

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 | 150 |
| Risk Management | 180 |
| Information for Shareholders and Investors | 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

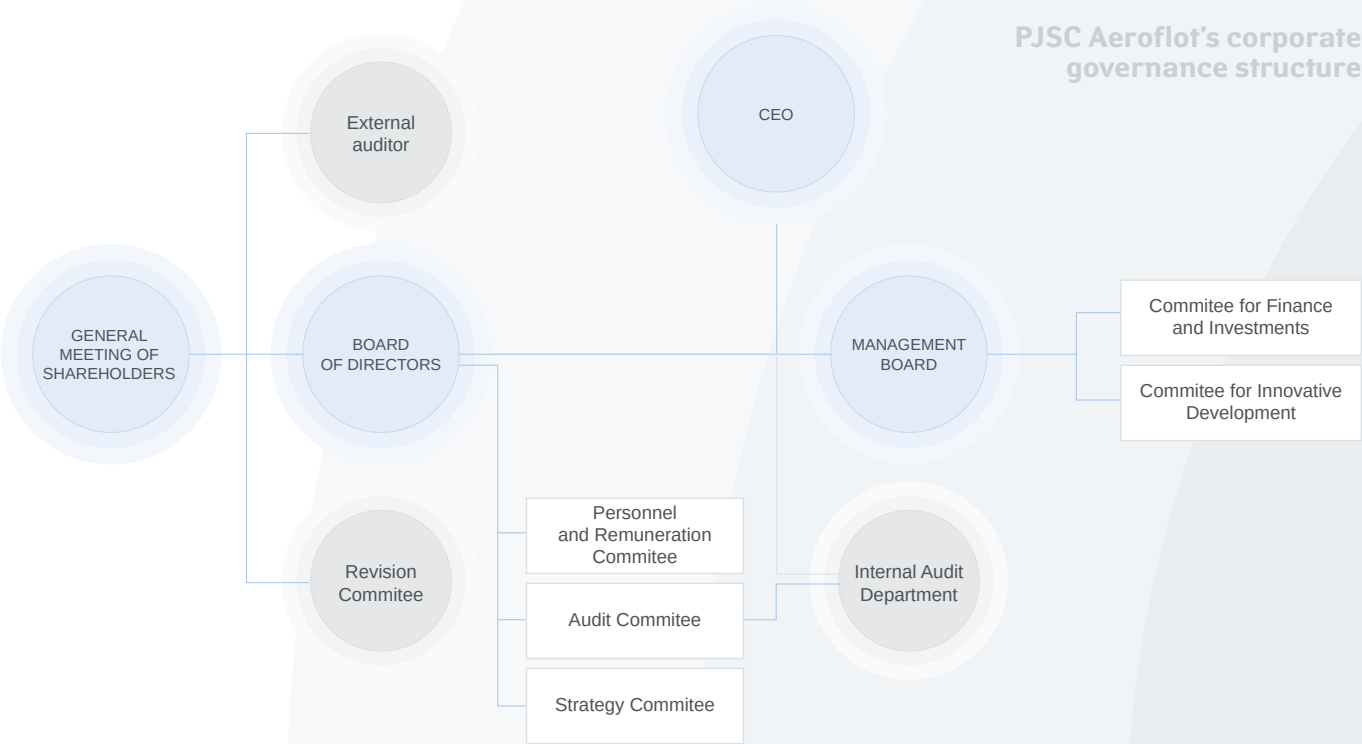
- Ensuring transparency and openness of the Company's business
- Taking material corporate actions on fair terms ensuring that the rights and interests of shareholders and other stakeholders are upheld
- Compliance with ethical norms and social responsibility standards when doing business

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).



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 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.



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

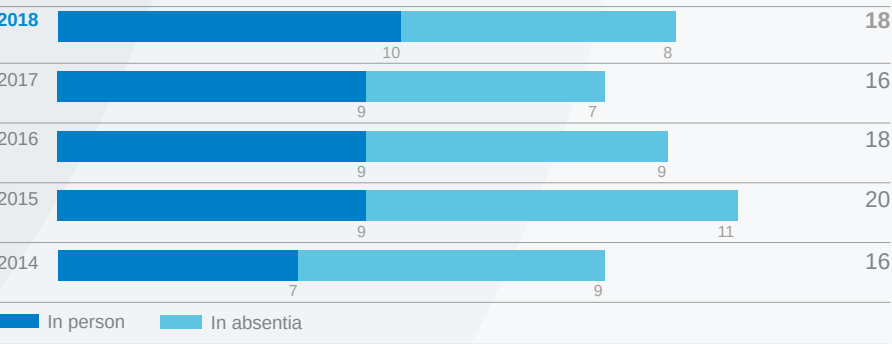
→ develop and upgrade information technologies

→ 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 Glavleningradinzhstroy.
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.

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 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

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

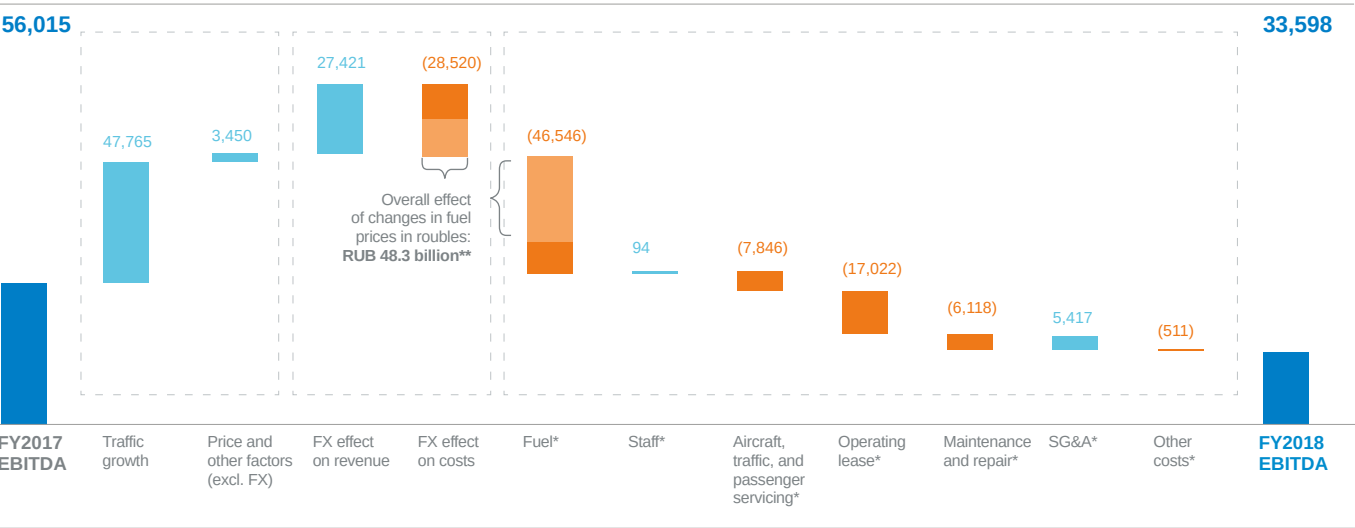
Aeroflot Group's key financial risks are associated with exchange rate fluctuations (EUR/RUB, USD/RUB, EUR/USD), jet fuel price (in Russia and abroad), and market interest rates (primarily LIBOR). These risk factors are interlinked, particularly changes in the EUR/RUB and USD/RUB exchange rates and jet 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

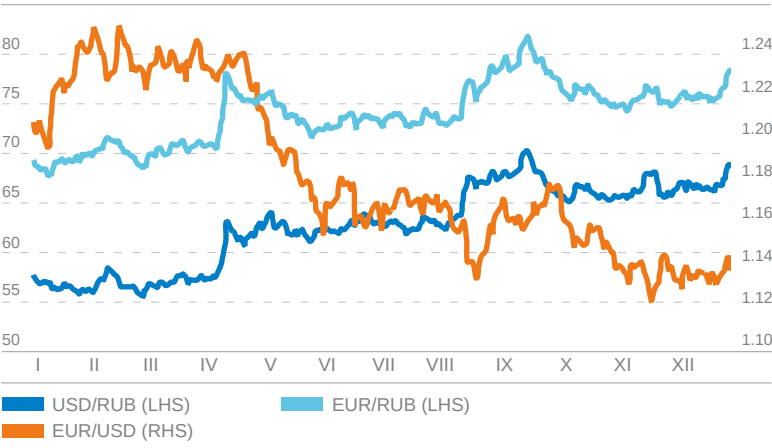
Aeroflot Group's exposure to currency risk results from the vast share of the Company's income and expenses being affected by changes in the EUR/RUB and USD/RUB exchange rates:

- 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.

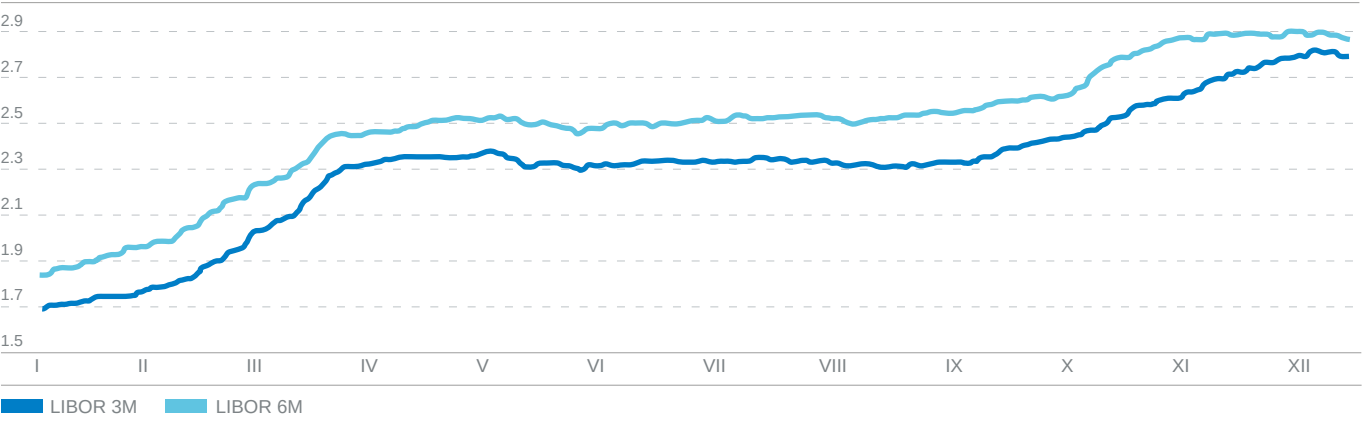
Interest rate risk

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

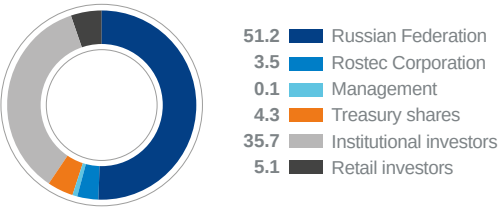
Share capital

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

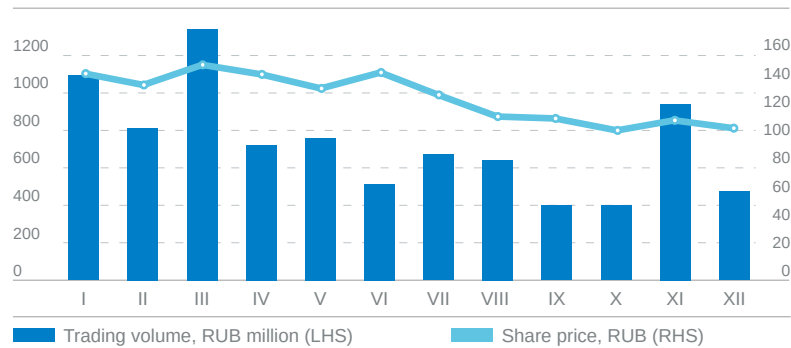


Aeroflot's History

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.

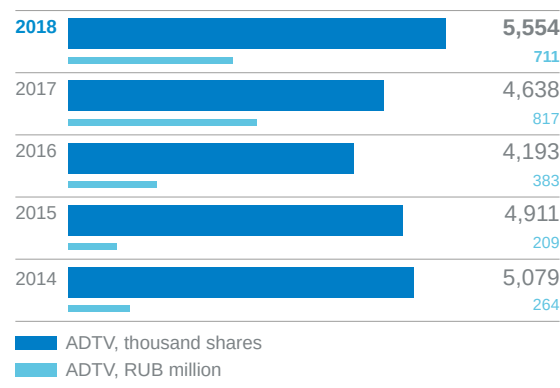
Price per PJSC Aeroflot share

| | 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.

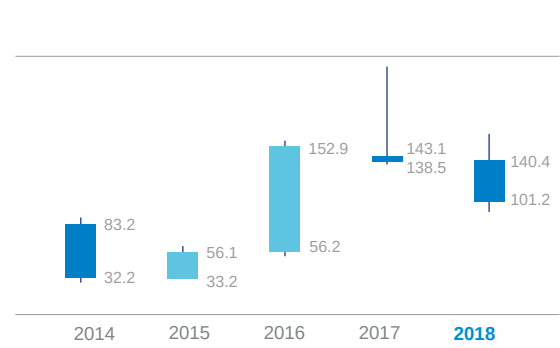
Average daily trading volumes on the Moscow Exchange



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.

PJSC Aeroflot share price highs and lows (RUB)



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 |

Buy

Hold

Review

Sell

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).

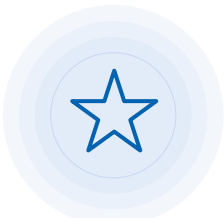
In May 2018, Aeroflot Group for the first time published its Q1 consolidated financial statements prepared under IFRS. Investors were highly positive about Aeroflot Group's efforts to improve transparency and provide additional disclosures to users, enabling analysts and investors to better understand 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.

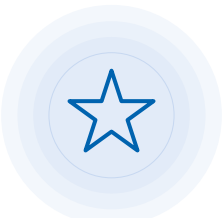
In 2018, PJSC Aeroflot also worked to foster its relations with retail investors. The Company participated in FinFair, an event organized by the Moscow Exchange to showcase financial solutions. Aeroflot also sponsored a special award to recognize the best trader in Aeroflot shares on the Moscow Exchange 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

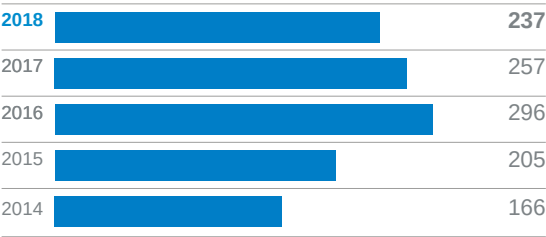


The Best Annual Report of the Company with the Market Capitalisation of RUB 40 Billion to RUB 200 Billion (the main category of the competition)

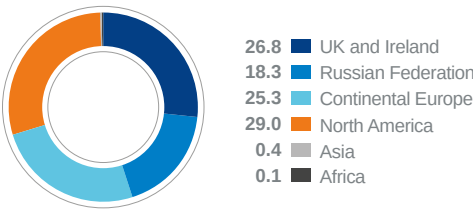


The Best Annual Report in the Transport Sector

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

