phone service. 1,300 operators serve passengers during the high season. About 9 million calls were handled during the year, including in six foreign languages.

IMPROVED SECURITY

The first phase of the Two-Factor Authentication project was implemented to improve security of Aeroflot Bonus programme accounts. To log in, users need to enter a confirmation code received via the SMS-Info service.

DIGITAL SOLUTIONS FOR PASSENGERS

NEW VALUE-ADDED SERVICES

Aeroflot has been actively developing its programme to sell value-added services to customers. Aeroflot introduced class upgrades and advance seat selection for travellers on low fares. Aeroflot also launched a new service allowing passengers to book airport transfers within the city of arrival and a new À la Carte Menu paid service.

IN-FLIGHT ENTERTAINMENT

Aeroflot launched a Wi-Fi-based service providing passengers with an access to free entertainment content via personal mobile devices on board twenty-six of its A320 aircraft.

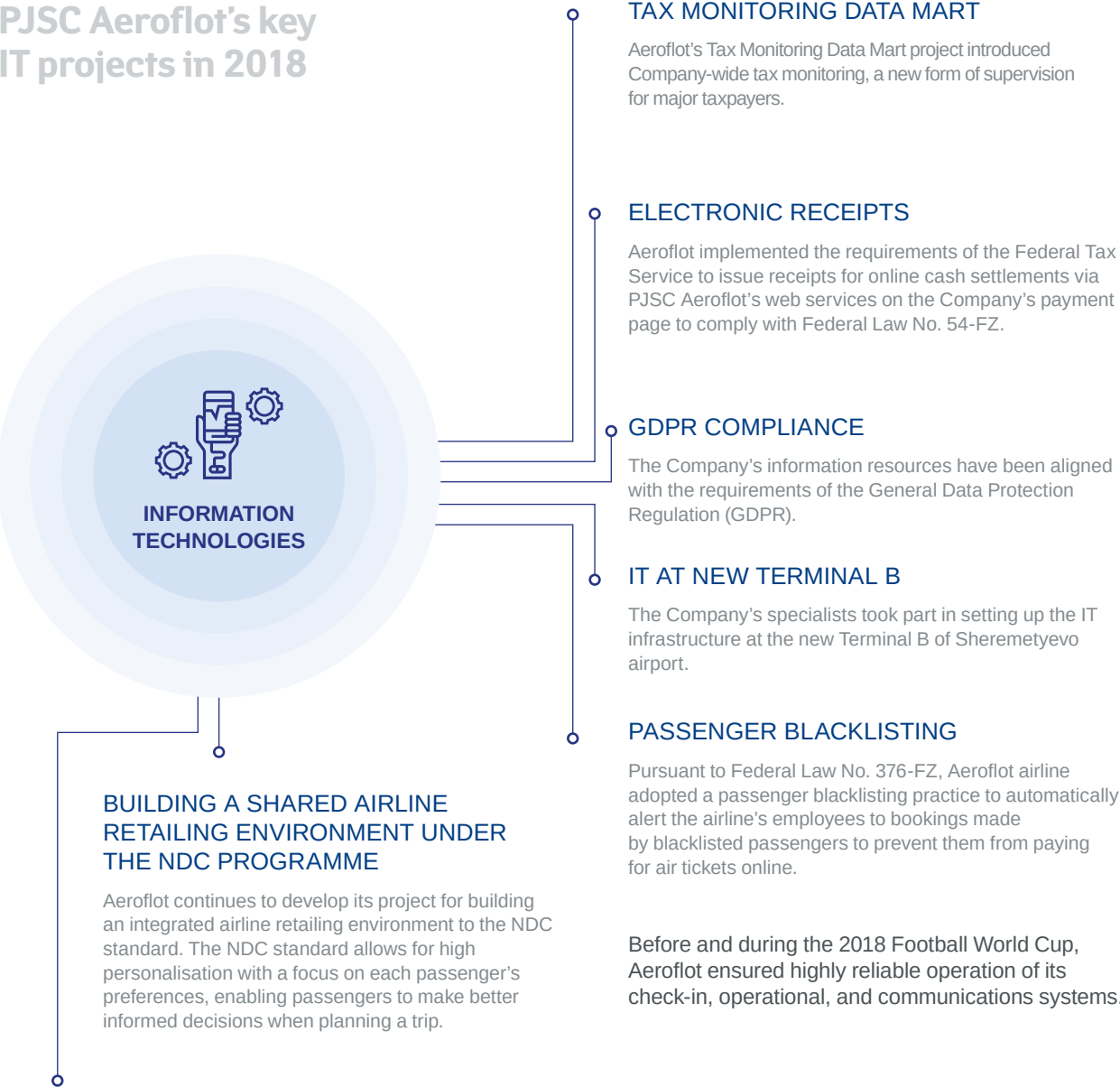
SELF BAGGAGE DROP-OFF DESKS AT SHEREMETYEVO AIRPORT

Self baggage check-in desks based on a unique solution of Russian design were installed at Terminals D and B at Sheremetyevo airport as part of its joint project with Aeroflot.

SERVICES FOR PASSENGERS WITH DISABILITIES

Aeroflot's online services became even more accessible, including for people with disabilities. The Company added a voice-enabled ticket search feature to its mobile application and introduced the Shoulder Belt service for passengers to order an extra holding device for the flight.

PJSC Aeroflot's key IT projects in 2018



BIG DATA SYSTEMS

Aeroflot places a particular emphasis on the use of Big Data in its IT initiatives. The proprietary solution used by the Company enables processing big data to boost sales and improve passenger loyalty. As part of its Big Data initiatives, Aeroflot has already implemented a predictive system that recommends potential destinations for customers, a tool to forecast revenue expected from a given segment, and AI-enabled review of customer inquiries and complaints. .



In 1972, Aeroflot launched a booking system, Sirena-1. Before it was introduced, purchasing a ticket sometimes took as long as two or three days.

IT upgrades across subsidiaries

The large-scale digitisation of business processes across all Aeroflot Group companies is essential to the Aeroflot Group Development Strategy. A more robust and transparent operating model can be built across the Group through optimising operations of its subsidiaries and new technology adoption.

In 2018, Rossiya airline successfully deployed and upgraded a number of key IT systems. In particular, the airline adopted an automated IT system to manage IT solutions and customer service systems, as well as Microsoft Dynamics, a cutting-edge talent management solution. The airline also improved its sales of value-added services on charter flights via its new online platform.

Aurora airline implemented a number of major IT projects to upgrade its management system and deliver seamless and user-friendly customer experience across the airline. Passengers can now connect their own devices to the new Aurora Entertainment system to access content available on their flight. The airline also rolled out a new revenue management solution and an automated IT system for sales offices. The airline's website structure and functionality were upgraded to offer passengers value-added services, with Mir cards now also accepted for payment.

Pobeda airline rolled out Jeppesen's Crew Pairing digital solution to optimise airline crew scheduling, productivity, safety and operational stability.

Innovative development

Aeroflot Group makes consistent efforts to develop and implement innovative solutions across all areas of its activities. To further sharpen its competitive edge, the Group is building an innovation ecosystem, incorporating innovative solutions into both operations, and organisational and administrative processes.

In 2018, we continued implementing Aeroflot Group's Innovative Development Programme 2025 which covers the main innovation focus areas and activities at Aeroflot Group, including Aeroflot airline and its Rossiya and Aurora subsidiaries.

The Innovative Development Programme was fully aligned with the action plans (roadmaps) for developing industries and the regulatory guidelines of federal executive authorities, and adopted by PJSC Aeroflot's Board of Directors on 25 August 2016 (Minutes No. 1).

ITS KEY FOCUS AREAS INCLUDE:

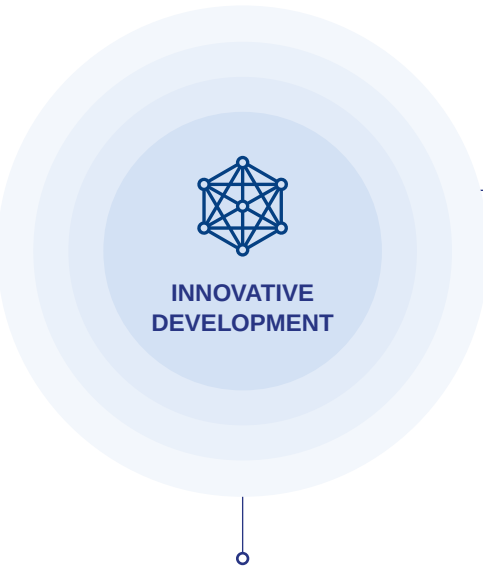
- improving flight safety and building an integrated security and anti-terrorist system
- enhancing Aeroflot's competitive position, including such key metrics as the share of the air transportation market and customer satisfaction with the services we provide
- automating operating and administrative processes of Aeroflot airline
- replacing outdated and inefficient technology with advanced solutions, including Russia-developed technology
- improving environmental performance, energy efficiency, and resource conservation
- increasing labour productivity and creating highly productive jobs.

KPIs under the Innovative Development Programme reflect the long-term vision for the Russian and international air transportation market and the goals of the Long-Term Development Programme, Strategy, and investment programme. The Innovative Development Programme's KPIs include reduced product costs, higher quality of services, energy savings, lower environmental footprint, and increased labour productivity.

Aeroflot's History

In 1969, the first in-flight TV services using video systems based on Yunost TV sets were offered to passengers on board Tu-134 aircraft.

Key innovative projects in 2018



DEVELOPING AND TESTING A METHODOLOGY TO EVALUATE DIFFERENT COMPONENTS OF AEROFLOT'S WEBSITE DESIGN BASED ON EYE TRACKING STUDIES

The methodology for evaluating different components of Aeroflot's website design will help examine the functionality of website design elements and modify them including based on feedback from potential customers. The new solution will help improve customer satisfaction from the online ticketing journey and value-added service purchasing journeys.

STUDYING INDIVIDUAL RATES OF TECHNICAL SKILL DEGRADATION OF PILOTS BY ANALYSING THE DATA ON HAZARDOUS FLIGHT DEVIATIONS BASED ON FLIGHT INFORMATION

The project provides for developing a set of criteria to identify degradation in manual aircraft control skills of pilots based on flight information, as well as identifying and analysing flight deviations in the database. A plan for the development of special software to track degradation in manual aircraft control skills of pilots for subsequent provision of individually tailored flight simulator training was prepared as part of the project.

PJSC AEROFLOT'S INNOVATIVE DEVELOPMENT BENCHMARKING AGAINST INTERNATIONAL PEERS

Aeroflot has analysed international best practice for innovation in civil aviation. Analysing innovative development of global innovation leaders and benchmarking Aeroflot Group against leading international peers on technological, product, and organisational innovations to identify promising solutions and adapt existing technology and organisational innovations to Aeroflot's needs.

STUDYING INTERNATIONAL AND NATIONAL ENVIRONMENTAL REGULATIONS AND THEIR IMPLICATIONS FOR THE COMPANY'S GROWTH STRATEGY

The Company reviewed national and international climate change regulations, their focus areas, and associated risks to predict potential impact on its operations. The proposed adjustments to the Company's strategy resulting from the review will help Aeroflot comply with national and international climate change regulations, including through improving its Carbon Disclosure Project (CDP) score. To that end, PJSC Aeroflot is building a corporate greenhouse gas (GHG) emissions management system with a focus on monitoring direct and indirect GHG emissions and GHG reporting under ISO 14064. The project will also result in a set of targets for the reduction of the Company's climate footprint.

DIGITAL TAKE-OFF AND LANDING RESEARCH

Aeroflot has been developing a software solution for transmitting RRJ 95B take-off and landing data and flight assignments to Electronic Flight Bags (EFB). Plans are to switch its flight and engineering personnel to take-off and landing modules for RRJ-95B aircraft and EFB-based updatable flight assignment modules. The project is scheduled for completion in 2019.

STUDYING RISK FACTORS IN PASSENGER AIR TRANSPORT

Aeroflot studies risk factors in passenger air transport in order to enhance its corporate risk management and strategic planning. The identified risk factors are used to update Aeroflot Group's Risk Register, the list of risks related to the Long-Term Development Programme, and key risks related to the refreshed strategy.

CONSTRUCTION OF A NEW, COMPLETELY UNIQUE FOR RUSSIA, ADVANCED HANGAR FACILITY

The construction of Hangar 4 at Sheremetyevo airport to provide aircraft maintenance and repair services was continued in 2018 to drive operational efficiencies through reduced aircraft maintenance downtime. The hangar will provide maintenance services for Boeing 777-300ER aircraft that can't fit into PJSC Aeroflot's existing hangars. The project will create new jobs and help reduce aircraft maintenance and engine change downtime, as well as reduce outsourcing by expanding the range of in-house maintenance services for Aeroflot's aircraft. Hangar 4 is a unique facility which was granted a useful model patent for an Aircraft Maintenance Hangar.



In 1975, Aeroflot first used computer technology to develop its annual domestic schedule, already comprising over four thousand flights by that time.

In 2003, Aeroflot switched to an automated booking system by Sabre..

Aeroflot's History

In 2007, Aeroflot introduced e-tickets for domestic flights and for its international agent network using global distribution systems.

As part of activities to build an innovative ecosystem, Aeroflot continued enhancing its one-stop-shop system implemented in 2017 to manage innovations proposed by small and medium-sized enterprises (SMEs). The system automates submission, processing, and decision-making processes for innovative proposals.

It has already helped process 46 proposals from SMEs and other innovation partners, including 30 proposals in 2018. The Committee for Innovative Development of PJSC Aeroflot's Management Board comprises one-stop-shop experts, including from Rossiya and Aurora subsidiary airlines.

Sales

Aeroflot Group sells tickets both in Russia and abroad through a variety of channels, including Aeroflot airline's website and mobile app. At its website, Aeroflot sells tickets both for its own flights and flights of Rossiya and Aurora subsidiary airlines operated under Aeroflot's single airline code. Tickets are also sold through Aeroflot's agents operating under direct agency agreements, agents participating in independent systems (BSP, ARC, Transport Clearing House (TCH)), own sales offices, and call centre.

Pobeda airline sells tickets independently through its own website, as well as online agencies.

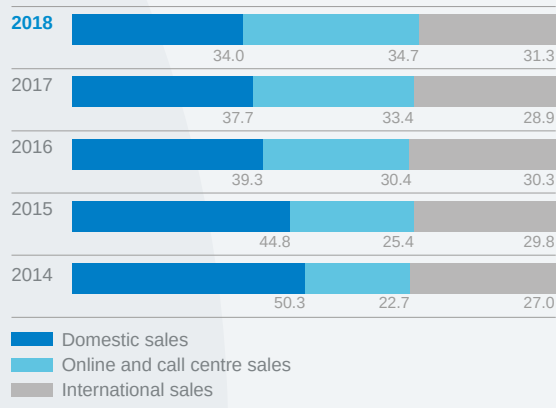
Management of flight loads for services operated by subsidiary airlines under codeshare agreements enables PJSC Aeroflot to centralise management for sales, revenue, route network, and fleet planning across the Group.

The development of online sales channels continued in 2018, with the share of online and call centre sales growing from 33.4% in 2017 to 34.7% in 2018. Channel-wise, agents remain the biggest contributor to sales (60.0%) while own sales offices accounted for 5.3% of total sales.

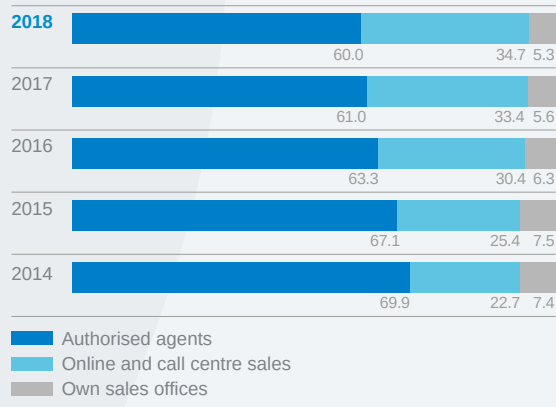
In addition to tickets, customers can use the Company's website to purchase value-added services, such as medical insurance, transfer from an airport, and other services. The sales of value-added services grew by 69.4% year-on-year in 2018.

Aeroflot airline maintains ongoing communication with agents to inform them of new routes and holds meetings with major agents. Special exclusive rates and reward programmes such as an additional distribution fee for agents in Russia and an additional incentive programme for international agents are used to incentivise agents with a potential to boost sales for new routes and high-capacity flights.

Breakdown of PJSC Aeroflot's sales revenue (%)



PJSC Aeroflot's sales by channel (%)



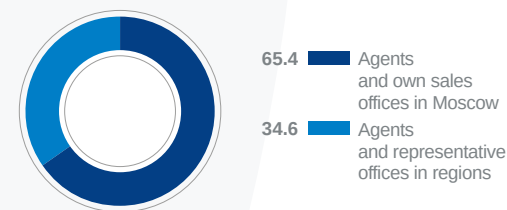
Note. Online sales and sales via the call centre are effected both in Russia and abroad.

Sales in Russia

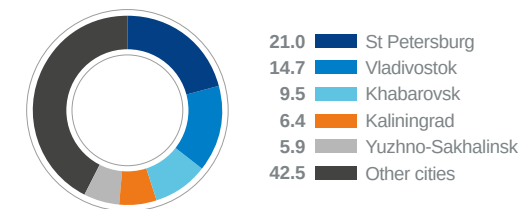
In Russia, Moscow (65.4%) accounted for the largest share in PJSC Aeroflot's total sales in 2018, with Saint Petersburg (21.0%) and the Russian Far East also making a significant contribution.

The share of sales through agents in Russia was down year-on-year due to growing online sales. The share of sales through independent settlement systems totalled 69.3% while sales through agents operating under direct agency agreements remained almost flat at 18.9% and sales through own sales offices increased to 11.8%.

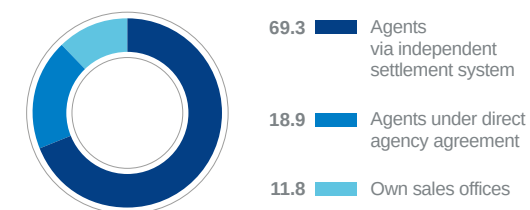
Geographical split of PJSC Aeroflot's domestic sales revenue in 2018 (%)



Top 5 cities (excluding Moscow) by contribution to PJSC Aeroflot's domestic sales revenue in 2018 (%)



PJSC Aeroflot's domestic sales by channel in 2018 (%)



International sales

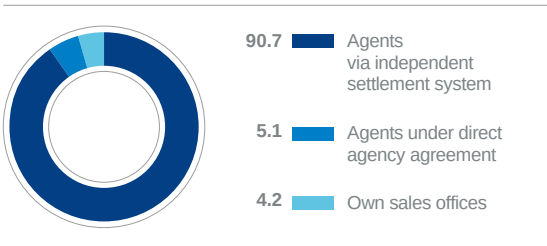
Agent sales through independent settlement systems (BSP, ARC, and TCH) comprise the bulk (90.7%) of PJSC Aeroflot's international sales revenue. Sales through agents under direct agency agreements totalled 5.1%, and sales via own offices contributed 4.2%.

Split by region, Europe was the biggest contributor to Aeroflot's total international sales in 2018 (50.4%), followed by Asia (24.5%), the Americas (12.1%), the CIS (8.0%), and the Middle East (5.0%).

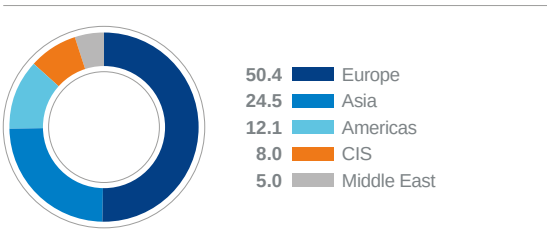
Operations in international markets are focused on:

- ramping up ticket sales on international transit routes between Europe and Asia
- signing incentive fee agreements with major agents in the relevant markets to drive sales of tickets for Aeroflot's flights
- developing corporate sales (targeting major foreign companies with assets in Russia or using Moscow as a transit point for business trips between Europe and Asia or Europe and the CIS)
- optimizing cost per ticket sold.

PJSC Aeroflot's international sales by channel in 2018 (%)



Geographical split of PJSC Aeroflot's international sales revenue in 2018 (%)



Corporate sales

PJSC Aeroflot continued developing corporate sales in 2018. Aeroflot's corporate customers include a variety of oil and gas, finance, pharmaceutical, retail, food, construction, and other companies.

PJSC Aeroflot offers a variety of cooperation options:

- Corporate Loyalty Programme – a reward programme for SMEs (excluding travel companies)
- Direct agreement with PJSC Aeroflot for servicing corporate customers in Aeroflot's sales offices in Moscow and other Russian cities
- Corporate agreement involving an agent for servicing corporate customers in one or more specialist travel agencies.

Building a shared airline retailing environment under the NDC programme

In 2018, the development of a project to build an integrated airline retailing environment to NDC standard was continued. The New Distribution Capability (NDC) programme is aimed at transforming the way air products are distributed and customising them to each customer's specific budget and preferences. NDC enables customers to purchase all Aeroflot's value-added services directly via metasearch engines and agents accessing Aeroflot's NDC gateway. The implementation of NDC will help the Company boost revenue through higher sales of value-added services and lower selling costs.

As at 2018 year-end, Aeroflot's NDC system already comprised metasearch engines Skyscanner, Aviasales, Momondo, Dohop, Airnme, Yandex Avia.

Improving Customer Service and Brand Management

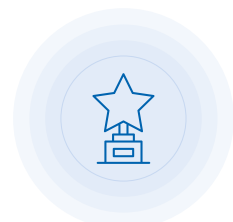
Aeroflot is one of the most recognisable brands both in Russia and globally. The Company successfully maintains its high international profile through a relentless focus on the customer experience of its services and the commitment of its highly professional marketing team.

BF
Brand Finance®

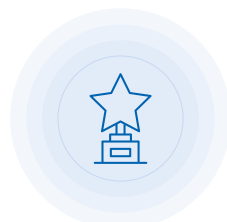
Aeroflot was once again ranked the strongest airline brand globally according to Brand Finance in 2018.

Aeroflot airline's contact centre won international awards in 2018 for its high quality of customer service

¹ According to a customer satisfaction survey (CSAT).



CX World Awards 2018 award in Best Customer Experience in B2C Sector category



One of the top European Contact Centre and Customer Service Awards (ECCCSA)

Customer excellence

One of Aeroflot Group's key priorities is enhancing its airport and in-flight customer service. The Group airlines are constantly seeking new opportunities to improve their customer service, and conduct product quality audits at all levels, including internationally.

Over 97%¹ of customers who called Aeroflot airline's contact centre during 2018 gave the highest scores for our customer service (4 and 5 on a 5-point scale), 12% above the target set by COPC Customer Experience Standard 2016.

SkyPriority branded priority airport services were rolled out in 2018 across the entire route network of Rossiya airline and in the departure airports of Aurora airline, the Group's carrier offering services in the Russian Far East.



Aeroflot's History

In 1939, 20-year old Muscovite Elza Gorodetskaya became Aeroflot's first flight attendant, serving on board the Moscow–Ashgabat flight. In 1954, flight attendants on Aeroflot's international routes received their first uniform. In 1967, the Sheremetyevo airport established a separate Flight Attendant Service.

IN-FLIGHT SERVICES

Full flat-bed seats were installed for business class passengers in four Airbus A330-300 aircraft.

Streaming in-flight entertainment system was made available for economy class passengers in 26 Airbus A320 family aircraft.

Selection of drinks and beverages was expanded, and a cocktail menu was updated in business class. Menu was enhanced in comfort class. Snack bars are now available in wide-body aircraft on flights lasting six hours or more, and an à la carte menu is offered in the economy class on flights of seven hours or more. New tableware is being introduced, designed by the Imperial Porcelain Manufactory.

To celebrate Aeroflot's 95th anniversary, anniversary-themed products were offered to customers (themed chocolate bars, anniversary dishes on the menu, wine lists and menus in vintage style)

A shoulder belt service was introduced for passengers with disabilities.

Subsidiary airlines: Rossiya airline introduced amenity kits for business class passengers, as well as children's kits on flights lasting six hours or more, continued its passenger cabin interior redesign programme, and a streaming in-flight entertainment system was made available on all flights from Sheremetyevo; Aurora airline expanded its Sky Bistro à la carte menu for improved in-flight experience, and added a content streaming service to its Aurora Entertainment system.

ONLINE SERVICES (WEBSITE, MOBILE WEBSITE, AND MOBILE APP)

An online chat was launched on the website for passengers with disabilities to order special services, as well as an option to order the Shoulder Belt service online.

Website and mobile app functionalities were expanded to enable the following services:

- Displaying alternative flights for selected dates
- A joint travel programme by Aeroflot and German Deutsche Bahn railway company
- A Preselect Seats service on Aeroflot, Rossiya, Aurora flights
- Sales of Aeroexpress train tickets after online check-in
- An À la Carte Menu paid service for economy class (on flights lasting seven hours or more)
- Saving Aeroflot Bonus members' billing documents ("Plati Legko" (Pay Easily) feature)
- A single flight reservation form
- An interactive map of airports within Aeroflot's airline route network
- Voice search for tickets
- Automated ticket exchange/refund
- An option to enter ID data via a mobile device camera
- Expanded mobile payment options
- Aeroflot's mobile app localised in German and Italian.

New partners were added to the NDC programme: Yandex Flights, Skyscanner, Aviasales, momondo, KAYAK, Dohop, Airinme

Subsidiary airlines: Rossiya's website functionality was enhanced (including through additions of an interactive flight map, insurance service option, and Advanced Seat Reservation paid service for economy class passengers); Aurora's website was upgraded, including the interface and website structure, and an accessible version of the website was added.

Key focus areas of customer service enhancements in 2018

AIRPORT SERVICES

Passenger processes were set up at Sheremetyevo's Terminal B for domestic flights.

Ostrov private service line was launched in Terminal B for business class passengers and holders of Aeroflot Bonus and SkyTeam Elite and Elite Plus loyalty cards.

A number of procedures were developed and rolled out in Sheremetyevo to accelerate preflight screening, and tablets were used to reduce queues at Lost and Found desks.

Rossiya's own branded service and information centre was established in Pulkovo airport's check-in area.



CUSTOMER INTERACTION PLATFORM

As part of the efforts to enhance our customer interaction platform, an automated system was implemented for emotion analysis, and automatic customer call classification and handover to relevant units. The platform is used to handle all incoming customer queries or requests across all feedback channels: one-stop shop at the website, on-board requests, emails, and queries submitted to the offices, representative offices, and branches.

CONTACT CENTRE

A dedicated hotline was established to assist passengers with disabilities

Advisory teams were established to advise passengers on their baggage status or customer query/request status, and to support the services offered via the Board Connect in-flight entertainment system.

The pay-by-phone service was improved.

New value-added services were launched: À la Carte Menu, Class of Service Upgrade, and Advance Seat Selection.

Aeroflot conducts a number of annual marketing surveys to further enhance its services and the competitiveness of its product offering, as well as to improve consumer loyalty and customer satisfaction:

Another assessment of the Net Promoter Score (NPS) was carried out together with Bain & Company in 2018. Aeroflot's NPS score has grown by over 50% since measurements first started nine years ago.

A customer satisfaction assessment was conducted as part of IATA's Airs@t survey in the European market and under a wider joint SkyTeam Customer Experience Research project covering all member airlines.

Aeroflot Bonus

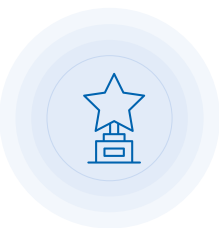
Aeroflot Bonus programme was voted the winner in four categories at the Freddie Awards 2018



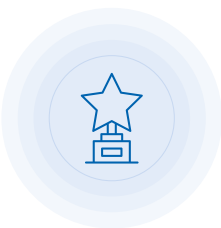
Best Elite Program

Aeroflot continued to develop its Aeroflot Bonus programme, which offers its members an opportunity to earn free miles when flying. In 2018, the number of programme members increased by 24.3% to 8.3 million.

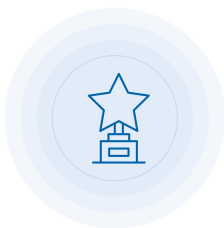
In 2018, we reduced the amount of miles required to purchase an award ticket and to upgrade travel class for a number of Aeroflot routes to Europe and within Russia, and launched a number of online services to increase mile redemption options for programme members. The programme members now have an online option to receive and transfer to other members up to 50,000 miles a year, upgrade their travel class using miles or upgrade vouchers, and exchange award tickets.



Best Redemption Ability



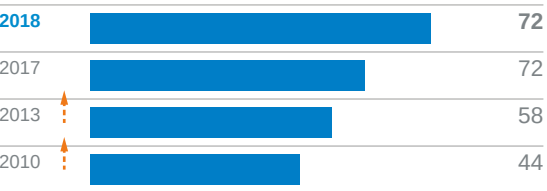
Best Customer Service



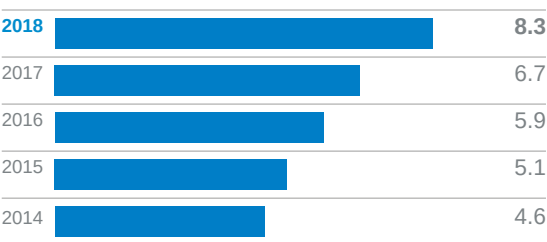
The greatest development potential in the region

Monitoring of compliance with Aeroflot customer service standards is carried out as mystery passenger audits to promptly identify and eliminate product- and service-related pain points throughout the customer journey. After four project waves (December 2017 to November 2018), the average level of compliance across the Company was 89.5%, with upward trends observed in metrics across all customer service stages.

Aeroflot airline's NPS performance (%)



Aeroflot Bonus members (million)



Note. Data as at the year end.

The number of the programme partners is steadily increasing, with 66 new partners joining the Aeroflot Bonus programme in 2018. The total number of partners was 190 as at the year end, including 20 airlines. The Company continued to expand its range of goods and products from non-industry partners available for purchase using bonus miles. Aeroflot Bonus partners include banks, hotels, car rental companies, online stores, retailers, and restaurants.

Special promotions are regularly offered, including co-promotions with partners, to raise the programme's profile and attract more members. The Light Awards promotion was held monthly during 2018, whereby passengers could purchase award tickets using less bonus miles for certain Aeroflot routes. Miles Mania promotions were held, with the programme's non-bank partners awarding members double and triple amounts of miles, the Make It in 72 Hours campaign was run, offering items from the Reward Catalogue with a 50% discount, and a number of other promotions. Aeroflot continued its partnership with Disney, attracting about 7,500 new members through The Nutcracker and the Four Realms film's original play promotion.

Marketing communications

Aeroflot continued its marketing campaigns in 2018, launching a number of new initiatives. A special focus during the year was placed on sponsoring major cultural and business events in Russia.

Aeroflot supported Classics at the Palace Square gala of world-famous opera stars held as part of Saint Petersburg's 315th anniversary celebrations. In autumn 2018, The Company participated in the 8th Circle of Light Moscow International Festival held under the auspices of the Moscow Government.

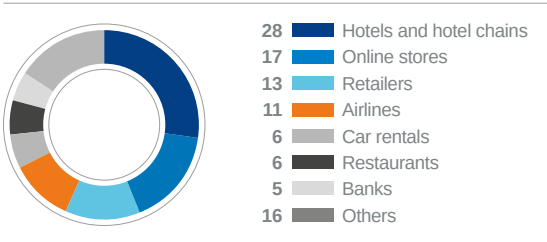
Aeroflot acted as the official carrier for high-profile business forums such as the Russian Investment Forum, the St. Petersburg International Economic Forum, and the Eastern Economic Forum.

An advertising campaign was held in autumn 2018 to promote new routes within Aeroflot Group's route network, announce Aeroflot's Best Business Class – Europe award in TripAdvisor's Travellers' Choice Awards 2018, and advertise new full flat-bed seats for business class passengers in wide-body aircraft.

Aeroflot makes smart use of advertising tools to promote new routes, increase its brand recognition globally, and bolster demand for connecting flights between Asia and Europe.

Aeroflot Bonus Member Attraction service was launched on www.aeroflot.ru website and mobile website covering the booking, ticketing and checking-in customer journeys, and the online check-in procedure via the website was simplified.

Aeroflot Bonus partners, 2018 (%)



A number of co-promotion campaigns were held throughout the year with airports in Germany, the Czech Republic, Slovenia, France, Belgium, Estonia, Finland, Sweden, the United Kingdom, Lithuania, Poland, and Italy.

Aeroflot actively adopts and utilises Big Data solutions to tailor targeted marketing communications in line with international best practice. Apart from traditional advertising channels, Aeroflot also employs direct marketing communications including email marketing to promote routes and bolster demand for its value-added services.

According to Brand Finance, the Aeroflot brand value grew by 3% to USD 1.5 billion in 2018. The combined value of Aeroflot Group's brands (Aeroflot, Rossiya, Pobeda, and Aurora) totalled almost USD 2.0 billion.

Aeroflot brand value (USD million)



Financial Results

Aeroflot strives to maximise financial and operational efficiency. The Company is currently implementing cost control measures to support its leading position among global airlines by CASK.

At the Height
of Efficiency

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Financial Highlights

IFRS financial highlights (RUB million)						
	2014	2015	2016	2017	2018	Change 2018 / 2017, %
Revenue	319,771	415,173	495,880	532,934	611,570	14.8
Growth, %	9.9	29.8	19.4	7.5	14.8	7.3 p. p.
EBITDAR	48,673	103,118	137,567	121,808	122,479	0.6
EBITDAR margin, %	15.2	24.8	27.7	22.9	20.0	(2.9) p. p.
EBITDA	24,839	58,703	78,004	56,015	33,598	(40.0)
EBITDA margin, %	7.8	14.1	15.7	10.5	5.5	(5.0) p. p.
Operating profit	11,268	44,107	63,254	40,411	19,657	(51.4)
Operating profit margin, %	3.5	10.6	12.8	7.6	3.2	(3.4) p. p.
Profit/(loss) for the period	(17,146)	(6,494)	38,826	23,060	5,713	(75.2)
Net profit margin, %	—	—	7.8	4.3	0.9	(3.4) p. p.

Note. Hereinafter, EBITDAR = EBITDA + operating lease expenses. EBITDA = operating profit + depreciation and amortisation + customs duties.

2018 was another year of operational growth for Aeroflot Group – increased passenger traffic and passenger turnover were the key drivers of a 14.8% revenue expansion to RUB 611.6 billion. The Group demonstrates sustainable long-term growth. At the same time, there is a decline in profitability compared to the previous years. In a historical context, 2018 financial performance proves that the unprecedented pressure on costs from macroeconomic factors complemented the normalisation of profitability amid the growing competition within the sector in 2017.

The record growth of the average cost of jet fuel and the depreciation of the rouble were the key factors that influenced the Group's financial performance in 2018. Across Aeroflot Group, jet fuel prices increased by 36.1% year-on-year, which led to the additional RUB 48.3 billion worth of cost given the Group's current consumption volumes. The depreciation of the rouble put additional pressure on financial results, given that almost half of the Group's costs are denominated in foreign currencies.

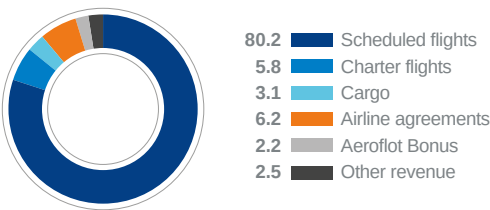
A special optimisation programme was launched in addition to the existing measures to boost operational efficiency and reduce costs. Along with direct cost reduction, the programme focused on active capacity and revenue management and has already delivered strong results: excluding fuel, CASK for the full year increased by only 0.8% despite increasing currency pressure on FX-denominated cost lines. We were therefore able to limit the increase in total unit operating costs, including fuel, to 9.2%. Although consumers are being conservative with their travel spending, the Group was able to generate a 4.9% growth of RASK while also maintaining stable load factor levels.

In 2018, due to its extensive optimisation programme, the Group was able to record a profit of RUB 5,713 million despite the record increase in jet fuel prices complemented by the rouble depreciation.

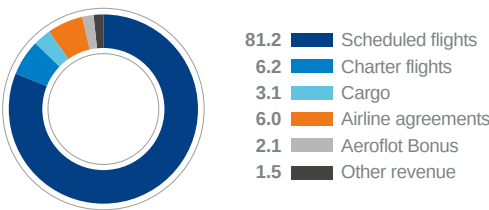
Traffic and other revenue

Revenue (RUB million)			
	2017	2018	Change, %
Revenue from passenger flights, including scheduled flights	458,390	534,292	16.6
charter flights	427,529	496,454	16.1
Revenue from cargo	30,861	37,838	22.6
Revenue from cargo	16,526	18,900	14.4
Total traffic revenue	474,916	553,192	16.5
Revenue from airline agreements	33,196	36,646	10.4
Revenue from FFP partners	11,588	12,704	9.6
Other revenue	13,234	9,028	(31.8)
Total other revenue	58,018	58,378	0.6
Total revenue	532,934	611,570	14.8

Revenue breakdown, 2017 (%)



Revenue breakdown, 2018 (%)



In 2018 Aeroflot Group's revenue increased by 14.8% year-on-year to RUB 611,570 million.

Revenue from scheduled passenger flights increased by 16.1% year-on-year to RUB 496,454 million, driven by an increase in passenger traffic. Revenue growth was also affected by an increase in yields, primarily on international routes, due to the rouble depreciation against the euro and a corresponding adjustment to FX-denominated revenue.

Revenue from charter flights was up 22.6% year-on-year to RUB 37,838 million primarily due to an increase in unit yields on charter flights and the expansion of Rossiya airline's charter programme. The share of charter flights in the Group's total revenue increased to 6.2% from 5.8% in 2017.

Cargo revenue grew by 14.4% year-on-year to RUB 18,900 million following a 11.2% increase in cargo and mail volumes.

Other revenue increased by 0.6% year-on-year to RUB 58,378 million. A rise in FX-denominated revenues from airline agreements was offset to a significant degree by a decrease in revenue from maintenance of other airlines' aircraft, as well as the introduction of the new IFRS 15 standard which affected the classification of service fees for reservation changes as other revenue or revenue from scheduled passenger flights.

Revenue growth decomposition (RUB million)

Revenue 2018	611,570
Scheduled flights	68,925
Charter flights	6,977
Cargo	2,374
Other revenue	360
Revenue 2017	532,934

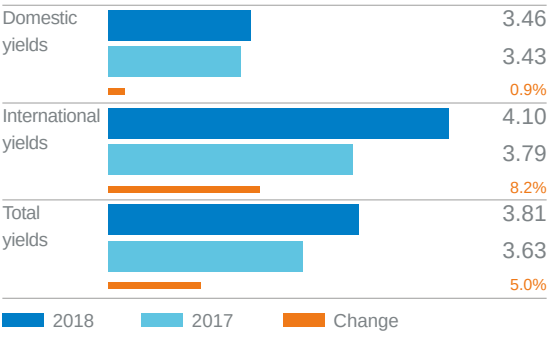
Yields

In 2018, scheduled flight yields increased by 5.0% year-on-year including yields on international destinations (by 8.2%) and yields on domestic destinations (by 0.9%). Yields were mainly influenced by the competitive environment in the market and the need for gradual transfer of fuel costs into yields through adjusting the fuel surcharge. Another Group-wide driver was the accelerating development rate of Pobeda airline which, being a low-cost carrier, provides air transportation with lower yields. It is important to note that a low-cost carrier can have low yields due to cost efficiency (low CASK), which helps ensure profitability of transportation operations in the low-cost segment.

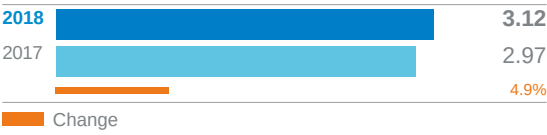
Domestic yields demonstrated growth with RASK increasing by 3.5% year-on-year due to higher load levels. Yields experienced pressure from the introduction of flat fares for Rossiya airline's flights to the Far East to improve affordability of air travel to remote regions.

International yield increase 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 depreciated by 12.2% against the euro and by 7.5% against the US dollar (RUB 65.9 per EUR and RUB 58.4 per USD in 2017; RUB 74.0 per EUR and RUB 62.7 per USD in 2018). Moreover, unlike domestic flights, the passenger load factor decreased leading to RASK in this segment growing by 6.0%, slower that the yield.

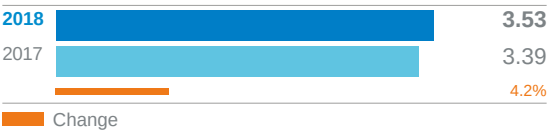
Scheduled flights yields (RUB)



Scheduled flights RASK (RUB)



Total RASK (including other revenue) (RUB)



Operating Costs

Operating costs (RUB million)

	2017	2018	Change, %
Aircraft, traffic, and passenger servicing	96,418	108,589	12.6
% of revenue	18.1	17.8	(0.3)
Staff	82,801	82,817	0.0
% of revenue	15.5	13.5	(2.0)
Operating lease	65,793	88,881	35.1
% of revenue	12.3	14.5	2.2
Aircraft maintenance	36,433	45,527	25.0
% of revenue	6.8	7.4	0.6
Selling, general and administrative expenses	36,139	31,743	(12.2)
% of revenue	6.8	5.2	(1.6)
Depreciation, amortisation and customs duties	15,604	13,941	(10.7)
% of revenue	2.9	2.3	(0.6)
Communication expenses	14,795	15,584	5.3
% of revenue	2.8	2.5	(0.2)
Other expenses	21,855	22,967	5.1
% of revenue	4.1	3.8	(0.3)
Operating costs, excluding aviation fuel	369,838	410,049	10.9
% of revenue	69.4	67.0	(2.3)
Aviation fuel	122,685	181,864	48.2
% of revenue	23.0	29.7	6.7
Total operating costs	492,523	591,913	20.2
% of revenue	92.4	96.8	4.4

In 2018, aviation fuel costs increased by 48.2% year-on-year to RUB 181,864 million. The increase was driven by a 36.1% year-on-year growth of rouble-denominated average price of aviation fuel amid changes in the price of oil, as well as an increase in traffic and flight hours. Thus, the change in rouble-denominated jet fuel price only (including the change in US dollar-denominated price and rouble depreciation) put a RUB 48,255 million worth of pressure on the Group's profitability.

Excluding aviation fuel costs, operating costs increased by 10.9% year-on-year to RUB 410,049 million.

Aircraft and passenger servicing costs totalled RUB 108,589 million, up 12.6% year-on-year, due primarily to the growth of passenger traffic and increased airport taxes. The increase of this cost item was constrained by the servicing cost optimisation efforts.

Operating costs breakdown (%)



Staff costs remained flat and totalled RUB 82,817 million. In spite of the growing costs due to a significant increase of pilot-in-command salary in early 2018 (as part of working conditions improvement for pilots) and an increase in the number of staff to support the Group's growth, Aeroflot was able to constrain the increase of this cost item through decreasing top management remuneration and re-evaluating reserves for future bonus payments.

Operating lease expenses grew to RUB 88,881 million, up 35.1% year-on-year, mainly due to a significant fleet expansion (the increase in the Group's leased fleet was 47 aircraft, or 16.8%, compared to 31 December 2017) and a year-on-year increase in the 2018 LIBOR rate (in particular, the average LIBOR 3M rate grew by 1.05 p. p. to 2.31%).

Aircraft maintenance costs increased by 25.0% year-on-year to RUB 45,527 million. This cost item was impacted by the growing volume of day-to-day repair works due to the aircraft fleet expansion and different agendas for regular repairs in the compared periods, as well as by the foreign exchange effect.

Selling, general and administrative expenses decreased by 12.2% year-on-year to RUB 31,743 million due to the implementation of the expense optimisation programme including sales and marketing expenses.

Depreciation, amortisation and customs duties decreased by 10.7% year-on-year to RUB 13,941 million due to a lower number of aircraft under finance lease agreements.

Communication expenses including the services of global distribution systems totalled RUB 15,584 million having increased insignificantly by 5.3%, which is lower than the operations growth, thus leading to savings under this cost item.

Other expenses were up 5.1% year-on-year.

Decomposition of changes in operating costs (RUB million)

Operating costs, 2018		591,913
Fuel (rouble-denominated)		48,255
Fuel (volume growth)		10,924
Other operating costs		40,211
Operating costs, 2017		492,523

Cost per Available Seat-Kilometre (CASK)

Total cost per available seat-kilometre (CASK) increased by 9.2% to RUB 3.42, which is explained almost exclusively by the growing jet fuel prices. To offset this price growth, the Company implemented a large-scale savings programme which led to controllable CASK (CASK excluding jet fuel) rising by only 0.7% to RUB 2.37. Taking into account the rouble depreciation against US dollar and euro, and the fact that a series of major cost items including operating lease, aircraft maintenance and repair, and airport taxes abroad are fully or partially denominated in foreign currencies, this programme may be considered a success.

CASK excluding specific fuel costs (RUB)

2018		2.37
2017		2.35
Change		0.7%

Total CASK (RUB)

2018		3.42
2017		3.13
Change		9.2%

EBITDAR and EBITDA

Following the impact of the above drivers, earnings before interest, taxes, depreciation, amortisation, and operating lease expenses (EBITDAR) amounted to RUB 122,479 million, while EBITDAR margin stood at 20.0% (22.9% in 2017).

In 2018, EBITDA totalled RUB 33,598 million. EBITDA margin decreased to 5.5% (10.5% in 2017). These changes reflect the fuel and FX pressure on the Company's performance, detailed earlier.

EBITDAR (RUB million) and EBITDAR margin (%)

2018	122,479	20.0
2017	121,808	22.9

EBITDA (RUB million) and EBITDA margin (%)

2018	33,598	5.5
2017	56,015	10.5

Finance income and costs

In 2018, finance income decreased by 41.6% year-on-year to RUB 4,164 million, which reflects lower foreign exchange gains and the general trend of lower interest rates in the Russian economy leading to lower interest income from placement of available cash.

Finance costs decreased by 3.9% year-on-year to RUB 7,904 million, mainly due to the reduction in loan interest expense following debt levels falling significantly in 2017.

The hedging result of RUB 6,788 million is the effect of revenue hedging with liabilities in US dollars (finance lease liabilities).

Non-operating profit and loss (RUB million)

	2017	2018	Change, %
Operating profit	40,411	19,657	(51.4)
Loss from investments, net	(144)	(689)	4.8x
Finance income	7,127	4,164	(41.6)
Finance costs	(8,225)	(7,904)	(3.9)
Hedging result	(5,613)	(6,788)	20.9
Share of results of associates	170	254	49.4
Results from disposal of companies	—	1,240	—
Profit before income tax	33,726	9,934	(70.5)
Income tax	(10,666)	(4,221)	(60.4)
Profit for the period	23,060	5,713	(75.2)

Cash flows

Condensed consolidated statement of cash flows (RUB million)

	2017	2018	Change, %
Profit before income tax	33,726	9,934	(70.5)
Depreciation and amortisation	14,084	12,912	(8.3)
Change in impairment provision	10,852	11,352	4.6
Foreign exchange loss/(gain), net	(2,409)	1,086	–
Hedging result	5,613	6,788	20.9
Interest expense	8,179	6,445	(21.2)
Interest income	(4,718)	(4,156)	(11.9)
Results from disposal of companies	–	(1,240)	100.0
Change in cost of investments	144	689	378.5
Other adjustments	(576)	(531)	(7.8)
Working capital changes and income tax paid/refunded	(17,463)	(23,784)	36.2
Net cash flows from operating activities	47,432	19,495	(59)
Deposits return	13,649	23,926	75.3
Deposits placement	(16,300)	(21,152)	29.8
Proceeds from sale of assets held for sale	1,856	4,203	126.5
Interest received	4,241	3,115	(26.6)
Purchases of property, plant and equipment, and intangible assets	(7,681)	(13,131)	71.0
Prepayments / return of prepayments for aircraft, net	18,343	10,080	(45.0)
(Repayment)/return of operating lease security deposits, net	114	(2,428)	–
Other	147	229	55.7
Net cash flows used in investing activities	14,369	4,842	(66.3)
Free cash flow	61,801	24,337	(60.6)
Placement of loans and borrowings	–	350	100.0
Repayment of loans and borrowings	(17,417)	(131)	(99.2)
Sale/(purchase) of treasury shares	9,730	(7,040)	–
Repayment of the principal element of finance lease liabilities	(15,513)	(21,955)	41.5
Interest paid	(4,762)	(5,207)	9.3
Dividends paid	(18,859)	(14,543)	(22.9)
Net cash used in / from financing activities	(46,821)	(48,526)	3.6
Effect of exchange rate fluctuations	(478)	1,922	–
Net increase/(decrease) in cash and cash equivalents	14,502	(22,267)	–
Cash and cash equivalents at the beginning of the year	31,476	45,978	46.1
Cash and cash equivalents at the end of the year	45,978	23,711	(48.4)

Cash flows from operating activities

In 2018, net cash flows from operating activities reached RUB 19,495 million while profit before income tax amounted to RUB 9,934 million.

The record growth of the average cost of jet fuel was also one of the main factors that impacted the 2018 profit before income tax.

Key non-cash adjustments of profit before income tax made to net cash flows from operating activities for 2018 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 – the effect of revenue hedging with liabilities in foreign currency (reflection of the FX effect of finance lease revaluation in the reporting period)
- depreciation and amortisation.

Working capital

In 2018, working capital change was RUB 6,321 million. Increase in accounts receivable and prepayments in the amount of RUB 15,916 million had the most significant impact backed by the growth of revenue and prepayments made by Aeroflot under the operating lease of 18 aircraft in 2018.

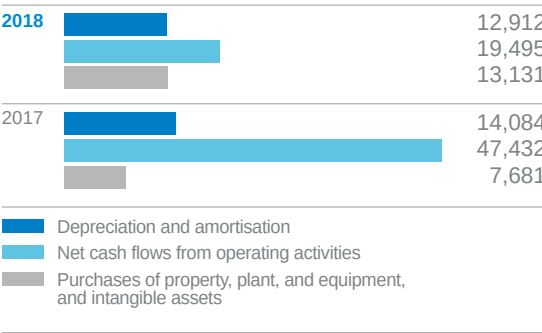
Cash flows from operating activities were largely affected by an increase in accounts payable and accrued liabilities, amid the growth in operating costs by 20.2% in 2018.

Free cash flow

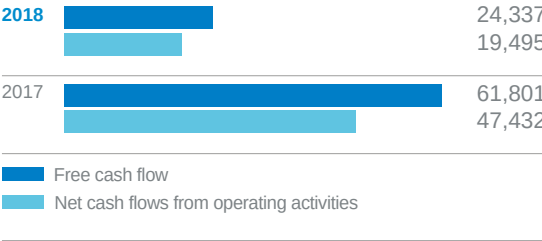
In 2018, free cash flow totalled RUB 24,337 million. The year-on-year decline was mainly due to the growing average cost of jet fuel. Prepayments for aircraft leased in 2018, repayment of operating lease security deposits, and growing capital expenditure were among other factors.

Cash and cash equivalents decreased by 48.4% to RUB 23,711 million, due to, among other factors, the effect of exchange rate fluctuations. Aside from the above factors, the decline in available cash was also attributable to the purchase of treasury shares in the amount of RUB 7,040 million in 2018 (in 2017, proceeds from the sale of treasury shares totalled RUB 9,730 million).

Purchases of property, plant and equipment, and intangible assets, cash flows from operating activities, depreciation and amortisation (RUB million)



Cash flows from operating activities and free cash flow (RUB million)



FINANCIAL RESULTS

Capital expenditure

In 2018, purchases of property, plant and equipment, and intangible assets totalled RUB 13,131 million. Purchases of property, plant and equipment were mainly relating to aircraft and aircraft engine overhaul, and the procurement of aircraft engines, aircraft, and equipment.

Net capital expenditure (RUB million)

	31.12.2017	31.12.2018	Change, %
Purchases of PPE and intangible assets	(7,681)	(13,131)	71.0
Proceeds from sale of assets held for sale	1,856	4,203	126.5
Proceeds from sale of property, plant and equipment	88	93	5.7
Net capital expenditure	(5,737)	(8,835)	54.0

Non-current assets

In 2018, non-current assets increased by 10.4% and reached RUB 171,308 million due to an increase in prepayments for aircraft and other non-current assets, mainly following higher prepayments to organise operating lease transactions.

Current assets

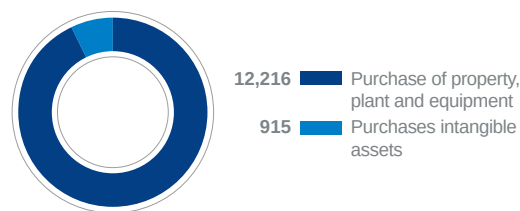
Current assets decreased by 13.6% to RUB 145,318 million. The change was mainly due to the reduction of cash and cash equivalents.

Equity

In 2018, equity, including non-controlling interest, decreased to RUB 45,335 million (RUB 67,299 million in 2017).

The key reason behind this change was a RUB 8,698 million increase in the hedging reserve, which comprised revaluation of derivatives under IAS 39 and revaluation of finance lease liabilities. Furthermore, the equity was impacted by a RUB 7,040 million increase in treasury shares reserve due to the purchase of treasury shares from voting shareholders who voted against a significant interested party transaction (operating lease of 50 new MC 21 300 airliners) or did not vote on this matter.

Purchases of property, plant and equipment, and intangible assets in 2018 (RUB million)



Change in prepayments for aircraft (non-current portion) (RUB million)

31.12.2018	21,148
Advances paid	12,380
Non-current prepayments reclassified to current prepayments	(4,261)
Exchange rate differences	(60)
31.12.2017	13,089

Change in prepayments for aircraft (current portion) (RUB million)

31.12.2018	5,770
Advances paid	1,509
Non-current prepayments reclassified to current prepayments	4,261
Advances returned	(23,968)
Exchange rate differences	(187)
Reclassification	(1,130)
31.12.2017	25,285

Current liabilities

In 2018, current liabilities increased by 11.1% (by RUB 15,709 million). The change was due to an increase in unearned traffic revenue, liabilities related to assets classified as held for sale, and deferred revenue related to the frequent flyer programme by RUB 6,179 million, RUB 4,413 million, and RUB 2,366 million respectively.

Non-current liabilities

The main changes in non-current liabilities were related to a decrease in finance lease liabilities in the amount of RUB 6,669 million mainly due to the disposal of aircraft, and to an increase in provisions for liabilities in the amount of RUB 6,804 million primarily due to an increase in provisions for scheduled maintenance and repair.

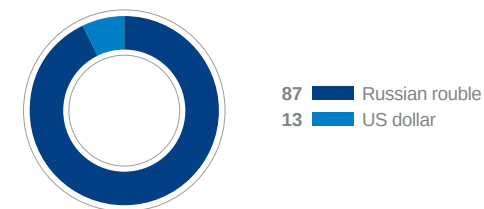
Debt and liquidity

As at 31 December 2018, total debt decreased by 6.8% year-on-year to RUB 97,618 million driven by lower finance lease liabilities following a disposal of 12 aircraft and a transfer of several aircraft into assets held for sale. In 2018, Aeroflot Group had RUB 84.2 billion undrawn credit lines from major Russian and international banks.

Debt (RUB million)

	31.12.2017	31.12.2018	Change, %
Loans and borrowings	3,181	3,486	9.6%
Finance lease	100,689	93,224	(7.4)%
Pension liabilities	922	908	(1.5)%
Total debt	104,792	97,618	(6.8)%
Cash, cash equivalents, and short-term investments	54,909	30,148	(45.1)%
Net debt	49,883	67,470	35.3%
Net debt/EBITDA ratio	0.9x	2.0x	–

Breakdown of loans and borrowings by currency as at 31 December 2018 (%)



Net debt/EBITDA ratio

31.12.2018	2.0
31.12.2017	0.9

Note. Excluding operating lease capitalisation

Finance lease repayment schedule (RUB million)

2022+	46,514
2021	15,792
2020	15,698
2019	15,219

Breakdown of total debt

2018	84.2	15.8
2017	84.7	15.3
	Non-current liabilities	Current liabilities

At the Height of Quality

Sustainable Development

Aeroflot acts in the interests of all stakeholders, and participates in charity and environmental protection projects. Throughout its 95-year history Aeroflot has actively contributed to Russia's economic and social development by providing interregional and international air transportation.

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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 is committed to sustainable development, striving to conduct its business with due respect for the interests of all stakeholder groups, including passengers, employees, shareholders, and investors.

Aeroflot complies with all applicable HR and HSE legislation in its commitment to meeting the highest global standards for corporate social responsibility.

The Company is additionally committed to supporting the SkyTeam Corporate Social Responsibility Statement by achieving sustainable economic prosperity, protecting the natural environment, and promoting social responsibility towards employees.

PJSC Aeroflot's Public Council continued its work in 2018. The Council is a consultative and advisory body helping the Company formulate its policy on key sustainability issues with due regard for the interests of society. The Council consists of 24 members who serve as unpaid volunteers. They include people from the business community, mass media, civil society organisations, and industry associations, as well as artists, and athletes.

The Public Council produces recommendations concerning industry regulation and development for government bodies. The Public Council helps Aeroflot promptly address the interests of society, make suitable strategic decisions following changes in the external environment, and consistently enhance service offerings in response to the requests of passengers and the general public.

In 2018, meetings of the Public Council focused on the new Aeroflot Group Development Strategy 2023, titled 100 Million Passengers by Our 100th Anniversary (100 by 100). The Public Council also discussed the prospects of the flat fare programme run by Aeroflot since 2015 providing affordable connections to Far Eastern cities, Simferopol, and Kaliningrad.

Yet another important topic discussed at the Public Council meetings was strengthening compliance with air transport rules. Aeroflot strengthened its carry-on baggage control, compliance with the rule prohibiting boarding later than 20 minutes before departure, and introduced measures that would help prevent disruptive passenger behaviour.

Aeroflot also supports some of the United Nations' Sustainable Development Goals, which are expected to be achieved by 2030:

GOAL	DESCRIPTION	AEROFLOT GROUP'S ACTION
 Gender Equality	Achieve gender equality and empower all women.	Preventing discrimination for employees, including gender-based discrimination. Encouraging the professional growth of women in all fields, including piloting: over 60 female pilots were employed by Aeroflot Group in 2018.
 Decent Work and Economic Growth	Promote inclusive and sustainable economic growth, employment, and decent work for all.	Offering decent salaries, creating a safe working environment, and providing growth and development opportunities for employees. A wide range of employee benefits: → Medical insurance → Occupational pension scheme → Company-owned housing and vehicles → Resort therapy.
 Industry, Innovation, and Infrastructure	Build resilient infrastructure, promote sustainable industrialisation, and foster innovation.	Carrying out initiatives improving transport accessibility across Russia's regions: → Participating in a programme offering government-sponsored flights between the Far East and European Russia → Offering flat fares for economy class flights to remote regions → Increasing the number of inter-regional flights. Digitalisation of the Company.
 Sustainable Cities and Communities	Make cities inclusive, safe, resilient, and sustainable.	Supporting Russian regions. Supporting vulnerable groups. Promoting culture and sports.
 Responsible Consumption and Production	Ensure sustainable consumption and production patterns.	Introducing resource-saving processes and technology. Engaging in waste management and recycling. Opting for environmentally responsible sourcing.
 Climate Action	Take urgent action to combat climate change and its impacts.	The Energy Saving and Environmental Performance Programme aims at a 42% reduction in specific fuel consumption by 2020 from 2007 levels: → Fully monitoring and recording GHG emissions throughout the route network → Controlling and fine-tuning fuel systems to ensure compliance with permitted toxicity and smoke levels → Optimising the route network and rolling out new piloting techniques to reduce noise and air pollution → Replacing outdated energy-intensive aircraft types with new assets offering enhanced fuel efficiency.
 Partnerships for the Goals	Revitalise the global partnership for sustainable development.	Aeroflot has a Public Council that comprises prominent figures in Russian culture, education, healthcare, sports, mass media, business, civil society organisations, and human rights groups. Social partnership with trade unions Following SkyTeam's CSR principles and commitments

Corporate values



CUSTOMER TRUST

Each airline within our Group guarantees its customers faultless safety and a 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.

We are a close-knit team of professionals who cannot imagine life without wings.

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

We comply with the labour laws, creating a safe working environment for our employees while requiring our suppliers and contractors to do the same.

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

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



TEAMWORK



RESULTS FOR SHAREHOLDERS

Our goals are to achieve sustainable and dynamic growth, increase the Company's value, and provide a 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 are always open to our partners and shareholders.



SOCIAL RESPONSIBILITY

We care about the environment and are continuously improving our energy and environmental efficiency, using a modern and young aircraft fleet and the most advanced technology while ensuring compliance with Russian environmental laws.

We are fully aware of our responsibility to society and actively participate in socially important and charitable projects, efficiently working with local and national non-profit organisations.

We actively participate in developing the Russian air transport network and creating new jobs in Russian regions.

We support and actively participate in developing the Russian aircraft manufacturing industry.

HR Policy

Aeroflot Group is the leading employer in the industry, providing more than 41 thousand jobs in Russia and abroad. Aeroflot Group companies strive to provide their employees with ample professional and personal growth opportunities, offering decent salaries, a range of employee benefits, and social benefits and privileges. Aeroflot improves its incentive schemes and works on making its compensation package even more attractive.

The HR policy followed throughout Aeroflot Group airlines is based on an acknowledgement of the criticality of human resources. Aeroflot Group pays much attention to attracting and retaining employees, as well as to ensuring their professional development. The strategic goal of its HR policy is to improve performance and labour productivity by building a unique team of highly professional and engaged employees. Building corporate culture as a competitive edge is one of Aeroflot Group's priorities.

In 2018, Aeroflot for the fourth time won the Randstad Award as the most attractive Russian employer in the Transport category.

Personnel structure

As at 31 December 2018, the total headcount of Aeroflot Group was 41,299 employees, having increased by 5.8% year-on-year (39,051 employees as at 31 December 2017). The increase was driven by the fleet and route network expansion.

As at 31 December 2018, PJSC Aeroflot's headcount was 24,261 employees, which represented a 5.5% increase year-on-year (22,991 as at 31 December 2017).

Women account for 52% of Aeroflot Group's total headcount. The parent company, PJSC Aeroflot, employs 12,765 women who work in all kinds

PRIORITY AREAS OF THE HR POLICY:

- Identify candidates, including for cockpit and cabin crew positions
- Retain highly skilled employees and improve employee loyalty
- Provide timely training and retraining, including for working on board new types of aircraft
- Build up a talent pool
- Conduct employee certifications
- Develop incentive systems
- Provide employees with social benefits
- 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. The Company respects employees' rights and freedoms, provides equal opportunities, and guarantees protection from any form of discrimination defined by both Russian and international law. Aeroflot prohibits any partiality to political, religious, national, or other grounds when implementing its HR policy, remuneration policy, and providing social benefits. The Company has never used, and does not tolerate, child, compulsory, or forced labour.

of fields: flight attendants, repair and maintenance staff, tickets sales and distribution employees, and pilots. As at the end of 2018, 54 female pilots were employed by Aeroflot airline, five by Rossiya airline, and four by Aurora airline.

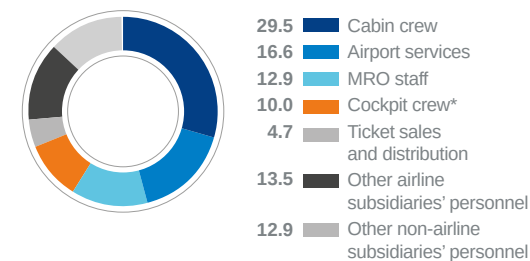
As at 31 December 2018, PJSC Aeroflot employed 44 international pilots (including citizens of Belarus, Czech Republic, Azerbaijan, Hungary, Luxembourg, and Serbia).

Personnel turnover at PJSC Aeroflot in 2018 was 7.3% (6.8% in 2017).

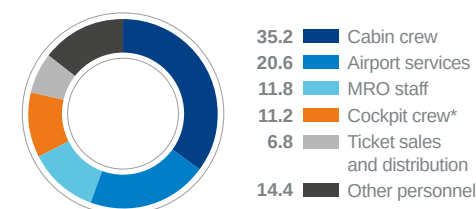
Aeroflot Group's headcount (thousand people)



Aeroflot Group's headcount by category, 2018 (%)



PJSC Aeroflot's headcount by category, 2018 (%)



Aeroflot Group's headcount by gender, 2018

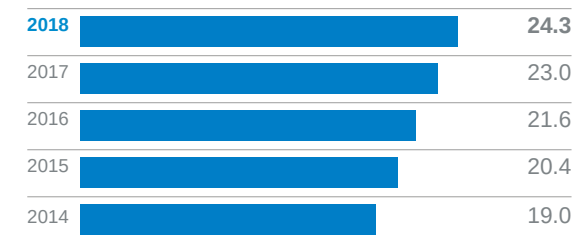


* Includes pilots-in-command, co-pilots, and other flight crew members (flight engineers, pilot instructors, and others).

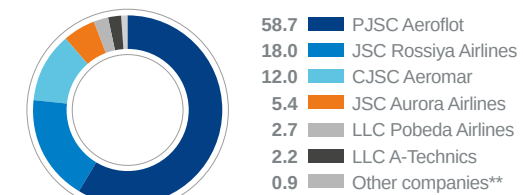
** JSC Sherotel, Aeroflot Aviation School, LLC Aeroflot-Finance, and JSC Donavia.

Note. Headcount and personnel as at 2018 year-end.

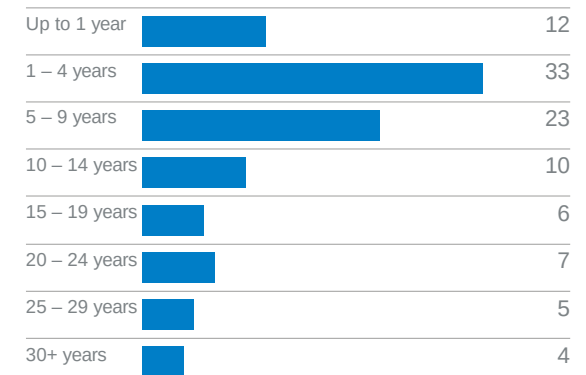
PJSC Aeroflot's headcount (thousand people)



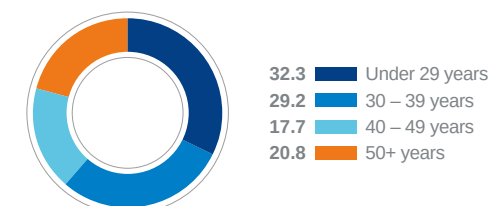
Aeroflot Group's headcount by company, 2018 (%)



PJSC Aeroflot's headcount by tenure, 2018 (%)



PJSC Aeroflot's headcount by age, 2018 (%)



Women employed by PJSC Aeroflot

12,765 women
52.6%
of the total headcount

FEMALE COCKPIT CREW MEMBERS

9
Pilots-in-command

15
Flight crew training team members

30
Co-pilots

54 women
2.1%
cockpit crew members

FEMALE CABIN CREW MEMBERS

6,562
Flight attendants

295
Senior flight attendants

122
Flight attendant instructors

14
Senior flight attendant instructors

6,993 women
82%
of all cabin crew members

FEMALE EMPLOYEES AWARDED WITH GOVERNMENT AND INDUSTRY AWARDS

16
Government awards

293
Industry awards from the Russian Ministry of Transport

4
Awards from the Russian President

419
PJSC Aeroflot's highest award, the Aeroflot Excellence badge of honour

732 women



Recruitment

Recruitment aims to build up teams for the Company's business units in a timely manner and without compromising quality. Aeroflot follows careful recruitment procedures and implements new assessment methods. Aeroflot Group's search, recruitment, and selection processes are governed by internal regulations. When recruiting, the Company uses its official website, corporate intranet portal, job search engines, mass and social media. It also hires through public employment services. Aeroflot collaborates with relevant higher educational institutions and colleges and educational centres offering vocational education, and takes part in job fairs and career forums and expos.

Heads of units actively participate in the professional assessments of candidates and HR decision-making. Automated recruitment procedures help speed up the recruitment process and increase its quality.

Internal candidates and employees from the talent pool are given priority. The Company is thus expanding career growth opportunities for its employees.

Targeted training programme and Personal Scholarship

PJSC Aeroflot develops partnerships with educational institutions to attract promising young professionals and improve the quality of training for its future employees. Since 2013, PJSC Aeroflot has been successfully involved in a targeted training programme funded from the federal budget. Aeroflot airline concluded contracts for targeted training with three aviation universities: the Saint Petersburg State University of Civil Aviation, Ulyanovsk Civil Aviation Institute, and the Moscow State Technical University of Civil Aviation. Over this period, 347 students signed educational contracts for targeted training. PJSC Aeroflot employs 21 graduates of the targeted training programme.

The Company annually selects the best graduates of civil aviation educational institutions who will complete additional simulator training in compliance with its corporate standards. Moreover, PJSC Aeroflot's business units engage graduates of industry schools and universities for on-the-job training and internships. A total of 68 students underwent such training in 2018.

Since 2014, PJSC Aeroflot has been cooperating with seven civil aviation technical schools and universities under the Personal Scholarship project. Cooperation agreements have been signed with 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, 235 students received corporate scholarships.



Aeroflot's History

In 1962, the legendary Iraida Vertiprakhova, later Honoured Pilot of the USSR, became the first female pilot to serve on Aeroflot's scheduled flights. Starting her career as a co-pilot on An 2 aircraft, in just two years she moved over to Il-14, and then, this time as pilot-in-command, to Il-18, and later to Tu-154 and Il-62.

Personnel training and development

Aeroflot Group invests in training to help employees fulfil their potential and ensure that they maintain great professional skills, keeping in line with international standards and the Federal Aviation Rules.

In 2018, PJSC Aeroflot arranged for training for 36,500 current and future employees (some of them completing more than one training programme) both in-house and externally across a range of training, retraining, professional development, and certification programmes. The Company's Department for Aviation Personnel Training delivered training to more than 953 people.

In 2018, Aeroflot's subsidiary, Aeroflot Aviation School, provided training to more than 33 thousand current and future PJSC Aeroflot employees.

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, etc.

In 2018, training for more than 2,500 employees was arranged at 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 state inspectors; training for electric car and forklift drivers; industrial safety, etc.)
- General training programmes (civil defence, environmental protection, environmental safety, etc.).

Aeroflot Group's subsidiary airlines provide training to employees in compliance with existing Russian and international industry standards. Specifically, Rossiya provided training to over 8,000 employees across different training programmes in 2018. Aurora provided training to over 4,000 people at its own aviation training centre, with more than 1,000 employees receiving training and completing professional development programmes at external educational institutions.

Pilot training

When hiring pilots with prerequisite qualifications (such as experience flying the aircraft types operated by Aeroflot airline), candidate pilots pass induction training in line with established flight crew training programmes.

- Prior to employment, graduates of aviation-related educational institutions are to complete additional training:
- Specifics of flights on international routes
 - Technical English
 - Aviation English (ICAO Level IV)

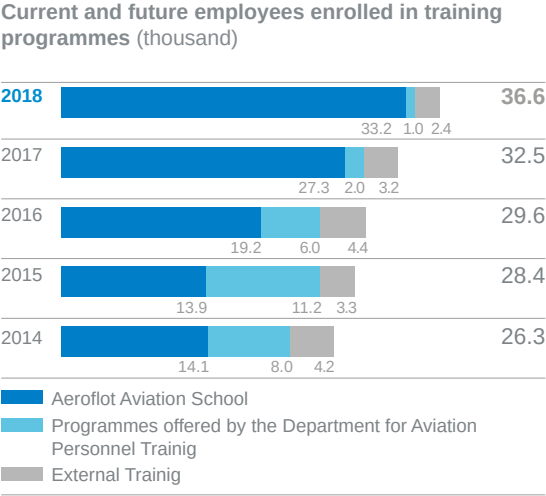
- The graduates undergo the following training following employment:
- Pilot retraining on Airbus A320, Boeing 737, or SSJ100 aircraft
 - Additional training on Air Transportation of Dangerous Goods, Flight Safety Management System, Flight Crew Training on Human Factor and CRM, and Aviation Security
 - Induction for co-piloting an aircraft.

To streamline graduate training, PJSC Aeroflot organised training for senior-year students of educational institutions.

The training is held at civil aviation educational institutions in Ulyanovsk, Saint Petersburg, Buguruslan, Krasny Kut, and Sasovo, helping to reduce the period from hiring a graduate to their unsupervised flying by three to nine months.

Training platform

PJSC Aeroflot uses its own training platform, providing training for cockpit and cabin crews of the carrier and its subsidiaries. PJSC Aeroflot's training platform is equipped with cutting-edge simulators and mock-ups produced both in Russia and abroad.



In 2018, annual simulator certification was arranged for, and held by, EASA bodies for the following simulators: FFS A320 Series 5000 and 7000, FFS A330, and B737 NG. In December, Aeroflot installed a new DT A350 Door Trainer. Training was organised and held by the supplier's experts.

Best in Trade professional skills competition

The Best in Trade professional skills competition is held annually and is a powerful means of motivating staff on a mass scale while enabling the highest-performing employees to be selected and promoted.

In 2018, Aeroflot won the HR Brand Award 2018 for efficient organisation of its Best in Trade professional skills competition.

Incentive system

Aeroflot considers developing employee incentives a priority for improving loyalty and retaining highly skilled employees to strengthen the Group's competitive edge. The system comprises financial and non-financial incentives. Aeroflot uses flexible incentive schemes and 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 is assessed based on key performance indicators approved by the Board of Directors.

Attracting highly skilled pilots is one of the Company's key objectives. Aeroflot provides competitive pay levels for pilots as well as regular salary indexation and one-off incentive payments upon employment. Aeroflot also compensates pilot training expenses.

One of the special features of the competition is its ever-growing scale and scope. In 2018, over a thousand employees from 30 departments representing 30 trades participated in the competition. Aeroflot awarded winners in the following corporate categories – the Best Example of Aeroflot's Values in 2018, the Best Mentor in 2018, and the People's Choice on the Company's 95th Anniversary.

Talent pool

In 2018, PJSC Aeroflot continued building its talent pool. As part of building up its talent pool, the Company organises off-the-job and on-the-job professional development training for its managers while also ensuring temporary replacements for managers going on a business trip or vacation, and arranging external secondments for best practice sharing.

The Company actively develops non-financial incentives. In line with its collective bargaining agreement, Aeroflot rewards employees' high performance on industry holidays and national and corporate anniversaries.

To celebrate Aeroflot's 95th anniversary in air transport development and recognise high professional skills, PJSC Aeroflot's staff was awarded a Letter of Acknowledgement from the President of the Russian Federation in 2018. In 2018, 27 employees received government awards of the Russian Federation, and 244 received industry awards of the Russian Ministry of Transport and other agencies, while six employees were awarded a Letter of Acknowledgement from the President of the Russian Federation. Corporate awards were given to 1,200 employees, five of which were awarded the Aeroflot Excellence badge of honour, 521 were awarded the Certificate of Honour of PJSC Aeroflot, and 64 were awarded the Operational Excellence in Aeroflot badge.

Social programmes for employees of the Company

Concerning its employees, Aeroflot is fully committed to a socially responsible policy, which attracts qualified professionals, increases performance, improves the working environment, fosters higher staff loyalty and healthy working conditions, and maintains Aeroflot airline's and Aeroflot Group's profiles as socially responsible companies.

PJSC Aeroflot's social policy is based on both the collective bargaining agreement and the applicable regulations. On 10 August 2017, the collective bargaining agreement was extended until 1 December 2020 by the joint resolution of the Company and the employees' representative. All terms and conditions, guarantees, benefits, and privileges for employees were preserved in full. The employment package outlined in the collective bargaining agreement considerably exceeds benefits and compensations established by the applicable labour laws.

PJSC Aeroflot and its subsidiaries implement a number of social programmes contributing to the social security of employees.

Occupational pension scheme

PJSC Aeroflot runs a pension scheme based on joint participation of the employer and the employee. The occupational pension is funded by employees' monthly pension contributions, the Company's quarterly contributions made to individual retirement savings accounts, the annual investment income accrued on the employee's and the employer's contributions by a non-governmental pension fund.

Aeroflot's occupational pension scheme is coordinated by two corporate non-governmental pension funds, the Otkritie Non-Governmental Pension Fund (previously the Non-Governmental Pension Fund RGS until 28 December 2018) and the Non-Governmental Pension Fund of Sberbank. The corporate occupational pension scheme covers 6,200 employees. In 2018, Aeroflot paid an additional 20% of each personal contribution made by employees towards their own pension.

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

In accordance with the Regulations on the Occupational Pension Scheme, the airline provides a corporate pension to a retiring employee in addition to the state-funded pension. As at the end of 2018, corporate pensions payments were being made to 4,200 former employees of the Company.

The Company runs its occupational pension scheme in parallel with an incentive scheme providing mandatory pension insurance through co-financed contributions to the cumulative part of the state-paid pensions. The employer matches 30% to 50% of a personal pension contribution made by insurance scheme participants.

Resort therapy

As part of the corporate resort therapy programme, employees and their families can go to health resorts located in different regions of Russia and abroad (in cases of medical necessity). In 2018, 3,800 people benefited from rehabilitation treatment provided by the Company at health resorts, including 797 children accompanied by their parents under the Healthy Child programme.

A special health rehabilitation programme for 420 pilots and flight attendants was set up in the Czech Republic. A total of 13 resorts were included in the 2018 programme.

In 2018, the resort therapy and wellness programme for employees and their families included voluntary health insurance programmes and a programme for prevention of occupational injuries and diseases.

Sports events

In 2018, sports facilities were rented for permanent sporting clubs where employees can play football, volleyball, hockey, and tennis. Aeroflot's sports teams successfully competed in futsal tournaments for the Civil Aviation Day, Aviation and Space Cup, and Aviation Industry Cup, as well as in the corporate futsal tournament. Aeroflot's hockey team played a friendly match against Yvon Lambert & LHL team from Canada. Fitness club memberships were also offered to Aeroflot employees throughout the year.

Corporate events

A number of events were organised to celebrate the 95th anniversary of Aeroflot, including a concert at the State Kremlin Palace and a large reception for former PJSC Aeroflot employees at a Novotel hotel.

Corporate housing for key employees

During the year, the Company's key employees from Russia's regions were provided with company-owned housing close to Sheremetyevo airport, with more than 1,600 employees benefiting from the free lease arrangements (flight crew members accounted for 85%). Most of the housing options are provided at Aeroflot's Flight Camp based at Ozero Krugloe Hotel Complex.

Company vehicles and corporate parking

Aeroflot provides company vehicles available for employee use to go to the Company's offices near Sheremetyevo airport. In 2018, around 3,600 Aeroflot employees used company vehicles on a daily basis.

The Company rents seven parking lots located near Sheremetyevo airport. In 2018, Aeroflot employees occupied an average of 3,200 parking spaces in corporate parking lots per day.

Financial assistance

In 2018, the Company provided financial support to 216 current and former employees in difficult circumstances.

Reimbursement for daycare costs

During 2018, daycare costs were reimbursed for 2,500 employees of the Company.

Additional employee benefits for flight crews

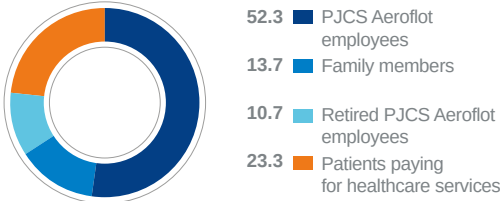
A number of additional employee benefits is provided to flight crew members, including:

- 70 days of paid annual leave, the longest in civil aviation
- special insurance programmes
- free access to diverse sports facilities for training.

Aeroflot's medical centre

PJSC Aeroflot has its own medical centre providing healthcare services to employees and their families, as well as retired employees. Medical services include aeromedical assessment, rehabilitation of cockpit and cabin crews, and pre-flight medical examinations. The medical centre comprises a polyclinic, an inpatient hospital, an outpatient surgery with a day hospital, and a medical laboratory. In 2018, the medical centre's polyclinic reported a total of 248,100 outpatient visits from 67,400 patients.

Patients registered at PJSC Aeroflot's medical centre, 2018 (%)



Subsidiary airlines

The subsidiary airlines have similar benefit programmes for their employees, including occupational pension schemes, resort therapy and vacation programmes for employees and their families, company vehicles and corporate parking lots, reimbursed rent for housing, cultural and sports events, and financial support for current and former employees.

Social partnership

Ten corporate trade unions representing four different trade unions operate within PJSC Aeroflot, including the Moscow Trade Union of Aviation Workers, the Sheremetyevo Trade Union of Flight Personnel, the Sheremetyevo Trade Union of Flight Attendants, and the All-Russian Trade Union of Civil Aviation Engineering Workers. The total headcount of all employees involved with trade unions is about 9,000 people. Employees' interests 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 occupational health and safety system compliant with applicable regulations and international best practice. The Company has a certificate confirming its compliance with regulatory occupational safety requirements and strives to eliminate occupational injuries and diseases while implementing measures preventing hazardous situations.

The Company regularly arranges health and safety trainings with a focus on occupational diseases and injury prevention. To prevent occupational diseases, employees pass regular medical examinations.

There were 27 accidents in 2018. The injury frequency rate (the number of injuries per 1,000 employees) was 1.27 FTEs. The injury severity rate (the number of work days lost per injured person) was 29.0 in 2018.

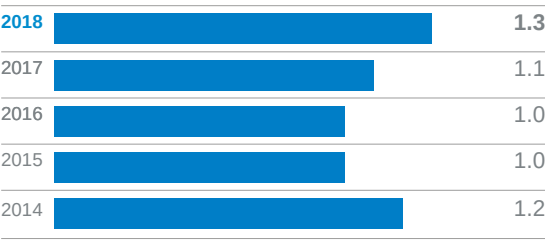
As at the end of 2018, in accordance with Federal Law No. 426-FZ On Special Assessment of Working Conditions, PJSC Aeroflot carried out special assessments of 6,085 workplaces, 4,449 of which were found to have acceptable working conditions. Employees receive a 4% to 24% premium on their salary when a safety assessment has revealed exposure to harmful working conditions. The cockpit crew, senior flight attendants, flight attendants, flight attendant instructors, flight attendant evaluators, and other flight crew members who work on board a flying aircraft are entitled to a 24% premium for their working conditions.

Work and rest schedule for cockpit and cabin crews

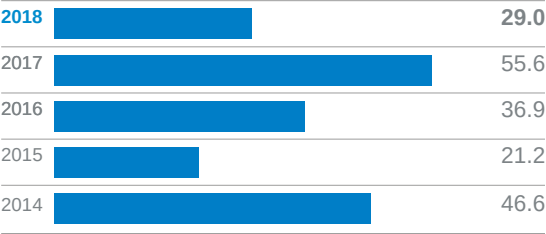
Work and rest schedule for cockpit and cabin crews is determined in line with the applicable Russian regulations and the Regulations on the Work and Rest Schedule for Cockpit and Cabin Crews of PJSC Aeroflot.

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.

Number of injuries per 1,000 employees of PJSC Aeroflot (people)



Number of work days lost (per injured person) at PJSC Aeroflot



Number of workplaces subject to special assessments of working conditions



Supporting Charities and Regional Development

As a socially responsible business, PJSC Aeroflot runs many charitable programmes. Aeroflot Group airlines participate in programmes improving transport accessibility, which subsequently contributes to the economic and social development of Russia's regions, and provide support to cultural and sports initiatives. Aeroflot Group plays an active role in local community life, providing both continuous support to charities and assistance to socially-oriented initiatives. The Company provides support to vulnerable groups, including children and veterans. The Group's subsidiaries contribute to charity campaigns initiated by Aeroflot airline and provide aid in the regions in which they operate.

Aeroflot is always ready to provide aid to Russian citizens in need in all corners of the world, whether amid armed conflicts or natural disasters. The Company's aircraft have repeatedly evacuated people from flashpoint areas along with the airplanes from Russia's emergency response service (EMERCON).

Improving accessibility to Russia's regions

Improving accessibility to Russia's regions, including remote destinations, and enhancing social mobility remains a major priority for Aeroflot. Aeroflot airline has an extensive route network and supports a government-sponsored programme that maintains airline passenger services between the Far East and European Russia.

Aeroflot airline has been running a flat fare programme since 2015. Flat rates are fixed prices for economy class tickets that do not change depending on the date when the tickets are bought. All passengers regardless of age and place of residence can enjoy the flat rates. The only aim of Aeroflot's flat rates is to make social impact. That is, to provide stable and affordable connections between remote and strategic regions and the central part of European Russia. Today, flat rates are available for Aeroflot flights from Moscow to Vladivostok, Yuzhno-Sakhalinsk, Khabarovsk, Petropavlovsk-Kamchatsky, Magadan, Simferopol, Kaliningrad, and back. Rossiya airline joined the programme in 2018, providing a major boost in the overall passenger traffic to the Far East.

Aeroflot airline extended the flat rates programme for Far Eastern destinations through to 2019, both for Aeroflot and Rossiya flights. A total of 2.2 million passengers were carried under the flat rate programme in 2018 (including Rossiya flights), a 41.3% increase from 2017, and a total of 6.8 million passengers have been carried under the programme since 2015.

Aeroflot Group places a special focus on expanding its domestic route network. Specifically, Aeroflot launched flights in 2018 from Moscow to the North Caucasus (Vladikavkaz, Grozny, Makhachkala, Nazran, and Nalchik) and to Izhevsk and Ulyanovsk in the Volga region.

Aurora carried 75,700 passengers on socially important flights within the Sakhalin Region and 35 thousand passengers to destinations within the Primorsky Region. Since June 2018 (the commencement of flights), the company carried 19,700 passengers within the Khabarovsk Region. The total passenger traffic on the local flights (within a region) was 130,500 passengers (99,500 passengers in 2017).

Support to charities and socially-oriented campaigns

Miles of Mercy programme

Launched in 2008, Aeroflot's Miles of Mercy programme has already been running for ten years. The programme enables the Aeroflot Bonus programme participants to contribute their bonus miles to charity organisations: the Gift of Life charitable fund, the Life Line fund, the Russian Assistance Fund operated by Kommersant Publishing House, and the Vladimir Spivakov International Charity Foundation. The contributed miles are used to carry children with serious health conditions to countries and cities where they can receive required treatment. In 2018, a total of 4,895 tickets and 122 million bonus miles were donated to support the activities of charitable organisations.

Tickets issued under the Miles of Mercy programme

2018	4,895
2017	6,173
2016	6,917
2015	6,829
2014	5,730

Train of Hope

In 2018, Aeroflot once again provided support to the Children's Flight of the Train of Hope initiative organised by Radio Russia as part of its Child's Question project. The Train of Hope is a charity programme helping children deprived of parental care to find new families. The Company arranges free air transportation for both the children and prospective adoptive parents.

Orphanage support

During 2018, the Company continued to support two orphanages: the Pokrov Orphanage in the Vladimir Region and St Sergius Boarding School in the Sergiev Posad District in the Moscow Region. A total of RUB 17 million went towards charitable support for orphanages in 2018.

For the Pokrov Orphanage children, Aeroflot organised holidays at a recreational camp, set up a street workout park, renovated the orphanage building, and purchased medical equipment, furniture, and computers. The Company also bought presents for the children in the days leading up to New Year's celebrations.

Aeroflot also arranged renovations for St Sergius Boarding School and bought a coach bus for the children. The Company organised Kudo and football master classes and a charitable arts and crafts show featuring the children's work.

Targeted aid

In 2018, Aeroflot provided financial support to the Celebrities Help Children (Zvezdy Detyam) Foundation, the Russian Geographical Society, the Contemporary Arts Development Fund (CADF), the Russian Union of Industrialists and Entrepreneurs (RSPP), and the Tarasov Golden Puck Club.

The Company also provided support to the Alina Kabaeva Charitable Foundation, which held Alina, an annual rhythmic gymnastics festival for talented children from across Russia. The children and their caregivers were offered airline tickets at discounted rates.

The Company provided a promotional advertising campaign for Run for Help, a charity run that raises money to help children with cancer.

After the fire in Kemerovo, Aeroflot temporarily froze ticket prices for flights between Kemerovo and Moscow, offering economy class tickets at minimum rates. Aeroflot also arranged for free flights to Moscow for families of victims of the Kerch college massacre.

Annual Victory Day campaign

For the celebrations of the 73rd anniversary of Victory Day, Aeroflot once again organised a campaign for veterans of the Great Patriotic War (WWII) from 3 to 12 May 2018. Aeroflot was the first Russian carrier to start the tradition of offering free flights to Great Patriotic War veterans back in 2001. About 80 thousand veterans have benefited from the campaign since its launch.

Aeroflot's subsidiary Rossiya actively participated in memorial events to commemorate the lifting of the Siege of Leningrad, including visits to the Russia – My History historical park and other guided tours. In commemoration of Victory Day, Great Patriotic War veterans also received financial aid.

Charitable support for the Great Patriotic War veterans among retired Aeroflot employees

Aeroflot provides monthly food packages to its retired employees who took part in the Great Patriotic War. A total of RUB 8.7 million went towards veteran food packages in 2018.

Support for passengers in urgent need of reaching their destination due to extraordinary circumstances

Aeroflot provides support to passengers in urgent need of reaching their destination due to extraordinary circumstances. The programme covers higher-demand domestic flights in which the least expensive economy booking classes have been sold out.



Professional Football Club CSKA

Cultural and social development

Aeroflot collaborated with Sheremetyevo International Airport to hold International Children's Day events for young passengers. Aeroflot and Sheremetyevo participated in Russia's Night of Museums: the Aeroflot Museum and the History Museum of Sheremetyevo organised an exciting event for aviation enthusiasts of all ages.

The Company also continued providing support to ROSKINO film production company, which aims to promote Russian films across international film festivals. In 2018, Aeroflot also provided support to Together Against Corruption international youth initiative held by the Prosecutor General's Office of the Russian Federation.

Aeroflot's subsidiary airlines also run social development and charity projects in the regions where they operate. For example, Aurora participated in the Wings of Sakhalin aviation and music festival in 2018, as well as town parades to celebrate Yuzhno-Sakhalinsk and Artyom town days. Also, guided tours to the local airport were organised for airline employees' children and students of Yuzhno-Sakhalinsk schools, whereby the children had a chance to visit a number of aircraft.

Sponsorship

In 2018, Aeroflot continued to sponsor both sports organisations and cultural projects. The Company allocated a total of RUB 1.8 billion for sponsorship support, maintaining a similar amount to contributions in previous years (RUB 2.0 billion in 2017).

PJSC Aeroflot has been providing support to Russian sports for many years. In 2018, the Company continued providing flight services to sports teams and the Olympic team. Aeroflot is a partner of, and provides support to:

- The Olympic and Paralympic Committees of Russia
- The Football Union of Russia
- The Russian Cycling Federation
- The All-Russian Federation of Dancesport and Acrobatic Rock'n'Roll
- The Russian Basketball Federation
- The Russian Volleyball Federation
- The Russian Table Tennis Federation
- The Russian Golf Association
- The Russian Rugby Federation
- The Russian Boxing Federation.

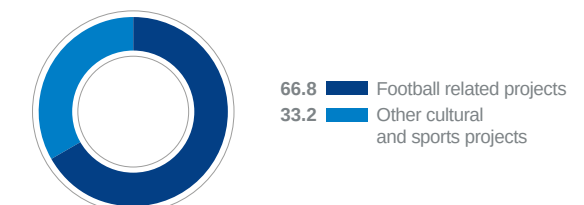
In 2018, Aeroflot and Aurora carried Russian Olympic athletes to South Korea for the XXIII Olympic Winter Games.

Aeroflot has been the official carrier of CSKA Professional Football Club and CSKA Professional Basketball Club for many years. Thanks to the enhanced visibility of the Aeroflot brand at games played by CSKA teams, the Company has access to the club's multi-million fanbase.

In 2018, in conjunction with the Russian Chess Federation, Aeroflot held the Aeroflot OPEN international chess tournament, which has gained immense popularity among international chess players over the 16 years of its existence.

Also, Aeroflot provided support to Otradnoe show jumping club, which hosted a Show Jumping World Cup stage.

PJSC Aeroflot's sponsorship programme expenses in 2018 (%)



For the third time, the Company also supported the Golden Gramophone, Russia's national music award, in 2018.

In the global market, Aeroflot airline is raising its recognition as a premium carrier through its partnership with Manchester United FC.

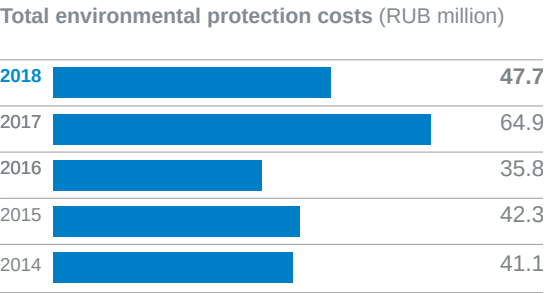
Ecology and Environmental Protection

As Russia's leading carrier, PJSC Aeroflot is fully aware of its responsibility to ensure high environmental performance and sustainable development across all its activities.

PJSC Aeroflot's environmental policy is aimed at improving the energy efficiency and environmental performance. One of its key principles is to improve aircraft fuel efficiency, which helps reduce the airline's environmental footprint while cutting fuel costs – a major contributor to overall operating expenses.

PJSC Aeroflot has in place an environmental management system. In 2018, the Company's integrated management system successfully passed a certification audit, confirming its compliance with ISO 9001 and 14001 international standards. The audit was carried out by certification agency TÜV Rheinland and assessed compliance with ISO 9001:2015 (Quality Management Systems) and ISO 14001:2015 (Environmental Management Systems).

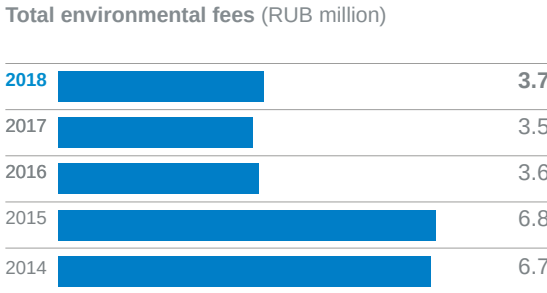
Rossiya airline also successfully passed a certification audit for compliance with ISO 9001:2015. In 2018, Aurora airline successfully passed IATA Operation Safety Audit (IOSA), thus remaining IOSA registered.



In line with its environmental policy, the Company established goals and objectives, as well as developed and implemented environmental management procedures.

Key aims of Aeroflot's environmental policy:

- Maintaining and improving the environmental management system
- Improving the energy efficiency of its operations through fleet upgrades and replacing outdated energy-intensive types of aircraft with new assets offering enhanced fuel efficiency
- Optimising the route network and rolling out new piloting techniques to reduce noise pollution and cut emissions from aircraft engines
- Managing waste with a focus on recycling to minimise the environmental impact
- Monitoring, analysing, and benefiting from new opportunities to improve environmental performance
- Raising environmental awareness, promoting resource efficiency, and building a recycling culture 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.

Its energy saving activities will help PJSC Aeroflot save up to 1.5 million tonnes of fuel every year and decrease specific fuel consumption by 43.6% by 2020.

PJSC Aeroflot's total environmental protection initiatives amounted to RUB 47.752 million in 2018.

Quality management system

PJSC Aeroflot has in place a management system, with the quality management system (QMS) as its core element. To keep up with internal, national, and international standards, Aeroflot's QMS Department is working to improve the Company's quality management programme. The system helps ensure that the products and services offered by PJSC Aeroflot's business units and suppliers comply with its flight safety, aviation security, and service quality requirements.

Aiming to mitigate risks that can impact quality and flight safety, PJSC Aeroflot holds memberships with the following IATA pools:

- IFQP (IATA Fuel Quality Pool)
- DAQCP (De-Icing/Anti-Icing Quality Control Pool)
- ISAGO (IATA Safety Audit for Ground Operations Pool)

Aeroflot Group enhances its QMS by improving upon its KPI-based performance evaluation framework and compliance with internal and external management system standards applied by IATA, SkyTeam, and Aeroflot Group.

Seeking to further improve Aeroflot Group's QMS in 2018, Aeroflot:

- monitored its subsidiary airlines' compliance with Aeroflot Group's requirements
- advised the airlines and provided guidance on preparing for IOSA and ISO certification audits
- coordinated and controlled compliance with the EU ETS requirements
- coordinated and monitored activities necessary for ensuring compliance with CORSIA, the Carbon Offsetting and Reduction Scheme for International Aviation.

To further improve its QMS, PJSC Aeroflot implements innovative management approaches and streamlines its internal processes while using tools that are unique in the Russian air transportation market. These efforts improve service quality and ensure a high level of flight safety.

Fuel efficiency and air quality initiatives

Managing fuel efficiency is one of the Company's top priorities. PJSC Aeroflot seeks to improve its fuel efficiency and contribute to a reduction in GHG emissions. Almost the entire Aeroflot fleet complies with ICAO standards for noise levels and atmospheric pollution.

PJSC Aeroflot's system for monitoring and measuring CO₂ emissions ensures compliance with Russian and European requirements for monitoring, reporting, and verifying GHG emissions. PJSC Aeroflot's CO₂ monitoring and reporting system covers its entire route network.

In 2018, PJSC Aeroflot had a verification of its 2017 annual emission report, following which the CO₂ emissions were compensated through purchasing required EU ETS allowances.

Aeroflot develops annual fuel efficiency and cost-cutting programme while upgrading its fleet on a regular basis to further improve its fuel efficiency and reduce CO₂ emissions.

The following activities were carried out in 2018:

- Introducing standard volumes for refuelling aircraft
- Minimising the difference between projected and actual revenue loads
- Centre-of-gravity control
- Optimal use of auxiliary power unit
- Lower fuel consumption through reducing water supplies on board
- Use of ground systems for pre-flight air conditioning of aircraft cockpit and cabins
- Improving aerodynamics through quality surface washing
- Improving engine efficiency through ramjet duct cleaning
- Reducing take-off weight by tracking the weight of kitchen equipment and onboard food and comfort items

These activities helped reduce fuel consumption by 14,678.9 tonnes, equal to decreasing CO₂ emissions by 46,341.3 tonnes.

Aeroflot provides passengers with information on its CO₂ footprint from flights: the corporate website has an online CO₂ calculator that estimates a passenger's environmental footprint from the flight.

Fuel efficiency and air quality initiatives across Aeroflot airline

	2014	2015	2016	2017	2018
Fuel consumption, tonnes	2,028,842	2,183,335	2,365,190	2,588,100	2,798,389
Specific fuel consumption, g/TKM	301.6	299.2	286.3	277.6	283.5
CO ₂ emissions, tonnes	6,390,852	6,877,505	7,450,348	8,152,515	8,806,136
Specific CO ₂ emissions, g/TKM	950.7	943.5	902.8	875.1	895.1

GHG emissions (CO₂ equivalent)

Year	Greenhouse gas emissions, tonnes CO ₂			Specific GHG emissions, g/RPK		
	Aeroflot	Rossiya	Aurora	Aeroflot	Rossiya	Aurora
2014	6,390,852	620,990	201,569	95.2	61.2	117.7
2015	6,877,505	384,095	223,437	92.7	44.2	119.4
2016	7,450,348	751,800	252,399	90.2	40.2	113.5
2017	8,152,515	2,076,649	267,800	88.9	36.8	113.2
2018	8,806,136	2,444,733	269,496	89.9	82.6	108.2

Carbon Disclosure Project (CDP)

In 2018, PJSC Aeroflot continued to receive an international Carbon Disclosure Project (CDP) rating for disclosing its climate change management and GHG emissions. Under the CDP, companies from across the globe make reports on their GHG emissions and climate change activities. CDP scoring is growing in popularity, both among companies and investors.

PJSC Aeroflot's CDP score (D) remained unchanged from the previous year. To improve its CDP score, PJSC Aeroflot plans to launch a number of initiatives aimed at creating a corporate system for managing GHG emissions. The system's mission will be to monitor direct and indirect GHG emissions and prepare and verify reports on these emissions, compliant with ISO 14064 requirements.

Sustainable water use

Aeroflot is working to ensure sustainable water use and a reduced impact on waterbodies.

In 2018, the Company renovated treatment facilities for stormwater flows from PJSC Aeroflot's Melkisarovo office building. The quality of wastewater and surface water discharged by the treatment facilities was monitored every month. No excessive concentrations of pollutants in the wastewater were reported in 2018. A report was produced from observing the waterbody and impact of the wastewater and drainage water discharged by the treatment facilities in 2017.

Aeroflot promptly discloses all the required environmental data on the use of water resources to environmental authorities.

In 2018, the Company assessed the air pollutant emissions at the paint facility of the Ground Handling Department. No excessive concentrations of pollutants were reported.

Water consumption by PJSC Aeroflot,* (thousand cubic metres)

	2016	2017	2018
Total:	134.2	135.4	154.1
from the public water supply network	134.2	135.4	154.1

Water discharge by PJSC Aeroflot,* (thousand cubic metres)

	2016	2017	2018
Total:	134.9	136.3	151.8
including treated water (surface drains from the office building, buildings, and structures)	1.2	1.4	3.1
sent to other companies for treatment (sewage)	133.7	134.9	148.7

* Data for Moscow and the Moscow Region. PJSC Aeroflot Annual Report 2017 only provides similar data for the Melkisarovo office building.

Reducing and disposing of industrial and commercial waste

Aeroflot has been setting up sites for industrial waste storage and selective waste collection. In 2018, the Company created new sites for waste storage differentiated by waste type and hazard class. The Company ran checks of the sites, including those for temporary storage of industrial waste, and recorded industrial and commercial waste volumes and movement on a quarterly basis. All the required reporting documents were provided to environmental authorities.

A total of 9.6 tonnes of paper and cardboard was handed over for recycling in 2018, which helped save 95 trees and reduce CO2 emissions by 16.3 tonnes.

Seeking to raise environmental awareness among its employees, Aeroflot regularly runs environmental workshops and webinars.

No critical industrial spills were registered at PJSC Aeroflot in 2018.

Total waste by hazard class (tonnes)

	2014	2015	2016	2017	2018
Total	9,066.3	9,777.2	8,852.8	8,365.7	9,207.7
including:					
hazard class 1	3.2	2.2	3.9	2.4	2.1
hazard class 2	5.7	1.4	4.8	6.4	5.3
hazard class 3	1,337.5	2,448.5	2,508.3	2,353.4	3,038.4
hazard class 4	7,320.1	6,919.6	5,643.7	5,352.1	5,434
hazard class 5	399.8	405.5	692.0	651.4	728

Total waste by disposal method (tonnes)

	2014	2015	2016	2017	2018
Handed over for recycling	7.7	4.7	8.1	3.879	8.95
Handed over for disposal	313.3	308.5	250.6	258.3	290.7
Handed over for neutralisation	1,188.7	2,325.6	2,430.1	2,847.7	5,877.9
Landfilled	7,556.6	7,138.4	6,164	5,255.8	5,504

Energy consumption by PJSC Aeroflot in 2018

	Actual consumption	
	by volume	RUB thousand (net of VAT)
Total aviation fuel, tonnes	2,824,654	126,412,869
Heat,* Gcal	42,965	70,459
Electricity,* kWh	29,546,700	130,665
Motor fuel, total, litres	5,726,270	227,347
Aviation lubricants, litres	292,293	213,901

* Excluding representative offices and branches.

Procurement

Aeroflot Group works with a wide range of suppliers and uses modern, competitive procurement practices. The Group prioritises equality, fairness, and non-discrimination while ensuring that no unreasonable and restrictive business practices are applied towards bidders.

OUR PROCUREMENT PRACTICES ARE BASED ON:

- information transparency
- targeted, cost-effective procurement of goods, works, and services, as well as focus on 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.

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.

KEY PROCUREMENT OBJECTIVES ARE TO:

- ensure timely and uninterrupted aviation fuel supplies
- meet the Company's product and service needs in time and in full
- ensure better value for money
- foster fair competition
- increase the share of competitive procurement
- increase the share of online procurement
- support SMEs.

In 2018, Aeroflot Group's procurement totalled RUB 750.5 billion. Competitive procurement accounted for 30.8% (by value), 86.8% of which was online competitive procurement.

Procurement highlights of Aeroflot Group

	2018
Total procurement in 2018, RUB million*	750,463
Competitive procurement (by value), %	30.8
Including competitive online procurement, %	86.8
Single source procurement, %	69.2
Savings on competitive procurement in 2018, RUB billion**	7.5
Average number of bidders	3
Procurement from SMEs, %	78.0

* The volume of purchases is calculated as total payments made during the reporting year under contracts signed as a result of procurement processes.
** The savings are calculated as the difference between the initial (maximum) price of the tender and the winning price, excluding tenders where the initial (maximum) price is calculated based on a given rate, tariff, or formula.

PJSC Aeroflot's procurement in the reporting period totalled RUB 544.4 billion. Competitive procurement accounted for 40.5% (by value). Competitive online procurement accounted for 88.36%, in line with the requirements of the Federal Agency for State Property Management (Instruction No. GN-13/1206 dated 21 January 2011).

Savings on procurement in 2018 totalled RUB 7.5 billion for Aeroflot Group and RUB 3.5 billion for PJSC Aeroflot.

Procurement from small and medium-sized enterprises

Aeroflot Group seeks to support small and medium-sized enterprises (SMEs). Aeroflot significantly increased procurement from SMEs in 2018, with the total value of contracts signed with SMEs during the year tripling, from RUB 6.8 billion in 2017 to RUB 20.6 billion in 2018.

Procurement from small and medium-sized enterprises (SMEs) accounted for 85.2% of the total in 2018, one of the highest levels among large federal-level customers.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, recommending that SMEs make up no less than 18% of a company's total annual value of contracts. Overall, this reflects the priority position of SMEs when selecting suppliers along with the specific needs of Aeroflot's business.

PJSC Aeroflot also provides support to SMEs and facilitates their access to its procurement. In 2018, the pilot SME partnership initiative aimed at facilitating proposal submissions for the Company's procurement processes was updated, and the workshop programme for SMEs was extended. To ensure accurate reporting on procurement from SMEs, the Company implemented a series of initiatives:

- Optimising the list of SME-specific procurement codes
- Holding working meetings with SMEs
- Developing subsidiary-specific partnership programmes
- Organising a series of regional workshops for SMEs, arranging meetings with potential suppliers and members of PJSC Aeroflot's pilot SME partnership initiative
- Participating in conferences dedicated to expanding SME access to the procurement processes of Russia's biggest customers

Aeroflot's initiatives proved to be successful and the Company has since been recognised by two letters of commendation from RSMB Corporation – Russian Small and Medium Business Corporation – for its significant contribution to the development of small and medium-sized businesses. In the future, the Company plans on increasing its share of supplies sourced from SMEs in overall procurement contracts, prioritising innovative and high-tech products.

Procurement highlights of PJSC Aeroflot

	2017	2018
Total procurement, RUB million	448,299.9	544,448
Competitive procurement (by value), %	62.3	40.5
Including competitive online procurement, %	61.1	88.4
Single source procurement, %	62.3	59.5
Savings on competitive procurement (excluding aviation fuel), RUB billion	5.3	3.5
Average number of bidders	3.3	3
Procurement from SMEs, %	89.4	85.2

In 2018, Rossiya subsidiary airline launched its SME partnership initiative. Under the initiative, Rossiya has committed to providing methodological support to SMEs on procurement practices, arranging workshops, conferences, and round tables, and notifying SMEs on its current and potential technological needs, planned short-term and long-term procurement volumes, and cooperation terms with maximum transparency. A partnership agreement with RSMB Corporation was also signed in 2018.

The Advisory Board, in charge of independent audits of PJSC Aeroflot's procurement efficiency, continued its activities in 2018. The Advisory Board includes representatives of NGOs, 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/soveshchatelnyi-organ>.

Fuel procurement

The key priority of fuel procurement is ensuring timely and uninterrupted fuel supply to Aeroflot Group's aircraft while maintaining high flight safety and maximising fuel pricing efficiency. Fuel procurement optimisation at PJSC Aeroflot is supervised by the Fuel Commission.

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 companies and initiates fuel procurement processes. PJSC Aeroflot settles accounts for supplied fuel, fuel storage, and refuelling directly with its counterparties. These arrangements cover virtually all fuel needs of the Group's 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 2018, we noted an unusual trend of simultaneous growth in global quoted petroleum product prices and the rouble depreciation against the US dollar, which resulted in increased fuel procurement expenses. PJSC Aeroflot implemented the following measures for fuel procurement:

- For procurement with formula-based pricing linked to macroeconomic variables (such as the Platts USD/RUB exchange rate), caps on settlement prices have been introduced so that they cannot exceed the prices of the Schedule & Tariffs Centre under the Transport Clearing House, which are based on the rates and tariffs at the relevant airport within the Russian Federation as at the date of aviation fuel supply (aircraft refuelling)
- Customised management of the most expensive contracts through monthly requests for additional discounts from aviation fuel suppliers

These measures aimed at additional discounts and caps on formula-based prices proved to be quite efficient in the second half of 2018, when calculated formula-based prices linked to macroeconomic variables started growing rapidly.

Since June 2018, PJSC Aeroflot has been actively engaging with ministries, agencies, and oil industry representatives to develop a global programme aimed at jet fuel price stabilisation and airlines' aviation fuel cost reduction.

In 2018, initial contracts with jet fuel suppliers mostly used formula-based pricing linked to macroeconomic variables (over 50% of jet fuel supplies at Russian airports and 100% of the supplies at the Sheremetyevo base airport). The use of price caps and additional discounts enabled a significant reduction in our overall aviation fuel costs.

At the Height of Responsibility

Corporate Governance

The history of Aeroflot dates back to 1923 when OJSC Dobrolet ("Russian Voluntary Air Fleet") was established. Today PJSC Aeroflot's shares are traded on Moscow Exchange and the Company is building its corporate governance in accordance with the best Russian and international practices

Corporate Governance System
Risk Management
Information for Shareholders and Investors

150
180
192

Corporate Governance System

Key principles and enhancement of the corporate governance system

In its operations, PJSC Aeroflot seeks to maintain high corporate governance standards. The Company's corporate governance is based on the following core principles:

- Ensuring the exercise and protection of shareholder rights
- Ensuring fair and equal treatment of all shareholders in exercising their rights
- Preventing shareholders from abusing their rights, inflicting damage to the Company and other shareholders
- Efficient distribution of roles and powers among the Company's governing bodies
- Expertise, responsibility, and accountability of the Board of Directors and executive bodies
- Establishing an efficient internal control and risk management system

- Ensuring transparency and openness of the Company's business
- Taking material corporate actions on fair terms ensuring that the rights and interests of shareholders and other stakeholders are upheld
- Compliance with ethical norms and social responsibility standards when doing business

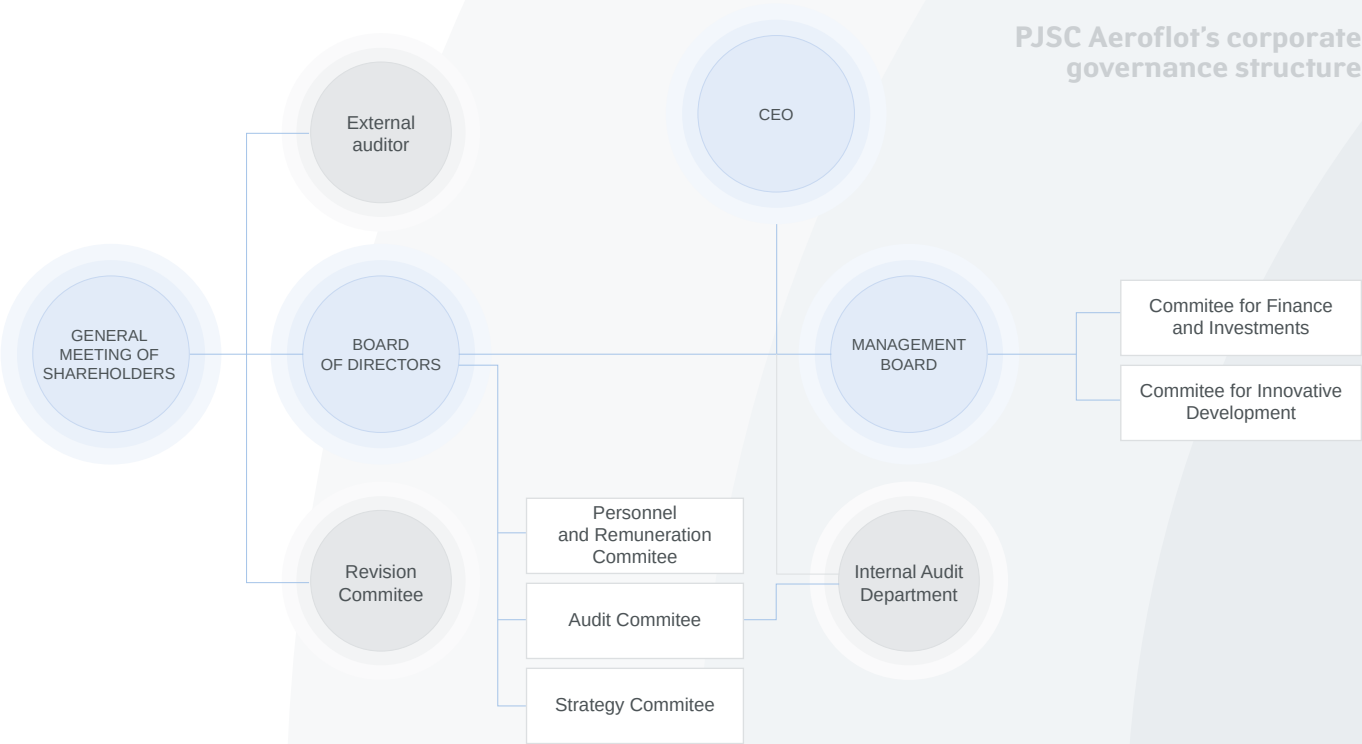
PJSC Aeroflot's corporate governance principles and procedures are set out in its Articles of Association and other internal documents. The Corporate Governance Code of PJSC Aeroflot (approved by the Board of Directors on 21 December 2017) summarises and systematises the Company's corporate governance practice.

Compliance with the Russian Corporate Governance Code

Code section	Principles recommended by the Code	Complied with	Not fully complied with	Not complied with
Shareholder Rights	13	11	2	–
Board of Directors	36	28	6	2
Corporate Secretary	2	2	–	–
Remuneration System	10	9	1	–
Risk Management System	6	6	–	–
Information Disclosure	7	7	–	–
Material Corporate Actions	5	4	1	–
Total	79	67	10	2

Note. Statistics are based on the Corporate Governance Code Compliance Report (Appendix to this Annual Report).

PJSC Aeroflot's corporate governance structure



As part of its efforts to improve corporate governance, in 2018, PJSC Aeroflot implemented the following initiatives: the Board of Directors conducted a self-assessment of its performance, and the efficiency of the corporate risk management and internal control system was assessed.

In December 2018, an external advisor, the Russian Institute of Directors, conducted another revaluation of PJSC Aeroflot's corporate governance. Since its first scoring on the National Corporate Governance Rating scale in July 2016, PJSC Aeroflot has achieved a number of positive changes noted by independent experts.

According to the revaluation, PJSC Aeroflot scored 7++ representing Advanced Corporate Management Practices according to the approved scale. This score shows that the Company complies with Russian corporate governance regulations and adheres to a substantial number of recommendations set out in the Russian Corporate Governance Code. Shareholders of the Company have low exposure to the risk of loss due to the corporate governance quality.

Improvement of a number of internal documents including the Articles of Association has been scheduled for 2019 to further implement the recommendations of the Corporate Governance Code approved by the Bank of Russia into PJSC Aeroflot's operations. In particular, the Company plans to extend the deadline for submitting documents and information to shareholders in preparation for the General Meeting of Shareholders.

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

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

The Revision Committee supervises the financial and business operations of the Company, its units and services. To ensure reliability and transparency of its financial statements prepared under both the Russian Accounting Standards and the International Financial Reporting Standards, PJSC Aeroflot regularly engages external auditors. The Internal Audit Department accountable to the Audit Committee of PJSC Aeroflot's Board of Directors also audits the Company's financial and operational activities.

Key documents ensuring protection of PJSC Aeroflot shareholder rights include:

- Articles of Association
- Regulations on the General Meeting of Shareholders
- Regulations on the Board of Directors
- Regulations on the Management Board
- Regulations on the Revision Committee
- Corporate Governance Code
- Regulations on the Corporate Information Policy
- Dividend Policy
- Corporate Conduct Code.

PJSC Aeroflot controls interests in (holds shares in the charter capital of) a number of subsidiaries, including airlines, where PJSC Aeroflot also ensures compliance with the top standards of corporate governance by developing and implementing Group-wide policies and principles. The Company developed a cross-functional governance system for its aviation subsidiaries.

To ensure supervision over financial and business activities of its subsidiary airlines, the Group enabled each of them to have a dedicated revision committee made up of PJSC Aeroflot's representatives. In addition to inspections by revision committees, the airlines are subject to inspections by an auditor approved pursuant to the relevant bidding procedures.

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

General Meeting of Shareholders

The General Meeting of Shareholders is PJSC Aeroflot's supreme governing body responsible for matters most crucial to the Company. The respective scope of authority and procedures for convening, holding, and summarising Annual General Meetings of Shareholders are set forth in PJSC Aeroflot's Articles of Association and Regulations on the General Meeting of Shareholders. The Annual General Meeting of Shareholders is held annually no earlier than three months and no later than six months after the end of the fiscal year.

Annual General Meeting of Shareholders on 25 June 2018

In 2018, PJSC Aeroflot convened the Annual General Meeting of Shareholders in Moscow on 25 June (Minutes No. 42 dated 26 June 2018). The meeting was attended by holders of 61.6% of PJSC Aeroflot's total share capital.

The Annual General Meeting of Shareholders approved the Annual Report, 2017 financial statements (including the profit and loss statement), and the distribution of the net profit for FY2017. The Annual General Meeting of Shareholders also approved the remunerations of members of the Board of Directors and the Revision Committee, as recommended by the Board of Directors.

New Board of Directors and Revision Committee were elected. Pursuant to the relevant bidding procedures, the Company selected an auditor for 2018 (to audit the statements prepared under the Russian Accounting Standards and the International Financial Reporting Standards).

The Company also endorsed and approved a number of interested party transactions, in particular, a major transaction related

to the operating lease of 50 new MC-21-300 aircraft. Aviacapital-Service, a leasing subsidiary of Rostec State Corporation, acts as a lessor in the transaction. The delivery of cutting-edge Russian civilian aircraft to Aeroflot is planned between the first quarter of 2020 and the third quarter of 2026 (with an option to postpone/extend the delivery time).

The Annual General Meeting of Shareholders of PJSC Aeroflot approved a dividend of RUB 12.8053 per ordinary share for FY2017, with total dividend payments of RUB 14,221,775,000 (50% of Aeroflot's net profit under the Russian Accounting Standards).

Extraordinary General Meeting of Shareholders on 23 October 2018

In 2018, PJSC Aeroflot also convened an Extraordinary General Meeting of Shareholders (EGM) in Moscow on 23 October (Minutes No. 43 dated 24 October 2018). The meeting was attended by holders of 64.7% of PJSC Aeroflot's total share capital.

PJSC Aeroflot's EGM was convened at the request of the majority shareholder, the Government of the Russian Federation represented by the Federal Agency for State Property Management (Rosimushchestvo) based on the directive received in line with Resolution of the Russian Government No. 738 On Management of Shares of Public Corporations Owned by the Federal Government and Exercise of the Special Right of Participation of the Federal Government in Management of Public Corporations ("Golden Share") dated 3 December 2004.

The EGM passed a resolution on early termination of the mandates of the Company's directors and election of a new Board of Directors.

Board of Directors

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

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

The main objectives of the Board of Directors are to:

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

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

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

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

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

In their work, the Company's Board of Directors and its Committees use tablets with the Board of Directors software developed in Russia. The platform allows Directors to study materials for meetings in a prompt manner and have access to the Board of Directors' earlier materials and resolutions.

Chairman of the Board of Directors

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

Independent directors

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

The presence of independent directors enhances corporate governance in the Company. Independent members of the Board of Directors are actively involved in the activities of the Board Committees. In accordance with the requirements of the Moscow Exchange, independent directors head the Board of Directors' Audit Committee and Personnel and Remuneration Committee. The majority of members of the Board of Directors' Committees are also independent directors, which helps achieve a balanced and independent position on agenda items.

Assessment of the Board of Directors' performance

In 2018, PJSC Aeroflot's Board of Directors conducted a self-assessment of its performance for the first time. The self-assessment for 2017/2018 corporate year was conducted as part of the Action Plan (Roadmap) to Improve Corporate Governance Practices at Aeroflot and was focused on the implementation of the key recommendations set out in the Corporate Governance Code recommended by the Bank of Russia.

The PJSC Aeroflot Board carried out a self-assessment in the form of an anonymous survey questionnaire. The questionnaire comprised over 40 questions to assess the performance of the Board of Directors, its Committees, Chairman and Executive Secretary. Members of the Board of Directors could also express their opinions on the viability of such self-assessment and make proposals on the improvement of the Board's self-assessment procedure.

The results of the self-assessment show that the Board of Directors' composition is well-balanced, which enables it to perform its key functions efficiently. Members of the Board of Directors pay sufficient attention to their service on the Board of Directors and its Committees, as well as to reviewing agenda items of both the Board and its Committees. When discussing agenda items, Directors have proved to be involved and active. The presentation and quality of the materials and information for the Board meetings submitted to the Directors, as well as the performance of the Company's Executive Secretary received a positive assessment.

Based on the self-assessment results, members of PJSC Aeroflot's Board of Directors received recommendations to further improve the performance of the Board and its Committees. In future, the Company intends to carry out independent assessment of the Board of Directors' performance with the help of an external advisor.

Board of Directors of PJSC Aeroflot in 2018

From 26 June 2017 to 25 June 2018*	From 25 June 2018 to 23 October 2018**	Since 23 October 2018***
Mikhail Poluboyarinov	Mikhail Poluboyarinov	Evgeny Ditrich
Lars Erik Bergstrom	Lars Erik Bergstrom	Mikhail Voevodin
Mikhail Voevodin	Mikhail Voevodin	Igor Kamenskoy
Alexey Germanovich	Alexey Germanovich	Roman Pakhomov
Igor Kamenskoy	Igor Kamenskoy	Dmitry Peskov
Dmitry Peskov	Roman Pakhomov	Mikhail Poluboyarinov
Vitaly Saveliev	Dmitry Peskov	Vitaly Saveliev
Dmitry Saprykin	Vitaly Saveliev	Vasily Sidorov
Vasily Sidorov	Vasily Sidorov	Yury Slyusar
Yury Slyusar	Yury Slyusar	Maxim Sokolov
Sergey Chemezov	Sergey Chemezov	Sergey Chemezov

* Elected by resolution of the Annual General Meeting of Shareholders on 26 June 2017 (Minutes No. 40 dated 28 June 2017).
** Elected by resolution of the Annual General Meeting of Shareholders on 25 June 2018 (Minutes No. 42 dated 26 June 2018).
*** Elected by resolution of the Extraordinary General Meeting of Shareholders on 23 October (Minutes No. 43 dated 24 October 2018).

Membership of the Board of Directors

As at 31 December 2018, PJSC Aeroflot's Board of Directors was comprised of the Chairman (non-executive director), one executive director, seven non-executive directors, and two independent directors.

In December 2018, Evgeny Ditrich, Minister of Transport of the Russian Federation, was elected as Chairman of PJSC Aeroflot's Board of Directors. He had been elected to the Board of Directors as from 23 October 2018 by resolution of the Extraordinary General Meeting of Shareholders.

Members of the Board of Directors efficiently performed their functions and tasks throughout 2018 notwithstanding their service on boards of directors of other companies.

In the reporting year, no members of the Company's Board of Directors purchased, or disposed of, their shares in the Company. No claims were filed against members of the Board of Directors.

Membership of the Board of Directors as at 31 December 2018



Evgeny Ditrich

Chairman of the Board of Directors,
Non-Executive Director

Member of PJSC Aeroflot's Board of Directors since 2018.

Born in 8 September 1973.

In 1996, graduated from Moscow Engineering Physics Institute with a degree in Applied Mathematics. In 1999, graduated from the Higher School of Privatisation with a degree in Law.

From 1995 to 1998, Adviser, Deputy Chief, and then Chief of the Department of the State Committee for State Property Management of the Russian Federation.

From 1998 to 2004, Deputy Chief, Chief of Department, and then Deputy Head of the Department of Normative and Methodological Support of the Russian Ministry of Property Relations.

From 2004 to 2005, Deputy Director of Department at the Russian Ministry of Economic Development and Trade.

From 2005 to 2012, Deputy Chief at the Federal Road Agency.

From 2012 to 2015, Deputy Director at the Department of Industry and Infrastructure of the Russian Government.

In 2015, Head of the Federal Service for Supervision of Transport.

From 14 October 2015 to 18 May 2018, First Deputy Minister of Transport of the Russian Federation.

Since 18 May 2018, Minister of Transport of the Russian Federation.

First Class State Adviser of the Russian Federation.

He was awarded the Order of Honour, and in 2017, received a Letter of Acknowledgement from the President of the Russian Federation, a Letter of Acknowledgement from the Government of the Russian Federation, the title of the Honoured Worker of Transport of Russia, and other industry awards.

No shareholding in PJSC Aeroflot.



Sergey Chemezov

Non-Executive Director

Member of PJSC Aeroflot's Board of Directors since 2011.

Born in 20 August 1952.

Graduated from the Irkutsk Institute of National Economy, completed Advanced Courses at the Military Academy of the General Staff of the Russian Armed Forces. Doctor of Economics, Professor, full member of the Academy of Military Science.

Chairman of the boards of directors of Rosoboronexport, VSMPO-AVISMA Corporation, Kamaz, and Uralkali.

Member of the boards of directors of International Financial Club and Alliance Rostec AUTO BV Joint Venture. Member of the Supervisory Board of Rostec.

Since December 2007, CEO of Rostec State Corporation.

From 2004 to 2007, CEO of Rosoboronexport.

From 2001 to 2004, First Deputy CEO of Rosoboronexport.

From 1999 to 2001, CEO of Promexport.

From 1996 to 1999, Head of Foreign Economic Relations at the Administrative Office of the Russian President.

From 1988 to 1996, Deputy CEO of Sovintersport.

From 1980, worked at the Luch Research-Industrial Association; from 1983 to 1988, served as Head of the Luch Association representative office in East Germany.

Started his career at Irkutsk Scientific and Research Institute for Rare and Non-Ferrous Metals.

Member of the Bureau of the Supreme Council of the United Russia Party. Chairman of the Russian Engineering Union. President of the Russian Union of Engineering Employers. Head of the Department of Military and Engineering Cooperation and High-Tech at the Moscow State Institute of International Relations (MGIMO University).

Recipient of high government awards and winner of a large number of other prestigious awards.

No shareholding in PJSC Aeroflot.



Igor Kamenskoy

Independent Director

Head of the Personnel and Remuneration Committee, member of the Audit Committee and the Strategy Committee of the Board of Directors

Member of PJSC Aeroflot's Board of Directors since 2014.

Born in 25 January 1968.

In 1993, graduated from Moscow State Pedagogical Institute with a degree in Russian Language and Literature.

Since 2015, Managing Director at Renaissance Broker.

From 2014 to 2015, Managing Partner of Renaissance Capital – Financial Consultant.

From 2009 to 2014, Chairman of the Board of Directors of Renaissance Capital.

From 2002 to 2009, member of the Federation Council, Deputy Chairman of the Federation Council Committee.

From 2000 to 2002, Advisor to the Chairman of the State Duma.

In 1999, Vice President of Rosbank.

From 1992 to 1998, First Vice President of Soyuzcontract.

No shareholding in PJSC Aeroflot.



Roman Pakhomov

Non-Executive Director

Head of the Strategy Committee and member of the Audit Committee of the Board of Directors

Member of Aeroflot's Board of Directors from 2013 to 2017. Re-elected to the Board in 2018.

Born in 4 March 1971.

Graduated from Makarov State Maritime Academy. Holds an MBA degree in Financial Management and Bank Management from the Graduate School of International Business at the Russian Presidential Academy of National Economy and Public Administration, and an MBA degree in International Management from Kingston University (UK).

Since November 2010, CEO of Aviacapital-Service.

In 2010, Advisor to the Deputy CEO of ROSTEC Corporation (a state corporation set up to further the development, manufacture, and export of high-tech industrial products).

From 2009 to 2010, General Director and Advisor to the General Director of Rossiya State Transport Company.

From 2008 to 2009, Executive Director at Atlant-Soyuz Airlines.

From 2004 to 2008, at different periods, served as Vice President, First Deputy CEO, and CEO of VIM Airlines.

From 1999 to 2004, General Director of Investment Company Centre Capital.

From 1999 to 2001, Head of the Internal Control Service at Maritime Bank.

From late 1998 to 1999, Deputy Head of the Loans and Securities Service of Novorossiysk Shipping Company.

In 1998, Chief Specialist of the Organisational Support of Business Division in the Department for the Development of Regional Corporate Business Divisions and Organisational Support of Inkombank.

Started his career at Northern Shipping Company.

No shareholding in PJSC Aeroflot.



Dmitry Peskov

Non-Executive Director

Member of the Strategy Committee of the Board of Directors

Member of PJSC Aeroflot's Board of Directors since 2014.

Born in 26 December 1975.

In 1998, graduated from Voronezh State University.

In 1999, obtained a Master's degree in Political Studies from the Moscow School of Social and Economic Sciences and the University of Manchester.

Member of the Government Expert Council, member of the Board of Directors of RVC.

Since 2011, Director of Young Professionals at the Agency for Strategic Initiatives.

Since 2009, Head of Strategic Initiatives at All-Russian Exhibition Centre.

Since 2000, has led the strategy development exercise, chaired the Internet Policy Centre, and overseen the establishment of the Russian International Studies Association at the Moscow State Institute of International Relations (MGIMO University). Last position held – Deputy Scientific Vice President, Innovation Director.

No shareholding in PJSC Aeroflot.



Mikhail Poluboyarinov

Non-Executive Director

Member of PJSC Aeroflot's Board of Directors since 2017.

Born in 2 April 1966.

In 1988, graduated from Moscow Financial University with a degree in Finance and Credit. In 1998, graduated from the Plekhanov Russian University of Economics with a PhD in Economics majoring in Finance, Currency Circulation and Credit.

He is currently a member of the boards of directors of Leader and Rostelecom, and a member of the Supervisory Board of DOM.RF.

From 1990 to 1999, Chief Accountant and Financial Director at Avtoimport.

From 2000 to 2009, Chief Accountant and Deputy CEO of PJSC Aeroflot.

Since 2009, Director of the Infrastructure Department and Deputy Chairman at VEB.RF, First Deputy Chairman of State Development Corporation VEB.RF.

He was awarded the title of the Honoured Economist of Russia and a Letter of Acknowledgement from the Russian Ministry of Transport. For his contribution to the preparation of the XXII Winter Olympic Games and the XI Winter Paralympic Games in Sochi in 2014, Mikhail Poluboyarinov was awarded the Order of Honour.

No shareholding in PJSC Aeroflot.

Membership of the Board of Directors as at 31 December 2018



Vitaly Saveliev

Executive Director

Chairman of the Management Board and CEO of PJSC Aeroflot

Member of PJSC Aeroflot's Board of Directors since 2009.

Born in 18 January 1954. In 1977, graduated from Leningrad Polytechnic Institute (Saint Petersburg Polytechnic University). In 1986, graduated from the Leningrad Institute of Engineering and Economics (the Saint Petersburg State University of Economics). PhD in Economics. From 1977, was engaged in the construction of the Sayano-Shushenskaya HPP, worked his way up from an engineer to the general designer in one of the Krasnoyarskgesstroy associations. From 1984, Deputy Director of All-Union Sevzapmetallurgmontazh Trust. From 1987, Deputy Head of Chief Directorate of Glavleningradinzhshtroy. From 1989, President of the US-Russian joint venture DialogInvest. From 1993, Chairman of the Management Board of Rossiya Bank. From 1995, Chairman of the Management Board of Menatep Saint Petersburg. From 2001, Deputy Chairman of the Management Board of Gazprom. From 2004, Deputy Minister for Economic Development and Trade of the Russian Federation. From 2007, First Vice President of PJSFC Sistema. Since 2009, current position. He received the Order "For Merit to the Fatherland", 4th class, the Order of Alexander Nevsky, the Order of Honour, the Order of Friendship, was awarded a Letter of Acknowledgement from the President of the Russian Federation, numerous medals and industry awards.

Has a 0.121% shareholding in PJSC Aeroflot.



Vasily Sidorov

Independent Director

Head of the Audit Committee, member of the Personnel and Remuneration Committee and the Strategy Committee of the Board of Directors

Member of PJSC Aeroflot's Board of Directors since 2013.

Born in 2 February 1971. In 1993, graduated from the Moscow State Institute of International Relations (MGIMO University) with a degree in International Public Law, and from the Wharton Business School of the University of Pennsylvania with a degree in Finance. Since 2012, CEO of Arida. From 2012 to 2018, member of the Board of Directors of Russian Railways. From 2010 to 2017, Managing Partner of Euroatlantic Investments Ltd. From 2006 to 2010, co-owner of Telecom Express Group. From 2003 to 2006, President of MTS. From 2000 to 2003, First Vice President of Sistema Telecom. From 1997 to 2000, Deputy CEO of Svyazinvest.

No shareholding in PJSC Aeroflot.



Yury Slyusar

Non-Executive Director

Member of the Strategy Committee of the Board of Directors

Member of PJSC Aeroflot's Board of Directors since 2015.

Born in 20 July 1974. In 1996, graduated from Lomonosov Moscow State University with a degree in Law. In 2003, completed a post-graduate programme at the Academy of National Economy under the Government of the Russian Federation. PhD in Economics. Since January 2015, President of United Aircraft Corporation. In 2012, was appointed Deputy Minister of Industry and Trade of the Russian Federation. In 2010, Director of the Aviation Industry Department at the Russian Ministry of Industry and Trade. In 2009, was appointed Assistant to the Minister of Industry and Trade of the Russian Federation. Since 2003, Commercial Director at Rostvertol, Rostov-on-Don. Until 2003, worked with various business entities.

No shareholding in PJSC Aeroflot.



Maxim Sokolov

Non-Executive Director

Member of the Strategy Committee of the Board of Directors

Member of PJSC Aeroflot's Board of Directors since 2018.

Born in 29 September 1968. In 1991, graduated from the Department of Economics of Saint Petersburg State University with a degree in Political Economy. PhD in Economics. From 1991 to 1993, lecturer at the Department of Economics of Saint Petersburg State University. From 1992 to 1993, commercial agent at Frezi Grant. From 1993 to 1999, CEO of Rossi. From 1999 to 2004, CEO of Corporation S. From 2004 to 2009, Chairman of the Committee for Investments and Strategic Projects of the Government of Saint Petersburg. In 2009, member of the Government of Saint Petersburg, Chairman of the Committee for Economic Development, Industrial Policy and Trade. From 2009 to 2012, Director of the Department of Industry and Infrastructure of the Government of the Russian Federation. From 2012 to 2018, Minister of Transport of the Russian Federation. From June to August 2018, Chairman of the Strategy and Investment Committee of the Board of Directors of LSR Group. Since August 2018, CEO, Chairman of the Executive Committee, and a member of the Board of Directors of LSR Group. Second Class State Adviser of the Russian Federation. He was awarded the Order of Honour, a Medal of the Order "For Merit to the Fatherland", 2nd class, a Certificate of Honour of the President of the Russian Federation, a Letter of Acknowledgement from the President of the Russian Federation, and the title of the Honoured Worker of Transport of Russia.

No shareholding in PJSC Aeroflot.



Mikhail Voevodin

Non-Executive Director

Member of the Strategy Committee and the Personnel and Remuneration Committee of the Board of Directors

Member of PJSC Aeroflot's Board of Directors since 2017.

Born in 3 May 1975. In 1996, graduated from the Plekhanov Russian University of Economics with a degree in Economic Cybernetics. In 2001, graduated from the Diplomatic Academy of the Russian Ministry of Foreign Affairs with a degree in World Economy and International Economic Relations. Since July 2009, CEO of VSMPO-AVISMA Corporation. Since March 2016, member of the Board of Directors of Aviacapital-Service. Since April 2017, member of the Board of Directors of Oktava. From March to July 2009, President of VSMPO-AVISMA Corporation. Since 2006, member of the Board of Directors of VSMPO-AVISMA Corporation. In 2005, he was appointed First Deputy CEO – Executive Director of PROMINVEST. Since 2002, he has held various managerial positions at PROMINVEST, an investment company within Rostec Corporation.

No shareholding in PJSC Aeroflot.

Executive Secretary of the Board of Directors



Alexey Melyokhin

Executive Secretary of the Board of Directors

Born in 1977. In 2001, graduated from the Institute of Economics and Entrepreneurship. Obtained a PhD from the Russian Presidential Academy of National Economy and Public Administration. Joined PJSC Aeroflot in 1998. Held a number of positions from legal counsel to the regulations drafting and alignment team of the Company's Administration to Corporate Governance Department Director.

No shareholding in PJSC Aeroflot.

The Executive Secretary of the Board of Directors is responsible for the administrative and information support of the Company's Board of Directors and General Meeting of Shareholders, and supervises compliance by the Company's bodies and officers with corporate governance rules and procedures stipulated by the laws of the Russian Federation, the Company's Articles of Association and internal documents.

The proceedings of the Executive Secretary are governed by the Regulations on the Executive Secretary of the Board of Directors and the Board of Directors Office of PJSC Aeroflot.

Board of Directors performance report for 2018

In 2018, PJSC Aeroflot's Board of Directors held 18 meetings, including 10 meetings in person and 8 meetings in absentia, which addressed over 170 matters and passed over 400 resolutions.

In its resolutions, the Board of Directors covers a number of priority areas to:

- ensure flight safety and on-time performance

→ determine Aeroflot Group's strategy and identify priority business segments

→ build and maintain effective internal controls and risk management

→ map out a development strategy for Aeroflot Group's aircraft fleet and route network

→ continuously upgrade the fleet through additions and aircraft mix optimisation

→ improve operating, financial, and marketing practices and methods through upgrades, innovation, and implementation of best practices from global peers

→ improve the performance of Aeroflot's branches and representative offices both domestically and internationally

→ enforce higher standards for airport and in-flight passenger services, expand the service mix, and improve customer experience
- promote cooperation with SkyTeam partners, use the membership to expand the Company's route network, and boost the international flight performance

→ promote strategic partnerships with airlines across key geographies

→ improve operational performance of subsidiaries and streamline the non-core asset structure to cut unnecessary spending and increase returns on investments

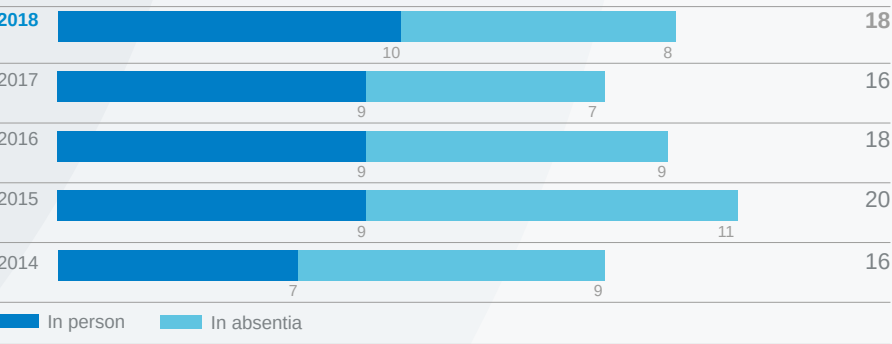
→ develop and upgrade information technologies

→ ensure information transparency including procurement

→ enhance shareholder and investor relations

→ develop and improve corporate policies.

Number of meetings held by the Board of Directors



Directors attendance at Board meetings in 2018

Board member	Status	Board of Directors	Audit Committee	Personnel and Remuneration Committee	Strategy Committee
Lars Erik Bergstrom*	Independent Director	14(7)/14	7(1)/7	9(2)/9	2/2
Mikhail Voevodin	Non-Executive Director	18(11)/18		11(6)/11	9(4)/9
Alexey Germanovich*	Independent Director	14(7)/14	7/7	9(1)/9	7/7
Evgeny Ditrich**	Chairman of the Board of Directors	4(1)/4			
Igor Kamenskoy	Independent Director	18(8)/18	10(1)/10	11(1)/11	9/9
Roman Pakhomov***	Non-Executive Director	10(4)/10	2/2	2/2	4/4
Dmitry Peskov	Non-Executive Director	18(10)/18		9(3)/9	9(1)/9
Mikhail Poluboyarinov	Chairman of the Board of Directors	18(8)/18			
Vitaly Saveliev	Executive Director	18(8)/18			
Dmitry Saprykin****	Executive Director	8(4)/8			4(3)/4
Vasily Sidorov	Independent Director	18(8)/18	10/10	11(1)/11	9/9
Yury Slyusar	Non-Executive Director	18(10)/18			8(8)/8
Maxim Sokolov**	Non-Executive Director	4(1)/4			1/1
Sergey Chemezov	Non-Executive Director	18(12)/18			

- * Member of the Board of Directors up to the Extraordinary General Meeting of Shareholders held on 23 October 2018.
- ** Member of the Board of Directors as from the Extraordinary General Meeting of Shareholders held on 23 October 2018.
- *** Member of the Board of Directors as from the Annual General Meeting of Shareholders held on 25 June 2018.
- **** Member of the Board of Directors up to the Annual General Meeting of Shareholders held on 25 June 2018.

Note. Data format: the number of meetings attended by the member of the Board of Directors/the total number of meetings held in 2018. Attendance through written opinions or questionnaires (for meetings held in absentia) is shown in brackets.

Key matters discussed by the Board of Directors in 2018

STRATEGY	FINANCE	CORPORATE GOVERNANCE AND HR	TRANSACTIONS
<div>→ Progress in implementation of Aeroflot Group's Strategy</div> <div>→ Development of Aeroflot Group's new Strategy</div> <div>→ Implementation of Aeroflot Group's Long-Term Development Programme and KPIs achievement</div> <div>→ Flight safety at Aeroflot airline</div> <div>→ Progress of strategic partnership promotion</div> <div>→ Implementation of PJSC Aeroflot's Innovative Development Programme</div> <div>→ Enhancement of Aeroflot Group's IT</div> <div>→ Progress in implementation of Aeroflot Group's marketing strategy</div> <div>→ KPIs</div> <div>→ enhancement of service offerings within Aeroflot Group</div>	<div>→ Operational and financial performance</div> <div>→ Annual accounting statements, including the income statement</div> <div>→ Aeroflot Group's consolidated IFRS budget</div> <div>→ Auditors' reports under RAS and IFRS</div> <div>→ Aeroflot Group's operational KPIs forecast</div> <div>→ Aeroflot Group's non-aviation revenues</div> <div>→ Charity and sponsorship</div> <div>→ Profit distribution including dividend payout</div> <div>→ Procurement</div> <div>→ Tender for conducting annual audit under IFRS and RAS</div> <div>→ Risk management system at Aeroflot Group</div> <div>→ Review of the Internal Audit Department's report</div> <div>→ Review of materials and opinion of the Revision Committee</div> <div>→ Shareholder and investor relations</div>	<div>→ Corporate governance at PJSC Aeroflot</div> <div>→ Election of PJSC Aeroflot's CEO</div> <div>→ Performance of the Board of Directors and its Committees</div> <div>→ Changes in the membership of the Management Board</div> <div>→ Incentive system</div> <div>→ Long-Term Incentive Programme</div> <div>→ Disposal of non-core assets</div> <div>→ Dividends from subsidiaries</div> <div>→ Convening an Extraordinary General Meeting of Shareholders</div> <div>→ Preparation for the next Annual General Meeting of Shareholders</div> <div>→ PJSC Aeroflot's 2017 Annual Report</div> <div>→ Remuneration of members of the Board of Directors, its Committees, and the Revision Committee</div>	<div>→ Aircraft lease transactions</div> <div>→ Approval of major transactions and interested party transactions</div>

Committees of the Board of Directors

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

- Audit Committee
- Personnel and Remuneration Committee
- Strategy Committee

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

In 2018, the Board of Directors' Committees held a total of 13 meetings, including joint meetings and one meeting held in absentia, addressing matters related to the operations of Aeroflot Group and submitting detailed recommendations and proposals to the Company's Board of Directors and Management Board.

Audit Committee

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

In 2018, the Audit Committee held a total of 10 meetings (in person). The Committee's meeting agendas were compiled in line with the Committee's activity plan approved by the first post-election meeting, and reflected the instructions of the Board of Directors.

KEY MATTERS DISCUSSED IN 2018:

- Performance against Aeroflot Group's consolidated budget targets
- Aeroflot Group's and PJSC Aeroflot's budgets
- Establishing and operating an internal control and risk management system
- Initiatives to reduce Aeroflot Group's operating expenses
- Improvement of internal audit at Aeroflot Group
- Auditors' reports on the financial and business audit results under RAS and IFRS
- Reports on audits conducted by the Internal Audit Department
- Shareholder and investor relations
- Procurement
- Transactions related to the aircraft fleet
- Measures to mitigate the risks arising from relations with ticket sales agents
- Extending and restructuring of loans
- Reports on the results of analysis of companies' debt to PJSC Aeroflot
- Internal documents

MEMBERSHIP OF THE AUDIT COMMITTEE (elected by resolution of the Board of Directors on 31 October 2018)

- **Vasily Sidorov** – Head of the Committee, Independent Director
- **Igor Kamenskoy** – Independent Director
- **Roman Pakhomov** – Non-Executive Director

Lars Erik Bergstrom and Alexey Germanovich were members of the Audit Committee up to 31 October 2018.

Personnel and Remuneration Committee

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

In 2018, the Personnel and Remuneration Committee held a total of 11 meetings, including one meeting held in absentia. The Committee's meeting agendas were compiled in line with the Committee's activity plan approved by the first post-election meeting, and reflected the instructions of the Board of Directors.

KEY MATTERS DISCUSSED IN 2018:

- Remuneration of the Company's management, members of the Board of Directors and the Revision Committee, Long-Term Incentive Programme, and Long-Term Incentive Programme for members of the Board of Directors
- CEO and management KPIs
- Aeroflot Group's Long-Term Development Programme KPIs
- Assessment of the Board of Directors
- The Company's organisational structure
- Consideration of proposals and preparation of recommendations on nominees to PJSC Aeroflot's Board of Directors and Revision Committee representing the interests of the state in 2018/2019 corporate year
- Assessment of independence of nominees to the Company's Board of Directors against the relevant criteria
- Internal documents

MEMBERSHIP OF THE PERSONNEL AND REMUNERATION COMMITTEE (elected by resolution of the Board of Directors on 31 October 2018)

- **Igor Kamenskoy** – Head of the Committee, Independent Director
- **Vasily Sidorov** – Independent Director
- **Mikhail Voevodin** – Non-Executive Director

Lars Erik Bergstrom, Alexey Germanovich and Dmitry Peskov were members of the the Personnel and Remuneration Committee up to 31 October 2018, and Roman Pakhomov was a member of the Committee from 5 July to 31 October 2018.

Strategy Committee

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

In 2018, the Strategy Committee held a total of nine meetings (in person). The Committee's meeting agendas were compiled in line with the Committee's activity plan approved by the first post-election meeting, and reflected the instructions of the Board of Directors.

KEY MATTERS DISCUSSED IN 2018:

- Implementation of the Aeroflot Group development strategy
- Implementation of Aeroflot Group's Long-Term Development Programme
- Implementation of Aeroflot Group's marketing strategy
- Aeroflot Group's development strategy and Long-Term Development Programme update
- Strategic partnerships with airlines
- Dividend policy
- Aeroflot Group's IT strategy
- Shareholder and investor relations
- Enhancement of Aeroflot Group's subsidiary airlines
- Enhancement of maintenance and repair operators within Aeroflot Group
- Assessment of innovative development programmes update for partially state-owned companies
- Results of PJSC Aeroflot's Innovative Development Programme
- Aircraft fleet expansion

MEMBERSHIP OF THE STRATEGY COMMITTEE (elected by resolution of the Board of Directors on 31 October 2018)

- **Roman Pakhomov** – Head of the Committee, Non-Executive Director
- **Igor Kamenskoy** – Independent Director
- **Vasily Sidorov** – Independent Director
- **Mikhail Voevodin** – Non-Executive Director
- **Dmitry Peskov** – Non-Executive Director
- **Yury Slyusar** – Non-Executive Director
- **Maxim Sokolov** – Non-Executive Director
- **Vadim Zingman** – member of the Management Board, Deputy CEO for Customer Service
- **Andrey Chikhanchin** – member of the Management Board, Deputy CEO for Commerce and Finance

Lars Erik Bergstrom and Alexey Germanovich were members of the Strategy Committee up to 31 October 2018. Maxim Sokolov was elected to the Committee as from 31 October 2018.

Management Board and CEO

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

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

Vitaly Saveliev has been PJSC Aeroflot's CEO since April 2009; in August 2018, the Board of Directors resolved to extend his term of office until 2023.

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

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

Changes to the membership of PJSC Aeroflot's Management Board in 2018 were as follows:

- As from 11 December 2018, Andrey Chikhanchin, Deputy CEO for Commerce and Finance, was elected to the Management Board
- As from 15 March 2018, Giorgio Callegari, Deputy CEO for Strategy and Alliances, stepped down from the Management Board
- As from 5 July 2018, Shamil Kurmashov, Deputy CEO for Commerce and Finance, stepped down from the Management Board
- The size of the Management Board was reduced to 10 members

In the reporting period, members of the Management Board did not enter into transactions with PJSC Aeroflot shares. There were no claims filed against PJSC Aeroflot's CEO or members of the Management Board in 2018.



Vitaly Saveliev

Chairman of the Management Board, CEO

Born in 18 January 1954.
In 1977, graduated from Leningrad Polytechnic Institute (Saint Petersburg Polytechnic University). In 1986, graduated from the Leningrad Institute of Engineering and Economics (the Saint Petersburg State University of Economics).
PhD in Economics.
From 1977, was engaged in the construction of the Sayano–Shushenskaya HPP, worked his way up from an engineer to the general designer in one of the Krasnoyarskgesstroy associations.
From 1984, Deputy Director of All-Union Sevzapmetallurgmontazh Trust.
From 1987, Deputy Head of Chief Directorate at Glavleningradinzhsstroy.
From 1989, President of the US-Russian joint venture DialogInvest.
From 1993, Chairman of the Management Board of Rossiya Bank.
From 1995, Chairman of the Management Board of Menatep Saint Petersburg.
From 2001, Deputy Chairman of the Management Board of Gazprom.
From 2004, Deputy Minister for Economic Development and Trade of the Russian Federation.
From 2007, First Vice President of PJSFC Sistema.
Since 2009, current position.
He received the Order "For Merit to the Fatherland", 4th class, the Order of Alexander Nevsky, the Order of Honour, the Order of Friendship, was awarded a Letter of Acknowledgement from the President of the Russian Federation, numerous medals and industry awards.

Has a 0.121% shareholding in PJSC Aeroflot.

Membership of the Management Board as at 31 December 2018



Vladimir Antonov

First Deputy CEO for Operations

Born in 1953.
In 1975, graduated from Moscow Railway Engineering Institute.
From 1977 to 1995, served in the armed forces.
From 1995 to 2018, Deputy CEO for Economic and Aviation Safety, Deputy CEO for Aviation Safety, Deputy CEO for Aviation and Operating Safety, First Deputy CEO for Operations, and First Deputy CEO for Aviation Safety at PJSC Aeroflot.
Since 2018, First Deputy CEO for Operations at PJSC Aeroflot.
He was awarded a Medal of the Order "For Merit to the Fatherland", 2nd class, and the title of the Distinguished Worker of Transport of Russia, and received a Letter of Acknowledgement from the President of the Russian Federation, a Pavel Melnikov Medal, a badge of the Honoured Worker of Transport of Russia, as well as other government and industry awards.

Has a 0.000425% shareholding in PJSC Aeroflot.



Vasily Avilov

Deputy CEO for Administrative Management

Born in 1954.
Graduated from Dzerzhinsky Higher Naval Engineering College. From 1971 to 1983, served in the armed forces of the USSR.
From 1983 to 1994, worked at the Ministry of Foreign Economic Relations of the USSR.
From 1994 to 1997, worked at the Office of the Security Council of the Russian Federation.
He is Captain 1st rank and a Third Class State Adviser of the Russian Federation.
From 1997 to 2013, Head of Administration, Deputy CEO – Executive Director at PJSC Aeroflot.
Since 2013, Deputy CEO for Administrative Management at PJSC Aeroflot.
He received Medals of the Order "For Merit to the Fatherland", 1st class and 2nd class, a Medal "For Battle Merit", a Certificate of Honour and a Letter of Acknowledgement from the President of the Russian Federation, and other ministry and industry awards.

Has a 0.0000002% shareholding in PJSC Aeroflot.



Vladimir Aleksandrov

Deputy CEO for Legal and Property Matters

Born in 1984.
In 2005, graduated from Moscow State Law University. In 2016, graduated from the Russian Presidential Academy of National Economy and Public Administration (RANEPA).
Held senior positions at the Prosecutor General's Office of the Russian Federation and the Investigative Committee of the Russian Federation.
Since 2013, he has been working at PJSC Aeroflot. In 2016, he was appointed Deputy CEO for Legal and Property Matters at PJSC Aeroflot.
He received a Medal of the Order "For Merit to the Fatherland", 2nd class, and a Letter of Acknowledgement from the Minister of Transport of the Russian Federation.

No shareholding in PJSC Aeroflot.

Membership of the Management Board as at 31 December 2018



Kirill Bogdanov

Deputy CEO for Information Technologies

Born in 1963. Graduated from Leningrad Polytechnic Institute (Saint Petersburg Polytechnic University). From 1992 to 1993, lead specialist at Kredobank. From 1993 to 1995, lead programmer at Rossiya. From 1996 to 2002, Head of industrial control system and programming at Menatep Saint Petersburg. In 2002, served as Head of the Department of Automation, Information Technology and Telecommunications at Gazprom. From 2002 to 2004, Advisor to the Vice President at United Company GROS. From 2004 to 2007, Executive Director at RAMAX International. From 2007 to 2009, Director of Development and Control, Telecom Assets, at PJSFC Sistema. He holds 27 patents for IT solutions. Since 2009, he has been working at PJSC Aeroflot. He received a Medal of the Order "For Merit to the Fatherland", 2nd class, a Letter of Acknowledgement from the President of the Russian Federation, and a Petr Gubonin Medal.

No shareholding in PJSC Aeroflot.



Vadim Zingman

Deputy CEO for Customer Relations

Born in 1970. Graduated from the Saint Petersburg University of Economics and Finance. PhD in Economics. He served as Vice President of Inkombank, Chairman of the Management Board of Baltonexim Bank, President of Interregional Clearing Bank, Deputy Director of the Department of State Regulation of Foreign Trade Activity at the Russian Ministry of Economic Development and Trade, and Director of the Department of Relations with State Executive Authorities at PJSFC Sistema. From 2009 to 2011, Advisor to the CEO and Deputy CEO for Operations and Quality Management at PJSC Aeroflot. Since February 2012, Deputy CEO for Customer Relations at PJSC Aeroflot. He received a Medal of the Order "For Merit to the Fatherland", 2nd class. Has a Certificate of Honour and a Letter of Acknowledgement from the President of the Russian Federation, a Letter of Acknowledgement from the Chairman of the Federation Council of the Federal Assembly of the Russian Federation, a Certificate of Honour of the Government of the Russian Federation, and other ministry and industry awards.

No shareholding in PJSC Aeroflot.



Georgy Matveev

Director of Safety Management

Born in 1953. Graduated from the Academy of Civil Aviation. PhD in Technical Science. From 1973 to 1991, co-pilot, pilot-in-command, Deputy Air Squadron Commander, Acting Head of Flight Management at the Latvian Civil Aviation Department. From 1991 to 1995, chief pilot, Director for Flight Operations at Latvian Airlines. From 1998 to 2001, pilot, B737 pilot-in-command, pilot inspector at the Flight Safety Inspectorate at Transaero. Since 2001, he has been working at PJSC Aeroflot as Deputy Chief Flight Safety Inspector and Deputy Director of Flight Safety Management. Since July 2012, Director of Safety Management. He received a Medal of the Order "For Merit to the Fatherland", 2nd class, the honorary title of the Distinguished Pilot of the Russian Federation, an Air Transport Excellence badge, and other awards ministry and industry awards.

No shareholding in PJSC Aeroflot.



Igor Parakhin

Deputy CEO – Technical Director

Born in 1961. Graduated from the Moscow Institute of Civil Aviation Engineers. From 1984 to 1991, worked at the Central Administration of International Air Traffic. From 1991 to 2001, worked at PJSC Aeroflot starting from the position of aircraft maintenance technician. From 2001 to 2011, Deputy Director of the Aviabusiness Higher Commercial School. Since 2011, he has been working at PJSC Aeroflot. He received a Medal of the Order "For Merit to the Fatherland", 2nd class, and a Letter of Acknowledgement from the President of the Russian Federation.

Has a 0.000007% shareholding in PJSC Aeroflot.



Igor Chalik

Deputy CEO – Flight Director

Born in 1957. Graduated from the Aktyubinsk Higher School of Civil Aviation. After graduation, he was employed by a Syktyvkar airline where he flew Tu-134 aircraft. Since 1983, he has worked at the Central Administration of International Air Traffic (now Aeroflot). Flew Tu-134, Il-86, A310, and A320 aircraft. Since 2008, he has been flying A330 aircraft. His total flight hours amount to about 14 thousand hours. From 2003 to 2008, Commander of the A320 Air Squadron at PJSC Aeroflot. From 2008 to 2010, Commander of the A330 Air Squadron at PJSC Aeroflot. Since 2011, Deputy CEO – Flight Director at PJSC Aeroflot. He is the Distinguished Pilot of the Russian Federation, and was awarded a medal in commemoration of the 850th Anniversary of Moscow and a commemorative badge for the 85th Anniversary of Civil Aviation. He received the honorary title of the Distinguished Pilot of the Russian Federation, a Nesterov Medal, and other ministry and industry awards.

Has a 0.000117% shareholding in PJSC Aeroflot.



Andrey Chikhanchin

Deputy CEO for Commerce and Finance

Born in 1982. In 2004, graduated from the Academy of Budget and Treasury of the Russian Ministry of Finance. PhD in Economics. From 2003 to 2008, he held positions in finance and economic planning at several companies and organisations in various industries. From 2008 to 2009, project manager at State Corporation Bank for Development and Foreign Economic Affairs. From 2009 to 2018, Deputy Director and, later, Director of the Corporate Finance Department at PJSC Aeroflot. Since September 2018, Deputy CEO for Commerce and Finance at PJSC Aeroflot. He has received a Letter of Acknowledgement from the Minister of Transport of the Russian Federation.

No shareholding in PJSC Aeroflot.

Management Board Report for 2018

In 2018, the Management Board of PJSC Aeroflot held a total of 39 meetings, including 14 meetings in absentia.

Key matters discussed in 2018:

- Flight safety
- Technical condition of the aircraft fleet
- Progress in implementing the IT strategy
- Wider application of Big Data solutions in the Company's commercial activities
- Transactions related to the aircraft fleet
- On-time performance
- Initiatives to strengthen carry-on baggage control
- Opening of representative offices
- Launch of flights to new destinations
- Shareholder and investor relations
- Implementation of updated elements of the corporate philosophy
- Mentoring concept
- Introduction of professional standards in the Company's operations
- Charity projects for a number of institutions
- Sponsorship and cooperation initiatives

Committees

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

Committee for Innovative Development

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

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

The Committee is charged with reviewing innovative projects and providing assessment of their efficiency, monitoring the progress

of ongoing innovative projects, passing resolutions on project suspension, setting out requirements for the design and quality of innovative development materials submitted to the Management Board, and recommending projects for implementation.

In 2018, the Committee held a total of four meetings and discussed the following key matters:

- Compilation of a list of priority R&D activities in the medium and long term
- Review of R&D projects under the Innovative Development Programme in the medium term
- Review of projects submitted via the one-stop-shop system, summarising expert reviews of proposals

Membership of the Committee for Innovative Development as at 31 December 2018

Vadim Zingman	Deputy CEO for Customer Service, Chairman of the Committee
Andrey Polozov-Yablonsky	Advisor to the CEO, Director for Innovation, Deputy Chairman of the Committee
Sergey Krylov	Director of the Information Systems Department
Aleksey Korenevsky	Deputy Director for Flight Training and Training Methodology of the Flight Operations Department
Azat Zaripov	Deputy Director of the Aviation Security Management Department
Dmitry Saksonov	Head of Strategic Projects Coordination at the Corporate Strategy Department
Ekaterina Kryshkina	Advisor to the Deputy CEO for Commerce and Finance
Alexander Fadeev	Advisor to the Deputy CEO – Technical Director
Vadim Shchurov	Head of the Big Data team of the CRM and Marketing Survey Division of the Marketing Department
Elena Yurchik	Leading Expert of the Customer Service Division of the Product Management Department
Olesya Vladimirova	Head of Corporate Communications at Rossiya Airlines
Oleg Emets	Development Director at Aurora Airlines

Committee for Finance and Investments

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

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

In 2018, the Committee for Finance and Investments held a total of 34 meetings including 31 meetings in absentia.

Membership of the Committee for Finance and Investments as at 31 December 2018

Andrey Chikhanchin	Deputy CEO for Commerce and Finance, Chairman of the Committee
Irina Nikolaeva	Chief Accountant
Evgeny Belov	Director of the Department for Economic Security
Evgeny Zenchenko	Director of the Corporate Strategy Department
Anton Lopatin	Director of the Financial Planning and Analysis Department
Arkady Petrosyan	Director of the Risk Management Department
Mikhail Safarov	Director of the Product Management Department
Yaroslav Yegorov	Director of the Corporate Finance Department
Vasily Timofeev	Director of the Financial Operations Department
Alexander Mik	Deputy Director of the Financial Planning and Analysis Department
Elena Shilina	Deputy Director of the Corporate Finance Department
Dmitry Galkin	Advisor to the Deputy CEO for Administrative Management
Andrey Polozov-Yablonsky	Advisor to the CEO, Director for Innovation

Remuneration of members of the Board of Directors and the management

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

Remuneration of members of the Board of Directors

Guidelines for Board remuneration calculation and payouts are set forth in the Regulations on Remuneration and Compensation Payments to the Members of the Board of Directors of PJSC Aeroflot, in line with the Federal Law On Joint Stock Companies, other applicable laws of the Russian Federation, and the Company's internal documents. The Regulations were approved by PJSC Aeroflot's AGM in 2017.

The Board remuneration system comprises a fixed component and the Long-Term Incentive Programme (a variable component). The size of the fixed component depends on involvement of members of the Company's Board of Directors in the activities of the Board and its Committees and includes the fixed base pay and additional payments for discharging extra duties. The variable remuneration component is directly linked to the Company's market capitalisation, achievement of the capitalisation target, and the market capitalisation of key foreign airline peers. The Long-Term Incentive Programme is focused on achievement of the Company's capitalisation target.

The Long-Term Incentive Programme for 1 January 2016 to 30 June 2019 was approved in 2016 to replace the previous Stock Option Plan for 2013–2015. During the implementation, the current Long-Term Incentive Programme is adjusted to update its metrics.

The total variable remuneration of Board members is equivalent to 0.5% of PJSC Aeroflot's market capitalisation growth over the lifetime of the Long-Term Incentive Programme.

The 2016–2019 Long-Term Incentive Programme draws heavily on the following underlying metrics:

- Metric 1 (maximum weight of ½): PJSC Aeroflot's market capitalisation growth in the relevant year
- Metric 2 (maximum weight of ½): PJSC Aeroflot's ranking among five airline peers based on the market capitalisation change in the relevant year
- The annual remuneration is paid as follows:
 - 1/3 of the remuneration pool accrued for the relevant interim period is paid out to Board members simultaneously with the fixed remuneration for the relevant year
 - 2/3 of the remuneration pool accrued for the relevant interim period is not paid out but set aside until the end of the Long-Term Incentive Programme, added together and paid out as a lump sum upon resolution of the General Meeting of the Company's Shareholders, subject to the achievement of the capitalisation target. Calculations incorporate the high water mark principle, i.e. if capitalisation goes below the high water mark in the current interim period, the capitalisation growth base for the next interim period shall be the peak capitalisation value reached in the past period

As the Aeroflot Group Development Strategy 2023 was updated and approved, PJSC Aeroflot's Board of Directors approved and recommended the General Meeting of Shareholders to approve changes to the Regulations on Remuneration and Compensation Payments to the Members of the Board of Directors of PJSC Aeroflot; the adjustments are related to completion of the Long-Term Incentive Programme for members of PJSC Aeroflot's Board of Directors (for 1 January 2016 to 30 June 2019) on 30 September 2018.

Management remuneration

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

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

To provide for long-term incentives for PJSC Aeroflot's management, the Long-Term Incentive Programme for 1 January 2016 to 30 June 2019 was approved by the Board of Directors on 26 May 2016 and updated by the resolutions of the Board of Directors of PJSC Aeroflot on 25 May 2017 and 31 October 2018. The Programme covers the CEO, members of the Management Board, Deputy CEOs, department heads, Chief Accountant, and other employees of the Company, on the CEO's resolution.

The total pool of the Long-Term Management Incentive Programme is equivalent to 3.0% of PJSC Aeroflot's market capitalisation growth over the lifetime of the Long-Term Incentive Programme. The 2016–2019 Long-Term Management Incentive Programme draws heavily on the following underlying metrics:

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

The annual remuneration is paid as follows:

- 2/3 of the remuneration pool is paid out for the relevant interim period
- 1/3 of the remuneration pool is set aside until the end of the Long-Term Incentive Programme and paid out subject to the achievement of the capitalisation target.

As the Aeroflot Group Development Strategy 2023 was updated and approved, PJSC Aeroflot's Board of Directors resolved to bring PJSC Aeroflot's Long-Term Incentive Programme (for 1 January 2016 to 30 June 2019) to completion on 30 September 2018.

Remuneration of the Board of Directors and the Management Board in 2018

On 25 June 2018, the Annual General Meeting of Shareholders resolved to:

- approve the total amount of individual fixed remuneration payable to members of PJSC Aeroflot's Board of Directors for the period from 1 July 2017 to 30 June 2018 totalling the maximum of RUB 77,750,695
- approve the total amount of individual fixed remuneration payable to members of PJSC Aeroflot's Board of Directors for the period from 1 July 2016 to 30 June 2017 totalling RUB 10,387,059

According to the results of the meetings of the Board of Directors of PJSC “Aeroflot” which have taken place, the actual fixed remuneration for the period from 1 July 2017 to 30 June 2018 was RUB 77,660,000.

Remuneration of members of PJSC Aeroflot's Board of Directors for the period from 1 July 2017 to 30 June 2018

Member of the Board of Directors	Amount, RUB
Lars Erik Bergstrom	8,160,000
Mikhail Voevodin	8,160,000
Alexey Germanovich	10,380,000
Igor Kamenskoy	10,380,000
Dmitry Peskov	8,400,000
Mikhail Poluboyarinov	9,000,000
Vitaly Saveliev	–
Dmitry Saprykin	–
Vasily Sidorov	10,380,000
Yury Slyusar	6,800,000
Sergey Chemezov	6,000,000
Total	77,660,000

Remuneration paid to members of PJSC Aeroflot's Management Board in 2018

Remuneration type	Amount, RUB
Salary and additional compensations	429,178,368
Bonuses	413,188,051
Total	842,366,419

The remuneration (salary and bonuses) paid to the members of PJSC Aeroflot's Management Board in 2018 totalled RUB 842,366,419. Remuneration paid in 2018 (including the profit-sharing plan, with payments for the reporting period linked to the prior year performance) totalled RUB 1,428,162,020 (in 2017, the total remuneration was RUB 2,933,175,802 and included payments under the Long-Term Incentive Programme, unavailable in the reporting period).

Directors and officers liability insurance

As part of its efforts to provide insurance protection, PJSC Aeroflot has signed an agreement for liability insurance of the Company's directors and officers, as well as representatives of PJSC Aeroflot on governing bodies of its subsidiaries, providing for reimbursement for loss caused to third parties, arising from claims filed by third parties against the insured due to their wrongful acts committed in their management roles. A securities claim filed against the Company also constitutes an insured event.

The amount of insurance coverage is USD 100 million per claim and in total. The insurance period is three years. The total insurance premium for three years is USD 289,500 (USD 96,500 per year).

Internal control and audit

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

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

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

Audit Committee and its role

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

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

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

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

Risk management and internal controls assessment based on the reports by the Company's Internal Audit Department is regularly discussed by the Audit Committee of the Board of Directors. When conducting audits, the Internal Audit Department draws conclusions on the performance of the risk management and internal control systems for each audited entity. To further improve risk management across key business processes within PJSC Aeroflot, the Audit Committee of the Board of Directors also receives regular reports on the Company's key risks.

PJSC Aeroflot has in place a practice of confidential reporting to the Board of Directors (Audit Committee of the Board of Directors), its corporate Hotline. The Hotline operates on a confidential and anonymous basis. All received reports are reviewed by the Internal Audit Department, which supports the ongoing operation of the Hotline.

As part of its effort to support the ongoing operation of the Hotline, the Internal Audit Department reviewed each report submitted to the Hotline in 2018 (a total of 489 reports). Internal investigations were conducted and measures were taken to enhance Aeroflot Group's internal controls whenever required.

- The Hotline is used to:
- report violations of the applicable laws or Aeroflot Group's executive documents and regulations on insider information and anti-fraud and anti-corruption practices by any employee and (or) any member of the governing bodies or the body that supervises Aeroflot Group's financial and business operations
 - report violations of the Corporate Conduct Code of PJSC Aeroflot
 - make proposals on the improvement of internal controls (including anti-corruption procedures).

In 2018, an independent external assessment of PJSC Aeroflot's internal audit function was arranged and carried out to check its compliance with the International Standards for the Professional Practice of Internal Auditing. The assessment was performed by Ernst & Young Valuation and Advisory Services LLC. The opinion issued as a result of the assessment confirmed that PJSC Aeroflot's Internal Audit Department complies with the International Standards for the Professional Practice of Internal Auditing.

Results of internal and external audit assessments by the Audit Committee for 2018

The Internal Audit Department regularly reports to the Audit Committee of PJSC Aeroflot's Board of Directors on its progress under the annual activities plan, audits conducted, execution of the Department's recommendations, and operation of the Hotline.

In the reporting period, the Audit Committee of the Company's Board of Directors reviewed the day-to-day operations of the Internal Audit Department and audit results. The Audit Committee reviews, on an annual basis, the results of external audit of PJSC Aeroflot's accounting (financial) statements prepared under the RAS, and, on a quarterly basis, of the consolidated financial statements prepared under the IFRS. Opinions issued by external auditors in 2018 received a positive assessment by the Audit Committee.

In 2018, PJSC Aeroflot's Internal Audit Department conducted over 40 audits of the Company's business units and subsidiaries to identify potential risks and assess the performance of Aeroflot Group's key business segments and processes.

Audits were followed by over 500 proposals on further improvement of Aeroflot Group's operations, which were accepted by the management.

Internal Audit Department

The Internal Audit Department is an independent business unit established to provide PJSC Aeroflot's governing bodies with independent and reliable guarantees and advisory services to enhance the operations of PJSC Aeroflot and Aeroflot Group companies by applying a holistic consistent approach to assessment and improvement of risk management, internal control, and corporate governance processes.

Aeroflot Group ensures independence and objectivity of its internal audit by managing its reporting lines: the Director of the Internal Audit Department functionally reports to the Board of Directors of PJSC Aeroflot and to the Audit Committee of the Board of Directors and administratively reports to PJSC Aeroflot's CEO.

In its operation, the Department is guided by the International Standards for the Professional Practice of Internal Auditing and the underlying principles of independence, objectivity, proficiency, and professional care. The purpose of the Internal Audit Department is to support: financial and business performance of PJSC Aeroflot; achievement of financial and operational targets; protection of assets; fair disclosures of the Company's financial and business data; compliance with the applicable laws.

PJSC Aeroflot carried out the following initiatives in 2018 to optimise auditing and ensure compliance with the International Standards for the Professional Practice of Internal Auditing:

- Developed a methodology for making an Assurance Chart (Assurance Map) as part of the process to update risk-based planning methodology and internal audit reporting and thus ensure compliance with Standard 2050 of the International Standards for the Professional Practice of Internal Auditing. This document makes it possible to identify gaps and duplication of efforts in assurance coverage, which enables the Head of the Internal Audit Department to assess the sufficiency of assurance offered by the Department and review the Department's scope of work if needed
- Drew up an Assurance Map and gained a clear understanding of the work performed by other internal and external providers of assurance and consulting services (assurance providers) while preparing a risk-based plan of the Internal Audit Department for 2019 to ensure an adequate scope of the risk-based plan, minimise duplication of efforts and use the outputs of assurance providers in the work of the Internal Audit Department in the future
- Developed and implemented the Professional Competence Map of PJSC Aeroflot's Internal Auditor and a guidance on how to use it. The Competence Map seeks to address the following HR tasks within the Internal Audit Department: training and development, succession planning, recruitment, and employee performance assessment. Updated the Internal Audit Assessment and Improvement Programme
- Standardized audit programmes for the Company's key business processes to adopt a uniform approach to auditing relying on risk-based analysis

PJSC Aeroflot's Internal Audit Department once again confirmed its undisputed leadership having won the Internal Auditor of the Year Award, a national award that recognises the best internal audit professionals.

Revision Committee

The Revision Committee supervises PJSC Aeroflot's financial and business operations to provide reasonable assurance of the Company's business fully meeting the interests of its shareholders and requirements set forth in the applicable Russian laws. In its operation, the Revision Committee is guided by PJSC Aeroflot's Articles of Association and the Regulations on the Revision Committee.

The Revision Committee comprises five members who are elected at the Annual General Meeting of Shareholders for a period until the next Annual General Meeting of Shareholders.

As prescribed by the Regulations, the Revision Committee checked for accuracy the information contained in the RAS-based annual financial statements for 2018, including the income statement and other documents submitted to the Annual General Meeting of Shareholders. The Committee benchmarked the metrics of the Company's financial and business operations in 2012–2018 and the Company's compliance with the applicable laws in 2018.

Based on these audits, the Revision Committee prepared and approved a relevant report on the balance sheet and financial performance assessment results. The Committee's report reflected changes in the balance sheet structure and key change drivers, assessing a number of the Company's financial and business operations, including risk management, internal control, and compliance. The audits and checks for compliance with the applicable laws enabled the Committee to develop recommendations on improvement of the Company's performance and thereby increase earnings and cut costs.

In its report, the Revision Committee passed a positive opinion on the overall accuracy of the Company's financial statements citing no material grounds to disprove the information provided in the balance sheet and income statement of PJSC Aeroflot as at 31 December 2018. The report also listed the Committee's recommendations on the Company's financial and business performance and legal compliance.

The Annual General Meeting of Shareholders held on 25 June 2018 elected the following members of PJSC Aeroflot's Revision Committee:

- **Igor Belikov** – Director of the Russian Institute of Directors and Chairman of the Revision Committee at PJSC Aeroflot
- **Ekaterina Nikitina** – Advisor to the President of PJSC Transneft
- **Mikhail Sorokin** – Head of the Management Department of the Federal Agency for State Property Management
- **Sergey Ubugunov** – Head of Division at the Russian Ministry of Transport
- **Vasily Shipilov** – Deputy Head of Division at the Russian Ministry of Economic Development

Remuneration to Revision Committee members is paid upon resolution of the General Meeting of Shareholders. The total annual remuneration paid to members of the Revision Committee in 2018 amounted to RUB 3,334,453.

Remuneration of PJSC Aeroflot's Revision Committee in 2018

Revision Committee member	Remuneration, RUB
Igor Belikov	1,867,294
Ekaterina Nikitina	1,467,159
Mikhail Sorokin	–
Sergey Ubugunov	–
Vasily Shipilov	–
Total	3,334,453

External audit

As required by law, PJSC Aeroflot's annual accounting statements are subject to statutory audit to confirm their accuracy and reliability. External auditors are engaged for three years through public tenders which ensure unbiased selection of the successful bidder based on auditing experience, the proposed audit scope and timeline, and the nature of the Company's operations. The audit firm which won the public tender for conducting an audit of the Company's accounting (financial) statements is approved annually by the Annual General Meeting of Shareholders in accordance with the applicable laws.

The Annual General Meeting of Shareholders held on 25 June 2018 approved HLB Vneshaudit as the Company's auditor to provide an independent review of PJSC Aeroflot's 2018 accounting (financial) statements prepared under the Russian Accounting Standards (RAS). PricewaterhouseCoopers Audit was approved as the auditor of the Company's consolidated financial statements for 2018 prepared under the International Financial Reporting Standards (IFRS).

The total fees paid to HLB Vneshaudit under the contract for audit services and the contract for advisory services amounted to RUB 10,754,000 (net of VAT). The contracted scope of services rendered by HLB Vneshaudit included the audit of interim and annual statements for 2018, as well as accounting and tax advisory services.

The total fees paid to PricewaterhouseCoopers International Limited for audit, audit-related, and other services in 2018 amounted to RUB 115,330,000 (net of VAT). The key scope of services rendered under the 2018 contract included a general review of the IFRS interim and condensed consolidated financial statements for 3M, 6M, and 9M 2018, audit of the IFRS consolidated financial statements for 2018, guidance, as well as streamlining, automation, and diagnostics of the Company's business processes.

Anti-corruption policy and regulation of possible conflicts of interest

Aeroflot Group openly states zero tolerance for unfair and illegal business practices and takes additional voluntary anti-corruption commitments recommended by international and Russian laws. PJSC Aeroflot's official website has an Anti-Corruption Practices section that features an official public statement of the Company's CEO declaring zero tolerance for corruption, and prohibition of corruption at all times and in all forms.

PJSC Aeroflot is committed to public anti-corruption measures, transparent and open procurement processes, and rejection of illicit benefits; it creates effective feedback channels, runs anti-corruption training programmes for its employees, fights corruption by sharing information, and takes measures to prevent and resolve conflicts of interest.

In 2014, PJSC Aeroflot signed up to the Anti-Corruption Charter of the Russian Business.

PJSC Aeroflot's Board of Directors approved Aeroflot Group's Anti-Corruption Policy designed to create a uniform approach to Federal Law No. 273-FZ On Countering Corruption dated 25 December 2008, which provides for development and adoption of measures to prevent and counter corruption, and the Corporate Conduct Code, a list of ethical and moral standards and rules that are accepted and shared by PJSC Aeroflot's Board of Directors and employees irrespective of their position. PJSC Aeroflot issued a set of internal regulations establishing the procedure for reporting to the management personal interest that leads or may lead to a conflict of interest and all attempts by any persons to lead employees into corrupt practices.

These and other anti-corruption documents are publicly available in the Anti-Corruption Practices section on PJSC Aeroflot's official website.

In accordance with the National Anti-Corruption Plan for 2018–2020 approved by Decree of the President of the Russian Federation No. 378 dated 29 June 2018, and Instruction of the Russian Government No. DM-P17-4575 dated 23 July 2018, PJSC Aeroflot adopted an Anti-Corruption Action Plan for 2018–2020, and arranged for the actions outlined in the plan to be carried out.

The Company conducts professional development training for employees who are in charge of countering corruption, and supports collective initiatives involving the Russian Government, the Prosecutor General's Office of the Russian Federation, the Investigative Committee of the Russian Federation, relevant federal and regional government bodies, and other organisations. It also runs awareness programmes that help build an anti-corruption culture and promote anti-corruption practices.

For the first time in the Company's history, PJSC Aeroflot held a round-table discussion on counteracting corruption in business and on business partnership in the current context, in collaboration with the Prosecutor General's Office. PJSC Aeroflot's Deputy CEO for Legal and Property Matters made a report on consistent anti-corruption policy as the Company's strategic objective.

First Deputy Director of the Department for Economic Security responsible for preventing and countering corruption, who reports directly to Deputy CEO for Legal and Property Matters is in charge of compliance management. First Deputy Director of the Department for Economic Security responsible for preventing and countering corruption oversees the work of the Division for Preventing and Countering Corruption of the Economic Security Department.

PJSC Aeroflot ensures compliance with the Russian laws on counteracting corruption and preventing and resolving conflicts of interest. The Company has the Anti-Corruption and Conflict of Interest Commission chaired by First Deputy Director of the Department for Economic Security responsible for preventing and countering corruption. A procedure for reporting conflicts of interest to the management is in place. The Regulations on Procurement of Goods, Works, and Services and other documents that regulate procurement practices include provisions aimed to prevent conflicts of interest. Also, the Company reviews its contractors for conflicts of interest.

We are also consistently working to integrate the Guidelines on Anti-Corruption Risk Management and Internal Controls in Partially State-Owned Joint Stock Companies approved by Order of the Federal Agency for State Property Management No. 80 dated 2 March 2016.

PJSC Aeroflot's business units make comprehensive efforts to identify and assess corruption risks and prepare a Risk Register and a Risk Map. The Company has also developed and adopted documents regulating risk assessment and management procedures for its key business processes. Aeroflot Group's Risk Register and Risk Map are annually reviewed and approved by PJSC Aeroflot's Board of Directors.

PJSC Aeroflot has set up a dedicated incident reporting channel – okb@aeroflot.ru, which is described on the Company's website. The Company guarantees confidentiality when receiving and reviewing incident reports, and no negative consequences for individuals who raised their concerns in good faith.

Information disclosure

To enhance its corporate transparency and equity story, the Company strives to ensure timely disclosure of complete and accurate material information on its operations. The Company's disclosure is guided by requirements and recommendations of federal laws, the Bank of Russia, Russian and foreign trading hubs where the Company's securities are listed, as well as corporate documents such as the Regulations on the Corporate Information Policy and the Regulations on Providing Access to Insider Information.

The main objectives of PJSC Aeroflot's corporate information policy are to:

- ensure compliance with the Russian laws and regulatory requirements of the securities market
- enhance information transparency and confidence in communications with the Company's shareholders, security holders, investors, creditors, and other stakeholders, and ensure protection of their rights and legitimate interests
- focus on fully meeting the demand of shareholders, investors, professional security traders, and other stakeholders for fair disclosures of the corporate and business information
- secure shareholders' rights to receive material information required to exercise their corporate governance rights
- maintain professional and trust-based relationships of the Company with mass media providing for free information sharing without prejudice to the rights and legitimate interests of shareholders, investors, and other parties
- protect insider information.

Information on PJSC Aeroflot is promptly communicated to the widest possible audience through publication of relevant messages, press and news releases in the news feed updated in real time on PJSC Aeroflot's disclosure page (<http://disclosure.skrin.ru/disclosure/7712040126>), and in the Shareholders and Investors section of Aeroflot's website (<http://ir.aeroflot.ru>).

For more details on information disclosure see the Investor Relations section.

INTERNAL REGULATIONS GUIDING THE ANNUAL REPORT

Baseline internal regulations used to prepare this Annual Report, including key internal regulations governing the internal audit, as well as the risk management and internal control system, are:

- Articles of Association of PJSC Aeroflot
- Corporate Governance Code of PJSC Aeroflot
- Corporate Conduct Code of PJSC Aeroflot
- Regulations on the General Meeting of Shareholders of PJSC Aeroflot
- Regulations on the Board of Directors of PJSC Aeroflot
- Regulations on the Management Board of PJSC Aeroflot
- Regulations on the Executive Secretary of the Board of Directors and the Board of Directors Office of PJSC Aeroflot
- Regulations on the Personnel and Remuneration Committee of the Board of Directors of PJSC Aeroflot
- Regulations on the Audit Committee of the Board of Directors of PJSC Aeroflot
- Regulations on the Strategy Committee of the Board of Directors of PJSC Aeroflot
- Regulations on the Revision Committee of PJSC Aeroflot
- Regulations on Internal Audit at Aeroflot Group
- Regulations on Aeroflot Group's Risk Management System
- Dividend Policy of PJSC Aeroflot
- Regulations on the Corporate Information Policy
- Regulations on Providing Access to Insider Information
- Aeroflot Group's Anti-Corruption Policy
- Regulations on the System of Disclosure of Confidential Information to the Board of Directors (Audit Committee of the Board of Directors) – Hotline
- Environmental Policy of PJSC Aeroflot.

Risk Management

Risk management system

In 2018, Aeroflot Group continued to enhance a comprehensive system that helps promptly identify risks that affect the Company, assess their materiality, and take measures to minimise both the likelihood of risks being realised and losses they can lead to. Our risk management activities are governed by the Regulations on Aeroflot Group's Risk Management System approved in 2015 and updated in 2017. The document lays down the framework for a unified risk assessment and management methodology: goals, objectives, and principles of setting up and operating the corporate risk management system (CRMS), as well as the principles of the distribution of rights, obligations, and responsibilities of participants of the risk management system at PJSC Aeroflot and its controlled entities.

Risk management is applied across all management levels and functional and project areas. Risk management roles are distributed among the Board of Directors, the Audit Committee of the Board of Directors, the Management Board, and business units of PJSC Aeroflot. The Company has set up the Risk Management Department to:

- provide overall coordination of risk management processes
- develop guidelines to govern risk management processes
- arrange personnel training in risk management and internal control
- review the risk portfolio and develop proposals on response strategy and reallocation of resources to manage respective risks
- prepare consolidated risk reports
- perform day-to-day monitoring of the risk management process across business units and controlled entities
- prepare information and inform the Board of Directors and executive bodies on the effectiveness of the risk management process.

PJSC Aeroflot's business units and the Risk Management Department make comprehensive efforts to identify and assess risks, as well as prepare the Risk Register and Risk Map. The Board of Directors of PJSC Aeroflot annually reviews and approves the Risk Register, Risk Map, and Risk Appetite Statement of Aeroflot Group.

The Risk Map is a map of the most significant risks which covers risks of underperformance against budgeted targets, including due to changes in market risk factors, and operational risks directly associated with availability/airworthiness of aircraft and customer service quality. The following market risks realised in 2018 had the greatest impact on Aeroflot Group's operations: increase in jet fuel price, exchange rate fluctuations, and a rise in interest rates. Control over PJSC Aeroflot's financial and business activities is exercised by the Audit Committee of the Board of Directors, Revision Committee, Internal Audit Department, and Risk Management Department. An independent auditor is engaged to audit PJSC Aeroflot's accounting statements prepared under the Russian Accounting Standards (RAS) and the International Financial Reporting Standards (IFRS).

Officers responsible for interaction with PJSC Aeroflot on the implementation and operation of the CRMS have been designated at PJSC Aeroflot's controlled entities, with controlled entities performing procedures to identify and assess risks.



Risk management structure

Participants, their roles, responsibilities and interfaces within the corporate risk management system

GENERAL MEETING OF SHAREHOLDERS

Making decisions on matters of the General Meeting of Shareholders

BOARD OF DIRECTORS

- Determining key parameters of the CRMS (goals, objectives, operating principles, architecture, risk appetite, etc.)
- Managing risks within the authority of the Board of Directors
- Making decisions on providing necessary resources to the CRMS participants
- Assessing the CRMS performance
- Approving the Risk Register and Risk Map

EXECUTIVE MANAGEMENT

- Development, operational management and monitoring of the CRMS
- Risk management within the authority of the CRMS participants at the executive management level
- Allocation of resources among the CRMS participants
- Identifying instruments and parameters for hedging
- Selection procedures for counterparties to hedge financial risks
- Decisions on the roles, responsibilities, and cooperation procedure of the management tier and line management tier stakeholders as a part of hedging transactions

LINE MANAGEMENT

- Executing, performance monitoring, and continuously improving risk management procedures
- Risk management within its authority

Enhancement of the risk management system

Selected activities implemented in 2018 to enhance integrated risk management at Aeroflot Group:

- Updates were made to PJSC Aeroflot's Risk Management Standard, which implements the concept of a unified risk management methodology across Aeroflot Group
- Internal regulations were adopted across PJSC Aeroflot's controlled entities to implement Aeroflot Group's unified risk management methodology
- The Board of Directors of PJSC Aeroflot approved the updated Aeroflot Group's Risk Register and Risk Map
- The Board of Directors of PJSC Aeroflot approved the Risk Appetite Statement of Aeroflot Group
- Employees of PJSC Aeroflot's controlled entities were trained in risk management and internal control
- Prompt communication procedures were set up to support interaction between PJSC Aeroflot's Risk Management Department and risk coordinators at PJSC Aeroflot's controlled entities within the CRMS
- Monthly reporting on realised risks and risk appetite compliance by PJSC Aeroflot's controlled entities was organised within the CRMS

In order to improve its risk management performance, Aeroflot Group carries out regular CRMS performance assessments both as part of day-to-day operations and in the form of in-house or independent third-party assessments. The management, the Audit Committee of the Board of Directors, and the Board of Directors receive regular reports on risk management and the CRMS performance across Aeroflot Group.

Principal risks and mitigation measures

RISK	DESCRIPTION	MITIGATION
Financial risks		
Market risks	Risks of underperformance against targets (financial, operating, strategic, etc.) due to exchange rate, commodity price, or market interest rate fluctuations	<p>To reduce market risk implications for financial performance, PJSC Aeroflot seeks to balance out revenues and liabilities in each currency. In light of the limits of operational (or natural) hedging, we diversify debt across currencies and instruments, and regularly consider financial hedging options involving derivatives on aviation fuel and exchange rates. We review the use of interest rate hedges on a regular basis. No transactions were undertaken in 2018 to hedge foreign exchange risk or fuel price risk.</p> <p>For details on the impact of realised risks on the Group see below.</p>
Credit risk	Risk of incurring losses from a potential failure by a counterparty to meet its contractual obligations to Aeroflot Group companies	<p>A systemic approach is used to manage credit risk, aimed at preventing the risk occurring or minimising financial losses should it occur. The approach involves:</p> <ul style="list-style-type: none">→ use of financial coverage clause in service contracts with deferred payments→ capping agent sales volumes, prepayments, and receivables from counterparties→ regular credit quality assessments of counterparties (based on credit ratings and probability of default ratings)→ regular recalculation of financial coverage for credit risk→ regular monitoring of credit risk alerting the Company to potential counterparty defaults and giving it time to respond in advance→ credit risk limits assigned to banks and financial companies.
Liquidity risk	Risk of incurring losses from the inability of an organisation to fully meet its obligations as they fall due	<p>To mitigate liquidity risk, we:</p> <ul style="list-style-type: none">→ plan cash inflows and outflows to identify and promptly eliminate potential gaps by raising short-term loans from partner credit institutions→ have established controls over the use of working capital by launching an operational system to enable early warnings of cash gaps, building a sufficient liquidity cushion, and prompt raising of funds in the money market, as well as maximising the efficient use of free cash→ regularly review limits for credit, deposit, and foreign exchange transactions with financial institutions.
Capital markets access risks	Risks of incurring losses from the Group's inability to raise debt for its financial and business activities on acceptable terms	The market situation is monitored, a competitive environment for credit institutions is maintained, measures to enhance the Group's equity story are taken, and relationships with credit rating agencies are managed.

Principal risks and mitigation measures (continue)

RISK	DESCRIPTION	MITIGATION
Business risks		
Strategic risks	Risks of incurring losses from errors (flaws) made when making decisions on the Group's business and growth strategy	Efforts are taken to minimise risks related to the Aeroflot Group Development Strategy, including making decisions to optimise operations, cut costs, and increase resource efficiency.
Risk of terrorism or armed conflicts	Risks of incurring losses from armed conflicts, terrorist attacks, or threats of attacks	PJSC Aeroflot cooperates with airport security services, airlines, and law enforcement authorities in implementing a range of aviation and transportation security activities to prevent unlawful interference in airline operations and ensure passenger and staff safety.
Risks of epidemics, and man-made or natural disasters	Risks of losses that have external (beyond the control of the Company) causes and are due to epidemics, or man-made or natural disasters	Necessary response measures, including flight suspension, route changes to avoid hazardous regions, extra measures to increase flight safety and to ensure aviation security are taken, and sanitary and epidemiological controls are strengthened.
Industry risks	Risks of incurring losses from changes in the air transportation industry	Industry risks are mitigated by: <ul style="list-style-type: none">→ operating a high-frequency route network→ using a hub model at the base airport→ maintaining Europe's youngest aircraft fleet→ targeting the premium passenger segment (convenient departure and arrival times, high-quality customer service)→ driving innovation across all areas of the business→ maintaining a high level of flight safety→ promptly adjusting existing fares, running marketing campaigns and various promotions→ matching aircraft capacity to the passenger traffic on a given route→ expanding the route network to countries popular among tourists year-round→ requesting slots in advance and forecasting constraints→ applying a flexible, seasonally adjusted pricing policy to maximise revenue including the use of non-refundable fares.

RISK	DESCRIPTION	MITIGATION
Environmental risks	Risks of negative changes in the environment or long-term negative implications of these changes caused by anthropogenic impacts	<p>As Russia's largest carrier, Aeroflot is fully aware of its responsibility for ensuring high environmental performance and a sustainable environmental balance across all areas of its activities. One of its key principles is to improve aircraft fuel efficiency, which helps reduce the airline's environmental footprint. Aeroflot's environmental policy is aimed at improving its energy efficiency and environmental performance:</p> <ul style="list-style-type: none">→ A CO₂ calculator has been developed and implemented, required data is collected and analysed, and reports on GHG emissions and revenue tonne-kilometres are prepared (Aeroflot's entire fleet is compliant with ICAO's noise and emissions standards)→ A waste management system is in place to minimise environmental impact with a focus on recycling as the most effective method of waste disposal→ Regular inspections of waste storage sites are performed, waste generation and movement are tracked, and contracts for waste disposal and landfill are signed→ Instrumental control and fine-tuning of ground vehicle fuel systems is performed, and performance of ventilation systems is monitored in operational and office premises→ Regular water protection and water resource management activities are carried out
Service quality risk	Risk of incurring losses from potential refusal by consumers to buy goods or services of the Group companies or outsourced services as a result of products and services offered by the companies failing to meet the quality requirements of consumers	A process to obtain feedback from customers through a number of channels and ensure timely and full consideration of all incoming communications and complaints has been put in place. The demand for services offered is also tracked, and measures are taken to enhance service quality, improve consumer loyalty and experience, and monitor employee compliance with regulations.
Reputational risks	Risks that an organisation would incur losses as a result of reduced brand value or negative perceptions of the organisation's image by customers, counterparties, shareholders, business partners, regulators, and others	<p>Aeroflot takes pride in its reputation as a high-quality, safe carrier and a reliable business partner; therefore, the Company takes all necessary steps to protect its reputation, ensure management integrity and effectiveness, and maintain a positive image among customers, counterparties, shareholders, and business partners.</p> <p>A strong focus is maintained on analysing and improving customer experience, and on deploying cutting-edge customer service technologies.</p> <p>The information environment around Aeroflot Group is continuously monitored and analysed, communications with NGOs are maintained, and procedures are set up to monitor compliance with process flows and regulations.</p>

RISK MANAGEMENT

Principal risks and mitigation measures (continue)

RISK	DESCRIPTION	MITIGATION
Operational risks		
Aviation security risks	Risks of incurring losses from unlawful interference with aviation activities	The situation is monitored and analysed, and remedial measures are taken to ensure safety at the base airport and destination airports; airports are audited on a regular basis, the level of aviation security at destination airports and compliance with regulations are monitored; independent experts are engaged, and the state of external and internal access control systems is monitored on a 24/7 basis.
Flight safety risks	Forecast likelihood and severity of implications of one or several threats being realised with respect to aviation activities related to aircraft operation or directly supporting such operation (flight and ground, commercial and technical)	Aircraft condition and aircraft maintenance are monitored, along with the corporate healthcare unit's processes of flight crew medical examinations and medical equipment replacement; operations and operating processes are also continuously monitored.
IT risks	Risks of incurring losses from the use of information technologies by the Company	Relations with IT vendors and developers have been established, channel redundancy and data backup procedures are implemented, skilled personnel are recruited and trained, and the causes of IT failures are investigated.
HR risks	A group of risks that arise from, or affect, the Group's personnel (or an individual employee), including the lack of required/ appropriate number of employees as determined based on the current and forward-looking business plans and existing business processes	An effective recruitment process has been put in place, and training and professional development courses for employees are organised. Also, staff pay levels are monitored in order to remain in line with the market, and a range of social benefits and guarantees is offered to employees.
Quality risks related to purchased spare parts, units, components, and materials	Risks of losses due to quality and authenticity (originality) of spare parts and units purchased by Aeroflot Group, as well as components and materials to support its core business	Quality of supplies and suppliers' operations is monitored and analysed, and procurement and supplier selection procedures are improved.
Economic and information security risks	Risks of losses related to changes in the corporate internal and external environment that may lead to the relevant item losing its economic value	An effective, consistent framework has been put in place to monitor, identify, localise and prevent threats and vulnerabilities has been put in place, and steps are taken on an ongoing basis to monitor employee compliance with economic and information security requirements, and to identify and prevent breaches.

RISK	DESCRIPTION	MITIGATION
Occupational safety risks	Risks of incurring losses from factors related to the Group's financial and business activities, which may cause workplace injury or death of employees	Local occupational health regulations have been developed; compliance with, and conformity to, applicable laws are monitored.
Compliance risks		
Tax risks	Risks of incurring losses from possible misinterpretation of laws with respect to financial and business activities resulting in financial uncertainties of such activities after tax	To prevent non-compliance with tax laws, changes in tax laws are regularly monitored in Russia and other countries in which the Company operates, court practice on tax disputes is analysed, contracts to be signed are analysed to remove provisions that might lead to errors or inaccuracies when taxing relevant transactions, and a regular independent audit of the applied taxation procedures is performed during annual auditing process.
Legal and regulatory risks	Risks of incurring losses from failure to comply with laws, changes in laws that may adversely affect financial and business activities of the Company, as well as risks of incurring losses from direct or indirect implications of potential legislative restrictions imposed by regulators on Aeroflot Group	In its air transport operations, Aeroflot considers local legal requirements in every destination country, as well as the requirements and recommendations of aviation regulators, along with multiple and frequent changes to the immigration policy, customs and foreign exchange laws, and licensing requirements. A range of activities is implemented to reduce the probability of adverse impacts on the continuity of Aeroflot's air transportation operations, including legal monitoring, summarising, and analysing court practice, and monitoring of practice for signing and performing under contracts and agreements with counterparties. Aeroflot is actively involved in government and international organisations, and in drafting regulations that may impact the way the air transportation industry is regulated.
Corruption risks	Potential corruption offences by employees	Aeroflot Group does not tolerate any form of corruption, is committed to the principles of transparency, openness, and fairness in its business and procurement activities, and rejects illicit benefits. Aeroflot continuously improves its corporate regulations, develops and introduces new rules and procedures to prevent corruption offences, raises awareness among employees and educates them on anti-corruption practices, and has in place effective feedback channels. In 2014, PJSC Aeroflot joined the Anti-Corruption Charter of Russian Business, and actively promotes anti-corruption activities under the Charter. Aeroflot Group has in place the corporate Anti-Corruption Policy and the Anti-Corruption and Conflict of Interest Commission.

Impact of key financial risks realised in 2018

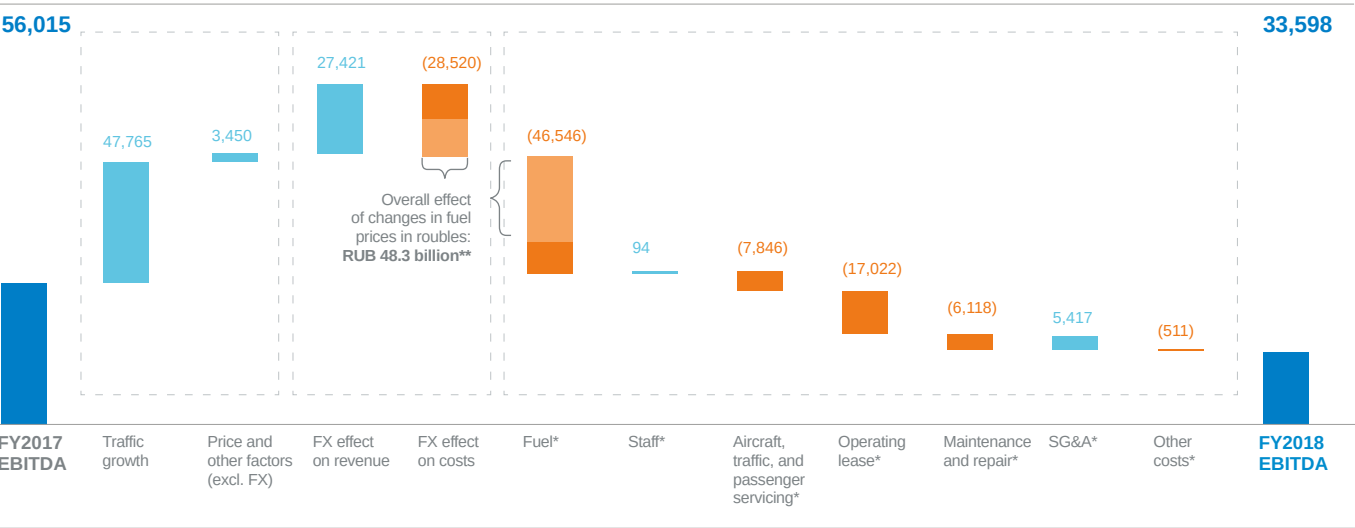
Aeroflot Group's key financial risks are associated with exchange rate fluctuations (EUR/RUB, USD/RUB, EUR/USD), jet fuel price (in Russia and abroad), and market interest rates (primarily LIBOR). These risk factors are interlinked, particularly changes in the EUR/RUB and USD/RUB exchange rates and jet fuel prices affected by oil prices.

Significant changes in the above risk factors had a major impact on the Group's performance in 2018 primarily due to sharp changes in foreign exchange rates and fuel prices.

In 2018, the rouble average exchange rate declined by 7.5% year-on-year against the US dollar. The rouble depreciated by 12.2% against the euro while the average EUR/USD exchange rate changed by 4.4%. These factors put pressure on Aeroflot's FX-denominated expenses, but changes in the USD/EUR exchange rate had a positive impact on the Company with its FX revenues mostly denominated in EUR, and foreign currency expenses mostly denominated in USD.

Global oil prices grew strongly in 2018, with the price of Brent crude going up 31.0% year-on-year on average. Given the rouble depreciation, rouble oil prices grew by 41.2%, pushing the Group's jet fuel costs up by 36.1%.

Effect of exchange rate fluctuations and changes in jet fuel prices on Aeroflot Group's EBITDA (RUB million)



Note. Management accounts and Company estimates.
* Net of FX effect.
** The breakdown of fuel price growth into the actual price component and the foreign exchange components is based on changes in the USD price of jet fuel and changes in the RUB/USD exchange rate.

Currency and price risks

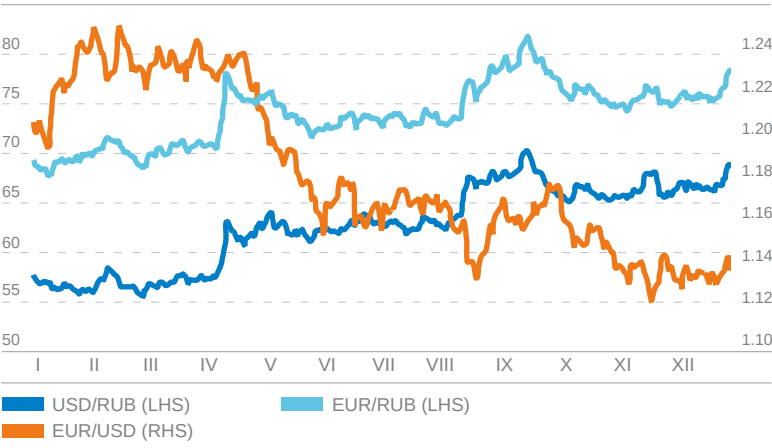
Aeroflot Group's exposure to currency risk results from the vast share of the Company's income and expenses being affected by changes in the EUR/RUB and USD/RUB exchange rates:

- Sales revenue from international flight tickets is collected in foreign currency (in foreign markets or from transfer passengers), or in roubles based on euro prices, with fares across the Group's core markets priced mostly in euros
- Fuel costs, lease payments, and maintenance costs (key foreign currency expenses accounting for 30.7%, 15.0%, and 7.7% of the Group's operating costs, respectively) are mostly denominated in US dollars. An important foreign currency expense item for the Group is payments at foreign airports made in the currency in which local rates are priced, including euro

Our currency risk management primarily focuses on reducing the Group's exposure to currency risk factors. Aeroflot Group pursues a policy of balancing out revenues and liabilities in each currency.

Aeroflot Group's price risk arises from fuel purchase contracts, as the contractual pricing formula is linked to global oil prices. The Group traditionally uses hedging instruments to manage price risks. In 2016–2018, no such transactions were executed, and no risks for 2019 were hedged as at 31 December 2018.

USD/RUB, EUR/RUB, and EUR/USD dynamics in 2018



Source: Bloomberg.

Oil price and USD/RUB rate dynamics in 2018



Source: Bloomberg.

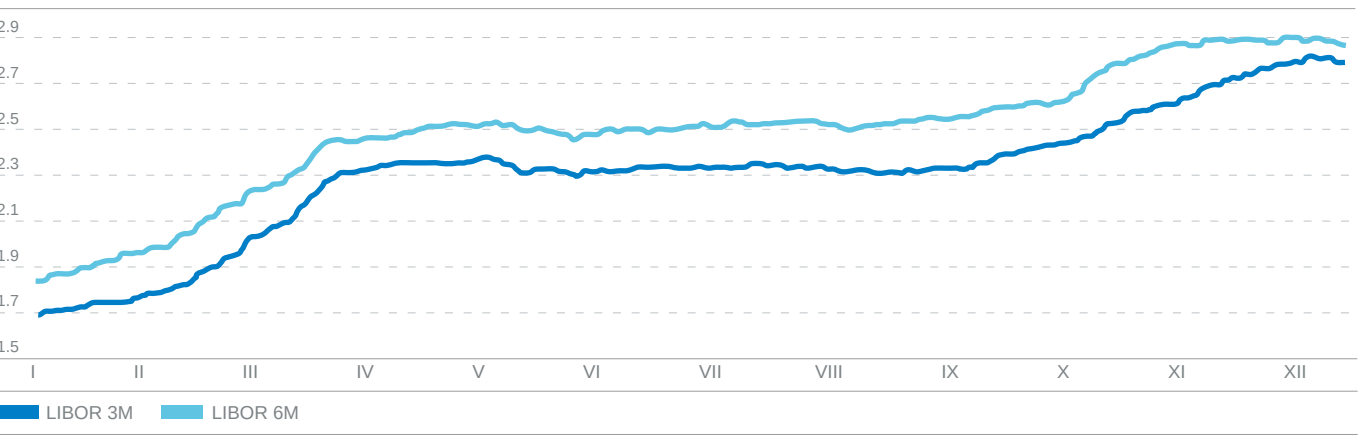
Interest rate risk

The Group's exposure to interest rate risk results from changes in the debt market interest rates affecting the costs of borrowings and loans, and driving operating lease costs escalation. Specifically, costs under lease agreements of Aeroflot Group are linked to 6M and 3M LIBOR market interest rates. In 2018, the 6M rate went

up from 1.84% to 2.88%, while the 3M rate increased from 1.70% to 2.81% year-on-year (as at 31 December).

The interest risk has a limited impact on the Group given its good balance between fixed and floating rate debt.

LIBOR rate dynamics, 2018



Source: Bloomberg.

Operational risks (core and ancillary business)

Aeroflot Group uses insurance as an effective tool to manage risks. Aeroflot Group's underlying approach is to take out, whenever practically possible, full insurance coverage for all types of risks.

The Group's key operational risks are insured, with coverage for aviation risks, such as actual or constructive total loss, disappearance or damage of aircraft, its components and/or units, risks of airline/operator liability for injury, death, or property damage to passengers or third parties, and war risks accounting for 60% of the total insurance costs.

Aeroflot Group also uses various insurance programmes covering a wide range of non-aviation operational risks of support operations, including all types of compulsory and most types of voluntary civil liability insurance, motor insurance, property insurance (real estate, flight simulators, IT equipment), personal insurance (voluntary medical insurance for employees, their families, and retired employees of Aeroflot Group, accident insurance, disability insurance for flight crews, and travel insurance).

In 2018, all insurance contracts were renewed as scheduled. Given that all insurance policies are purchased as part of the consolidated procurement process, insurance coverage was expanded for the Group companies and insurance rates and premiums were reduced for many types of policies.

As part of its efforts to provide insurance protection, PJSC Aeroflot signed an agreement for liability insurance of PJSC Aeroflot, its directors and officers with a liability limit of USD 100 million.

Plans for 2019

Aeroflot group consistently improves its corporate risk management. In 2019, we are planning to further enhance the performance of our CRMS, including through ongoing monitoring of its performance against a system of key risk indicators, and by training Aeroflot Group's employees in risk management.

Information for Shareholders and Investors

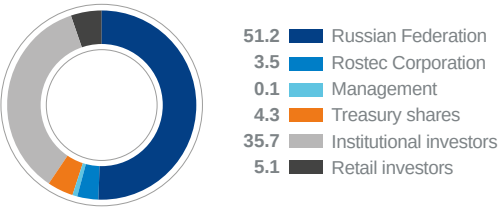
Share capital

As at 31 December 2018, PJSC Aeroflot's charter capital amounted to RUB 1,110,616,299 and consisted of 1,110,616,299 ordinary registered uncertificated shares with a par value of RUB 1 each. The Company did not issue preferred shares.

40.9%

Free float

PJSC Aeroflot's shareholders as at 31 December 2018 (%)



Note. Free float represents shares not owned by the state or partially state-owned companies, and not directly owned by the company, the Group's subsidiaries or the Company's management.

State registration numbers of PJSC Aeroflot's ordinary share issues are 73-1 p-5142 (dated 22 June 1995) and 1-02-00010-A (dated 1 February 1999). These issues were merged by Decree No. 04-168/r of the Federal Securities Commission of Russia dated 23 January 2004, following which the issues of PJSC Aeroflot ordinary shares were assigned state registration number 1-01-00010-A on 23 January 2004.

In addition to outstanding shares, the Company has the right to issue a further 250 million ordinary registered shares (authorised shares). No additional shares were issued in 2018.

The total number of PJSC Aeroflot's shareholders as at 31 December 2018 was 11,074 (11,101 as at 31 December 2017), comprising mostly individuals.

PJSC Aeroflot's register of shareholders is kept by IRC – R.O.S.T. Group of Companies (License No. 045-13954-000001, issued by the Bank of Russia). The register holder's details are provided in the Contact Details appendix to this Annual Report.

Key shareholders of PJSC Aeroflot

Holder	Status*	As at 31 December 2017		As at 31 December 2018		Change of shareholding, p. p.
		number of shares	shareholding, %	number of shares	shareholding, %	
Legal entities, including		1,053,301,607	94.84	1,053,635,279	94.87	0.03
Russian Federation (represented by the Federal Agency for State Property Management)	O	568,335,339	51.17	568,335,339	51.17	–
National Settlement Depository as a nominee and other entities**	N	445,556,945	40.12	398,072,821	35.84	(4.28)
Treasury shares	O	–	–	47,817,796	4.31	4.31
Aviacapital-Service***	O	22,688,599	2.04	22,688,599	2.04	–
RT-Business Development	O	16,720,724	1.51	16,720,724	1.51	–
Individuals****	O	57,314,692	5.16	56,981,020	5.13	(0.03)

* O means "owner"; N means "nominee".
** Does not include Aviacapital-Service's stake held by a nominee.
*** Aviacapital-Service's stake includes the stake held by a nominee.
**** Partially including the management and members of the Board of Directors of PJSC Aeroflot.

Shares

PJSC Aeroflot shares and depositary receipts are traded on the stock market. Ordinary shares are traded on the Russian market, while global depositary receipts (GDRs) and American depositary receipts (ADRs) are traded on foreign markets.

PJSC Aeroflot shares are traded on the Moscow Exchange, where as at 31 December 2018 they were included in the Level 1 Quotation List (MOEX: AFLT). Securities transactions are subject to the T+2 trading mode. PJSC Aeroflot shares are included in the main Russian stock indices: MOEX Russia Index, MICEX Broad Market Index (RUB and USD), MICEX Transport Index (RUB and USD), SMID Index (RUB and USD), RTS Index, and Equity sub-index.

PJSC Aeroflot share price performance vs MOEX Russia Index, 2018



Source: Bloomberg.

Aeroflot share price performance vs Bloomberg Airlines Index, 2018

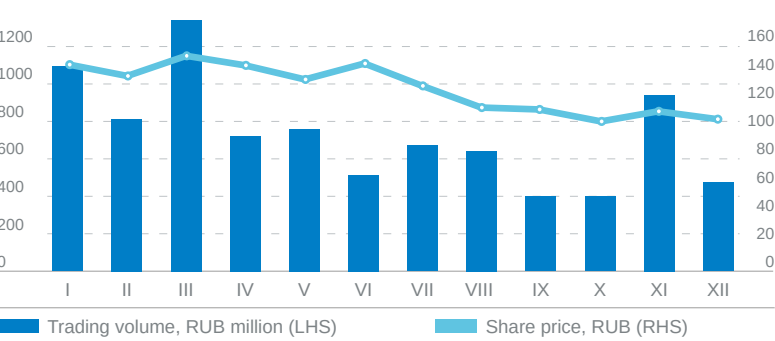


Aeroflot's History

On 17 March 1923, Joint Stock Company Dobrolet, Aeroflot's predecessor, adopted its Articles of Association. Its first shareholders included the Executive Committee of the Petrograd Governorate (RUB 300 thousand), the State Bank of the USSR (Gosbank) (RUB 50 thousand), the Moscow Soviet of People's Deputies (Mossovet) (RUB 35 thousand), and the All-Russian Textile Syndicate (RUB 30 thousand), as well as several individuals.

INFORMATION FOR SHAREHOLDERS AND INVESTORS

PJSC Aeroflot share price and trading volumes, 2018



Source: Bloomberg.

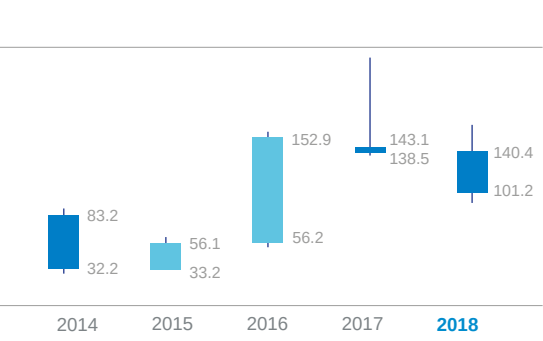
Price per PJSC Aeroflot share

	2014	2015	2016	2017	2018
First trading day, RUB	83.2	33.2	56.2	143.1	140.4
High, RUB	88.0	61.0	158.4	225.0	163.7
Low, RUB	29.9	32.5	50.4	137.0	91.6
Last trading day, RUB	32.2	56.1	152.9	138.5	101.2

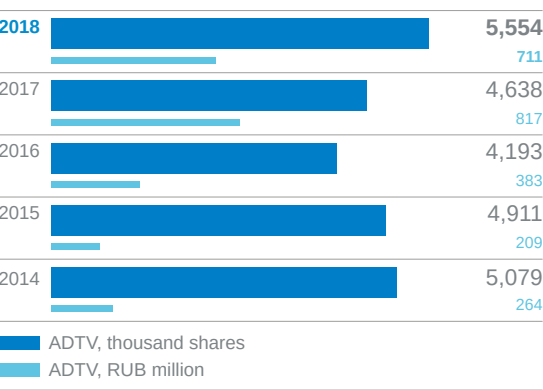
As at 31 December 2018, PJSC Aeroflot’s market capitalisation was RUB 112.4 billion, down 26.9% year-on-year.

During the year, PJSC Aeroflot share price performance was comparable with the peer group index and the emerging markets airlines index (the peer group index: – 26.1%, MSCI EM Airlines: – 22.9%). The external factors that affected the Group’s financial performance, including a significant growth in fuel prices on the back of higher oil prices in the global market, the rouble’s depreciation against global currencies, and stronger competition in the air transportation market, were the key source of downward pressure on the share price.

PJSC Aeroflot share price highs and lows (RUB)



Average daily trading volumes on the Moscow Exchange



Note. The average daily trading volume was calculated based on the closing price (historical data were re-calculated retrospectively based on the closing prices of a specific period).

Source: Bloomberg.

Analyst recommendations

Date	Recommendations	Bloomberg consensus forecast, RUB	Target price range, RUB	Number of analysts
31.12.2018	<div><div>31%</div><div>54%</div><div>8%</div><div>8%</div></div>	126.9	77.0–170.0	13
31.12.2017	<div><div>31%</div><div>46%</div><div>23%</div></div>	186.0	132.0–233.0	13

GDR and ADR programmes

Outside Russia, PJSC Aeroflot shares are traded as global depositary receipts (GDRs) at the over-the-counter section of the Frankfurt Stock Exchange and as American depositary receipts (ADRs) on the US over-the-counter market, with one GDR/ADR representing 5 ordinary shares. Deutsche Bank Trust Company Americas acts as the depositary bank, and LLC Deutsche Bank is the custodian. A total of 9,667,055 shares were converted into GDRs as at 31 December 2018, representing 0.9% of the charter capital. No shares were converted into ADRs. As at 31 December 2018, the price of one depositary receipt stood at EUR 6.56, down 33.8% year-on-year.

PJSC Aeroflot’s GDR programme

Programme type	Sponsored Level-1 GDRs under Regulation S and Rule 144A
Ratio (shares: GDR)	5:1
Ticker	AETG
ISIN	US69343R1014

PJSC Aeroflot’s Level-1 ADR programme

Programme type	Sponsored Level-1 ADRs
Ratio (shares: ADR)	5:1
Ticker	AERZY
ISIN	US69343R3093

Credit ratings

PJSC Aeroflot has a credit rating from Fitch Ratings.

Fitch Ratings upgraded Aeroflot’s credit rating to BB– with a Stable outlook in March 2018.

The upgraded credit rating reflects the Company’s sustainable position in the Russian transportation market, strong financial and business performance,

and updated rating guidance for partially state-owned companies. When rating the Company, Fitch Ratings considered its strengths, including the extensive and diversified route network, successful hub enhancement strategy, competitive costs, and strong position in the Russian airline market.

Dividend policy

Dividend policy is a key corporate governance element and a key measure of a company's performance in upholding the rights of its investors.

PJSC Aeroflot has in place the Regulations on the Dividend Policy, which seek to maximise the transparency of procedures used to determine the amount of dividends and pay them out to the benefit of shareholders and investors. The Regulations determine the approach used by the Board of Directors to make recommendations for the General Meeting of Shareholders on profit distribution, including dividend payout.

The key principles of PJSC Aeroflot's dividend policy are as follows:

- Aeroflot Group's consolidated net income under the International Financial Reporting Standards (IFRS) forms the base for calculating dividends
- The amount of dividend is calculated using a tailored system of ratio indicators, which factors in Aeroflot Group's performance in the reporting year, debt ratio, and mid-term financial plan
- The target level of dividend payouts is set at 25% of Aeroflot Group's IFRS net income

The Annual General Meeting of Shareholders held on 25 June 2018 approved a dividend payout for FY2017 at 50% of Aeroflot Group's net income reported under the Russian Accounting Standards (RAS). The dividend was RUB 12.81 per ordinary share.

PJSC Aeroflot's dividend history

	2013	2014	2015	2016	2017
Dividend per share, RUB	2.50	–	–	17.48	12.81
Total dividends, RUB thousand	2,774,195	–	–	19,413,018	14,221,775
Total amount actually paid, RUB thousand	2,773,621	–	–	19,411,718	14,213,759
Dividend payout ratio, %	25.0	–	–	50.0	50.0
Accounting standards used to calculate the net income	RAS	IFRS	IFRS	IFRS	RAS
Form and other terms of payment for declared dividends	In cash	–	–	In cash	In cash

Investor relations

The Company is strongly focused on its relations with existing and prospective investors. PJSC Aeroflot communicates with investors by providing objective, reliable, and consistent information about its activities and complies with current disclosure standards, seeking to maximise transparency.

The Company maintains an ongoing dialogue with shareholders and investors to ensure that securities market participants get complete information about its activities. The Company timely discloses material information on its operations as press releases and material facts via authorised disclosure platforms, in full compliance with Russian laws. The Company makes regular disclosures in its IFRS and RAS financial statements and investor presentations.

PJSC Aeroflot targets investors via the following channels:

- Conference calls with the Company's management
- Regular meetings with investors and shareholders
- Involvement in major conferences hosted by brokerage houses
- Site visits to the Company's facilities
- Dedicated events for investors and shareholders, with presentations by the Company's management (Capital Markets Days)



Aeroflot's History

The modern history of Aeroflot as an open public joint stock company began in 1995 when Aeroflot was partially privatised, with 49% of shares distributed among employees and the controlling stake (51%) retained by the Government. In 1997, Aeroflot shares started trading on the RTS exchange (Moscow Exchange).

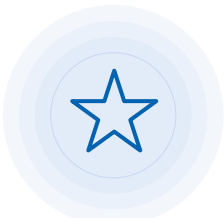
In May 2018, Aeroflot Group for the first time published its Q1 consolidated financial statements prepared under IFRS. Investors were highly positive about Aeroflot Group's efforts to improve transparency and provide additional disclosures to users, enabling analysts and investors to better understand the seasonality of the Group's business.

In July 2018, in collaboration with United Aviation Corporation, a visit was organised for investors to Zhukovsky International Airport to watch a demonstration of MC 21 aircraft. A meeting with Irkut Corporation's management was also held as part of the visit. The visit allowed to introduce analysts and investors to latest Russian-built aircraft expected to become part of Aeroflot Group's fleet going forward.

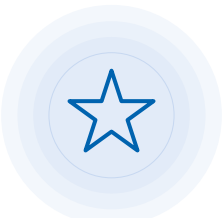
In 2018, PJSC Aeroflot also worked to foster its relations with retail investors. The Company participated in FinFair, an event organized by the Moscow Exchange to showcase financial solutions. Aeroflot also sponsored a special award to recognize the best trader in Aeroflot shares on the Moscow Exchange at the Best Retail Investor 2018 awards (the contest organised by MOEX).

In 2018, Aeroflot's IR team received a number of prestigious industry awards and was listed among the top European transport companies and Russian public companies by the largest independent global survey of investors. Aeroflot's disclosure practices, analyst and investor events, and other IR activities were highly rated by the investment community.

The Company's Annual Report 2017 won two categories at the Annual Report Competition hosted by the Moscow Exchange

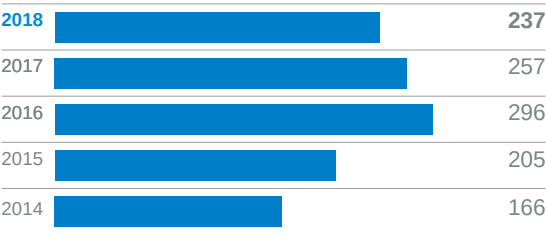


The Best Annual Report of the Company with the Market Capitalisation of RUB 40 Billion to RUB 200 Billion (the main category of the competition)

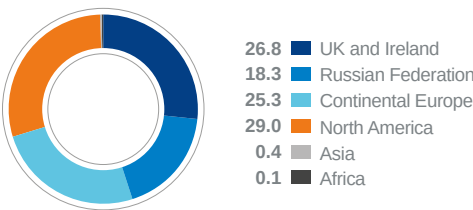


The Best Annual Report in the Transport Sector

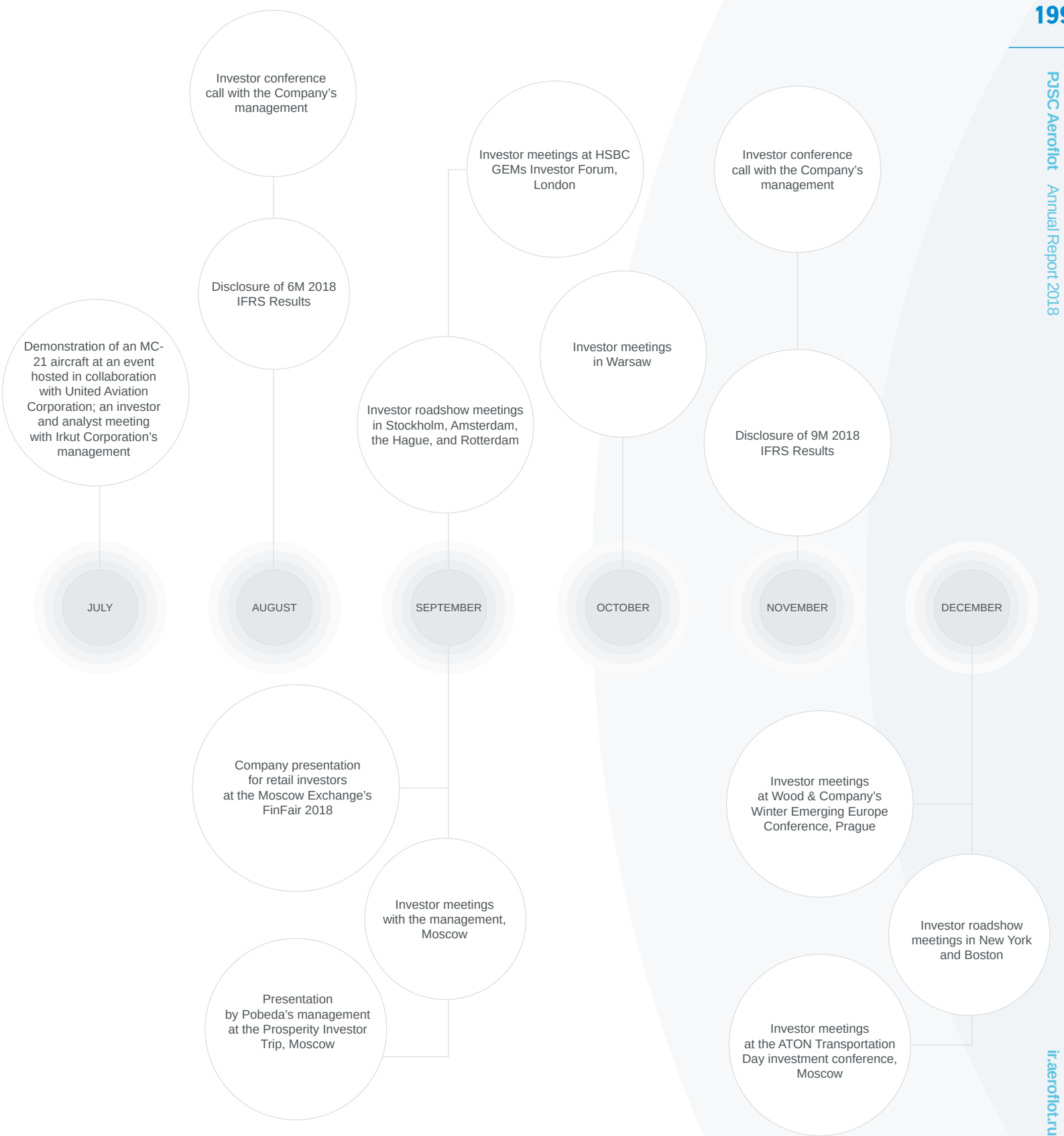
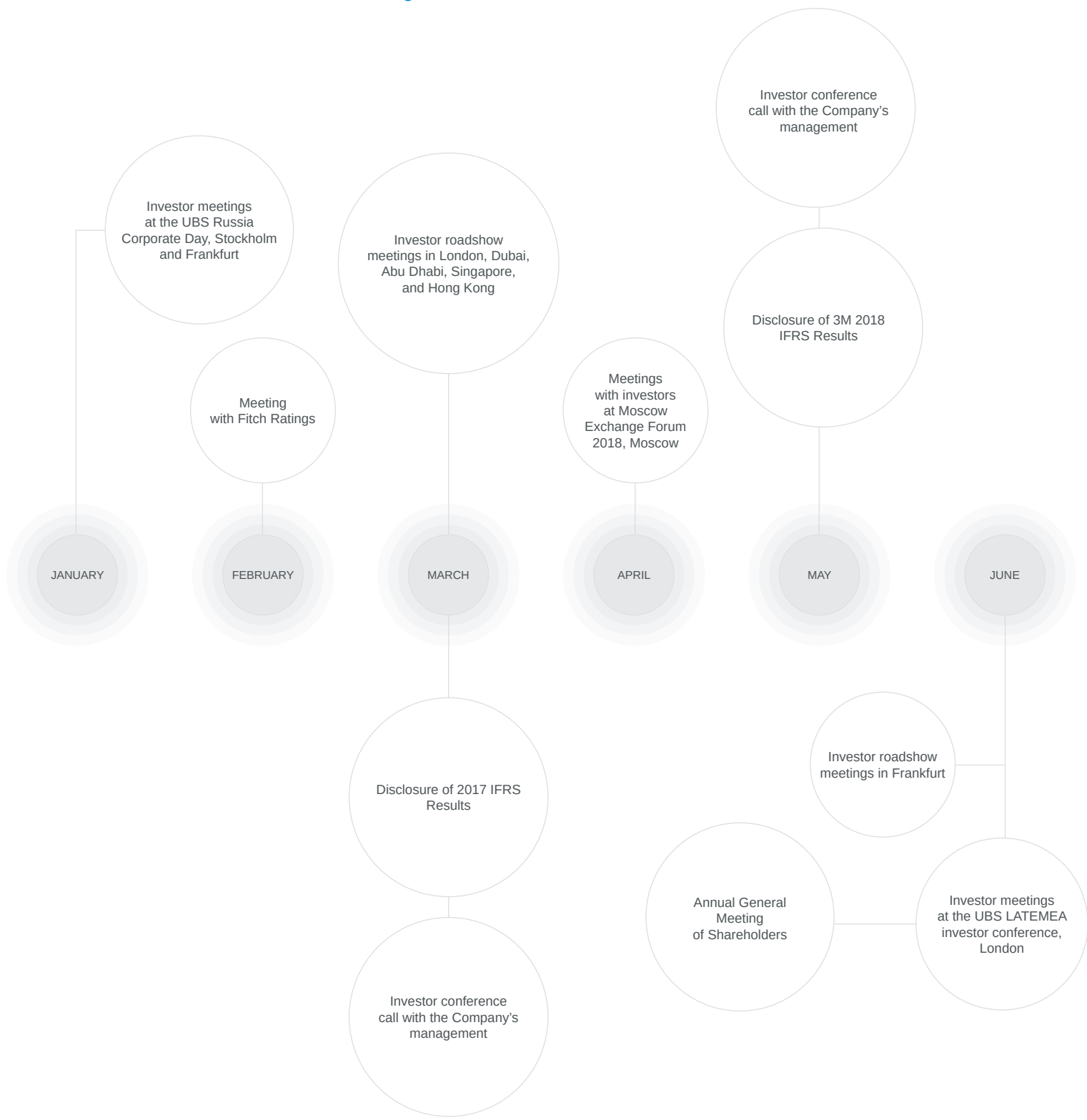
Meetings with PJSC Aeroflot's investors, shareholders, and other stakeholders



Geography of investment funds with shareholdings in PJSC Aeroflot, 2018 (%)



2018 IR Calendar and Key Events



Appendixes

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Statement of management’s responsibilities for the preparation and approval of the Consolidated Financial Statements as at and for the year ended 31 December 2018

The following statement, which should be read in conjunction with the independent auditor's responsibilities, as stated in the independent auditor's report set out below, is intended to distinguish between the respective responsibilities of management and the independent auditors in relation to the Consolidated Financial Statements of Public Joint Stock Company Aeroflot – Russian Airlines and its subsidiaries (the “Group”).

Management is responsible for the preparation of Consolidated Financial Statements that present fairly the consolidated financial position of the Group as at 31 December 2018, and the financial results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards (“IFRS”).

In preparing the consolidated financial statements, management is responsible for:

- selecting suitable accounting principles and applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- stating whether International Financial Reporting Standards (IFRS) have been complied with, subject to any material departures that are properly disclosed and explained in the notes to Consolidated Financial Statements; and
- preparing the Consolidated Financial Statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- designing, implementing and maintaining an effective system of internal controls, throughout the Group;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and the financial results of its operations and cash flows and which enable them to ensure that the Consolidated Financial Statements of the Group are prepared in accordance with IFRS;
- maintaining statutory accounting records in compliance with local legislation and accounting standards in Russian Federation;
- taking such steps as are reasonably available to them to safeguard the Group's assets; and
- preventing and detecting fraud and other irregularities.

The Consolidated Financial Statements of the Group as at and for the year ended 31 December 2018 (presented on pages 208 to 272) were approved on 4 March 2019 and signed on behalf of management by:



V. G. Savelliev
General Director



A. Y. Chikhanchin
Deputy General Director
for Commerce and Finance

Independent Auditor's Report

To the Shareholders and Board of Directors of PJSC Aeroflot:

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of PJSC Aeroflot and its subsidiaries (together – the “Group”) as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS)..

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview



- Overall group materiality: Russian roubles (“RUB”) 6,110 million, which represents 1% of revenue for the reporting year.
- We conducted our audit work at four companies of the Group: PJSC Aeroflot, JSC Rossiya Airlines, LLC Pobeda Airlines and JSC Aeromar;
- In respect of the other Group companies, we primarily performed analytical procedures;
- Our audit scope addressed 99% of the Group's revenue and more than 90% of the Group's profit before tax.
- Key audit matter: effect of adoption of IFRS 15, *Revenue from contracts with customers*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	RUB 6,110 million
How we determined it	1% of revenue for the reporting year
Rationale for the materiality benchmark applied	We chose revenue as the materiality benchmark. Given the volatility of the Group's financial results, revenue represents a more appropriate measure of the size of the business and risks of misstatement than profit before tax. We chose 1% of the benchmark, which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Effect of adoption of IFRS 15, Revenue from contracts with customers	
See Notes 2, 3, 4, 5, 25 Starting from 1 January 2018 a new revenue recognition standard IFRS 15, Revenue from contracts with customers came in force. The effect from adoption of the new standard recorded within opening retained earnings in consolidated statement of financial position equalled to RUB 1,473 million.	Management developed a new accounting policy to account for revenue from contracts with customers for all revenue streams, introduced new accounting rules and conducted an analysis of existing revenue streams. We reviewed the analysis and new accounting policies provided to us by the management for each significant revenue stream and performed the following procedures: <ul style="list-style-type: none">→ critically assessed how individual revenue streams were determined, including the reconciliation of the identified streams with the revenue recorded in previous periods, and review whether the transaction price was determined correctly in relation to each revenue stream;→ analysed the key terms of the standard contracts used by the Group for each significant revenue stream;→ evaluated the differences in accounting policy choices under the new standard on revenue recognition and previous standards for each revenue stream;→ performed detailed testing of the sample of revenue transactions for significant revenue streams and assessed whether the revenue recognition criteria for this transactions are in line with the selected accounting principles for revenue recognition, including review whether the period for recognition of revenue from change fees was determined correctly;→ checked the reasonableness of the approach and management judgments to allocate the transaction price under the contract (ticket) between separate performance obligations to account for the operations under the frequent flyer program “Aeroflot- Bonus”, as well as checked mathematical accuracy of the model developed by the Group’s specialists to calculated the contract liability under this program;→ evaluated the validity of the practical accounting simplifications in relation to the costs incurred to sell tickets to passengers and the financing component under the contracts with customers;→ evaluated whether the modified retrospective approach was applied correctly on transition to the new standard. We checked the relevant disclosures in the consolidated financial statements in terms of their consistency with the requirements of IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors and IFRS 15, Revenue from Contracts with Customers.
The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price.	None of the above procedures revealed significant discrepancies between the selected accounting policies and the requirements of the new standard, or any other significant error in the presentation of information in the consolidated financial statements of the Group.
Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed, in case certain criteria are satisfied.	
The Group has different revenue streams and variety of contract terms with customers relating to passenger revenue and other revenue. Due to this, the Group had to conduct a detailed analysis of the contract terms with customers to evaluate and account for the effect of the transition to the new standard and revise some key judgments. <ul style="list-style-type: none">→ Revenue from frequent flyers loyalty programme “Aeroflot-Bonus”;→ Commission fees (change fees) paid by the passengers to change booking terms for the regular Group flights;→ Passenger traffic revenue earned under code-share and interline agreements with other airlines;→ revenue from flight tickets not flown by the passenger and not claimed for reimbursement or exchange;→ accounting for direct costs related to sales of tickets to customers (booking services, agent fees); The most significant effect from transition to the new standards relates to the following operations: <ul style="list-style-type: none">→ accounting for bookings change fees (changes in flight dates, direction, flight number, class); revenue from such fees is now recognised at the moment when the flight is completed under the main contract with passenger (ticket), and not in the moment when changes to the initial booking have been made;→ accounting for revenue and contract liabilities under the frequent flyers loyalty program “Aeroflot-Bonus” in relation to the allocation of the transaction price (ticket price) between the price for the bought flight and amount of the discount to the future flight to be bought for bonus miles. Starting from 1 January 2018 the allocation method is based on relative stand-alone selling prices for each performance obligation under the contract instead of residual method of price allocation used before.	
We focused on this matter due to importance of the “Revenue” line in the consolidated financial statements to the users as a one of the key performance measures as well as due to material amount of “Revenue” line to the financial statements as a whole.	

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to be able to give an opinion on the consolidated financial statements as a whole, taking into account the geographic and management structure of the Group, as well as the accounting processes and controls and the industry in which the Group operates.

We identified the following significant components in respect of which we carried out the audit:

- PJSC Aeroflot;
- JSC Rossiya Airlines;
- LLC Pobeda Airlines;
- JSC Aeromar.

The work in respect of material components was performed by the us as a Group Auditor.

We also performed analytical procedures for other Group companies that, in our opinion, had no material qualitative or quantitative effect on the Group’s consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises the describe the other information not yet received e.g. the Annual report and Issuer’s Report for the 1 Quarter 2019 (but does not include the consolidated financial statements and our auditor’s report thereon), which is expected to be made available to us after the date of this auditor’s report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read Annual report, Issuer’s Report for the 1 Quarter 2019, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The certified auditor responsible for the audit resulting in this independent auditor's report is Andrey Nikolaevich Korablev.

4 March 2019
Moscow, Russian Federation

AO PricewaterhouseCoopers Audit

A.N. Korablev, certified auditor (licence No. 01-000389), AO PricewaterhouseCoopers Audit



Audited entity: PJSC Aeroflot	Independent auditor: AO PricewaterhouseCoopers Audit
Record made in the Unified State Register of Legal Entities on 02 August 2002 under State Registration Number 1027700092661	Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890
State registration certificate No. 032.175 issued by Moscow Registration Chamber on 21 June 1994	Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431
119002, Russia, Moscow, 10 Arbat	Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)
	Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 11603050547

Consolidated Statement of Profit or Loss for the year ended 31 December 2018

(ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

	Note	2018	2017
Traffic revenue	5	553,192	474,916
Other revenue	6	58,378	58,018
Revenue		611,570	532,934
Operating costs, excluding staff costs, depreciation and amortisation	7	(496,337)	(394,528)
Staff costs	8	(82,817)	(82,801)
Depreciation and amortisation	19, 23	(12,912)	(14,084)
Other operating income and expenses, net	9	153	(1,110)
Operating costs		(591,913)	(492,523)
Operating profit		19,657	40,411
Loss from impairment and fair value changes of investments, net	17	(689)	(144)
Finance income	10	4,164	7,127
Finance costs	10	(7,904)	(8,225)
Hedging result	27	(6,788)	(5,613)
Share of results of associates		254	170
Result from disposal of subsidiaries	22	1,240	-
Profit before income tax		9,934	33,726
Income tax	11	(4,221)	(10,666)
PROFIT FOR THE YEAR		5,713	23,060
Attributable to:			
Shareholders of the Company		6,589	22,872
Non-controlling interest		(876)	188
PROFIT FOR THE YEAR		5,713	23,060
Basic and diluted profit per share (in Roubles per share)		6.0	21.3
Weighted average number of shares outstanding (millions)	31	1,096.2	1,071.9

Approved on 4 March 2019 and signed on behalf of management



V. G. Saveliev
General Director



A. Y. Chikhanchin
Deputy General Director
for Commerce and Finance

The Consolidated Statement of Profit or Loss is to be read in conjunction with the notes to, and forms a part of, the Consolidated Financial Statements presented on pages 215 to 272

Consolidated Statement of Comprehensive Income for the year ended 31 December 2018

(ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

	Note	2018	2017
Profit for the period		5,713	23,060
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Effect from hedging revenue with foreign currency liabilities	27	(10,873)	11,285
Deferred tax related to a result from cash-flow hedging instruments	11	2,175	(2,257)
Other comprehensive (loss)/income for the year		(8,698)	9,028
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(2,985)	32,088
Total comprehensive (loss)/income attributable to:			
Shareholders of the Company		(2,109)	31,900
Non-controlling interest		(876)	188
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(2,985)	32,088

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes to, and forms a part of, the Consolidated Financial Statements presented on pages 215 to 272

Consolidated Statement of Financial Position as at 31 December 2018

(ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

	Note	31 December 2018	31 December 2017
ASSETS			
Current assets			
Cash and cash equivalents	12	23,711	45,978
Short-term financial investments	17	6,437	8,931
Accounts receivable and prepayments	14	87,868	92,932
Current income tax prepayment		5,488	3,580
Aircraft lease security deposits	13	525	423
Expendable spare parts and inventories	16	14,659	12,811
Assets classified as held for sale	20	6,404	3,125
Other current assets	41	226	422
Total current assets		145,318	168,202
Non-current assets			
Property, plant and equipment	19	90,964	97,932
Prepayments for aircraft	15	21,148	13,089
Deferred tax assets	11	12,002	10,396
Goodwill	24	6,660	6,660
Long-term financial investments	17	5,393	3,338
Intangible assets	23	2,250	2,054
Aircraft lease security deposits	13	4,356	1,602
Investments in associates		545	329
Other non-current assets	18	27,990	19,728
Total non-current assets		171,308	155,128
TOTAL ASSETS		316,626	323,330

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to, and forms a part of, the Consolidated Financial Statements presented on pages 215 to 272

Consolidated Statement of Financial Position as at 31 December 2018 (continued)

(ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

	Note	31 December 2018	31 December 2017
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	21, 25	69,346	67,953
Unearned traffic revenue	25	49,874	43,695
Deferred revenue related to the frequent flyer programme	25	4,086	1,720
Provisions for liabilities	26	11,393	9,433
Finance lease liabilities	27	15,219	16,015
Short-term loans and borrowings and current portion of long-term loans and borrowings	28	175	-
Liabilities related to assets classified as held for sale	20	6,623	2,210
Current income tax liabilities		19	-
Total current liabilities		156,735	141,026
Non-current liabilities			
Long-term loans and borrowings	28	3,311	3,181
Finance lease liabilities	27	78,005	84,674
Provisions for liabilities	26	23,753	16,949
Deferred tax liabilities	11	137	68
Deferred revenue related to the frequent flyer programme	25	3,282	3,842
Other non-current liabilities	29	6,068	6,291
Total non-current liabilities		114,556	115,005
TOTAL LIABILITIES		271,291	256,031
Equity			
Share capital	31	1,359	1,359
Treasury shares buyback reserve	31	(7,040)	-
Accumulated profit on disposal of treasury shares	31	7,864	7,864
Investment revaluation reserve		-	(5)
Hedge reserve	27	(33,857)	(25,159)
Retained earnings		74,958	81,476
Equity attributable to shareholders of the Company		43,284	65,535
Non-controlling interest		2,051	1,764
TOTAL EQUITY		45,335	67,299
TOTAL LIABILITIES AND EQUITY		316,626	323,330

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to, and forms a part of, the Consolidated Financial Statements presented on pages 215 to 272

Consolidated Statement of Cash Flows for the year ended 31 December 2018

(ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

	Note	2018	2017
Cash flows from operating activities:			
Profit before income tax		9,934	33,726
Adjustments for:			
Depreciation and amortisation	19, 23	12,912	14,084
Change in impairment provision for accounts receivable and prepayments	9	1,217	(338)
Change in impairment provision for obsolete expendable spare parts and inventory		9	(99)
Change in impairment provision for property, plant and equipment	19	36	(24)
Loss on disposal of subsidiaries		(1,240)	-
(Gain)/loss on disposal of property, plant and equipment and intangible assets	22	(518)	852
Profit from disposal of assets classified as held for sale	9, 20	(206)	(182)
Change in cost of investments	17	689	144
Hedging result	27	6,788	5,613
Change in provisions for liabilities	9, 26	10,135	11,190
Interest expense	10	6,445	8,179
Interest income	10	(4,156)	(4,718)
Foreign exchange loss/(gain), net	10	1,086	(2,409)
Dividend income		(93)	(88)
Other finance expenses/(income), net	10	365	46
Other operating (income)/expenses, net		(302)	(646)
Total operating cash flows before working capital changes		43,101	65,330
Increase in accounts receivable and prepayments		(15,916)	(27,816)
Increase in expendable spare parts and inventories		(1,856)	(2,672)
(Decrease)/increase in accounts payable and accrued liabilities		(612)	24,964
Total operating cash flows after working capital changes		24,717	59,806
Change in restricted cash	41	178	(435)
Income tax paid		(7,101)	(13,019)
Income tax refunded		1,701	1,080
Net cash flows from operating activities		19,495	47,432

Consolidated Statement of Cash Flows for the year ended 31 December 2018 (continued)

(ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

	Note	2018	2017
Cash flows from investing activities:			
Deposits return		23,926	13,649
Deposits placement		(21,152)	(16,300)
Proceeds from sale of property, plant and equipment		93	88
Proceeds from sale of assets held for sale		4,203	1,856
Interest received		3,115	4,241
Purchases of property, plant and equipment and intangible assets	19, 23	(13,131)	(7,681)
Dividends received		136	59
Prepayments for aircraft	15	(13,888)	(7,931)
Return of prepayments for aircraft	15	23,968	26,274
Repayment of operating lease security deposits	13	(2,428)	(211)
Return of operating lease security deposits	13	-	325
Net cash flows from investing activities		4,842	14,369
Cash flows from financing activities:			
Placement of loans and borrowings	28	350	-
Repayment of loans and borrowings		(131)	(17,417)
Proceeds from sale of own shares		-	9,730
Repayment of the principal element of finance lease liabilities	27	(21,955)	(15,513)
Interest paid		(5,207)	(4,762)
Dividends paid	36	(14,543)	(18,859)
Purchase of treasury shares	31	(7,040)	-
Net cash used in financing activities		(48,526)	(46,821)
Effect of exchange rate fluctuations on cash and cash equivalents		1,922	(478)
Net increase in cash and cash equivalents		(22,267)	14,502
Cash and cash equivalents at the beginning of the period	12	45,978	31,476
Cash and cash equivalents at the end of the period	12	23,711	45,978
Non-cash transactions as part of the investing activities:			
Property, plant and equipment acquired under finance leases		2,448	1,872

Consolidated Statement of Changes in Equity for the year ended 31 December 2018

(ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

2018									
	Note	Share capital	Accumulated profit on disposal of treasury shares and treasury shares buyback reserve	Investment revaluation reserve	Hedge reserve	Retained earnings	Total	Non-controlling interest	Total equity
1 January 2017		1,359	(1,912)	(5)	(34,187)	77,198	42,453	(1,684)	40,769
Profit for the year		-	-	-	-	22,872	22,872	188	23,060
Profit from hedging net of related deferred tax	27	-	-	-	9,028	-	9,028	-	9,028
Total other comprehensive income							9,028	-	9,028
Total comprehensive income							31,900	188	32,088
Disposal of treasury shares	31	-	9,776	-	-	-	9,776	-	9,776
Capital increase in companies with non-controlling interest		-	-	-	-	-	-	3,589	3,589
Dividends declared	32	-	-	-	-	(18,594)	(18,594)	(329)	(18,923)
31 December 2017		1,359	7,864	(5)	(25,159)	81,476	65,535	1,764	67,299
1 January 2018		1,359	7,864	(5)	(25,159)	81,476	65,535	1,764	67,299
The impact of the new standards (IFRS 9, IFRS 15)	4	-	-	5	-	1,115	1,120	(17)	1,103
Total restated 1 January 2018		1,359	7,864	-	(25,159)	82,591	66,655	1,747	68,402
Profit /(loss) for the year		-	-	-	-	6,589	6,589	(876)	5,713
Loss from hedging net of related deferred tax	27	-	-	-	(8,698)	-	(8,698)	-	(8,698)
Total other comprehensive loss							(8,698)	-	(8,698)
Total comprehensive loss							(2,109)	(876)	(2,985)
Purchase of treasury shares	31	-	(7,040)	-	-	-	(7,040)	-	(7,040)
Capital increase in companies with non-controlling interest	21	-	-	-	-	-	-	1,500	1,500
Dividends declared	32	-	-	-	-	(14,222)	(14,222)	(320)	(14,542)
31 December 2018		1,359	824	-	(33,857)	74,958	43,284	2,051	45,335

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to, and forms a part of, the Consolidated Financial Statements presented on pages 215 to 272

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

1. NATURE OF THE BUSINESS

Aeroflot-Russian Airlines (the “Company” or “Aeroflot”) was formed as an open joint stock company in accordance with a Russian Federation Government decree issued in 1992 (hereinafter, the “1992 Decree”). The 1992 Decree conferred all the rights and obligations of Aeroflot-Soviet Airlines and its structural units upon the Company, including inter-governmental bilateral agreements and agreements signed with foreign airlines and civil aviation enterprises. Under Russian Federation Presidential Decree No. 1009 of 4 August 2004, the Company was included in the official List of Strategic Entities and Strategic Joint Stock Companies.

The Company’s principal activities are the provision of passenger and cargo air transportation services, both domestically and internationally, and other aviation services from Moscow Sheremetyevo Airport. The Company and its subsidiaries (the “Group”) are also involved in airline catering and hotel operations. Associated entities mainly comprise aviation security services and other ancillary services.

The Group’s business activities in provision of international and domestic passenger and cargo air transportation services are subject to seasonal fluctuations, the peak of demand is in the second and third quarters of the year.

As at 31 December 2018 and 31 December 2017, the Government of the Russian Federation (the “RF”) represented by the Federal Agency for Management of State Property owned 51.17% of the Company. The Company’s headquarters are located in Moscow at 10 Arbat Street, 119002, RF.

The principal subsidiaries are:

Company name	Registered address	Principal activity	31 December 2018	31 December 2017
JSC Rossiya airlines (“AK Rossiya”)	St. Petersburg, RF	Airline	75% minus one share	75% minus one share
LLC Pobeda Airlines (“Pobeda”)	Moscow, RF	Airline	100.00%	100.00%
JSC Aurora Airlines (“AK Aurora”)	Yuzhno-Sakhalinsk, RF	Airline	51.00%	51.00%
LLC Aeroflot-Finance (“Aeroflot-Finance”)	Moscow, RF	Finance services	100.00%	100.00%
JSC Aeromar	Moscow Region, RF	Catering	51.00%	51.00%
JSC Sherotel	Moscow Region, RF	Hotel	100.00%	100.00%
LLC A-Technics	Moscow, RF	Technical maintenance	100.00%	100.00%
JSC Orenburg airlines (“Orenburgavia”)(Note 22)	Orenburg, RF	Airline	-	100.00%
JSC Donavia (“Donavia”)	Rostov-on-Don, RF	Airline	100.00%	100.00%

The Group’s major associate is:

Company name	Registered address	Principal activity	31 December 2018	31 December 2017
JSC Sheremetyevo Bezopasnost	Moscow Region, RF	Aviation security	45.00%	45.00%

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

The table below provides information on the Group's aircraft fleet as at 31 December 2018 (number of aircraft):

TYPE OF AIRCRAFT	OWNERSHIP	PSJC AEROFLOT	JSC AK ROSSIYA	JSC AK AURORA	LLC AK POBEDA	GROUP TOTAL
An-24	Owned	-	-	1	-	1
DHC 8-Q300	Owned	-	-	1	-	1
DHC 8-Q402	Owned	-	-	5	-	5
Total owned aircraft		-	-	7	-	7
Airbus A319	Finance lease	-	9	-	-	9
Airbus A321	Finance lease	7	-	-	-	7
Airbus A330	Finance lease	8	-	-	-	8
Boeing B777	Finance lease	10	-	-	-	10
Total aircraft under finance leases		25	9	-	-	34
SSJ 100	Operating lease	50	-	-	-	50
Airbus A319	Operating lease	-	16	10	-	26
Airbus A320	Operating lease	80	5	-	-	85
Airbus A321	Operating lease	30	-	-	-	30
Airbus A330	Operating lease	14	-	-	-	14
Boeing B737	Operating lease	47	16	-	24	87
Boeing B747	Operating lease	-	9	-	-	9
Boeing B777	Operating lease	7	10	-	-	17
DHC 8-Q200	Operating lease	-	-	2	-	2
DHC 8-Q300	Operating lease	-	-	3	-	3
DHC 6-400	Operating lease	-	-	3	-	3
Total aircraft under operating leases		228	56	18	24	326
Total fleet		253	65	25	24	367

As at 31 December 2018, 1 An-24 aircraft was leased out.

2. BASIS AND ACCOUNTING POLICIES OF PREPARATION THE CONSOLIDATED FINANCIAL STATEMENTS

Basis of presentation

The Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in accordance with the Federal Law No. 208 – FZ "On consolidated financial reporting" dated 27 July 2010. The Consolidated Financial Statements are presented in millions of Russian Roubles ("RUB million"), except where specifically noted otherwise.

These Consolidated Financial Statements have been prepared on the historical cost convention except for financial instruments which are initially recognised at fair value and financial instruments measured at fair value through profit or loss. The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. In addition to changes in accounting policies as a result of the transition to IFRS 9 and IFRS 15 from 1 January 2018, these principles were applied consistently for all periods presented in the Financial Statements, unless otherwise indicated. See Notes 4 and 42. The main accounting policies for financial investments and revenue recognition applied up to

31 December 2017 are presented in Note 42.

All significant subsidiaries directly or indirectly controlled by the Group are included in these Consolidated Financial Statements. A list of the Group's principal subsidiaries is set out in Note 1.

Going concern

Management prepared these Consolidated Financial Statements on a going concern basis. In making this judgement management considered the Group's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of the situation in the financial markets on the operations of the Group.

Functional and presentation currency

The functional currency of the Company and its subsidiaries is the Russian Rouble ("RUB" or "rouble"), the presentation currency of the Group's Consolidated Financial Statements is the Russian Rouble as well.

Consolidation

Subsidiaries represent investees, including structured entities, which the Group controls, as the Group:

- (i) has the powers to control significant operations which has a considerable impact on the investee's income,
- (ii) runs the risks related to variable income from its involvement with investee or is entitled to such income, and
- (iii) is able to use its powers with regard to the investee in order to influence the amount of its income.

The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee.

Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee.

Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

Subsidiaries are included in the Consolidated Financial Statements at the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities received in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Goodwill is measured through the deduction of net assets of the acquired entity from the total of the following amounts: consideration transferred for the acquired entity, non-controlling share in the acquiree and fair value of the existing equity interest in the acquiree held immediately by the Group before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt securities as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

The Group measures non-controlling interest that represents the ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at:

- a) fair value, or
- b) in proportion to the non-controlling share in the net assets of the acquiree.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated, unless the cost cannot be recovered. The Company and its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

Purchases of non-controlling interests

The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the transferred consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the Consolidated Statement of Changes in Equity.

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Investments in associates

Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated impairment losses, if any. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in the Group's share of net assets of an associate are recognised as follows:

- (i) the Group's share of profits or losses of associates is included in the Consolidated Statement of Profit or Loss for the year as a share of financial results of associates,
- (ii) the Group's share in other comprehensive income is recorded as a separate line item in other comprehensive income,
- (iii) all other changes in the Group's share of the carrying value of net assets of the associates are recorded in the Consolidated Statement of Profit or Loss within the share of financial results of equity accounted investments.

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the associate's assets.

Disposals of subsidiaries or associates

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest in an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Goodwill

Goodwill is carried at cost less accumulated impairment losses, if any. The Group performs goodwill impairment testing at least on an annual basis and whenever there are indications that goodwill may be impaired. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently recovered. Goodwill is allocated to the cash generating units (namely, the Group's subsidiaries or business units). These units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currency are translated into each entity's functional currency at the official exchange rate of the Central Bank of the Russian Federation ("CBRF") at the respective end of the reporting period. Transactions in foreign currencies are recorded at the rates of exchange on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of transactions in foreign currency and from the translation of monetary assets and liabilities denominated in foreign currency into each entity's functional currency at year-end official exchange rates of the CBRF are recognised in the Consolidated Statement of Profit or Loss for the year within finance income or costs except for foreign exchange differences arising on translation of hedge financial instruments. Foreign exchange differences on hedge instruments are recognised in other comprehensive income.

Translation at year-end rates does not apply to non-monetary items in the Consolidated Statement of Financial Position that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value revaluation gain or loss.

The table below presents US Dollar and Euro to rouble exchange rates used for the translation of monetary assets and liabilities into foreign currencies:

	Official exchange rates	
	Roubles for 1 US Dollar	Roubles for 1 Euro
31 December 2018	69.47	79.46
Average rate for 2018	62.71	73.95
31 December 2017	57.60	68.87
Average rate for 2017	58.35	65.90

Revenue recognition

Starting from 1 January 2018, the Group adopted IFRS 15 "Revenue from contracts with customers". In accordance with the transition provisions of IFRS 15, the Group has elected simplified transition method with the effect of transition to be recognised as at 1 January 2018 in the Consolidated Financial Statements for the year-ending 31 December 2018 which will be the first year when the Group will adopt IFRS 15. For more information on the effect of the changes in the accounting policies, please refer to Note 4.

Revenue is recognized at the moment or upon transfer of control over goods or services to the customer at the transaction price. The transaction price is the amount of compensation, the right to which the Group expects to receive in exchange for the transfer of the promised goods or services to customers. Revenue is amount for goods and services sold in the ordinary course of business, net of taxes accrued on the revenue.

Passenger flights: Revenues from the sale of tickets are recognised upon delivery of air-transport services. The price of tickets sold and valid, that have not been used at the reporting date, is recognised in the Group's Consolidated Statement of Financial Position (unearned transportation revenue) within current liabilities. The balance on this account is reduced as the Group continues to provide related transportation services, or when the passenger returns the ticket. The price of tickets that were sold but will not be used is recognised as sales revenue at the reporting date, in line with the analysis of historical data on income from unused tickets.

Revenue from the service for changes in bookings (service fees for changes in booking terms) is recognised when transportation services are provided. Where a passenger's route consists of several segments and transportation for such rout is formalised by one single agreement for aviation services, revenue for changes in booking terms is recognised at the time of completing transportation on the first segment of the route.

Commission fees payable to agents for the sale of air tickets are recognised as sales and marketing expenses within operating expenses in the Consolidated Statement of Profit and Loss in the period of the sale of the tickets by agents, as according to the current tariffs of the Group, the period of performance of obligations on transportation of passengers does not exceed one year.

Revenue from passenger flights also includes revenue under codeshare agreements signed by the Group with certain airlines, whereby the Group and the airlines sell seats for each other's flights (hereinafter, "Codeshare Agreements"). Revenue from the sale of tickets for the flights of other airlines under Codeshare Agreements is recognised when air transport services are provided and is included in net income within traffic revenue in the Group's Consolidated Statement of Profit and Loss. Revenue from the sale of seats to the Group's flights by other airlines is recognised when air transport services have been fully provided, within traffic revenue in the Group's Consolidated Statement of Profit and Loss.

Revenue from passenger flights includes revenue under interline agreements signed between the Group and other airlines, whereby the airlines use their blank forms to document transportation under the regular flights of their partner airlines. The airline can issue tickets for any flights whose entire route or several segments of one route will be carried out by another carrier. Revenue from any flights that were provided by a partner under an interline agreement, but were documented on the blank forms of the Group is recognised when the air transport services have been rendered by the partner in the amount of net income, within traffic revenue, in the Group's Consolidated Statement of Profit and Loss.

The Group is entitled for commission fees at the time interline agreement partner or codeshare agreement partner perform the flight, which corresponds to the moment of fulfilment the obligation to the final passenger and represents the basis for settlements with the partner under the agreement.

In the case when agreement (ticket) with passenger includes two or more route segments (performance obligations) on mixed terms: flights to be performed by Group companies and flights to be performed by interline or codeshare partner, revenue is recognised when air transport services are provided and is included in full amount for Group flights or in the amount of net income for the flights of interline or codeshare partner within traffic revenue in the Group's Consolidated Statement of Profit and Loss.

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Cargo flights: Revenue from cargo flights is recognised within traffic revenue when aviation services are provided. The price of sold but not yet delivered cargo flight services is reported in the Group's Consolidated Statement of Financial Position as accounts payable and accrued liabilities.

Flight catering: Flight catering revenue is recognised upon the delivery of food on board the airplane, as it is the moment of transferring control over goods to the customers.

Other revenue: Other revenue under bilateral agreements with airlines is recognised as the Group discharges its performance obligations under the terms of each agreement. Revenue from leasing out rooms in the Group's hotel is recognised upon the service delivery. Revenue from the sale of goods is recognised upon transfer of control over assets to the customer, which normally takes place on the date of the goods' shipment to the customer. Revenue from rendering the services is recognised in the period when the services were rendered.

Financing component: Under customer contracts the period between the transfer of promised goods or services to the customer and payment by the customer for such goods or services will exceed one year. Therefore, the Group does not adjust the promised amount of consideration in line with the effect of any significant financing component.

Group Companies have no significant assets under contracts with customers. At the time the unconditional right to income arises, the Group recognizes accounts receivable. Group contractual obligations include: unearned transport revenue from passengers, liabilities under the frequent flyer programme as well as other advances from customers (Note 25).

Segment information

The Group determines and presents operating segments based on the information that internally is provided to the General Director of the Group, who is the Group's chief operating decision maker. Segments whose revenue, financial result or assets are not less than ten percent or more revenue, financial result or assets of all operating segments are reported separately.

Intangible assets

The Group's intangible assets other than goodwill have definite useful lives and primarily include capitalised computer software with the useful life from 5 to 15 years. Intangible assets are amortised using the straight-line method over their useful lives. Acquired licenses for computer software are capitalised on the basis of the costs incurred to acquire and bring them to use. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to disposal.

Property, plant and equipment

Property, plant and equipment are reported at cost, less accumulated depreciation and impairment losses (where appropriate). Depreciation is calculated in order to allocate the cost (less residual value where applicable) over the useful lives of the assets.

(a) Fleet

(i) **Owned aircraft and engines:** Owned fleet consists of foreign-made aircraft, engines are both Russian and foreign-made. The full list of aircraft is presented in Note 1.

(iv) **Finance leased aircraft and engines:** Where assets are financed through finance leases, under which substantially all the risks and rewards of ownership are transferred to the Group, the assets are treated as if they had been purchased outright.

(v) **Capitalised costs on regular maintenance works and repairs of aircraft operated under finance lease:** Expenditure incurred on modernisation and improvements projects that are significant in size (mainly aircraft modifications involving installation of replacement parts) are capitalised. The carrying amount of those parts that are replaced is derecognised from the Group's Consolidated Statement of Financial Position and included in operating costs in the Group's Consolidated Statement of Profit or Loss. Capitalised costs of aircraft checks and major modernisation and improvements projects are depreciated on a straight-line basis to the projected date of the next check or based on estimates of their useful lives. Ordinary repair and maintenance costs of aircraft are expensed as incurred and included in operating costs (aircraft maintenance) in the Group's Consolidated Statement of Profit or Loss.

(vi) Depreciation of fleet: The Group depreciates fleet assets owned or held under finance leases on a straight-line basis to the end of their estimated useful life or lease term, if it is shorter. The airframe, engines and interior of aircraft are depreciated

separately over their respective estimated useful lives.

Airframes of aircraft	20-32 years
Engines	8-10 years
Interiors	5 years
Buildings	15-50 years
Facilities and transport vehicles	3-5 years
Other non-current assets	1-5 years

(vii) Capitalised leasehold improvements of aircraft used under operating lease: Capitalised costs that relate to the rented fleet are depreciated over the shorter of: their useful lives and the lease term.

(b) Land, buildings, constructions and other plant and equipment

Property, plant and equipment is stated at the historical US Dollar cost recalculated at the exchange rate on 1 January 2007, the date of the change of the functional currency of the Company and its major subsidiaries from the US Dollar to the Russian Rouble or at the historical cost if property, plant and equipment was acquired after specified date. Depreciation is accrued based on the straight-line method on all property, plant and equipment based upon their expected useful lives or, in the case of leasehold properties, over the duration of the leases or useful life if it is shorter. The useful lives of the Group's property, plant and equipment range from 1 to 50 years. Land is not depreciated.

(c) Construction in progress

Construction in progress represents costs related to construction of property, plant and equipment, including corresponding variable out-of-pocket expenses directly attributable to the cost of construction, as well the acquisition cost of other assets that require assembly or any other preparation. The carrying value of construction in progress is regularly analysed for the potential accrual of the impairment provision.

Gain or loss on disposal of property, plant and equipment

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Group's Consolidated Statement of Profit or Loss for year within operating income or expenses.

Finance lease

Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of: the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is allocated between reduction of the outstanding liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Corresponding lease liabilities net of future finance expenses are recorded as a separate line item (finance lease liabilities) within current and non-current liabilities in the Group's Consolidated Statement of Financial Position. Interest expenses within lease payments are charged to profit or loss over the lease terms using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term, if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

Customs duties, legal fees and other initial direct costs increase the total amount recorded in assets in the Group's Consolidated Statement of Financial Position. The interest component of lease payments included in financial costs in the Group's Consolidated Statement of Profit or Loss.

Non-current assets classified as held for sale

Non-current assets and disposal groups (which may include both non-current and current assets) are classified in the Consolidated Statement of Financial Position as 'non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction (including loss of control of a subsidiary holding the assets) within twelve months after the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year; and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Non-current assets or disposal groups classified as held for sale in the current period's Consolidated Statement of Financial Position are not reclassified or re-presented in the comparative Consolidated Statement of Financial Position to reflect the classification at the end of the current period.

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs on disposal. Held for sale property, plant and equipment are not depreciated or amortised.

Liabilities directly associated with the disposal group that will be transferred in the disposal transaction are reclassified and presented separately in the Consolidated Statement of Financial Position.

Capitalisation of borrowing costs

Borrowing costs including interest accrued, foreign exchange difference and other costs directly attributable to the acquisition, construction or production of assets that are not carried at fair value and that necessarily take a substantial time to get ready for intended use or sale (the «qualifying assets») are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January 2009. The Group considers prepayments for aircraft as the qualifying asset with regard to which borrowing costs and finance lease liabilities are capitalised.

The capitalisation starts when the Group:

- (a) bears expenses related to the qualifying asset;
- (b) bears borrowing costs; and
- (c) takes measures to get the asset ready for intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs related to capital expenditure made on qualifying assets.

Borrowing costs capitalised are calculated at the Group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

Impairment of property, plant and equipment

At each reporting date the management reviews its property, plant and equipment to determine whether there is any indication of impairment of those assets. If any such indication exists, the recoverable amount of the asset is estimated by management as the higher of: an asset's fair value less costs to sell and its value in use. The carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recorded within operating costs in the Group's Consolidated Statement of Profit or Loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Operating leases

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Related direct expenses including customs duties for imported leased aircraft are recognised within non-current assets at the time of the aircraft transfer and amortised using a straight-line method over the term of lease agreement. Amortisation charges are recognised within operating costs.

The operating lease agreements include requirements to perform regular repairs and maintenance works during the lease term. Accordingly, the Group accrues a provision in the amount of discounted expenses needed to perform regular repairs and maintenance works. The estimated expenses are based on the most reliable data available at the time of such estimation. The provisions of the operating lease agreements, age and condition of the aircraft and engines, market value of fixtures, key parts and components subject to replacement and the cost of required work are taken into account. The provision is recorded at the discounted value.

The costs of regular capital repairs and maintenance works performed for aircraft held under finance lease are capitalized and amortized over the shorter of (i) the scheduled usage period to the next major inspection event or (ii) the remaining life of the asset or (iii) remaining lease term.

Financial instruments

Since 1 January 2018 the Group implemented IFRS 9 «Financial instruments». According to transition statements of IFRS 9 the Group used simplified method of transition reflecting the impact of the transition of the new standard as at 1 January 2018 in the consolidated financial statements for the year ending 31 December 2018 which will be the first year of the Group's application of IFRS 9. Further details of the impact of this change in accounting policy are provided in Note 4.

Financial instruments – key measurement terms

Fair value – is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Financial instrument measured at fair value are analysed by levels of the fair value hierarchy as follows:

- (i) level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,
- (ii) level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and
- (iii) level 3 measurements, which are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs) Note 37

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses ("ECL"). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Financial instruments – initial recognition

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC, resulting in an immediate accounting loss.

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets – classification and subsequent measurement – measurement categories.

The Group classifies financial assets in the following measurement categories: FVTPL and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model.

The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets (“hold to collect contractual cash flows”) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets (“hold to collect contractual cash flows and sell”) or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of “other” business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed.

Financial assets – classification and subsequent measurement – cash flow characteristics.

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest (“SPPI”). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Financial assets – reclassification

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL.

The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognises Net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC and contract assets are presented in the consolidated statement of financial position net of the allowance for ECL.

Explanations regarding the Group's determination of impaired assets and default are provided in Note 36. This note also provides information on the source data, assumptions and calculation methods used in estimating expected credit losses, including an explanation of how the Group includes the forecast information in the expected credit loss models.

Financial assets – write-off

Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets – derecognition.

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial assets – modification.

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: [any new contractual terms that substantially affect the risk profile of the asset (eg profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.]

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

Financial liabilities – measurement categories

Financial liabilities of the Group are classified as subsequently measured at AC.

Financial liabilities – derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Substantial modifications of the terms and conditions of existing financial liabilities are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Offsetting financial instrument.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Aircraft lease security deposits

Aircraft lease security deposits represent amounts paid to the lessors of aircraft in accordance with the provisions of operating lease agreements. These security deposits are returned to the Group at the end of the lease period. Security deposits related to lease agreements are presented separately in the Consolidated Statement of Financial Position (aircraft lease security deposits) and initially recorded at fair value and then at amortized cost calculated using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Restricted balances are excluded from cash and cash equivalents for the purposes of the Cash Flow Statement.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and are subsequently carried at AC using the effective interest method.

Trade and other payables

Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at AC using the effective interest method.

Loans and borrowings

Loans and borrowings are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Short-term loans and borrowings comprise:

- interest bearing loans and borrowings with a term shorter than one year;
- current portion of long-term loans and borrowings.

Long-term loans and borrowings include liabilities with the maturity exceeding one year.

Financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as hedges for a highly probable forecast transaction (cash flow hedge).

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Statement of Profit or Loss as a separate line below operating result of the Group.

Amounts accumulated in equity are reclassified to profit or loss (as profit or loss from financing activities) in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Consolidated Statement of Profit or Loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Consolidated Statement of Profit or Loss within gains and losses from financing activities as a separate line.

The hedging result in the Consolidated Statement of Profit or Loss is the change in the fair value of the hedging derivative financial instruments (realized hedging) and the multidirectional effect of the hedging risk impact on the related hedge transactions recorded in operating activities.

Prepayments

In these Consolidated Financial Statements, prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are included to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in the Group's Consolidated Statement of Profit or Loss for the year.

Expendable spare parts and inventories

Inventories, including aircraft expendable spare parts, are valued at cost or net realisable value, whichever is lower.

With the release of material values in production and other disposal the costs are determined as the actual acquisition cost of spare parts for aircraft maintenance and as the cost of other inventories on the first-in, first- out ("FIFO") basis.

The Group writes off the full amount of obsolete inventories which the Group does not plan to continue using in its operations.

Value added taxes

Value added tax ("VAT") related to sales of goods or provision of services is recorded as a liability to the budget on an accruals basis. Domestic flights in general are subject to VAT at 10% and international flights are subject to VAT at 0%. Input VAT invoiced by domestic suppliers as well as VAT paid in respect of imported leased aircraft and spare parts may be recovered, subject to certain restrictions, against output VAT. The recovery of input VAT is typically delayed by up to six months and sometimes longer due to compulsory tax audit requirements and other administrative matters. Input VAT claimed for recovery as at the date of the Consolidated Statement of Financial Position is presented net of the output VAT liability. Recoverable input VAT that is not claimed for recovery in the current period is recorded in the Consolidated Statement of Financial Position as VAT receivable. VAT receivable that is not expected to be recovered within the twelve months from the reporting date is classified as a non-current asset. Where provision has been made for uncollectible receivables, the bad debt expense is recorded at the gross amount of the account receivable, including VAT.

Frequent flyer programme

Since 1999, the Group operates a frequent flyer programme referred to as "Aeroflot Bonus". Subject to the Programme terms, to increase customer loyalty to the Company's services, Aeroflot Bonus miles are awarded for the use of the Group's and its partners' services, and in the form of free promo miles to incentivise participation in the Programme. The miles earned entitle the participants to a number of benefits such as free flights, flight class upgrades and redeem miles for special awards from programme partners if the additional conditions of the Programme are met.

Starting from 1 January 2018, the Group adopted IFRS 15 "Revenue from contracts with customers", which effected on accounting of liabilities under the "Aeroflot Bonus" programme. For more information on the effect of the changes in the accounting policies, please refer to Note 4.

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Revenue for bonus miles is recognised when the Programme participant receives the service through reducing the short-term deferred revenue and other current liabilities based on the estimated value of one bonus mile. The amount of deferred revenue is calculated through allocating the transaction price between performance obligations (ticket sold and bonus miles) pro rata to their relative price of a stand-alone selling price on the date when a ticket to a regular flight is sold to the passenger. On the date of a ticket sale, the Group has two performance obligations: to provide the passenger with a seat on the selected flight and to provide the passenger with the service in the future (flight class upgrades or other goods and services) for the amount of accrued bonus miles.

The estimated value of miles earned, but not used by Aeroflot Bonus participants on the Group's own flights is recognised within short-term and long-term deferred revenue under the frequent flyer programme (Note 25) within current and non-current liabilities in the Group's Consolidated Statement of Financial Position.

The estimated value of bonus miles accumulated by Aerfolot Bonus participants for using the services provided by the partners of the programme is recognised as other accrued current and non-current liabilities under the frequent flyer programme (Notes 25) within accounts payable and accrued liabilities in the Group's Consolidated Statement of Financial Position.

The estimated value of bonus miles is the same for the miles accumulated by the participants during the Group flights and for those miles accumulated by the participants for using the Programme partner services.

Employee benefits

Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and etc.) are accrued in the year in which the associated services are rendered by the employees of the Group.

Provisions for liabilities

Provisions for liabilities are recognised if, and only if, the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate (Note 26). Where the effect of the time value of money is significant, the amount of a provision is stated at the present value of the expenditures required to settle the obligation.

Income tax

Income taxes have been provided for in the Consolidated Financial Statements in accordance with legislation using tax rates and legislative regulations enacted or substantively enacted at the end of the reporting period. Income tax expense/benefit comprises current and deferred tax and is recognised in the Consolidated Statement of Profit or Loss for the year, unless it should be recorded within other comprehensive income or directly in equity since it relates to transactions which are also recognised within other comprehensive income or directly in equity in this or any other period.

Current tax is the amount expected to be paid to or recovered from budget in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the Consolidated Financial Statements are authorised prior to filing relevant tax returns. Other tax expenses, except from the income tax, are recorded within other operating costs in the Group's Consolidated Statement of Profit or Loss.

Deferred income tax is provided using the balance sheet liability method for tax losses carried forward and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Statement of Financial Position. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences arising on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill, and subsequently for goodwill which is not deductible for tax purposes. Deferred tax assets and liabilities are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax losses carried forward will be utilised.

Deferred tax assets for deductible temporary differences and tax losses carried forward are recorded only to the extent that it is probable that recovery of temporary differences and future taxable profit will be available against which the deductions can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that Management expects the temporary differences to reverse in the foreseeable future.

Uncertain income tax positions

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than income tax are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Pensions

The Group makes certain employee benefits payments related to retirement. Pension liabilities are liabilities for defined benefit plans. The amount of expenditures and obligations for such plans is estimated using the projected unit credit method. In this method, the costs of pension payments are reflected in the Consolidated Statement of Profit and Loss in order to evenly distribute the costs over the life of the employee. Gains and losses arising when actuarial calculations change are immediately allocated to other Comprehensive Income. Pension obligations to employees who have not reached retirement age are calculated on the basis of minimum annual payments and do not take into account the possible increase in management of the value of pensions in the future. If such pension payments to employees fall within a period of more than 12 months from the reporting date, they are discounted; a discount rate is applied, determined on the basis of the rate of return government bonds at the reporting date.

The Group also participates in a defined contribution plan, under which the Group has committed to making additional contributions as a percentage (20% in 2018) of the contribution made by employees choosing to participate in the plan. Contributions made by the Group on defined contribution plans are charged to expenses when incurred. Contributions are also made to the Government Pension fund at the statutory rates in force during the year. Such contributions are expensed as incurred.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Share-based compensation

The title to future equity compensations (shares or share options) to employees for the provided services is measured at fair value of these instruments at the date of the transfer and is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to these awards.

The amount recognised as an expense is adjusted to reflect the number of awards transferable to employees as a result of the final transfer of the right on these tools when the employee fulfills the conditions associated with the length of service, as well as the non-market performance conditions. The effect of revisiting initial estimates, if any, is recognised in profit or loss with a corresponding adjustment to equity.

Services, including employee services received in exchange for cash-settled share-based payments, are recognised at the fair value of the liability incurred and are expensed at the moment of its provision. The liability is re-measured at each balance sheet date to its fair value, with all changes recognised immediately in profit or loss.

Treasury shares purchased

Where the Company or its subsidiaries purchase the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Company's owners until the equity instruments are cancelled, reissued or disposed of. The Company's shares, which are held as treasury stock or belong to the Company's subsidiaries, are reflected as a reduction of the Group's equity.

The sale or re-issue of such shares does not impact net profit for the current year and is recognised as a change in the shareholders' equity of the Group. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's shareholders.

Dividend distributions and payments by the Company are recorded net of the dividends related to treasury shares.

Dividends

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved by the shareholders in the General Shareholders' Meeting.

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Earnings/loss per share

Earnings per share are determined by dividing the profit or loss attributable to the Company's shareholders by the weighted average number of participating shares outstanding during the reporting year. The calculation of diluted earnings per share includes shares planned to be used in the option programme when the average market price of ordinary shares for the period exceeds the exercise price of the options.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the amounts recognised in the Consolidated Financial Statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the Consolidated Financial Statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Useful lives and residual value of property, plant and equipment

The assessment of the useful lives of property, plant and equipment and their residual value are matters of management judgement based on the use of similar assets in prior periods. To determine the useful lives and residual value of property, plant and equipment, management considers the following factors: nature of the expected use, estimated technical obsolescence and physical wear. A change in each of the above conditions or estimates may require the adjustment of future depreciation expenses.

Value of tickets which were sold, but will not be used

The value of tickets that were sold, but will not be used is recognised as sales revenue at the reporting date estimated through analysing historical data on income from unused tickets. The assessment of the probability that the tickets will not be used is a matter of management judgement. A change in these estimates may require an adjustment to the revenue amount in the Consolidated Statement of Profit or Loss (Note 5) and to the transportation revenue not earned in the Consolidated Statement of Financial Position.

Frequent flyer programme

The bonus miles provide customers with a substantial right, which they would not qualify unless they signed the agreement. The Customer could use bonus miles to buy flight tickets in the future or to pay for services of other Programme partners. Therefore, the promise to provide bonus miles to the customer is a separate performance obligation. The transaction price is allocated between the ticket for the Company's regular flight and accrued bonus miles on the basis of a relative stand-alone selling price on the date of executing the agreement.

The stand-alone selling price of a ticket for a regular flight is a tariff established by the Company for a specified route at the time of the sale, regardless of whether or not the customer is a Programme participant.

The stand-alone selling price of one separate bonus mile is a tool for determining the cost of services to be provided in the future to the Programme participant. The Company determines the price of the future service (or part of it) per bonus mile as equal to the Company's assessment of the estimated value of the service per one mile.

At the reporting date, the Group assesses and recognises a performance obligation for the amount of accrued bonus miles accumulated by Aeroflot Bonus Programme participants. The estimate is made based on the statistical information available to the Group and reflects the expected amount of miles to be used after the reporting date multiplied by their estimated value. The assessment of the estimated value of a bonus mile, as well as the management's expectations regarding the amount of miles to be used by Aeroflot Bonus participants, are a matter of management judgement. A change in these estimates may require an adjustment in deferred revenue, accounts payable and accrued liabilities and other non-current liabilities under the frequent flyer programme in the Consolidated Statement of Financial Position (Note25) and adjustment to revenue in the Consolidated Statement of Profit or Loss (Note 5, 6).

As to the Group own flight tickets sold to the Programme participants, the Group reallocates the transaction price under the contract (ticket) between the obligation to provide a seat for any selected flight and the provision of services in the future for the amount of bonus miles accrued to the Programme participants in respect of the entire portfolio of contracts (tickets purchased by the Programme participants), as the said contracts have similar characteristics. The Group believes that from the perspective of financial statements, the results of applying a single value of transaction price allocation to the entire portfolio of contracts will not materially differ from the price allocation to each separate contract within the portfolio.

The obligation to the customer on bonus miles is fulfilled at the time when air transport services purchased for miles are provided to the customer, or when miles are used to purchase Programme partner's goods and services, and at the time of expiry of miles that were not used to buy flight tickets in accordance with the rules of the Programme.

Compliance with tax legislation

Compliance with tax legislation, particularly in the Russian Federation, is subject to a significant degree of interpretation and can be routinely challenged by the tax authorities. The management records a provision in respect of its best estimate of likely additional tax payments and related penalties which may be payable if the Group's tax compliance is challenged by the relevant tax authorities (Note 41).

Classification of a lease agreement as operating and finance lease

Management applies professional judgement with regard to the classification of aircraft lease agreements as operating and finance lease agreements in order to determine whether all significant risks and rewards related to the ownership of an asset are transferred to the Group in accordance with the agreement and which risks and rewards are significant. A change in these estimates may require a different approach to aircraft accounting.

Estimated impairment of goodwill

The Group tests goodwill for impairment at least annually. The recoverable amount of each cash generating unit was determined based on value-in-use calculations. These calculations require the use of estimates as further detailed in Note 24.

Deferred tax asset recognition

The recognised deferred tax asset represents income taxes recoverable through future deductions from income tax expense and is recorded in the Consolidated Statement of Financial Position. Deferred income tax assets are recognised to the extent that realisation of the related tax deduction is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on the medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

ECL measurement.

Measurement of ECLs for all financial instruments at AC is a significant estimate that involves determination methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 53. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience. Taking into account the short term of assets, the forecasted macroeconomic indicators did not have a significant impact on the level of losses. Detailed information is provided in Note 35.

4. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

New standards and interpretations effective from 1 January 2018

The following amended standards became effective for the Group from 1 January 2018, but did not have any material impact on the Group.

Amendments to IFRS 2 "Share-based Payment" (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).

Amendments to IFRS 4 – "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).

Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 1 an IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

Amendments to IAS 40 – "Transfers of Investment Property" (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2018 or later:

Adoption of IFRS 9 "Financial Instruments" (ammended in July 2014 and effective for annual periods beginning on or after 1 January 2018).

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

The Group adopted IFRS 9, Financial Instruments, from 1 January 2018. The Group elected not to restate comparative figures and recognised any adjustments to the carrying amounts of financial assets and liabilities in the opening retained earnings as of the date of initial application of the standards, 1 January 2018. Consequently, the revised requirements of the IFRS 7, Financial Instruments: Disclosures, have only been applied to the current period. The comparative period disclosures repeat those disclosures made in the prior year.

As at 1 January 2018, the Group's management has assessed which business models apply to the financial assets held by the Group at the date of initial application of IFRS 9 (1 January 2018) and has classified its financial instruments into the appropriate IFRS 9 categories.

(i) Reclassification from loans and receivables

Following the assessment of its business model for securities within the Group's liquidity portfolio, which are mostly held to collect the contractual cash flows, the Group has identified certain securities which are managed separately and for which the past practice has been (and the Group's intention remains) hold to collect the contractual cash flows. Consequently, the Group has assessed that the appropriate business model for this group of securities is held to collect. These securities, which were previously classified as AFS, were reclassified at AC from the date of initial application.

(ii) Reclassification from available-for-sale financial assets to financial assets at fair value, which changes are recognised in profit or loss

The Group did not apply the election possibility of classifying equity investments into the category measured at fair value through other comprehensive income. Equity investments were reclassified from available-for-sale to financial assets at fair value through profit or loss (as at 1 January 2018: RUB 5,826 million). Profit from revaluation at fair value in amount RUB 2,574 million was recognised in retained earnings as at 1 January 2018. During 12 months 2018 the revaluation loss at fair value on these investments in the amount of RUB 516 million was recognised in Consolidated Statement of Profit or Loss in line loss from impairment and fair value changes of investments (Note 17).

(iii) Reclassification from available-for-sale financial assets to financial assets at amortised costs.

Investments in debt securities were reclassified from the available-for-sale category under IAS 39 to the amortised cost category under IFRS 9 at the date of transition.

Hedge accounting

The currency risk management policy and the hedging strategy of the Group's currency risk remain unchanged in the application of IFRS 9. Cash flow hedge accounting continues to be applied to existing hedging relationships.

IFRS 9 eliminates the requirement to assess the effectiveness of a hedge in the range of 80-125%, and the effectiveness of the hedge is estimated based on the existence of an economic relationship between the instrument and the hedged item. However, in accordance with IFRS 9, discounting of hedged cash flows is required to assess the effectiveness of the hedge. Accordingly, the Group updated its approach to assessing the effectiveness of the hedge, and identified as a hedged item the future highly probable revenue equal to the amount of cash flows from financial leases on a non-discount basis. This change has a prospective effect on 1 January 2018, and has no impact on the Group's opening balance as a result of the adoption of a new standard in accounting for hedging (IFRS 9).

The table below compares the classification of financial assets into the previous valuation categories in accordance with IAS 39 with their new classification in accordance with IFRS 9 as of 1 January 2018:

	Measurement category		Carrying value per IAS 39 (31 December 2017)	Remeasurement		Carrying value per IFRS 9 (1 January 2018)
	IAS 39	IFRS 9		Expected credit losses	Other	
Cash and cash equivalents	Loans And Accounts Receivable	Measured at amortized cost	45,978	-	-	45,978
Investments in debt securities	Available-For-Sale	Measured at amortized cost	56	-	-	56
Investments in equity securities	Available-For-Sale	Measured at fair value through profit or loss	3,252	-	2,574	5,826
Financial accounts receivables	Loans And Accounts Receivable	Measured at amortized cost	34,991	(40)	-	34,951
Aircraft lease security deposits	Loans And Accounts Receivable	Measured at amortized cost	2,025	-	-	2,025
Debt financial investments	Loans And Accounts Receivable	Measured at amortized cost	8,961	(30)	-	8,931
Other financial assets	Loans And Accounts Receivable	Measured at amortized cost	583	-	-	583
Total financial assets			95,846	(70)	2,574	98,350

There were no significant changes in respect of financial obligations.

The movement of the gross book value (before deducting the provision for ECL) of financial assets is presented in the table below:

	Cash and cash equivalents	Financial accounts receivables	Debt financial investments	Equity financial investments	Aircraft lease security deposits	Other financial assets	Total
Gross book value per IAS 39 (opening balance at	45 978	46 339	18 457	3 252	2 025	583	116 634
1 January 2018)	45,978	46,339	18,457	3,252	2,025	583	116,634
Amounts adjusted through retained earnings at the beginning of the period	-	-	-	2,574	-	-	2,574
Gross book value per IFRS 9 (opening balance at	(22 267)	6 269	(2 296)	(516)	2 867	101	(15 841)
1 January 2018)	45,978	46,339	18,457	5,826	2,025	583	119,208
Change in gross book value for the period	(22,267)	6,269	(2,296)	(516)	2,867	101	(15,841)
Gross book value at 31 December 2018	23,711	52,608	16,161	5,310	4,892	684	103,367

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Movements in the provision for expected credit losses of financial assets are as follows:

	Financial accounts receivable	Other financial assets	Total provision
1 January 2018 – IAS 39	(11,348)	(9,440)	(20,788)
Amounts adjusted through retained earnings at the beginning of the period	(40)	(30)	(70)
1 January 2018 – IFRS 9	(11,388)	(9,470)	(20,858)
Provision increase	(1,642)	(182)	(1,824)
Provision release	1,087	-	1,087
Provision recovery	473	-	473
31 December 2018	(11,470)	(9,652)	(21,122)

Adoption of IFRS 15 “Revenue from contracts with customers” (issued on 28 May 2014, amended on 12 April 2016, and effective for annual periods beginning on or after 1 January 2018).

Starting from 1 January 2018, the accounting policy on revenue recognition has been amended to bring it in line with IFRS 15 “Revenue from contracts with customers”, which replaces the provisions of IAS 18 “Revenue” and other standards and interpretations relating to revenue recognition.

The adoption of IFRS 15 resulted in changes in accounting policies and adjustments to be recognised in the Consolidated Financial Statements.

The main changes in the accounting policy on revenue recognition from adoption of IFRS 15 compared to that used in previous reporting periods are explained below:

(i) Accounting for frequent flyer programme referred to as Aeroflot Bonus from own flights;

The Group operates a frequent flyer programme referred to as Aeroflot-Bonus (programme). Subject to the programme's terms, to increase customer loyalty, Aeroflot-Bonus miles are awarded for the use of the Group's services and its partners. The miles earned entitle members to a number of benefits such as free flights, flight class upgrades and redeem miles for special awards from programme partners if the additional conditions of the programme are met.

In previous reporting periods, the consideration received from the sale of tickets to passengers was distributed between obligation attributable to the bonus miles and the obligation to provide a seat on the selected flight according to the purchased ticket using the residual method. Under this method, a portion of the consideration received which was equal to the fair value of the bonus miles was recognised within liabilities under frequent flyer programme. The remaining part of consideration was recognised as the traffic revenue when the transportation service had been provided.

According to IFRS 15, the Group evaluates the goods or services under the agreement with the customer and identifies performance obligations for each distinct promise to transfer the good or service to the customer. The agreement between the Programme participant and the Company is a ticket for a regular flight purchased by the passenger. Under this agreement, there are two performance obligations to be performed: to provide the passenger with a seat on the selected flight (performance obligation No. 1); to provide the passenger with services in the future (flight class upgrades or other goods and services) for the amount of accrued bonus miles (performance obligation No. 2). Thus, different to the method applied in the previous periods, the allocation of transaction price to each performance obligation is performed on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract in the moment of its signing. The stand-alone selling price of a ticket for a regular flight of the Company (performance obligation No. 1) is the tariff established by the Company on the specified route at the time of the sale, regardless of whether the customer is a Programme participant or not. The price of one separate bonus mile (performance obligation No. 2) is a tool for determining the cost of services that will be provided in the future to the Programme participant. The management determines the cost of the future service (or part of it) per bonus mile equal to the assessment of the fair value of the service per mile based on the tariffs applicable to that service in the reporting period.

As at 1 January 2018, as a result of IFRS 15 adoption in terms of accounting the Aeroflot Bonus programme the amount of obligations under these programme increased and the amount of retained earnings reduced by RUB 1,116 million.

(ii) Accounting for revenue from service fees for changes to reservations;

In previous reporting periods, revenue from change fees was recognised as other revenue at the moment when change to booking was provided.

According to IFRS 15, the service for changes in bookings is not distinguishable and is part of the performance obligation to provide a seat for the passenger on the selected flight. A change to booking is a modification of the agreement, which the Group considers as if it were a termination of the existing agreement and conclusion of a new one. Revenue from the new agreement (this revenue includes revenue from ticket sales and service change fees) is recognised when transportation services are provided as traffic revenue. Where a route in agreement consists of several segments, revenue from change fees is recognised at the time of fulfillment of the performance obligation of transportation services for the first segment of the route.

As at 1 January 2018, as a result of IFRS 15 adoption in terms of changes in recognition of revenue from change fees the amount of liabilities to passengers as unearned transport revenue increased by RUB 357 million and the amount of retained earnings decreased by RUB 285 million including deferred tax in the amount of RUB 72 million.

(iii) Accounting for commission fees payable to agents selling tickets;

The Group uses a practical expedient in accordance with IFRS 15, and recognizes commission fees payable to agents on sale of tickets as sales and marketing expenses within operating expenses in the Consolidated Statement of Profit or Loss in the period of the sale of the tickets, as according to the current tariffs of the Group the period of performance an obligations on transportation of passengers does not exceed one year. This approach is consistent with the approach used in previous reporting periods.

In summary, management made the following adjustments to the amounts recognised in the Consolidated Statement of Financial Position of the Group as at 1 January 2018, which is the date of initial application:

	IAS 18 carrying amount 31 December 2017	Effect of IFRS 15	IFRS 15 carrying amount1 January 2018
Deferred revenue related to frequent flyer programme, current part	1,720	575	2,295
Unearned traffic revenue	43,695	357	44,052
Deferred revenue related to frequent flyer programme, non-current part	3,842	-	3,842
Accounts payable and accrued liabilities	2,566	541	3,107
Other non-current liabilities	2,563	-	2,563

Changes in reporting figures of the Consolidated Financial Statements in the current reporting period as a result of the application of the new accounting policy under IFRS 15 compared to the prior accounting policy under IAS 18 and other standards and interpretations on revenue, are not considered significant.

The total impact of new standards IFRS 15 and IFRS 9 on the Group`s retained earnings as at 1 January 2018 is as follows:

	2018
Opening retained earnings at 1 January 2018 – before new standards restatement	81,476
IFRS 9 adoption impact	2,504
IFRS 15 adoption impact	(1,473)
Changes in deferred tax assets on adoption IFRS 15	72
Opening retained earnings at 1 January 2018 – after IFRS 9/IFRS 15 adoption	82,579

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2019 or later, and which the Group has not early adopted:

IFRS 16, Leases (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of profit or loss and other comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

According to the preliminary assessment of the management as at 31 December 2018 after the transition to IFRS 16 the Group expects to recognize lease liabilities and right-of-use assets under aircraft lease agreements without early termination option (excluding effect from regular repairs and payments to the lessor’s reserve funds) in approximate amounts of RUB 644,793 million and RUB 486,473 million respectively (after adjustments for prepayments and accrued lease expenses recognized as at 31 December 2018) and deferred tax assets of RUB 31,664 million.

As IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, the Group does not expect any significant impact on the consolidated financial statements in respect of recognition of the Group’s activities as a lessor.

It is expected that these standards and interpretations will not have a significant impact on the Group’s Consolidated Financial Statements:

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).

Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).

Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures” (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).

Annual Improvements to IFRSs 2015-2017 cycle – amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).

Amendments to IAS 19 “Employee benefits” (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

IFRS 17 «Insurance Contracts» (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). The Group is currently assessing the impact of the new standard on its financial statements.

IFRIC 23 «Uncertainty over Income Tax Treatments» (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019). The Group is currently assessing the impact of the new standard on its financial statements.

5. TRAFFIC REVENUE

	2018	2017
Scheduled passenger flights	496,454	427,529
Charter passenger flights	37,838	30,861
Cargo flights	18,900	16,526
Total traffic revenue	553,192	474,916

6. OTHER REVENUE

	2018	2017
Airline agreements revenue	36,646	33,196
Revenue from partners under the frequent flyer programme	12,704	11,588
Sales of goods on board	1,667	1,530
In-flight catering services	1,579	1,670
Ground handling and maintenance	560	1,253
Hotel revenue	512	448
Refuelling services	24	199
Other revenue	4,686	8,134
Total other revenue	58,378	58,018

7. OPERATING COSTS LESS STAFF COSTS AND DEPRECIATION AND AMORTISATION

	2018	2017
Operating lease expenses	88,881	65,793
Aircraft servicing	84,835	76,332
Aircraft maintenance	45,527	36,433
Passenger services expenses	23,754	20,086
Administration and general expenses	20,666	18,390
Communication expenses	15,584	14,795
Food cost for in-flight catering	11,103	10,425
Sales and marketing expenses	11,077	17,749
Insurance expenses	2,274	2,025
Cost of goods sold on board	888	836
Customs duties	1,029	1,520
Other expenses	8,855	7,459
Operating costs less aircraft fuel, staff costs and depreciation and amortisation	314,473	271,843
Aircraft fuel	181,864	122,685
Total operating costs less staff costs and depreciation and amortisation	496,337	394,528

8. STAFF COSTS

	2018	2017
Wages and salaries	64,169	63,842
Pension costs	14,541	12,669
Social security costs	4,107	6,290
Total staff costs	82,817	82,801

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Pension costs include:

- compulsory payments to the RF Pension Fund,
- contributions to a non-government pension fund under a defined contribution pension plan under which the Group makes additional pension contributions as a fixed percentage (20% for 12 months 2018, 20% for 12 months 2017) of the transfers made personally by the employees participating in the programme, and
- an increase in the net present value of the future benefits which the Group expects to pay to its employees upon their retirement under defined benefit pension plans.

	2018	2017
Payments to the RF Pension Fund	14,500	12,650
Change in pension plans	41	19
Total pension costs	14,541	12,669

9. OTHER OPERATING INCOME AND EXPENSES, NET

	2018	2017
Reimbursement of fuel excise tax (Note 41)	9,243	7,889
Fines and penalties received from suppliers	727	661
Accrual/(recovery) of provision for Group other liabilities(Note 26)	(1,625)	796
Accrual/(recovery) of provision for doubtful accounts receivable (Note 14)	(1,217)	338
Profit on disposal of assets classified as held for sale	206	182
Gain on accounts payable write-off	35	62
Insurance compensation received	1,387	49
Loss on accounts receivable write-off	(19)	(24)
Loss on fixed assets disposal and impairment on fixed assets	(1,554)	(828)
Accrual of provision for regular repair and maintenance (Note 26)	(8,510)	(11,986)
Other income/(expense), net	1,480	1,751
Total other operating income/(expenses), net	153	(1,110)

10. FINANCE INCOME AND COSTS

	2018	2017
Finance income:		
Interest income	4,156	4,718
Gain on foreign exchange, net	-	2,409
Other finance income	8	-
Total finance income	4,164	7,127

	2018	2017
Finance costs:		
Interest expense	(6,445)	(8,179)
Loss on foreign exchange, net	(1,086)	-
Other finance costs	(373)	(46)
Total finance costs	(7,904)	(8,225)

11. INCOME TAX

	2018	2017
Current income tax charge	(3,511)	(11,038)
Change in deferred income tax	(710)	372
Income tax	(4,221)	(10,666)

Reconciliation of the income tax estimated based on the applicable tax rate to the income tax is presented below:

	2018	2017
Profit before income tax	9,934	33,726
Tax rate applicable in accordance with Russian legislation	20%	20%
Theoretical income tax expense at tax rate in accordance with Russian legislation	(1,987)	(6,745)
Tax effect of items which are not deductible or assessable for taxation purposes:		
Non-taxable income	977	759
Non-deductible expenses	(4,003)	(5,052)
Unrecognised current year tax losses	(5)	(449)
Recognition of previously unrecognised tax losses	-	160
Prior years income tax adjustments	797	661
Income tax	(4,221)	(10,666)

	31 December 2018	Changes for the year	31 December 2017	Changes for the year	31 December 2017
Tax effect of temporary differences					
Tax losses carried forward	449	429	20	(123)	143
Long-term financial investments	1	(17)	18	(241)	259
Accounts receivable	68	1	67	54	13
Property, plant and equipment	36	(88)	124	(96)	220
Finance lease liabilities	20,028	(188)	20,216	(4,345)	24,561
Accounts payable	10,237	2,022	8,215	3,321	4,894
Deferred tax assets before tax set off	30,819		28,660		30,090
Deferred tax set off	(18,817)		(18,264)		(17,838)
Deferred tax assets after tax set off	12,002		10,396		12,252
Property, plant and equipment	(13,623)	1,076	(14,699)	1,677	(16,376)
Customs duties related to the imported aircraft under operating leases	(30)	75	(105)	106	(211)
Long-term financial investments	(107)	(64)	(43)	(18)	(25)
Accounts receivable	(5,194)	(1,709)	(3,485)	(2,245)	(1,240)
Accounts payable	-	-	-	25	(25)
Deferred tax assets before tax set off	(18,954)		(18,332)		(17,877)
Deferred tax set off	18,817		18,264		17,838
Deferred tax assets after tax set off	(137)		(68)		(39)
Movements for the year, net		1,537		(1,885)	
Less deferred tax recognised directly in other comprehensive income		(2,175)		2,257	
Changes in accounting policy		(72)		-	
Deferred income tax (expense)/income for the year		(710)		372	

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(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

As at 31 December 2018 the Group recognised deferred tax assets from tax losses of subsidiaries in the amount of RUB 449 million (31 December 2017: RUB 20 million).

Since 1 January 2017, previously existing restriction of 10 years losses carried forward use was cancelled (which means that the losses incurred since 2007 can be carried forward until complete use). Limitations for the recognition of losses carried forward for the period from 2017 to 2020 have been introduced in Russian legislation starting from 1 January 2017. In accordance with the new rules, the amount of used tax loss carry forwards can't exceed 50% of the tax base of relevant year. These changes will not have material impact for the Group's Consolidated Financial Statements.

12. CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
Bank deposits denominated with maturity of less than 90 days in Roubles	7,870	30,093
Bank deposits denominated with maturity of less than 90 days in US Dollars	380	-
Cash on hand and bank accounts denominated in Roubles	11,525	12,727
Cash on hand and bank accounts denominated in US Dollars	2,468	1,971
Cash on hand and bank accounts denominated in other currencies	606	375
Cash on hand and bank accounts denominated in Euro	262	419
Cash in transit	600	393
Total cash and cash equivalents	23,711	45,978

Information about the Group's exposure to interest rate risk, sensitivity analysis of financial assets as well as an assessment of impairment based on the risk of default assumption and expected loss ratios are disclosed in Note 35.

As at 31 December 2018 about 65% of the Group's funds are held in 2 highly reliable state-controlled Russian banks – PJSC VTB Bank with long-term credit rating BBB- (S&P rating agency) and PJSC Sberbank with long-term credit rating BBB- (Fitch rating agency) (as at 31 December 2017 49% of Group's cash was held in PJSC VTB Bank with long-term credit rating BB+ (S&P rating agency) and PJSC Sberbank with long-term credit rating BBB- (Fitch rating agency).

The remaining part of the Group's cash is also located primarily in the largest banks of Russia with a long-term credit rating from international rating agencies.

As at 31 December 2018 the Group had restricted cash of RUB 437 million (31 December 2017: RUB 583 million) recorded as part of other non-current assets in the amount RUB 211 million (31 December 2017: RUB 161 million) and as part of other current assets in the amount RUB 226 million (31 December 2017: RUB 422 million) in the Group's Consolidated Statement of Financial Position (Note 41).

13. AIRCRAFT LEASE SECURITY DEPOSITS

A security deposit is held with the lessor to secure the lessee's fulfilment of its obligations in full, on a timely basis and in good faith. The security deposit is transferred to the lessor by instalments or in a single instalment. The security deposit is usually equal to three monthly lease payments. The lessee has the right to replace the security deposit, in full or in part, with a letter of credit. The security deposit can be offset against the last lease payment or any payment if there is any non-fulfilment of obligations by the lessee. The security deposit is returned subsequent to the lease agreement's termination/cancellation or return of the aircraft immediately after the date of lease termination and fulfilment by the lessee of its obligations. The security deposits under aircraft lease agreements are recorded at amortised cost using an average market yield from 0.1% to 12.6% p.a.

in 2018 depending on the currency of the security deposit (2017: from 0,1% to 12.6% p.a.).

	Aircraft lease security deposits
1 January 2017	2,501
Payment of security deposits	211
Amortisation charge for the year	137
Return of security deposits during the year	(325)
Set off against accounts payable	(380)
Foreign exchange difference	(119)
31 December 2017	2,025
1 January 2018	2,025
Payment of security deposits	2,428
Amortisation charge for the year	187
Finance expenses	(275)
Provision for ECL	(11)
Set off against accounts payable	(365)
Foreign exchange difference	892
31 December 2018	4,881

As at 31 December 2018 and 31 December 2017, most of security deposits were granted to large international leasing companies.

The Group's exposure to risks for security deposits under aircraft lease agreements and impairment assessment based on the risk of default assumption and expected loss ratios disclosed in Note 35.

	31 December 2018	31 December 2017
Current portion of security deposits	525	423
Non-current portion of security deposits	4,356	1,602
Total aircraft lease security deposits	4,881	2,025

14. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31 December 2018	31 December 2017
Trade accounts receivable	39,911	36,853
Other financial receivables	12,697	9,486
Less provision for ECL	(11,470)	(11,348)
Total financial receivables	41,138	34,991
Prepayments to suppliers	20,823	13,803
VAT and other taxes recoverable	16,987	15,842
Prepayments for delivery of aircraft	5,770	25,285
Deferred customs duties related to the imported aircraft under operating leases, current portion	108	397
Other receivables	3,597	3,152
Less impairment provision	(555)	(538)
Total accounts receivable and prepayments	87,868	92,932

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(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

As at 31 December 2018 the Group recognised provision for ECL for accounts receivable from OJSC Transaero Airlines for passengers transportation, refuelling services, aircraft servicing and ground handling of RUB 6,301 million (31 December 2017: 7,014 million).

Accounts receivable and prepayments include prepayments for acquisition of aircraft to be delivered within 12 months after the reporting date. Movements on the Prepayments for aircraft line item are due to the approaching aircraft delivery dates as well as the refund of prepayments related to the delivery of aircraft in the current period.

Deferred customs duties of RUB 108 million as of 31 December 2018 (31 December 2017: RUB 397 million) relate to the current portion of paid customs duties on imported aircraft under operating leases. These customs duties are recognised within operating costs in the Group's Consolidated Statement of Profit or Loss over the term of the operating lease. The non-current portion of the deferred customs duties is disclosed in Note 18.

Financial receivables are analysed by currencies in Note 35.

As at 31 December 2018 and 31 December 2017, the Group made sufficient provision for expected credit losses for accounts receivable and impairment provision for prepayments. For the purpose of calculating the provision for ECL for financial receivables from 1 January 2018 the Group applies the expected credit losses model in accordance with IFRS 9 instead of the incurred losses model in accordance with IAS 39.

Financial receivables are analysed by credit quality in Note 35.

As at 31 December 2018 and 31 December 2017, the current part of prepayments for aircraft include advance payments for the acquisition of the following aircraft:

Type of aircraft	31 December 2018		31 December 2017	
	Number of aircraft, units	Expected delivery date	Number of aircraft, units	Expected delivery date
Boeing B787	-	-	22	-
Boeing B777	2	2019	1	2018
Airbus A320	-	-	10	2018
Airbus A321	-	-	5	2018

As at 31 December 2018, the expected type of lease for these aircraft is not defined.

Due to changes in the plan of aircraft purchases, prepayments for Boeing B787 were reclassified by the Group from the prepayments for delivery of aircraft to other financial receivables as at 31 December 2018.

The movements in provision for ECL for accounts receivable and impairment provision for prepayments are as follows:

	Impairment provision
1 January 2017	12,342
Additional provision for impairment	709
Release of provision	(118)
Recovery of provision	(1,047)
31 December 2017	11,886
Changes in accounting policy	40
Additional provision for impairment and ECL	1,713
Release of provision	(1,118)
Recovery of provision	(496)
31 December 2018	12,025

15. NON-CURRENT PORTION OF PREPAYMENTS FOR AIRCRAFT

As at 31 December 2018 and 31 December 2017, the non-current portions of prepayments for aircraft was RUB 21,148 million and RUB 13,089 million, respectively. Changes in the non-current portion of prepayments are due to the approaching aircraft delivery dates as well as new non-current prepayments.

Prepayments made to purchase aircraft expected to be delivered within 12 months after the reporting date are recorded within accounts receivable and prepayments (Note 14).

As at 31 December 2018 and 31 December 2017, the non-current part of prepayments for aircraft include advance payments for the acquisition of the following aircraft:

Type of aircraft	31 December 2018		31 December 2017	
	Number of aircraft, units	Expected delivery date	Number of aircraft, units	Expected delivery date
Airbus A350	22	2020-2023	22	2019-2023
Boeing B777	3	2020-2021	5	2019-2021

As at 31 December 2018, the expected type of lease for these aircraft is not defined yet.

16. EXPENDABLE SPARE PARTS AND INVENTORIES

	31 December 2018	31 December 2017
Expendable spare parts	11,668	9,805
Fuel	504	738
Other inventories	3,564	3,337
Total expendable spare parts and inventories, gross	15,736	13,880
Less: written-off obsolete expendable spare parts and inventories	(1,077)	(1,069)
Total expendable spare parts and inventories	14,659	12,811

17. FINANCIAL INVESTMENTS

	31 December 2018	31 December 2017
Investments in equity securities measured at fair value through profit or loss	5,310	5,826
Debt securities accounted at amortised cost	113	116
Total long-term financial investments (before impairment provision)	5,423	5,942
Less: provision for impairment of long-term financial investments	(30)	(30)
Total long-term financial investments	5,393	5,912

	31 December 2017
Long term investments:	
Available-for-sale securities	3,252
SITA Investment Certificates	54
Total available-for-sale investments	3,306
Other	32
Total long-term financial investments	3,338

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(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

As at 31 December 2017, available-for-sale securities mainly reflect the cost of the Group's investments in government related company JSC MASH in the share of 2.428% less impairment loss, which provides services for the aircraft maintenance to passenger and cargo russian and foreign airlines, as well as non-aviation services for enterprises and organizations operating on the territory of Sheremetyevo airport and in the adjacent territory.

Since 1 January 2018, the Group's investment in JSC MASH is estimated at fair value through profit or loss according to the discounted cash flow model and is reflected in the Consolidated Statement of Financial Position in the amount of RUB 5,244 million as at 31 December 2018 (RUB 5,776 million as at 1 January 2018).

To prepare a model related to the absence of quoted market prices, the following factors taken into account by the Group has the most significant impact on the assessment of fair value of this investment:

- (a) the weighted average cost of capital equal to 14.5% p.a. in 2018 (as at 1 January 2018: 13.4% p.a) based on public capital markets data, data about peer companies and the actual cost of capital of JSC MASH determined based on the effective rate in financial statements;
- (b) forecasts for macro assumptions based on an Economist Intelligence Unit forecast;
- (c) passenger traffic in 2019 is planned at the level of 52 million passengers based on data from public sources. Growth rate of passenger traffic in 2020-2026 is evenly distributed, taking into account the growth of up to 82 million passengers till 2026.

The Group performed a sensitivity analysis of key assumptions used in the financial model of JSC MASH. A reasonably possible change in the weighted average cost of debt capital and passenger traffic growth does not result in an significant change in fair value of investments.

	31 December 2018	31 December 2017
Other short-term financial investments:		
Loans issued and promissory notes of third parties	9,580	9,435
Deposits placed in banks for more than 90 days	6,464	8,931
Other short-term investments	4	5
Total other short-term financial investments (before impairment provision)	16,048	18,371
Less: provision for impairment of short-term financial investments	(9,611)	(9,440)
Total short-term financial investments	6,437	8,931

All short-term investments are carried at amortized cost (Note 35).

The provision for impairment is primarily related to the accrual in of a provision for impairment of loans issued by the Group companies in favor of OJSC Transaero Airlines during 2015.

As at 31 December 2018, deposits with maturity for more than 90 days are placed in the largest Russian commercial banks with long-term credit rating not lower than B1 according to Moody's credit rating agency.

18. OTHER NON-CURRENT ASSETS

	31 December 2018	31 December 2017
Deferred customs duties related to the imported aircraft under operating leases, non-current portion	42	162
Prepaid expenses for operating lease transactions	22,710	15,427
Other non-current assets	5,238	4,139
Total other non-current assets	27,990	19,728

The Group paid advances in amount of RUB 9,117 million for operating lease of 15 aircraft delivered during 12 months of 2018 (during 12 months of 2017: RUB 11,688 million, 18 aircraft). The above mentioned advances were recognised as part of prepaid expenses for operating lease transactions organization. These assets should be written off to operating lease expenses over the term of the operating lease agreements.

19. PROPERTY, PLANT AND EQUIPMENT

	Owned aircraft and engines	Leased aircraft and engines	Land and buildings	Transport, equipment and other	Construction in progress	Total
Cost						
1 January 2017	8,147	112,942	10,131	23,937	4,721	159,878
Additions (i)	2,178	-	28	3,937	2,180	8,323
Capitalised expenditures	-	699	-	-	1,216	1,915
Disposals	(272)	(1,314)	(91)	(691)	(7)	(2,375)
Transfers to assets classified as held for sale (Note 20)	(122)	(6,476)	-	-	-	(6,598)
Transfers (ii)	2,652	1,325	83	423	(4,483)	-
31 December 2017	12,583	107,176	10,151	27,606	3,627	161,143
Additions (iii)	4,269	-	92	5,192	3,197	12,750
Capitalised expenditures	-	2,008	-	-	547	2,555
Disposals	(315)	(3,746)	(197)	(811)	(42)	(5,111)
Transfers to assets classified as held for sale (Note 20)	(266)	(16,354)	-	-	-	(16,620)
Transfers	213	861	6	1,142	(2,222)	-
31 December 2018	16,484	89,945	10,052	33,129	5,107	154,717

	Owned aircraft and engines	Leased aircraft and engines	Land and buildings	Transport, equipment and other	Construction in progress	Total
Accumulated depreciation						
1 January 2017	(1,511)	(36,756)	(4,970)	(11,671)	(73)	(54,981)
Charge for the year	(1,561)	(8,283)	(264)	(3,242)	-	(13,350)
Recovery/(accrual) of impairment provision	21	-	-	5	(2)	24
Disposals	141	705	65	524	-	1,435
Transfers to assets classified as held for sale (Note 20)	18	3,643	-	-	-	3,661
31 December 2017	(2,892)	(40,691)	(5,169)	(14,384)	(75)	(63,211)
Charge for the year	(1,633)	(7,103)	(251)	(3,257)	-	(12,244)
Recovery/(accrual) of impairment provision	(19)	-	-	2	(19)	(36)
Disposals	154	2,491	70	767	-	3,482
Transfers to assets classified as held for sale (Note 20)	57	8,199	-	-	-	8,256
31 December 2018	(4,333)	(37,104)	(5,350)	(16,872)	(94)	(63,753)
Carrying amount						
31 December 2017	9,691	66,485	4,982	13,222	3 552	97,932
31 December 2018	12,151	52,841	4,702	16,257	5 013	90,964

- (i) During 2017 additions mainly relate to the purchase of equipment in finance leases as well as the spare parts for aircraft, used for capital repairs.
- (ii) During 2017 transfers primarily relate to 2 aircraft DHC 8 for JCS Avrora.
- (iii) During 2018 additions mainly relate to the purchase of equipment in finance leases, the spare parts for aircraft, used for capital repairs as well as purchase of the engine at LLC Pobeda Airlines.

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(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Capitalised borrowing costs for 12 months 2018 amounted to RUB 547 million (2017: RUB 1,216 million). Capitalisation rate of interest expenses and forex for the period was 3.1% p.a. (2017: 4.2%).

As at 31 December 2018 the cost of fully depreciated property, plant and equipment was RUB 7,918 million (31 December 2017: RUB 10,033 million).

20. ASSETS CLASSIFIED AS HELD FOR SALE

As at 31 December 2018, 7 Airbus A321 aircraft (31 December 2017: 4 aircraft) operated under finance lease agreements were targeted for disposal; therefore, at the end of the reporting period these assets and related liabilities were classified as held for sale.

As at 31 December 2018, the amount of net liabilities related to assets classified as held for sale amounted to RUB 219 million (31 December 2017: net assets held for sale amounted to RUB 915 million).

	Initial cost of property, plant and equipment	Accumulated depreciation and impairment	Total assets	Total liabilities
1 January 2017	3,049	(1,909)	1,140	-
Additions (Note 19)	6,598	(3,661)	2,937	(2,736)
Disposals	(2,888)	1,916	(972)	465
Release of impairment provision	-	20	20	-
Revaluation	-	-	-	61
31 December 2017	6,759	(3,634)	3,125	(2,210)

	Initial cost of property, plant and equipment	Accumulated depreciation and impairment	Total assets	Total liabilities
1 January 2018	6,759	(3,634)	3,125	(2,210)
Additions (Note 19)	16,620	(8,256)	8,364	(8,830)
Disposals	(10,833)	5,712	(5,121)	6,044
Release of impairment provision	-	36	36	-
Revaluation	-	-	-	(1,627)
31 December 2018	12,546	(6,142)	6,404	(6,623)

During 12 months 2018 the Group disposed of 6 Airbus A321 aircraft (during 12 months 2017: 2 Airbus A321 aircraft). Profit from disposal of mentioned aircraft amounted to RUB 206 million (during 12 months 2017: RUB 182 million).

21. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	31 December 2018	31 December 2017
Accounts payable	40,425	34,095
Other financial payables	4,871	6,880
Dividends payable	64	65
Total financial payables	45,360	41,040
Staff and social funds related liabilities	16,387	19,434
Other current liabilities related to the frequent flyer programme (Note 25)	4,196	2,566
Other taxes payable	1,323	2,626
Advances received (other than unearned traffic revenue)	1,546	1,451
Other payables	534	836
Total accounts payable and accrued liabilities	69,346	67,953

As at 31 December 2018, staff related liabilities primarily include salary payable, as well as social contribution liabilities of RUB 8,315 million (31 December 2017: RUB 13,270 million) and the unused vacation accrual of RUB 7,978 million (31 December 2017: RUB 6,071 million).

As at 31 December 2018 previously recognized payables to the Ministry of Property and Land Relations of the Sakhalin Region for contributing to the share capital of JSC AK Aurora in amount of RUB 1,500 million were classified as a non-controlling interest in the Condensed Consolidated Statement of Changes in Equity due to registration of the new charter of JSC AK Aurora on 5 July 2018.

Financial payables by currency are analysed in Note 35.

22. DISPOSAL OF SUBSIDIARIES

In December 2018, the Group disposed of JSC Orenburg airlines. A profit from the disposal in the amount of RUB 1,240 million was recognised in profit or loss for 12 months 2018. JSC Orenburg airlines did not conduct any significant operating activities in 2018.

Profit on disposal of JSC Orenburg airlines in 2018 includes the following components:

	JSC Orenburg airlines
Negative net assets of disposed company	18,325
Group's share in negative net assets of disposed company	18,325
Intragroup liabilities, including:	
Accounts payable from disposed subsidiary to the Group	(8,013)
Loan issued by the Group to disposed subsidiary	(9,072)
Profit from disposal	1,240

23. INTANGIBLE ASSETS

	Software	Licences	Investments in software and R&D	Trademark and client base	Other	Total
Cost						
1 January 2017	2,840	134	1,192	1,630	36	5,832
Additions	552	-	145	-	37	734
Disposals	(14)	-	(3)	-	(3)	(20)
Transfer	415	-	(442)	-	27	-
31 December 2017	3,793	134	892	1,630	97	6,546
Additions	766	-	76	-	25	867
Disposals	(11)	-	-	-	(1)	(12)
Transfer	-	-	(11)	-	11	-
31 December 2018	4,548	134	957	1,630	132	7,401
Accumulated amortisation and impairment						
1 January 2017	(2,779)	(89)	-	(1,139)	-	(4,007)
Charge for the year	(476)	-	(103)	(135)	(20)	(734)
Disposals	13	-	-	234	2	249
31 December 2017	(3,242)	(89)	(103)	(1,040)	(18)	(4,492)
Charge for the year	(285)	-	(209)	(133)	(41)	(668)
Disposals	9	-	-	-	-	9
31 December 2017	(3,518)	(89)	(312)	(1,173)	(59)	(5,151)
Carrying amount						
31 December 2017	551	45	789	590	79	2,054
31 December 2018	1,030	45	645	457	73	2,250

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24. GOODWILL

For the purposes of impairment testing, goodwill is allocated between the cash generating units (the “CGUs”), i.e. the Group subsidiaries and/or divisions of companies that represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and are not larger than an operating segment of the Group.

The aggregate carrying amount of goodwill, allocated to the Groups’ business-units as at 31 December 2018 and as at 31 December 2017 is presented in the table below:

	CGU name	31 December 2018	31 December 2017
	AK Rossiya	6,502	6 502
	AK Aurora	158	158
	Total	6,660	6 660

The recoverable amount of CGU was calculated on the basis of value in use, which was determined by discounting the future cash flows to be generated as a result of the CGU’s operations.

Key assumptions against which the recoverable amounts are estimated concerned the discount rate, the rate of return and the growth rate for the calculation of the terminal value.

AK Rossiya

The discount rate calculation is based on weighted average cost of capital (WACC) and amounts to 14.1% p.a. for the entire forecast period (31 December 2017: 12.8% p.a.).

The growth rate for the terminal value calculation was set at the level of Russia's GDP long-term growth rate of 2.7% p.a. (2017: 2.7% p.a.).

The budget for 2019 of “AK Rossiya” was adopted as a basis to forecasting the cash flows.

The Group's management has conducted a sensitivity analysis of the goodwill impairment test results to changes in rates of return as the most sensitive indicator. In case of decrease of this rate by 13% even though all other variables held constant, it would result in an impairment of CGU's goodwill in the full amount. The results of the impairment test for goodwill are also sensitive to assumptions regarding seat occupancy and discount rates.

25. ACCOUNTS RECEIVABLE AND LIABILITIES ARISING FROM CONTRACTS WITH CUSTOMERS

The Group has recognised the following liabilities arising from contracts with customers:

	Note	31 December 2018	31 December 2017
Unearned traffic revenue		49,874	44,052
Deferred revenue related to the frequent flyer programme, current		4,086	2,295
Other current liabilities related to the frequent flyer programme	21	4,196	3,107
Other short-term advances received under contracts with customers		106	143
Total current contract liabilities		58,262	49,597
Deferred revenue related to the frequent flyer programme, non-current		3,282	3,842
Other non-current liabilities related to the frequent flyer programme	29	2,456	2,563
Long-term advances received under contracts with customers		2,500	2,500
Total noncurrent contract liabilities		8,238	8,905

Information on accounts receivable under contracts with customers is disclosed as part of financial receivables from operating activities (Note 14), except for accounts receivable from settlement agents in the amount of RUB 9,361 million (as of January 1, 2018: RUB 7,728 million).

The principal amount of obligations to customers relates to the cost of tickets sold, but unused at the reporting date, as well as obligations under the frequent flyer programme.

The change in the amount of obligations for tickets sold but unused compared with 2017 was due to the growth in the volume of services rendered, as well as an increase in the fuel surcharge included in the contract price associated with the increase in prices for jet fuel.

The reasons for the change in obligations under the passenger bonuses program are the increase in the rate of accumulation of bonus miles due to the increase in participants and the increase in the volume of services rendered for the carriage of passengers due to the continued development of services. The accumulation of bonus miles is partially offset by their use for similar reasons.

In the current reporting period, revenue was recognized in the amount of RUB 51,351 million in relation to the obligations under the contracts as of 1 January 2018, of which RUB 44,052 million related to advances in the form of unearned transport revenue and RUB 7,299 million to the frequently flying passengers programme.

The main part of long-term performance obligations to customers is the sum of obligations under the frequently flying passengers programme Aeroflot Bonus, which is calculated on the basis of accumulated experience and statistics of previous years on the preferences of passengers in the use of accumulated bonus miles (Note 3).

Deferred revenue and other accrued liabilities related to the frequent flyer programme (Aeroflot Bonus programme) as at and 31 December 2017 represent the number of bonus miles earned when flying on Group flights, but unused by Aeroflot Bonus programme members, and the number of bonus miles earned by programme members for using programme partners' services, respectively; they are estimated at fair value in accordance with IFRIC 13 "Customer loyalty programmes". Other accrued liabilities related to the frequent flyer programme also include the number of accumulated but not used bonus miles, which value reflects the best estimate of the expenditure, necessary to settle the existing obligation in accordance with IAS 37 "Provisions, contingent liabilities and contingent assets".

	31 December 2017
Deferred revenue related to the frequent flyer programme, current	1,720
Deferred revenue related to the frequent flyer programme, non-current	3,842
Other current liabilities related to the frequent flyer programme (Note 21)	2,566
Other non-current liabilities related to the frequent flyer programme (Note 29)	2,563
Total deferred revenue and other liabilities related to the frequent flyer programme	10,691

26. PROVISIONS FOR LIABILITIES

	Regular repairs and maintenance works	Other provisions	Total provisions
1 January 2017	13,510	2,585	16,095
Charge of provision for the year	13,197	1,725	14,922
Use of provision for the year	(2,814)	(36)	(2,850)
Release of provision for the year	(1,211)	(2,521)	(3,732)
Unwinding of the discount	2,807	-	2,807
Foreign exchange profit, net	(835)	(25)	(860)
31 December 2017	24,654	1,728	26,382
Charge of provision for the year	11,804	1,640	13,444
Use of provision for the year	(6,698)	(34)	(6,732)
Release of provision for the year	(3,294)	(15)	(3,309)
Unwinding of the discount	1,756	-	1,756
Foreign exchange loss, net	5,270	1	5,271
Other changes	-	(1,666)	(1,666)
31 December 2018	33,492	1,654	35,146

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

	31 December 2018	31 December 2017
Current liabilities	11,393	9,433
Non-current liabilities	23,753	16,949
Total provisions	35,146	26,382

Litigations

The Group is a defendant in legal claims of a different nature. Provisions for liabilities represent management's best estimate of probable losses on existing and potential lawsuits (Note 41).

As at 31 December 2018, the previously accrued provision of RUB 1,666 million for obligations to pay capitalized social payments stipulated by the legislation of the Russian Federation in connection with the start of a bankruptcy proceedings against JSC Donavia was reclassified to accounts payable.

Regular repairs and maintenance works

As at 31 December 2018, the Group made a provision of RUB 33,492 million (31 December 2017: RUB 24,654 million) for regular repairs and maintenance works of aircraft used under operating lease terms. Change in provision for regular repairs and maintenance works for 12 months 2018 amounted to RUB 8,510 million (12 months 2017: RUB 11,986 million) and was recorded within other operating income and expenses (Note 9).

27. FINANCE LEASE LIABILITIES

The Group leases aircraft from third and related parties under finance lease agreements. The list of aircraft that the Group has operated under finance lease agreements as at 31 December 2018 is disclosed in Note 1.

	31 December 2018	31 December 2017
Total outstanding payments on finance lease contracts	101,737	111,270
Future finance lease interest expense	(8,513)	(10,581)
Total finance lease liabilities	93,224	100,689
Including:		
Current finance lease liabilities	15,219	16,015
Non-current finance lease liabilities	78,005	84,674
Total finance lease liabilities	93,224	100,689

	31 December 2018			31 December 2017		
	Principal	Future interest expense	Total payments	Principal	Future interest expense	Total payments
Due for repayment:						
On demand or within 1 year	15,219	2,563	17,782	16,015	2,841	18,856
Later than 1 year and not later than 5 years	58,670	5,480	64,150	60,435	6,723	67,158
Later than 5 years	19,335	470	19,805	24,239	1,017	25,256
Total	93,224	8,513	101,737	100,689	10,581	111,270

Leased aircraft and engines with the carrying amount disclosed in Note 19 are effectively pledged for finance lease liabilities as the rights to the leased asset revert to the lessor in the event of default.

As at 31 December 2018, the total amount of the finance lease liability relating to leased aircraft and aircraft engines amounted to RUB 87 211 million (31 December 2017 – RUB 96,265 million).

As at 31 December 2018, interest payable amounted to RUB 291 million (31 December 2017: RUB 391 million) is included in accounts payable and accrued liabilities.

The effective interest rate for finance lease during 2018 was 2.9% p.a. (in 2017: 3.0% p.a.). Fair value of finance lease liabilities approximate their carrying value.

The Group hedges foreign currency risk arising on a portion of the future revenue stream denominated in US dollars with the finance lease liabilities denominated in the same currency. The Group applies cash flow hedge accounting model to this hedging relationship, in accordance with IFRS 9 “Financial Instruments”.

As at 31 December 2018, finance lease liabilities and liabilities related to assets held for sale in the amount of RUB 93,816 million denominated in US dollars (31 December 2017: RUB 96,271 million) were designated as a hedging instrument for highly probable revenue forecasted for the period 2018 – 2026 in the same amount. The Group expects that this hedging relationship will be highly effective since the future cash outflows on the lease liabilities match the future cash inflows on the revenue being hedged. As at 31 December 2018, accumulated foreign currency loss of RUB 42,321 million (before deferred income tax) on the finance lease liabilities (31 December 2017: RUB 31,449 million), representing an effective portion of the hedge, was recognised in the hedge reserve. The loss reclassified from the hedge reserve to profit or loss for 12 months 2018 was RUB 6,788 million (for 12 months 2017: RUB 5,613 million).

In 2018 interest expense on finance leases was RUB 4,466 million (2017: RUB 4,073 million).

28 LOANS AND BORROWINGS

	31 December 2018	31 December 2017
Short-term loans and other borrowings:		
Short-term loans in Russian Roubles	175	-
Total short-term loans and borrowings	175	-
Long-term loans and other borrowings:		
Long-term loans in Russian Roubles	2,844	2,800
Long-term loans and borrowings in US dollars	467	381
Total long-term loans and borrowings	3,311	3,181

The main changes in loans and borrowings during reporting period

The Group has opened a non-revolving credit line with PJSC Sberbank (fixed interest rate) in the amount of RUB 350 million. The credit line was unsecured and issued for the period up to March 2020.

As at 31 December 2018, the Group had no secured loans or borrowings.

As at 31 December 2018 and 31 December 2017, the fair values of loans and borrowings were not materially different from their carrying amounts.

Exchange bonds program

In December 2017, the Board of Directors of PJSC Aeroflot approved the Program of Exchange-Traded Bonds of the P01-BO series. At the end of January 2018 the Program was registered by PJSC Moskovskaya Birzha MMVB-RTS. The maximum amount of nominal values of exchange bonds that can be placed under the program is RUB 24,650 million with a maximum maturity of 3,640 days inclusive from the start date of placement. The expected dates and volume of bonds placement as of the date of this Consolidated Financial Statements are not determined

Undrawn commitments

As at 31 December 2018, the Group was able to raise RUB 84,183 million in cash (31 December 2017: RUB 103,175 million) available under existing credit lines granted to the Group by various lending institutions.

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

29. OTHER NON-CURRENT LIABILITIES

	31 December 2018	31 December 2017
Other non-current liabilities related to frequent flyer programme (Note 25)	2,456	2,563
Defined benefit pension obligation, non-current portion	908	922
Other non-current liabilities	2,704	2,806
Total other non-current liabilities	6,068	6,291

30. NON-CONTROLLING INTEREST

The following table provides information about the subsidiary (AK Rossiya) with non-controlling interest that is material to the Group:

	2018	2017
Portion of non-controlling interest’s voting rights held	25% plus 1 share	25% plus 1 share
(Loss)/Profit attributable to non-controlling interest for the year	(1,575)	(532)
Accumulated losses attributable to non-controlling interests in subsidiary	(5,796)	(4,221)

The summarised financial information of AK Rossiya is presented below:

	31 December 2018	31 December 2017
Current assets	13,844	18,539
Non-current assets	13,896	13,371
Current liabilities	25,090	24,854
Non-current liabilities	25,832	23,938

	2018	2017
Revenue	114,523	94,816
Loss for the year	(6,299)	(2,127)
Comprehensive loss for the year	(6,299)	(2,127)

As at 31 December 2018 and 31 December 2017 there are no significant restrictions in getting access to the subsidiary’s assets or using them for settling the subsidiary’s obligations.

31. SHARE CAPITAL

As at 31 December 2018 and 31 December 2017, share capital was equal to RUB 1,359 million.

	Number of ordinary shares authorised and issued (shares)	Number of treasury shares (shares)	Number of ordinary shares outstanding (shares)
31 December 2017	1 110 616 299	-	1 110 616 299
31 December 2018	1 110 616 299	(47 817 796)	1 062 798 503

On 25 June 2018, the General Meeting of Shareholders of the Company decided to make a major transaction in which there is an interest – operating lease of fifty new MS-21-300 aircraft. Owners of voting shares who voted against this decision or did not participate in voting on this issue were entitled to claim the buyback by the Company of all or part of their shares.

As at 31 December 2018, the total number of treasury shares purchased by the Company from shareholders was 47,817,796.

In September 2017, the Company sold 53,716,189 its own shares, previously bought out by the subsidiary LLC Aeroflot Finance.

These ordinary shares carry voting rights in the same proportion as other ordinary shares.

All issued shares are fully paid. In addition to the shares that have been placed the Company is entitled to place 250,000,000 ordinary registered shares (31 December 2017: 250,000,000 shares) with par value of RUB 1 per share (31 December 2017: RUB 1 per share). Each ordinary share gives a right to one vote.

The Company’s shares are listed on the Moscow Exchange (“MICEX”). As at 31 December 2018 and 31 December 2017, weighted average price was RUB 101.08 and RUB 139.10 per share, respectively.

The Company launched a Global Depositary Receipts (GDR) programme in December 2000.

Since January 2014, one GDR equals five ordinary shares. As at 31 December 2018 and 31 December 2017, the Group's GDRs were traded on the Frankfurt Stock Exchange at EUR 6.56 per GDR and EUR 9.91 per GDR, respectively.

32. DIVIDENDS

At the annual shareholders’ meeting held on 25 June 2018 the shareholders approved dividends in respect of 2017 in the amount of RUB 12.8053 per share. All dividends are declared and paid in Russian Roubles.

At the annual shareholders' meeting held on 26 June 2017 the shareholders approved dividends in respect of 2016 in the amount of RUB 17.4795 per share. All dividends are declared and paid in Russian Roubles.

33. OPERATING SEGMENTS

The Group has a number of operating segments, but none of them, except for “Passenger Traffic”, meet the quantitative threshold for determining reportable segment. Flight routes information was aggregated in “Passenger Traffic” segment as passenger flight services on different routes have similar economic characteristics and meet aggregation criteria.

The passenger traffic operational performance is measured based on internal management reports which are reviewed by the Group’s General Director. Passenger traffic revenue by flight routes is allocated based on the geographic destinations of flights. Passenger traffic revenue by flight routes is used to measure performance as the Group believes that such information is the most material in evaluating the results.

Segment information is presented based on financial information prepared in accordance with IFRS.

Group assets are located mainly in Russian Federation

The realisation between the segments is carried out on market terms and is eliminated upon consolidation.

	Passenger traffic	Other	Inter-segment sales elimination	Total Group
2018				
External sales	607,270	4,300	-	611,570
Inter-segment sales	713	21,972	(22,685)	-
Total revenue	607,983	26,272	(22,685)	611,570
Operating profit	17,150	2,507	-	19,657
Loss from impairment and fair value changes of investments, net				(689)
Finance income				4,164
Finance costs				(7,904)
Hedging result				(6,788)
Share of financial results of associates				254
Subsidiaries disposal				1,240
Profit before income tax				9,934
Income tax				(4,221)
Profit for the year				5,713

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

	Passenger traffic	Other	Inter-segment sales elimination	Total Group
31 December 2018				
Segment assets	291,809	19,358	(12,577)	298,590
Investments in associates	-	545	-	545
Unallocated assets				17,491
Total assets				316,626
Segment liabilities	270,077	6,004	(4,946)	271,135
Unallocated liabilities				156
Total liabilities				271,291
2018				
Capital expenditures and PP&E additions (Note 19)	13,925	1,380	-	15,305
Depreciation (Notes 19)	11,738	506	-	12,244

	Passenger traffic	Other	Inter-segment sales elimination	Total Group
2017				
External sales	528,782	4,152	-	532,934
Inter-segment sales	618	19,675	(20,293)	-
Total revenue	529,400	23,827	(20,293)	532,934
Operating profit	38,041	2,370	-	40,411
Loss from impairment and fair value changes of investments, net				(144)
Finance income				7,127
Finance costs				(8,225)
Hedging result				(5,613)
Share of financial results of associates				170
Profit before income tax				33,726
Income tax				(10,666)
Profit for the year				23,060

	Passenger traffic	Other	Inter-segment sales elimination	Total Group
31 December 2017				
Segment assets	305,156	16,104	(12,235)	309,025
Investments in associates	-	329	-	329
Unallocated assets				13,976
Total assets				323,330
Segment liabilities	255,027	5,362	(4,426)	255,963
Unallocated liabilities				68
Total liabilities				256,031
2017				
Capital expenditures and PP&E additions (Note 19)	9,417	821	-	10,238
Depreciation (Notes 19)	12,985	365	-	13,350

	2018	2017
Scheduled passenger flights		
International flights from the RF to:		
Europe	67,939	57,133
Asia	37,455	31,854
America	14,793	12,869
CIS	12,788	11,364
Middle East and Africa	12,435	10,982
Total scheduled passenger revenue from flights from the RF	145,410	124,202
International flights to the RF from:		
Europe	68,733	57,523
Asia	39,292	34,589
America	14,937	12,966
CIS	12,428	10,992
Middle East and Africa	13,082	10,865
Total scheduled passenger revenue from flights to the RF	148,472	126,935
Domestic scheduled passenger flights	202,191	176,141
Other international flights	381	251
Total scheduled passenger traffic revenue	496,454	427,529

34. PRESENTATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY

Financial assets and liabilities are classified by measurement categories as at 31 December 2018 as follows:

	Measured at amortised cost	Measured at fair value through profit or loss	Total
Cash and cash equivalents (Note 12)	23 711	-	23 711
Short-term financial investments (Note 17)	6 437	-	6 437
Financial receivables (Note 14)	41 138	-	41 138
Aircraft lease security deposits (Note 13)	4 881	-	4 881
Long-term financial instruments (Note 17)	83	5 310	5 393
Other current assets	226	-	226
Other non-current assets	458	-	458
Total financial assets	76 934	5 310	82 244

	Financial liabilities	Total
Financial payables (Note 21)	45,360	45,360
Finance lease liabilities (Note 27)	93,224	93,224
Loans and borrowings (Note 28)	3,486	3,486
Other non-current liabilities	201	201
Total financial liabilities	142,271	142,271

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Financial assets and liabilities are classified by measurement categories as at 31 December 2017 as follows:

	Loans and receivables	Available-for-sale financial assets	Total
Cash and cash equivalents (Note 12)	45,978	-	45,978
Short-term financial investments (Note 17)	8,931	-	8,931
Financial receivables (Note 14)	34,991	-	34,991
Aircraft lease security deposits (Note 13)	2,025	-	2,025
Long-term financial instruments (Note 17)	32	3,306	3,338
Other current assets	422	-	422
Other non-current assets	161	-	161
Total financial assets	92,540	3,306	95,846

	Financial liabilities	Total
Financial payables (Note 21)	41,040	41,040
Finance lease liabilities (Note 27)	100,689	100,689
Loans and borrowings (Note 28)	3,181	3,181
Other non-current liabilities	306	306
Total financial liabilities	145,216	145,216

35. RISKS CONNECTED WITH FINANCIAL INSTRUMENTS

The Group manages risks related to financial instruments, which include market risk (currency risk, interest rate risk and aircraft fuel price risk), credit risk, liquidity risk and capital management risk.

Liquidity risk

The Group is exposed to liquidity risk, i.e. the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed financial conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group utilises a detailed budgeting and cash forecasting process to ensure its liquidity is maintained at appropriate level.

The following are the Group's financial liabilities as at 31 December 2018 and 31 December 2017 by contractual maturity (based on the remaining period from the reporting date to the contractual settlement date). The amounts in the table are contractual undiscounted cash flows (including future interest payments) as at respective reporting dates:

	Average interest rate		0–12 months	1–2 years	2–5 years	Over 5 years	Total
	Contractual rate	Effective rate					
31 December 2018							
Loans and borrowings in foreign currency	2.3%	2.3%	-	-	39	467	506
Loans and borrowings in Roubles	8.1%	8.1%	432	290	3,015	-	3,737
Finance lease liabilities	2.9%	2.9%	17,782	17,797	46,353	19,805	101,737
Financial payables			42,664	2,696	-	-	45,360
Total future payments, including future interest payments			60,878	20,783	49,407	20,272	151,340

	Average interest rate		0–12 months	1–2 years	2–5 years	Over 5 years	Total
	Contractual rate	Effective rate					
31 December 2017							
Loans and borrowings in foreign currency	3.1%	3.1%	-	-	-	431	431
Loans and borrowings in Roubles	11.3%	11.3%	240	224	3,200	-	3,664
Finance lease liabilities	2.9%	3.0%	18,856	17,593	49,565	25,256	111,270
Financial payables			41,040	-	-	-	41,040
Total future payments, including future interest payments			60,136	17,817	52,765	25,687	156,405

As at 31 December 2018, the Group has net short-term liabilities in the amount of RUB 11,417 million (as at 31 December 2017, net current assets in the amount of RUB 27,176 million). In 2018, the Group received a net profit of RUB 5,713 million (in 2017: RUB 23,060million). The financial result for 2018 was adversely affected by a significant increase in prices for aircraft fuel. The cash flow from operating activities for 2018 was positive and amounted to RUB 19,495 million (in 2017: RUB 47,432 million).

The Group Treasury provides financing flexibility through available credit lines. As at 31 December 2018, within the framework of credit lines provided by various credit organizations, the Group had the opportunity to raise additional funds in the amount of RUB 84,183 million (31 December 2017: RUB 103,175 million). In addition to improving liquidity, the Group plans to increase the Group's operating efficiency and further increase cash flow from operating activities.

Currency risk

The Group is exposed to currency risk in relation to revenue as well as purchases and borrowings that are denominated in a currency other than Rouble. The currencies in which these transactions are primarily denominated are Euro and US Dollar.

The Groups analyses the exchange rate trends on a regular basis.

The Group uses long-term lease liabilities nominated in US Dollars as hedging instrument for risk of change in US Dollar exchange rate in relation to revenue (Note 27).

The Group's exposure to foreign currency risk was as follows based on notional amounts of financial instruments:

In millions of Russian Roubles	Note	31 December 2018				31 December 2017			
		US Dollar	Euro	Other currencies*	Total	US Dollar	Euro	Other currencies*	Total
Cash and cash equivalents	12	2,468	262	606	3,336	1,971	419	375	2,765
Financial receivables		23,005	4,771	4,050	31,826	18,669	4,106	3,068	25,843
Aircraft lease security deposits		4,474	-	-	4,474	1,630	-	-	1,630
Other assets		130	78	4	212	99	68	4	171
Total assets		30,077	5,111	4,660	39,848	22,369	4,593	3,447	30,409
Financial payables		17,382	8,928	5,115	31,425	13,858	7,144	3,884	24,886
Finance lease liabilities		93,224	-	-	93,224	98,513	-	-	98,513
Long-term loans and borrowings	28	467	-	-	467	381	-	-	381
Total liabilities		111,073	8,928	5,115	125,116	112,752	7,144	3,884	123,780
Total liabilities, net		(80,996)	(3,817)	(455)	(85,268)	(90,383)	(2,551)	(437)	(93,371)

*currencies other than functional currency of the Group

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Strengthening or weakening of listed below currencies against rouble as at 31 December 2018 and 31 December 2017, would change profit after tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant:

	31 December 2018		31 December 2017	
	Percent of change in rate of currency versus rouble	Effect on profit after tax ((increase)/decrease)	Percent of change in rate of currency versus rouble	Effect on profit after tax ((increase)/decrease)
Increase in the rate of currency versus rouble:				
US Dollar	20%	2,138	20%	1,301
Euro	20%	(611)	20%	(408)
Other currencies	20%	(73)	20%	(70)
Decrease in the rate of currency versus rouble:				
US Dollar	20%	(2,138)	20%	(1,301)
Euro	20%	611	20%	408
Other currencies	20%	73	20%	70

As at 31 December 2018 the increase in the US dollar rate against rouble by 20% would have led to a reduction in the amount of the Group's equity by RUB 12,778 million. The change of other currencies would have no material impact on equity. As at 31 December 2017 the increase in the US dollar rate against rouble by 20% would have led to a reduction in the amount of the Group's equity by RUB 14,461 million. The change of other currencies would have no material impact on equity.

Interest rate risk

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial results and cash flows. Changes in interest rates impact primarily on change in cost of borrowings (fixed interest rate borrowings) or future cash flows (variable interest rate borrowings). At the time of raising new borrowings as well as finance lease management uses judgment to decide whether it believes that a fixed or variable interest rate would be more favourable to the Group over the expected period until maturity.

As at 31 December 2018 and 31 December 2017, the interest rate profiles of the Group's interest-bearing financial instruments were:

	31 December 2018	31 December 2017
Fixed rate financial instruments:		
Financial assets	15,313	39,417
Financial liabilities	(6,232)	(6,621)
Total fixed rate financial instruments	9,081	32,796
Variable rate financial instruments:		
Financial liabilities	(90,234)	(97,052)
Variable rate financial liabilities	(90,234)	(97,052)

As at 31 December 2018 and 31 December 2017 the Group had loans and finance lease with variable interest rates. If the variable part of interest rates on loans as at 31 December 2018 and 31 December 2017 were 20% higher or lower than the actual variable part of interest rates for the year, with all other variables held constant, interest expense would not have changed significantly (2017: would not have changed significantly).

Aircraft fuel price risk

If the price of Brent crude oil as at 31 December 2018 or 31 December 2017 were 10% higher or lower than the actual price, then, in the absence of changes in other variables (including forecasts of future oil prices), the impact on the consolidated financial result and the amount of the Group's capital would be insignificant.

Capital management risk

The Group manages its capital to ensure its ability to continue as a going concern while maximizing the return to the Company's shareholders through the optimization of the Group's debt to equity ratio.

The Group manages its capital in comparison with rivals in the airline industry on the basis of the following ratios:

- net debt to total capital,
- total debt to EBITDA, and
- net debt to EBITDA.

Total debt consists of short-term and long-term borrowings (including the current portion) (Note 28), finance lease liabilities (Note 27), customs duties payable on imported leased aircraft and defined benefit pension obligation.

Net debt is defined as total debt less cash, cash equivalents and short-term financial investments.

Total capital consists of equity attributable to the Company's shareholders and net debt.

EBITDA is calculated as operating profit before depreciation, amortization and customs duties expenses.

The ratios are as follows:

	As at and for the year ended 31 December 2018	As at and for the year ended 31 December 2017
Total debt	97,618	104,792
Cash and cash equivalents and short-term financial investments	(30,148)	(54,909)
Net debt	67,470	49,883
Equity attributable to shareholders of the Company	43,284	65,535
Total capital	110,754	115,418
EBITDA	33,598	56,015
Net debt/Total capital	0.6	0.4
Total debt/EBITDA	2.9	1.9
Net debt/EBITDA	2.0	0.9

These ratios are analysed by Group's management over time without any limitations.

There were no changes in the Group's approach to capital management in 2018 and 2017.

Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements in 2018 and 2017, except for minimal share capital according to the legislation.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents, financial receivables and investments in securities.

Provisions for impairment of financial assets are based on the probability of default and expected loss ratios. The group uses professional judgment when forming these assumptions and the choice of initial data for the calculation of impairment on the basis of the experience of the group in the past, current market conditions and future forecasts of the end of each reporting period.

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(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Impairment of financial assets

A summary of the assumptions underpinning the company's expected credit loss model is as follows:

Category	Company definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Underperforming	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30days past due (see above in more detail)	Lifetime expected losses
Non-performing	Principal and/or interest repayments are 90 days past due	Lifetime expected losses
Write-off	Assets that are not available for sale and for which all necessary procedures have been completed for full or partial recovery and the final amount of the loss has been determined. There is no reasonable expectation of recovery.	Asset is written off

Finance receivables

The group uses categories (portfolios) of financial receivables that reflect the associated credit risk. The classification of portfolios is based on the category of clients and the similar term of debt.

The Group conducts transactions with the following major types of counterparties:

- (i) The Group has credit risk associated with travel agents and industry organisations. A significant share of the Group's sales is made via travel agencies. Due to the fact that receivables from travel agents are diversified the overall credit risk related to travel agencies is assessed by management as low.
- (ii) Receivables from other airlines and agencies are regulated through the IATA clearing house, in particular for agency sales using BSP and CASS settlement systems, and ARC for part of US agents. Regular settlements ensure that the exposure to credit risk is mitigated to the greatest extent possible.
- (iii) Credit risk arising from dealing with government institutions and banks is assessed as low. Management actively monitors its investing performance and in accordance to current policy investing only in liquid securities with high credit ratings. Management does not expect any counterparty to fail to meet its obligations. When working with banks, a system of credit limits is implemented, taking into account that the credit risks that arise when working with banks are limited, and are assessed as low

During the period of trade receivables of less than 12 months, the Group measures its own credit risk through the accrual of provisions to cover expected credit losses. Calculating the level of expected credit losses, the group considers information on the level of past losses for each category of customers. Given the short-term assets, the projected macroeconomic indicators do not have a significant impact on the level of losses. In case of adverse events in the economy, the indicators can be adjusted. For some categories of debtors (mainly agents), the group receives financial security, which is taken into account when calculating the level of expected credit losses. The financial effect of collateral is insignificant.

The group creates provisions to cover credit losses on customers ' trade receivables as follows:

Expected credit losses category	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default	Lifetime expected credit losses
Performing	Expected credit losses for 12 months. Where the term of the asset is less than 12 months, the estimated credit losses are based on the term of the asset.	40,337	(477)
Underperforming	Lifetime expected losses	262	(8)
Non-performing	Lifetime expected losses	12,009	(10,985)
Total		52,608	(11,470)

No significant changes to estimation techniques or assumptions were made during the reporting period.

The loss allowance for loans to customers as at 31 December 2018 reconciles to the opening loss allowance for that provision as follows:

	Performing	Underperform- ing	Non-performing	Total
Opening loss allowance as at 1 January 2018 (calculated under IFRS 9)	119	41	11,228	11,388
Individual financial assets transferred to non-performing (credit-impaired financial assets)	-	-	1,023	1,023
New financial assets originated or purchased	477	8	134	619
Write-offs	-	-	(1,087)	(1,087)
Recoveries	(119)	(41)	(313)	(473)
Closing loss allowance as at 31 December 2018 (calculated under IFRS 9)	477	8	10,985	11,470

Other assets at amortised cost

During the term of the assets, the Group reflects the debtor's own credit risk through the timely creation of adequate provisions to cover expected credit losses. When calculating the level of expected credit losses, the Group considers information on the level of losses that occurred in previous periods. Projected macroeconomic indicators do not have a significant impact on the level of losses. In case of adverse events in the economy, the indicators can be adjusted. Available observable market information on the credit risk of a financial instrument, including external credit ratings, is also considered.

Category	Asset	Credit loss rate	Basis for recognition of expected credit loss provision	Gross carrying amount	Lifetime expected credit losses
Performing	Cash and cash equivalents	0%	Expected credit losses for 12 months. In cases where the term of the asset is less than 12 months, the estimated losses are based on the term of the asset	23,711	-
	Financial investments	0,12% – 4,26%		6,547	(27)
	Aircraft lease security deposits	0,45% – 1,43%		4,892	(11)
Underperforming	Financial investments	100%		30	(30)
Non-performing	Financial investments	100%		9,584	(9 584)
Total				44,764	(9 652)

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(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Provisions for impairment of financial investments in the category of non-performing assets are provisions for loans issued by companies of the Group in favor of JSC «Transaero».

There were no significant changes in calculation methods or assumptions during the reporting period.

The maximum exposure to the credit risk net of impairment provision is set out in the table below:

	31 December 2018	31 December 2017
Cash and cash equivalents (excluding petty cash) (Note 12)	23,629	45,891
Financial receivables (Note 14)	41,138	34,991
Short-term financial investments (Note 17)	6,437	8,931
Long-term financial investments (Note 17)	5,393	3,338
Aircraft lease security deposits (Note 13)	4,881	2,025
Other assets	437	583
Total financial assets exposed to credit risk	81,915	95,759

Analysis by credit quality of financial receivables is as follows:

	31 December 2017
Past due impaired receivables	
- less than 45 days overdue	4
- 46 days to 90 days overdue	41
- 91 Days to 2 years overdue	3,571
- more than 2 years overdue	8,270
Total impaired receivables	11,886
	31 December 2017
Past due but not impaired	
- less than 90 days overdue	35
Total past due but not impaired receivables	35

Accounts receivable by category of external credit rating are presented in the table below:

	31 December 2017
Accounts receivable with investment rating	5,237
Accounts receivable with non-investment rating	3,510
Accounts receivable without external rating	26,209
Total not overdue and not impaired receivables	34,956

Payables of counterparties with investment rating includes payables with a rating at least BBB-

(Fitch and S&P rating agencies) or Baa3 (Moody` rating agency). Payables of counterparties having a rating below the “investing” are classified as «Non-investment rating ». Non-rated payables consist mainly of airline debt, as well as agents BSP, CASS, ARC and direct agents.

Other measures to manage credit risk in the Group are as follows:

- Applying a system of limits. The limits reflect the Group's willingness to bear the credit risk within reasonable limits in order to maintain competitiveness and achievement of business objectives. The limit can be set for any source of risk or an individual counterparty. Qualitative factors that take into account the ownership structure (including the presence of an external investment rating), the period of work with the Group, the existence of lawsuits and quantitative coefficients based on the reporting are applied to establish limits.
- Assessment of credit quality of counterparties (credit ratings). The Group applies the internal credit rating system primarily, but not limited to, for agents that sale of passenger and freight traffic. The counterparty's credit rating is updated on a monthly basis and allows timely response to deteriorating credit quality of the counterparty. The credit rating affects the required amount of financial security under the contract, the recalculation of which also takes place on a monthly basis.
- Regular monitoring of credit risk indicators. Indicators of credit risks allow to reveal in advance the growth of the credit risk of an individual counterparty (a group of counterparties). As a result, the Group may take the necessary actions to prevent financial losses in the event of default of the counterparty. Indicators are applied at the ERP system level. When developing indicators, the company applies methods of quantitative statistical analysis, predictive models, as well as expert indicators.
- Regular reporting on credit risk. Providing regular reporting is an essential component that allows interested persons to observe the efficiency of risk reduction measures and the dynamics of its evaluation. The reporting is provided to the management of the Group, interested structural units, audit commissions, and also to the Board of Directors.

Credit risk concentration

As at 31 December 2018 and as at 31 December 2017, a large portion of cash was placed in two banks, which causes the credit risk concentration for the Group (Note 12).

36. CHANGES IN LIABILITIES ARISING FROM FINANCIAL ACTIVITIES

The table below summarizes the changes in the Group's liabilities arising from financial activities for each of the periods presented. Cash flows for these liabilities are reflected in the Statement of Cash Flows as part of financial activities:

	Borrowings	Finance lease liabilities	Other liabilities arising from financing activities	Total
1 January 2018	3,181	100,689	65	103,935
Cash repayment of liabilities	(385)	(26,908)	(14,543)	(41,836)
Cash inflows	350	-	-	350
Forex adjustments	79	(803)	-	(724)
Other changes not related to cash flows	261	20,246	14,542	35,049
31 December 2018	3,486	93,224	64	96,774
	Borrowings	Finance lease liabilities	Other liabilities arising from financing activities	Total
1 January 2017	20,367	122,736	1	143,104
Cash repayment of liabilities	(18,634)	(19,058)	(18,859)	(56,551)
Forex adjustments	350	(1,487)	-	(1,137)
Other changes not related to cash flows	1,098	(1,502)	18,923	18,519
31 December 2017	3,181	100,689	65	103,935

Dividends paid in the amount of RUB 14,543 million are reflected in changes of other liabilities for 2018.

Dividends paid in the amount of RUB 18,859 million are reflected in changes of other liabilities for 2017.

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(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which a financial instrument can be exchanged during a current transaction between interested parties,except in cases of forced sale or liquidation. The best confirmation of fair value is the price of a financial instrument quoted in an active market.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data necessary to determine the estimated fair value. Management uses all available market information in estimating the fair value of financial instruments.

Financial assets carried at amortised cost. The fair value of instruments with a floating interest rate is normally equal to their carrying value. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates effective on debt capital markets for new instruments with similar credit risk and remaining maturity. Discount rates depend on the credit risk of the counterparty. Carrying amounts of cash and cash equivalents, financial receivables (Note 14), investments, lease security deposits (Note 13), deposits placed for more than 90 days and other financial assets and loans granted (Note 17) are approximately equal to their fair value, which belongs to Level 2 in the fair value hierarchy. Cash and cash equivalents, except for cash, belong to level 2 in the fair value hierarchy and are carried at amortized cost, which is approximately equal to their current fair value.

Financial assets measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are mainly represented by investments in JSC MASH that do not have market quotes. The fair value measurement of JSC MASH cost belong to Level 3 in the fair value hierarchy and are determined through a regular estimation of the expected discounted cash flows, where one or more of the significant inputs is not based on observable market data, including the following: (i) the discount rate determined using the CAPM; (ii) the forecast of passenger traffic and the number of take-off and landing operations based on the evaluation of historical data and public information; (iii) the growth rate of tariffs for ground handling and airport services; and (iv) the amount of capital investments estimated based on the forecast information published by JSC MASH (Note 17).

Liabilities carried at amortised cost. The fair value of financial instruments is measured based on the current market quotes, if any. The estimated fair value of unquoted fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. As at 31 December 2018 and 31 December 2017, the fair values of financial payables (Note 21), finance lease liabilities (Note 27), loans and borrowings (Note 28) were not materially different from their carrying amounts. The fair values of financial payables, finance lease liabilities and loans and borrowings are categorised as Levels 2.

38. RELATED-PARTY TRANSACTIONS

Parties are generally considered to be related if they are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship attention is directed to the economic substance of the relationship, not merely the legal form.

As at 31 December 2018 and 31 December 2017, the outstanding balances with related parties and income and expense items with related parties for 12 months 2018 and 12 months 2017 were disclosed below.

Associates

In April 2018, the Group acquired a 26% stake in “Aeromar-Krasnodar” Ltd, which is based at Krasnodar International Airport. The main activity of the organization is airline catering.

As at 31 December 2018 and 31 December 2017, the outstanding balances with associates and income and expense items with associates for 12 months 2018 and 12 months 2017 were as follows:

	31 December 2018	31 December 2017
Liabilities		
Accounts payable and accrued liabilities	136	84

The amounts outstanding to and from associates will be settled mainly in cash.

	31 December 2018	31 December 2017
Transactions		
Sales to associates	17	6
Purchase of goods and services from associates	2,753	1,877

Purchases of goods and services from associates consist primarily of aviation security services.

Government-related entities

As at 31 December 2018 and 31 December 2017, the Government of the RF represented by the Federal Agency for Management of State Property owned 51.17% stake in the Company. As the Group operates in an economic environment where the entities and credit organizations are directly or indirectly controlled by the Government of the RF through the relevant government authorities, agencies, affiliations and other organizations (government-related entities).

The Group has decided to apply the exemption from disclosure of individually insignificant transactions and balances with the Russian Government and parties that are related to the Company because the Government exercises has control, joint control or significant influence over such parties.

The Group has transactions with government-related entities, including but not limited to:

- banking services;
- investments in JSC MASH;
- finance and operating lease;
- purchase of aircraft fuel;
- purchase of air navigation and airport services; and
- government subsidies including those provided for compensating of lost income from passenger flights in certain directions under government programmes.

Outstanding balances of cash at settlement, currency and deposit accounts in the government-related banks:

	31 December 2018	31 December 2017
Assets		
Cash	15 649	22 539

The amounts of the Group's finance and operating lease liabilities (including liabilities related to assets held for sale) are disclosed in Note 27. The share of liabilities to the government-related entities is approximately 74% for finance lease (including liabilities related to assets held for sale) (31 December 2017: 71%).

The share of the government-related entities in the amount of the future minimum lease payments under non-cancellable operating leases agreements are disclosed in Note 39 is approximately 68% (31 December 2017: 49%). The share of interest expenses on finance lease is approximately 80% and 42% for operating lease expenses (2017: 90% and 38%, respectively).

For the year ended 31 December 2018 the share of Group's transactions with government-related entities is about 24% of operating costs, and about 2% of revenue (12 months 2017: about 24% and about 2%, respectively). These expenses primarily include costs of motor fuels supplies, expenses for operating lease of aircraft and aircraft engines as well as air navigation and aircraft maintenance services in the airports.

As at 31 December 2018 the government or government-related entities owned non-controlling interest of particular subsidiaries of the Group amounted to RUB 607 million (31 December 2017: RUB 499 million).

Transactions with the Russian Government also include taxes, levies and customs duties settlements and charges which are disclosed in Notes 7, 8, 11,14 and 21.

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Compensation of key management personnel

The remuneration of key management personnel (the members of the Board of Directors and the Management Committee as well as key managers of flight and ground personnel who have significant power and responsibilities on key control and planning decisions of the Group), including salary and bonuses as well as other compensations, amounted to RUB 1,548 million for 12 months 2018 (12 months 2017: RUB 2,317 million).

These remunerations are mainly represented by short-term payments. Such amounts are stated before personal income tax but exclude mandatory insurance contributions to non-budgetary funds. According to Russian legislation, the Group makes contributions to the Russian State pension fund as part of compulsory social insurance contributions for all its employees, including key management personnel.

Bonus programmes based on the Group's capitalisation

In 2016 the Group approved bonus programmes for its key management personnel and members of the Company's Board of Directors. These programmes run for 3.5 years and are to be exercised in 4 tranches of cash payments. The amounts of payments depend on the level of increase in the Company's capitalisation, the Company's capitalisation growth rates against its peers based on the results of each reporting period and achievement of target capitalisation by the end of the programmes. The fair value of the liabilities under the bonus programmes as of 31 December 2018, included in accounts payable, was determined based on the expected payment amount for the reporting period from 1 January 2018 till 31 December 2018 and amount of payment deferred till the end of the programmes.

Income in connection with the recovery of the reserve of future expenses under bonus programme and its expenses related to discounting amounted to RUB 2,222 million for 12 months 2018 and was reflected in labour costs and other financial expenses respectively (12 months 2017: RUB 3,722 million).

As at 31 December 2018, the outstanding amount of the liability under these programmes was RUB 220 million (31 December 2017: RUB 2,558 million).

39. COMMITMENTS UNDER OPERATING LEASES

Future minimum lease payments under non-cancellable aircraft and other operating lease agreements with third and related parties (Note 38) are as follows:

	31 December 2018	31 December 2018
On demand or within 1 year	98,911	73,565
Later than 1 year and not later than 5 years	369,090	272,048
Later than 5 years	566,932	314,968
Total operating lease commitments	1,034,933	660,581

The amounts above represent base rentals payable. Maintenance fees payable to the lessor, based on actual flight hours, and other usage variables are not included in the amounts.

The aircraft that the Group has operated under operating lease agreements as at 31 December 2018 are listed in Note 1. The Group received aircraft under operating lease agreements for the term of 3 to 16 years. The agreements are extendable.

As at 31 December 2018, the Group entered into a number of agreements with Russian banks under which the banks guarantee the payment of the Group's liabilities under existing aircraft lease agreements.

40. CAPITAL COMMITMENTS

As at 31 December 2018, the Group had non-cancellable agreements on future acquisition of property, plant and equipment with third parties amounted to RUB 255 116 million (31 December 2017: RUB 394,937 million). These commitments mainly relate to purchase 22 Airbus A-350 (31 December 2017: 22 aircraft), 5 Boeing B777 (31 December 2017: 6 aircraft), 22 Boeing B-787 aircraft and 15 Airbus A-320/321 aircraft as at 31 December 2017. Group expects to use supplied aircraft under lease agreements, therefore no cash outflow on entered agreements is expected.

41. CONTINGENCIES

Operating Environment of the Group

The economy of the Russian Federation displays certain characteristics of an emerging market. It is particularly sensitive to oil and gas price fluctuations. The legal, tax and regulatory frameworks of the RF continue to develop and are subject to frequent changes and varying interpretations. Though, ongoing political tension in the region and international sanctions against certain Russian companies and individuals have a negative impact on the Russian economy. Low unemployment and wage growth contributed to moderate economic growth in 2018. The financial markets continue to be volatile. This operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

Tax contingencies

The taxation system in the RF continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes fuzzy and contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to audit and investigation by a number of authorities, which have the authority to impose severe fines and penalties charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the RF suggest that the tax authorities are taking a more tough stance in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the RF that are substantially more significant than in other countries. The Group's management believes that it has provided adequately for tax liabilities in these Consolidated Financial Statements based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of these provisions by the relevant authorities could differ and the effect on these Consolidated Statements, if the authorities were successful in enforcing their interpretations, could be significant.

Since 1 July 2015, the Russian Government has decided to decrease VAT on domestic passenger and luggage carriage by air to 10% for two years, in 2017 the term was extended until 31 December 2020. This is aimed at improving the financial and economic position of the airlines providing domestic services.

In accordance with amendments to the Russian Tax Code made in 2015, excise duties charged on the aviation fuel obtained by the Group's airlines are subject to deduction using the following special coefficients: 2.08 for 2017, 2.08 for 2018.

Since 1 January 2015, the Russian Tax Code has been supplemented with the framework of beneficial ownership to the income paid from the RF (beneficial ownership framework) for the purposes of applying tax benefits under the Double Tax Treaties (DTT). Given the limited practice of the new rules application, it is impossible to reliably assess the potential outcome of any disputes with tax authorities over compliance with the beneficial ownership confirmation requirements, however they may have a significant impact on the Group.

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), but it is characterised by a certain specificity. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. Management has implemented internal controls to be in compliance with this transfer pricing legislation.

Tax liabilities arising from transactions between Group companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Changes in tax legislation or its enforcement in relation to such issues as transfer pricing may lead to an increase in the Group's effective income tax rate.

In addition to the above matters, as at 31 December 2018 and 31 December 2017 management estimates that the Group has no possible obligations from exposure to other than remote tax risks.

Management will vigorously defend the Group's positions and interpretations that were applied in calculating taxes recognised in these Condensed Consolidated Interim Statements, if these are challenged by the tax authorities.

Insurance

The Group maintains insurance in accordance with the legislation. In addition, the Group insures risks under various voluntary insurance programs, including management's liability, Group's liability and risks of loss of aircraft under operating and finance lease.

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Litigations

During the reporting period the Group was involved (both as a plaintiff and a defendant) in a number of court proceedings arising in the ordinary course of business. Management believes that there are no current court proceedings or other claims outstanding which could have a material effect on the results of operations and financial position of the Group.

As at 31 December 2018 the Group's subsidiary JSC Donavia were within bankruptcy process, thus their assets of RUB 385 million, including cash and cash equivalents in the amount of RUB 226 million, have had limited availability to the Group as it is defined by Russian legislation.

As at 31 December 2017 the Group's subsidiaries JSC Orenair and JSC Donavia were within bankruptcy process, thus their assets of RUB 1,779 million including cash and cash equivalents in the amount of RUB 422 million, have had limited availability to the Group as it is defined by Russian legislation.

42.ACCOUNTING POLICIES APPLIED BEFORE 1 JANUARY 2018

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of sales related taxes.

Passenger revenue: Ticket sales are reported as traffic revenue when the transportation service has been provided. The value of tickets sold and still valid but not used by the reporting date is reported in the Group's Consolidated Statement of Financial Position in a separate line item (unearned traffic revenue) within current liabilities. This item is reduced either when the Group completes the transportation service or when the passenger requests a refund. Sales representing the value of tickets that have been issued, but which will never be used, are recognised as traffic revenue at the reporting date based on an analysis of historical patterns of actual income from unused tickets. Commissions, which are payable to the sales agents are recognised as sales and marketing expenses within operating costs in the Consolidated Statement of Profit or Loss in the period of ticket sale by agents.

Passenger revenue includes revenue from code-share agreements with certain other airlines as per which the Group and other airlines sell seats for each other's flights ("code-share agreements"). Revenue from the sale of code-share seats on other airlines is recorded at the moment of the transportation service provision and is accounted for net in Group's traffic revenue in the Consolidated Statement of Profit or Loss. Revenue from the sale of code-share seats on Group's flights by other airlines are recorded at the moment of the transportation service provision and is fully accounted for in the Group's traffic revenue in the Consolidated Statement of Profit or Loss.

Cargo revenue: The Group's cargo transport services are recognised as traffic revenue when the air transportation is provided. The value of cargo transport services sold but not yet provided is reported in the Group's Consolidated Statement of Financial Position in a separate line item (unearned traffic revenue) within current liabilities.

Catering: Revenue is recognised when meal packages are delivered to the aircraft, as this is the date when the risks and rewards of ownership are transferred to customers.

Other revenue: Revenue from bilateral airline agreements is recognised when earned with reference to the terms of each agreement. Hotel accommodation revenue is recognised when the services are provided. Revenues from sales of goods are recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped to the customer. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point. Revenues from sale of services are recognised in the period in which the services were rendered.

Frequent flyer programme

Since 1999 the Company operates a frequent flyer programme referred to as Aeroflot-Bonus. Subject to the programme's terms, to stimulate interest in using the Company's services, Aeroflot-Bonus miles are awarded for the use of the Group's services and its partners, as well as free promo miles to encourage participation in the programme .The miles earned entitle members to a number of benefits such as free flights, flight class upgrades and redeem miles for special awards from programme partners if the additional conditions of the programme are met.

In accordance with IFRIC 13 Customer Loyalty Programmes, he fair value of miles accumulated on the Group's own flights but not used by Aeroflot-Bonus participants is recognised under current and non-current deferred revenue related to frequent flyer programme within current and non-current liabilities, respectively, in the Group's Consolidated Statement of Financial Position.

The fair value of miles accumulated by Aeroflot-Bonus participants for using services provided by the partners of the programme is recognised as other current and non-current liabilities related to frequent flyer programme in accounts payable and accrued liabilities in the Group's Consolidated Statement of Financial Position.

The fair value of the accumulated bonus miles is the same for the miles earned by the participants on the Group's own flights and the accumulated by the participants for using the services of the programme partners.

Other accrued liabilities related to promo miles accumulated but not used, the cost of which reflects the best estimate of the cost required to settle an existing liability in accordance with IAS 37 «Provisions, Contingent Liabilities and Contingent Assets» are recognised within accounts payable and accrued liabilities, respectively, in the Group's Consolidated Statement of Financial Position.

With the use of bonus miles, revenue from the loyalty programme is recognized when services are provided to program participants by reducing current deferred revenue and other current liabilities.

Financial instruments – key measurement terms

Depending on their classification, financial instruments are carried at fair value, cost or amortised cost, as described below.

Fair value – is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is quoted price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if: (a) the Group manages the group of financial assets and financial liabilities on the basis of the Company's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the Group's documented risk management or investment strategy; (b) the Group provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the Group's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Financial instrument measured at fair value are analysed by levels of the fair value hierarchy as follows:

- (i) level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,
- (ii) level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and
- (iii) level 3 measurements, which are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to, and must be settled by, delivery of such unquoted equity instruments.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, minus or plus accrued interest, and for financial assets – less any write-down (direct or through the valuation provision account) for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the Consolidated Statement of Financial Position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

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Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents and advisors, levies by regulatory agencies and securities exchanges, and transfer taxes and duties imposed on property transfer. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Initial recognition of financial instruments

Derivative financial instruments, including financial instruments subject to special hedge accounting rules, are initially recognised at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the Company/Group becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets and liaiesbilit

The Group derecognises financial assets when:

- (a) the assets are redeemed or the rights to cash flows from the assets expired, or
- (b) the Group has transferred the rights to the cash flows from financial assets or entered into a transfer agreement, while:
 - (i) also transferring all substantial risks and rewards of ownership of the assets, or
 - (ii) neither transferring nor retaining all substantial risks and rewards of ownership but losing control over such assets.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

The Group removes a financial liability (or a part of a financial liability) from its Consolidated Statement of Financial Position when, and only when, it is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled or expires. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is be recognised in profit or loss.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as hedges for a highly probable forecast transaction (cash flow hedge).

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 24. The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Statement of Profit or Loss as a separate line below operating result of the Group.

Amounts accumulated in equity are reclassified to profit or loss (as profit or loss from financing activities) in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Consolidated Statement of Profit or Loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Consolidated Statement of Profit or Loss within gains and losses from financing activities as a separate line.

The hedging result in the Consolidated Statement of Profit or Loss is the change in the fair value of the hedging derivative financial instruments (realized hedging) and the reverse effect of the hedging risk impact on the related hedge transactions recorded in operating activities.

Available-for-sale investments

Available for sale investments are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in profit or loss for the year as finance income. Dividends on available-for-sale equity instruments are recognised in profit or loss for the year as finance income when the Group's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss is reclassified from other comprehensive income to finance income in profit or loss for the year.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of available-for-sale investments. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from other comprehensive income to finance costs in profit or loss for the year.

Impairment losses on equity instruments are not reversed and any subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period's profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and short-term highly liquid investments (including bank deposits) with contractual maturities of ninety days or less, earning interest income. Cash and cash equivalents are carried at amortised cost using the effective interest method.

Restricted balances are excluded from cash and cash equivalents for the purposes of the Consolidated Statement of Cash Flows. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets in the Group's Consolidated Statement of Financial Position.

Cash flows arising from the receipt of interests are classified as cash flows from investing activities in the Consolidated Statement of Cash Flows.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are individually recognised at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Doubtful accounts receivable balances are assessed individually and any impairment losses are included in other operating costs in the Group's Consolidated Statement of Profit or Loss.

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Impairment of financial assets carried at amortised cost

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account within the profit or loss for the year.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognised and a new asset is recognised at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

Trade and other payables

Trade payables are accrued when the counterparty performs its obligations under the contract and are carried at amortised cost using the effective interest method.

Aircraft lease security deposits

Aircraft lease security deposits represent amounts paid to the lessors of aircraft in accordance with the provisions of operating lease agreements. These security deposits are returned to the Group at the end of the lease period. Security deposits related to lease agreements are presented separately in the Consolidated Statement of Financial Position (aircraft lease security deposits) and recorded at amortised cost.

Commercial and non-commercial entities in which PJSC Aeroflot holds an interest

AS AT 31 DECEMBER 2018

Full and abbreviated name	Stake, %	Purpose	Form	Amount, RUB thousand	Core operations as defined in the Articles of Association	Revenue in 2018, RUB thousand*	Profit (loss) in 2018, RUB thousand*	Dividends received in 2018, RUB thousand
Joint Stock Company Rossiya Airlines, JSC Rossiya Airlines	74.9999	Consolidate airlines to establish a strong national carrier based on PJSC Aeroflot, by implementing the best corporate governance standards	shares	689,173	Domestic and international air carriage of passengers, baggage, cargo and mail, and provision of aviation services, including services for passengers and baggage	114,516,879	1,647,746	–
Limited Liability Company Pobeda Airlines, LLC Pobeda Airlines	100	Consolidate airlines to establish a strong national carrier based on PJSC Aeroflot, by implementing the best corporate governance standards	interest	1,200,000	Domestic and international commercial air carriage of passengers, baggage, cargo and mail, in line with the Air Code and other civil aviation laws and regulations of the Russian Federation, the Company's internal regulations, and duly issued airline licences	33,834,331	2,013,160	1,749,618
Joint Stock Company Aurora Airlines, JSC Aurora Airlines	51	Consolidate airlines to establish a strong national carrier based on PJSC Aeroflot, by implementing the best corporate governance standards	shares	3,964	Domestic and international commercial air carriage of passengers and cargo, and other aviation services	19,470,351	66,517	26,867
Joint Stock Company Orenburg Airlines, JSC Orenair*	100	Consolidate airlines to establish a strong national carrier based on PJSC Aeroflot, by implementing the best corporate governance standards	shares	665,503	Domestic and international commercial flights	–	(784,626)	–
Joint Stock Company DONAVIA, JSC DONAVIA*	100	Consolidate airlines to establish a strong national carrier based on PJSC Aeroflot, by implementing the best corporate governance standards	shares	328,863	Domestic and international air carriage of passengers, baggage, cargo and mail, and provision of aviation services, including services for passengers and baggage	–	(66,218)	–
Joint Stock Company Sherotel, JSC Sherotel	100	Provide hotel accommodations for PJSC Aeroflot's crews, premises for lease, passenger services in business lounges, implement investment projects	shares	882,813	Hotel accommodation services and services in luxury lounges at airports	1,532,814	82,122	98,309
Limited Liability Company Aeroflot-Finance, LLC Aeroflot–Finance	99.9999	Implement investment projects	stake in share capital	5,729,229	Implementation of financial projects	25,600	342,870	–
Limited Liability Company A-Technics, LLC A-Technics	Founded by LLC Aeroflot-Finance	Provide maintenance and maintain airworthiness for Aeroflot Group's aircraft	–	–	Maintenance and repair of Russian and foreign–made aircraft	2,275,157	304,573	–

COMMERCIAL AND NON-COMMERCIAL ENTITIES IN WHICH PJSC AEROFLOT HOLDS AN INTEREST

Full and abbreviated name	Stake, %	Purpose	Form	Amount, RUB thousand	Core operations as defined in the Articles of Association	Revenue in 2018, RUB thousand*	Profit (loss) in 2018, RUB thousand*	Dividends received in 2018, RUB thousand
Closed Joint Stock Company Aeromar, CJSC Aeromar	51	Provide in-flight catering services for PJSC Aeroflot's flights	shares	28	Production and supply of food for in-flight catering, in-flight shopping service, aircraft cleaning and outfitting	21,101,777	1,261,503	257,644
Private Vocational Education Institution Aeroflot Aviation School, Aeroflot Aviation School	Founded by PJSC Aeroflot	Provide professional training and professional development training for Aeroflot Group's employees	Founder's contribution	–	Training services including those for flight attendants	800,294	31,671	–
Limited Liability Company Transnautic Aero GmbH	49	Implement investment projects	stake in share capital	105	Cargo flight sales agent, the company went out of business	–	–	–
Joint Stock Company AeroMASH–Aviation Security, JSC AeroMASH–Aviation Security	45	Provide aviation security services for passengers and aircraft	shares	45	Aviation security services at airports	4,499,247	556,615	10,005
Public Joint Stock Company Transport Clearing House, JSC TCH	3.85	Implement investment projects	shares	50	Flight sales settlement services	2,446,061	674,072	21,267
Joint Stock Company International airport Sheremetyevo, JSC MAS	2.43	Implement investment projects	shares	2,259,687	Airport operations	31,990,239	9,215,927	50,118
"Bank of Cyprus Holdings" plc	3,755 depositary certificates representing shares of «Bank of Cyprus Holdings» plc	–	–	–	Banking and financial services	–	–	–

* According to RAS.
** Legal entity in bankruptcy process.

Major Transactions and Related-Party Transactions

Major transactions

In 2018, PJSC Aeroflot made transactions recognised as major transactions according to Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995; the need to approve such transactions is set forth in Article X of the Federal Law On Joint-Stock Companies. Information on such transactions is contained in the Report on PJSC Aeroflot's Major Transactions in 2018 approved on 31 May 2019 and available in the Materials for General Meetings of Shareholders section of the Company's official website at <http://ir.aeroflot.ru/ru/corporate-governance/general-meeting-of-shareholders/>.

Releted-party transactions

In 2018, PJSC Aeroflot made transactions recognised as releted-party transactions according to the Federal Law On Joint-Stock Companies; the need to approve such transactions is set forth in Article XI of the Federal Law On Joint-Stock Companies. Information on such transactions is contained in the Report on PJSC Aeroflot's Related-Party Transactions in 2018 approved on 31 May 2019 and available in the Materials for General Meetings of Shareholders section of the Company's official website at <http://ir.aeroflot.ru/ru/corporate-governance/general-meeting-of-shareholders/>.

Execution of Presidential and Governmental Decrees

No.	Document type, date, and number	Summary	Execution status
1	Ensuring the transparency of financial and business activities (Federal Law No. 273-FZ On Countering Corruption dated 25 December 2008, Decree of the President of the Russian Federation No. 309 On Measures to Implement Certain Provisions of the Federal Law On Countering Corruption dated 2 April 2013, Decree of the President of the Russian Federation No. 460 On Approval of the Form of Statement to Inform on Income, Expenses, Property and Property-Related Obligations, and Amendments to Certain Acts of the President of the Russian Federation dated 23 June 2014, Decree of the President of the Russian Federation No. 147 On National Anti-Corruption Plan for 2016–2017 dated 1 April 2016, Decree of the President of the Russian Federation No. 378 On the National Anti-Corruption Plan for 2018–2020 dated 29 June 2019)		
1.1	Decree of the President of the Russian Federation No. 147 On the National Anti-Corruption Plan for 2016–2017 dated 1 April 2016	Clause 2 of the Decree. Establish control over the execution of initiatives stipulated by anti-corruption plans. Clause 5 of the Plan. Continue to form the negative attitude of employees to corruption. Clause 8 of the Plan. Improve the efficiency of anti-corruption initiatives in entities. Clause 15 of the Plan. Make provision to consider the status of anti-corruption efforts at the meetings (sessions) of relevant panels and take specific actions to improve such efforts. Clause 17 of the Plan. a) Conduct professional development training for employees who are in charge of countering corruption at state-owned enterprises (companies) in line with educational programmes approved by the Presidential Executive Office b) Monitor the implementation of anti-corruption initiatives in subsidiaries	In November 2014, PJSC Aeroflot signed up to the Anti-Corruption Charter of Russian Business (certificate No. 0514 dated 5 November 2014) and is actively involved in anti-corruption efforts under the Charter. In 2017, a declaration procedure was conducted via the Chamber of Commerce and Industry of the Russian Federation to verify the completeness, accessibility, and efficiency of anti-corruption measures implemented by PJSC Aeroflot. PJSC Aeroflot is working to implement the Guidelines on Anti-Corruption Risk Management and Internal Controls in Partially State-Owned Joint-Stock Companies (the Guidelines) approved by Order No. 80 of the Federal Agency for State Property Management dated 2 March 2016. On 28 April 2016, PJSC Aeroflot's Board of Directors approved the Roadmap for Anti-Corruption Risk Management and Internal Control Processes at PJSC Aeroflot. To implement the Roadmap, PJSC Aeroflot: → in line with Order No. 143 dated 6 May 2016, introduced the role of Deputy Director of the Department for Economic Security responsible for compliance management at PJSC Aeroflot → developed and approved plans of business units to develop/ update operating documents aimed at setting up a risk management and internal control system to prevent and counter corruption → on 5 October 2016, approved the Programme to Develop, Implement, and Ensure the Effectiveness of Initiatives Aimed at Preventing and Countering Corruption Prevention at PJSC Aeroflot, which includes anti-corruption actions undertaken by PJSC Aeroflot on an ongoing basis.

No.	Document type, date, and number	Summary	Execution status
1.2	Instruction of the Government of the Russian Federation No. DM-P17-2666 dated 5 May 2016	Ensure the implementation of the National Anti-Corruption Plan for 2016–2017 and submit appropriate proposals or draft reports: Under clauses 2 and 4 of the Decree: as regards the submission of reports on implementing initiatives stipulated by anti-corruption plans quarterly starting from 1 October 2016 Under clause 5 and sub-clause b, clause 6 of the National Plan by 1 November 2017 Under clause 8 of the National Plan by 1 July 2016 (remains monitored) Under clause 17 of the National Plan by 1 April 2017	Corruption Risk Management Section was added to the Company's Standard STO UR 21.9 Risk Management. Risk Management Procedure. General Provisions (Version 01) in line with Order No. 288 dated 27 July 2017. The Risk Appetite Statement of Aeroflot Group (Minutes No. 7 dated 21 December 2017, Minutes No. 10 dated 13 December 2018), approved by the Board of Directors of PJSC Aeroflot on an annual basis, stipulates zero tolerance to any form of corruption. In August – November 2017, the Internal Audit Department conducted the second annual audit (assessment) of the performance of the Company's anti-corruption risk management and internal controls prescribed by clause 5.3 of the Guidelines. Following the audit, a range of measures was implemented to further enhance these processes: → A position of First Deputy Director for Preventing and Countering Corruption reporting directly to Deputy CEO for Legal and Property Matters introduced to the staffing list of the Department for Economic Security; a dedicated Division for Preventing and Countering Corruption (Amendment to the Staffing List No. 401.011-003 dated 10 January 2018 introduced by Order No. 11 dated 15 January 2018) → A job description established and approved for Department for Economic Security's First Deputy Director for Preventing and Countering Corruption (No. 905-3/I dated 27 February 2018, including an updated version, No. 905-25/I dated 24 August 2018) → A revised version of the Regulations on the Anti-Corruption and Conflict of Interest Commission at PJSC Aeroflot established and approved (Order No. 360 dated 4 September 2018) → Membership of the Commission updated (Order No. 417 dated 25 October 2018) → A letter sent to top managers of PJSC Aeroflot's subsidiaries with recommendations on training employees, joining the Anti-Corruption Charter of Russian Business and Aeroflot Group's Anti-Corruption Policy, as well as on developing corporate conduct codes similar to the Corporate Conduct Code of PJSC Aeroflot (our reference number of the outgoing document: 905-15, date: 6 February 2018) with notice sent to the Personnel Development Department of PJSC Aeroflot (internal number 905/155 dated 14 February 2018) → Aeroflot Group's Risk Register, including a corruption risk register, approved by the Board of Directors on an annual basis (Minutes No. 7 dated 21 December 2017, Minutes No. 10 dated 13 December 2018) → An updated version of Aeroflot Group's Risk Register, including a corruption risk register, approved by the resolution of the Board of Directors dated 13 December 2018 (extract from Minutes No. 10) In July – September 2018, the Internal Audit Department conducted the third annual audit (assessment) of the performance of the Company's anti-corruption risk management and internal controls prescribed by clause 5.3 of the Guidelines. Following the audit, a range of measures was implemented to further enhance these processes: → Amendments made to the job description for Department for Economic Security's First Deputy Director for Preventing and Countering Corruption (No. 905-3/I dated 17 January 2019) → – Membership of the Anti-Corruption and Conflict of Interest Commission at PJSC Aeroflot updated and extended (Order No. 43 dated 31 January 2019)
1.3	The Guidelines on Anti-Corruption Risk Management and Internal Controls in Partially State-Owned Joint-Stock Companies (approved by Order No. 80 of the Federal Agency for State Property Management on 2 March 2016)	Clause 3.1. Identifying and assessing corruption risks, areas (business processes), and operations exposed to corruption risks. Clause 4.1. Constant informing of employees, counterparties, and potential business partners on activities to prevent and counter corruption. Clause 4.3. Anti-corruption training for all employees. Clause 5.2. Regular audit of the performance of anti-corruption risk management and internal controls is conducted within the framework of audits by the Internal Audit Service, as well as external audits (certification) of anti-corruption risk management and internal controls.	

EXECUTION OF PRESIDENTIAL AND GOVERNMENTAL DECREES

No.	Document type, date, and number	Summary	Execution status
1.4	Instruction of the Government of the Russian Federation No. P17-53932 dated 16 October 2017	Clause 8 of the National Anti-Corruption Plan for 2016–2017 remains monitored. By 1 February 2018, submit information on measures taken to enhance the effectiveness of anti-corruption efforts in entities established to fulfil the tasks set for the Government of the Russian Federation between 15 March 2017 and 1 January 2018.	<div>→ Recommendations sent to heads of Aeroflot Group companies on posting anti-corruption information on corporate websites in accordance with clause 01 of Aeroflot Group's Anti-Corruption Policy</div> <div>→ Amendments made to the Regulations on PJSC Aeroflot's Employee Induction Training (RI-GD-036) in terms of mandatory introductory briefings on compliance with PJSC Aeroflot's local anti-corruption regulations. Pursuant to sub-clause a, clause 17 of the National Anti-Corruption Plan for 2016–2017, the Company signed a framework contract with Rosatom Institute for Global Nuclear Safety and Security (since August 2017, reorganised into Rosatom Technical Academy) to arrange for professional development training courses for PJSC Aeroflot's employees, valid until 31 December 2018 (No. 29063984/R922-28/03.05.2017), which provides for professional development training in anti-corruption programmes in line with PJSC Aeroflot's applications for services.</div> <p>Under the contract, employees of PJSC Aeroflot's business units (92 people) completed the following professional development training course: Compliance of Employees of State-Owned Enterprises (Companies) with the Restrictions, Bans, and Liabilities Established to Counter Corruption.</p> <p>Employees of the Legal Department and Department for Economic Security involved in anti-corruption efforts participated in the Corruption Offences Prevention in Corruption Countering workshop conducted by the Prosecutor General's Office of the Russian Federation and the Moscow Government on 18–19 April 2017.</p> <p>The Company participated in:</p> <div>→ the VI Eurasian Anti-Corruption Forum “Social Control as a Key Factor of Anti-Corruption” conducted by the Institute of Legislation and Comparative Law Under the Government of the Russian Federation on 26–27 April 2017</div> <div>→ the All-Russian Interactive Campaign conducted by the Chamber of Commerce and Industry of the Russian Federation on 11 December 2017 to celebrate the International Anti-Corruption Day. As part of the review of business best practices to counter corporate corruption, PJSC Aeroflot made a presentation on this matter.<p>To inform and educate PJSC Aeroflot's employees on preventing and countering corruption, 80 Anti-Corruption information boards were manufactured and placed in unrestricted access areas of PJSC Aeroflot including domestic branches and representative offices.</p><p>Materials designed to raise employees' awareness were prepared, including:</p><div>→ a quick reference card on criminal liability for bribery and commercial bribery, and administrative action for illegal remuneration on behalf of a legal entity</div><div>→ a quick reference card on liability for committing corruption offences</div><div>→ a booklet “What you need to know about the conflict of interest”</div><div>→ a booklet “Why entities need to take measures to prevent and counter corruption?”</div></div>
	Decree of the President of the Russian Federation No. 378 On the National Anti-Corruption Plan for 2018–2020 dated 29 June 2018	Clause 2 of the Decree. By 1 September 2018, make respective amendments to anti-corruption plans. Sub-clause f, clause 5 of the Decree. Reports on the implementation of the plans shall be submitted to federal executive authorities for preparing consolidated reports.	

No.	Document type, date, and number	Summary	Execution status
	National Anti-Corruption Plan for 2018–2020 approved by Decree No. 378 dated 29 June 2018 (the National Plan)	Sub-clause c, clause 12. Take measures to ensure compliance with the requirements of Russian anti-corruption laws to prevent and resolve conflicts of interest, with a progress report to be submitted by 1 February on an annual basis. The final report shall be submitted by 1 December 2020.	<p>The following regulations on preventing and countering corruption were developed and updated:</p> <div>→ Regulations on the Anti-Corruption and Conflict of Interest Commission at PJSC Aeroflot established in line with Order No. 83 dated 6 March 2017 were updated (Order No. 360 dated 4 September 2018)</div> <div>→ Procedure for reporting to the employer on personal interest that leads or may lead to a conflict of interest was updated to cover all PJSC Aeroflot's employees (Order No. 253 dated 29 June 2017), and updated again later (Order No. 20 dated 18 January 2018)</div> <div>→ Specific provisions aimed at preventing and countering corruption were added, in particular, to the following internal regulations of PJSC Aeroflot:</div> <div>→ Template Regulations on PJSC Aeroflot's Branch, to establish obligations and responsibilities of the directors of branches (Order No. 100 dated 16 March 2017)</div> <div>→ Template Regulations on PJSC Aeroflot's Representative Office Abroad, to establish obligations and responsibilities of heads of representative offices (Order No. 115 dated 20 March 2017)</div> <div>→ Regulations on Internal Investigation, to cover corruption offences investigation and enable the questioning of employees using a polygraph (Order No. 146 dated 10 April 2017)</div> <div>→ Procedure for interaction between business units when procuring goods and services, to determine the requirements to prevent a conflict of interest (Order No. 175 dated 27 April 2017)</div> <div>→ The Company's Standard STO DOU 07 Management Document Support. Procedure for Preparation, Signing, Amendment, Execution, and Termination of PJSC Aeroflot's Agreements, to appoint responsible persons and determine the procedure for reporting to the former employee on signing of a civil contract with a citizen who was a public or municipal official within two years after they left public or municipal service (Order No. 243 dated 20 June 2017)</div> <div>→ Regulations on the Procurement of Goods, Works, and Services (approved by PJSC Aeroflot's Board of Directors on 23 June 2017), to stipulate anti-corruption requirements to bidders (in line with Federal Law No. 489-FZ dated 28 December 2016), expand requirements for preventing a conflict of interest, and introduce anti-corruption questionnaires for bidders</div> <div>→ Template employment contracts with PJSC Aeroflot's employees, to stipulate employees' obligations (Order No. 364 dated 14 September 2017)</div> <div>→ Regulations on the Formation and Use of the Charity Fund, to stipulate provisions aimed at preventing and countering corruption in relevant activities (approved by PJSC Aeroflot's Board of Directors on 28 September 2017)</div> <div>→ Regulations on PJSC Aeroflot's Commission on Real Estate Disposals (buildings, structures, premises, and land plots), to determine requirements for preventing a conflict of interest (Order No. 478 dated 6 December 2017)</div> <div>→ Regulations on business units (including branches and representative offices), their structural units, job descriptions, and instructions for blue collar employees, which were amended to establish anti-corruption obligations and responsibilities of directors and other employees</div>

EXECUTION OF PRESIDENTIAL AND GOVERNMENTAL DECREES

No.	Document type, date, and number	Summary	Execution status
			<p>Furthermore, the following initiatives were implemented:</p> <ul style="list-style-type: none">→ Information on PJSC Aeroflot's anti-corruption regulations in the Anti-Corruption Policy section of PJSC Aeroflot's intranet website is updated→ Emails describing specific anti-corruption activities implemented in the Company were sent to all corporate email users→ Emails detailing certain aspects of implementation of the approved Programme to Develop, Implement, and Ensure the Effectiveness of Initiatives Aimed at Preventing and Countering Corruption at PJSC Aeroflot were sent to all deputy CEOs and directors of business units→ Emails dedicated to compliance with the extraterritorial local laws on countering corruption were sent to certain representative offices of PJSC Aeroflot abroad <p>As part of ongoing anti-corruption efforts, PJSC Aeroflot implements the following initiatives:</p> <ul style="list-style-type: none">→ PJSC Aeroflot's employees are briefed on compliance with PJSC Aeroflot's Corporate Conduct Code→ All communications coming from Aeroflot Group's employees, customers, business partners, and other parties through the Hotline for Confidential Reports to the Board of Directors (Audit Committee of the Board of Directors) are reviewed→ PJSC Aeroflot's regulations and draft regulations are examined to reveal the potential for corruption and eliminate it using the methods approved by Resolution of the Russian Government No. 96 On Anti-Corruption Examination of Statutory Regulations and Draft Statutory Regulations dated 26 February 2010→ PJSC Aeroflot assesses its business partners, competitors, and customers→ PJSC Aeroflot collects comprehensive information from its counterparties about their ownership structure including beneficiaries (in particular, ultimate beneficiaries) and composition of their executive bodies, and, and submits this information to competent government authorities→ The standard anti-corruption clause is incorporated in contracts and agreements signed with PJSC Aeroflot's counterparties→ PJSC Aeroflot examines draft contracts and agreements with Russian and foreign counterparties→ The Company oversees the application of legal sanctions for non-compliance with the bans, restrictions, and requirements aimed at countering corruption→ The Company regularly controls its accounting records, availability and accuracy of primary accounting documents→ PJSC Aeroflot audits the financial and business operations of its business units, branches and representative offices, and subsidiaries→ PJSC Aeroflot interacts with law enforcement authorities and other government authorities to matters related to countering corruption within the Company <p>Information about the execution of instructions is sent to the Executive Office of the Government of the Russian Federation and the Ministry of Transport of the Russian Federation within prescribed timelines.</p>
		Sub-clause e, clause 20. Implement a series of measures to significantly improve the efficiency of raising public awareness about the efforts to prevent corruption and other offences, with a progress reportto be submitted by 1 May 2019.	

No.	Document type, date, and number	Summary	Execution status
		Clause 22. Organise conferences and other events on the anti-corruption theory and practice, with a progress report to be submitted by 1 March on an annual basis.	On 19 September 2018, PJSC Aeroflot organised and held its first round-table discussion on the importance of counteracting corruption for business and business partnerships in the current context, involving representatives of the Prosecutor General's Office of the Russian Federation.
		Clause 28. Instructions: a) Provide annual professional development training for employees involved in anti-corruption efforts, with a progress report to be submitted by 1 April on an annual basis. The final report shall be submitted by 1 December 2020 b) Train new employees hired to fill positions included in corporate lists of positions that require training under anti-corruption educational programmes, with a progress report to be submitted by 1 November 2020	The Company participated in: <ul style="list-style-type: none">→ the VII Eurasian Anti-Corruption Forum "Conflict of Interest: Law and Ethics" conducted by the Institute of Legislation and Comparative Law under the Government of the Russian Federation on 25 April 2018→ the All-Russian conference on the anti-corruption theory and practice, Government, Society, Business: Successful Anti-Corruption Cooperation, held by the Anti-Corruption Committee of Moscow under the Moscow Chamber of Commerce and Industry on 30 August 2018.
	Instruction of the Prime Minister of the Russian Federation No. DM-P17-4575 dated 25 July 2018	Ensure the execution of the Decree of the President of the Russian Federation No. 378 dated 29 June 2018 and the National Anti-Corruption Plan for 2018–2020 approved by this Decree, and submit the following reports to the Government: 1. Under clauses 2 and 5 of the Decree: as regards the respective amendments to anti-corruption plans by 1 September 2018 as regards the submission of reports on making amendments to the above plans by 5 September 2018 as regards the submission of reports on implementing initiatives stipulated by the anti-corruption plan once every six months starting from 15 January 2019 7. Under clause 12 of the National Plan: b) Under sub-clause c by 1 February 2019, 1 February 2020, and 1 December 2020 11. Under clause 20 of the National Plan: 5) Under sub-clause e by 1 March 2019 14. Under clause 22 of the National Plan: by 15 January 2019 and 15 January 2020 18. Under clause 28 of the National Plan: Deadlines: Under sub-clause a – by 1 April 2019, 1 April 2020, and 1 December 2020 Under sub-clause b – by 1 November 2019 and 1 November 2019	Pursuant to the Instruction of Russian Prime Minister Dmitry Medvedev No. DM-P17-4575 dated 25 July 2018, and in line with clause 5 of Decree of the President of the Russian Federation No. 378 On the National Anti-Corruption Plan for 2018–2020 dated 29 June 2018, the Company adopted an Anti-Corruption Action Plan for 2018–2020 (No. 58/Pl dated 31 August 2018). The measures outlined in the Plan are developed and carried out. Reports on the progress on measures outlined in the National Anti-Corruption Plan for 2018–2020 are submitted to the Government of the Russian Federation and government bodies, including: <ul style="list-style-type: none">→ the report to the Government of the Russian Federation on the adoption of the Anti-Corruption Action Plan for 2018–2020 (under sub-clause b, clause 5 of Decree of the President of the Russian Federation No. 378 dated 29 June 2018) (our reference number of the outgoing document: GD-840 dated 31 August 2018)→ the report to the Government of the Russian Federation on the implementation of the Anti-Corruption Action Plan for 2018–2020 (under clause 1 of the Instruction) (our reference number of the outgoing document: GD-29 dated 14 January 2019)→ the report to the Government of the Russian Federation on ensuring compliance with the requirements of Russian anti-corruption laws to prevent and resolve conflicts of interest (under sub-clause c, clause 12 of the National Plan) (our reference number of the outgoing document: GD-105 dated 30 January 2019)→ the report to the Government on the implementation of a series of measures to significantly improve the efficiency of raising public awareness about PJSC Aeroflot's efforts to prevent corruption and other offences (under sub-clause e, clause 20 of the National Plan) (our reference number of the outgoing document: GD-208 dated 27 February 2019)→ the report to the Ministry of Labour and Social Protection of the Russian Federation on ensuring involvement of PJSC Aeroflot's employees in conferences and other events on the anti-corruption theory and practice held by the Government of the Russian Federation involving the Prosecutor General's Office of the Russian Federation, the Investigative Committee of the Russian Federation, relevant federal and regional government bodies, and other organisations (under clause 22 of the National Plan) (our reference number of the outgoing document: 09-31 dated 15 January 2019).

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No.	Document type, date, and number	Summary	Execution status
			<p>Under sub-clause c, clause 12 of the National Anti-Corruption Plan for 2018–2020 (clause 2 of Plan No. 58/PI):</p> <ul style="list-style-type: none">→ Regulations on the Anti-Corruption and Conflict of Interest Commission at PJSC Aeroflot were updated (Order No. 360 dated 4 September 2018)→ new membership of the Anti-Corruption and Conflict of Interest Commission at PJSC Aeroflot was approved (Order No. 43 dated 30 January 2019)→ the Anti-Corruption and Conflict of Interest Commission at PJSC Aeroflot holds regular meetings (three meetings were held)→ workshops are held to explain to employees the restrictions, bans, and liabilities established to prevent conflicts of interest.
			<p>Under sub-clause e, clause 20 of the National Anti-Corruption Plan for 2018–2020 (clause 3 of Plan No. 85/PI):</p> <ul style="list-style-type: none">→ workshops are held to explain to employees the restrictions, bans, and liabilities established to prevent conflicts of interest.→ Under sub-clause e, clause 20 of the National Anti-Corruption Plan for 2018–2020 (clause 3 of Plan No. 85/PI):→ an Anti-Corruption Practices section (http://www.aeroflot.ru/ru-ru/about/aticorruption) was created on PJSC Aeroflot's website and features an official public statement of the Company's CEO declaring zero tolerance for corruption, and prohibition of corruption at all times and in all forms. The section specifies communication channels for individuals' reports on cases of corruption by PJSC Aeroflot's employees, features links to international and Russian anti-corruption regulations available at http://www.un.org, https://www.coe.int, and http://pravo.gov.ru, and a list of PJSC Aeroflot's anti-corruption regulations→ PJSC Aeroflot's 2018 accounting statements were published on the https://skrin.ru/ website at https://disclosure.skrin.ru/disclosure/7712040126/?DTI=8 04.02.2019 and features information on PJSC Aeroflot's anti-corruption efforts (page 79)→ the information on the efforts to prevent and counter corruption in 2017 was included in PJSC Aeroflot Annual Report 2017 (page 167) published in 2018 at https://ir.aeroflot.ru/fileadmin/user_upload/files/rus/common_info/gosa_doc_2018/ar2017→ proposals to include in PJSC Aeroflot Annual Report 2018 were submitted to the Corporate Finance Department (internal number 905/181 dated 13 February 2019).
			<p>Under clause 22 of the National Anti-Corruption Plan for 2018–2020:</p> <p>1. On 19 September 2018, PJSC Aeroflot organised and held a round-table discussion on the importance of counteracting corruption for business and business partnerships in the current context, involving representatives of the Department for Monitoring the Implementation of Legislation on Combating Corruption of the Prosecutor General's Office of the Russian Federation, as well as deputy CEOs and directors of PJSC Aeroflot's business units. The round-table discussion covered consistent implementation of the anti-corruption policy as PJSC Aeroflot's strategic objective.</p> <p>2. PJSC Aeroflot arranges for employees' participation in conferences and other events on the anti-corruption theory and practice held by the Government of the Russian Federation involving the Prosecutor General's Office of the Russian Federation, the Investigative Committee of the Russian Federation, relevant federal and regional government bodies, and other organisations.</p>

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			<p>As part of the above efforts, PJSC Aeroflot's employees took part in the following events:</p> <ul style="list-style-type: none">→ A "Dialogue with the Authorities" round table on "Prosecution of Companies and Their Top Management for Corruption Offences (Article 19.28 of the Code of Administrative Offences and articles of the Criminal Code of the Russian Federation on bribery, including commercial bribery)" arranged for, and held by the Association "Non-Commercial Partnership 'Corporate Counsel Association'" on 29 November 2018→ A workshop on "Combating Corruption as a Factor of Stable Economic Development" organised and held by the Federal Financial Monitoring Service and National Research Nuclear University MEPhI as part of the IV International Scientific and Practical Conference "Crypto Economy Era: New ML/TF Challenges and RegTech"→ International conference, "Corruption in R&D: Identification of Causes, Specifics and Anti-Corruption Initiatives", organised and held by the All-Russian State University of Justice (RLA of the Ministry of Justice of Russia) on 7 December 2018→ International conference, "Global and Russia's Priority Focus Areas of Anti-Corruption Policy Development", organised and held by the Higher School of Economics on 10 December 2018
			<p>In line with sub-clause a, clause 28 of the National Anti-Corruption Plan for 2018–2020 (clause 6 of Plan No. 58/PI), PJSC Aeroflot's employees completed a professional development training course on anti-corruption in organisations established by the Russian Government to operate in its interests. The training was organised by the Russian Presidential Academy of National Economy and Public Administration and involved representatives of government bodies responsible for the development, methodological support and supervision of the anti-corruption policy execution in Russia, including the Ministry of Labour and Social Protection of the Russian Federation, the Presidential Anti-Corruption Directorate, and the Department for Monitoring the Implementation of Anti-Corruption Laws of the Prosecutor General's Office of the Russian Federation.</p> <p>In addition, to ensure efficient participation of the Russian Federation in international anti-corruption initiatives:</p> <ul style="list-style-type: none">→ PJSC Aeroflot's representative took part in a workshop at the International Anti-Corruption Academy (Vienna, Austria) from 4 October to 5 October 2018→ PJSC Aeroflot provided media coverage for the International Youth Competition of Anti-Corruption Social Advertising "Together Against Corruption!" held by the Prosecutor General's Office of the Russian Federation as part of the Interstate Council on Combating Corruption. <p>Workshops are held for employees of PJSC Aeroflot's business units to raise their awareness on the restrictions, bans, and liabilities set by anti-corruption laws and PJSC Aeroflot's regulations (sub-clause b, clause 28 of the National Plan).</p>

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No.	Document type, date, and number	Summary	Execution status
1.5	Article 92 of Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995 Chapter VIII of Decree of the Federal Financial Market Service of Russia No. 11-46/pz-n On Approval of the Regulations on Information Disclosure by Securities Issuers dated 4 October 2011 Decree of the Ministry of Economic Development of the Russian Federation No. 208 On Approval of Information Disclosure by State-Owned Joint-Stock Companies and by State (Municipal) Unitary Enterprises dated 11 May 2011	Disclose information to the extent and in the manner specified by the federal executive authority for the securities market. Joint-stock companies included in the projected privatisation plan are obliged to disclose information.	Regulations on information exchange through the interdepartmental portal for state property management were approved by PJSC Aeroflot's Board of Directors on 4 April 2012 (Minutes No. 11). Reports on shareholder and investor relations are submitted to the Board of Directors on a quarterly basis. The Company fully complies with the requirements to disclose information set out in Russian laws. In particular, all information is disclosed on PJSC Aeroflot's website and in the news feed. Procedure for submission and disclosure of information on material facts about the Company and information treated as the Company's insider information was approved by Order No. 80 dated 5 March 2015.
1.6	Paragraph 7, clause 2 of Minutes of a meeting held at the office of First Deputy Prime Minister of the Russian Federation Igor Shuvalov No. ISH-P13-98pr dated 3 October 2013	Publish resolutions of boards of directors that are not treated as commercially sensitive information.	Execution is in progress in line with applicable Russian laws on information disclosure. The minutes of PJSC Aeroflot's Board of Directors are posted in the Company's account on the interdepartmental portal for state property management.
1.7	Instruction of the Government of the Russian Federation No. P17-1771 dated 17 January 2017	On submission of: – lists of managers who must submit information on their income, expenses, property, and property-related obligations in line with anti-corruption laws by 6 February 2017 – information on their income, expenses, property, and property-related obligations, as well as their spouse's and minor children's income, expenses, property, and property-related obligations for 2016 by 30 April 2017.	The information was submitted within prescribed timelines.
1.8	Instruction of the Government of the Russian Federation No. P17-46158 dated 4 September 2017	For the purpose of developing a draft regulation which will establish a list of long-term corporate measures to enhance the efficiency of the national anti-corruption policy, submit reasoned proposals to be included in the above list by 1 October 2017.	Proposals were submitted to the Executive Office of the Government of the Russian Federation within prescribed timelines (our reference number of the outgoing document: 09-943, date: 28 September 2017).
2	On specifics of participation of small and medium-sized enterprises in procurement of goods, works, and services by certain types of legal entities (Decree of the President of the Russian Federation No. 287 On Measures to Further Develop Small and Medium-Sized Enterprises dated 5 June 2015, Resolution of the Government of the Russian Federation No. 1352 dated 11 December 2014)		
2.1	Instruction of the Government of the Russian Federation No. 6362p-P13 dated 24 October 2013	Ensure the efficiency of the customer's interaction with small and medium-sized enterprises (SMEs), including as regards procurement of innovative products:	

No.	Document type, date, and number	Summary	Execution status
		1. Set up an Advisory Board in charge of independent audit of procurement efficiency	The Advisory Board in charge of independent audit of the procurement efficiency was set up (Order No. 188 dated 19 June 2014), amendments were made (Order No. 91 dated 24 March 2016), the membership structure of the Advisory Board was approved by Instruction No. 242/U dated 18 December 2014, amendments were made (Instruction No. 240/U dated 15 December 2015).
		2. Develop Regulations on the Advisory Board, ensure the transparency of its activities	Regulations on the Advisory Board in charge of independent audit of the procurement efficiency were developed and approved by PJSC Aeroflot's CEO (RI-GD-227, Appendix to Order No. 188 dated 19 June 2014).
		3. Ensure control over the efficiency of the customer's one-stop-shop system to implement innovative products and results of research, development, and technological work carried out by SMEs, and ensure mutual technology transfer	The launch of the one-stop-shop system took place in April 2017. Proposals submitted via the one-stop-shop system are regularly reviewed at the meetings of PJSC Aeroflot's innovation team (an advisory body) and the Advisory Board in charge of independent audit of procurement efficiency.
		4. Ensure maximum transparency of the activities of the Advisory Board in charge of independent audit of procurement efficiency	The information on the activities of the Advisory Board in charge of independent audit of procurement efficiency, including minutes of the meetings, are available in the respective section of the website at http://www.aeroflot.ru/cms/content/soveshchatelniyi-organ .
		5. Create a special section in the Annual Report on the efficiency of procurement from small and medium-sized enterprises	Section 3.12 Procurement was included in PJSC Aeroflot's Annual Report available on the Company's website at http://ir.aeroflot.ru/ru/akcioneram-i-investoram/ .
		6. Develop, with the involvement of the Advisory Board's representatives, approve, and put into effect the Regulations on Procedures and Rules for Implementing Innovative Solutions in the Customer's Activities	Regulations on Procedures and Rules for Implementing Innovative Solutions (RI-GD-303) were approved by Order No. 248 dated 18 July 2016.
		7. Make amendments to the customer's regulations on procurement or other executive documents with respect to procurement involving SMEs only, which stipulate: → mandatory granting to SMEs of the right to choose between bank guarantee and cash collateral as the bid security, as well as introduction of additional (to bank guarantee and cash collateral) bid security terms, and granting to small and medium-sized enterprises of the right to select the terms of bid security → mandatory return by the customer of the bid security within no more than seven business days from the announcement of the bidding results to all SME bidders, except for those ranked 1st and 2nd in the bidding → mandatory return by the customer of the bid security within seven business days from signing a contract with SME bidders ranked 1st and 2nd in the bidding	Amendments were made. Regulations on Procurement taking into account the specifics of participation of small and medium-sized enterprises were approved by the Board of Directors on 29 April 2016 (Minutes No. 16). The current version of the Regulations on Procurement (RI-GD-148) includes the requirements.

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No.	Document type, date, and number	Summary	Execution status
		<div><div>→ the customer's obligation to limit the term from signing a contract with SMEs to 20 business days</div><div>→ the customer's obligation to set a maximum period for payment for work completed at 10 business days after the date of closing documents with an SME acting as the service provider, and a maximum period of 10 business days from the completion date of obligations secured by a deferred payment if a contract provides for a deferred payment as a security of the supplier's (contractor's, service provider's) obligations</div><div>→ the possibility to assign claims under contracts with SMEs to financial institutions</div></div>	
		8. Develop and adopt a mandatory performance measure for the management – the proportion of procurement contracts awarded to SMEs, including procurement of innovative goods (works, services), R&D and technology projects (share of procurement). The share of procurements shall be determined based on the customer's quarterly statistics on the participation of SMEs in customers' procurement, including the procurement of innovative goods (works, services), R&D and technology projects. Design systemic incentive (penalty) measures for compliance (non-compliance) with the above performance measure for the management (aligned with the financial efficiency of the customer's operations)	The relevant measure was included in KPI lists for department director level managers engaged in the procurement of goods, works, and services in 2014. The Achievement of Targets for the Share of Procurement from SMEs KPI weighing 5% was included in the list of bonus KPIs. The KPI is measured based on the year-end results in order to exclude the seasonal factor from the assessment of procurement from SMEs.
		9. Make amendments to the customer's documents on determining relevant statistics and including mandatory measures reflecting the company's innovative development in the list of KPIs for the customer's top management: <div><div>→ Overall Productivity KPI with an annual growth of at least 5% until the industry average for foreign peers is achieved in 2018</div><div>→ Efficient Energy Use KPI with an annual growth of at least 5% until the industry average for foreign peers is achieved in 2018</div><div>→ Environmental Friendliness KPI not lower than that of foreign peers</div></div>	The Overall Productivity KPI (for Aeroflot Group) were included in the list of KPIs of PJSC Aeroflot's CEO/management in 2015. The Efficient Energy Use and Environmental Friendliness KPIs were included in PJSC Aeroflot's KPI system and KPI lists for relevant department heads in 2015.

No.	Document type, date, and number	Summary	Execution status
2.2	Instruction of the Government of the Russian Federation No. 7377p-P13 dated 7 December 2013	<div>Ensure the efficiency of the customer's interaction with SMEs, including as regards procurement of innovative products.</div> <div>1. Increase the share of e-procurement in the total annual volume of procurement through public tenders to the extent and within the timelines stipulated in paragraph 7 of the Road Map:<div><div>→ The share of e-procurement in the total annual volume of procurement through public tenders in 2015 should be at least 45%</div><div>→ The share of e-procurement in the total annual volume of procurement through public tenders in 2016 should be at least 50%</div><div>→ The share of e-procurement in the total annual volume of procurement through public tenders in 2017 should be at least 60%</div><div>→ The share of e-procurement in the total annual volume of procurement through public tenders in 2018 should be at least 70%</div></div></div> <div>2. Make amendments to the customer's regulations on procurement or other executive documents (when approving the specifics of procurement from SMEs) by separate documents stipulating that at least 20% of the annual procurement of standard products should be allocated to procurement of innovative products that can be replaced with innovative products developed by SMEs</div> <div>3. Develop a pilot programme of partnership with SME associations</div> <div>4. Prepare proposals for simplifying the procurement procedure for SMEs by reducing, simplifying, and standardising the documents required for SMEs participation in customers' procurement</div> <div>5. Develop a methodology for determining the life cycle of goods, works and services to be procured</div>	<div>Execution is in progress taking into account the Company's business specifics.</div> <div>Execution is completed. In 2015, e-procurement accounted for 48.296% of total procurement by value.</div> <div>Execution is completed. In 2016, e-procurement accounted for 56.36% of total procurement by value.</div> <div>Execution is completed. In 2017, e-procurement accounted for 61.09% of total procurement by value.</div> <div>Execution is completed. In 2018, e-procurement accounted for 88.36% of total procurement by value. We also underline that all competitive procurement of goods within the Russian Federation is only carried out online.</div> <div>Amendments were made. The version of the Regulations on the Procurement of Goods, Works, and Services was approved by PJSC Aeroflot's Board of Directors on 29 April 2016 (Minutes No. 16).</div> <div>The pilot programme of the Company's partnership with SMEs was developed and approved by the CEO's Order No. 408 dated 25 November 2015. As at 1 January 2018, 35 SMEs joined the pilot partnership programme.</div> <div>Procurement document templates, which take into account the specifics of SME participation in procurement, were aligned with the new version of the Regulations on the Procurement (RI-GD-148) approved by the Board of Directors on 22 January 2019.</div> <div>The methodology for determining the life cycle of goods, works, and services to be procured (the Methodology) was approved by the CEO's Order No. 321 dated 28 September 2015 after obtaining a positive opinion of the auditor, Higher School of Economics (No. 6.18.1-19/1706-06 dated 17 June 2015).</div>

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No.	Document type, date, and number	Summary	Execution status
		6. Develop and introduce criteria for evaluating and comparing bids based on the "life cycle cost of a product or work result" for innovative, high-tech, or technically sophisticated products in the procurement procedures	Execution is in progress in line with the approved Methodology.
		7. Ensure that annual procurement of innovative, high-tech or technically sophisticated products is conducted using the "life cycle cost of a product or work result" criterion	Execution is in progress in line with the approved Methodology.
2.3	Decree of the Government of the Russian Federation No. 2258-r dated 6 October 2015, Resolution of the Government of the Russian Federation No. 1169 dated 29 October 2015	On assessment of draft plans for procurement of goods, works, and services; draft plans for procurement of innovative and high-tech products, pharmaceutical products; draft amendments to these plans, prior to approval, for their compliance with Russian laws providing for SMEs participation in procurement and the requirements of JSC Russian Small and Medium Business Corporation (RSMB Corporation).	PJSC Aeroflot's draft procurement plan for purchases of goods, works, and services in 2019 was published in the unified information system on 24 December 2018, No. 2180317776 (notification No. P2180317776001101) and complies with Russian laws (Findings of RSMB Corporation No. OZS-25455/2018 dated 24 December 2018). All amendments to the plan were published in the unified information system in due time and their compliance with Russian laws was approved by RSMB Corporation.
3	On procurement		
3.1	Clause 2 of the List of Instructions issued by the Government of the Russian Federation No. DM-P9-8413 dated 12 December 2015 on procurement regulation and the development of relevant procurement regulations for purchases of goods, works, and services Instruction of the Government of the Russian Federation No. 2793p-P13 dated 19 April 2016 (our reference number: 3773, date: 17 May 2016)	Instructions: 1. Develop and adopt procurement regulations for purchases of goods, works, and services by 30 April 2016. Procurement regulations shall specify price limits for listed goods, works, and services, and/ or requirements to their quantity, usability, and other characteristics. The regulations shall focus on meeting the needs of customers without promoting purchases of goods, works, and services with excessive consumer properties	The list of certain goods, works, and services which shall comply with the requirements set out for their usability and other characteristics was approved by the CEO's Order No. 296 dated 23 August 2016.
		2. Publish procurement regulations on websites of joint stock companies by 30 April 2016	The list was published on PJSC Aeroflot's website (Documents subsection, Sales and Procurement section).
		3. Starting from 1 May 2016, ensure mandatory application of procurement regulations when planning business activities	The report On Procurement Activities is submitted to the Management Board and the Board of Directors of PJSC Aeroflot on a quarterly basis. Furthermore, annual monitoring of procurement activities is conducted by the Revision Committee with a mandatory report by the Chairman of the Bidding Commission and the Director of the Procurement Management Department. A meeting of the Advisory Board in charge of independent audit of PJSC Aeroflot's procurement efficiency takes place on a quarterly basis. The minutes of meetings are available on the Company's website.

No.	Document type, date, and number	Summary	Execution status
		4. Starting from 2017, conduct annual monitoring (on a year-on-year basis) of procurement performance in joint stock companies, including adherence to the requirements of the approved procurement plan and relevant regulations for purchases of goods, works, and services for the needs of joint stock companies, as well as fitness of the goods, works, and services purchased by joint stock companies for purposes of their business defined in the articles of association	The order does not need to be amended (Order No. 296 dated 23 August 2016).
		5. Annually adjust (update) procurement regulations for purchases of goods, works, and services for the needs of joint stock companies Implement these requirements across subsidiaries and associates	The requirements apply to the subsidiaries which arrange for the approval of reports on procurement activities.
3.2	Instruction of the Government of the Russian Federation No. 6558p-P13 On Amendments to the Company's Procurement Policy for Purchases of Innovative Building Materials dated 5 September 2016 (our reference number: 6855, date: 12 September 2016)	Instructions: → Amend the procurement policy to give priority to purchases of innovative building materials made in Russia → Amend the procurement policy to provide an opportunity to sign long-term contracts with Russian manufacturers of building materials for supply of innovative building materials with guaranteed supply volumes in the future, and with the manufacturers that have duly entered into special investment agreements to start manufacturing these products → Implement the provisions of these directives across subsidiaries of joint stock companies	The Regulations on the Procurement of Goods, Works, and Services were amended to give priority to purchases of innovative building materials made in Russia and provide an opportunity to sign long-term contracts with Russian manufacturers of building materials for supply of innovative building materials with guaranteed supply volumes in the future, and with the manufacturers that have duly entered into special investment agreements to start manufacturing these products (clause 6.1.2.8). The respective version of the Regulations on the Procurement of Goods, Works, and Services (RI-GD-148E) was approved by the resolution of the Board of Directors dated 17 October 2016 (Minutes No. 3). The current version of the Regulations (RI-GD-148G) includes the above provisions. The current version of the Regulations (RI-GD-148) includes the above provisions. The directives are complied with by the subsidiaries in line with the Resolution of PJSC Aeroflot's Board of Directors dated 17 October 2016 (Minutes No. 3).
3.3	Instruction of the Government of the Russian Federation No. 7704p-P13 On Expanding the Use of Factoring when Executing Agreements for the Supply of Goods (Performance of Works, Provision of Services) dated 11 October 2016 (our reference number: 7711, date: 17 October 2016)	Amend the Company's procurement regulations to establish procedures for sale of receivables (factoring) when executing agreements for the supply of goods (performance of works, provision of services) signed by the Company and small and medium-sized enterprises based on purchases made using methods specified in the procurement regulations excluding tenders as defined in Russian civil laws.	The amendments are stipulated by the version of the Regulations on the Procurement of Goods, Works, and Services (RI-GD-148G) approved by the Board of Directors on 28 September 2017 (Minutes No. 3): "Clause 6.1.5. When conducting procurement procedures involving SMEs only, the customer shall ensure: f) the possibility to assign the claims under procurement contracts with mandatory inclusion in this contract of the terms stipulated by clause 20.23 of RI-GD-148X to a company (financial agent) which signed a loan agreement with a SME against assignment of the claims (factoring agreements)." Clause 19.24 of the current version of the Regulations on Procurement (RI-GD-148) includes the respective procedure.

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No.	Document type, date, and number	Summary	Execution status
4	On long-term planning and operational performance improvement at state-owned companies (List of Instructions of the President of the Russian Federation No. Pr-3013 dated 27 December 2014)		
4.1	List of Instructions of the President of the Russian Federation No. Pr-3086 dated 27 December 2013 Instruction of First Deputy Prime Minister of the Russian Federation Igor Shuvalov No. 4955p-P13 dated 17 July 2014	Instructions: → Develop and approve the Long-Term Development Programme (the LDP) → Audit the implementation of the LDP and approve a relevant audit standard → Amend the regulations on remuneration of the sole executive body	Aeroflot Group's Development Strategy 2025 (LDP) was approved by the Board of Directors on 2 December 2014 (Minutes No. 8) and has been updated in line with the 2014 LDP Development Guidelines of the Federal Agency for State Property Management for Strategic Public Joint stock Companies and Federal State Enterprises. The updated LDP of Aeroflot Group was approved by PJSC Aeroflot's Board of Directors on 21 December 2017 (Minutes No. 7). The Standard on, and Terms of Reference for, Auditing the Implementation of the of Aeroflot Group's LDP were developed and approved by PJSC Aeroflot's Board of Directors on 29 January 2015 (Minutes No. 10). The Regulations on Updating and Managing the Implementation of Aeroflot Group's Long-Term Development Programme were approved by Order No. 126 dated 27 March 2017 and updated by Order No. 182 dated 26 April 2018. Progress Reports on Aeroflot Group's Long-Term Development Programme and Achievement of Key Performance Indicators for 2017 and 2018 are reviewed and approved by PJSC Aeroflot's Board of Directors on a quarterly basis (Minutes No. 3 dated 28 September 2017, No. 7 dated 21 December 2017, No. 1 dated 5 July 2018, and No. 5 dated 27 September 2018). The audit of the LDP implementation at Aeroflot Group in 2016 was conducted by BDO Unicon; the report was reviewed by PJSC Aeroflot's Board of Directors on 20 April 2017 (Minutes No. 14). The audit of the LDP implementation at Aeroflot Group in 2017 was conducted by BDO Unicon; the report was reviewed by PJSC Aeroflot's Board of Directors on 26 April 2018 (Minutes No. 13). The Regulations on PJSC Aeroflot's Key Performance Indicators and the list of KPIs were approved by PJSC Aeroflot's Board of Directors on 28 April 2016 (Minutes No. 15) and introduced by Order No. 203 dated 28 June 2016; the updated Regulations on KPIs were approved by the Board of Directors on 29 May 2018 (Minutes No. 15). The Terms of Reference for Auditing the Implementation of the of Aeroflot Group's and Achievement of Key Performance Indicators for 2017 were approved by PJSC Aeroflot's Board of Directors on 26 October 2017 (Minutes No. 4). The Terms of Reference for Auditing the Implementation of the of Aeroflot Group's and Achievement of Key Performance Indicators for 2018 were approved by PJSC Aeroflot's Board of Directors on 27 September 2017 (Minutes No. 5). The updated LDP 2018–2022 of Aeroflot Group was approved by PJSC Aeroflot's Board of Directors on 21 December 2017 (Minutes No. 7).

No.	Document type, date, and number	Summary	Execution status
4.2	Instruction of the President of the Russian Federation No. Pr-3013 dated 27 December 2014 Methodology for Analysis of Implementation of Internal Regulations approved in line with the List of Instructions of the President of the Russian Federation No. Pr-3013 dated 27 December 2014 (developed by the Russian Ministry of Economic Development)	1. 1. The JSC shall develop and approve: → the development strategy → the long-term development programme (LDP)	Aeroflot Group's Long-Term Development Programme 2025 (LDP) was approved by the Board of Directors on 2 December 2014 (Minutes No. 8) and has been updated in line with the 2014 LDP Development Guidelines of the Federal Agency for State Property Management for Strategic Public Joint stock Companies and Federal State Enterprises. The updated LDP 2018–2022 of Aeroflot Group was approved by PJSC Aeroflot's Board of Directors on 21 December 2017 (Minutes No. 7). Aeroflot Group's Strategy was approved by the Board of Directors on 27 September 2018 (Minutes No. 5)
	Instruction of the Government of the Russian Federation No. 2007p-P13 dated 6 April 2015	→ the procedures for the development and approval of LDP auditing standards	The Standard on Auditing the Implementation of Aeroflot Group's LDP was developed and approved by PJSC Aeroflot's Board of Directors on 29 January 2015 (Minutes No. 10).
	Instruction of the President of the Russian Federation No. Pr-769 dated 26 April 2016	→ the regulations on key performance indicators (KPIs)	The Regulations on PJSC Aeroflot's Key Performance Indicators and the list of KPIs were approved by PJSC Aeroflot's Board of Directors on 28 April 2016 (Minutes No. 15) and introduced by CEO's Order No. 203 dated 28 June 2016. The updated Regulations on PJSC Aeroflot's Key Performance Indicators were approved by PJSC Aeroflot's Board of Directors on 28 September 2017 (Minutes No. 3) and introduced by Order No. 452 dated 22 November 2017. The updated Regulations on KPIs were approved by the Board of Directors on 29 May 2018 (Minutes No. 15).
	Instruction of the Government of the Russian Federation No. ISh-P13-2747 dated 10 May 2016 (clause 1)		
	Instruction of the Government of the Russian Federation No. AD-P36-4292 dated 20 July 2016 (clause 6)	→ the regulations on operational and investment performance improvement and cost reduction	The Regulations on Operational and Investment Performance Improvement and Cost Reduction was approved by PJSC Aeroflot's Board of Directors on 21 December 2015 (Minutes No. 8) and introduced by Order No. 153 dated 19 May 2016.
	Instruction of the Government of the Russian Federation No. ISh-P13-8144 dated 30 December 2016	→ the investment programme.	Aeroflot Group's Investment Programme makes part of the Group's LDP and is approved as part of the annual budget. The Investment Programme for 2019 was approved by PJSC Aeroflot's Board of Directors on 13 December 2018 (Minutes No. 10).
		→ the regulations on internal audit	The Regulations on Internal Audit at Aeroflot Group were approved by PJSC Aeroflot's Board of Directors on 1 October 2015 (Minutes No. 4).
		→ the regulations on the quality management system	The Operational Quality Guidelines have been in place at PJSC Aeroflot since 15 May 2004 (No. 16/I dated 6 May 2014) and the revised Guidelines were approved by PJSC Aeroflot's Board of Directors on 2 February 2018 (Minutes No. 9).
		→ the regulations on the procedure for developing and implementing the innovative development programme	Execution is completed. The Regulations on the Procedure for Developing (Updating) and Implementing the Innovative Development Programme were approved by PJSC Aeroflot's Board of Directors on 26 November 2015 (Minutes No. 7). Following the consolidation of subsidiary airlines, the new Regulations on the Procedure for Developing (Updating) and Implementing the Innovative Development Programme (RI-GD-285) were developed and approved by PJSC Aeroflot's Board of Directors on 31 October 2018 (Minutes No. 7) instead of the Regulations on the Procedure for Developing and Implementing the Innovative Development Programme. The Regulations are available on the interdepartmental portal for state property management; the questionnaire has been updated.

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No.	Document type, date, and number	Summary	Execution status
	→	the regulations on the formation and use of the sponsorship and charity funds	The Regulations on the Formation and Use of the Charity Fund were introduced by Order No. 74 dated 16 March 2016 and the revised Regulations were approved by PJSC Aeroflot's Board of Directors on 28 September 2017 (Minutes No. 3). The Regulations on the Formation and Use of the Sponsorship Fund were introduced by Order No. 94 dated 29 March 2016 and the new version was approved by PJSC Aeroflot's Board of Directors on 28 September 2017 (Minutes No. 3).
	→	the innovative development programme	Aeroflot Group developed the Innovative Development Programme 2025 and obtained its approval from federal executive authorities, the Interdepartmental Committee for Technological Development of the Praesidium of the Presidential Council of the Russian Federation for Economic Modernisation and Innovative Development of Russia as specified in the Regulations. PJSC Aeroflot's Board of Directors approved the Programme on 25 August 2016 (Minutes No. 1). Following the consolidation of subsidiary airlines, and implementation of the directive to conduct Technological Development Benchmarking of PJSC Aeroflot against international peers, the Board of Directors passed a resolution to update the Innovative Development Programme by 31 January 2019. The update of the 2018 version of the Innovative Development Programme was completed, and the results were reviewed by the Board of Directors and Management Board (Minutes No. 12 dated 7 February 2019). The Board of Directors passed a resolution to update the Innovative Development Programme in 2019 in pursuance of Minutes of Meeting No. 2 of the Government Commission for Economic Modernisation and Innovative Development headed by Dmitry Medvedev, dated 22 October 2018. The Minutes read: "by 31 December 2019, update innovative development programmes of partially state-owned companies for the period until 2024 taking into account the activities and targets of national projects (programmes), including Research, Education, Digital Economy of the Russian Federation, International Cooperation and Exports, Small and Medium-Sized Businesses and Support for Individual Entrepreneurs, Labour Productivity and Employment Support, as well as the Strategy for the Scientific and Technological Development of the Russian Federation until 2035 and the action plans (roadmaps) of the National Technological Initiative."
	→	the regulations on procurement	The Regulations on the Procurement of Goods, Works, and Services have been in place at PJSC Aeroflot since 4 April 2012, the revised Regulations were approved by PJSC Aeroflot's Board of Directors on 22 January 2019 (RI-GD-148, Minutes No. 11).
	→	the regulations on committees of the board of directors	The Regulations on the Personnel and Remuneration Committee of PJSC Aeroflot's Board of Directors were approved by PJSC Aeroflot's Board of Directors on 23 December 2016 (Minutes No. 8). The Regulations on the Audit Committee of PJSC Aeroflot's Board of Directors were approved by PJSC Aeroflot's Board of Directors on 28 January 2016 (Minutes No. 10). The Regulations on the Strategy Committee of PJSC Aeroflot's Board of Directors were approved by PJSC Aeroflot's Board of Directors on 25 May 2018 (Minutes No. 14).
	→	the regulations on remuneration of the JSC's management, members of the board of directors, members of the revision committee, including a section providing that the JSC's sole executive bodies' remuneration and responsibility shall be subject to the achievement of the KPIs detailed in the LDP	The Regulations on Remuneration and Compensation Payments to the Members of the Board of Directors of PJSC Aeroflot were approved by the Annual Meeting of Shareholders on 26 June 2017 (Minutes No. 40).

No.	Document type, date, and number	Summary	Execution status
	→	tthe regulations on non-core assets disposal	PJSC Aeroflot has in place a Programme for Non-Core Assets Disposal which includes the procedure for identifying and evaluating non-core assets, as well as disposal methods and procedures.
	→	the programme for non-core assets disposal	The Programme for Non-Core Assets Disposal of JSC Aeroflot was approved by JSC Aeroflot's Board of Directors on 26 July 2012 (Minutes No. 1). The updated Programme for Non-Core Assets Disposal of PJSC Aeroflot was approved by PJSC Aeroflot's Board of Directors on 21 December 2017 (Minutes No. 7).
	→	the programme on energy saving and efficiency	The JSC Aeroflot's Energy Saving and Environmental Performance Programme until 2020 was approved by JSC Aeroflot's Board of Directors on 18 August 2008 (Minutes No. 2).
	→	the procedure for using voluntary environmental protection tools	The Procedure for Using Voluntary Environmental Protection Tools is set up in the Environmental Management Guidelines in place since 30 January 2010. The updated Environmental Management Guidelines were approved and introduced by Order No. 39 dated 10 February 2016.
	→	the regulations on the risk management system	The Regulations on Aeroflot Group's Risk Management System were approved by the Board of Directors on 21 December 2017 (Minutes No. 7). Aeroflot Group's Risk Register, Aeroflot Group's Risk Map, and Aeroflot Group's Risk Appetite Statement are approved by the Board of Directors on an annual basis (Minutes No. 7 dated 21 December 2017, Minutes No. 10 dated 13 December 2018).
	2. Submit to federal executive authorities the analysis of internal documents implementation by 1 March on an annual basis		The report on the implementation of the List of Instructions of the President of the Russian Federation No. Pr-3013 dated 27 December 2014 was submitted to the Russian Ministry of Transport within prescribed timelines (our reference number of the outgoing document: 401-28, date: 1 March 2019). The interactive versions of questionnaires and the information on the development and approval of mandatory internal documents at PJSC Aeroflot are posted in the Company's account on the interdepartmental portal for state property management.
	3. Modify the structure of the Company's annual report by adding information on areas and amounts of sponsorship and charitable contributions made by the Company, its subsidiaries, and associates during the reporting period (starting from reporting for 2015/2016 corporate year)		Aeroflot Group's 2017 LDP progress report was prepared in line with the directives, approved by PJSC Aeroflot's Board of Directors on 26 April 2018 (Minutes No. 13), and by the General Meeting of Shareholders on 25 June 2018.
	4. The Company and its subsidiaries and associates shall submit reports on the utilization of the sponsorship and charity fund through the interdepartmental portal for state property management on the Internet on a quarterly basis (by the 15th day of the month following the reporting quarter, starting from reporting for Q4 2015)		

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No.	Document type, date, and number	Summary	Execution status
4.3	Instruction of the Government of the Russian Federation No. AD-P36-4292 dated 20 July 2016	<p>Boards of directors shall approve the plans stipulating consideration of the following matters at the meetings of the boards of directors (after preliminary consideration by the personnel and remuneration committee and the investment committee, starting from the next reporting period in 2016):</p> <ul style="list-style-type: none">→ Quarterly reporting on the implementation of the LDP and achievement of KPIs→ Assessment of expected KPIs, analysis of reasons for difference between actual and target KPIs→ Adoption of a remedial plan in case of significant difference between actual and target KPIs→ Approval of the amount of quarterly and annual remuneration based on KPI achievement	<p>These matters are included for consideration in PJSC Aeroflot's Board of Directors action plan for 2018–2019 (based on the results of the reporting period). Progress Reports on Aeroflot Group's Long-Term Development Programme and Achievement of Key Performance Indicators are reviewed and approved by PJSC Aeroflot's Board of Directors on a quarterly basis. Quarterly progress reports on Aeroflot Group's LDP for 2018 are approved by PJSC Aeroflot's Board of Directors (Minutes No. 1 dated 5 July 2018 and No. 5 dated 27 September 2018).</p> <p>Quarterly reports on achievement of key performance indicators include assessment of expected KPIs, analysis of reasons for difference between actual and target KPIs, and a remedial plan (in case of significant difference between actual and target KPIs). PJSC Aeroflot's Board of Directors approves the amount of bonus payments to PJSC Aeroflot's management following KPI achievement during the reporting period.</p>
5	On developing (updating) innovative development programmes Guidelines on Adjusting Innovative Development Programmes approved by Deputy Prime Minister of the Russian Federation Arkady Dvorkovich (No. AD-P36-621 dated 9 February 2016)		
5.1	Minutes of the Meeting of the Praesidium of the Presidential Council of the Russian Federation for Economic Modernisation and Innovative Development of Russia No. 2 dated 17 April 2015 (sub-clause a, clause 2, section II) (our reference number: 3907, date: 14 May 2015)	On the need to update (develop) and approve innovative development programmes subject to the Guidelines (Appendix 1 to the Minutes).	Execution is completed. Aeroflot Group developed the Innovative Development Programme 2025, obtained its approval from federal executive authorities, and approved by the Interdepartmental Committee for Technological Development of the Praesidium of the Presidential Council for Economic Modernisation and Innovative Development of Russia as specified.
5.2	Instruction of the Government of the Russian Federation No. 1471p-P13 dated 3 March 2016	<p>Instructions:</p> <ul style="list-style-type: none">→ Approve the innovative development programme developed (updated) in line with the Guidelines approved by Instruction No. DM-P36-7563 and the Regulations approved by Instruction No. DM-P36-7563→ Annually report on the implementation of innovative development programmes to federal executive bodies in line with the Regulations	<p>Execution is completed. Aeroflot Group developed the Innovative Development Programme 2025 and obtained its approval from federal executive authorities, the Interdepartmental Committee for Technological Development of the Praesidium of the Presidential Council of the Russian Federation for Economic Modernisation and Innovative Development of Russia as specified in the Regulations. PJSC Aeroflot's Board of Directors approved the Programme on 25 August 2016 (Minutes No. 1).</p> <p>The report on the implementation of PJSC Aeroflot's Innovative Development Programme in 2017 was approved by PJSC Aeroflot's Board of Directors on 26 April 2018 (Minutes No. 13) and submitted to federal executive authorities in line with the Regulations. The report for 2018 is currently being prepared, the deadline for its submittal to federal executive authorities is 1 May 2019.</p>

No.	Document type, date, and number	Summary	Execution status
5.3	Instruction of the Government of the Russian Federation No. 1472p-P13 dated 3 March 2016	Starting from 2016, include the integrated key performance indicator reflecting innovation performance in the list of key performance indicators within long-term development programmes and in the list of key performance indicators for the senior management, and take this integrated KPI into account when calculating the amount of incentive remuneration for the Company's management including the Company's sole executive body.	The Integrated Innovation Key Performance Indicator (IIKPI) (for Aeroflot Group) has been included in the KPI list of Aeroflot Group's Long-Term Development Programme and PJSC Aeroflot's KPIs for senior management since 2016 and is taken into account when determining the amount of senior management's (including CEO's) bonus payments for KPI achievement in the reporting period. To implement the decisions made at the Meeting of the Inter-Agency Working Group on Supporting Innovative Development Priorities of the Praesidium of the Presidential Council for Economic Modernisation and Innovative Development of Russia, a List of Instructions (No. 47/PI dated 30 June 2017) was developed.
5.4	Minutes of the Meeting of the Inter-Agency Working Group on Supporting Innovative Development Priorities of the Praesidium of the Presidential Council for Economic Modernisation and Innovative Development of Russia chaired by Deputy Prime Minister of the Russian Federation Arkady Dvorkovich No. 1 dated 14 April 2017 (our reference number: 3912, date: 17 May 2017)	<p>Clause 4, section I. Ensure the review of the rating, as well as the proposals of state-owned companies' senior management on quality improvement of preparation and implementation of their innovative development programmes (the IDP) at the meetings of the Board of Directors.</p> <p>Clause 2, section II. The IIKPIs for 2017 were approved for the indicators lower than the actual 2014–2016 values.</p> <p>Ensure the target IIKPI approval for 2018 for the indicators not lower than the average value for the past five years (2013–2017) by 1 March 2018.</p> <p>Clause 9, section III. Instructions: 1. Benchmark own level of technological development and current KPI values against such of the leading foreign peers</p> <p>2. Develop proposals on the IIKPIs for 2019 based on the specified assessment and submit them for approval to federal executive authorities by 1 December 2017</p> <p>Clause 15, section III. Following the review of industries' development strategies, ensure update of corporate strategies, LDPs, KPIs, and IDPs.</p>	<p>Execution is completed.</p> <p>The final assessment of the Innovative Development Programme (IDP) implementation quality at PJSC Aeroflot in 2017 totalled 95.33% according to Minutes of Meeting No. 3-D01 dated 15 February 2017 of the Interdepartmental Committee. The results of the independent assessment of the IDP implementation quality, as well as proposals on improving the quality of IDP preparation and implementation were reviewed at the meeting of PJSC Aeroflot's Board of Directors on 28 September 2017 (Minutes No. 3).</p> <p>Execution is completed. The IIKPIs for 2017 were approved by Minutes of the Meeting No. 1 dated 14 April 2017 of the Inter-Agency Working Group.</p> <p>Execution is completed. The IIKPIs for 2018 were approved by Minutes of the Meeting No. 1 dated 27 February 2018 of the Inter-Agency Working Group.</p> <p>Execution is completed. On 27 December 2017, the Company signed an agreement with Lomonosov Moscow State University for the research activities on PJSC Aeroflot's Innovative Development Benchmarking against international peers to include its results in the IDP. The level of technological development and current KPI values at PJSC Aeroflot was benchmarked against those of the leading foreign peers. The results were reviewed by PJSC Aeroflot's Board of Directors and Management Board on 31 October 2018 (Minutes No. 7).</p> <p>Execution is completed. Proposals on the IIKPIs for 2019 were reviewed by the Board of Directors on 31 October 2018 and submitted to federal executive authorities.</p> <p>Following the benchmarking of the level of technological development and current KPI values at PJSC Aeroflot against those of the leading foreign peers, no strategy or LDP revision is needed. The proposals were approved by the Board of Directors on 31 October 2018.</p>

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No.	Document type, date, and number	Summary	Execution status
5.5	Instruction of the Government of the Russian Federation No. 3262p-P13 dated 27 April 2018	Instructions: 1. Benchmark the Company's level of technological development and current KPI values against those of the leading foreign peers in accordance with the Guidelines on Benchmarking the Level of Technological Development and KPI Values for partially state-owned joint stock companies, state-owned enterprises, state-owned companies and federal state unitary enterprises against the level of technological development and KPI values of leading peers, approved by the Inter-Agency Working Group on Supporting Innovative Development Priorities of the Praesidium of the Presidential Council for Economic Modernisation and Innovative Development of Russia (the Inter-Agency Working Group) (Minutes No. 2 dated 19 September 2017). 2. Submit to the Russian Ministry of Economic Development and the federal executive agency coordinating the Company's activities: → results of benchmarking the level of technological development → proposed amendments to the Innovative Development Programme and the Long-Term Development Programme → proposals on the integrated key performance indicators (IIKPIs) for 2019. Submit the materials specified in clause 2 of these directives by 1 November 2018	The results of PJSC Aeroflot's technological (innovative) development benchmarking against international peers were approved by the Board of Directors on 31 October 2018 (Minutes No. 7).
			The information was submitted to the Russian Ministry of Transport (our reference number of the outgoing document: 511-75, date: 17 October 2018; our reference number of the outgoing document: 511-88, date: 1 November 2018; our reference number of the outgoing document: 511-104, date: 10 December 2018).

No.	Document type, date, and number	Summary	Execution status
6	On the implementation of KPI-based manager bonus system to reduce operating expenses (costs) by at least 2%–3% annually (List of Instructions of the President of the Russian Federation No. Pr-2821 dated 5 December 2014)		
6.1	Instruction of the Government of the Russian Federation No. 4750p-P13 dated 4 July 2016	On making decisions providing for the following: → Development (update) by companies and their subsidiaries (if any), within one month, of a set of measures (list of measures) as part of the long-term development programme aimed at achieving the KPI of reducing operating expenses (costs) by at least 10% in 2016 taking into account the need to implement the initiatives specified in the Directives of the Government of the Russian Federation No. 2303-p-P13 dated 16 April 2015 → Consideration of management reports on the implementation of the set of measures (list of measures) to reduce operating expenses (costs) at meetings of the boards of directors (supervisory boards) on a quarterly basis → Submission of companies' reports on the implementation of the set of measures (list of measures) to reduce operating expenses (costs) considered and approved by the board of directors (supervisory boards) to industry federal executive authorities on a quarterly basis	The set of measures (list of measures) aimed at achieving the KPI of reducing operating expenses (costs) at Aeroflot Group by at least 2%–3% annually, as well as at determining target measures for the implementation of the above activities was included in the respective section of the LDP on 19 June 2015 and updated on 21 December 2017 (Minutes No. 7). In line with the Instruction of the Government on the reducing operating expenses (costs) by at least 10% in 2016, the Operating Expenses Optimisation Programme at the Group was updated on 2 November 2016. The set of measures aimed at reducing operating expenses (costs) in 2016 was reviewed by PJSC Aeroflot's Board of Directors on 20 April 2017 and fully completed (Minutes No. 14). The CASK KPI (for Aeroflot Group) was approved for 2017 (Order No. 465 dated 30 December 2016). Target KPI achievement is guided by the Regulations on PJSC Aeroflot's Key Performance Indicators and does not require the development of separate activities. The values of the operating expenses (costs) KPI are included in the Aeroflot Group's KPI system. Taking into account the seasonal factor of the passenger traffic, the KPI is set with a 1-year lag. The information on the KPI is published on the interdepartmental portal of the Federal Agency for State Property Management on a quarterly basis. To confirm the KPI achievement, quarterly reports on performance against Aeroflot Group's budget are submitted to the Board of Directors. Since Q1 2018, the investor community has access to quarter-on-quarter KPI progress reports.

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No.	Document type, date, and number	Summary	Execution status
7	On disposal of non-core assets(Paragraph 4, sub-clause c, clause 2 of Decree of the President of the Russian Federation No. 596 dated 7 May 2012 On Long-Term National Economic Policy, Instruction of the Government of the Russian Federation No. ISh-P13-668 dated 31 January 2014 and No. DM-P13-8542 dated 19 November 2014, Instruction of President of the Russian Federation Vladimir Putin No. 348 dated 22 February 2016)		
7.1	Paragraph 4, sub-clause c, clause 2 of Decree of the President of the Russian Federation No. 596 dated 7 May 2012 On Long-Term National Economic Policy Instruction of the Government of the Russian Federation No. 4863p-P13 dated 7 July 2016 Guidelines on Identification of Non-Core Assets Disposal (approved by Instruction of the Government of the Russian Federation No. ISh-P13-4065 dated 7 July 2016) Guidelines on Identification and Disposal of Non-Core Assets (approved by Resolution of the Government of the Russian Federation No. 894-r dated 10 May 2017)	<div>1. Develop (update) programmes for the disposal of the joint stock company's non-core assets and the register of the joint stock company's non-core assets in line with the Guidelines</div> <div>2. Approve the programme (updates to the programme) for, and the register of, non-core assets</div> <div>3. Instructions: → Approve the annual plan for the implementation of the programme for disposal of the joint stock company's non-core assets broken down by quarter and publish the plan on the interdepartmental portal for state property management</div>	<div>The Programme for Non-Core Assets Disposal was approved by JSC Aeroflot's Board of Directors on 26 July 2012 (Minutes No. 1).</div> <div>The updated Programme for Non-Core Assets Disposal (including the Register of Non-Core Assets and the Action Plan on Non-Core Assets Disposal of PJSC Aeroflot) was approved by PJSC Aeroflot's Board of Directors on 17 October 2016 (Minutes No. 3).</div> <div>PJSC Aeroflot's Programme for Non-Core Assets Disposal updated in line with the Guidelines on Identification of Non-Core Assets Disposal, Register of Non-Core Assets (Appendix 1 to the Programme), and Action Plan on Non-Core Assets Disposal (Appendix 2 to the Programme) were approved by PJSC Aeroflot's Board of Directors on 21 December 2017 (Minutes No. 7).</div> <div>The information on the progress of the non-core asset programme is quarterly posted in the Company's account on the interdepartmental portal for state property management in the Instructions section – "Instruction No. 10 Non-Core Assets Structure Optimisation" within prescribed timelines since 2015.</div>
	<div>→ Consider the joint stock company's progress reports on the programme at the meetings of the board of directors (supervisory board) on a quarterly basis and publish the relevant materials signed by the joint stock company's authorised person on the interdepartmental portal for state property management</div> <div>→ Timely publish all the necessary well-developed information on disposal of non-core assets as specified by the Federal Agency for State Property Management on the interdepartmental portal for state property management</div> <div>→ Implement the provisions of these directives across subsidiaries of joint stock companies</div>		The audit of assets was conducted in the Company's subsidiaries, following which non-core assets were identified in Rossiya airline and included in the Rossiya airline's Programme for Non-Core Assets Disposal (Rossiya airline's Board of Directors on 31 March 2017). The Board of Directors of Rossiya airline decided to review the progress report on the Programme on a quarterly basis on 12 July 2017. The respective materials are reviewed by the Board of Directors of Rossiya airline within prescribed timelines.

No.	Document type, date, and number	Summary	Execution status
7.2	Instruction of the Government of the Russian Federation No. 6604p-P13 dated 18 September 2017	By 1 November 2017, amend the employment contract with the sole executive body of the joint stock company (the person performing his/her duties) in terms of including provisions on personal responsibility for untimely disclosure of information or disclosure of misleading information on non-core assets disposal on the interdepartmental portal for state property management.	The resolution on amending the employment agreement with PJSC Aeroflot's CEO was passed by the Board of Directors on 1 February 2018 (Minutes No. 8).
8	On managing intellectual property rights		
8.1	Instruction of the Government of the Russian Federation No. ISh-P8-800 dated 4 February 2014 Recommendations on Intellectual Property Rights (the IPR) Management (approved by Instruction of the Government of the Russian Federation No. ISh-P8-5594 dated 25 August 2017)	<div>1. Develop and approve Key Regulations on IPR Management and an Action Plan on their implementation in line with the Recommendations of the Federal Agency for State Property Management and the company's innovative development programme</div> <div>2. Appoint the official responsible for the efficient operation of the IPR management system, and the implementation of the Key Regulations and the Action Plan</div>	<div>Execution is completed. Regulations on Intellectual Property Rights Management (RI-GD-224) were approved by Order No. 263 dated 29 July 2016.</div> <div>In 2018, the new Regulations on Intellectual Property Rights Management were developed (instead of the Regulations on Intellectual Property Rights Management approved by Order No. 263 dated 29 July 2016) in line with the Recommendations. The Regulations were approved by PJSC Aeroflot's Board of Directors on 28 September 2018 (Minutes No. 6).</div> <div>The Action Plan on Intellectual Property Rights Registration was developed and approved for the rights identified during the audit in December 2016 (No. 511-6/PI dated 12 December 2017). The business process "Intellectual Property Rights Management" (BP-511-003) was approved on 31 March 2017.</div> <div>Execution is completed. The Deputy CEO for Customer Relations was appointed responsible for the implementation of the Regulations on Intellectual Property Rights Management.</div>
8.2	Instruction of the Government of the Russian Federation No. 9177p-P13 dated 12 December 2017	<div>Instructions: 1. Ensure the analysis of IPR management in line with the Recommendations</div> <div>2. Develop a programme or make amendments to the existing programme (if needed) for IPR management</div> <div>3. Post and later update the information on the IPR management programme implementation on the interdepartmental portal for state property management</div>	<div>Execution is completed. The matter of the IPR management was reviewed at the meeting of PJSC Aeroflot's Board of Directors on 2 February 2018 (Minutes No. 9).</div> <div>→ The analysis of intellectual property rights management system of PJSC Aeroflot was conducted in line with the Recommendations on Intellectual Property Rights Management in Entities approved by Instruction of the Government of the Russian Federation No. ISh-P8-559 dated 25 August 2017 and the results of the analysis were submitted to the Board of Directors.</div> <div>→ The results were considered by PJSC Aeroflot's Board of Directors on 28 September 2018 (Minutes No. 6).</div> <div>Execution is completed. The new Regulations on Intellectual Property Rights Management were developed (instead of the Regulations on Intellectual Property Rights Management (RI-GD-224) approved by Order No. 263 dated 29 July 2016) in line with the Recommendations. The Regulations were approved by PJSC Aeroflot's Board of Directors on 28 September 2018 (Minutes No. 6).</div> <div>Execution is completed. The Regulations on Intellectual Property Rights Management are available on the interdepartmental portal for state property management, the questionnaire has been updated.</div>

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No.	Document type, date, and number	Summary	Execution status
8.3	Directive of the Government of the Russian Federation No. 7050p-P13 dated 30 August 2018 (our reference number: 8901, date: 17 September 2018)	Inventory of intellectual property aimed at further organisation of measures to identify property owned by a joint stock company, ensure its legal protection, include it into the balance sheet as intangible assets for further integration into the company's economic activities, and to assess the value of rights where needed.	Execution is completed. The matter was reviewed at the meeting of PJSC Aeroflot's Board of Directors on 28 September 2018 (Minutes No. 6). The Management Board has been instructed to take inventory of intellectual property in 2019. The inventory of intellectual property has been scheduled for 2019 (currently, all relevant materials have been submitted to the Management Board for approval). Following the results of the Management Board's efforts, procurement processes will take place to select a service provider.
9	On scheduled substitution of imported products (works, services) with those of Russian origin (works, services), having similar specifications and consumer properties		
9.1	Instruction of the Government of the Russian Federation No. 4972p-P13 dated 11 July 2016 (our reference number: 5553, date: 25 July 2016)	Instructions: 1. Amend the regulations on the joint stock company's procurement processes so as to ensure the following: 1.1 Procurement requirements and other local regulations, which are subject to approval when making any purchases of the computer and database software available, irrespective of the type of agreement, on physical media and/or in electronic form through communication channels and of the right to use the software, including temporary use, shall provide for submission of bids offering only such software which is included in the unified register of Russian computer and database software (the Register) that was developed in line with Article 12.1 of Federal Law No. 149-FZ On Information, Information Technology and Information Protection dated 27 July 2006, except in the following cases: a) The register does not include data on software which belongs to the same class of software as the software offered for purchase b) The software, which is included in the register and belongs to the same class of software as the software offered for purchase, is uncompetitive (its functions, specifications and/or performance characteristics do not meet the requirements set out by a customer for the software offered for purchase)	The requirements were included in PJSC Aeroflot's Regulations on the Procurement of Goods, Works, and Services (RI-GD-148E) approved by the Board of Directors on 17 October 2016 (Minutes No. 3). The current version of the Regulations on the Procurement (RI-GD-148) includes the requirements.

No.	Document type, date, and number	Summary	Execution status
		1.2. If a purchase is subject to the above exceptions, publish information on each such purchase with a rationale explaining inability to comply with restrictions imposed on foreign-made software on the joint stock company's website in a dedicated procurement section within seven calendar days after publication of information on procurement on the joint stock company's website or dedicated websites on the Internet used by the joint stock company for procurement (bidding platforms)	The information is posted on PJSC Aeroflot's website in the prescribed order.
		2. Implement the above approach across subsidiaries directly and/or indirectly controlled by the joint stock company by more than 50% in total	The matter was reviewed at the meeting of PJSC Aeroflot's Board of Directors on 17 October 2016 (Minutes No. 3). The Company's Management Board has been instructed to set up the approval of similar amendments to the regulations on the procurement of goods, works, and services of its subsidiaries directly and/or indirectly controlled by PJSC Aeroflot by more than 50% in total. These requirements have been included in the regulations on the procurement of goods, works, and services of the subsidiaries and approved by their boards of directors. Rossiya airline – Minutes No. 8-2017 dated 23 March 2017. The current version of the Regulations on the Procurement (I-GD-241-18 dated 17 December 2018) includes the requirements. Pobeda airline – Minutes No. 3-17 dated 31 January 2017. The current version of the Regulations on the Procurement dated 26 December 2018 includes the requirements. Aurora airline – Minutes No. 11-16 dated 30 November 2016. The current version of the Regulations on the Procurement (RI-GD-014 dated 17 December 2018) includes the requirements.
9.2	Instructions of the Government of the Russian Federation No. DM-P9-87pr dated 25 November 2013, No. AD-P9-9176 dated 12 December 2014, No. ISh-P13-1419 dated 5 March 2015, and No. 1346p-P13 dated 5 March 2015	Instructions: 1. Prepare a set of measures aimed at planned and scheduled substitution of imported products (works, services) with those of Russian origin, having similar specifications and consumer properties, to be used in investment projects and day-to-day operations, based on economic and technological feasibility principles and technological justification 2. Inclusion of the set of measures and the indicator values of the above activities implementation in the Company's Long-Term Development Programme	The set of measures aimed at planned and scheduled substitution of imported products (works, services) with those of Russian origin, having similar specifications and consumer properties, to be used in investment projects and day-to-day operations, based on economic and technological feasibility principles and technological justification was included in Aeroflot Group's LDP (Appendix C) on 15 May 2015, amended on 4 June 2015, and updated on 21 December 2017.
9.3	Instruction of the Government of the Russian Federation No. 6558p-P13 dated 5 September 2016	Ensure the amendments in the joint stock company's procurement policy to give priority to purchases of Russian-made innovative construction materials	The set of measures aimed at planned and scheduled substitution of imported products (works, services) with those of Russian origin, having similar specifications and consumer properties, to be used in investment projects and day-to-day operations, based on economic and technological feasibility principles and technological justification was included in Aeroflot Group's LDP (Appendix C) on 15 May 2015, amended on 4 June 2015, and updated on 21 December 2017.

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No.	Document type, date, and number	Summary	Execution status
9.4	Instruction of the Government of the Russian Federation No. 10068p-P13 dated 6 December 2018	1. Arrange for preparation and approval by the Board of Directors of an action plan for 2018–2021 to foster joint stock company migration to using mainly domestic software, and identify: → Technologies → Action Plan for 2018–2021 to foster joint stock company migration to using mainly domestic software (the Plan for 2018–2021), including the following details:	The matter was reviewed at the meeting of PJSC Aeroflot's Board of Directors on 22 January 2019 (Minutes No. 11).
		→ Authorised officer (at least a deputy head of the joint stock company's executive body) in charge of the implementation of the measures to foster the joint stock company migration to using mainly domestic software	Execution is in progress. The plan was submitted to ICT Competence Center for approval.
		→ Organisational and technical measures to foster the joint stock company migration to using mainly domestic software within prescribed timelines	Execution is completed. Kirill Bogdanov has been appointed.
		→ Investments specifying the timelines, volumes and sources of financing to foster the joint stock company migration to using mainly domestic software	Execution is in progress.
		→ Setting KPIs for the migration to using mainly domestic software	In line with the resolution of the Management Board dated 22 February 2019 (Minutes No. 4), a KPI on Achievement of Targets for Using Domestic Software with a 5% weight was added for Deputy CEO for Information Technologies. This KPI will be decomposed across the units of the IT function.
		2. Including the measures to foster the joint stock company migration to using mainly domestic software in its long-term development programme as part of the import substitution initiatives	Execution is in progress.
		3. Implementing the above approach across subsidiaries directly and/ or indirectly controlled by the joint stock company by more than 50% in total	Execution is in progress.
		4. Submit information to the Ministry of Digital Development, Communications and Mass Media of the Russian Federation on a quarterly basis by the 10th day of the month following the reporting quarter through publishing reports on the implementation of these directives and the Plan for 2018–2021 on the interdepartmental portal for state property management to the extent and in the manner prescribed in the appendix to the directive	Execution is in progress.

No.	Document type, date, and number	Summary	Execution status
10		On ensuring priority funding for the social and economic development of the Russian Far East List of Instructions of the President of the Russian Federation following the Eastern Economic Forum dated 4 September 2015 (No. Pr-1891 dated 17 September 2015), Guidelines on Approval of Plans and Targeted Programmes of State-Owned Enterprises, State-Owned Companies, and Other Organisations by the Ministry for the Development of the Russian Far East (approved by Resolution of the Government of the Russian Federation No. 1502 dated 27 December 2016), Resolution of the Government of the Russian Federation No. 232 dated 6 March 2018 On Amending the Resolution of the Government of the Russian Federation No. 1502 dated 27 December 2016	
10.1	List of Instructions of the President of the Russian Federation following the Eastern Economic Forum Instructions of the Government of the Russian Federation No. DM-P16-6658 dated 30 September 2015 and No. 4531p-P13 dated 28 June 2016	Instructions: → Amend development plans including long-term development programmes, strategies and investment programmes of the Company (the Strategic Documents) so as to add to them dedicated sections (dedicated measures) ensuring priority funding (development of such measures, if necessary) for the social and economic development of the Russian Far East → Align strategic documents with state programmes of the Russian Federation (in line with the appended list)	A dedicated section on Ensuring Priority Funding for the Social and Economic Development of the Russian Far East was added to Aeroflot Group's Long-Term Development Programme 2016–2021 on 7 July 2016.The section was updated on 21 December 2017.
10.2	Instruction of the Government of the Russian Federation No. 3538p-P13 dated 25 May 2017	Instructions: 1. Develop and approve the Procedure for Approval of Investment Programmes (Projects) to Develop Infrastructure in the Far Eastern Federal District by the Ministry for the Development of the Russian Far East (the Approval) 2. Ensure the alignment of the above mentioned Procedure for Approval with the guidelines approved by Resolution of the Government of the Russian Federation No. 1502 On Approval of Investment Programmes and Other Projects to Develop Infrastructure in the Far East Implemented by State-Owned Enterprises, State-Owned Companies, and Other State-Owned Organisations by the Ministry for the Development of the Russian Far East dated 27 December 2016 3. Publish the adopted Procedure for Approval on the interdepartmental portal for state property management	The Procedure for Approval of PJSC Aeroflot's Investment Programme and Other Projects to Develop Infrastructure in the Far Eastern Federal District implemented by PJSC Aeroflot was adopted by PJSC Aeroflot's Board of Directors on 23 June 2017 (Minutes No. 17). Execution is completed. The information has been published on the interdepartmental portal.

No.	Document type, date, and number	Summary	Execution status
11.2	Instruction of the Ministry of Labour and Social Protection the Russian Federation No. 13-6/10/V-5159 dated 26 July 2016 Minutes of the Meeting led by Minister of Labour and Social Protection of the Russian Federation Maxim Topilin No. 1/13/23b dated 15 July 2016 (our reference number: 5821, date: 2 August 2016)	Develop roadmaps to improve accessibility of facilities and services for disabled people using the recommendations developed by the Ministry of Labour and Social Protection of the Russian Federation by 30 December 2016.	In-flight entertainment programme has been implemented for visually and hearing impaired passengers, which now contains eight films with subtitles and/or audio descriptions. Briefing on the seat, flight safety instructions, and in-flight services is provided to visually impaired passengers in information brochures translated into Braille. Passengers using a wheelchair who need additional back support are provided with a shoulder belt restraint if ordered in advance. This service is currently being tested. The professional development system was expanded with a new online training course for flight attendants which takes into account recommendations on diverse categories of disabled passengers. The second version of the standard for servicing passengers with disabilities is being updated; the second audit has been conducted on the compliance of the standard of servicing passengers with disabilities in place at PJSC Aeroflot.
11.3	Minutes of the Meeting led by Deputy Minister of Transport of the Russian Federation Alexey Tsydenov No. ATs-109 dated 9 August 2016 (our reference number: 6719, date: 6 September 2016)	Recommend business entities providing transport services to execute the following by 1 December 2016: 1. Confer functions on one of the deputy chief executives of the entity (company) and one of the business units in relation to the development and implementation of internal management decisions to comply with applicable laws requiring accessibility of transport infrastructure facilities, vehicles and the entity's/company's transport services for disabled people 2. Adopt internal regulations to establish procedures for ensuring accessibility of transport infrastructure facilities, vehicles and transport services for disabled people 3. Arrange for training and retraining (professional development) of employees (instructors) at entities (companies) by educational institutions for transport across the professional development programmes developed by the Industry Resource Training and Methodology Centre of Transport Accessibility for Disabled Persons at the Institute of International Transport Communications of the Moscow State University of Railway Engineering (MIIT) 4. Issue the entity's/company's executive document implementing initiatives to stop, starting from 1 June 2016, phasing in of facilities, equipment and vehicles (upon construction, overhaul, upgrade, purchase) which are not fully adapted for use by disabled people in line with Rules SP-59.13330.2012	In 2017, a positive trend was noted in the development of ground services for passengers with disabilities in the Russian airports within PJSC Aeroflot's route network. In the context of infrastructure restrictions, the issue of providing airports with passenger boarding and disembarking equipment has become urgent. Ambulifts and other equipment is missing in the airports of: Abakan (scheduled for 2019), Voronezh, Magnitogorsk (stairclimber), Murmansk (scheduled for March 2018), Novokuznetsk, Orenburg (stairclimber), Saratov (scheduled for 2019), Stavropol (stairclimber), and Syktyvkar (stairclimber scheduled for 2020). Checked and carry-on baggage allowances have been increased. Without additional payments for the baggage, the number of seats, and weight, in line with the travel class, fare and the terms of fare families, a passenger can take on board a wheelchair and one more means of transportation provided that it is used by a disabled person. As carry-on baggage, a passenger can also take on board: → crutches, a cane, a walker, a rollator, and removable prosthetic arms and/or legs → a folding wheelchair, which can be safely placed under the seat in front or in the locker → a gaseous oxygen tank for medical purposes → a portable oxygen concentrator, which can be safely placed under the seat in front or in the locker → medical equipment for the in-flight life support of the passenger.

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No.	Document type, date, and number	Summary	Execution status
		5. Develop and approve corporate plans for step-by-step improvement of indicators reflecting accessibility for disabled people in relation of existing facilities used to provide services for disabled people, as well as for simultaneous creation of suitably adjusted conditions (until overhaul or upgrade are completed) for them to provide services in line with the rule of Part 4, Article 15 of Federal Law No. 181-FZ On Social Protection of Disabled People in the Russian Federation dated 24 November 1995	
11.4	Instruction of the Government of the Russian Federation No. OG-P12-7731 dated 16 December 2016	Arrange for annual monitoring of roadmaps implementation.	
11.5	Instruction of the Ministry of Labour and Social Protection of the Russian Federation No. 13-6/10/P-6702 dated 10 October 2017	By 10 November 2017, submit information on measures taken in 2017 to implement the UN Convention on the Rights of Persons with Disabilities, Federal Law No. 419-FZ dated 1 December 2014, as well as proposals on improving PJSC Aeroflot's interaction mechanisms with government authorities in line with further enhancement of a barrier-free environment in passenger air travel.	
12	On implementing occupational standards in PJSC Aeroflot Resolution of the Government of the Russian Federation No. 584 dated 27 June 2016 On Specifics of Implementing Occupational Standards in Terms of Mandatory Requirements for State-Owned Off-Budget Funds of the Russian Federation, State-Owned or Municipal Institutions, State-Owned or Municipal Companies, State-Owned Enterprises, State-Owned Companies and Businesses in Which Federal or Municipal Authorities Have Over 50% Shareholding (the Resolution)		
12.1	Instruction of the Government of the Russian Federation No. 5119p-P13 dated 14 July 2016 (our reference number: 5555, date: 25 July 2016)	Implement occupational standards in joint stock companies subject to Federal Law No. 122-FZ On Amending the Labour Code of the Russian Federation dated 2 May 2015 and Articles 11 and 73 of the Federal Law On Education in the Russian Federation through the approval and implementation of relevant plans, and make provision for considering the performance of the implementation of occupational standards when assessing and rewarding joint stock companies' HR management. Request to convene meetings of boards of directors (supervisory boards) of joint stock companies at least every six months and include the implementation of occupational standards in joint stock companies in agendas.	The matter was considered at the meeting of the Board of Directors on 25 August 2016 (Minutes No. 15). The action plan to implement occupational standards in PJSC Aeroflot was approved by the Management Board on 9 December 2016 (Minutes No. 34). Order No. 434 dated 22 December 2016 established a dedicated task force to implement occupational standards at PJSC Aeroflot. Reports on implementation of occupational standards in PJSC Aeroflot's operations are regularly (once every six months) submitted to the Board of Directors. The information has been posted in PJSC Aeroflot's account on the interdepartmental portal for state property management in the Instructions section – "Instruction No. 24 Introduction of Professional Standards".

No.	Document type, date, and number	Summary	Execution status
13	On implementation of the Corporate Governance Code		
13.1	Instructions of the Government of the Russian Federation No. ISh-P13-5859 dated 31 July 2014, No. 5667-P13 dated 2 September 2014, and No. 1109p-P13 dated 26 February 2015	On Approving the Action Plan (Roadmap) on Implementation of the Corporate Governance Code.	The Action Plan (Roadmap) to Improve Corporate Governance Practices was approved by PJSC Aeroflot's Board of Directors on 19 March 2015 (Minutes No. 14). The progress report on the Action Plan (Roadmap) to Improve Corporate Governance Practices at PJSC Aeroflot as at December 2016 was considered by the Board of Directors on 22 December 2016 (Minutes No. 7). The information on the status of the Corporate Governance Code principles implementation at PJSC Aeroflot in 2016 was referred to the Federal Agency for State Property Management. The progress report on the implementation of the Corporate Governance Code provisions as at December 2017 was reviewed by the Board of Directors on 21 December 2017. The Board of Directors simultaneously approved the Corporate Governance Code of PJSC Aeroflot (Minutes No. 7).
14	On establishing the unified treasury of the Company, its subsidiaries, and associates		
14.1	Instruction of the Government of the Russian Federation No. 5110p-P13 dated 8 August 2014 Instruction of the Government of the Russian Federation No. 1796p-P13 dated 26 March 2015	1. Ensure the operation of the unified treasury of the Company, its subsidiaries, and associates providing the centralised management of financial flows of the group of companies, minimisation of financial risks and operating expenses, and maximisation of the return on investment of available resources 2. Instructions: → Develop and approve the structure of the unified treasury of the Company, its subsidiaries, and associates (the Group) → Develop and approve internal documents of the group regulating operations of the Treasury and a financial flow management system → Conduct annual analysis of the results of establishing the unified treasury of the Company, its subsidiaries, and associates → Submit the report on the analysis to the Ministry of Finance of the Russian Federation and the Federal Financial Monitoring Service by 15 September on an annual basis	Regulations on the Unified Treasury were approved on 29 May 2015 (RI-04-078 No. 151/I). Procedure for Implementation of Key Treasury Functions as Part of Operation of the Unified Treasury was approved on 29 May 2015 (RI-04-079 No. 152/I). Conducting an annual analysis of the results of establishing the Unified Treasury of Aeroflot Group was approved by the Board of Directors decision dated 23 April 2015 (Minutes No. 15). The analysis of the results of establishing the Unified Treasury of Aeroflot Group, its subsidiaries, and associates is conducted on a regular basis. The report on the 2016 analysis was submitted to the Russian Ministry of Finance and the Federal Financial Monitoring Service on 13 September 2017 (our reference number of the outgoing document: 403-1403). The report on the 2017 analysis was submitted to the Russian Ministry of Finance and the Federal Financial Monitoring Service (our reference number of the outgoing document: 403-1206, date: 13 September 2018).
15	On increasing labour productivity, creating and upgrading highly productive jobs		
15.1	Clause 6, section 2 of the Action Plan approved by the Resolution of the Russian Federation No. 1250-r dated 9 July 2014 Instruction of the Government of the Russian Federation No. 7389p-P13 dated 31 October 2014	Instructions: → Develop a set of measures (list of measures) aimed at increasing labour productivity within the Company (list of measures) with target indicators for the above measures implementation → Include the list of measures, the target indicators for the above measures implementation, and the labour productivity indicator (LPI) in the long-term development programme	The list of measures aimed at increasing labour productivity has been included in Aeroflot Group's LDP (as an Appendix to Aeroflot Group's LDP) since 2015. The list of measures aimed at increasing labour productivity (the Appendix to Aeroflot Group's LDP) was approved by PJSC Aeroflot's Board of Directors on 21 December 2017 (Minutes No. 7). The Labour Productivity Indicator (for Aeroflot Group) has been included in the KPI list of Aeroflot Group's Long-Term Development Programme and PJSC Aeroflot's KPIs for management and is taken into account when determining the amount of management's (including CEO's) bonus payments for KPI achievement.

EXECUTION OF PRESIDENTIAL AND GOVERNMENTAL DECREES

No.	Document type, date, and number	Summary	Execution status
		<div>→ Include target LPIs in the list of key performance indicators for management which must be considered when making remuneration and HR decisions, and ensure that LPI achievement is aligned with the Company's management remuneration</div> <div>→ Make amendments to the employment agreement (contract) with the Company's sole executive body by including the responsibility to achieve the LPIs determined in the Company's long-term development programme</div> <div>→ Complete the annual federal statistical monitoring form "Labour Productivity in Partially State-Owned Non-Financial Corporations" via the Company's account on the interdepartmental portal for state property management, in line with Order of the Federal State Statistics Service No. 576 dated 23 September 2014</div>	The Labour Productivity KPI achievement (for Aeroflot Group) is considered by PJSC Aeroflot's Board of Directors on a quarterly basis. Information on KPI achievement is annually posted in the Company's account on the interdepartmental portal for state property management in the Instructions section – "Instruction No. 19 Increasing Labour Productivity".
16	On including the key metrics for adequate talent pipeline in the long-term development programme, including engineering and technical positions necessary to implement the key measures of the programme		
16.1	Sub-clause b, clause 2 of the List of Instructions of the President of the Russian Federation following the Meeting of the Presidential Council for Science and Education on 23 June 2014 (No. Pr-1627 dated 1 July 2014) Instruction of the Government of the Russian Federation No. OG-P8-5496 dated 22 July 2014	Develop and submit proposals as prescribed: <div>→ – on expanding the practice of targeted training in higher educational institutions specialising in engineering, technology, and technical science</div> <div>→ – on preparing methods to assess the need for engineering and technical talent of Russian regions, industries, and major employers in the medium and long term.</div>	The proposals have been submitted (our reference number of the outgoing document: 12-1342, date: 23 September 2014).
16.2	Instruction of the Government of the Russian Federation No. 7439p-P13 dated 5 November 2014	Include the key metrics for adequate talent pipeline in the long-term development programme, including engineering and technical positions necessary to implement the key measures of the programme	The key metrics of PJSC Aeroflot's need for talent are described in the respective section of the Long-Term Development Programme (6.9. Talent Pipeline Plan) approved by PJSC Aeroflot's Board of Directors on 21 December 2017 (Minutes No. 7).
17	On ensuring achievement of the joint stock company's key performance indicators		
17.1	Clause 5 of List of Instructions of the President of the Russian Federation No. Pr-1474 dated 5 July 2013	Ensure that state corporations, state enterprises, state and unitary enterprises, as well as enterprises where the Russian Federation's or a Russian region's aggregate stake exceeds 50% of the charter capital adopt key performance indicators to assess management performance which must be considered when making remuneration and HR decisions	The target KPIs for PJSC Aeroflot's management are approved by the Board of Directors on an annual basis. The information has been posted in PJSC Aeroflot's account on the interdepartmental portal for state property management in the Instructions section – "Instruction No. 18 Key Performance Indicators".

No.	Document type, date, and number	Summary	Execution status
18	Decree of the President of the Russian Federation No. 583 On Conducting a Year of Volunteer in the Russian Federation dated 6 December 2017; Decree of the Government of the Russian Federation No. 102 dated 27 January 2018		
18.1	Minutes of the Meeting of the organising committee for the Year of Volunteers in Russia No. 1 dated 21 December 2018	2.11 Recommend that PJSC Aeroflot and Russian Railways jointly with the Directorate arrange for a campaign for the Year of Volunteer through audio-visual advertising on transport units 5.6 Recommend that PJSC Aeroflot and Russian Railways help organise the transportation of participants to federal-level events held as part of the Key Event Plan of the Year of Volunteer in the Russian Federation	From 10 May 2018 to 31 December 2018, on-board information texts comprised a section on the Year of Volunteer in the Russian Federation. Senior flight attendants announced information texts on the Year of Volunteer on all PJSC Aeroflot's flights. The video on the Year of Volunteer was uploaded to PJSC Aeroflot's stationary and portable entertainment systems.
19	List of Instructions of the President of the Russian Federation No. Pr-1921 dated 21 September 2015 following a meeting with members of Russia's professional skills national team on 1 September 2015		
19.1	Instruction of the Government of the Russian Federation No. OG-P8-6629 dated 29 September 2015	d) Jointly with state-owned enterprises and joint stock companies in which the Russian Federation has over 50% shareholding, conduct industry professional skills competitions in line with the WorldSkills standards, and arrange for annual training of teams with respective competencies to promote their participation in international competitions in line with the WorldSkills standards	The Best in Trade professional skills competitions are held on an annual basis – in 2018, its participants represented 30 trades (our reference number of the outgoing document: 011-34, date: 5 October 2018). While preparing tasks for the competition, the WorldSkills standards and methodology were considered for some trades. The Young Professionals list of the Agency of Development of Professional Communities and Skilled Workers (WorldSkills Russia) does not comprise the following trades: flight attendant, pilot, aircraft mechanic, dog handler, forklift driver, and baggage handler, which prevents the Company's employees from taking part in international competitions.
20	Digital transformation of the transportation industry		
20.1	Instruction of the Government of the Russian Federation No. MA-P9-7291 dated 25 October 2018	Submit proposals on the preparation of requirements for the automated IT system for air transport regulation, the respective databases, the telecommunications network ensuring the functioning of the above mentioned automated system, its operator, and the measures to protect the information it may contain and the procedure for its functioning	The proposals were submitted to the Russian Ministry of Transport (our reference number of the outgoing document: GD-1136, date: 23 November 2018).
20.2	Minutes of the Meeting led by Prime Minister of the Russian Federation Dmitry Medvedev No. DM-P9-59pr dated 23 November 2018	Clause 8. By 25 January 2019, submit proposals on the introduction of customer service digital technologies at airports considering the compliance with aviation security requirements.	The proposals were submitted to the Russian Ministry of Transport (our reference number of the outgoing document: GD-1243, date: 18 December 2018).

Report on Compliance with the Principles and Recommendations of the Corporate Governance Code Approved by the Bank of Russia

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
1.1.	The company ensures fair and equitable treatment of all shareholders in exercising their corporate governance right.			
1.1.1.	The company ensures the most favourable conditions for its shareholders to participate in the general meeting, develop an informed position on agenda items of the general meeting, coordinate their actions, and voice their opinions on items considered.	1. The company's internal document approved by the general meeting of shareholders and governing the procedures for holding the general meeting is publicly available. 2. The company provides accessible means of communication via hotline, e-mail or online forum for shareholders to voice their opinions and submit questions on the agenda in preparing for the general meeting. The company performed the above actions in advance of each general meeting held in the reporting period.	Full	
1.1.2	The procedure for giving notice of, and providing relevant materials for, the general meeting enables shareholders to properly prepare for attending the general meeting.	1. The notice of an upcoming general shareholders meeting is posted (published) online at least 30 days prior to the date of the general meeting. 2. The notice of an upcoming meeting specifies the meeting venue and documents required for admission. 3. Shareholders were given access to the information on who proposed the agenda items and who proposed nominees to the company's board of directors and the revision committee.	Full	
1.1.3	In preparing for, and holding of, the general meeting, shareholders were able to receive clear and timely information on the meeting and related materials, put questions to the company's executive bodies and the board of directors, and to communicate with each other	1. In the reporting period, shareholders were able to put questions to members of executive bodies and directors before and during the annual general meeting. 2. The position of the board of directors (including dissenting opinions entered into the minutes) on each agenda item of general meetings held in the reporting period was included in the materials to the general meeting of shareholders. 3. The company gave duly authorised shareholders access to the list of persons entitled to attend the general meeting, as from the date of its receipt by the company, for all general meetings held in the reporting period.	Full	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
1.1.4	There were no unjustified difficulties preventing shareholders from exercising their right to request that a general meeting be convened, to propose nominees to the company's governing bodies, and to make proposals for the agenda of the general meeting.	1. In the reporting period, shareholders were able to submit, within at least 60 days after the end of the relevant calendar year, proposals for the agenda of the annual general meeting.	Full	
1.1.5	2. In the reporting period, the company did not reject any proposals for the agenda or nominees to the company's governing bodies due to misprints or other insignificant flaws in the shareholder's proposal.	An internal document (internal policy) of the company provides that each participant of the general meeting may request a copy of the ballot filled out by them and certified by the counting commission before the end of the relevant meeting.	Full	
1.1.6	The procedure for holding a general meeting set by the company provides equal opportunities for all persons attending the meeting to voice their opinions and ask questions.	1. General meetings of shareholders held in the reporting period in the form of a meeting (i.e. joint presence of shareholders) provided for sufficient time for making reports on and for discussing agenda items. 2. Nominees to the company's governing and control bodies were available to answer questions of shareholders at the meeting at which their nominations were put to vote. 3. When passing resolutions on preparing and holding general meetings of shareholders, the board of directors considered using telecommunication means for remote access of shareholders to general meetings in the reporting period.	Full	
1.2.	Shareholders are given equal and fair opportunities to share profits of the company in the form of dividends.			
1.2.1	The company has designed and put in place a transparent and clear mechanism to determine the dividend amount and payout procedure.	1. The company has drafted and disclosed a dividend policy approved by the board of directors. 2. If the company's dividend policy uses reporting figures to determine the dividend amount, then relevant provisions of the dividend policy take into account the consolidated financial statements.	Full	
1.2.2	The company does not resolve to pay out dividends if such payout, while formally compliant with law, is economically unjustified and may lead to a false representation of the company's performance.	The company's dividend policy clearly identifies financial/economic circumstances under which the company shall not pay out dividends.	Full	
1.2.3	The company does not allow for dividend rights of its existing shareholders to be impaired.	In the reporting period, the company did not take any actions that would lead to the impairment of the dividend rights of its existing shareholders.	Full	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
1.2.4	The company makes every effort to prevent its shareholders from using other means to profit (gain) from the company other than dividends and liquidation value.	To prevent shareholders from using any means to profit (gain) from the company other than dividends and liquidation value, the company's internal documents provide for controls to timely identify and approve deals with affiliates (associates) of the company's substantial shareholders (persons entitled to use votes attached to voting shares) where the law does not formally recognise such deals as related-party transactions.	Full	Actually complied with. The relevant restriction is set out in the Corporate Governance Code of PJSC Aeroflot (paragraph 3.2.1). In addition, PJSC Aeroflot signed up to the Anti-Corruption Charter of the Russian Business and approved the Anti-Corruption Policy, which rules out the possibility of corruption in its transactions. PJSC Aeroflot also has in place the Procedure for Preparation, Signing, Amendment, Execution, and Termination of PJSC Aeroflot's Agreements, which stipulates inspection and control of all PJSC Aeroflot's agreements by a number of units including the Department for Economic Security. In line with the above mentioned Procedure, the inspection of a potential counterparty's chain of beneficiaries is mandatory and rules out the possibility of making transactions at PJSC Aeroflot without proper corporate approval.
1.3.	The corporate governance framework and practices ensure equal conditions for all shareholders owning the same type (class) of shares, including minority and non-resident shareholders, and their equal treatment by the company.			
1.3.1	The company has created conditions for fair treatment of each shareholder by the company's governing and control bodies, including conditions that rule out abuse by major shareholders against minority shareholders.	In the reporting period, procedures for management of potential conflicts of interest among substantial shareholders were efficient, while the board of directors paid due attention to conflicts, if any, between shareholders.	Full	
1.3.2	The company does not take any actions that lead or may lead to artificial redistribution of corporate control.	No phantom shares were issued or used to vote in the reporting period.	Full	
1.4.	Shareholders are provided with reliable and effective means of recording their rights to shares and are able to freely dispose of their shares without any hindrance.			
1.4	Shareholders are provided with reliable and effective means of recording their rights to shares and are able to freely dispose of their shares without any hindrance.	The company's registrar maintains the share register in an efficient and reliable way that meets the needs of the company and its shareholders.	Full	
2.1.	The board of directors provides strategic management of the company, determines key principles of, and approaches to, setting up a corporate risk management and internal control framework, monitors performance by the company's executive bodies, and performs other key functions.			
2.1.1	The board of directors is responsible for appointing and dismissing executive bodies, including for improper performance of their duties. The board of directors also ensures that the company's executive bodies act in accordance with the company's approved development strategy and core lines of business.	1. The board of directors has the authority stipulated in the articles of association to appoint and remove members of executive bodies and to set out the terms and conditions of their contracts. 2. The board of directors reviewed the report(s) by the sole executive body or members of the collective executive body on the implementation of the company's strategy.	Full	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.1.2	The board of directors sets key long-term targets for the company, assesses and approves its key performance indicators and key business goals, as well as the strategy and business plans for the company's core lines of business.	At its meetings in the reporting period, the board of directors reviewed strategy implementation and updates, approval of the company's financial and business plan (budget), and criteria and performance (including interim) of the company's strategy and business plans.	Full	
2.1.3	The board of directors defines the company's principles and approaches to risk management and internal controls.	1. The board of directors defined the company's principles and approaches to risk management and internal controls. 2. The board of directors assessed the company's risk management and internal controls in the reporting period.	Full	
2.1.4	The board of directors determines the company's remuneration and reimbursement (compensation) policy for its directors, members of executive bodies, and other key executives.	1. The company developed and put in place a remuneration and reimbursement (compensation) policy (policies), approved by the board of directors, for its directors, members of executive bodies, and other key executives. 2. At its meetings in the reporting period, the board of directors discussed matters related to such policy (policies).	Full	
2.1.5	The board of directors plays a key role in preventing, identifying, and resolving internal conflicts between the company's bodies, shareholders and employees.	1. The board of directors plays a key role in preventing, identifying, and resolving internal conflicts. 2. The company set up mechanisms to identify transactions leading to a conflict of interest and to resolve such conflicts.	Full	
2.1.6	The board of directors plays a key role in ensuring that the company is transparent, timely and fully discloses its information, and provides its shareholders with unhindered access to the company's documents.	1. The board of directors approved the company's information policy regulations. 2. The company identified persons responsible for implementing the information policy.	Full	
2.1.7	The board of directors controls the company's corporate governance practices and plays a key role in material corporate events of the company.	In the reporting period, the board of directors reviewed the company's corporate governance practices.	Full	
2.2.	The board of directors is accountable to the company's shareholders.			
2.2.1.	Performance of the board of directors is disclosed and made available to the shareholders.	1. The company's annual report for the reporting period includes the information on individual attendance at board of directors and committee meetings. 2. The annual report discloses key performance assessment results of the board of directors in the reporting period.	Full	1. Attendance at meetings of the Board of Directors and its committees is disclosed in the Annual Report for the reporting period. 2. In the reporting period, PJSC Aeroflot's Board of Directors carried out a self-assessment (for more details see the Annual Report).
2.2.2	The chairman of the board of directors is available to communicate with the company's shareholders.	The company has in place a transparent procedure enabling shareholders to forward questions and express their position on such questions to the chairman of the board of directors.	Full	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.3.	The board of directors manages the company in an efficient and professional manner and is capable of making fair and independent judgements and adopting resolutions in the best interests of the company and its shareholders.			
2.3.1	Only persons of impeccable business and personal reputation who have knowledge, expertise, and experience required to make decisions within the authority of the board of directors and essential to perform its functions in an efficient way are elected to the board of directors.	1. The procedure for assessing the board of directors performance established in the company includes, inter alia, assessment of professional qualifications of directors. 2. In the reporting period, the board of directors (or its nomination committee) assessed nominees to the board of directors for required experience, expertise, business reputation, absence of conflicts of interest, etc.	Full	
2.3.2	The company's directors are elected via a transparent procedure that enables shareholders to obtain information on nominees sufficient to judge on their personal and professional qualities.	Whenever the agenda of the general meeting of shareholders included election of the board of directors, the company provided to shareholders the biographical details of all nominees to the board of directors, the results of their assessment carried out by the board of directors (or its nomination committee), and the information on whether the nominee meets the independence criteria set forth in Recommendations 102–107 of the Code, as well as the nominees' written consent to be elected to the board of directors.	Full	
2.3.3	The board of directors has a balanced membership, including in terms of directors' qualifications, experience, expertise, and business skills, and enjoys its shareholders' trust.	As part of assessment of the board of directors' performance run in the reporting period, the board of directors reviewed its requirements to professional qualifications, experience, and business skills.	Full	
2.3.4	The company has a sufficient number of directors to organise the board of directors' activities in the most efficient way, including ability to set up committees of the board of directors and enable the company's substantial minority shareholders to elect a nominee to the board of directors for whom they vote.	As part of assessment of the board of directors' performance run in the reporting period, the board of directors considered whether the number of directors met the company's needs and shareholders' interests.	Full	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.4.	The board of directors includes a sufficient number of independent directors.			
2.4.1	An independent director is a person who is sufficiently professional, experienced, and independent to develop their own position, and capable of making unbiased judgements in good faith, free of influence by the company's executive bodies, individual groups of shareholders or other stakeholders. It should be noted that a nominee (elected director) who is related to the company, its substantial shareholder, substantial counterparty or competitor of the company, or related to the government, may not be considered as independent under normal circumstances.	In the reporting period, all independent directors met all independence criteria set out in Recommendations 102–107 of the Code, or were deemed independent by resolution of the board of directors.	Full	
2.4.2	The company assesses compliance of nominees to the board of directors and reviews compliance of independent directors with independence criteria on a regular basis. In such assessment, substance should prevail over form.	1. In the reporting period, the board of directors (or its nomination committee) made a judgement on independence of each nominee to the board of directors and provided its opinion to shareholders. 2. In the reporting period, the board of directors (or its nomination committee) reviewed, at least once, the independence of incumbent directors listed by the company as independent directors in its annual report. 3. The company has in place procedures defining the actions to be taken by directors if they cease to be independent, including the obligation to timely notify the board of directors thereof.	Full	
2.4.3	Independent directors make up at least one third of elected directors.	Independent directors make up at least one third of directors.	Partial	Two of the eleven members of the Board of Directors elected by PJSC Aeroflot's Extraordinary General Meeting of Shareholders on 23 October 2018, Igor Kamenskoy and Vasily Sidorov, meet the independence criteria in full. In accordance with the recommendations of the Corporate Governance Code, PJSC Aeroflot's Board of Directors shall include at least three independent directors. PJSC Aeroflot seeks to achieve full compliance with this provision of the Code in the future and uses its best efforts to explain to its shareholders the importance of increasing the number of independent directors serving on the Board of Directors. At the same time, it should be noted that the Russian Federation has a 51.173% stake in PJSC Aeroflot.

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No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.4.4	Independent directors play a key role in preventing internal conflicts in the company and in ensuring that the company performs material corporate actions.	Independent directors (with no conflicts of interest) run a preliminary assessment of material corporate actions implying a potential conflict of interest and submit the results to the board of directors.	Full	Material corporate actions undergo preliminary assessment by the Audit Committee of the Board of Directors that is mainly made up of independent directors.
2.5.	The chairman of the board of directors ensures that the board of directors discharges its duties in the most efficient way.			
2.5.1	The board of directors is chaired by an independent director, or a senior independent director supervising the activities of other independent directors and interacting with the chairman of the board of directors is appointed from among the elected independent directors.	1. The board of directors is chaired by an independent director, or a senior independent director is appointed from among the independent directors. 2. The role, rights and duties of the chairman of the board of directors (and, if applicable, of the senior independent director) are duly set out in the company's internal documents.	None	The balanced composition of the Board of Directors and the comprehensive preliminary review of the matters brought before the Board of Directors (in particular, by committees made up of independent directors) as well as active engagement of the independent directors make implementation of this recommendation redundant. Moreover, the current Board of Directors includes two independent directors, and appointing one of them senior is not viable.
2.5.2	The chairman of the board of directors maintains a constructive environment at meetings, enables free discussion of agenda items, and supervises the execution of resolutions passed by the board of directors.	Performance of the chairman of the board of directors was assessed as part of assessment of the board of directors' performance in the reporting period.	Full	In the reporting period, PJSC Aeroflot's Board of Directors carried out a self-assessment.
2.5.3	The chairman of the board of directors takes all steps necessary for the timely provision to directors of information required to pass resolutions on agenda items.	The company's internal documents set out the duty of the chairman of the board of directors to take all steps necessary for the timely provision to directors of materials for the agenda of a board meeting.	Full	
2.6.	Directors act reasonably and in good faith in the best interests of the company and its shareholders, on a fully informed basis and with due care and diligence.			
2.6.1	Directors pass resolutions on a fully informed basis, with no conflict of interest, subject to equal treatment of the company's shareholders, and assuming normal business risks.	1. The company's internal documents provide that a director should notify the board of directors of any existing conflict of interest as to any agenda item of the meeting of the board of directors or its committee, prior to discussion of the relevant agenda item. 2. The company's internal documents provide that a director should abstain from voting on any item in connection with which they have a conflict of interest. 3. The company has in place a procedure enabling the board of directors to get professional advice on matters within its remit at the expense of the company.	Full	
2.6.2	The rights and duties of directors are clearly stated and incorporated in the company's internal documents.	The company adopted and published an internal document that clearly defines the rights and duties of directors.	Full	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.6.3	Directors have sufficient time to perform their duties.	1. Individual attendance at board and committee meetings, as well as time devoted to preparation for attending meetings, was recorded as part of the procedure for assessing the board of directors in the reporting period. 2. Under the company's internal documents, directors notify the board of directors of their intentions to be elected to governance bodies in other entities (apart from the entities controlled by, or affiliated to, the company), and of their election to such bodies.	Full	1. In the reporting period, PJSC Aeroflot's Board of Directors carried out a self-assessment. Personal attendance at the meetings of the Board of Directors and its committees is taken into account when determining the remuneration of the members of the Board of Directors. 2. The relevant responsibility of the Board of Directors' members is set out in the Company's internal documents.
2.6.4	All directors have equal access to the company's documents and information. Newly elected directors are furnished with sufficient information about the company and performance of the board of directors as soon as possible.	1. Under the company's internal documents, directors are entitled to access documents and make requests on the company and its controlled entities, while executive bodies of the company should furnish all relevant information and documents. 2. The company has in place a formalised induction programme for newly elected directors.	Full	
2.7.	Meetings of the board of directors, preparation for such meetings, and attendance by directors ensure efficient performance by the board of directors.			
2.7.1	Meetings of the board of directors are held as needed, taking into account the scale of operations and goals of the company at a particular time.	The board of directors held at least six meetings in the reporting year.	Full	
2.7.2	Internal regulations of the company formalise a procedure for the preparation and holding of the board meetings, enabling directors to properly prepare for such meetings.	The company has an approved internal document that describes the procedure for arranging and holding meetings of the board of directors and sets out, in particular, that the notice of the meeting is to be given, as a rule, at least five days prior to such meeting.	Full	
2.7.3	The format of the meeting of the board of directors is determined taking into account the importance of its agenda items. The most important matters are dealt with at meetings of the board of directors held in person.	The company's articles of association or internal document provides for the most important matters (as per the list set out in Recommendation 168 of the Code) to be passed at in-person meetings of the board of directors.	Full	
2.7.4	Resolutions on most important matters relating to the company's operations are passed at a meeting of the board of directors by a qualified majority or by a majority of all elected directors.	The company's articles of association provide for resolutions on the most important matters set out in Recommendation 170 of the Code to be passed at a meeting of the board of directors by a qualified majority of at least three quarters or by a majority of all elected directors.	Full	

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No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.8.	The board of directors sets up committees to preview the most important matters of the company's business.			
2.8.1	To preview matters related to controlling the company's financial and business activities, it is recommended to set up an audit committee comprised of independent directors.	1. The board of directors set up an audit committee comprised solely of independent directors. 2. The company's internal documents set out the tasks of the audit committee, including those listed in Recommendation 172 of the Code. 3. At least one member of the audit committee represented by an independent director has experience and knowledge of preparing, analysing, assessing, and auditing accounting (financial) statements. 4. In the reporting period, meetings of the audit committee were held at least once a quarter.	Partial	1. The Audit Committee is headed by an independent director. The majority of the Committee members are independent directors. After PJSC Aeroflot's shareholders elect the necessary number of independent directors to PJSC Aeroflot's Board of Directors, the Committee will be duly formed. 2. The Committee's responsibilities outlined in Recommendation 172 of the Code are set forth in the Company's internal documents. 3. All members of the Audit Committee have expertise in preparation, analysis, assessment and audit of accounting (financial) statements. 4. The Committee holds meetings at least once a month.
2.8.2	To preview matters related to adopting an efficient and transparent remuneration scheme, a remuneration committee was set up, comprised of independent directors and headed by an independent director who is not the chairman of the board of directors.	1. The board of directors set up a remuneration committee comprised solely of independent directors. 2. The remuneration committee is chaired by an independent director who is not the chairman of the board of directors. 3. The company's internal documents set out the tasks of the remuneration committee, including those listed in Recommendation 180 of the Code.	Partial	PJSC Aeroflot set up its Personnel and Remuneration Committee, headed by, and predominantly comprised of, independent directors.
2.8.3	To preview matters related to talent management (succession planning), professional composition and efficiency of the board of directors, a nomination (appointments and personnel) committee was set up, predominantly comprised of independent directors.	1. The board of directors has set up a nomination committee (or its tasks listed in Recommendation 186 of the Code are fulfilled by another committee), predominantly comprised of independent directors. 2. The company's internal documents set out the tasks of the nomination committee (or the tasks of the committee with combined functions), including those listed in Recommendation 186 of the Code.	Full	
2.8.4	Taking into account the company's scope of business and level of risks, the company's board of directors made sure that the composition of its committees is fully in line with the company's business goals. Additional committees were either set up or not deemed necessary (strategy committee, corporate governance committee, ethics committee, risk management committee, budget committee, health, safety, and environment committee, etc.).	In the reporting period, the board of directors considered whether the composition of its committees was in line with the board's tasks and the company's business goals. Additional committees were either set up or not deemed necessary.	Full	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.8.5	Committees are composed so as to enable comprehensive discussions of matters under preview, taking into account the diversity of opinions.	1. Committees of the board of directors are headed by independent directors. 2. The company's internal documents (policies) include provisions stipulating that persons who are not members of the audit committee, the nomination committee, and the remuneration committee may attend committee meetings only by invitation of the chairman of the respective committee.	Full	
2.8.7	Committee chairmen regularly report to the board of directors and its chairman on the performance of their committees.	In the reporting period, committee chairmen regularly reported to the board of directors on the performance of committees.	Full	
2.9.	The board of directors ensures performance assessment of the board of directors, its committees and members of the board of directors.			
2.9.1	The board of directors' performance assessment is aimed at determining the efficiency of the board of directors, its committees and members, consistency of their work with the company's growth requirements, as well as at bolstering the work of the board of directors and identifying areas for improvement.	1. Self-assessment or external assessment of the board of directors' performance carried out in the reporting period included performance assessment of committees, individual directors, and the board of directors in general. 2. Results of self-assessment or external assessment of the board of directors' performance carried out in the reporting period were reviewed at the in-person meeting of the board of directors.	Full	The results of the self-assessment of the Board of Directors were reviewed at the meeting of the Board of Directors on 29 May 2018 (Minutes No. 15 dated 29 May 2018).
2.9.2	Performance of the board of directors, its committees, and members is assessed regularly at least once a year. An external advisor is engaged at least once in three years to conduct an independent assessment of the board of directors' performance.	The company engaged an external advisor to conduct an independent assessment of the board of directors' performance at least once over the last three reporting periods.	None	The matter is considered taking into account the self-assessment of members of the Board of Directors conducted in the reporting period. In addition, the external assessment of the Board of Directors' performance is carried out by third-party companies.
3.1	The company's corporate secretary ensures efficient ongoing interaction with shareholders, coordinates the company's efforts to protect shareholder rights and interests, and supports efficient performance of the board of directors.			
3.1.1	The corporate secretary has the expertise, experience, and qualifications sufficient to perform his/her duties, as well as an impeccable reputation and the trust of shareholders.	1. The company adopted and published an internal document – regulations on the corporate secretary. 2. The biographical data of the corporate secretary are published on the corporate website and in the company's annual report with the same level of detail as for members of the board of directors and the company's executives.	Full	
3.1.2	The corporate secretary is sufficiently independent of the company's executive bodies and has the powers and resources required to perform his/her tasks.	The board of directors approves the appointment, dismissal, and additional remuneration of the corporate secretary.	Full	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
4.1.	Remuneration payable by the company is sufficient to attract, motivate, and retain people with competencies and qualifications required by the company. Remuneration payable to directors, executive bodies, and other key executives of the company is in compliance with the approved remuneration policy of the company.			
4.1.1	The amount of remuneration paid by the company to directors, executive bodies, and other key executives creates sufficient incentives for them to work efficiently, while enabling the company to engage and retain competent and qualified specialists. At the same time, the company avoids unnecessarily high remuneration, as well as unjustifiably large gaps between remunerations of such persons and the company's employees.	The company has in place an internal document (internal documents) – the policy (policies) on remuneration of directors, executive bodies, and other key executives, which clearly defines (define) the approaches to remuneration of such persons.	Full	
4.1.2	The company's remuneration policy is devised by the remuneration committee and approved by the board of directors. The board of directors, assisted by the remuneration committee, ensures control over the introduction and implementation of the company's remuneration policy, revising and amending it as required.	During one reporting period, the remuneration committee reviewed the remuneration policy (policies) and its (their) introduction practices to provide relevant recommendations to the board of directors as required.	Full	
4.1.3	The company's remuneration policy includes transparent mechanisms for determining the amount of remuneration due to directors, executive bodies, and other key executives of the company, and regulates all types of expenses, benefits, and privileges provided to such persons.	The company's remuneration policy (policies) includes (include) transparent mechanisms for determining the amount of remuneration due to directors, executive bodies, and other key executives of the company, and regulates (regulate) all types of expenses, benefits, and privileges provided to such persons.	Full	
4.1.4	The company defines a policy on reimbursement (compensation) of expenses, detailing a list of reimbursable expenses and specifying service levels that directors, executive bodies, and other key executives of the company may claim. Such policy can make part of the company's remuneration policy.	The remuneration policy (policies) defines (define) the rules for reimbursement of expenses incurred by directors, executive bodies, and other key executives of the company.	Full	
4.2.	Remuneration system for directors ensures alignment of financial interests of directors with long-term financial interests of the shareholders.			
4.2.1	The company pays fixed annual remuneration to its directors. The company does not pay remuneration for attending particular meetings of the board of directors or its committees. The company does not apply any form of short-term motivation or additional financial incentive for its directors.	Fixed annual remuneration was the only form of monetary remuneration payable to directors for their service on the board of directors during the reporting period.	Partial	PJSC Aeroflot has in place the Long-Term Incentive Programme for members of PJSC Aeroflot's Board of Directors providing for a variable component of remuneration, which depends on PJSC Aeroflot's capitalisation, in addition to the fixed component. Starting from 1 January 2019, the launch of a new Long-Term Incentive Programme based on the level of PJSC Aeroflot's operational KPIs has been planned.

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
4.2.2	Long-term ownership of the company's shares helps align the financial interests of directors with long-term interests of shareholders to the utmost. At the same time, the company does not link the right to dispose of shares to performance targets, and directors do not participate in stock option plans.	If the company's internal document(s) – the remuneration policy (policies) stipulates (stipulate) provision of the company's shares to members of the board of directors, clear rules for share ownership by board members are to be defined and disclosed, aimed at stimulating long-term ownership of such shares.	Full	
4.2.3	The company does not provide for any extra payments or compensations in the event of early termination of directors' tenure, resulting from the change of control or any other reasons whatsoever.	The company does not provide for any extra payments or compensations in the event of early termination of directors' tenure, resulting from the change of control or any other reasons whatsoever.	Full	
4.3	The company reviews its performance and the personal contribution of each executive to the achievement of such performance when determining the amount of a fee payable to members of the executive bodies, and other key executives of the company.			
4.3.1	Remuneration due to members of executive bodies, and other key executives of the company is determined in a manner providing for reasonable and justified ratio of the fixed and variable components of remuneration, depending on the company's results and the employee's personal contribution.	1. In the reporting period, annual performance results approved by the board of directors were used to determine the amount of the variable component of remuneration due to members of executive bodies, and other key executives of the company. 2. During the latest assessment of the system of remuneration of members of executive bodies, and other key executives of the company, the board of directors (remuneration committee) made sure that the company applies an efficient ratio of the fixed and variable remuneration components. 3. The company has in place a procedure that guarantees return to the company of bonus payments illegally received by members of executive bodies, and other key executives of the company.	Full	
4.3.2	The company has in place a long-term incentive programme for members of executive bodies, and other key executives of the company with the use of the company's shares (options and other derivative instruments where the company's shares are the underlying asset).	1. The company has in place a long-term incentive programme for members of executive bodies, and other key executives of the company with the use of the company's shares (financial instruments based on the company's shares). 2. The long-term incentive programme for members of executive bodies, and other key executives of the company implies that the right to dispose of shares and other financial instruments used in this programme takes effect at least three years after such shares or other financial instruments are granted. The right to dispose of such shares or other financial instruments is linked to the company's performance targets.	Full	

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No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
4.3.3	The compensation (golden parachute) payable by the company in case of early termination of powers of members of executive bodies or key executives at the company's initiative, provided that there have been no actions in bad faith on their part, does not exceed the double amount of the fixed component of their annual remuneration.	In the reporting period, the compensation (golden parachute) payable by the company in case of early termination of the powers of executive bodies or key executives at the company's initiative, provided that there have been no actions in bad faith on their part, did not exceed the double amount of the fixed component of their annual remuneration.	Full	
5.1.	The company has in place effective risk management and internal controls providing reasonable assurance in the achievement of the company's goals.			
5.1.1	The company's board of directors determined the principles of and approaches to organising risk management and internal controls at the company.	Functions of different governing bodies and units of the company in risk management and internal controls are clearly defined in the company's internal documents / relevant policy approved by the board of directors.	Full	
5.1.2	The company's executive bodies ensure establishment and continuous operation of effective risk management and internal controls at the company.	The company's executive bodies ensured the distribution of functions and powers related to risk management and internal controls between the heads (managers) of business units and departments accountable to them.	Full	
5.1.3	The company's risk management and internal controls ensure an objective, fair, and clear view of the current state and future prospects of the company, the integrity and transparency of the company's reporting, as well as reasonable and acceptable risk exposure.	1. The company has in place an approved anti-corruption policy. 2. The company established an accessible method of notifying the board of directors or the board's audit committee of breaches or any violations of the law, the company's internal procedures, and conduct code.	Full	
5.1.4	The company's board of directors takes necessary measures to make sure that the company's risk management and internal controls are consistent with the principles of, and approaches to, its setup determined by the board of directors, and that the system is functioning efficiently.	In the reporting period, the board of directors or the board's audit committee assessed the performance of the company's risk management and internal controls. Key results of this assessment are included in the company's annual report.	Full	
5.2	The company performs internal audit for regular independent assessment of the reliability and performance of risk management and internal controls and the corporate governance practice.			
5.2.1	The company set up a separate business unit or engaged an independent external organisation to carry out internal audits. Functional and administrative reporting lines of the internal audit department are delineated. The internal audit unit functionally reports to the board of directors.	1. To perform internal audits, the company set up a separate business unit – internal audit division, functionally reporting to the board of directors or to the audit committee, or engaged an independent external organisation with the same line of reporting.	Full	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
5.2.2	The internal audit division assesses the performance of the internal controls, risk management, and corporate governance. The company applies generally accepted standards of internal audit.	1. In the reporting period, the performance of the internal controls and risk management was assessed as part of the internal audit procedure. 2. The company applies generally accepted approaches to internal audit and risk management.	Full	
6.1.	The company and its operations are transparent for its shareholders, investors, and other stakeholders.			
6.1.1	The company developed and implemented an information policy ensuring efficient exchange of information by the company, its shareholders, investors, and other stakeholders.	1. The company's board of directors approved an information policy developed in accordance with the Code's recommendations. 2. The board of directors (or one of its committees) reviewed the matters of the company's compliance with its information policy at least once in the reporting period.	Full	
6.1.2	The company discloses information on its corporate governance framework and practice, including detailed information on compliance with the principles and recommendations of the Code.	1. The company discloses information on its corporate governance and general principles of corporate governance, including disclosure on its website. 2. The company discloses information on the membership of its executive bodies and board of directors, independence of the directors and their membership in the board of directors' committees (as defined by the Code). 3. If the company has a controlling person, the company publishes a memorandum of the controlling person setting out this person's plans for the company's corporate governance.	Full	
6.2.	The company makes timely disclosures of complete, updated, and reliable information to allow shareholders and investors to make informed decisions.			
6.2.1	The company discloses information based on the principles of regularity, consistency and promptness, as well as availability, reliability, completeness, and comparability of disclosed data.	1. The company's information policy sets out approaches to, and criteria for, identifying information that can have a material impact on the company's evaluation and the price of its securities, as well as procedures ensuring timely disclosure of such information. 2. If the company's securities are traded on foreign organised markets, the company ensured concerted and equivalent disclosure of material information in the Russian Federation and in the said markets in the reporting year. 3. If foreign shareholders hold a material portion of the company's shares, the relevant information was disclosed both in the Russian language and one of the most widely used foreign languages in the reporting period.	Full	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
6.2.2	The company avoids a formalistic approach to information disclosure and discloses material information on its operations, even if disclosure of such information is not required by law.	1. In the reporting period, the company disclosed annual and 6M financial statements prepared under the IFRS. The company's annual report for the reporting period included annual financial statements prepared under the IFRS, along with the auditor's report. 2. The company discloses complete information on its capital structure, as stated in Recommendation 290 of the Code, in its annual report and on the corporate website.	Full	
6.2.3	The company's annual report, as one of the most important tools of its information exchange with shareholders and other stakeholders, contains information enabling assessment of the company's annual performance results.	1. The company's annual report contains information on the key aspects of its operational and financial performance. 2. The company's annual report contains information on the environmental and social aspects of the company's operations.	Full	
6.3	The company provides information and documents requested by its shareholders in accordance with principles of fairness and ease of access.			
6.3.1	The company provides information and documents requested by its shareholders in accordance with principles of fairness and ease of access.	The company's information policy establishes the procedure for providing shareholders with easy access to information, including information on legal entities controlled by the company, as requested by shareholders.	Full	
6.3.2	When providing information to shareholders, the company ensures reasonable balance between the interests of particular shareholders and its own interests consisting in preserving the confidentiality of important commercial information which may materially affect its competitive edge.	1. In the reporting period, the company did not refuse any shareholder requests for information, or such refusals were justified. 2. In cases defined by the information policy, shareholders are warned of the confidential nature of the information and undertake to maintain its confidentiality.	Full	
7.1.	Actions that materially affect or may affect the company's share capital structure and its financial position and accordingly the position of its shareholders ("material corporate actions") are taken on fair terms ensuring that the rights and interests of the shareholders and other stakeholders are observed.			
7.1.1	Material corporate actions include reorganisation of the company, acquisition of 30% or more of the company's voting shares (takeover), execution by the company of major transactions, increase or decrease of the company's authorised capital, listing or de-listing of the company's shares, as well as other actions which may lead to material changes in the rights of shareholders or violation of their interests. The company's articles of association provide for a list (criteria) of transactions or other actions classified as material corporate actions within the authority of the company's board of directors.	1. The company's articles of association include a list of transactions or other actions deemed to be material corporate actions, and their identification criteria. Resolutions on material corporate actions are referred to the jurisdiction of the board of directors. When execution of such corporate actions is expressly referred by law to the jurisdiction of the general meeting of shareholders, the board of directors presents relevant recommendations to shareholders. 2. According to the company's articles of association, material corporate actions include at least: company reorganisation, acquisition of 30% or more of the company's voting shares (in case of takeover), entering in major transactions, increase or decrease of the company's authorised capital, listing or de-listing of the company's shares.	Full	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
7.1.2	The board of directors plays a key role in passing resolutions or making recommendations on material corporate actions, relying on the opinions of the company's independent directors.	The company has in place a procedure enabling independent directors to express their opinions on material corporate actions prior to approval thereof.	Full	
7.1.3	When taking material corporate actions affecting the rights or legitimate interests of shareholders, equal terms and conditions are guaranteed for all shareholders of the company; if the statutory procedure designed to protect shareholders' rights proves insufficient, additional measures are taken to protect their rights and legitimate interests. In doing so, the company is guided by the corporate governance principles set forth in the Code, as well as by formal statutory requirements.	1. Due to specifics of the company's operations, the company's articles of association contain less stringent minimal criteria for material corporate actions than required by law. 2. All material corporate actions in the reporting period were duly approved before they were taken.	Full	
7.2	The company performs material corporate actions in such a way as to ensure that shareholders timely receive complete information about such actions, allowing them to influence such actions and guaranteeing adequate protection of their rights when performing such actions.			
7.2.1	Information about material corporate actions is disclosed with explanations of the grounds, circumstances, and consequences.	In the reporting period, the company disclosed information about its material corporate actions in due time and in detail, including the grounds for, and timelines of, such actions.	Full	
7.2.2	Rules and procedures related to material corporate actions taken by the company are set out in the company's internal documents.	1. The company's internal documents set out a procedure for engaging an independent appraiser to estimate the value of assets either disposed of or acquired in a major transaction or a related-party transaction. 2. The company's internal documents set out a procedure for engaging an independent appraiser to estimate the value of shares acquired and bought back by the company. 3. The company's internal documents provide for an expanded list of grounds on which members of the company's board of directors, as well as other persons as per the applicable law, are deemed to be related parties to the company's transactions.	Partial	No internal documents are in place; however, relevant procedures are put into practice. PJSC Aeroflot intends to achieve full compliance with this principle of the Code in the future.

Information About the Programme for Disposal of Non-Core Assets

The Programme for Disposal of PJSC Aeroflot's Non-Core Assets (version No. 7) was approved by PJSC Aeroflot's Board of Directors on 21 December 2017 (Minutes No. 7). The Programme contains criteria for classification of assets as non-core, the non-core asset register, information on encumbrances, book and market value, approach to selecting assets for disposal, as well as disposal methods, procedures and timescales.

The non-core assets owned by PJSC Aeroflot include property and property rights which are outside its flight services, but may be closely related to the development of the Company's end product.

The Company's approach to technological (non-core) assets that have a significant impact on the core business of PJSC Aeroflot:

- Compare benefits from these assets (discounts, reduction in prices and rates, improvement of PJSC Aeroflot's product quality) with the cost of ownership
- Monitor the effectiveness of corporate control

Assets are sold if ownership is found to be ineffective and the corporate control – insufficient.

Technological assets that have a low impact on the core business of PJSC Aeroflot are evaluated in terms of the cost of, and the need for, ownership, based on non-production criteria (achievement of non-commercial objectives, type of business, goodwill, etc.). These assets are disposed of if the effect of ownership is insignificant.

Real estate assets are analysed to determine their highest and best use for the airline's operational and commercial activities.

There were no contracts to purchase/sell securities/interest in non-core entities signed in 2018..

Disposal of PJSC Aeroflot's non-core assets in 2018

№	Asset	Inventory number	Asset balance sheet item containing the asset as at the reporting date prior its disposal	Accounting items (analytics included) containing asset disposal income and expense	Book value of the asset, RUB	Actual cost of disposal, RUB	Actual cost of disposal vs book value, RUB	Reason for discrepancies
1	Office space, 219 square metres, Georgia, Tbilisi	25764 asset card SAP ERP 102000058	1150	9111200010 - revenue from the sale of property, plant and equipment; 9121200010 - residual value of the sold property, plant and equipment	4,215,248.2	22,269,389.9	18,054,141.7	Market value (cost of disposal) of the asset is higher than its book value
TOTAL					4,215,248.2	22,269,389.9	18,054,141.7	

Operating Data

Aeroflot airline

Indicator	2014	2015	2016	2017	2018
Passenger traffic, thousand PAX	23,610.0	26,111.7	28,977.9	32,845.2	35,762.5
International Routes	12,468.2	13,445.4	14,873.7	17,154.1	18,213.9
Domestic Routes	11,141.8	12,666.3	14,104.2	15,691.1	17,548.6
Passenger turnover, million RPK	67,121.7	74,115.9	82,693.3	91,809.9	97,955.8
International Routes	42,676.5	46,774.4	53,339.0	60,669.4	64,044.1
Domestic Routes	24,445.2	27,341.5	29,354.3	31,140.5	33,911.7
Available seat-kilometres, million ASK	85,822.1	93,471.1	101,757.9	112,246.0	121,661.9
International Routes	56,206.9	60,209.1	67,387.0	75,315.6	81,464.7
Domestic Routes	29,615.2	33,262.0	34,370.9	36,930.4	40,197.2
Passenger load factor, %	78.2	79.3	81.3	81.8	80.5
International Routes	75.9	77.7	79.2	80.6	78.6
Domestic Routes	82.5	82.2	85.4	84.3	84.4
Cargo and mail carried, thousand tonnes	145.3	135.1	175.5	226.6	223.8
International Routes	81.5	74.6	96.1	148.7	152.3
Domestic Routes	63.8	60.5	79.4	77.9	71.5
Revenue tonne-kilometres, million TKM	6,722.7	7,291.0	8,253.1	9,316.5	9,861.7
International Routes	4,236.8	4,571.1	5,264.6	6,199.0	6,515.4
Domestic Routes	2,485.9	2,719.9	2,988.5	3,117.5	3,346.3
Available tonne-kilometres, million TKM	10,660.0	11,706.1	12,694.6	13,676.8	14,630.7
International Routes	6,983.1	7,548.6	8,412.0	9,228.5	9,880.4
Domestic Routes	3,676.9	4,157.5	4,282.6	4,448.3	4,750.3
Revenue load factor, %	63.1	62.3	65.0	68.1	67.4
International Routes	60.7	60.6	62.6	67.2	65.9
Domestic Routes	67.6	65.4	69.8	70.1	70.4
Revenue flights	183,645	206,228	218,734	243,317	273,177
International Routes	97,668	104,336	110,149	121,003	134,291
Domestic Routes	85,977	101,892	108,585	122,314	138,886
Flight hours, hours	554,659	594,863	639,524	702,807	778,795

OPERATING DATA

Rossiya airline

Indicator	2014	2015	2016	2017	2018
Passenger traffic, thousand PAX	9,962.6	9,066.9	8,800.3	11,152.7	11,140.3
International Routes	4,414.5	2,342.1	2,627.1	4,136.0	4,352.9
Domestic Routes	5,548.1	6,724.7	6,173.2	7,016.7	6,787.4
Passenger turnover, million RPK	21,066.4	16,982.1	20,482.3	28,119.2	29,600.9
International Routes	12,097.0	5,795.4	8,552.8	13,889.0	14,795.8
Domestic Routes	8,969.4	11,186.7	11,929.5	14,230.2	14,805.0
Available seat-kilometres, million ASK	27,502.0	22,913.9	25,245.4	33,300.9	34,178.5
International Routes	15,526.4	7,615.0	9,892.2	15,248.2	16,423.2
Domestic Routes	11,975.6	15,298.9	15,353.2	18,052.6	17,755.3
Passenger load factor, %	76.6%	74.1	81.1	84.4	86.6
International Routes	77.9%	76.1	86.5	91.1	90.1
Domestic Routes	74.9%	73.1	77.7	78.8	83.4
Cargo and mail carried, thousand tonnes	14.3	14.6	22.8	32.8	33.2
International Routes	2.3	2.1	1.5	2.2	2.8
Domestic Routes	12.0	12.5	21.3	30.6	30.4
Revenue tonne-kilometres, million TKM	1,925.3	1,558.3	1,936.2	2,681.5	2,824.2
International Routes	1,094.7	526.6	773.4	1,261.8	1,349.2
Domestic Routes	830.6	1,031.7	1,162.8	1,419.7	1,475.0
Available tonne-kilometres, million TKM	2,919.6	2,478.5	2,917.0	3,948.2	4,053.0
International Routes	1,625.1	826.2	1,097.2	1,660.3	1,791.3
Domestic Routes	1,294.4	1,652.3	1,819.8	2,287.9	2,261.7
Revenue load factor, %	65.9%	62.9	66.4	67.9	69.7
International Routes	67.4%	63.7	70.5	76.0	75.3
Domestic Routes	64.2%	62.4	63.9	62.1	65.2
Revenue flights	89,425	82,106	68,590	75,182	73,478
International Routes	35,192	20,778	18,511	22,391	23,539
Domestic Routes	54,233	61,328	50,079	52,791	49,939
Flight hours, hours	230,547	190,446	178,969	200,798	200,802

Note. For 2014–2016 consolidated data for Rossiya, Donavia and Orenair airlines.

Pobeda airline

Indicator	2014	2015	2016	2017	2018
Passenger traffic, thousand PAX	107.4	3,089.7	4,285.9	4,582.8	7,184.8
International Routes	–	6.2	473.6	875.0	1,765.9
Domestic Routes	107.4	3,083.5	3,812.3	3,707.7	5,418.9
Passenger turnover, million RPK	134.0	4,668.4	6,712.9	7,929.4	13,105.2
International Routes	–	12.3	1,050.5	1,913.8	3,829.5
Domestic Routes	134.0	4,656.1	5,662.4	6,015.6	9,275.7
Available seat-kilometres, million ASK	171.8	5,746.3	7,605.5	8,419.0	13,925.2
International Routes	–	17.8	1,334.0	2,084.4	4,122.1
Domestic Routes	171.8	5,728.5	6,271.5	6,334.6	9,803.1
Passenger load factor, %	78.0	81.2	88.3	94.2	94.1
International Routes	–	68.8	78.8	91.8	92.9
Domestic Routes	78.0	81.3	90.3	95.0	94.6
Cargo and mail carried, thousand tonnes	0.5	0.3	0.3	6.0	38.5
International Routes	–	–	–	2.0	15.5
Domestic Routes	0.5	0.3	0.3	4.0	23.0
Revenue tonne-kilometres, million TKM	12.6	420.7	604.6	725.7	1,258.2
International Routes	–	1.1	94.5	176.6	377.9
Domestic Routes	12.6	419.6	510.1	549.1	880.3
Available tonne-kilometres, million TKM	17.6	601.0	800.3	875.2	1,432.5
International Routes	–	1.9	140.5	212.5	419.9
Domestic Routes	17.6	599.1	659.8	662.7	1,012.5
Revenue load factor, %	71.6	70.0	75.6	82.9	87.8
International Routes	–	58.2	67.3	83.1	90.0
Domestic Routes	71.6	70.0	77.3	82.9	86.9
Revenue flights	735	20,057	25,668	25,761	40,430
International Routes	–	48	3,208	5,062	10,082
Domestic Routes	735	20,009	22,460	20,699	30,348
Flight hours, hours	1,476	41,016	53,892	59,830	98,286

OPERATING DATA

Aurora airline

Indicator	2014	2015	2016	2017	2018
Passenger traffic, thousand PAX	1,055.2	1,124.8	1,376.2	1,548.2	1,622.7
International Routes	213.0	234.7	314.4	384.6	404.6
Domestic Routes	842.2	890.1	1,061.8	1,163.7	1,218.1
Passenger turnover, million RPK	1,753.1	1,869.7	2,221.8	2,363.7	2,488.5
International Routes	333.4	370.6	490.1	562.1	580.2
Domestic Routes	1,419.7	1,499.1	1,731.7	1,801.6	1,908.3
Available seat-kilometres, million ASK	2,337.9	2,609.8	3,045.2	3,244.8	3,309.0
International Routes	485.6	647.7	721.1	781.1	833.1
Domestic Routes	1,852.3	1,962.1	2,324.1	2,463.7	2,475.9
Passenger load factor, %	75.0	71.6	73.0	72.8	75.2
International Routes	68.7	57.2	68.0	72.0	69.6
Domestic Routes	76.6	76.4	74.5	73.1	77.1
Cargo and mail carried, thousand tonnes	6.2	6.2	7.2	7.9	8.3
International Routes	0.5	0.4	0.4	0.4	0.5
Domestic Routes	5.7	5.8	6.8	7.5	7.8
Revenue tonne-kilometres, million TKM	170.0	180.3	213.8	227.5	239.1
International Routes	30.8	34.0	44.8	51.3	53.0
Domestic Routes	139.2	146.3	169.0	176.2	186.0
Available tonne-kilometres, million TKM	252.9	287.3	335.1	343.1	360.2
International Routes	53.5	75.4	84.4	84.4	93.6
Domestic Routes	199.4	211.9	250.7	258.7	266.6
Revenue load factor, %	67.2	62.8	63.8	66.3	66.4
International Routes	57.6	45.1	53.0	60.8	56.6
Domestic Routes	69.8	69.1	67.4	68.1	69.8
Revenue flights	12,801	15,441	18,861	24,213	24,370
International Routes	2,852	3,617	4,032	4,969	5,495
Domestic Routes	9,949	11,824	14,829	19,244	18,875
Flight hours, hours	28,695	33,281	39,390	45,673	45,663

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Glossary

Aviation terminology

Aviation fuel – aviation fuel, lubricants, and special fluids.

Low-Cost Carrier (LCC) – an airline that offers lower fares than traditional airlines, reflecting limited service provision, while also charging additional fees for on-board and airport services.

Routes – domestic routes, international routes.

Code Sharing – agreement on joint commercial operation of a flight by two or more airlines, one of which acts as the operator (operates the flight in addition to selling tickets), while the others act as marketing partners (selling tickets only).

Network Carrier – an airline that, unlike low-cost carriers, offers a wide variety of services through one or more hubs with connecting flights.

Maintenance, Repair, and Overhaul (MRO) – Technical maintenance, ongoing repairs, and major renovations to aircraft.

TCH – Transport Clearing House.

Hub – a hub airport is a central connection point for many different flights: passengers and goods are transported from their departure point to a hub, from which they are carried to their final destination on another plane with other passengers and goods from other parts of the world.

BSP/ARC (Billing and Settlement Plan / Airline Reporting Corporation) – settlement systems between agents and airlines, organised by IATA, that facilitate and simplify air transportation sales on neutral forms (not owned by any airline) thereby offering airlines the opportunity to expand their market presence, minimise financial risks and reduce expenses incurred through the maintenance of sales systems. ARC is an analogous system operated in the United States.

GDS (Global Distribution System) – a global computerised booking network used as a single access point by travel agents, online booking websites, or large corporates to book (reserve) tickets on airlines' flights, as well as hotel rooms, rental cars, etc.

NDC (New Distribution Capability) – a new aviation industry standard (standards) being developed by the IATA to provide airlines with more opportunities to sell their services to passengers both via own channels (such as a website or sales offices), and travel agents. Airlines will be able to customise and offer their air products across all sales channels, improve investment performance, and manage air product pricing. The benefits for passengers will include a simple and convenient access to an airline's products and services, as well as the opportunity to compare offers from different airlines on a range of metrics. Travel agents will be able to provide both a wider offering of products and services, and easier access to them.

IATA (International Air Transportation Association) – IATA, founded in 1945, is the prime vehicle for inter-airline cooperation in promoting safe, reliable, secure, and economical air services – for the benefit of the world's consumers.

ICAO (International Civil Aviation Organization) – an international civil aviation body established following the signing of the Chicago Convention on International Civil Aviation in 1944. It is a specialized UN agency responsible for developing international standards, recommended practices and regulations regarding the technical, economic, and legal aspects of international civil aviation.

IOSA (International Operational Safety Audit) – The IATA IOSA program is an internationally recognized and accepted evaluation system designed to assess a company's: organization and operational management, flight operations, engineering and technical maintenance of aircraft, ground service for aircraft, the operational control systems including maintenance management and flight scheduling, on-board service, aviation safety, and provisions for transporting cargo and hazardous cargo.

ISO – The International Organization for Standardization.

Operational terminology

Passenger traffic (PAX) – the number of passengers carried by an airline:

Direct PAX – passengers flying directly between their origin and destination.

Transit PAX – passengers flying with a stop-over in a hub airport on their way from origin to destination.

Passenger-Kilometres/Tonne-Kilometres – metrics used in the aviation industry to measure operating performance:

Available Seat-Kilometres (ASK) – a measure of an airline's carrying capacity offered for the market, derived from multiplying the available seats on any given aircraft by the number of kilometres flown on a given flight. ASK is measured in seat-kilometres;

Revenue Passenger-Kilometres (RPK) – a measure of available capacity actually used, calculated by multiplying the number of paying passengers on any given flight by the distance travelled. RPK is measured in passenger-kilometres;

Available Tonne-Kilometres (ATK) – a measure of an airline's total capacity (both passenger and cargo), calculated by multiplying the capacity in number of tonnes available for the transportation of passengers and cargo by the distance flown. ATK is measured in tonne-kilometres;

Revenue Tonne-Kilometres (TKM) – a measure of an airline's cargo and passenger carriage capacity utilisation, calculated by multiplying of tonne of freight (passengers, calculated at 90 Kg per passenger) by the distance flown. RTK is measured in tonne-kilometres.

Passenger Load Factor (PLF) – a measure for an airline's capacity utilisation, defined as the ratio between RPK and ASK.

Revenue Load Factor – the ratio between the number of tonne kilometres and the available tonne kilometres.

Origin and Departure points (O&D) – locations between which passengers are transported. This term is used in measuring the quantitative indicators of various markets, as defined by arrival and departure points, irrespective of whether direct or transit traffic is involved.

Financial terminology

Unit revenue and cost – key performance measures in the aviation industry, defined as revenue or cost for ASK or RPK:

Yield – the ratio between passenger revenue and revenue passenger-kilometres;

Revenue per Available Seat-Kilometre (RASK) – the ratio between revenue (either passenger revenue or total revenue) and available seat-kilometres;

Cost per Available Seat-Kilometre (CASK) – the ratio between operating expenses and available seat-kilometres.

Total Shareholder Return (TSR) – measures the return on investment for shareholders, taking into account the share price appreciation and dividends paid.

EBITDA – earnings before interest, taxes, depreciation, and amortization. Aeroflot includes customs duties in this indicator.

EBITDAR – earnings before interest, taxes, depreciation, amortization, and operating lease expenses (rent costs). Aeroflot includes customs duties in this indicator.

Contact Information

Full name

Public Joint Stock Company “Aeroflot – Russian Airlines”

Abbreviated

PJSC Aeroflot

Certificate of registration in the Unified State Register of Legal Entities

issued by the Moscow Department of the Russian Ministry of Taxes and Levies
on 2 August 2002, No. 1027700092661

Taxpayer Identification Number

7712040126

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Tel./fax: +7 (495) 578-3680
Opening hours for share operations:
Monday–Thursday: 8:30 to 15:00, break from 13:00 to 13:30;
Friday: 8:30 to 13:30, without break