

Appendixes

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Statement of management’s responsibilities for the preparation and approval of the Consolidated Financial Statements as at and for the year ended 31 December 2018

The following statement, which should be read in conjunction with the independent auditor's responsibilities, as stated in the independent auditor's report set out below, is intended to distinguish between the respective responsibilities of management and the independent auditors in relation to the Consolidated Financial Statements of Public Joint Stock Company Aeroflot – Russian Airlines and its subsidiaries (the “Group”).

Management is responsible for the preparation of Consolidated Financial Statements that present fairly the consolidated financial position of the Group as at 31 December 2018, and the financial results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards (“IFRS”).

In preparing the consolidated financial statements, management is responsible for:

- selecting suitable accounting principles and applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- stating whether International Financial Reporting Standards (IFRS) have been complied with, subject to any material departures that are properly disclosed and explained in the notes to Consolidated Financial Statements; and
- preparing the Consolidated Financial Statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- designing, implementing and maintaining an effective system of internal controls, throughout the Group;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and the financial results of its operations and cash flows and which enable them to ensure that the Consolidated Financial Statements of the Group are prepared in accordance with IFRS;
- maintaining statutory accounting records in compliance with local legislation and accounting standards in Russian Federation;
- taking such steps as are reasonably available to them to safeguard the Group's assets; and
- preventing and detecting fraud and other irregularities.

The Consolidated Financial Statements of the Group as at and for the year ended 31 December 2018 (presented on pages 208 to 272) were approved on 4 March 2019 and signed on behalf of management by:



V. G. Savéliev
General Director



A. Y. Chikhanchin
Deputy General Director
for Commerce and Finance

Independent Auditor's Report

To the Shareholders and Board of Directors of PJSC Aeroflot:

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of PJSC Aeroflot and its subsidiaries (together – the “Group”) as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS)..

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview



- Overall group materiality: Russian roubles (“RUB”) 6,110 million, which represents 1% of revenue for the reporting year.
- We conducted our audit work at four companies of the Group: PJSC Aeroflot, JSC Rossiya Airlines, LLC Pobeda Airlines and JSC Aeromar;
- In respect of the other Group companies, we primarily performed analytical procedures;
- Our audit scope addressed 99% of the Group's revenue and more than 90% of the Group's profit before tax.
- Key audit matter: effect of adoption of IFRS 15, *Revenue from contracts with customers*

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	RUB 6,110 million
How we determined it	1% of revenue for the reporting year
Rationale for the materiality benchmark applied	We chose revenue as the materiality benchmark. Given the volatility of the Group's financial results, revenue represents a more appropriate measure of the size of the business and risks of misstatement than profit before tax. We chose 1% of the benchmark, which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Effect of adoption of IFRS 15, Revenue from contracts with customers	
See Notes 2, 3, 4, 5, 25 Starting from 1 January 2018 a new revenue recognition standard IFRS 15, Revenue from contracts with customers came in force. The effect from adoption of the new standard recorded within opening retained earnings in consolidated statement of financial position equalled to RUB 1,473 million.	Management developed a new accounting policy to account for revenue from contracts with customers for all revenue streams, introduced new accounting rules and conducted an analysis of existing revenue streams. We reviewed the analysis and new accounting policies provided to us by the management for each significant revenue stream and performed the following procedures: <ul style="list-style-type: none">→ critically assessed how individual revenue streams were determined, including the reconciliation of the identified streams with the revenue recorded in previous periods, and review whether the transaction price was determined correctly in relation to each revenue stream;→ analysed the key terms of the standard contracts used by the Group for each significant revenue stream;→ evaluated the differences in accounting policy choices under the new standard on revenue recognition and previous standards for each revenue stream;→ performed detailed testing of the sample of revenue transactions for significant revenue streams and assessed whether the revenue recognition criteria for this transactions are in line with the selected accounting principles for revenue recognition, including review whether the period for recognition of revenue from change fees was determined correctly;→ checked the reasonableness of the approach and management judgments to allocate the transaction price under the contract (ticket) between separate performance obligations to account for the operations under the frequent flyer program “Aeroflot- Bonus”, as well as checked mathematical accuracy of the model developed by the Group’s specialists to calculated the contract liability under this program;→ evaluated the validity of the practical accounting simplifications in relation to the costs incurred to sell tickets to passengers and the financing component under the contracts with customers;→ evaluated whether the modified retrospective approach was applied correctly on transition to the new standard. We checked the relevant disclosures in the consolidated financial statements in terms of their consistency with the requirements of IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors and IFRS 15, Revenue from Contracts with Customers.
The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price.	None of the above procedures revealed significant discrepancies between the selected accounting policies and the requirements of the new standard, or any other significant error in the presentation of information in the consolidated financial statements of the Group.
Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed, in case certain criteria are satisfied.	
The Group has different revenue streams and variety of contract terms with customers relating to passenger revenue and other revenue. Due to this, the Group had to conduct a detailed analysis of the contract terms with customers to evaluate and account for the effect of the transition to the new standard and revise some key judgments. <ul style="list-style-type: none">→ Revenue from frequent flyers loyalty programme “Aeroflot-Bonus”;→ Commission fees (change fees) paid by the passengers to change booking terms for the regular Group flights;→ Passenger traffic revenue earned under code-share and interline agreements with other airlines;→ revenue from flight tickets not flown by the passenger and not claimed for reimbursement or exchange;→ accounting for direct costs related to sales of tickets to customers (booking services, agent fees); The most significant effect from transition to the new standards relates to the following operations: <ul style="list-style-type: none">→ accounting for bookings change fees (changes in flight dates, direction, flight number, class); revenue from such fees is now recognised at the moment when the flight is completed under the main contract with passenger (ticket), and not in the moment when changes to the initial booking have been made;→ accounting for revenue and contract liabilities under the frequent flyers loyalty program “Aeroflot-Bonus” in relation to the allocation of the transaction price (ticket price) between the price for the bought flight and amount of the discount to the future flight to be bought for bonus miles. Starting from 1 January 2018 the allocation method is based on relative stand-alone selling prices for each performance obligation under the contract instead of residual method of price allocation used before.	
We focused on this matter due to importance of the “Revenue” line in the consolidated financial statements to the users as a one of the key performance measures as well as due to material amount of “Revenue” line to the financial statements as a whole.	

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to be able to give an opinion on the consolidated financial statements as a whole, taking into account the geographic and management structure of the Group, as well as the accounting processes and controls and the industry in which the Group operates.

We identified the following significant components in respect of which we carried out the audit:

- PJSC Aeroflot;
- JSC Rossiya Airlines;
- LLC Pobeda Airlines;
- JSC Aeromar.

The work in respect of material components was performed by the us as a Group Auditor.

We also performed analytical procedures for other Group companies that, in our opinion, had no material qualitative or quantitative effect on the Group’s consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises the describe the other information not yet received e.g. the Annual report and Issuer’s Report for the 1 Quarter 2019 (but does not include the consolidated financial statements and our auditor’s report thereon), which is expected to be made available to us after the date of this auditor’s report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read Annual report, Issuer’s Report for the 1 Quarter 2019, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The certified auditor responsible for the audit resulting in this independent auditor's report is Andrey Nikolaevich Korablev.

4 March 2019
Moscow, Russian Federation

AO PricewaterhouseCoopers Audit

A.N. Korablev, certified auditor (licence No. 01-000389), AO PricewaterhouseCoopers Audit



Audited entity: PJSC Aeroflot	Independent auditor: AO PricewaterhouseCoopers Audit
Record made in the Unified State Register of Legal Entities on 02 August 2002 under State Registration Number 1027700092661	Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890
State registration certificate No. 032.175 issued by Moscow Registration Chamber on 21 June 1994	Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431
119002, Russia, Moscow, 10 Arbat	Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)
	Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 11603050547

Consolidated Statement of Profit or Loss for the year ended 31 December 2018

(ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

	Note	2018	2017
Traffic revenue	5	553,192	474,916
Other revenue	6	58,378	58,018
Revenue		611,570	532,934
Operating costs, excluding staff costs, depreciation and amortisation	7	(496,337)	(394,528)
Staff costs	8	(82,817)	(82,801)
Depreciation and amortisation	19, 23	(12,912)	(14,084)
Other operating income and expenses, net	9	153	(1,110)
Operating costs		(591,913)	(492,523)
Operating profit		19,657	40,411
Loss from impairment and fair value changes of investments, net	17	(689)	(144)
Finance income	10	4,164	7,127
Finance costs	10	(7,904)	(8,225)
Hedging result	27	(6,788)	(5,613)
Share of results of associates		254	170
Result from disposal of subsidiaries	22	1,240	-
Profit before income tax		9,934	33,726
Income tax	11	(4,221)	(10,666)
PROFIT FOR THE YEAR		5,713	23,060
Attributable to:			
Shareholders of the Company		6,589	22,872
Non-controlling interest		(876)	188
PROFIT FOR THE YEAR		5,713	23,060
Basic and diluted profit per share (in Roubles per share)		6.0	21.3
Weighted average number of shares outstanding (millions)	31	1,096.2	1,071.9

Approved on 4 March 2019 and signed on behalf of management



V. G. Saveliev
General Director



A. Y. Chikhanchin
Deputy General Director
for Commerce and Finance

The Consolidated Statement of Profit or Loss is to be read in conjunction with the notes to, and forms a part of, the Consolidated Financial Statements presented on pages 215 to 272

Consolidated Statement of Comprehensive Income for the year ended 31 December 2018

(ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

	Note	2018	2017
Profit for the period		5,713	23,060
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Effect from hedging revenue with foreign currency liabilities	27	(10,873)	11,285
Deferred tax related to a result from cash-flow hedging instruments	11	2,175	(2,257)
Other comprehensive (loss)/income for the year		(8,698)	9,028
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(2,985)	32,088
Total comprehensive (loss)/income attributable to:			
Shareholders of the Company		(2,109)	31,900
Non-controlling interest		(876)	188
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(2,985)	32,088

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes to, and forms a part of, the Consolidated Financial Statements presented on pages 215 to 272

Consolidated Statement of Financial Position as at 31 December 2018

(ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

	Note	31 December 2018	31 December 2017
ASSETS			
Current assets			
Cash and cash equivalents	12	23,711	45,978
Short-term financial investments	17	6,437	8,931
Accounts receivable and prepayments	14	87,868	92,932
Current income tax prepayment		5,488	3,580
Aircraft lease security deposits	13	525	423
Expendable spare parts and inventories	16	14,659	12,811
Assets classified as held for sale	20	6,404	3,125
Other current assets	41	226	422
Total current assets		145,318	168,202
Non-current assets			
Property, plant and equipment	19	90,964	97,932
Prepayments for aircraft	15	21,148	13,089
Deferred tax assets	11	12,002	10,396
Goodwill	24	6,660	6,660
Long-term financial investments	17	5,393	3,338
Intangible assets	23	2,250	2,054
Aircraft lease security deposits	13	4,356	1,602
Investments in associates		545	329
Other non-current assets	18	27,990	19,728
Total non-current assets		171,308	155,128
TOTAL ASSETS		316,626	323,330

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to, and forms a part of, the Consolidated Financial Statements presented on pages 215 to 272

Consolidated Statement of Financial Position as at 31 December 2018 (continued)

(ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

	Note	31 December 2018	31 December 2017
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	21, 25	69,346	67,953
Unearned traffic revenue	25	49,874	43,695
Deferred revenue related to the frequent flyer programme	25	4,086	1,720
Provisions for liabilities	26	11,393	9,433
Finance lease liabilities	27	15,219	16,015
Short-term loans and borrowings and current portion of long-term loans and borrowings	28	175	-
Liabilities related to assets classified as held for sale	20	6,623	2,210
Current income tax liabilities		19	-
Total current liabilities		156,735	141,026
Non-current liabilities			
Long-term loans and borrowings	28	3,311	3,181
Finance lease liabilities	27	78,005	84,674
Provisions for liabilities	26	23,753	16,949
Deferred tax liabilities	11	137	68
Deferred revenue related to the frequent flyer programme	25	3,282	3,842
Other non-current liabilities	29	6,068	6,291
Total non-current liabilities		114,556	115,005
TOTAL LIABILITIES		271,291	256,031
Equity			
Share capital	31	1,359	1,359
Treasury shares buyback reserve	31	(7,040)	-
Accumulated profit on disposal of treasury shares	31	7,864	7,864
Investment revaluation reserve		-	(5)
Hedge reserve	27	(33,857)	(25,159)
Retained earnings		74,958	81,476
Equity attributable to shareholders of the Company		43,284	65,535
Non-controlling interest		2,051	1,764
TOTAL EQUITY		45,335	67,299
TOTAL LIABILITIES AND EQUITY		316,626	323,330

The Consolidated Statement of Financial Position is to be read in conjunction with the notes to, and forms a part of, the Consolidated Financial Statements presented on pages 215 to 272

Consolidated Statement of Cash Flows for the year ended 31 December 2018

(ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

	Note	2018	2017
Cash flows from operating activities:			
Profit before income tax		9,934	33,726
Adjustments for:			
Depreciation and amortisation	19, 23	12,912	14,084
Change in impairment provision for accounts receivable and prepayments	9	1,217	(338)
Change in impairment provision for obsolete expendable spare parts and inventory		9	(99)
Change in impairment provision for property, plant and equipment	19	36	(24)
Loss on disposal of subsidiaries		(1,240)	-
(Gain)/loss on disposal of property, plant and equipment and intangible assets	22	(518)	852
Profit from disposal of assets classified as held for sale	9, 20	(206)	(182)
Change in cost of investments	17	689	144
Hedging result	27	6,788	5,613
Change in provisions for liabilities	9, 26	10,135	11,190
Interest expense	10	6,445	8,179
Interest income	10	(4,156)	(4,718)
Foreign exchange loss/(gain), net	10	1,086	(2,409)
Dividend income		(93)	(88)
Other finance expenses/(income), net	10	365	46
Other operating (income)/expenses, net		(302)	(646)
Total operating cash flows before working capital changes		43,101	65,330
Increase in accounts receivable and prepayments		(15,916)	(27,816)
Increase in expendable spare parts and inventories		(1,856)	(2,672)
(Decrease)/increase in accounts payable and accrued liabilities		(612)	24,964
Total operating cash flows after working capital changes		24,717	59,806
Change in restricted cash	41	178	(435)
Income tax paid		(7,101)	(13,019)
Income tax refunded		1,701	1,080
Net cash flows from operating activities		19,495	47,432

Consolidated Statement of Cash Flows for the year ended 31 December 2018 (continued)

(ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

	Note	2018	2017
Cash flows from investing activities:			
Deposits return		23,926	13,649
Deposits placement		(21,152)	(16,300)
Proceeds from sale of property, plant and equipment		93	88
Proceeds from sale of assets held for sale		4,203	1,856
Interest received		3,115	4,241
Purchases of property, plant and equipment and intangible assets	19, 23	(13,131)	(7,681)
Dividends received		136	59
Prepayments for aircraft	15	(13,888)	(7,931)
Return of prepayments for aircraft	15	23,968	26,274
Repayment of operating lease security deposits	13	(2,428)	(211)
Return of operating lease security deposits	13	-	325
Net cash flows from investing activities		4,842	14,369
Cash flows from financing activities:			
Placement of loans and borrowings	28	350	-
Repayment of loans and borrowings		(131)	(17,417)
Proceeds from sale of own shares		-	9,730
Repayment of the principal element of finance lease liabilities	27	(21,955)	(15,513)
Interest paid		(5,207)	(4,762)
Dividends paid	36	(14,543)	(18,859)
Purchase of treasury shares	31	(7,040)	-
Net cash used in financing activities		(48,526)	(46,821)
Effect of exchange rate fluctuations on cash and cash equivalents		1,922	(478)
Net increase in cash and cash equivalents		(22,267)	14,502
Cash and cash equivalents at the beginning of the period	12	45,978	31,476
Cash and cash equivalents at the end of the period	12	23,711	45,978
Non-cash transactions as part of the investing activities:			
Property, plant and equipment acquired under finance leases		2,448	1,872

Consolidated Statement of Changes in Equity for the year ended 31 December 2018

(ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

2018									
	Note	Share capital	Accumulated profit on disposal of treasury shares and treasury shares buyback reserve	Investment revaluation reserve	Hedge reserve	Retained earnings	Total	Non-controlling interest	Total equity
1 January 2017		1,359	(1,912)	(5)	(34,187)	77,198	42,453	(1,684)	40,769
Profit for the year		-	-	-	-	22,872	22,872	188	23,060
Profit from hedging net of related deferred tax	27	-	-	-	9,028	-	9,028	-	9,028
Total other comprehensive income							9,028	-	9,028
Total comprehensive income							31,900	188	32,088
Disposal of treasury shares	31	-	9,776	-	-	-	9,776	-	9,776
Capital increase in companies with non-controlling interest		-	-	-	-	-	-	3,589	3,589
Dividends declared	32	-	-	-	-	(18,594)	(18,594)	(329)	(18,923)
31 December 2017		1,359	7,864	(5)	(25,159)	81,476	65,535	1,764	67,299
1 January 2018		1,359	7,864	(5)	(25,159)	81,476	65,535	1,764	67,299
The impact of the new standards (IFRS 9, IFRS 15)	4	-	-	5	-	1,115	1,120	(17)	1,103
Total restated 1 January 2018		1,359	7,864	-	(25,159)	82,591	66,655	1,747	68,402
Profit /(loss) for the year		-	-	-	-	6,589	6,589	(876)	5,713
Loss from hedging net of related deferred tax	27	-	-	-	(8,698)	-	(8,698)	-	(8,698)
Total other comprehensive loss							(8,698)	-	(8,698)
Total comprehensive loss							(2,109)	(876)	(2,985)
Purchase of treasury shares	31	-	(7,040)	-	-	-	(7,040)	-	(7,040)
Capital increase in companies with non-controlling interest	21	-	-	-	-	-	-	1,500	1,500
Dividends declared	32	-	-	-	-	(14,222)	(14,222)	(320)	(14,542)
31 December 2018		1,359	824	-	(33,857)	74,958	43,284	2,051	45,335

The Consolidated Statement of Changes in Equity is to be read in conjunction with the notes to, and forms a part of, the Consolidated Financial Statements presented on pages 215 to 272

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

1. NATURE OF THE BUSINESS

Aeroflot-Russian Airlines (the “Company” or “Aeroflot”) was formed as an open joint stock company in accordance with a Russian Federation Government decree issued in 1992 (hereinafter, the “1992 Decree”). The 1992 Decree conferred all the rights and obligations of Aeroflot-Soviet Airlines and its structural units upon the Company, including inter-governmental bilateral agreements and agreements signed with foreign airlines and civil aviation enterprises. Under Russian Federation Presidential Decree No. 1009 of 4 August 2004, the Company was included in the official List of Strategic Entities and Strategic Joint Stock Companies.

The Company’s principal activities are the provision of passenger and cargo air transportation services, both domestically and internationally, and other aviation services from Moscow Sheremetyevo Airport. The Company and its subsidiaries (the “Group”) are also involved in airline catering and hotel operations. Associated entities mainly comprise aviation security services and other ancillary services.

The Group’s business activities in provision of international and domestic passenger and cargo air transportation services are subject to seasonal fluctuations, the peak of demand is in the second and third quarters of the year.

As at 31 December 2018 and 31 December 2017, the Government of the Russian Federation (the “RF”) represented by the Federal Agency for Management of State Property owned 51.17% of the Company. The Company’s headquarters are located in Moscow at 10 Arbat Street, 119002, RF.

The principal subsidiaries are:

Company name	Registered address	Principal activity	31 December 2018	31 December 2017
JSC Rossiya airlines (“AK Rossiya”)	St. Petersburg, RF	Airline	75% minus one share	75% minus one share
LLC Pobeda Airlines (“Pobeda”)	Moscow, RF	Airline	100.00%	100.00%
JSC Aurora Airlines (“AK Aurora”)	Yuzhno-Sakhalinsk, RF	Airline	51.00%	51.00%
LLC Aeroflot-Finance (“Aeroflot-Finance”)	Moscow, RF	Finance services	100.00%	100.00%
JSC Aeromar	Moscow Region, RF	Catering	51.00%	51.00%
JSC Sherotel	Moscow Region, RF	Hotel	100.00%	100.00%
LLC A-Technics	Moscow, RF	Technical maintenance	100.00%	100.00%
JSC Orenburg airlines (“Orenburgavia”)(Note 22)	Orenburg, RF	Airline	-	100.00%
JSC Donavia (“Donavia”)	Rostov-on-Don, RF	Airline	100.00%	100.00%

The Group’s major associate is:

Company name	Registered address	Principal activity	31 December 2018	31 December 2017
JSC Sheremetyevo Bezopasnost	Moscow Region, RF	Aviation security	45.00%	45.00%

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

The table below provides information on the Group's aircraft fleet as at 31 December 2018 (number of aircraft):

TYPE OF AIRCRAFT	OWNERSHIP	PSJC AEROFLOT	JSC AK ROSSIYA	JSC AK AURORA	LLC AK POBEDA	GROUP TOTAL
An-24	Owned	-	-	1	-	1
DHC 8-Q300	Owned	-	-	1	-	1
DHC 8-Q402	Owned	-	-	5	-	5
Total owned aircraft		-	-	7	-	7
Airbus A319	Finance lease	-	9	-	-	9
Airbus A321	Finance lease	7	-	-	-	7
Airbus A330	Finance lease	8	-	-	-	8
Boeing B777	Finance lease	10	-	-	-	10
Total aircraft under finance leases		25	9	-	-	34
SSJ 100	Operating lease	50	-	-	-	50
Airbus A319	Operating lease	-	16	10	-	26
Airbus A320	Operating lease	80	5	-	-	85
Airbus A321	Operating lease	30	-	-	-	30
Airbus A330	Operating lease	14	-	-	-	14
Boeing B737	Operating lease	47	16	-	24	87
Boeing B747	Operating lease	-	9	-	-	9
Boeing B777	Operating lease	7	10	-	-	17
DHC 8-Q200	Operating lease	-	-	2	-	2
DHC 8-Q300	Operating lease	-	-	3	-	3
DHC 6-400	Operating lease	-	-	3	-	3
Total aircraft under operating leases		228	56	18	24	326
Total fleet		253	65	25	24	367

As at 31 December 2018, 1 An-24 aircraft was leased out.

2. BASIS AND ACCOUNTING POLICIES OF PREPARATION THE CONSOLIDATED FINANCIAL STATEMENTS

Basis of presentation

The Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in accordance with the Federal Law No. 208 – FZ "On consolidated financial reporting" dated 27 July 2010. The Consolidated Financial Statements are presented in millions of Russian Roubles ("RUB million"), except where specifically noted otherwise.

These Consolidated Financial Statements have been prepared on the historical cost convention except for financial instruments which are initially recognised at fair value and financial instruments measured at fair value through profit or loss. The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. In addition to changes in accounting policies as a result of the transition to IFRS 9 and IFRS 15 from 1 January 2018, these principles were applied consistently for all periods presented in the Financial Statements, unless otherwise indicated. See Notes 4 and 42. The main accounting policies for financial investments and revenue recognition applied up to

31 December 2017 are presented in Note 42.

All significant subsidiaries directly or indirectly controlled by the Group are included in these Consolidated Financial Statements. A list of the Group's principal subsidiaries is set out in Note 1.

Going concern

Management prepared these Consolidated Financial Statements on a going concern basis. In making this judgement management considered the Group's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of the situation in the financial markets on the operations of the Group.

Functional and presentation currency

The functional currency of the Company and its subsidiaries is the Russian Rouble ("RUB" or "rouble"), the presentation currency of the Group's Consolidated Financial Statements is the Russian Rouble as well.

Consolidation

Subsidiaries represent investees, including structured entities, which the Group controls, as the Group:

- (i) has the powers to control significant operations which has a considerable impact on the investee's income,
- (ii) runs the risks related to variable income from its involvement with investee or is entitled to such income, and
- (iii) is able to use its powers with regard to the investee in order to influence the amount of its income.

The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee.

Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee.

Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

Subsidiaries are included in the Consolidated Financial Statements at the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities received in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Goodwill is measured through the deduction of net assets of the acquired entity from the total of the following amounts: consideration transferred for the acquired entity, non-controlling share in the acquiree and fair value of the existing equity interest in the acquiree held immediately by the Group before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt securities as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

The Group measures non-controlling interest that represents the ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at:

- a) fair value, or
- b) in proportion to the non-controlling share in the net assets of the acquiree.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated, unless the cost cannot be recovered. The Company and its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

Purchases of non-controlling interests

The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the transferred consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the Consolidated Statement of Changes in Equity.

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Investments in associates

Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated impairment losses, if any. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in the Group's share of net assets of an associate are recognised as follows:

- (i) the Group's share of profits or losses of associates is included in the Consolidated Statement of Profit or Loss for the year as a share of financial results of associates,
- (ii) the Group's share in other comprehensive income is recorded as a separate line item in other comprehensive income,
- (iii) all other changes in the Group's share of the carrying value of net assets of the associates are recorded in the Consolidated Statement of Profit or Loss within the share of financial results of equity accounted investments.

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the associate's assets.

Disposals of subsidiaries or associates

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest in an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Goodwill

Goodwill is carried at cost less accumulated impairment losses, if any. The Group performs goodwill impairment testing at least on an annual basis and whenever there are indications that goodwill may be impaired. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently recovered. Goodwill is allocated to the cash generating units (namely, the Group's subsidiaries or business units). These units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currency are translated into each entity's functional currency at the official exchange rate of the Central Bank of the Russian Federation ("CBRF") at the respective end of the reporting period. Transactions in foreign currencies are recorded at the rates of exchange on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of transactions in foreign currency and from the translation of monetary assets and liabilities denominated in foreign currency into each entity's functional currency at year-end official exchange rates of the CBRF are recognised in the Consolidated Statement of Profit or Loss for the year within finance income or costs except for foreign exchange differences arising on translation of hedge financial instruments. Foreign exchange differences on hedge instruments are recognised in other comprehensive income.

Translation at year-end rates does not apply to non-monetary items in the Consolidated Statement of Financial Position that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value revaluation gain or loss.

The table below presents US Dollar and Euro to rouble exchange rates used for the translation of monetary assets and liabilities into foreign currencies:

	Official exchange rates	
	Roubles for 1 US Dollar	Roubles for 1 Euro
31 December 2018	69.47	79.46
Average rate for 2018	62.71	73.95
31 December 2017	57.60	68.87
Average rate for 2017	58.35	65.90

Revenue recognition

Starting from 1 January 2018, the Group adopted IFRS 15 "Revenue from contracts with customers". In accordance with the transition provisions of IFRS 15, the Group has elected simplified transition method with the effect of transition to be recognised as at 1 January 2018 in the Consolidated Financial Statements for the year-ending 31 December 2018 which will be the first year when the Group will adopt IFRS 15. For more information on the effect of the changes in the accounting policies, please refer to Note 4.

Revenue is recognized at the moment or upon transfer of control over goods or services to the customer at the transaction price. The transaction price is the amount of compensation, the right to which the Group expects to receive in exchange for the transfer of the promised goods or services to customers. Revenue is amount for goods and services sold in the ordinary course of business, net of taxes accrued on the revenue.

Passenger flights: Revenues from the sale of tickets are recognised upon delivery of air-transport services. The price of tickets sold and valid, that have not been used at the reporting date, is recognised in the Group's Consolidated Statement of Financial Position (unearned transportation revenue) within current liabilities. The balance on this account is reduced as the Group continues to provide related transportation services, or when the passenger returns the ticket. The price of tickets that were sold but will not be used is recognised as sales revenue at the reporting date, in line with the analysis of historical data on income from unused tickets.

Revenue from the service for changes in bookings (service fees for changes in booking terms) is recognised when transportation services are provided. Where a passenger's route consists of several segments and transportation for such rout is formalised by one single agreement for aviation services, revenue for changes in booking terms is recognised at the time of completing transportation on the first segment of the route.

Commission fees payable to agents for the sale of air tickets are recognised as sales and marketing expenses within operating expenses in the Consolidated Statement of Profit and Loss in the period of the sale of the tickets by agents, as according to the current tariffs of the Group, the period of performance of obligations on transportation of passengers does not exceed one year.

Revenue from passenger flights also includes revenue under codeshare agreements signed by the Group with certain airlines, whereby the Group and the airlines sell seats for each other's flights (hereinafter, "Codeshare Agreements"). Revenue from the sale of tickets for the flights of other airlines under Codeshare Agreements is recognised when air transport services are provided and is included in net income within traffic revenue in the Group's Consolidated Statement of Profit and Loss. Revenue from the sale of seats to the Group's flights by other airlines is recognised when air transport services have been fully provided, within traffic revenue in the Group's Consolidated Statement of Profit and Loss.

Revenue from passenger flights includes revenue under interline agreements signed between the Group and other airlines, whereby the airlines use their blank forms to document transportation under the regular flights of their partner airlines. The airline can issue tickets for any flights whose entire route or several segments of one route will be carried out by another carrier. Revenue from any flights that were provided by a partner under an interline agreement, but were documented on the blank forms of the Group is recognised when the air transport services have been rendered by the partner in the amount of net income, within traffic revenue, in the Group's Consolidated Statement of Profit and Loss.

The Group is entitled for commission fees at the time interline agreement partner or codeshare agreement partner perform the flight, which corresponds to the moment of fulfilment the obligation to the final passenger and represents the basis for settlements with the partner under the agreement.

In the case when agreement (ticket) with passenger includes two or more route segments (performance obligations) on mixed terms: flights to be performed by Group companies and flights to be performed by interline or codeshare partner, revenue is recognised when air transport services are provided and is included in full amount for Group flights or in the amount of net income for the flights of interline or codeshare partner within traffic revenue in the Group's Consolidated Statement of Profit and Loss.

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Cargo flights: Revenue from cargo flights is recognised within traffic revenue when aviation services are provided. The price of sold but not yet delivered cargo flight services is reported in the Group's Consolidated Statement of Financial Position as accounts payable and accrued liabilities.

Flight catering: Flight catering revenue is recognised upon the delivery of food on board the airplane, as it is the moment of transferring control over goods to the customers.

Other revenue: Other revenue under bilateral agreements with airlines is recognised as the Group discharges its performance obligations under the terms of each agreement. Revenue from leasing out rooms in the Group's hotel is recognised upon the service delivery. Revenue from the sale of goods is recognised upon transfer of control over assets to the customer, which normally takes place on the date of the goods' shipment to the customer. Revenue from rendering the services is recognised in the period when the services were rendered.

Financing component: Under customer contracts the period between the transfer of promised goods or services to the customer and payment by the customer for such goods or services will exceed one year. Therefore, the Group does not adjust the promised amount of consideration in line with the effect of any significant financing component.

Group Companies have no significant assets under contracts with customers. At the time the unconditional right to income arises, the Group recognizes accounts receivable. Group contractual obligations include: unearned transport revenue from passengers, liabilities under the frequent flyer programme as well as other advances from customers (Note 25).

Segment information

The Group determines and presents operating segments based on the information that internally is provided to the General Director of the Group, who is the Group's chief operating decision maker. Segments whose revenue, financial result or assets are not less than ten percent or more revenue, financial result or assets of all operating segments are reported separately.

Intangible assets

The Group's intangible assets other than goodwill have definite useful lives and primarily include capitalised computer software with the useful life from 5 to 15 years. Intangible assets are amortised using the straight-line method over their useful lives. Acquired licenses for computer software are capitalised on the basis of the costs incurred to acquire and bring them to use. If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs to disposal.

Property, plant and equipment

Property, plant and equipment are reported at cost, less accumulated depreciation and impairment losses (where appropriate). Depreciation is calculated in order to allocate the cost (less residual value where applicable) over the useful lives of the assets.

(a) Fleet

(i) **Owned aircraft and engines:** Owned fleet consists of foreign-made aircraft, engines are both Russian and foreign-made. The full list of aircraft is presented in Note 1.

(iv) **Finance leased aircraft and engines:** Where assets are financed through finance leases, under which substantially all the risks and rewards of ownership are transferred to the Group, the assets are treated as if they had been purchased outright.

(v) **Capitalised costs on regular maintenance works and repairs of aircraft operated under finance lease:** Expenditure incurred on modernisation and improvements projects that are significant in size (mainly aircraft modifications involving installation of replacement parts) are capitalised. The carrying amount of those parts that are replaced is derecognised from the Group's Consolidated Statement of Financial Position and included in operating costs in the Group's Consolidated Statement of Profit or Loss. Capitalised costs of aircraft checks and major modernisation and improvements projects are depreciated on a straight-line basis to the projected date of the next check or based on estimates of their useful lives. Ordinary repair and maintenance costs of aircraft are expensed as incurred and included in operating costs (aircraft maintenance) in the Group's Consolidated Statement of Profit or Loss.

(vi) Depreciation of fleet: The Group depreciates fleet assets owned or held under finance leases on a straight-line basis to the end of their estimated useful life or lease term, if it is shorter. The airframe, engines and interior of aircraft are depreciated

separately over their respective estimated useful lives.

Airframes of aircraft	20-32 years
Engines	8-10 years
Interiors	5 years
Buildings	15-50 years
Facilities and transport vehicles	3-5 years
Other non-current assets	1-5 years

(vii) Capitalised leasehold improvements of aircraft used under operating lease: Capitalised costs that relate to the rented fleet are depreciated over the shorter of: their useful lives and the lease term.

(b) Land, buildings, constructions and other plant and equipment

Property, plant and equipment is stated at the historical US Dollar cost recalculated at the exchange rate on 1 January 2007, the date of the change of the functional currency of the Company and its major subsidiaries from the US Dollar to the Russian Rouble or at the historical cost if property, plant and equipment was acquired after specified date. Depreciation is accrued based on the straight-line method on all property, plant and equipment based upon their expected useful lives or, in the case of leasehold properties, over the duration of the leases or useful life if it is shorter. The useful lives of the Group's property, plant and equipment range from 1 to 50 years. Land is not depreciated.

(c) Construction in progress

Construction in progress represents costs related to construction of property, plant and equipment, including corresponding variable out-of-pocket expenses directly attributable to the cost of construction, as well the acquisition cost of other assets that require assembly or any other preparation. The carrying value of construction in progress is regularly analysed for the potential accrual of the impairment provision.

Gain or loss on disposal of property, plant and equipment

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Group's Consolidated Statement of Profit or Loss for year within operating income or expenses.

Finance lease

Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of: the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is allocated between reduction of the outstanding liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Corresponding lease liabilities net of future finance expenses are recorded as a separate line item (finance lease liabilities) within current and non-current liabilities in the Group's Consolidated Statement of Financial Position. Interest expenses within lease payments are charged to profit or loss over the lease terms using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term, if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

Customs duties, legal fees and other initial direct costs increase the total amount recorded in assets in the Group's Consolidated Statement of Financial Position. The interest component of lease payments included in financial costs in the Group's Consolidated Statement of Profit or Loss.

Non-current assets classified as held for sale

Non-current assets and disposal groups (which may include both non-current and current assets) are classified in the Consolidated Statement of Financial Position as 'non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction (including loss of control of a subsidiary holding the assets) within twelve months after the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year; and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Non-current assets or disposal groups classified as held for sale in the current period's Consolidated Statement of Financial Position are not reclassified or re-presented in the comparative Consolidated Statement of Financial Position to reflect the classification at the end of the current period.

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs on disposal. Held for sale property, plant and equipment are not depreciated or amortised.

Liabilities directly associated with the disposal group that will be transferred in the disposal transaction are reclassified and presented separately in the Consolidated Statement of Financial Position.

Capitalisation of borrowing costs

Borrowing costs including interest accrued, foreign exchange difference and other costs directly attributable to the acquisition, construction or production of assets that are not carried at fair value and that necessarily take a substantial time to get ready for intended use or sale (the «qualifying assets») are capitalised as part of the costs of those assets, if the commencement date for capitalisation is on or after 1 January 2009. The Group considers prepayments for aircraft as the qualifying asset with regard to which borrowing costs and finance lease liabilities are capitalised.

The capitalisation starts when the Group:

- (a) bears expenses related to the qualifying asset;
- (b) bears borrowing costs; and
- (c) takes measures to get the asset ready for intended use or sale.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs related to capital expenditure made on qualifying assets.

Borrowing costs capitalised are calculated at the Group's average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

Impairment of property, plant and equipment

At each reporting date the management reviews its property, plant and equipment to determine whether there is any indication of impairment of those assets. If any such indication exists, the recoverable amount of the asset is estimated by management as the higher of: an asset's fair value less costs to sell and its value in use. The carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recorded within operating costs in the Group's Consolidated Statement of Profit or Loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Operating leases

Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Related direct expenses including customs duties for imported leased aircraft are recognised within non-current assets at the time of the aircraft transfer and amortised using a straight-line method over the term of lease agreement. Amortisation charges are recognised within operating costs.

The operating lease agreements include requirements to perform regular repairs and maintenance works during the lease term. Accordingly, the Group accrues a provision in the amount of discounted expenses needed to perform regular repairs and maintenance works. The estimated expenses are based on the most reliable data available at the time of such estimation. The provisions of the operating lease agreements, age and condition of the aircraft and engines, market value of fixtures, key parts and components subject to replacement and the cost of required work are taken into account. The provision is recorded at the discounted value.

The costs of regular capital repairs and maintenance works performed for aircraft held under finance lease are capitalized and amortized over the shorter of (i) the scheduled usage period to the next major inspection event or (ii) the remaining life of the asset or (iii) remaining lease term.

Financial instruments

Since 1 January 2018 the Group implemented IFRS 9 «Financial instruments». According to transition statements of IFRS 9 the Group used simplified method of transition reflecting the impact of the transition of the new standard as at 1 January 2018 in the consolidated financial statements for the year ending 31 December 2018 which will be the first year of the Group's application of IFRS 9. Further details of the impact of this change in accounting policy are provided in Note 4.

Financial instruments – key measurement terms

Fair value – is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Financial instrument measured at fair value are analysed by levels of the fair value hierarchy as follows:

- (i) level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,
- (ii) level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and
- (iii) level 3 measurements, which are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs) Note 37

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses ("ECL"). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Financial instruments – initial recognition

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC, resulting in an immediate accounting loss.

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets – classification and subsequent measurement – measurement categories.

The Group classifies financial assets in the following measurement categories: FVTPL and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model.

The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets (“hold to collect contractual cash flows”) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets (“hold to collect contractual cash flows and sell”) or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of “other” business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed.

Financial assets – classification and subsequent measurement – cash flow characteristics.

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest (“SPPI”). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Financial assets – reclassification

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL.

The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognises Net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC and contract assets are presented in the consolidated statement of financial position net of the allowance for ECL.

Explanations regarding the Group's determination of impaired assets and default are provided in Note 36. This note also provides information on the source data, assumptions and calculation methods used in estimating expected credit losses, including an explanation of how the Group includes the forecast information in the expected credit loss models.

Financial assets – write-off

Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets – derecognition.

The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial assets – modification.

The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: [any new contractual terms that substantially affect the risk profile of the asset (eg profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.]

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

Financial liabilities – measurement categories

Financial liabilities of the Group are classified as subsequently measured at AC.

Financial liabilities – derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Substantial modifications of the terms and conditions of existing financial liabilities are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Offsetting financial instrument.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Aircraft lease security deposits

Aircraft lease security deposits represent amounts paid to the lessors of aircraft in accordance with the provisions of operating lease agreements. These security deposits are returned to the Group at the end of the lease period. Security deposits related to lease agreements are presented separately in the Consolidated Statement of Financial Position (aircraft lease security deposits) and initially recorded at fair value and then at amortized cost calculated using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Restricted balances are excluded from cash and cash equivalents for the purposes of the Cash Flow Statement.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and are subsequently carried at AC using the effective interest method.

Trade and other payables

Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at AC using the effective interest method.

Loans and borrowings

Loans and borrowings are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Short-term loans and borrowings comprise:

- interest bearing loans and borrowings with a term shorter than one year;
- current portion of long-term loans and borrowings.

Long-term loans and borrowings include liabilities with the maturity exceeding one year.

Financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as hedges for a highly probable forecast transaction (cash flow hedge).

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Statement of Profit or Loss as a separate line below operating result of the Group.

Amounts accumulated in equity are reclassified to profit or loss (as profit or loss from financing activities) in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Consolidated Statement of Profit or Loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Consolidated Statement of Profit or Loss within gains and losses from financing activities as a separate line.

The hedging result in the Consolidated Statement of Profit or Loss is the change in the fair value of the hedging derivative financial instruments (realized hedging) and the multidirectional effect of the hedging risk impact on the related hedge transactions recorded in operating activities.

Prepayments

In these Consolidated Financial Statements, prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are included to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in the Group's Consolidated Statement of Profit or Loss for the year.

Expendable spare parts and inventories

Inventories, including aircraft expendable spare parts, are valued at cost or net realisable value, whichever is lower.

With the release of material values in production and other disposal the costs are determined as the actual acquisition cost of spare parts for aircraft maintenance and as the cost of other inventories on the first-in, first- out ("FIFO") basis.

The Group writes off the full amount of obsolete inventories which the Group does not plan to continue using in its operations.

Value added taxes

Value added tax ("VAT") related to sales of goods or provision of services is recorded as a liability to the budget on an accruals basis. Domestic flights in general are subject to VAT at 10% and international flights are subject to VAT at 0%. Input VAT invoiced by domestic suppliers as well as VAT paid in respect of imported leased aircraft and spare parts may be recovered, subject to certain restrictions, against output VAT. The recovery of input VAT is typically delayed by up to six months and sometimes longer due to compulsory tax audit requirements and other administrative matters. Input VAT claimed for recovery as at the date of the Consolidated Statement of Financial Position is presented net of the output VAT liability. Recoverable input VAT that is not claimed for recovery in the current period is recorded in the Consolidated Statement of Financial Position as VAT receivable. VAT receivable that is not expected to be recovered within the twelve months from the reporting date is classified as a non-current asset. Where provision has been made for uncollectible receivables, the bad debt expense is recorded at the gross amount of the account receivable, including VAT.

Frequent flyer programme

Since 1999, the Group operates a frequent flyer programme referred to as "Aeroflot Bonus". Subject to the Programme terms, to increase customer loyalty to the Company's services, Aeroflot Bonus miles are awarded for the use of the Group's and its partners' services, and in the form of free promo miles to incentivise participation in the Programme. The miles earned entitle the participants to a number of benefits such as free flights, flight class upgrades and redeem miles for special awards from programme partners if the additional conditions of the Programme are met.

Starting from 1 January 2018, the Group adopted IFRS 15 "Revenue from contracts with customers", which effected on accounting of liabilities under the "Aeroflot Bonus" programme. For more information on the effect of the changes in the accounting policies, please refer to Note 4.

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Revenue for bonus miles is recognised when the Programme participant receives the service through reducing the short-term deferred revenue and other current liabilities based on the estimated value of one bonus mile. The amount of deferred revenue is calculated through allocating the transaction price between performance obligations (ticket sold and bonus miles) pro rata to their relative price of a stand-alone selling price on the date when a ticket to a regular flight is sold to the passenger. On the date of a ticket sale, the Group has two performance obligations: to provide the passenger with a seat on the selected flight and to provide the passenger with the service in the future (flight class upgrades or other goods and services) for the amount of accrued bonus miles.

The estimated value of miles earned, but not used by Aeroflot Bonus participants on the Group's own flights is recognised within short-term and long-term deferred revenue under the frequent flyer programme (Note 25) within current and non-current liabilities in the Group's Consolidated Statement of Financial Position.

The estimated value of bonus miles accumulated by Aerfolot Bonus participants for using the services provided by the partners of the programme is recognised as other accrued current and non-current liabilities under the frequent flyer programme (Notes 25) within accounts payable and accrued liabilities in the Group's Consolidated Statement of Financial Position.

The estimated value of bonus miles is the same for the miles accumulated by the participants during the Group flights and for those miles accumulated by the participants for using the Programme partner services.

Employee benefits

Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and etc.) are accrued in the year in which the associated services are rendered by the employees of the Group.

Provisions for liabilities

Provisions for liabilities are recognised if, and only if, the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate (Note 26). Where the effect of the time value of money is significant, the amount of a provision is stated at the present value of the expenditures required to settle the obligation.

Income tax

Income taxes have been provided for in the Consolidated Financial Statements in accordance with legislation using tax rates and legislative regulations enacted or substantively enacted at the end of the reporting period. Income tax expense/benefit comprises current and deferred tax and is recognised in the Consolidated Statement of Profit or Loss for the year, unless it should be recorded within other comprehensive income or directly in equity since it relates to transactions which are also recognised within other comprehensive income or directly in equity in this or any other period.

Current tax is the amount expected to be paid to or recovered from budget in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the Consolidated Financial Statements are authorised prior to filing relevant tax returns. Other tax expenses, except from the income tax, are recorded within other operating costs in the Group's Consolidated Statement of Profit or Loss.

Deferred income tax is provided using the balance sheet liability method for tax losses carried forward and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Statement of Financial Position. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences arising on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill, and subsequently for goodwill which is not deductible for tax purposes. Deferred tax assets and liabilities are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax losses carried forward will be utilised.

Deferred tax assets for deductible temporary differences and tax losses carried forward are recorded only to the extent that it is probable that recovery of temporary differences and future taxable profit will be available against which the deductions can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that Management expects the temporary differences to reverse in the foreseeable future.

Uncertain income tax positions

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than income tax are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Pensions

The Group makes certain employee benefits payments related to retirement. Pension liabilities are liabilities for defined benefit plans. The amount of expenditures and obligations for such plans is estimated using the projected unit credit method. In this method, the costs of pension payments are reflected in the Consolidated Statement of Profit and Loss in order to evenly distribute the costs over the life of the employee. Gains and losses arising when actuarial calculations change are immediately allocated to other Comprehensive Income. Pension obligations to employees who have not reached retirement age are calculated on the basis of minimum annual payments and do not take into account the possible increase in management of the value of pensions in the future. If such pension payments to employees fall within a period of more than 12 months from the reporting date, they are discounted; a discount rate is applied, determined on the basis of the rate of return government bonds at the reporting date.

The Group also participates in a defined contribution plan, under which the Group has committed to making additional contributions as a percentage (20% in 2018) of the contribution made by employees choosing to participate in the plan. Contributions made by the Group on defined contribution plans are charged to expenses when incurred. Contributions are also made to the Government Pension fund at the statutory rates in force during the year. Such contributions are expensed as incurred.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Share-based compensation

The title to future equity compensations (shares or share options) to employees for the provided services is measured at fair value of these instruments at the date of the transfer and is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to these awards.

The amount recognised as an expense is adjusted to reflect the number of awards transferable to employees as a result of the final transfer of the right on these tools when the employee fulfills the conditions associated with the length of service, as well as the non-market performance conditions. The effect of revisiting initial estimates, if any, is recognised in profit or loss with a corresponding adjustment to equity.

Services, including employee services received in exchange for cash-settled share-based payments, are recognised at the fair value of the liability incurred and are expensed at the moment of its provision. The liability is re-measured at each balance sheet date to its fair value, with all changes recognised immediately in profit or loss.

Treasury shares purchased

Where the Company or its subsidiaries purchase the Company's equity instruments, the consideration paid, including any directly attributable incremental costs, net of income taxes, is deducted from equity attributable to the Company's owners until the equity instruments are cancelled, reissued or disposed of. The Company's shares, which are held as treasury stock or belong to the Company's subsidiaries, are reflected as a reduction of the Group's equity.

The sale or re-issue of such shares does not impact net profit for the current year and is recognised as a change in the shareholders' equity of the Group. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's shareholders.

Dividend distributions and payments by the Company are recorded net of the dividends related to treasury shares.

Dividends

Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved by the shareholders in the General Shareholders' Meeting.

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(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Earnings/loss per share

Earnings per share are determined by dividing the profit or loss attributable to the Company's shareholders by the weighted average number of participating shares outstanding during the reporting year. The calculation of diluted earnings per share includes shares planned to be used in the option programme when the average market price of ordinary shares for the period exceeds the exercise price of the options.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the amounts recognised in the Consolidated Financial Statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the Consolidated Financial Statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Useful lives and residual value of property, plant and equipment

The assessment of the useful lives of property, plant and equipment and their residual value are matters of management judgement based on the use of similar assets in prior periods. To determine the useful lives and residual value of property, plant and equipment, management considers the following factors: nature of the expected use, estimated technical obsolescence and physical wear. A change in each of the above conditions or estimates may require the adjustment of future depreciation expenses.

Value of tickets which were sold, but will not be used

The value of tickets that were sold, but will not be used is recognised as sales revenue at the reporting date estimated through analysing historical data on income from unused tickets. The assessment of the probability that the tickets will not be used is a matter of management judgement. A change in these estimates may require an adjustment to the revenue amount in the Consolidated Statement of Profit or Loss (Note 5) and to the transportation revenue not earned in the Consolidated Statement of Financial Position.

Frequent flyer programme

The bonus miles provide customers with a substantial right, which they would not qualify unless they signed the agreement. The Customer could use bonus miles to buy flight tickets in the future or to pay for services of other Programme partners. Therefore, the promise to provide bonus miles to the customer is a separate performance obligation. The transaction price is allocated between the ticket for the Company's regular flight and accrued bonus miles on the basis of a relative stand-alone selling price on the date of executing the agreement.

The stand-alone selling price of a ticket for a regular flight is a tariff established by the Company for a specified route at the time of the sale, regardless of whether or not the customer is a Programme participant.

The stand-alone selling price of one separate bonus mile is a tool for determining the cost of services to be provided in the future to the Programme participant. The Company determines the price of the future service (or part of it) per bonus mile as equal to the Company's assessment of the estimated value of the service per one mile.

At the reporting date, the Group assesses and recognises a performance obligation for the amount of accrued bonus miles accumulated by Aeroflot Bonus Programme participants. The estimate is made based on the statistical information available to the Group and reflects the expected amount of miles to be used after the reporting date multiplied by their estimated value. The assessment of the estimated value of a bonus mile, as well as the management's expectations regarding the amount of miles to be used by Aeroflot Bonus participants, are a matter of management judgement. A change in these estimates may require an adjustment in deferred revenue, accounts payable and accrued liabilities and other non-current liabilities under the frequent flyer programme in the Consolidated Statement of Financial Position (Note25) and adjustment to revenue in the Consolidated Statement of Profit or Loss (Note 5, 6).

As to the Group own flight tickets sold to the Programme participants, the Group reallocates the transaction price under the contract (ticket) between the obligation to provide a seat for any selected flight and the provision of services in the future for the amount of bonus miles accrued to the Programme participants in respect of the entire portfolio of contracts (tickets purchased by the Programme participants), as the said contracts have similar characteristics. The Group believes that from the perspective of financial statements, the results of applying a single value of transaction price allocation to the entire portfolio of contracts will not materially differ from the price allocation to each separate contract within the portfolio.

The obligation to the customer on bonus miles is fulfilled at the time when air transport services purchased for miles are provided to the customer, or when miles are used to purchase Programme partner's goods and services, and at the time of expiry of miles that were not used to buy flight tickets in accordance with the rules of the Programme.

Compliance with tax legislation

Compliance with tax legislation, particularly in the Russian Federation, is subject to a significant degree of interpretation and can be routinely challenged by the tax authorities. The management records a provision in respect of its best estimate of likely additional tax payments and related penalties which may be payable if the Group's tax compliance is challenged by the relevant tax authorities (Note 41).

Classification of a lease agreement as operating and finance lease

Management applies professional judgement with regard to the classification of aircraft lease agreements as operating and finance lease agreements in order to determine whether all significant risks and rewards related to the ownership of an asset are transferred to the Group in accordance with the agreement and which risks and rewards are significant. A change in these estimates may require a different approach to aircraft accounting.

Estimated impairment of goodwill

The Group tests goodwill for impairment at least annually. The recoverable amount of each cash generating unit was determined based on value-in-use calculations. These calculations require the use of estimates as further detailed in Note 24.

Deferred tax asset recognition

The recognised deferred tax asset represents income taxes recoverable through future deductions from income tax expense and is recorded in the Consolidated Statement of Financial Position. Deferred income tax assets are recognised to the extent that realisation of the related tax deduction is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on the medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

ECL measurement.

Measurement of ECLs for all financial instruments at AC is a significant estimate that involves determination methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 53. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience. Taking into account the short term of assets, the forecasted macroeconomic indicators did not have a significant impact on the level of losses. Detailed information is provided in Note 35.

4. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

New standards and interpretations effective from 1 January 2018

The following amended standards became effective for the Group from 1 January 2018, but did not have any material impact on the Group.

Amendments to IFRS 2 "Share-based Payment" (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).

Amendments to IFRS 4 – "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts" (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).

Annual Improvements to IFRSs 2014-2016 cycle – Amendments to IFRS 1 an IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

Amendments to IAS 40 – "Transfers of Investment Property" (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2018 or later:

Adoption of IFRS 9 "Financial Instruments" (ammended in July 2014 and effective for annual periods beginning on or after 1 January 2018).

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

The Group adopted IFRS 9, Financial Instruments, from 1 January 2018. The Group elected not to restate comparative figures and recognised any adjustments to the carrying amounts of financial assets and liabilities in the opening retained earnings as of the date of initial application of the standards, 1 January 2018. Consequently, the revised requirements of the IFRS 7, Financial Instruments: Disclosures, have only been applied to the current period. The comparative period disclosures repeat those disclosures made in the prior year.

As at 1 January 2018, the Group's management has assessed which business models apply to the financial assets held by the Group at the date of initial application of IFRS 9 (1 January 2018) and has classified its financial instruments into the appropriate IFRS 9 categories.

(i) Reclassification from loans and receivables

Following the assessment of its business model for securities within the Group's liquidity portfolio, which are mostly held to collect the contractual cash flows, the Group has identified certain securities which are managed separately and for which the past practice has been (and the Group's intention remains) hold to collect the contractual cash flows. Consequently, the Group has assessed that the appropriate business model for this group of securities is held to collect. These securities, which were previously classified as AFS, were reclassified at AC from the date of initial application.

(ii) Reclassification from available-for-sale financial assets to financial assets at fair value, which changes are recognised in profit or loss

The Group did not apply the election possibility of classifying equity investments into the category measured at fair value through other comprehensive income. Equity investments were reclassified from available-for-sale to financial assets at fair value through profit or loss (as at 1 January 2018: RUB 5,826 million). Profit from revaluation at fair value in amount RUB 2,574 million was recognised in retained earnings as at 1 January 2018. During 12 months 2018 the revaluation loss at fair value on these investments in the amount of RUB 516 million was recognised in Consolidated Statement of Profit or Loss in line loss from impairment and fair value changes of investments (Note 17).

(iii) Reclassification from available-for-sale financial assets to financial assets at amortised costs.

Investments in debt securities were reclassified from the available-for-sale category under IAS 39 to the amortised cost category under IFRS 9 at the date of transition.

Hedge accounting

The currency risk management policy and the hedging strategy of the Group's currency risk remain unchanged in the application of IFRS 9. Cash flow hedge accounting continues to be applied to existing hedging relationships.

IFRS 9 eliminates the requirement to assess the effectiveness of a hedge in the range of 80-125%, and the effectiveness of the hedge is estimated based on the existence of an economic relationship between the instrument and the hedged item. However, in accordance with IFRS 9, discounting of hedged cash flows is required to assess the effectiveness of the hedge. Accordingly, the Group updated its approach to assessing the effectiveness of the hedge, and identified as a hedged item the future highly probable revenue equal to the amount of cash flows from financial leases on a non-discount basis. This change has a prospective effect on 1 January 2018, and has no impact on the Group's opening balance as a result of the adoption of a new standard in accounting for hedging (IFRS 9).

The table below compares the classification of financial assets into the previous valuation categories in accordance with IAS 39 with their new classification in accordance with IFRS 9 as of 1 January 2018:

	Measurement category		Carrying value per IAS 39 (31 December 2017)	Remeasurement		Carrying value per IFRS 9 (1 January 2018)
	IAS 39	IFRS 9		Expected credit losses	Other	
Cash and cash equivalents	Loans And Accounts Receivable	Measured at amortized cost	45,978	-	-	45,978
Investments in debt securities	Available-For-Sale	Measured at amortized cost	56	-	-	56
Investments in equity securities	Available-For-Sale	Measured at fair value through profit or loss	3,252	-	2,574	5,826
Financial accounts receivables	Loans And Accounts Receivable	Measured at amortized cost	34,991	(40)	-	34,951
Aircraft lease security deposits	Loans And Accounts Receivable	Measured at amortized cost	2,025	-	-	2,025
Debt financial investments	Loans And Accounts Receivable	Measured at amortized cost	8,961	(30)	-	8,931
Other financial assets	Loans And Accounts Receivable	Measured at amortized cost	583	-	-	583
Total financial assets			95,846	(70)	2,574	98,350

There were no significant changes in respect of financial obligations.

The movement of the gross book value (before deducting the provision for ECL) of financial assets is presented in the table below:

	Cash and cash equivalents	Financial accounts receivables	Debt financial investments	Equity financial investments	Aircraft lease security deposits	Other financial assets	Total
Gross book value per IAS 39 (opening balance at	45 978	46 339	18 457	3 252	2 025	583	116 634
1 January 2018)	45,978	46,339	18,457	3,252	2,025	583	116,634
Amounts adjusted through retained earnings at the beginning of the period	-	-	-	2,574	-	-	2,574
Gross book value per IFRS 9 (opening balance at	(22 267)	6 269	(2 296)	(516)	2 867	101	(15 841)
1 January 2018)	45,978	46,339	18,457	5,826	2,025	583	119,208
Change in gross book value for the period	(22,267)	6,269	(2,296)	(516)	2,867	101	(15,841)
Gross book value at 31 December 2018	23,711	52,608	16,161	5,310	4,892	684	103,367

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Movements in the provision for expected credit losses of financial assets are as follows:

	Financial accounts receivable	Other financial assets	Total provision
1 January 2018 – IAS 39	(11,348)	(9,440)	(20,788)
Amounts adjusted through retained earnings at the beginning of the period	(40)	(30)	(70)
1 January 2018 – IFRS 9	(11,388)	(9,470)	(20,858)
Provision increase	(1,642)	(182)	(1,824)
Provision release	1,087	-	1,087
Provision recovery	473	-	473
31 December 2018	(11,470)	(9,652)	(21,122)

Adoption of IFRS 15 “Revenue from contracts with customers” (issued on 28 May 2014, amended on 12 April 2016, and effective for annual periods beginning on or after 1 January 2018).

Starting from 1 January 2018, the accounting policy on revenue recognition has been amended to bring it in line with IFRS 15 “Revenue from contracts with customers”, which replaces the provisions of IAS 18 “Revenue” and other standards and interpretations relating to revenue recognition.

The adoption of IFRS 15 resulted in changes in accounting policies and adjustments to be recognised in the Consolidated Financial Statements.

The main changes in the accounting policy on revenue recognition from adoption of IFRS 15 compared to that used in previous reporting periods are explained below:

(i) Accounting for frequent flyer programme referred to as Aeroflot Bonus from own flights;

The Group operates a frequent flyer programme referred to as Aeroflot-Bonus (programme). Subject to the programme's terms, to increase customer loyalty, Aeroflot-Bonus miles are awarded for the use of the Group's services and its partners. The miles earned entitle members to a number of benefits such as free flights, flight class upgrades and redeem miles for special awards from programme partners if the additional conditions of the programme are met.

In previous reporting periods, the consideration received from the sale of tickets to passengers was distributed between obligation attributable to the bonus miles and the obligation to provide a seat on the selected flight according to the purchased ticket using the residual method. Under this method, a portion of the consideration received which was equal to the fair value of the bonus miles was recognised within liabilities under frequent flyer programme. The remaining part of consideration was recognised as the traffic revenue when the transportation service had been provided.

According to IFRS 15, the Group evaluates the goods or services under the agreement with the customer and identifies performance obligations for each distinct promise to transfer the good or service to the customer. The agreement between the Programme participant and the Company is a ticket for a regular flight purchased by the passenger. Under this agreement, there are two performance obligations to be performed: to provide the passenger with a seat on the selected flight (performance obligation No. 1); to provide the passenger with services in the future (flight class upgrades or other goods and services) for the amount of accrued bonus miles (performance obligation No. 2). Thus, different to the method applied in the previous periods, the allocation of transaction price to each performance obligation is performed on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract in the moment of its signing. The stand-alone selling price of a ticket for a regular flight of the Company (performance obligation No. 1) is the tariff established by the Company on the specified route at the time of the sale, regardless of whether the customer is a Programme participant or not. The price of one separate bonus mile (performance obligation No. 2) is a tool for determining the cost of services that will be provided in the future to the Programme participant. The management determines the cost of the future service (or part of it) per bonus mile equal to the assessment of the fair value of the service per mile based on the tariffs applicable to that service in the reporting period.

As at 1 January 2018, as a result of IFRS 15 adoption in terms of accounting the Aeroflot Bonus programme the amount of obligations under these programme increased and the amount of retained earnings reduced by RUB 1,116 million.

(ii) Accounting for revenue from service fees for changes to reservations;

In previous reporting periods, revenue from change fees was recognised as other revenue at the moment when change to booking was provided.

According to IFRS 15, the service for changes in bookings is not distinguishable and is part of the performance obligation to provide a seat for the passenger on the selected flight. A change to booking is a modification of the agreement, which the Group considers as if it were a termination of the existing agreement and conclusion of a new one. Revenue from the new agreement (this revenue includes revenue from ticket sales and service change fees) is recognised when transportation services are provided as traffic revenue. Where a route in agreement consists of several segments, revenue from change fees is recognised at the time of fulfillment of the performance obligation of transportation services for the first segment of the route.

As at 1 January 2018, as a result of IFRS 15 adoption in terms of changes in recognition of revenue from change fees the amount of liabilities to passengers as unearned transport revenue increased by RUB 357 million and the amount of retained earnings decreased by RUB 285 million including deferred tax in the amount of RUB 72 million.

(iii) Accounting for commission fees payable to agents selling tickets;

The Group uses a practical expedient in accordance with IFRS 15, and recognizes commission fees payable to agents on sale of tickets as sales and marketing expenses within operating expenses in the Consolidated Statement of Profit or Loss in the period of the sale of the tickets, as according to the current tariffs of the Group the period of performance an obligations on transportation of passengers does not exceed one year. This approach is consistent with the approach used in previous reporting periods.

In summary, management made the following adjustments to the amounts recognised in the Consolidated Statement of Financial Position of the Group as at 1 January 2018, which is the date of initial application:

	IAS 18 carrying amount 31 December 2017	Effect of IFRS 15	IFRS 15 carrying amount1 January 2018
Deferred revenue related to frequent flyer programme, current part	1,720	575	2,295
Unearned traffic revenue	43,695	357	44,052
Deferred revenue related to frequent flyer programme, non-current part	3,842	-	3,842
Accounts payable and accrued liabilities	2,566	541	3,107
Other non-current liabilities	2,563	-	2,563

Changes in reporting figures of the Consolidated Financial Statements in the current reporting period as a result of the application of the new accounting policy under IFRS 15 compared to the prior accounting policy under IAS 18 and other standards and interpretations on revenue, are not considered significant.

The total impact of new standards IFRS 15 and IFRS 9 on the Group`s retained earnings as at 1 January 2018 is as follows:

	2018
Opening retained earnings at 1 January 2018 – before new standards restatement	81,476
IFRS 9 adoption impact	2,504
IFRS 15 adoption impact	(1,473)
Changes in deferred tax assets on adoption IFRS 15	72
Opening retained earnings at 1 January 2018 – after IFRS 9/IFRS 15 adoption	82,579

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2019 or later, and which the Group has not early adopted:

IFRS 16, Leases (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of profit or loss and other comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

According to the preliminary assessment of the management as at 31 December 2018 after the transition to IFRS 16 the Group expects to recognize lease liabilities and right-of-use assets under aircraft lease agreements without early termination option (excluding effect from regular repairs and payments to the lessor’s reserve funds) in approximate amounts of RUB 644,793 million and RUB 486,473 million respectively (after adjustments for prepayments and accrued lease expenses recognized as at 31 December 2018) and deferred tax assets of RUB 31,664 million.

As IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, the Group does not expect any significant impact on the consolidated financial statements in respect of recognition of the Group’s activities as a lessor.

It is expected that these standards and interpretations will not have a significant impact on the Group’s Consolidated Financial Statements:

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).

Prepayment Features with Negative Compensation – Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).

Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures” (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).

Annual Improvements to IFRSs 2015-2017 cycle – amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).

Amendments to IAS 19 “Employee benefits” (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).

Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).

Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).

Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

IFRS 17 «Insurance Contracts» (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021). The Group is currently assessing the impact of the new standard on its financial statements.

IFRIC 23 «Uncertainty over Income Tax Treatments» (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019). The Group is currently assessing the impact of the new standard on its financial statements.

5. TRAFFIC REVENUE

	2018	2017
Scheduled passenger flights	496,454	427,529
Charter passenger flights	37,838	30,861
Cargo flights	18,900	16,526
Total traffic revenue	553,192	474,916

6. OTHER REVENUE

	2018	2017
Airline agreements revenue	36,646	33,196
Revenue from partners under the frequent flyer programme	12,704	11,588
Sales of goods on board	1,667	1,530
In-flight catering services	1,579	1,670
Ground handling and maintenance	560	1,253
Hotel revenue	512	448
Refuelling services	24	199
Other revenue	4,686	8,134
Total other revenue	58,378	58,018

7. OPERATING COSTS LESS STAFF COSTS AND DEPRECIATION AND AMORTISATION

	2018	2017
Operating lease expenses	88,881	65,793
Aircraft servicing	84,835	76,332
Aircraft maintenance	45,527	36,433
Passenger services expenses	23,754	20,086
Administration and general expenses	20,666	18,390
Communication expenses	15,584	14,795
Food cost for in-flight catering	11,103	10,425
Sales and marketing expenses	11,077	17,749
Insurance expenses	2,274	2,025
Cost of goods sold on board	888	836
Customs duties	1,029	1,520
Other expenses	8,855	7,459
Operating costs less aircraft fuel, staff costs and depreciation and amortisation	314,473	271,843
Aircraft fuel	181,864	122,685
Total operating costs less staff costs and depreciation and amortisation	496,337	394,528

8. STAFF COSTS

	2018	2017
Wages and salaries	64,169	63,842
Pension costs	14,541	12,669
Social security costs	4,107	6,290
Total staff costs	82,817	82,801

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Pension costs include:

- compulsory payments to the RF Pension Fund,
- contributions to a non-government pension fund under a defined contribution pension plan under which the Group makes additional pension contributions as a fixed percentage (20% for 12 months 2018, 20% for 12 months 2017) of the transfers made personally by the employees participating in the programme, and
- an increase in the net present value of the future benefits which the Group expects to pay to its employees upon their retirement under defined benefit pension plans.

	2018	2017
Payments to the RF Pension Fund	14,500	12,650
Change in pension plans	41	19
Total pension costs	14,541	12,669

9. OTHER OPERATING INCOME AND EXPENSES, NET

	2018	2017
Reimbursement of fuel excise tax (Note 41)	9,243	7,889
Fines and penalties received from suppliers	727	661
Accrual/(recovery) of provision for Group other liabilities(Note 26)	(1,625)	796
Accrual/(recovery) of provision for doubtful accounts receivable (Note 14)	(1,217)	338
Profit on disposal of assets classified as held for sale	206	182
Gain on accounts payable write-off	35	62
Insurance compensation received	1,387	49
Loss on accounts receivable write-off	(19)	(24)
Loss on fixed assets disposal and impairment on fixed assets	(1,554)	(828)
Accrual of provision for regular repair and maintenance (Note 26)	(8,510)	(11,986)
Other income/(expense), net	1,480	1,751
Total other operating income/(expenses), net	153	(1,110)

10. FINANCE INCOME AND COSTS

	2018	2017
Finance income:		
Interest income	4,156	4,718
Gain on foreign exchange, net	-	2,409
Other finance income	8	-
Total finance income	4,164	7,127

	2018	2017
Finance costs:		
Interest expense	(6,445)	(8,179)
Loss on foreign exchange, net	(1,086)	-
Other finance costs	(373)	(46)
Total finance costs	(7,904)	(8,225)

11. INCOME TAX

	2018	2017
Current income tax charge	(3,511)	(11,038)
Change in deferred income tax	(710)	372
Income tax	(4,221)	(10,666)

Reconciliation of the income tax estimated based on the applicable tax rate to the income tax is presented below:

	2018	2017
Profit before income tax	9,934	33,726
Tax rate applicable in accordance with Russian legislation	20%	20%
Theoretical income tax expense at tax rate in accordance with Russian legislation	(1,987)	(6,745)
Tax effect of items which are not deductible or assessable for taxation purposes:		
Non-taxable income	977	759
Non-deductible expenses	(4,003)	(5,052)
Unrecognised current year tax losses	(5)	(449)
Recognition of previously unrecognised tax losses	-	160
Prior years income tax adjustments	797	661
Income tax	(4,221)	(10,666)

	31 December 2018	Changes for the year	31 December 2017	Changes for the year	31 December 2017
Tax effect of temporary differences					
Tax losses carried forward	449	429	20	(123)	143
Long-term financial investments	1	(17)	18	(241)	259
Accounts receivable	68	1	67	54	13
Property, plant and equipment	36	(88)	124	(96)	220
Finance lease liabilities	20,028	(188)	20,216	(4,345)	24,561
Accounts payable	10,237	2,022	8,215	3,321	4,894
Deferred tax assets before tax set off	30,819		28,660		30,090
Deferred tax set off	(18,817)		(18,264)		(17,838)
Deferred tax assets after tax set off	12,002		10,396		12,252
Property, plant and equipment	(13,623)	1,076	(14,699)	1,677	(16,376)
Customs duties related to the imported aircraft under operating leases	(30)	75	(105)	106	(211)
Long-term financial investments	(107)	(64)	(43)	(18)	(25)
Accounts receivable	(5,194)	(1,709)	(3,485)	(2,245)	(1,240)
Accounts payable	-	-	-	25	(25)
Deferred tax assets before tax set off	(18,954)		(18,332)		(17,877)
Deferred tax set off	18,817		18,264		17,838
Deferred tax assets after tax set off	(137)		(68)		(39)
Movements for the year, net		1,537		(1,885)	
Less deferred tax recognised directly in other comprehensive income		(2,175)		2,257	
Changes in accounting policy		(72)		-	
Deferred income tax (expense)/income for the year		(710)		372	

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(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

As at 31 December 2018 the Group recognised deferred tax assets from tax losses of subsidiaries in the amount of RUB 449 million (31 December 2017: RUB 20 million).

Since 1 January 2017, previously existing restriction of 10 years losses carried forward use was cancelled (which means that the losses incurred since 2007 can be carried forward until complete use). Limitations for the recognition of losses carried forward for the period from 2017 to 2020 have been introduced in Russian legislation starting from 1 January 2017. In accordance with the new rules, the amount of used tax loss carry forwards can't exceed 50% of the tax base of relevant year. These changes will not have material impact for the Group's Consolidated Financial Statements.

12. CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
Bank deposits denominated with maturity of less than 90 days in Roubles	7,870	30,093
Bank deposits denominated with maturity of less than 90 days in US Dollars	380	-
Cash on hand and bank accounts denominated in Roubles	11,525	12,727
Cash on hand and bank accounts denominated in US Dollars	2,468	1,971
Cash on hand and bank accounts denominated in other currencies	606	375
Cash on hand and bank accounts denominated in Euro	262	419
Cash in transit	600	393
Total cash and cash equivalents	23,711	45,978

Information about the Group's exposure to interest rate risk, sensitivity analysis of financial assets as well as an assessment of impairment based on the risk of default assumption and expected loss ratios are disclosed in Note 35.

As at 31 December 2018 about 65% of the Group's funds are held in 2 highly reliable state-controlled Russian banks – PJSC VTB Bank with long-term credit rating BBB- (S&P rating agency) and PJSC Sberbank with long-term credit rating BBB- (Fitch rating agency) (as at 31 December 2017 49% of Group's cash was held in PJSC VTB Bank with long-term credit rating BB+ (S&P rating agency) and PJSC Sberbank with long-term credit rating BBB- (Fitch rating agency).

The remaining part of the Group's cash is also located primarily in the largest banks of Russia with a long-term credit rating from international rating agencies.

As at 31 December 2018 the Group had restricted cash of RUB 437 million (31 December 2017: RUB 583 million) recorded as part of other non-current assets in the amount RUB 211 million (31 December 2017: RUB 161 million) and as part of other current assets in the amount RUB 226 million (31 December 2017: RUB 422 million) in the Group's Consolidated Statement of Financial Position (Note 41).

13. AIRCRAFT LEASE SECURITY DEPOSITS

A security deposit is held with the lessor to secure the lessee's fulfilment of its obligations in full, on a timely basis and in good faith. The security deposit is transferred to the lessor by instalments or in a single instalment. The security deposit is usually equal to three monthly lease payments. The lessee has the right to replace the security deposit, in full or in part, with a letter of credit. The security deposit can be offset against the last lease payment or any payment if there is any non-fulfilment of obligations by the lessee. The security deposit is returned subsequent to the lease agreement's termination/cancellation or return of the aircraft immediately after the date of lease termination and fulfilment by the lessee of its obligations. The security deposits under aircraft lease agreements are recorded at amortised cost using an average market yield from 0.1% to 12.6% p.a.

in 2018 depending on the currency of the security deposit (2017: from 0,1% to 12.6% p.a.).

	Aircraft lease security deposits
1 January 2017	2,501
Payment of security deposits	211
Amortisation charge for the year	137
Return of security deposits during the year	(325)
Set off against accounts payable	(380)
Foreign exchange difference	(119)
31 December 2017	2,025
1 January 2018	2,025
Payment of security deposits	2,428
Amortisation charge for the year	187
Finance expenses	(275)
Provision for ECL	(11)
Set off against accounts payable	(365)
Foreign exchange difference	892
31 December 2018	4,881

As at 31 December 2018 and 31 December 2017, most of security deposits were granted to large international leasing companies.

The Group's exposure to risks for security deposits under aircraft lease agreements and impairment assessment based on the risk of default assumption and expected loss ratios disclosed in Note 35.

	31 December 2018	31 December 2017
Current portion of security deposits	525	423
Non-current portion of security deposits	4,356	1,602
Total aircraft lease security deposits	4,881	2,025

14. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31 December 2018	31 December 2017
Trade accounts receivable	39,911	36,853
Other financial receivables	12,697	9,486
Less provision for ECL	(11,470)	(11,348)
Total financial receivables	41,138	34,991
Prepayments to suppliers	20,823	13,803
VAT and other taxes recoverable	16,987	15,842
Prepayments for delivery of aircraft	5,770	25,285
Deferred customs duties related to the imported aircraft under operating leases, current portion	108	397
Other receivables	3,597	3,152
Less impairment provision	(555)	(538)
Total accounts receivable and prepayments	87,868	92,932

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As at 31 December 2018 the Group recognised provision for ECL for accounts receivable from OJSC Transaero Airlines for passengers transportation, refuelling services, aircraft servicing and ground handling of RUB 6,301 million (31 December 2017: 7,014 million).

Accounts receivable and prepayments include prepayments for acquisition of aircraft to be delivered within 12 months after the reporting date. Movements on the Prepayments for aircraft line item are due to the approaching aircraft delivery dates as well as the refund of prepayments related to the delivery of aircraft in the current period.

Deferred customs duties of RUB 108 million as of 31 December 2018 (31 December 2017: RUB 397 million) relate to the current portion of paid customs duties on imported aircraft under operating leases. These customs duties are recognised within operating costs in the Group's Consolidated Statement of Profit or Loss over the term of the operating lease. The non-current portion of the deferred customs duties is disclosed in Note 18.

Financial receivables are analysed by currencies in Note 35.

As at 31 December 2018 and 31 December 2017, the Group made sufficient provision for expected credit losses for accounts receivable and impairment provision for prepayments. For the purpose of calculating the provision for ECL for financial receivables from 1 January 2018 the Group applies the expected credit losses model in accordance with IFRS 9 instead of the incurred losses model in accordance with IAS 39.

Financial receivables are analysed by credit quality in Note 35.

As at 31 December 2018 and 31 December 2017, the current part of prepayments for aircraft include advance payments for the acquisition of the following aircraft:

Type of aircraft	31 December 2018		31 December 2017	
	Number of aircraft, units	Expected delivery date	Number of aircraft, units	Expected delivery date
Boeing B787	-	-	22	-
Boeing B777	2	2019	1	2018
Airbus A320	-	-	10	2018
Airbus A321	-	-	5	2018

As at 31 December 2018, the expected type of lease for these aircraft is not defined.

Due to changes in the plan of aircraft purchases, prepayments for Boeing B787 were reclassified by the Group from the prepayments for delivery of aircraft to other financial receivables as at 31 December 2018.

The movements in provision for ECL for accounts receivable and impairment provision for prepayments are as follows:

	Impairment provision
1 January 2017	12,342
Additional provision for impairment	709
Release of provision	(118)
Recovery of provision	(1,047)
31 December 2017	11,886
Changes in accounting policy	40
Additional provision for impairment and ECL	1,713
Release of provision	(1,118)
Recovery of provision	(496)
31 December 2018	12,025

15. NON-CURRENT PORTION OF PREPAYMENTS FOR AIRCRAFT

As at 31 December 2018 and 31 December 2017, the non-current portions of prepayments for aircraft was RUB 21,148 million and RUB 13,089 million, respectively. Changes in the non-current portion of prepayments are due to the approaching aircraft delivery dates as well as new non-current prepayments.

Prepayments made to purchase aircraft expected to be delivered within 12 months after the reporting date are recorded within accounts receivable and prepayments (Note 14).

As at 31 December 2018 and 31 December 2017, the non-current part of prepayments for aircraft include advance payments for the acquisition of the following aircraft:

Type of aircraft	31 December 2018		31 December 2017	
	Number of aircraft, units	Expected delivery date	Number of aircraft, units	Expected delivery date
Airbus A350	22	2020-2023	22	2019-2023
Boeing B777	3	2020-2021	5	2019-2021

As at 31 December 2018, the expected type of lease for these aircraft is not defined yet.

16. EXPENDABLE SPARE PARTS AND INVENTORIES

	31 December 2018	31 December 2017
Expendable spare parts	11,668	9,805
Fuel	504	738
Other inventories	3,564	3,337
Total expendable spare parts and inventories, gross	15,736	13,880
Less: written-off obsolete expendable spare parts and inventories	(1,077)	(1,069)
Total expendable spare parts and inventories	14,659	12,811

17. FINANCIAL INVESTMENTS

	31 December 2018	31 December 2017
Investments in equity securities measured at fair value through profit or loss	5,310	5,826
Debt securities accounted at amortised cost	113	116
Total long-term financial investments (before impairment provision)	5,423	5,942
Less: provision for impairment of long-term financial investments	(30)	(30)
Total long-term financial investments	5,393	5,912

	31 December 2017
Long term investments:	
Available-for-sale securities	3,252
SITA Investment Certificates	54
Total available-for-sale investments	3,306
Other	32
Total long-term financial investments	3,338

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

As at 31 December 2017, available-for-sale securities mainly reflect the cost of the Group's investments in government related company JSC MASH in the share of 2.428% less impairment loss, which provides services for the aircraft maintenance to passenger and cargo russian and foreign airlines, as well as non-aviation services for enterprises and organizations operating on the territory of Sheremetyevo airport and in the adjacent territory.

Since 1 January 2018, the Group's investment in JSC MASH is estimated at fair value through profit or loss according to the discounted cash flow model and is reflected in the Consolidated Statement of Financial Position in the amount of RUB 5,244 million as at 31 December 2018 (RUB 5,776 million as at 1 January 2018).

To prepare a model related to the absence of quoted market prices, the following factors taken into account by the Group has the most significant impact on the assessment of fair value of this investment:

- (a) the weighted average cost of capital equal to 14.5% p.a. in 2018 (as at 1 January 2018: 13.4% p.a) based on public capital markets data, data about peer companies and the actual cost of capital of JSC MASH determined based on the effective rate in financial statements;
- (b) forecasts for macro assumptions based on an Economist Intelligence Unit forecast;
- (c) passenger traffic in 2019 is planned at the level of 52 million passengers based on data from public sources. Growth rate of passenger traffic in 2020-2026 is evenly distributed, taking into account the growth of up to 82 million passengers till 2026.

The Group performed a sensitivity analysis of key assumptions used in the financial model of JSC MASH. A reasonably possible change in the weighted average cost of debt capital and passenger traffic growth does not result in an significant change in fair value of investments.

	31 December 2018	31 December 2017
Other short-term financial investments:		
Loans issued and promissory notes of third parties	9,580	9,435
Deposits placed in banks for more than 90 days	6,464	8,931
Other short-term investments	4	5
Total other short-term financial investments (before impairment provision)	16,048	18,371
Less: provision for impairment of short-term financial investments	(9,611)	(9,440)
Total short-term financial investments	6,437	8,931

All short-term investments are carried at amortized cost (Note 35).

The provision for impairment is primarily related to the accrual in of a provision for impairment of loans issued by the Group companies in favor of OJSC Transaero Airlines during 2015.

As at 31 December 2018, deposits with maturity for more than 90 days are placed in the largest Russian commercial banks with long-term credit rating not lower than B1 according to Moody's credit rating agency.

18. OTHER NON-CURRENT ASSETS

	31 December 2018	31 December 2017
Deferred customs duties related to the imported aircraft under operating leases, non-current portion	42	162
Prepaid expenses for operating lease transactions	22,710	15,427
Other non-current assets	5,238	4,139
Total other non-current assets	27,990	19,728

The Group paid advances in amount of RUB 9,117 million for operating lease of 15 aircraft delivered during 12 months of 2018 (during 12 months of 2017: RUB 11,688 million, 18 aircraft). The above mentioned advances were recognised as part of prepaid expenses for operating lease transactions organization. These assets should be written off to operating lease expenses over the term of the operating lease agreements.

19. PROPERTY, PLANT AND EQUIPMENT

	Owned aircraft and engines	Leased aircraft and engines	Land and buildings	Transport, equipment and other	Construction in progress	Total
Cost						
1 January 2017	8,147	112,942	10,131	23,937	4,721	159,878
Additions (i)	2,178	-	28	3,937	2,180	8,323
Capitalised expenditures	-	699	-	-	1,216	1,915
Disposals	(272)	(1,314)	(91)	(691)	(7)	(2,375)
Transfers to assets classified as held for sale (Note 20)	(122)	(6,476)	-	-	-	(6,598)
Transfers (ii)	2,652	1,325	83	423	(4,483)	-
31 December 2017	12,583	107,176	10,151	27,606	3,627	161,143
Additions (iii)	4,269	-	92	5,192	3,197	12,750
Capitalised expenditures	-	2,008	-	-	547	2,555
Disposals	(315)	(3,746)	(197)	(811)	(42)	(5,111)
Transfers to assets classified as held for sale (Note 20)	(266)	(16,354)	-	-	-	(16,620)
Transfers	213	861	6	1,142	(2,222)	-
31 December 2018	16,484	89,945	10,052	33,129	5,107	154,717

	Owned aircraft and engines	Leased aircraft and engines	Land and buildings	Transport, equipment and other	Construction in progress	Total
Accumulated depreciation						
1 January 2017	(1,511)	(36,756)	(4,970)	(11,671)	(73)	(54,981)
Charge for the year	(1,561)	(8,283)	(264)	(3,242)	-	(13,350)
Recovery/(accrual) of impairment provision	21	-	-	5	(2)	24
Disposals	141	705	65	524	-	1,435
Transfers to assets classified as held for sale (Note 20)	18	3,643	-	-	-	3,661
31 December 2017	(2,892)	(40,691)	(5,169)	(14,384)	(75)	(63,211)
Charge for the year	(1,633)	(7,103)	(251)	(3,257)	-	(12,244)
Recovery/(accrual) of impairment provision	(19)	-	-	2	(19)	(36)
Disposals	154	2,491	70	767	-	3,482
Transfers to assets classified as held for sale (Note 20)	57	8,199	-	-	-	8,256
31 December 2018	(4,333)	(37,104)	(5,350)	(16,872)	(94)	(63,753)
Carrying amount						
31 December 2017	9,691	66,485	4,982	13,222	3 552	97,932
31 December 2018	12,151	52,841	4,702	16,257	5 013	90,964

- (i) During 2017 additions mainly relate to the purchase of equipment in finance leases as well as the spare parts for aircraft, used for capital repairs.
- (ii) During 2017 transfers primarily relate to 2 aircraft DHC 8 for JCS Avrora.
- (iii) During 2018 additions mainly relate to the purchase of equipment in finance leases, the spare parts for aircraft, used for capital repairs as well as purchase of the engine at LLC Pobeda Airlines.

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Capitalised borrowing costs for 12 months 2018 amounted to RUB 547 million (2017: RUB 1,216 million). Capitalisation rate of interest expenses and forex for the period was 3.1% p.a. (2017: 4.2%).

As at 31 December 2018 the cost of fully depreciated property, plant and equipment was RUB 7,918 million (31 December 2017: RUB 10,033 million).

20. ASSETS CLASSIFIED AS HELD FOR SALE

As at 31 December 2018, 7 Airbus A321 aircraft (31 December 2017: 4 aircraft) operated under finance lease agreements were targeted for disposal; therefore, at the end of the reporting period these assets and related liabilities were classified as held for sale.

As at 31 December 2018, the amount of net liabilities related to assets classified as held for sale amounted to RUB 219 million (31 December 2017: net assets held for sale amounted to RUB 915 million).

	Initial cost of property, plant and equipment	Accumulated depreciation and impairment	Total assets	Total liabilities
1 January 2017	3,049	(1,909)	1,140	-
Additions (Note 19)	6,598	(3,661)	2,937	(2,736)
Disposals	(2,888)	1,916	(972)	465
Release of impairment provision	-	20	20	-
Revaluation	-	-	-	61
31 December 2017	6,759	(3,634)	3,125	(2,210)

	Initial cost of property, plant and equipment	Accumulated depreciation and impairment	Total assets	Total liabilities
1 January 2018	6,759	(3,634)	3,125	(2,210)
Additions (Note 19)	16,620	(8,256)	8,364	(8,830)
Disposals	(10,833)	5,712	(5,121)	6,044
Release of impairment provision	-	36	36	-
Revaluation	-	-	-	(1,627)
31 December 2018	12,546	(6,142)	6,404	(6,623)

During 12 months 2018 the Group disposed of 6 Airbus A321 aircraft (during 12 months 2017: 2 Airbus A321 aircraft). Profit from disposal of mentioned aircraft amounted to RUB 206 million (during 12 months 2017: RUB 182 million).

21. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	31 December 2018	31 December 2017
Accounts payable	40,425	34,095
Other financial payables	4,871	6,880
Dividends payable	64	65
Total financial payables	45,360	41,040
Staff and social funds related liabilities	16,387	19,434
Other current liabilities related to the frequent flyer programme (Note 25)	4,196	2,566
Other taxes payable	1,323	2,626
Advances received (other than unearned traffic revenue)	1,546	1,451
Other payables	534	836
Total accounts payable and accrued liabilities	69,346	67,953

As at 31 December 2018, staff related liabilities primarily include salary payable, as well as social contribution liabilities of RUB 8,315 million (31 December 2017: RUB 13,270 million) and the unused vacation accrual of RUB 7,978 million (31 December 2017: RUB 6,071 million).

As at 31 December 2018 previously recognized payables to the Ministry of Property and Land Relations of the Sakhalin Region for contributing to the share capital of JSC AK Aurora in amount of RUB 1,500 million were classified as a non-controlling interest in the Condensed Consolidated Statement of Changes in Equity due to registration of the new charter of JSC AK Aurora on 5 July 2018.

Financial payables by currency are analysed in Note 35.

22. DISPOSAL OF SUBSIDIARIES

In December 2018, the Group disposed of JSC Orenburg airlines. A profit from the disposal in the amount of RUB 1,240 million was recognised in profit or loss for 12 months 2018. JSC Orenburg airlines did not conduct any significant operating activities in 2018.

Profit on disposal of JSC Orenburg airlines in 2018 includes the following components:

	JSC Orenburg airlines
Negative net assets of disposed company	18,325
Group's share in negative net assets of disposed company	18,325
Intragroup liabilities, including:	
Accounts payable from disposed subsidiary to the Group	(8,013)
Loan issued by the Group to disposed subsidiary	(9,072)
Profit from disposal	1,240

23. INTANGIBLE ASSETS

	Software	Licences	Investments in software and R&D	Trademark and client base	Other	Total
Cost						
1 January 2017	2,840	134	1,192	1,630	36	5,832
Additions	552	-	145	-	37	734
Disposals	(14)	-	(3)	-	(3)	(20)
Transfer	415	-	(442)	-	27	-
31 December 2017	3,793	134	892	1,630	97	6,546
Additions	766	-	76	-	25	867
Disposals	(11)	-	-	-	(1)	(12)
Transfer	-	-	(11)	-	11	-
31 December 2018	4,548	134	957	1,630	132	7,401
Accumulated amortisation and impairment						
1 January 2017	(2,779)	(89)	-	(1,139)	-	(4,007)
Charge for the year	(476)	-	(103)	(135)	(20)	(734)
Disposals	13	-	-	234	2	249
31 December 2017	(3,242)	(89)	(103)	(1,040)	(18)	(4,492)
Charge for the year	(285)	-	(209)	(133)	(41)	(668)
Disposals	9	-	-	-	-	9
31 December 2017	(3,518)	(89)	(312)	(1,173)	(59)	(5,151)
Carrying amount						
31 December 2017	551	45	789	590	79	2,054
31 December 2018	1,030	45	645	457	73	2,250

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(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

24. GOODWILL

For the purposes of impairment testing, goodwill is allocated between the cash generating units (the “CGUs”), i.e. the Group subsidiaries and/or divisions of companies that represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and are not larger than an operating segment of the Group.

The aggregate carrying amount of goodwill, allocated to the Groups’ business-units as at 31 December 2018 and as at 31 December 2017 is presented in the table below:

	CGU name	31 December 2018	31 December 2017
	AK Rossiya	6,502	6 502
	AK Aurora	158	158
	Total	6,660	6 660

The recoverable amount of CGU was calculated on the basis of value in use, which was determined by discounting the future cash flows to be generated as a result of the CGU’s operations.

Key assumptions against which the recoverable amounts are estimated concerned the discount rate, the rate of return and the growth rate for the calculation of the terminal value.

AK Rossiya

The discount rate calculation is based on weighted average cost of capital (WACC) and amounts to 14.1% p.a. for the entire forecast period (31 December 2017: 12.8% p.a.).

The growth rate for the terminal value calculation was set at the level of Russia's GDP long-term growth rate of 2.7% p.a. (2017: 2.7% p.a.).

The budget for 2019 of “AK Rossiya” was adopted as a basis to forecasting the cash flows.

The Group's management has conducted a sensitivity analysis of the goodwill impairment test results to changes in rates of return as the most sensitive indicator. In case of decrease of this rate by 13% even though all other variables held constant, it would result in an impairment of CGU's goodwill in the full amount. The results of the impairment test for goodwill are also sensitive to assumptions regarding seat occupancy and discount rates.

25. ACCOUNTS RECEIVABLE AND LIABILITIES ARISING FROM CONTRACTS WITH CUSTOMERS

The Group has recognised the following liabilities arising from contracts with customers:

	Note	31 December 2018	31 December 2017
Unearned traffic revenue		49,874	44,052
Deferred revenue related to the frequent flyer programme, current		4,086	2,295
Other current liabilities related to the frequent flyer programme	21	4,196	3,107
Other short-term advances received under contracts with customers		106	143
Total current contract liabilities		58,262	49,597
Deferred revenue related to the frequent flyer programme, non-current		3,282	3,842
Other non-current liabilities related to the frequent flyer programme	29	2,456	2,563
Long-term advances received under contracts with customers		2,500	2,500
Total noncurrent contract liabilities		8,238	8,905

Information on accounts receivable under contracts with customers is disclosed as part of financial receivables from operating activities (Note 14), except for accounts receivable from settlement agents in the amount of RUB 9,361 million (as of January 1, 2018: RUB 7,728 million).

The principal amount of obligations to customers relates to the cost of tickets sold, but unused at the reporting date, as well as obligations under the frequent flyer programme.

The change in the amount of obligations for tickets sold but unused compared with 2017 was due to the growth in the volume of services rendered, as well as an increase in the fuel surcharge included in the contract price associated with the increase in prices for jet fuel.

The reasons for the change in obligations under the passenger bonuses program are the increase in the rate of accumulation of bonus miles due to the increase in participants and the increase in the volume of services rendered for the carriage of passengers due to the continued development of services. The accumulation of bonus miles is partially offset by their use for similar reasons.

In the current reporting period, revenue was recognized in the amount of RUB 51,351 million in relation to the obligations under the contracts as of 1 January 2018, of which RUB 44,052 million related to advances in the form of unearned transport revenue and RUB 7,299 million to the frequently flying passengers programme.

The main part of long-term performance obligations to customers is the sum of obligations under the frequently flying passengers programme Aeroflot Bonus, which is calculated on the basis of accumulated experience and statistics of previous years on the preferences of passengers in the use of accumulated bonus miles (Note 3).

Deferred revenue and other accrued liabilities related to the frequent flyer programme (Aeroflot Bonus programme) as at and 31 December 2017 represent the number of bonus miles earned when flying on Group flights, but unused by Aeroflot Bonus programme members, and the number of bonus miles earned by programme members for using programme partners' services, respectively; they are estimated at fair value in accordance with IFRIC 13 "Customer loyalty programmes". Other accrued liabilities related to the frequent flyer programme also include the number of accumulated but not used bonus miles, which value reflects the best estimate of the expenditure, necessary to settle the existing obligation in accordance with IAS 37 "Provisions, contingent liabilities and contingent assets".

	31 December 2017
Deferred revenue related to the frequent flyer programme, current	1,720
Deferred revenue related to the frequent flyer programme, non-current	3,842
Other current liabilities related to the frequent flyer programme (Note 21)	2,566
Other non-current liabilities related to the frequent flyer programme (Note 29)	2,563
Total deferred revenue and other liabilities related to the frequent flyer programme	10,691

26. PROVISIONS FOR LIABILITIES

	Regular repairs and maintenance works	Other provisions	Total provisions
1 January 2017	13,510	2,585	16,095
Charge of provision for the year	13,197	1,725	14,922
Use of provision for the year	(2,814)	(36)	(2,850)
Release of provision for the year	(1,211)	(2,521)	(3,732)
Unwinding of the discount	2,807	-	2,807
Foreign exchange profit, net	(835)	(25)	(860)
31 December 2017	24,654	1,728	26,382
Charge of provision for the year	11,804	1,640	13,444
Use of provision for the year	(6,698)	(34)	(6,732)
Release of provision for the year	(3,294)	(15)	(3,309)
Unwinding of the discount	1,756	-	1,756
Foreign exchange loss, net	5,270	1	5,271
Other changes	-	(1,666)	(1,666)
31 December 2018	33,492	1,654	35,146

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(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

	31 December 2018	31 December 2017
Current liabilities	11,393	9,433
Non-current liabilities	23,753	16,949
Total provisions	35,146	26,382

Litigations

The Group is a defendant in legal claims of a different nature. Provisions for liabilities represent management's best estimate of probable losses on existing and potential lawsuits (Note 41).

As at 31 December 2018, the previously accrued provision of RUB 1,666 million for obligations to pay capitalized social payments stipulated by the legislation of the Russian Federation in connection with the start of a bankruptcy proceedings against JSC Donavia was reclassified to accounts payable.

Regular repairs and maintenance works

As at 31 December 2018, the Group made a provision of RUB 33,492 million (31 December 2017: RUB 24,654 million) for regular repairs and maintenance works of aircraft used under operating lease terms. Change in provision for regular repairs and maintenance works for 12 months 2018 amounted to RUB 8,510 million (12 months 2017: RUB 11,986 million) and was recorded within other operating income and expenses (Note 9).

27. FINANCE LEASE LIABILITIES

The Group leases aircraft from third and related parties under finance lease agreements. The list of aircraft that the Group has operated under finance lease agreements as at 31 December 2018 is disclosed in Note 1.

	31 December 2018	31 December 2017
Total outstanding payments on finance lease contracts	101,737	111,270
Future finance lease interest expense	(8,513)	(10,581)
Total finance lease liabilities	93,224	100,689
Including:		
Current finance lease liabilities	15,219	16,015
Non-current finance lease liabilities	78,005	84,674
Total finance lease liabilities	93,224	100,689

	31 December 2018			31 December 2017		
	Principal	Future interest expense	Total payments	Principal	Future interest expense	Total payments
Due for repayment:						
On demand or within 1 year	15,219	2,563	17,782	16,015	2,841	18,856
Later than 1 year and not later than 5 years	58,670	5,480	64,150	60,435	6,723	67,158
Later than 5 years	19,335	470	19,805	24,239	1,017	25,256
Total	93,224	8,513	101,737	100,689	10,581	111,270

Leased aircraft and engines with the carrying amount disclosed in Note 19 are effectively pledged for finance lease liabilities as the rights to the leased asset revert to the lessor in the event of default.

As at 31 December 2018, the total amount of the finance lease liability relating to leased aircraft and aircraft engines amounted to RUB 87 211 million (31 December 2017 – RUB 96,265 million).

As at 31 December 2018, interest payable amounted to RUB 291 million (31 December 2017: RUB 391 million) is included in accounts payable and accrued liabilities.

The effective interest rate for finance lease during 2018 was 2.9% p.a. (in 2017: 3.0% p.a.). Fair value of finance lease liabilities approximate their carrying value.

The Group hedges foreign currency risk arising on a portion of the future revenue stream denominated in US dollars with the finance lease liabilities denominated in the same currency. The Group applies cash flow hedge accounting model to this hedging relationship, in accordance with IFRS 9 “Financial Instruments”.

As at 31 December 2018, finance lease liabilities and liabilities related to assets held for sale in the amount of RUB 93,816 million denominated in US dollars (31 December 2017: RUB 96,271 million) were designated as a hedging instrument for highly probable revenue forecasted for the period 2018 – 2026 in the same amount. The Group expects that this hedging relationship will be highly effective since the future cash outflows on the lease liabilities match the future cash inflows on the revenue being hedged. As at 31 December 2018, accumulated foreign currency loss of RUB 42,321 million (before deferred income tax) on the finance lease liabilities (31 December 2017: RUB 31,449 million), representing an effective portion of the hedge, was recognised in the hedge reserve. The loss reclassified from the hedge reserve to profit or loss for 12 months 2018 was RUB 6,788 million (for 12 months 2017: RUB 5,613 million).

In 2018 interest expense on finance leases was RUB 4,466 million (2017: RUB 4,073 million).

28 LOANS AND BORROWINGS

	31 December 2018	31 December 2017
Short-term loans and other borrowings:		
Short-term loans in Russian Roubles	175	-
Total short-term loans and borrowings	175	-
Long-term loans and other borrowings:		
Long-term loans in Russian Roubles	2,844	2,800
Long-term loans and borrowings in US dollars	467	381
Total long-term loans and borrowings	3,311	3,181

The main changes in loans and borrowings during reporting period

The Group has opened a non-revolving credit line with PJSC Sberbank (fixed interest rate) in the amount of RUB 350 million. The credit line was unsecured and issued for the period up to March 2020.

As at 31 December 2018, the Group had no secured loans or borrowings.

As at 31 December 2018 and 31 December 2017, the fair values of loans and borrowings were not materially different from their carrying amounts.

Exchange bonds program

In December 2017, the Board of Directors of PJSC Aeroflot approved the Program of Exchange-Traded Bonds of the P01-BO series. At the end of January 2018 the Program was registered by PJSC Moskovskaya Birzha MMVB-RTS. The maximum amount of nominal values of exchange bonds that can be placed under the program is RUB 24,650 million with a maximum maturity of 3,640 days inclusive from the start date of placement. The expected dates and volume of bonds placement as of the date of this Consolidated Financial Statements are not determined

Undrawn commitments

As at 31 December 2018, the Group was able to raise RUB 84,183 million in cash (31 December 2017: RUB 103,175 million) available under existing credit lines granted to the Group by various lending institutions.

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29. OTHER NON-CURRENT LIABILITIES

	31 December 2018	31 December 2017
Other non-current liabilities related to frequent flyer programme (Note 25)	2,456	2,563
Defined benefit pension obligation, non-current portion	908	922
Other non-current liabilities	2,704	2,806
Total other non-current liabilities	6,068	6,291

30. NON-CONTROLLING INTEREST

The following table provides information about the subsidiary (AK Rossiya) with non-controlling interest that is material to the Group:

	2018	2017
Portion of non-controlling interest’s voting rights held	25% plus 1 share	25% plus 1 share
(Loss)/Profit attributable to non-controlling interest for the year	(1,575)	(532)
Accumulated losses attributable to non-controlling interests in subsidiary	(5,796)	(4,221)

The summarised financial information of AK Rossiya is presented below:

	31 December 2018	31 December 2017
Current assets	13,844	18,539
Non-current assets	13,896	13,371
Current liabilities	25,090	24,854
Non-current liabilities	25,832	23,938

	2018	2017
Revenue	114,523	94,816
Loss for the year	(6,299)	(2,127)
Comprehensive loss for the year	(6,299)	(2,127)

As at 31 December 2018 and 31 December 2017 there are no significant restrictions in getting access to the subsidiary’s assets or using them for settling the subsidiary’s obligations.

31. SHARE CAPITAL

As at 31 December 2018 and 31 December 2017, share capital was equal to RUB 1,359 million.

	Number of ordinary shares authorised and issued (shares)	Number of treasury shares (shares)	Number of ordinary shares outstanding (shares)
31 December 2017	1 110 616 299	-	1 110 616 299
31 December 2018	1 110 616 299	(47 817 796)	1 062 798 503

On 25 June 2018, the General Meeting of Shareholders of the Company decided to make a major transaction in which there is an interest – operating lease of fifty new MS-21-300 aircraft. Owners of voting shares who voted against this decision or did not participate in voting on this issue were entitled to claim the buyback by the Company of all or part of their shares.

As at 31 December 2018, the total number of treasury shares purchased by the Company from shareholders was 47,817,796.

In September 2017, the Company sold 53,716,189 its own shares, previously bought out by the subsidiary LLC Aeroflot Finance.

These ordinary shares carry voting rights in the same proportion as other ordinary shares.

All issued shares are fully paid. In addition to the shares that have been placed the Company is entitled to place 250,000,000 ordinary registered shares (31 December 2017: 250,000,000 shares) with par value of RUB 1 per share (31 December 2017: RUB 1 per share). Each ordinary share gives a right to one vote.

The Company’s shares are listed on the Moscow Exchange (“MICEX”). As at 31 December 2018 and 31 December 2017, weighted average price was RUB 101.08 and RUB 139.10 per share, respectively.

The Company launched a Global Depositary Receipts (GDR) programme in December 2000.

Since January 2014, one GDR equals five ordinary shares. As at 31 December 2018 and 31 December 2017, the Group's GDRs were traded on the Frankfurt Stock Exchange at EUR 6.56 per GDR and EUR 9.91 per GDR, respectively.

32. DIVIDENDS

At the annual shareholders’ meeting held on 25 June 2018 the shareholders approved dividends in respect of 2017 in the amount of RUB 12.8053 per share. All dividends are declared and paid in Russian Roubles.

At the annual shareholders' meeting held on 26 June 2017 the shareholders approved dividends in respect of 2016 in the amount of RUB 17.4795 per share. All dividends are declared and paid in Russian Roubles.

33. OPERATING SEGMENTS

The Group has a number of operating segments, but none of them, except for “Passenger Traffic”, meet the quantitative threshold for determining reportable segment. Flight routes information was aggregated in “Passenger Traffic” segment as passenger flight services on different routes have similar economic characteristics and meet aggregation criteria.

The passenger traffic operational performance is measured based on internal management reports which are reviewed by the Group’s General Director. Passenger traffic revenue by flight routes is allocated based on the geographic destinations of flights. Passenger traffic revenue by flight routes is used to measure performance as the Group believes that such information is the most material in evaluating the results.

Segment information is presented based on financial information prepared in accordance with IFRS.

Group assets are located mainly in Russian Federation

The realisation between the segments is carried out on market terms and is eliminated upon consolidation.

	Passenger traffic	Other	Inter-segment sales elimination	Total Group
2018				
External sales	607,270	4,300	-	611,570
Inter-segment sales	713	21,972	(22,685)	-
Total revenue	607,983	26,272	(22,685)	611,570
Operating profit	17,150	2,507	-	19,657
Loss from impairment and fair value changes of investments, net				(689)
Finance income				4,164
Finance costs				(7,904)
Hedging result				(6,788)
Share of financial results of associates				254
Subsidiaries disposal				1,240
Profit before income tax				9,934
Income tax				(4,221)
Profit for the year				5,713

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

	Passenger traffic	Other	Inter-segment sales elimination	Total Group
31 December 2018				
Segment assets	291,809	19,358	(12,577)	298,590
Investments in associates	-	545	-	545
Unallocated assets				17,491
Total assets				316,626
Segment liabilities	270,077	6,004	(4,946)	271,135
Unallocated liabilities				156
Total liabilities				271,291
2018				
Capital expenditures and PP&E additions (Note 19)	13,925	1,380	-	15,305
Depreciation (Notes 19)	11,738	506	-	12,244

	Passenger traffic	Other	Inter-segment sales elimination	Total Group
2017				
External sales	528,782	4,152	-	532,934
Inter-segment sales	618	19,675	(20,293)	-
Total revenue	529,400	23,827	(20,293)	532,934
Operating profit	38,041	2,370	-	40,411
Loss from impairment and fair value changes of investments, net				(144)
Finance income				7,127
Finance costs				(8,225)
Hedging result				(5,613)
Share of financial results of associates				170
Profit before income tax				33,726
Income tax				(10,666)
Profit for the year				23,060

	Passenger traffic	Other	Inter-segment sales elimination	Total Group
31 December 2017				
Segment assets	305,156	16,104	(12,235)	309,025
Investments in associates	-	329	-	329
Unallocated assets				13,976
Total assets				323,330
Segment liabilities	255,027	5,362	(4,426)	255,963
Unallocated liabilities				68
Total liabilities				256,031
2017				
Capital expenditures and PP&E additions (Note 19)	9,417	821	-	10,238
Depreciation (Notes 19)	12,985	365	-	13,350

	2018	2017
Scheduled passenger flights		
International flights from the RF to:		
Europe	67,939	57,133
Asia	37,455	31,854
America	14,793	12,869
CIS	12,788	11,364
Middle East and Africa	12,435	10,982
Total scheduled passenger revenue from flights from the RF	145,410	124,202
International flights to the RF from:		
Europe	68,733	57,523
Asia	39,292	34,589
America	14,937	12,966
CIS	12,428	10,992
Middle East and Africa	13,082	10,865
Total scheduled passenger revenue from flights to the RF	148,472	126,935
Domestic scheduled passenger flights	202,191	176,141
Other international flights	381	251
Total scheduled passenger traffic revenue	496,454	427,529

34. PRESENTATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY

Financial assets and liabilities are classified by measurement categories as at 31 December 2018 as follows:

	Measured at amortised cost	Measured at fair value through profit or loss	Total
Cash and cash equivalents (Note 12)	23 711	-	23 711
Short-term financial investments (Note 17)	6 437	-	6 437
Financial receivables (Note 14)	41 138	-	41 138
Aircraft lease security deposits (Note 13)	4 881	-	4 881
Long-term financial instruments (Note 17)	83	5 310	5 393
Other current assets	226	-	226
Other non-current assets	458	-	458
Total financial assets	76 934	5 310	82 244

	Financial liabilities	Total
Financial payables (Note 21)	45,360	45,360
Finance lease liabilities (Note 27)	93,224	93,224
Loans and borrowings (Note 28)	3,486	3,486
Other non-current liabilities	201	201
Total financial liabilities	142,271	142,271

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Financial assets and liabilities are classified by measurement categories as at 31 December 2017 as follows:

	Loans and receivables	Available-for-sale financial assets	Total
Cash and cash equivalents (Note 12)	45,978	-	45,978
Short-term financial investments (Note 17)	8,931	-	8,931
Financial receivables (Note 14)	34,991	-	34,991
Aircraft lease security deposits (Note 13)	2,025	-	2,025
Long-term financial instruments (Note 17)	32	3,306	3,338
Other current assets	422	-	422
Other non-current assets	161	-	161
Total financial assets	92,540	3,306	95,846

	Financial liabilities	Total
Financial payables (Note 21)	41,040	41,040
Finance lease liabilities (Note 27)	100,689	100,689
Loans and borrowings (Note 28)	3,181	3,181
Other non-current liabilities	306	306
Total financial liabilities	145,216	145,216

35. RISKS CONNECTED WITH FINANCIAL INSTRUMENTS

The Group manages risks related to financial instruments, which include market risk (currency risk, interest rate risk and aircraft fuel price risk), credit risk, liquidity risk and capital management risk.

Liquidity risk

The Group is exposed to liquidity risk, i.e. the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed financial conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group utilises a detailed budgeting and cash forecasting process to ensure its liquidity is maintained at appropriate level.

The following are the Group's financial liabilities as at 31 December 2018 and 31 December 2017 by contractual maturity (based on the remaining period from the reporting date to the contractual settlement date). The amounts in the table are contractual undiscounted cash flows (including future interest payments) as at respective reporting dates:

	Average interest rate		0–12 months	1–2 years	2–5 years	Over 5 years	Total
	Contractual rate	Effective rate					
31 December 2018							
Loans and borrowings in foreign currency	2.3%	2.3%	-	-	39	467	506
Loans and borrowings in Roubles	8.1%	8.1%	432	290	3,015	-	3,737
Finance lease liabilities	2.9%	2.9%	17,782	17,797	46,353	19,805	101,737
Financial payables			42,664	2,696	-	-	45,360
Total future payments, including future interest payments			60,878	20,783	49,407	20,272	151,340

	Average interest rate		0–12 months	1–2 years	2–5 years	Over 5 years	Total
	Contractual rate	Effective rate					
31 December 2017							
Loans and borrowings in foreign currency	3.1%	3.1%	-	-	-	431	431
Loans and borrowings in Roubles	11.3%	11.3%	240	224	3,200	-	3,664
Finance lease liabilities	2.9%	3.0%	18,856	17,593	49,565	25,256	111,270
Financial payables			41,040	-	-	-	41,040
Total future payments, including future interest payments			60,136	17,817	52,765	25,687	156,405

As at 31 December 2018, the Group has net short-term liabilities in the amount of RUB 11,417 million (as at 31 December 2017, net current assets in the amount of RUB 27,176 million). In 2018, the Group received a net profit of RUB 5,713 million (in 2017: RUB 23,060million). The financial result for 2018 was adversely affected by a significant increase in prices for aircraft fuel. The cash flow from operating activities for 2018 was positive and amounted to RUB 19,495 million (in 2017: RUB 47,432 million).

The Group Treasury provides financing flexibility through available credit lines. As at 31 December 2018, within the framework of credit lines provided by various credit organizations, the Group had the opportunity to raise additional funds in the amount of RUB 84,183 million (31 December 2017: RUB 103,175 million). In addition to improving liquidity, the Group plans to increase the Group's operating efficiency and further increase cash flow from operating activities.

Currency risk

The Group is exposed to currency risk in relation to revenue as well as purchases and borrowings that are denominated in a currency other than Rouble. The currencies in which these transactions are primarily denominated are Euro and US Dollar.

The Groups analyses the exchange rate trends on a regular basis.

The Group uses long-term lease liabilities nominated in US Dollars as hedging instrument for risk of change in US Dollar exchange rate in relation to revenue (Note 27).

The Group's exposure to foreign currency risk was as follows based on notional amounts of financial instruments:

In millions of Russian Roubles	Note	31 December 2018				31 December 2017			
		US Dollar	Euro	Other currencies*	Total	US Dollar	Euro	Other currencies*	Total
Cash and cash equivalents	12	2,468	262	606	3,336	1,971	419	375	2,765
Financial receivables		23,005	4,771	4,050	31,826	18,669	4,106	3,068	25,843
Aircraft lease security deposits		4,474	-	-	4,474	1,630	-	-	1,630
Other assets		130	78	4	212	99	68	4	171
Total assets		30,077	5,111	4,660	39,848	22,369	4,593	3,447	30,409
Financial payables		17,382	8,928	5,115	31,425	13,858	7,144	3,884	24,886
Finance lease liabilities		93,224	-	-	93,224	98,513	-	-	98,513
Long-term loans and borrowings	28	467	-	-	467	381	-	-	381
Total liabilities		111,073	8,928	5,115	125,116	112,752	7,144	3,884	123,780
Total liabilities, net		(80,996)	(3,817)	(455)	(85,268)	(90,383)	(2,551)	(437)	(93,371)

*currencies other than functional currency of the Group

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Strengthening or weakening of listed below currencies against rouble as at 31 December 2018 and 31 December 2017, would change profit after tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant:

	31 December 2018		31 December 2017	
	Percent of change in rate of currency versus rouble	Effect on profit after tax ((increase)/decrease)	Percent of change in rate of currency versus rouble	Effect on profit after tax ((increase)/decrease)
Increase in the rate of currency versus rouble:				
US Dollar	20%	2,138	20%	1,301
Euro	20%	(611)	20%	(408)
Other currencies	20%	(73)	20%	(70)
Decrease in the rate of currency versus rouble:				
US Dollar	20%	(2,138)	20%	(1,301)
Euro	20%	611	20%	408
Other currencies	20%	73	20%	70

As at 31 December 2018 the increase in the US dollar rate against rouble by 20% would have led to a reduction in the amount of the Group's equity by RUB 12,778 million. The change of other currencies would have no material impact on equity. As at 31 December 2017 the increase in the US dollar rate against rouble by 20% would have led to a reduction in the amount of the Group's equity by RUB 14,461 million. The change of other currencies would have no material impact on equity.

Interest rate risk

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial results and cash flows. Changes in interest rates impact primarily on change in cost of borrowings (fixed interest rate borrowings) or future cash flows (variable interest rate borrowings). At the time of raising new borrowings as well as finance lease management uses judgment to decide whether it believes that a fixed or variable interest rate would be more favourable to the Group over the expected period until maturity.

As at 31 December 2018 and 31 December 2017, the interest rate profiles of the Group's interest-bearing financial instruments were:

	31 December 2018	31 December 2017
Fixed rate financial instruments:		
Financial assets	15,313	39,417
Financial liabilities	(6,232)	(6,621)
Total fixed rate financial instruments	9,081	32,796
Variable rate financial instruments:		
Financial liabilities	(90,234)	(97,052)
Variable rate financial liabilities	(90,234)	(97,052)

As at 31 December 2018 and 31 December 2017 the Group had loans and finance lease with variable interest rates. If the variable part of interest rates on loans as at 31 December 2018 and 31 December 2017 were 20% higher or lower than the actual variable part of interest rates for the year, with all other variables held constant, interest expense would not have changed significantly (2017: would not have changed significantly).

Aircraft fuel price risk

If the price of Brent crude oil as at 31 December 2018 or 31 December 2017 were 10% higher or lower than the actual price, then, in the absence of changes in other variables (including forecasts of future oil prices), the impact on the consolidated financial result and the amount of the Group's capital would be insignificant.

Capital management risk

The Group manages its capital to ensure its ability to continue as a going concern while maximizing the return to the Company's shareholders through the optimization of the Group's debt to equity ratio.

The Group manages its capital in comparison with rivals in the airline industry on the basis of the following ratios:

- net debt to total capital,
- total debt to EBITDA, and
- net debt to EBITDA.

Total debt consists of short-term and long-term borrowings (including the current portion) (Note 28), finance lease liabilities (Note 27), customs duties payable on imported leased aircraft and defined benefit pension obligation.

Net debt is defined as total debt less cash, cash equivalents and short-term financial investments.

Total capital consists of equity attributable to the Company's shareholders and net debt.

EBITDA is calculated as operating profit before depreciation, amortization and customs duties expenses.

The ratios are as follows:

	As at and for the year ended 31 December 2018	As at and for the year ended 31 December 2017
Total debt	97,618	104,792
Cash and cash equivalents and short-term financial investments	(30,148)	(54,909)
Net debt	67,470	49,883
Equity attributable to shareholders of the Company	43,284	65,535
Total capital	110,754	115,418
EBITDA	33,598	56,015
Net debt/Total capital	0.6	0.4
Total debt/EBITDA	2.9	1.9
Net debt/EBITDA	2.0	0.9

These ratios are analysed by Group's management over time without any limitations.

There were no changes in the Group's approach to capital management in 2018 and 2017.

Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements in 2018 and 2017, except for minimal share capital according to the legislation.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents, financial receivables and investments in securities.

Provisions for impairment of financial assets are based on the probability of default and expected loss ratios. The group uses professional judgment when forming these assumptions and the choice of initial data for the calculation of impairment on the basis of the experience of the group in the past, current market conditions and future forecasts of the end of each reporting period.

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(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Impairment of financial assets

A summary of the assumptions underpinning the company's expected credit loss model is as follows:

Category	Company definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.
Underperforming	Loans for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30days past due (see above in more detail)	Lifetime expected losses
Non-performing	Principal and/or interest repayments are 90 days past due	Lifetime expected losses
Write-off	Assets that are not available for sale and for which all necessary procedures have been completed for full or partial recovery and the final amount of the loss has been determined. There is no reasonable expectation of recovery.	Asset is written off

Finance receivables

The group uses categories (portfolios) of financial receivables that reflect the associated credit risk. The classification of portfolios is based on the category of clients and the similar term of debt.

The Group conducts transactions with the following major types of counterparties:

- (i)

The Group has credit risk associated with travel agents and industry organisations. A significant share of the Group's sales is made via travel agencies. Due to the fact that receivables from travel agents are diversified the overall credit risk related to travel agencies is assessed by management as low.
- (ii)

Receivables from other airlines and agencies are regulated through the IATA clearing house, in particular for agency sales using BSP and CASS settlement systems, and ARC for part of US agents. Regular settlements ensure that the exposure to credit risk is mitigated to the greatest extent possible.
- (iii)

Credit risk arising from dealing with government institutions and banks is assessed as low. Management actively monitors its investing performance and in accordance to current policy investing only in liquid securities with high credit ratings. Management does not expect any counterparty to fail to meet its obligations. When working with banks, a system of credit limits is implemented, taking into account that the credit risks that arise when working with banks are limited, and are assessed as low

During the period of trade receivables of less than 12 months, the Group measures its own credit risk through the accrual of provisions to cover expected credit losses. Calculating the level of expected credit losses, the group considers information on the level of past losses for each category of customers. Given the short-term assets, the projected macroeconomic indicators do not have a significant impact on the level of losses. In case of adverse events in the economy, the indicators can be adjusted. For some categories of debtors (mainly agents), the group receives financial security, which is taken into account when calculating the level of expected credit losses. The financial effect of collateral is insignificant.

The group creates provisions to cover credit losses on customers ' trade receivables as follows:

Expected credit losses category	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default	Lifetime expected credit losses
Performing	Expected credit losses for 12 months. Where the term of the asset is less than 12 months, the estimated credit losses are based on the term of the asset.	40,337	(477)
Underperforming	Lifetime expected losses	262	(8)
Non-performing	Lifetime expected losses	12,009	(10,985)
Total		52,608	(11,470)

No significant changes to estimation techniques or assumptions were made during the reporting period.

The loss allowance for loans to customers as at 31 December 2018 reconciles to the opening loss allowance for that provision as follows:

	Performing	Underperform- ing	Non-performing	Total
Opening loss allowance as at 1 January 2018 (calculated under IFRS 9)	119	41	11,228	11,388
Individual financial assets transferred to non-performing (credit-impaired financial assets)	-	-	1,023	1,023
New financial assets originated or purchased	477	8	134	619
Write-offs	-	-	(1,087)	(1,087)
Recoveries	(119)	(41)	(313)	(473)
Closing loss allowance as at 31 December 2018 (calculated under IFRS 9)	477	8	10,985	11,470

Other assets at amortised cost

During the term of the assets, the Group reflects the debtor's own credit risk through the timely creation of adequate provisions to cover expected credit losses. When calculating the level of expected credit losses, the Group considers information on the level of losses that occurred in previous periods. Projected macroeconomic indicators do not have a significant impact on the level of losses. In case of adverse events in the economy, the indicators can be adjusted. Available observable market information on the credit risk of a financial instrument, including external credit ratings, is also considered.

Category	Asset	Credit loss rate	Basis for recognition of expected credit loss provision	Gross carrying amount	Lifetime expected credit losses
Performing	Cash and cash equivalents	0%	Expected credit losses for 12 months. In cases where the term of the asset is less than 12 months, the estimated losses are based on the term of the asset	23,711	-
	Financial investments	0,12% – 4,26%		6,547	(27)
	Aircraft lease security deposits	0,45% – 1,43%		4,892	(11)
Underperforming	Financial investments	100%		30	(30)
Non-performing	Financial investments	100%		9,584	(9 584)
Total				44,764	(9 652)

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Provisions for impairment of financial investments in the category of non-performing assets are provisions for loans issued by companies of the Group in favor of JSC «Transaero».

There were no significant changes in calculation methods or assumptions during the reporting period.

The maximum exposure to the credit risk net of impairment provision is set out in the table below:

	31 December 2018	31 December 2017
Cash and cash equivalents (excluding petty cash) (Note 12)	23,629	45,891
Financial receivables (Note 14)	41,138	34,991
Short-term financial investments (Note 17)	6,437	8,931
Long-term financial investments (Note 17)	5,393	3,338
Aircraft lease security deposits (Note 13)	4,881	2,025
Other assets	437	583
Total financial assets exposed to credit risk	81,915	95,759

Analysis by credit quality of financial receivables is as follows:

	31 December 2017
Past due impaired receivables	
- less than 45 days overdue	4
- 46 days to 90 days overdue	41
- 91 Days to 2 years overdue	3,571
- more than 2 years overdue	8,270
Total impaired receivables	11,886

	31 December 2017
Past due but not impaired	
- less than 90 days overdue	35
Total past due but not impaired receivables	35

Accounts receivable by category of external credit rating are presented in the table below:

	31 December 2017
Accounts receivable with investment rating	5,237
Accounts receivable with non-investment rating	3,510
Accounts receivable without external rating	26,209
Total not overdue and not impaired receivables	34,956

Payables of counterparties with investment rating includes payables with a rating at least BBB-

(Fitch and S&P rating agencies) or Baa3 (Moody` rating agency). Payables of counterparties having a rating below the “investing” are classified as «Non-investment rating ». Non-rated payables consist mainly of airline debt, as well as agents BSP, CASS, ARC and direct agents.

Other measures to manage credit risk in the Group are as follows:

- Applying a system of limits. The limits reflect the Group's willingness to bear the credit risk within reasonable limits in order to maintain competitiveness and achievement of business objectives. The limit can be set for any source of risk or an individual counterparty. Qualitative factors that take into account the ownership structure (including the presence of an external investment rating), the period of work with the Group, the existence of lawsuits and quantitative coefficients based on the reporting are applied to establish limits.
- Assessment of credit quality of counterparties (credit ratings). The Group applies the internal credit rating system primarily, but not limited to, for agents that sale of passenger and freight traffic. The counterparty's credit rating is updated on a monthly basis and allows timely response to deteriorating credit quality of the counterparty. The credit rating affects the required amount of financial security under the contract, the recalculation of which also takes place on a monthly basis.
- Regular monitoring of credit risk indicators. Indicators of credit risks allow to reveal in advance the growth of the credit risk of an individual counterparty (a group of counterparties). As a result, the Group may take the necessary actions to prevent financial losses in the event of default of the counterparty. Indicators are applied at the ERP system level. When developing indicators, the company applies methods of quantitative statistical analysis, predictive models, as well as expert indicators.
- Regular reporting on credit risk. Providing regular reporting is an essential component that allows interested persons to observe the efficiency of risk reduction measures and the dynamics of its evaluation. The reporting is provided to the management of the Group, interested structural units, audit commissions, and also to the Board of Directors.

Credit risk concentration

As at 31 December 2018 and as at 31 December 2017, a large portion of cash was placed in two banks, which causes the credit risk concentration for the Group (Note 12).

36. CHANGES IN LIABILITIES ARISING FROM FINANCIAL ACTIVITIES

The table below summarizes the changes in the Group's liabilities arising from financial activities for each of the periods presented. Cash flows for these liabilities are reflected in the Statement of Cash Flows as part of financial activities:

	Borrowings	Finance lease liabilities	Other liabilities arising from financing activities	Total
1 January 2018	3,181	100,689	65	103,935
Cash repayment of liabilities	(385)	(26,908)	(14,543)	(41,836)
Cash inflows	350	-	-	350
Forex adjustments	79	(803)	-	(724)
Other changes not related to cash flows	261	20,246	14,542	35,049
31 December 2018	3,486	93,224	64	96,774

	Borrowings	Finance lease liabilities	Other liabilities arising from financing activities	Total
1 January 2017	20,367	122,736	1	143,104
Cash repayment of liabilities	(18,634)	(19,058)	(18,859)	(56,551)
Forex adjustments	350	(1,487)	-	(1,137)
Other changes not related to cash flows	1,098	(1,502)	18,923	18,519
31 December 2017	3,181	100,689	65	103,935

Dividends paid in the amount of RUB 14,543 million are reflected in changes of other liabilities for 2018.

Dividends paid in the amount of RUB 18,859 million are reflected in changes of other liabilities for 2017.

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(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which a financial instrument can be exchanged during a current transaction between interested parties,except in cases of forced sale or liquidation. The best confirmation of fair value is the price of a financial instrument quoted in an active market.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data necessary to determine the estimated fair value. Management uses all available market information in estimating the fair value of financial instruments.

Financial assets carried at amortised cost. The fair value of instruments with a floating interest rate is normally equal to their carrying value. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates effective on debt capital markets for new instruments with similar credit risk and remaining maturity. Discount rates depend on the credit risk of the counterparty. Carrying amounts of cash and cash equivalents, financial receivables (Note 14), investments, lease security deposits (Note 13), deposits placed for more than 90 days and other financial assets and loans granted (Note 17) are approximately equal to their fair value, which belongs to Level 2 in the fair value hierarchy. Cash and cash equivalents, except for cash, belong to level 2 in the fair value hierarchy and are carried at amortized cost, which is approximately equal to their current fair value.

Financial assets measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are mainly represented by investments in JSC MASH that do not have market quotes. The fair value measurement of JSC MASH cost belong to Level 3 in the fair value hierarchy and are determined through a regular estimation of the expected discounted cash flows, where one or more of the significant inputs is not based on observable market data, including the following: (i) the discount rate determined using the CAPM; (ii) the forecast of passenger traffic and the number of take-off and landing operations based on the evaluation of historical data and public information; (iii) the growth rate of tariffs for ground handling and airport services; and (iv) the amount of capital investments estimated based on the forecast information published by JSC MASH (Note 17).

Liabilities carried at amortised cost. The fair value of financial instruments is measured based on the current market quotes, if any. The estimated fair value of unquoted fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. As at 31 December 2018 and 31 December 2017, the fair values of financial payables (Note 21), finance lease liabilities (Note 27), loans and borrowings (Note 28) were not materially different from their carrying amounts. The fair values of financial payables, finance lease liabilities and loans and borrowings are categorised as Levels 2.

38. RELATED-PARTY TRANSACTIONS

Parties are generally considered to be related if they are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship attention is directed to the economic substance of the relationship, not merely the legal form.

As at 31 December 2018 and 31 December 2017, the outstanding balances with related parties and income and expense items with related parties for 12 months 2018 and 12 months 2017 were disclosed below.

Associates

In April 2018, the Group acquired a 26% stake in “Aeromar-Krasnodar” Ltd, which is based at Krasnodar International Airport. The main activity of the organization is airline catering.

As at 31 December 2018 and 31 December 2017, the outstanding balances with associates and income and expense items with associates for 12 months 2018 and 12 months 2017 were as follows:

	31 December 2018	31 December 2017
Liabilities		
Accounts payable and accrued liabilities	136	84

The amounts outstanding to and from associates will be settled mainly in cash.

	31 December 2018	31 December 2017
Transactions		
Sales to associates	17	6
Purchase of goods and services from associates	2,753	1,877

Purchases of goods and services from associates consist primarily of aviation security services.

Government-related entities

As at 31 December 2018 and 31 December 2017, the Government of the RF represented by the Federal Agency for Management of State Property owned 51.17% stake in the Company. As the Group operates in an economic environment where the entities and credit organizations are directly or indirectly controlled by the Government of the RF through the relevant government authorities, agencies, affiliations and other organizations (government-related entities).

The Group has decided to apply the exemption from disclosure of individually insignificant transactions and balances with the Russian Government and parties that are related to the Company because the Government exercises has control, joint control or significant influence over such parties.

The Group has transactions with government-related entities, including but not limited to:

- banking services;
- investments in JSC MASH;
- finance and operating lease;
- purchase of aircraft fuel;
- purchase of air navigation and airport services; and
- government subsidies including those provided for compensating of lost income from passenger flights in certain directions under government programmes.

Outstanding balances of cash at settlement, currency and deposit accounts in the government-related banks:

	31 December 2018	31 December 2017
Assets		
Cash	15 649	22 539

The amounts of the Group's finance and operating lease liabilities (including liabilities related to assets held for sale) are disclosed in Note 27. The share of liabilities to the government-related entities is approximately 74% for finance lease (including liabilities related to assets held for sale) (31 December 2017: 71%).

The share of the government-related entities in the amount of the future minimum lease payments under non-cancellable operating leases agreements are disclosed in Note 39 is approximately 68% (31 December 2017: 49%). The share of interest expenses on finance lease is approximately 80% and 42% for operating lease expenses (2017: 90% and 38%, respectively).

For the year ended 31 December 2018 the share of Group's transactions with government-related entities is about 24% of operating costs, and about 2% of revenue (12 months 2017: about 24% and about 2%, respectively). These expenses primarily include costs of motor fuels supplies, expenses for operating lease of aircraft and aircraft engines as well as air navigation and aircraft maintenance services in the airports.

As at 31 December 2018 the government or government-related entities owned non-controlling interest of particular subsidiaries of the Group amounted to RUB 607 million (31 December 2017: RUB 499 million).

Transactions with the Russian Government also include taxes, levies and customs duties settlements and charges which are disclosed in Notes 7, 8, 11,14 and 21.

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Compensation of key management personnel

The remuneration of key management personnel (the members of the Board of Directors and the Management Committee as well as key managers of flight and ground personnel who have significant power and responsibilities on key control and planning decisions of the Group), including salary and bonuses as well as other compensations, amounted to RUB 1,548 million for 12 months 2018 (12 months 2017: RUB 2,317 million).

These remunerations are mainly represented by short-term payments. Such amounts are stated before personal income tax but exclude mandatory insurance contributions to non-budgetary funds. According to Russian legislation, the Group makes contributions to the Russian State pension fund as part of compulsory social insurance contributions for all its employees, including key management personnel.

Bonus programmes based on the Group's capitalisation

In 2016 the Group approved bonus programmes for its key management personnel and members of the Company's Board of Directors. These programmes run for 3.5 years and are to be exercised in 4 tranches of cash payments. The amounts of payments depend on the level of increase in the Company's capitalisation, the Company's capitalisation growth rates against its peers based on the results of each reporting period and achievement of target capitalisation by the end of the programmes. The fair value of the liabilities under the bonus programmes as of 31 December 2018, included in accounts payable, was determined based on the expected payment amount for the reporting period from 1 January 2018 till 31 December 2018 and amount of payment deferred till the end of the programmes.

Income in connection with the recovery of the reserve of future expenses under bonus programme and its expenses related to discounting amounted to RUB 2,222 million for 12 months 2018 and was reflected in labour costs and other financial expenses respectively (12 months 2017: RUB 3,722 million).

As at 31 December 2018, the outstanding amount of the liability under these programmes was RUB 220 million (31 December 2017: RUB 2,558 million).

39. COMMITMENTS UNDER OPERATING LEASES

Future minimum lease payments under non-cancellable aircraft and other operating lease agreements with third and related parties (Note 38) are as follows:

	31 December 2018	31 December 2018
On demand or within 1 year	98,911	73,565
Later than 1 year and not later than 5 years	369,090	272,048
Later than 5 years	566,932	314,968
Total operating lease commitments	1,034,933	660,581

The amounts above represent base rentals payable. Maintenance fees payable to the lessor, based on actual flight hours, and other usage variables are not included in the amounts.

The aircraft that the Group has operated under operating lease agreements as at 31 December 2018 are listed in Note 1. The Group received aircraft under operating lease agreements for the term of 3 to 16 years. The agreements are extendable.

As at 31 December 2018, the Group entered into a number of agreements with Russian banks under which the banks guarantee the payment of the Group's liabilities under existing aircraft lease agreements.

40. CAPITAL COMMITMENTS

As at 31 December 2018, the Group had non-cancellable agreements on future acquisition of property, plant and equipment with third parties amounted to RUB 255 116 million (31 December 2017: RUB 394,937 million). These commitments mainly relate to purchase 22 Airbus A-350 (31 December 2017: 22 aircraft), 5 Boeing B777 (31 December 2017: 6 aircraft), 22 Boeing B-787 aircraft and 15 Airbus A-320/321 aircraft as at 31 December 2017. Group expects to use supplied aircraft under lease agreements, therefore no cash outflow on entered agreements is expected.

41. CONTINGENCIES

Operating Environment of the Group

The economy of the Russian Federation displays certain characteristics of an emerging market. It is particularly sensitive to oil and gas price fluctuations. The legal, tax and regulatory frameworks of the RF continue to develop and are subject to frequent changes and varying interpretations. Though, ongoing political tension in the region and international sanctions against certain Russian companies and individuals have a negative impact on the Russian economy. Low unemployment and wage growth contributed to moderate economic growth in 2018. The financial markets continue to be volatile. This operating environment has a significant impact on the Group's operations and financial position. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

Tax contingencies

The taxation system in the RF continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes fuzzy and contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to audit and investigation by a number of authorities, which have the authority to impose severe fines and penalties charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the RF suggest that the tax authorities are taking a more tough stance in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the RF that are substantially more significant than in other countries. The Group's management believes that it has provided adequately for tax liabilities in these Consolidated Financial Statements based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of these provisions by the relevant authorities could differ and the effect on these Consolidated Statements, if the authorities were successful in enforcing their interpretations, could be significant.

Since 1 July 2015, the Russian Government has decided to decrease VAT on domestic passenger and luggage carriage by air to 10% for two years, in 2017 the term was extended until 31 December 2020. This is aimed at improving the financial and economic position of the airlines providing domestic services.

In accordance with amendments to the Russian Tax Code made in 2015, excise duties charged on the aviation fuel obtained by the Group's airlines are subject to deduction using the following special coefficients: 2.08 for 2017, 2.08 for 2018.

Since 1 January 2015, the Russian Tax Code has been supplemented with the framework of beneficial ownership to the income paid from the RF (beneficial ownership framework) for the purposes of applying tax benefits under the Double Tax Treaties (DTT). Given the limited practice of the new rules application, it is impossible to reliably assess the potential outcome of any disputes with tax authorities over compliance with the beneficial ownership confirmation requirements, however they may have a significant impact on the Group.

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), but it is characterised by a certain specificity. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length. Management has implemented internal controls to be in compliance with this transfer pricing legislation.

Tax liabilities arising from transactions between Group companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

Changes in tax legislation or its enforcement in relation to such issues as transfer pricing may lead to an increase in the Group's effective income tax rate.

In addition to the above matters, as at 31 December 2018 and 31 December 2017 management estimates that the Group has no possible obligations from exposure to other than remote tax risks.

Management will vigorously defend the Group's positions and interpretations that were applied in calculating taxes recognised in these Condensed Consolidated Interim Statements, if these are challenged by the tax authorities.

Insurance

The Group maintains insurance in accordance with the legislation. In addition, the Group insures risks under various voluntary insurance programs, including management's liability, Group's liability and risks of loss of aircraft under operating and finance lease.

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Litigations

During the reporting period the Group was involved (both as a plaintiff and a defendant) in a number of court proceedings arising in the ordinary course of business. Management believes that there are no current court proceedings or other claims outstanding which could have a material effect on the results of operations and financial position of the Group.

As at 31 December 2018 the Group's subsidiary JSC Donavia were within bankruptcy process, thus their assets of RUB 385 million, including cash and cash equivalents in the amount of RUB 226 million, have had limited availability to the Group as it is defined by Russian legislation.

As at 31 December 2017 the Group's subsidiaries JSC Orenair and JSC Donavia were within bankruptcy process, thus their assets of RUB 1,779 million including cash and cash equivalents in the amount of RUB 422 million, have had limited availability to the Group as it is defined by Russian legislation.

42.ACCOUNTING POLICIES APPLIED BEFORE 1 JANUARY 2018

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of sales related taxes.

Passenger revenue: Ticket sales are reported as traffic revenue when the transportation service has been provided. The value of tickets sold and still valid but not used by the reporting date is reported in the Group's Consolidated Statement of Financial Position in a separate line item (unearned traffic revenue) within current liabilities. This item is reduced either when the Group completes the transportation service or when the passenger requests a refund. Sales representing the value of tickets that have been issued, but which will never be used, are recognised as traffic revenue at the reporting date based on an analysis of historical patterns of actual income from unused tickets. Commissions, which are payable to the sales agents are recognised as sales and marketing expenses within operating costs in the Consolidated Statement of Profit or Loss in the period of ticket sale by agents.

Passenger revenue includes revenue from code-share agreements with certain other airlines as per which the Group and other airlines sell seats for each other's flights ("code-share agreements"). Revenue from the sale of code-share seats on other airlines is recorded at the moment of the transportation service provision and is accounted for net in Group's traffic revenue in the Consolidated Statement of Profit or Loss. Revenue from the sale of code-share seats on Group's flights by other airlines are recorded at the moment of the transportation service provision and is fully accounted for in the Group's traffic revenue in the Consolidated Statement of Profit or Loss.

Cargo revenue: The Group's cargo transport services are recognised as traffic revenue when the air transportation is provided. The value of cargo transport services sold but not yet provided is reported in the Group's Consolidated Statement of Financial Position in a separate line item (unearned traffic revenue) within current liabilities.

Catering: Revenue is recognised when meal packages are delivered to the aircraft, as this is the date when the risks and rewards of ownership are transferred to customers.

Other revenue: Revenue from bilateral airline agreements is recognised when earned with reference to the terms of each agreement. Hotel accommodation revenue is recognised when the services are provided. Revenues from sales of goods are recognised at the point of transfer of risks and rewards of ownership of the goods, normally when the goods are shipped to the customer. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point. Revenues from sale of services are recognised in the period in which the services were rendered.

Frequent flyer programme

Since 1999 the Company operates a frequent flyer programme referred to as Aeroflot-Bonus. Subject to the programme's terms, to stimulate interest in using the Company's services, Aeroflot-Bonus miles are awarded for the use of the Group's services and its partners, as well as free promo miles to encourage participation in the programme .The miles earned entitle members to a number of benefits such as free flights, flight class upgrades and redeem miles for special awards from programme partners if the additional conditions of the programme are met.

In accordance with IFRIC 13 Customer Loyalty Programmes, he fair value of miles accumulated on the Group's own flights but not used by Aeroflot-Bonus participants is recognised under current and non-current deferred revenue related to frequent flyer programme within current and non-current liabilities, respectively, in the Group's Consolidated Statement of Financial Position.

The fair value of miles accumulated by Aeroflot-Bonus participants for using services provided by the partners of the programme is recognised as other current and non-current liabilities related to frequent flyer programme in accounts payable and accrued liabilities in the Group's Consolidated Statement of Financial Position.

The fair value of the accumulated bonus miles is the same for the miles earned by the participants on the Group's own flights and the accumulated by the participants for using the services of the programme partners.

Other accrued liabilities related to promo miles accumulated but not used, the cost of which reflects the best estimate of the cost required to settle an existing liability in accordance with IAS 37 «Provisions, Contingent Liabilities and Contingent Assets» are recognised within accounts payable and accrued liabilities, respectively, in the Group's Consolidated Statement of Financial Position.

With the use of bonus miles, revenue from the loyalty programme is recognized when services are provided to program participants by reducing current deferred revenue and other current liabilities.

Financial instruments – key measurement terms

Depending on their classification, financial instruments are carried at fair value, cost or amortised cost, as described below.

Fair value – is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is quoted price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if: (a) the Group manages the group of financial assets and financial liabilities on the basis of the Company's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the Group's documented risk management or investment strategy; (b) the Group provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the Group's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Financial instrument measured at fair value are analysed by levels of the fair value hierarchy as follows:

- (i) level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,
- (ii) level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and
- (iii) level 3 measurements, which are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to, and must be settled by, delivery of such unquoted equity instruments.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, minus or plus accrued interest, and for financial assets – less any write-down (direct or through the valuation provision account) for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the Consolidated Statement of Financial Position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents and advisors, levies by regulatory agencies and securities exchanges, and transfer taxes and duties imposed on property transfer. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Initial recognition of financial instruments

Derivative financial instruments, including financial instruments subject to special hedge accounting rules, are initially recognised at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the Company/Group becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets and liaiesbilit

The Group derecognises financial assets when:

- (a) the assets are redeemed or the rights to cash flows from the assets expired, or
- (b) the Group has transferred the rights to the cash flows from financial assets or entered into a transfer agreement, while:
 - (i) also transferring all substantial risks and rewards of ownership of the assets, or
 - (ii) neither transferring nor retaining all substantial risks and rewards of ownership but losing control over such assets.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

The Group removes a financial liability (or a part of a financial liability) from its Consolidated Statement of Financial Position when, and only when, it is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled or expires. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is be recognised in profit or loss.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Consolidated Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as hedges for a highly probable forecast transaction (cash flow hedge).

The group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 24. The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Statement of Profit or Loss as a separate line below operating result of the Group.

Amounts accumulated in equity are reclassified to profit or loss (as profit or loss from financing activities) in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Consolidated Statement of Profit or Loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Consolidated Statement of Profit or Loss within gains and losses from financing activities as a separate line.

The hedging result in the Consolidated Statement of Profit or Loss is the change in the fair value of the hedging derivative financial instruments (realized hedging) and the reverse effect of the hedging risk impact on the related hedge transactions recorded in operating activities.

Available-for-sale investments

Available for sale investments are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method and recognised in profit or loss for the year as finance income. Dividends on available-for-sale equity instruments are recognised in profit or loss for the year as finance income when the Group's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired at which time the cumulative gain or loss is reclassified from other comprehensive income to finance income in profit or loss for the year.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of available-for-sale investments. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from other comprehensive income to finance costs in profit or loss for the year.

Impairment losses on equity instruments are not reversed and any subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period's profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and short-term highly liquid investments (including bank deposits) with contractual maturities of ninety days or less, earning interest income. Cash and cash equivalents are carried at amortised cost using the effective interest method.

Restricted balances are excluded from cash and cash equivalents for the purposes of the Consolidated Statement of Cash Flows. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets in the Group's Consolidated Statement of Financial Position.

Cash flows arising from the receipt of interests are classified as cash flows from investing activities in the Consolidated Statement of Cash Flows.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are individually recognised at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Doubtful accounts receivable balances are assessed individually and any impairment losses are included in other operating costs in the Group's Consolidated Statement of Profit or Loss.

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

(CONTINUED. ALL AMOUNTS ARE PRESENTED IN MILLIONS OF RUSSIAN ROUBLES, UNLESS OTHERWISE STATED)

Impairment of financial assets carried at amortised cost

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account within the profit or loss for the year.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognised and a new asset is recognised at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

Trade and other payables

Trade payables are accrued when the counterparty performs its obligations under the contract and are carried at amortised cost using the effective interest method.

Aircraft lease security deposits

Aircraft lease security deposits represent amounts paid to the lessors of aircraft in accordance with the provisions of operating lease agreements. These security deposits are returned to the Group at the end of the lease period. Security deposits related to lease agreements are presented separately in the Consolidated Statement of Financial Position (aircraft lease security deposits) and recorded at amortised cost.

Commercial and non-commercial entities in which PJSC Aeroflot holds an interest

AS AT 31 DECEMBER 2018

Full and abbreviated name	Stake, %	Purpose	Form	Amount, RUB thousand	Core operations as defined in the Articles of Association	Revenue in 2018, RUB thousand*	Profit (loss) in 2018, RUB thousand*	Dividends received in 2018, RUB thousand
Joint Stock Company Rossiya Airlines, JSC Rossiya Airlines	74.9999	Consolidate airlines to establish a strong national carrier based on PJSC Aeroflot, by implementing the best corporate governance standards	shares	689,173	Domestic and international air carriage of passengers, baggage, cargo and mail, and provision of aviation services, including services for passengers and baggage	114,516,879	1,647,746	–
Limited Liability Company Pobeda Airlines, LLC Pobeda Airlines	100	Consolidate airlines to establish a strong national carrier based on PJSC Aeroflot, by implementing the best corporate governance standards	interest	1,200,000	Domestic and international commercial air carriage of passengers, baggage, cargo and mail, in line with the Air Code and other civil aviation laws and regulations of the Russian Federation, the Company's internal regulations, and duly issued airline licences	33,834,331	2,013,160	1,749,618
Joint Stock Company Aurora Airlines, JSC Aurora Airlines	51	Consolidate airlines to establish a strong national carrier based on PJSC Aeroflot, by implementing the best corporate governance standards	shares	3,964	Domestic and international commercial air carriage of passengers and cargo, and other aviation services	19,470,351	66,517	26,867
Joint Stock Company Orenburg Airlines, JSC Orenair*	100	Consolidate airlines to establish a strong national carrier based on PJSC Aeroflot, by implementing the best corporate governance standards	shares	665,503	Domestic and international commercial flights	–	(784,626)	–
Joint Stock Company DONAVIA, JSC DONAVIA*	100	Consolidate airlines to establish a strong national carrier based on PJSC Aeroflot, by implementing the best corporate governance standards	shares	328,863	Domestic and international air carriage of passengers, baggage, cargo and mail, and provision of aviation services, including services for passengers and baggage	–	(66,218)	–
Joint Stock Company Sherotel, JSC Sherotel	100	Provide hotel accommodations for PJSC Aeroflot's crews, premises for lease, passenger services in business lounges, implement investment projects	shares	882,813	Hotel accommodation services and services in luxury lounges at airports	1,532,814	82,122	98,309
Limited Liability Company Aeroflot-Finance, LLC Aeroflot–Finance	99.9999	Implement investment projects	stake in share capital	5,729,229	Implementation of financial projects	25,600	342,870	–
Limited Liability Company A-Technics, LLC A-Technics	Founded by LLC Aeroflot-Finance	Provide maintenance and maintain airworthiness for Aeroflot Group's aircraft	–	–	Maintenance and repair of Russian and foreign–made aircraft	2,275,157	304,573	–

COMMERCIAL AND NON-COMMERCIAL ENTITIES IN WHICH PJSC AEROFLOT HOLDS AN INTEREST

Full and abbreviated name	Stake, %	Purpose	Form	Amount, RUB thousand	Core operations as defined in the Articles of Association	Revenue in 2018, RUB thousand*	Profit (loss) in 2018, RUB thousand*	Dividends received in 2018, RUB thousand
Closed Joint Stock Company Aeromar, CJSC Aeromar	51	Provide in-flight catering services for PJSC Aeroflot's flights	shares	28	Production and supply of food for in-flight catering, in-flight shopping service, aircraft cleaning and outfitting	21,101,777	1,261,503	257,644
Private Vocational Education Institution Aeroflot Aviation School, Aeroflot Aviation School	Founded by PJSC Aeroflot	Provide professional training and professional development training for Aeroflot Group's employees	Founder's contribution	–	Training services including those for flight attendants	800,294	31,671	–
Limited Liability Company Transnautic Aero GmbH	49	Implement investment projects	stake in share capital	105	Cargo flight sales agent, the company went out of business	–	–	–
Joint Stock Company AeroMASH–Aviation Security, JSC AeroMASH–Aviation Security	45	Provide aviation security services for passengers and aircraft	shares	45	Aviation security services at airports	4,499,247	556,615	10,005
Public Joint Stock Company Transport Clearing House, JSC TCH	3.85	Implement investment projects	shares	50	Flight sales settlement services	2,446,061	674,072	21,267
Joint Stock Company International airport Sheremetyevo, JSC MAS	2.43	Implement investment projects	shares	2,259,687	Airport operations	31,990,239	9,215,927	50,118
"Bank of Cyprus Holdings" plc	3,755 depositary certificates representing shares of «Bank of Cyprus Holdings» plc	–	–	–	Banking and financial services	–	–	–

* According to RAS.
** Legal entity in bankruptcy process.

Major Transactions and Related-Party Transactions

Major transactions

In 2018, PJSC Aeroflot made transactions recognised as major transactions according to Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995; the need to approve such transactions is set forth in Article X of the Federal Law On Joint-Stock Companies. Information on such transactions is contained in the Report on PJSC Aeroflot's Major Transactions in 2018 approved on 31 May 2019 and available in the Materials for General Meetings of Shareholders section of the Company's official website at <http://ir.aeroflot.ru/ru/corporate-governance/general-meeting-of-shareholders/>.

Releted-party transactions

In 2018, PJSC Aeroflot made transactions recognised as releted-party transactions according to the Federal Law On Joint-Stock Companies; the need to approve such transactions is set forth in Article XI of the Federal Law On Joint-Stock Companies. Information on such transactions is contained in the Report on PJSC Aeroflot's Related-Party Transactions in 2018 approved on 31 May 2019 and available in the Materials for General Meetings of Shareholders section of the Company's official website at <http://ir.aeroflot.ru/ru/corporate-governance/general-meeting-of-shareholders/>.

Execution of Presidential and Governmental Decrees

No.	Document type, date, and number	Summary	Execution status
1	Ensuring the transparency of financial and business activities (Federal Law No. 273-FZ On Countering Corruption dated 25 December 2008, Decree of the President of the Russian Federation No. 309 On Measures to Implement Certain Provisions of the Federal Law On Countering Corruption dated 2 April 2013, Decree of the President of the Russian Federation No. 460 On Approval of the Form of Statement to Inform on Income, Expenses, Property and Property-Related Obligations, and Amendments to Certain Acts of the President of the Russian Federation dated 23 June 2014, Decree of the President of the Russian Federation No. 147 On National Anti-Corruption Plan for 2016–2017 dated 1 April 2016, Decree of the President of the Russian Federation No. 378 On the National Anti-Corruption Plan for 2018–2020 dated 29 June 2019)		
1.1	Decree of the President of the Russian Federation No. 147 On the National Anti-Corruption Plan for 2016–2017 dated 1 April 2016	Clause 2 of the Decree. Establish control over the execution of initiatives stipulated by anti-corruption plans. Clause 5 of the Plan. Continue to form the negative attitude of employees to corruption. Clause 8 of the Plan. Improve the efficiency of anti-corruption initiatives in entities. Clause 15 of the Plan. Make provision to consider the status of anti-corruption efforts at the meetings (sessions) of relevant panels and take specific actions to improve such efforts. Clause 17 of the Plan. a) Conduct professional development training for employees who are in charge of countering corruption at state-owned enterprises (companies) in line with educational programmes approved by the Presidential Executive Office b) Monitor the implementation of anti-corruption initiatives in subsidiaries	In November 2014, PJSC Aeroflot signed up to the Anti-Corruption Charter of Russian Business (certificate No. 0514 dated 5 November 2014) and is actively involved in anti-corruption efforts under the Charter. In 2017, a declaration procedure was conducted via the Chamber of Commerce and Industry of the Russian Federation to verify the completeness, accessibility, and efficiency of anti-corruption measures implemented by PJSC Aeroflot. PJSC Aeroflot is working to implement the Guidelines on Anti-Corruption Risk Management and Internal Controls in Partially State-Owned Joint-Stock Companies (the Guidelines) approved by Order No. 80 of the Federal Agency for State Property Management dated 2 March 2016. On 28 April 2016, PJSC Aeroflot's Board of Directors approved the Roadmap for Anti-Corruption Risk Management and Internal Control Processes at PJSC Aeroflot. To implement the Roadmap, PJSC Aeroflot: → in line with Order No. 143 dated 6 May 2016, introduced the role of Deputy Director of the Department for Economic Security responsible for compliance management at PJSC Aeroflot → developed and approved plans of business units to develop/ update operating documents aimed at setting up a risk management and internal control system to prevent and counter corruption → on 5 October 2016, approved the Programme to Develop, Implement, and Ensure the Effectiveness of Initiatives Aimed at Preventing and Countering Corruption Prevention at PJSC Aeroflot, which includes anti-corruption actions undertaken by PJSC Aeroflot on an ongoing basis.

No.	Document type, date, and number	Summary	Execution status
1.2	Instruction of the Government of the Russian Federation No. DM-P17-2666 dated 5 May 2016	Ensure the implementation of the National Anti-Corruption Plan for 2016–2017 and submit appropriate proposals or draft reports: Under clauses 2 and 4 of the Decree: as regards the submission of reports on implementing initiatives stipulated by anti-corruption plans quarterly starting from 1 October 2016 Under clause 5 and sub-clause b, clause 6 of the National Plan by 1 November 2017 Under clause 8 of the National Plan by 1 July 2016 (remains monitored) Under clause 17 of the National Plan by 1 April 2017	Corruption Risk Management Section was added to the Company's Standard STO UR 21.9 Risk Management. Risk Management Procedure. General Provisions (Version 01) in line with Order No. 288 dated 27 July 2017. The Risk Appetite Statement of Aeroflot Group (Minutes No. 7 dated 21 December 2017, Minutes No. 10 dated 13 December 2018), approved by the Board of Directors of PJSC Aeroflot on an annual basis, stipulates zero tolerance to any form of corruption. In August – November 2017, the Internal Audit Department conducted the second annual audit (assessment) of the performance of the Company's anti-corruption risk management and internal controls prescribed by clause 5.3 of the Guidelines. Following the audit, a range of measures was implemented to further enhance these processes: → A position of First Deputy Director for Preventing and Countering Corruption reporting directly to Deputy CEO for Legal and Property Matters introduced to the staffing list of the Department for Economic Security; a dedicated Division for Preventing and Countering Corruption (Amendment to the Staffing List No. 401.011-003 dated 10 January 2018 introduced by Order No. 11 dated 15 January 2018) → A job description established and approved for Department for Economic Security's First Deputy Director for Preventing and Countering Corruption (No. 905-3/I dated 27 February 2018, including an updated version, No. 905-25/I dated 24 August 2018) → A revised version of the Regulations on the Anti-Corruption and Conflict of Interest Commission at PJSC Aeroflot established and approved (Order No. 360 dated 4 September 2018) → Membership of the Commission updated (Order No. 417 dated 25 October 2018) → A letter sent to top managers of PJSC Aeroflot's subsidiaries with recommendations on training employees, joining the Anti-Corruption Charter of Russian Business and Aeroflot Group's Anti-Corruption Policy, as well as on developing corporate conduct codes similar to the Corporate Conduct Code of PJSC Aeroflot (our reference number of the outgoing document: 905-15, date: 6 February 2018) with notice sent to the Personnel Development Department of PJSC Aeroflot (internal number 905/155 dated 14 February 2018) → Aeroflot Group's Risk Register, including a corruption risk register, approved by the Board of Directors on an annual basis (Minutes No. 7 dated 21 December 2017, Minutes No. 10 dated 13 December 2018) → An updated version of Aeroflot Group's Risk Register, including a corruption risk register, approved by the resolution of the Board of Directors dated 13 December 2018 (extract from Minutes No. 10) In July – September 2018, the Internal Audit Department conducted the third annual audit (assessment) of the performance of the Company's anti-corruption risk management and internal controls prescribed by clause 5.3 of the Guidelines. Following the audit, a range of measures was implemented to further enhance these processes: → Amendments made to the job description for Department for Economic Security's First Deputy Director for Preventing and Countering Corruption (No. 905-3/I dated 17 January 2019) → – Membership of the Anti-Corruption and Conflict of Interest Commission at PJSC Aeroflot updated and extended (Order No. 43 dated 31 January 2019)
1.3	The Guidelines on Anti-Corruption Risk Management and Internal Controls in Partially State-Owned Joint-Stock Companies (approved by Order No. 80 of the Federal Agency for State Property Management on 2 March 2016)	Clause 3.1. Identifying and assessing corruption risks, areas (business processes), and operations exposed to corruption risks. Clause 4.1. Constant informing of employees, counterparties, and potential business partners on activities to prevent and counter corruption. Clause 4.3. Anti-corruption training for all employees. Clause 5.2. Regular audit of the performance of anti-corruption risk management and internal controls is conducted within the framework of audits by the Internal Audit Service, as well as external audits (certification) of anti-corruption risk management and internal controls.	

EXECUTION OF PRESIDENTIAL AND GOVERNMENTAL DECREES

No.	Document type, date, and number	Summary	Execution status
1.4	Instruction of the Government of the Russian Federation No. P17-53932 dated 16 October 2017	Clause 8 of the National Anti-Corruption Plan for 2016–2017 remains monitored. By 1 February 2018, submit information on measures taken to enhance the effectiveness of anti-corruption efforts in entities established to fulfil the tasks set for the Government of the Russian Federation between 15 March 2017 and 1 January 2018.	<div>→ Recommendations sent to heads of Aeroflot Group companies on posting anti-corruption information on corporate websites in accordance with clause 01 of Aeroflot Group's Anti-Corruption Policy</div> <div>→ Amendments made to the Regulations on PJSC Aeroflot's Employee Induction Training (RI-GD-036) in terms of mandatory introductory briefings on compliance with PJSC Aeroflot's local anti-corruption regulations. Pursuant to sub-clause a, clause 17 of the National Anti-Corruption Plan for 2016–2017, the Company signed a framework contract with Rosatom Institute for Global Nuclear Safety and Security (since August 2017, reorganised into Rosatom Technical Academy) to arrange for professional development training courses for PJSC Aeroflot's employees, valid until 31 December 2018 (No. 29063984/R922-28/03.05.2017), which provides for professional development training in anti-corruption programmes in line with PJSC Aeroflot's applications for services.</div> <p>Under the contract, employees of PJSC Aeroflot's business units (92 people) completed the following professional development training course: Compliance of Employees of State-Owned Enterprises (Companies) with the Restrictions, Bans, and Liabilities Established to Counter Corruption.</p> <p>Employees of the Legal Department and Department for Economic Security involved in anti-corruption efforts participated in the Corruption Offences Prevention in Corruption Countering workshop conducted by the Prosecutor General's Office of the Russian Federation and the Moscow Government on 18–19 April 2017.</p> <p>The Company participated in:</p> <div>→ the VI Eurasian Anti-Corruption Forum “Social Control as a Key Factor of Anti-Corruption” conducted by the Institute of Legislation and Comparative Law Under the Government of the Russian Federation on 26–27 April 2017</div> <div>→ the All-Russian Interactive Campaign conducted by the Chamber of Commerce and Industry of the Russian Federation on 11 December 2017 to celebrate the International Anti-Corruption Day. As part of the review of business best practices to counter corporate corruption, PJSC Aeroflot made a presentation on this matter.<p>To inform and educate PJSC Aeroflot's employees on preventing and countering corruption, 80 Anti-Corruption information boards were manufactured and placed in unrestricted access areas of PJSC Aeroflot including domestic branches and representative offices.</p><p>Materials designed to raise employees' awareness were prepared, including:</p><div>→ a quick reference card on criminal liability for bribery and commercial bribery, and administrative action for illegal remuneration on behalf of a legal entity</div><div>→ a quick reference card on liability for committing corruption offences</div><div>→ a booklet “What you need to know about the conflict of interest”</div><div>→ a booklet “Why entities need to take measures to prevent and counter corruption?”</div></div>
	Decree of the President of the Russian Federation No. 378 On the National Anti-Corruption Plan for 2018–2020 dated 29 June 2018	Clause 2 of the Decree. By 1 September 2018, make respective amendments to anti-corruption plans. Sub-clause f, clause 5 of the Decree. Reports on the implementation of the plans shall be submitted to federal executive authorities for preparing consolidated reports.	

No.	Document type, date, and number	Summary	Execution status
	National Anti-Corruption Plan for 2018–2020 approved by Decree No. 378 dated 29 June 2018 (the National Plan)	Sub-clause c, clause 12. Take measures to ensure compliance with the requirements of Russian anti-corruption laws to prevent and resolve conflicts of interest, with a progress report to be submitted by 1 February on an annual basis. The final report shall be submitted by 1 December 2020.	<p>The following regulations on preventing and countering corruption were developed and updated:</p> <div>→ Regulations on the Anti-Corruption and Conflict of Interest Commission at PJSC Aeroflot established in line with Order No. 83 dated 6 March 2017 were updated (Order No. 360 dated 4 September 2018)</div> <div>→ Procedure for reporting to the employer on personal interest that leads or may lead to a conflict of interest was updated to cover all PJSC Aeroflot's employees (Order No. 253 dated 29 June 2017), and updated again later (Order No. 20 dated 18 January 2018)</div> <div>→ Specific provisions aimed at preventing and countering corruption were added, in particular, to the following internal regulations of PJSC Aeroflot:</div> <div>→ Template Regulations on PJSC Aeroflot's Branch, to establish obligations and responsibilities of the directors of branches (Order No. 100 dated 16 March 2017)</div> <div>→ Template Regulations on PJSC Aeroflot's Representative Office Abroad, to establish obligations and responsibilities of heads of representative offices (Order No. 115 dated 20 March 2017)</div> <div>→ Regulations on Internal Investigation, to cover corruption offences investigation and enable the questioning of employees using a polygraph (Order No. 146 dated 10 April 2017)</div> <div>→ Procedure for interaction between business units when procuring goods and services, to determine the requirements to prevent a conflict of interest (Order No. 175 dated 27 April 2017)</div> <div>→ The Company's Standard STO DOU 07 Management Document Support. Procedure for Preparation, Signing, Amendment, Execution, and Termination of PJSC Aeroflot's Agreements, to appoint responsible persons and determine the procedure for reporting to the former employee on signing of a civil contract with a citizen who was a public or municipal official within two years after they left public or municipal service (Order No. 243 dated 20 June 2017)</div> <div>→ Regulations on the Procurement of Goods, Works, and Services (approved by PJSC Aeroflot's Board of Directors on 23 June 2017), to stipulate anti-corruption requirements to bidders (in line with Federal Law No. 489-FZ dated 28 December 2016), expand requirements for preventing a conflict of interest, and introduce anti-corruption questionnaires for bidders</div> <div>→ Template employment contracts with PJSC Aeroflot's employees, to stipulate employees' obligations (Order No. 364 dated 14 September 2017)</div> <div>→ Regulations on the Formation and Use of the Charity Fund, to stipulate provisions aimed at preventing and countering corruption in relevant activities (approved by PJSC Aeroflot's Board of Directors on 28 September 2017)</div> <div>→ Regulations on PJSC Aeroflot's Commission on Real Estate Disposals (buildings, structures, premises, and land plots), to determine requirements for preventing a conflict of interest (Order No. 478 dated 6 December 2017)</div> <div>→ Regulations on business units (including branches and representative offices), their structural units, job descriptions, and instructions for blue collar employees, which were amended to establish anti-corruption obligations and responsibilities of directors and other employees</div>

EXECUTION OF PRESIDENTIAL AND GOVERNMENTAL DECREES

No.	Document type, date, and number	Summary	Execution status
			<p>Furthermore, the following initiatives were implemented:</p> <ul style="list-style-type: none">→ Information on PJSC Aeroflot's anti-corruption regulations in the Anti-Corruption Policy section of PJSC Aeroflot's intranet website is updated→ Emails describing specific anti-corruption activities implemented in the Company were sent to all corporate email users→ Emails detailing certain aspects of implementation of the approved Programme to Develop, Implement, and Ensure the Effectiveness of Initiatives Aimed at Preventing and Countering Corruption at PJSC Aeroflot were sent to all deputy CEOs and directors of business units→ Emails dedicated to compliance with the extraterritorial local laws on countering corruption were sent to certain representative offices of PJSC Aeroflot abroad <p>As part of ongoing anti-corruption efforts, PJSC Aeroflot implements the following initiatives:</p> <ul style="list-style-type: none">→ PJSC Aeroflot's employees are briefed on compliance with PJSC Aeroflot's Corporate Conduct Code→ All communications coming from Aeroflot Group's employees, customers, business partners, and other parties through the Hotline for Confidential Reports to the Board of Directors (Audit Committee of the Board of Directors) are reviewed→ PJSC Aeroflot's regulations and draft regulations are examined to reveal the potential for corruption and eliminate it using the methods approved by Resolution of the Russian Government No. 96 On Anti-Corruption Examination of Statutory Regulations and Draft Statutory Regulations dated 26 February 2010→ PJSC Aeroflot assesses its business partners, competitors, and customers→ PJSC Aeroflot collects comprehensive information from its counterparties about their ownership structure including beneficiaries (in particular, ultimate beneficiaries) and composition of their executive bodies, and, and submits this information to competent government authorities→ The standard anti-corruption clause is incorporated in contracts and agreements signed with PJSC Aeroflot's counterparties→ PJSC Aeroflot examines draft contracts and agreements with Russian and foreign counterparties→ The Company oversees the application of legal sanctions for non-compliance with the bans, restrictions, and requirements aimed at countering corruption→ The Company regularly controls its accounting records, availability and accuracy of primary accounting documents→ PJSC Aeroflot audits the financial and business operations of its business units, branches and representative offices, and subsidiaries→ PJSC Aeroflot interacts with law enforcement authorities and other government authorities to matters related to countering corruption within the Company <p>Information about the execution of instructions is sent to the Executive Office of the Government of the Russian Federation and the Ministry of Transport of the Russian Federation within prescribed timelines.</p>
		Sub-clause e, clause 20. Implement a series of measures to significantly improve the efficiency of raising public awareness about the efforts to prevent corruption and other offences, with a progress reportto be submitted by 1 May 2019.	

No.	Document type, date, and number	Summary	Execution status
		Clause 22. Organise conferences and other events on the anti-corruption theory and practice, with a progress report to be submitted by 1 March on an annual basis.	On 19 September 2018, PJSC Aeroflot organised and held its first round-table discussion on the importance of counteracting corruption for business and business partnerships in the current context, involving representatives of the Prosecutor General's Office of the Russian Federation.
		Clause 28. Instructions: a) Provide annual professional development training for employees involved in anti-corruption efforts, with a progress report to be submitted by 1 April on an annual basis. The final report shall be submitted by 1 December 2020 b) Train new employees hired to fill positions included in corporate lists of positions that require training under anti-corruption educational programmes, with a progress report to be submitted by 1 November 2020	The Company participated in: <ul style="list-style-type: none">→ the VII Eurasian Anti-Corruption Forum "Conflict of Interest: Law and Ethics" conducted by the Institute of Legislation and Comparative Law under the Government of the Russian Federation on 25 April 2018→ the All-Russian conference on the anti-corruption theory and practice, Government, Society, Business: Successful Anti-Corruption Cooperation, held by the Anti-Corruption Committee of Moscow under the Moscow Chamber of Commerce and Industry on 30 August 2018.
	Instruction of the Prime Minister of the Russian Federation No. DM-P17-4575 dated 25 July 2018	Ensure the execution of the Decree of the President of the Russian Federation No. 378 dated 29 June 2018 and the National Anti-Corruption Plan for 2018–2020 approved by this Decree, and submit the following reports to the Government: 1. Under clauses 2 and 5 of the Decree: as regards the respective amendments to anti-corruption plans by 1 September 2018 as regards the submission of reports on making amendments to the above plans by 5 September 2018 as regards the submission of reports on implementing initiatives stipulated by the anti-corruption plan once every six months starting from 15 January 2019 7. Under clause 12 of the National Plan: b) Under sub-clause c by 1 February 2019, 1 February 2020, and 1 December 2020 11. Under clause 20 of the National Plan: 5) Under sub-clause e by 1 March 2019 14. Under clause 22 of the National Plan: by 15 January 2019 and 15 January 2020 18. Under clause 28 of the National Plan: Deadlines: Under sub-clause a – by 1 April 2019, 1 April 2020, and 1 December 2020 Under sub-clause b – by 1 November 2019 and 1 November 2019	Pursuant to the Instruction of Russian Prime Minister Dmitry Medvedev No. DM-P17-4575 dated 25 July 2018, and in line with clause 5 of Decree of the President of the Russian Federation No. 378 On the National Anti-Corruption Plan for 2018–2020 dated 29 June 2018, the Company adopted an Anti-Corruption Action Plan for 2018–2020 (No. 58/Pl dated 31 August 2018). The measures outlined in the Plan are developed and carried out. Reports on the progress on measures outlined in the National Anti-Corruption Plan for 2018–2020 are submitted to the Government of the Russian Federation and government bodies, including: <ul style="list-style-type: none">→ the report to the Government of the Russian Federation on the adoption of the Anti-Corruption Action Plan for 2018–2020 (under sub-clause b, clause 5 of Decree of the President of the Russian Federation No. 378 dated 29 June 2018) (our reference number of the outgoing document: GD-840 dated 31 August 2018)→ the report to the Government of the Russian Federation on the implementation of the Anti-Corruption Action Plan for 2018–2020 (under clause 1 of the Instruction) (our reference number of the outgoing document: GD-29 dated 14 January 2019)→ the report to the Government of the Russian Federation on ensuring compliance with the requirements of Russian anti-corruption laws to prevent and resolve conflicts of interest (under sub-clause c, clause 12 of the National Plan) (our reference number of the outgoing document: GD-105 dated 30 January 2019)→ the report to the Government on the implementation of a series of measures to significantly improve the efficiency of raising public awareness about PJSC Aeroflot's efforts to prevent corruption and other offences (under sub-clause e, clause 20 of the National Plan) (our reference number of the outgoing document: GD-208 dated 27 February 2019)→ the report to the Ministry of Labour and Social Protection of the Russian Federation on ensuring involvement of PJSC Aeroflot's employees in conferences and other events on the anti-corruption theory and practice held by the Government of the Russian Federation involving the Prosecutor General's Office of the Russian Federation, the Investigative Committee of the Russian Federation, relevant federal and regional government bodies, and other organisations (under clause 22 of the National Plan) (our reference number of the outgoing document: 09-31 dated 15 January 2019).

EXECUTION OF PRESIDENTIAL AND GOVERNMENTAL DECREES

No.	Document type, date, and number	Summary	Execution status
			<p>Under sub-clause c, clause 12 of the National Anti-Corruption Plan for 2018–2020 (clause 2 of Plan No. 58/PI):</p> <ul style="list-style-type: none">→ Regulations on the Anti-Corruption and Conflict of Interest Commission at PJSC Aeroflot were updated (Order No. 360 dated 4 September 2018)→ new membership of the Anti-Corruption and Conflict of Interest Commission at PJSC Aeroflot was approved (Order No. 43 dated 30 January 2019)→ the Anti-Corruption and Conflict of Interest Commission at PJSC Aeroflot holds regular meetings (three meetings were held)→ workshops are held to explain to employees the restrictions, bans, and liabilities established to prevent conflicts of interest. <p>Under sub-clause e, clause 20 of the National Anti-Corruption Plan for 2018–2020 (clause 3 of Plan No. 85/PI):</p> <ul style="list-style-type: none">→ workshops are held to explain to employees the restrictions, bans, and liabilities established to prevent conflicts of interest.→ Under sub-clause e, clause 20 of the National Anti-Corruption Plan for 2018–2020 (clause 3 of Plan No. 85/PI):→ an Anti-Corruption Practices section (http://www.aeroflot.ru/ru-ru/about/aticorruption) was created on PJSC Aeroflot's website and features an official public statement of the Company's CEO declaring zero tolerance for corruption, and prohibition of corruption at all times and in all forms. The section specifies communication channels for individuals' reports on cases of corruption by PJSC Aeroflot's employees, features links to international and Russian anti-corruption regulations available at http://www.un.org, https://www.coe.int, and http://pravo.gov.ru, and a list of PJSC Aeroflot's anti-corruption regulations→ PJSC Aeroflot's 2018 accounting statements were published on the https://skrin.ru/ website at https://disclosure.skrin.ru/disclosure/7712040126/?DTI=8 04.02.2019 and features information on PJSC Aeroflot's anti-corruption efforts (page 79)→ the information on the efforts to prevent and counter corruption in 2017 was included in PJSC Aeroflot Annual Report 2017 (page 167) published in 2018 at https://ir.aeroflot.ru/fileadmin/user_upload/files/rus/common_info/gosa_doc_2018/ar2017→ proposals to include in PJSC Aeroflot Annual Report 2018 were submitted to the Corporate Finance Department (internal number 905/181 dated 13 February 2019). <p>Under clause 22 of the National Anti-Corruption Plan for 2018–2020:</p> <p>1. On 19 September 2018, PJSC Aeroflot organised and held a round-table discussion on the importance of counteracting corruption for business and business partnerships in the current context, involving representatives of the Department for Monitoring the Implementation of Legislation on Combating Corruption of the Prosecutor General's Office of the Russian Federation, as well as deputy CEOs and directors of PJSC Aeroflot's business units. The round-table discussion covered consistent implementation of the anti-corruption policy as PJSC Aeroflot's strategic objective.</p> <p>2. PJSC Aeroflot arranges for employees' participation in conferences and other events on the anti-corruption theory and practice held by the Government of the Russian Federation involving the Prosecutor General's Office of the Russian Federation, the Investigative Committee of the Russian Federation, relevant federal and regional government bodies, and other organisations.</p>

No.	Document type, date, and number	Summary	Execution status
			<p>As part of the above efforts, PJSC Aeroflot's employees took part in the following events:</p> <ul style="list-style-type: none">→ A "Dialogue with the Authorities" round table on "Prosecution of Companies and Their Top Management for Corruption Offences (Article 19.28 of the Code of Administrative Offences and articles of the Criminal Code of the Russian Federation on bribery, including commercial bribery)" arranged for, and held by the Association "Non-Commercial Partnership 'Corporate Counsel Association'" on 29 November 2018→ A workshop on "Combating Corruption as a Factor of Stable Economic Development" organised and held by the Federal Financial Monitoring Service and National Research Nuclear University MEPhI as part of the IV International Scientific and Practical Conference "Crypto Economy Era: New ML/TF Challenges and RegTech"→ International conference, "Corruption in R&D: Identification of Causes, Specifics and Anti-Corruption Initiatives", organised and held by the All-Russian State University of Justice (RLA of the Ministry of Justice of Russia) on 7 December 2018→ International conference, "Global and Russia's Priority Focus Areas of Anti-Corruption Policy Development", organised and held by the Higher School of Economics on 10 December 2018 <p>In line with sub-clause a, clause 28 of the National Anti-Corruption Plan for 2018–2020 (clause 6 of Plan No. 58/PI), PJSC Aeroflot's employees completed a professional development training course on anti-corruption in organisations established by the Russian Government to operate in its interests. The training was organised by the Russian Presidential Academy of National Economy and Public Administration and involved representatives of government bodies responsible for the development, methodological support and supervision of the anti-corruption policy execution in Russia, including the Ministry of Labour and Social Protection of the Russian Federation, the Presidential Anti-Corruption Directorate, and the Department for Monitoring the Implementation of Anti-Corruption Laws of the Prosecutor General's Office of the Russian Federation.</p> <p>In addition, to ensure efficient participation of the Russian Federation in international anti-corruption initiatives:</p> <ul style="list-style-type: none">→ PJSC Aeroflot's representative took part in a workshop at the International Anti-Corruption Academy (Vienna, Austria) from 4 October to 5 October 2018→ PJSC Aeroflot provided media coverage for the International Youth Competition of Anti-Corruption Social Advertising "Together Against Corruption!" held by the Prosecutor General's Office of the Russian Federation as part of the Interstate Council on Combating Corruption. <p>Workshops are held for employees of PJSC Aeroflot's business units to raise their awareness on the restrictions, bans, and liabilities set by anti-corruption laws and PJSC Aeroflot's regulations (sub-clause b, clause 28 of the National Plan).</p>

EXECUTION OF PRESIDENTIAL AND GOVERNMENTAL DECREES

No.	Document type, date, and number	Summary	Execution status
1.5	Article 92 of Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995 Chapter VIII of Decree of the Federal Financial Market Service of Russia No. 11-46/pz-n On Approval of the Regulations on Information Disclosure by Securities Issuers dated 4 October 2011 Decree of the Ministry of Economic Development of the Russian Federation No. 208 On Approval of Information Disclosure by State-Owned Joint-Stock Companies and by State (Municipal) Unitary Enterprises dated 11 May 2011	Disclose information to the extent and in the manner specified by the federal executive authority for the securities market. Joint-stock companies included in the projected privatisation plan are obliged to disclose information.	Regulations on information exchange through the interdepartmental portal for state property management were approved by PJSC Aeroflot's Board of Directors on 4 April 2012 (Minutes No. 11). Reports on shareholder and investor relations are submitted to the Board of Directors on a quarterly basis. The Company fully complies with the requirements to disclose information set out in Russian laws. In particular, all information is disclosed on PJSC Aeroflot's website and in the news feed. Procedure for submission and disclosure of information on material facts about the Company and information treated as the Company's insider information was approved by Order No. 80 dated 5 March 2015.
1.6	Paragraph 7, clause 2 of Minutes of a meeting held at the office of First Deputy Prime Minister of the Russian Federation Igor Shuvalov No. ISH-P13-98pr dated 3 October 2013	Publish resolutions of boards of directors that are not treated as commercially sensitive information.	Execution is in progress in line with applicable Russian laws on information disclosure. The minutes of PJSC Aeroflot's Board of Directors are posted in the Company's account on the interdepartmental portal for state property management.
1.7	Instruction of the Government of the Russian Federation No. P17-1771 dated 17 January 2017	On submission of: – lists of managers who must submit information on their income, expenses, property, and property-related obligations in line with anti-corruption laws by 6 February 2017 – information on their income, expenses, property, and property-related obligations, as well as their spouse's and minor children's income, expenses, property, and property-related obligations for 2016 by 30 April 2017.	The information was submitted within prescribed timelines.
1.8	Instruction of the Government of the Russian Federation No. P17-46158 dated 4 September 2017	For the purpose of developing a draft regulation which will establish a list of long-term corporate measures to enhance the efficiency of the national anti-corruption policy, submit reasoned proposals to be included in the above list by 1 October 2017.	Proposals were submitted to the Executive Office of the Government of the Russian Federation within prescribed timelines (our reference number of the outgoing document: 09-943, date: 28 September 2017).
2	On specifics of participation of small and medium-sized enterprises in procurement of goods, works, and services by certain types of legal entities (Decree of the President of the Russian Federation No. 287 On Measures to Further Develop Small and Medium-Sized Enterprises dated 5 June 2015, Resolution of the Government of the Russian Federation No. 1352 dated 11 December 2014)		
2.1	Instruction of the Government of the Russian Federation No. 6362p-P13 dated 24 October 2013	Ensure the efficiency of the customer's interaction with small and medium-sized enterprises (SMEs), including as regards procurement of innovative products:	

No.	Document type, date, and number	Summary	Execution status
		1. Set up an Advisory Board in charge of independent audit of procurement efficiency	The Advisory Board in charge of independent audit of the procurement efficiency was set up (Order No. 188 dated 19 June 2014), amendments were made (Order No. 91 dated 24 March 2016), the membership structure of the Advisory Board was approved by Instruction No. 242/U dated 18 December 2014, amendments were made (Instruction No. 240/U dated 15 December 2015).
		2. Develop Regulations on the Advisory Board, ensure the transparency of its activities	Regulations on the Advisory Board in charge of independent audit of the procurement efficiency were developed and approved by PJSC Aeroflot's CEO (RI-GD-227, Appendix to Order No. 188 dated 19 June 2014).
		3. Ensure control over the efficiency of the customer's one-stop-shop system to implement innovative products and results of research, development, and technological work carried out by SMEs, and ensure mutual technology transfer	The launch of the one-stop-shop system took place in April 2017. Proposals submitted via the one-stop-shop system are regularly reviewed at the meetings of PJSC Aeroflot's innovation team (an advisory body) and the Advisory Board in charge of independent audit of procurement efficiency.
		4. Ensure maximum transparency of the activities of the Advisory Board in charge of independent audit of procurement efficiency	The information on the activities of the Advisory Board in charge of independent audit of procurement efficiency, including minutes of the meetings, are available in the respective section of the website at http://www.aeroflot.ru/cms/content/soveshchatelniyi-organ .
		5. Create a special section in the Annual Report on the efficiency of procurement from small and medium-sized enterprises	Section 3.12 Procurement was included in PJSC Aeroflot's Annual Report available on the Company's website at http://ir.aeroflot.ru/ru/akcioneram-i-investoram/ .
		6. Develop, with the involvement of the Advisory Board's representatives, approve, and put into effect the Regulations on Procedures and Rules for Implementing Innovative Solutions in the Customer's Activities	Regulations on Procedures and Rules for Implementing Innovative Solutions (RI-GD-303) were approved by Order No. 248 dated 18 July 2016.
		7. Make amendments to the customer's regulations on procurement or other executive documents with respect to procurement involving SMEs only, which stipulate: → mandatory granting to SMEs of the right to choose between bank guarantee and cash collateral as the bid security, as well as introduction of additional (to bank guarantee and cash collateral) bid security terms, and granting to small and medium-sized enterprises of the right to select the terms of bid security → mandatory return by the customer of the bid security within no more than seven business days from the announcement of the bidding results to all SME bidders, except for those ranked 1st and 2nd in the bidding → mandatory return by the customer of the bid security within seven business days from signing a contract with SME bidders ranked 1st and 2nd in the bidding	Amendments were made. Regulations on Procurement taking into account the specifics of participation of small and medium-sized enterprises were approved by the Board of Directors on 29 April 2016 (Minutes No. 16). The current version of the Regulations on Procurement (RI-GD-148) includes the requirements.

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No.	Document type, date, and number	Summary	Execution status
		<div><div>→ the customer's obligation to limit the term from signing a contract with SMEs to 20 business days</div><div>→ the customer's obligation to set a maximum period for payment for work completed at 10 business days after the date of closing documents with an SME acting as the service provider, and a maximum period of 10 business days from the completion date of obligations secured by a deferred payment if a contract provides for a deferred payment as a security of the supplier's (contractor's, service provider's) obligations</div><div>→ the possibility to assign claims under contracts with SMEs to financial institutions</div></div>	
		8. Develop and adopt a mandatory performance measure for the management – the proportion of procurement contracts awarded to SMEs, including procurement of innovative goods (works, services), R&D and technology projects (share of procurement). The share of procurements shall be determined based on the customer's quarterly statistics on the participation of SMEs in customers' procurement, including the procurement of innovative goods (works, services), R&D and technology projects. Design systemic incentive (penalty) measures for compliance (non-compliance) with the above performance measure for the management (aligned with the financial efficiency of the customer's operations)	The relevant measure was included in KPI lists for department director level managers engaged in the procurement of goods, works, and services in 2014. The Achievement of Targets for the Share of Procurement from SMEs KPI weighing 5% was included in the list of bonus KPIs. The KPI is measured based on the year-end results in order to exclude the seasonal factor from the assessment of procurement from SMEs.
		9. Make amendments to the customer's documents on determining relevant statistics and including mandatory measures reflecting the company's innovative development in the list of KPIs for the customer's top management: <div><div>→ Overall Productivity KPI with an annual growth of at least 5% until the industry average for foreign peers is achieved in 2018</div><div>→ Efficient Energy Use KPI with an annual growth of at least 5% until the industry average for foreign peers is achieved in 2018</div><div>→ Environmental Friendliness KPI not lower than that of foreign peers</div></div>	The Overall Productivity KPI (for Aeroflot Group) were included in the list of KPIs of PJSC Aeroflot's CEO/management in 2015. The Efficient Energy Use and Environmental Friendliness KPIs were included in PJSC Aeroflot's KPI system and KPI lists for relevant department heads in 2015.

No.	Document type, date, and number	Summary	Execution status
2.2	Instruction of the Government of the Russian Federation No. 7377p-P13 dated 7 December 2013	<div>Ensure the efficiency of the customer's interaction with SMEs, including as regards procurement of innovative products.</div> <div>1. Increase the share of e-procurement in the total annual volume of procurement through public tenders to the extent and within the timelines stipulated in paragraph 7 of the Road Map:<div><div>→ The share of e-procurement in the total annual volume of procurement through public tenders in 2015 should be at least 45%</div><div>→ The share of e-procurement in the total annual volume of procurement through public tenders in 2016 should be at least 50%</div><div>→ The share of e-procurement in the total annual volume of procurement through public tenders in 2017 should be at least 60%</div><div>→ The share of e-procurement in the total annual volume of procurement through public tenders in 2018 should be at least 70%</div></div></div> <div>2. Make amendments to the customer's regulations on procurement or other executive documents (when approving the specifics of procurement from SMEs) by separate documents stipulating that at least 20% of the annual procurement of standard products should be allocated to procurement of innovative products that can be replaced with innovative products developed by SMEs</div> <div>3. Develop a pilot programme of partnership with SME associations</div> <div>4. Prepare proposals for simplifying the procurement procedure for SMEs by reducing, simplifying, and standardising the documents required for SMEs participation in customers' procurement</div> <div>5. Develop a methodology for determining the life cycle of goods, works and services to be procured</div>	<div>Execution is in progress taking into account the Company's business specifics.</div> <div>Execution is completed. In 2015, e-procurement accounted for 48.296% of total procurement by value.</div> <div>Execution is completed. In 2016, e-procurement accounted for 56.36% of total procurement by value.</div> <div>Execution is completed. In 2017, e-procurement accounted for 61.09% of total procurement by value.</div> <div>Execution is completed. In 2018, e-procurement accounted for 88.36% of total procurement by value. We also underline that all competitive procurement of goods within the Russian Federation is only carried out online.</div> <div>Amendments were made. The version of the Regulations on the Procurement of Goods, Works, and Services was approved by PJSC Aeroflot's Board of Directors on 29 April 2016 (Minutes No. 16).</div> <div>The pilot programme of the Company's partnership with SMEs was developed and approved by the CEO's Order No. 408 dated 25 November 2015. As at 1 January 2018, 35 SMEs joined the pilot partnership programme.</div> <div>Procurement document templates, which take into account the specifics of SME participation in procurement, were aligned with the new version of the Regulations on the Procurement (RI-GD-148) approved by the Board of Directors on 22 January 2019.</div> <div>The methodology for determining the life cycle of goods, works, and services to be procured (the Methodology) was approved by the CEO's Order No. 321 dated 28 September 2015 after obtaining a positive opinion of the auditor, Higher School of Economics (No. 6.18.1-19/1706-06 dated 17 June 2015).</div>

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No.	Document type, date, and number	Summary	Execution status
		6. Develop and introduce criteria for evaluating and comparing bids based on the "life cycle cost of a product or work result" for innovative, high-tech, or technically sophisticated products in the procurement procedures	Execution is in progress in line with the approved Methodology.
		7. Ensure that annual procurement of innovative, high-tech or technically sophisticated products is conducted using the "life cycle cost of a product or work result" criterion	Execution is in progress in line with the approved Methodology.
2.3	Decree of the Government of the Russian Federation No. 2258-r dated 6 October 2015, Resolution of the Government of the Russian Federation No. 1169 dated 29 October 2015	On assessment of draft plans for procurement of goods, works, and services; draft plans for procurement of innovative and high-tech products, pharmaceutical products; draft amendments to these plans, prior to approval, for their compliance with Russian laws providing for SMEs participation in procurement and the requirements of JSC Russian Small and Medium Business Corporation (RSMB Corporation).	PJSC Aeroflot's draft procurement plan for purchases of goods, works, and services in 2019 was published in the unified information system on 24 December 2018, No. 2180317776 (notification No. P2180317776001101) and complies with Russian laws (Findings of RSMB Corporation No. OZS-25455/2018 dated 24 December 2018). All amendments to the plan were published in the unified information system in due time and their compliance with Russian laws was approved by RSMB Corporation.
3	On procurement		
3.1	Clause 2 of the List of Instructions issued by the Government of the Russian Federation No. DM-P9-8413 dated 12 December 2015 on procurement regulation and the development of relevant procurement regulations for purchases of goods, works, and services Instruction of the Government of the Russian Federation No. 2793p-P13 dated 19 April 2016 (our reference number: 3773, date: 17 May 2016)	Instructions: 1. Develop and adopt procurement regulations for purchases of goods, works, and services by 30 April 2016. Procurement regulations shall specify price limits for listed goods, works, and services, and/ or requirements to their quantity, usability, and other characteristics. The regulations shall focus on meeting the needs of customers without promoting purchases of goods, works, and services with excessive consumer properties	The list of certain goods, works, and services which shall comply with the requirements set out for their usability and other characteristics was approved by the CEO's Order No. 296 dated 23 August 2016.
		2. Publish procurement regulations on websites of joint stock companies by 30 April 2016	The list was published on PJSC Aeroflot's website (Documents subsection, Sales and Procurement section).
		3. Starting from 1 May 2016, ensure mandatory application of procurement regulations when planning business activities	The report On Procurement Activities is submitted to the Management Board and the Board of Directors of PJSC Aeroflot on a quarterly basis. Furthermore, annual monitoring of procurement activities is conducted by the Revision Committee with a mandatory report by the Chairman of the Bidding Commission and the Director of the Procurement Management Department. A meeting of the Advisory Board in charge of independent audit of PJSC Aeroflot's procurement efficiency takes place on a quarterly basis. The minutes of meetings are available on the Company's website.

No.	Document type, date, and number	Summary	Execution status
		4. Starting from 2017, conduct annual monitoring (on a year-on-year basis) of procurement performance in joint stock companies, including adherence to the requirements of the approved procurement plan and relevant regulations for purchases of goods, works, and services for the needs of joint stock companies, as well as fitness of the goods, works, and services purchased by joint stock companies for purposes of their business defined in the articles of association	The order does not need to be amended (Order No. 296 dated 23 August 2016).
		5. Annually adjust (update) procurement regulations for purchases of goods, works, and services for the needs of joint stock companies Implement these requirements across subsidiaries and associates	The requirements apply to the subsidiaries which arrange for the approval of reports on procurement activities.
3.2	Instruction of the Government of the Russian Federation No. 6558p-P13 On Amendments to the Company's Procurement Policy for Purchases of Innovative Building Materials dated 5 September 2016 (our reference number: 6855, date: 12 September 2016)	Instructions: → Amend the procurement policy to give priority to purchases of innovative building materials made in Russia → Amend the procurement policy to provide an opportunity to sign long-term contracts with Russian manufacturers of building materials for supply of innovative building materials with guaranteed supply volumes in the future, and with the manufacturers that have duly entered into special investment agreements to start manufacturing these products → Implement the provisions of these directives across subsidiaries of joint stock companies	The Regulations on the Procurement of Goods, Works, and Services were amended to give priority to purchases of innovative building materials made in Russia and provide an opportunity to sign long-term contracts with Russian manufacturers of building materials for supply of innovative building materials with guaranteed supply volumes in the future, and with the manufacturers that have duly entered into special investment agreements to start manufacturing these products (clause 6.1.2.8). The respective version of the Regulations on the Procurement of Goods, Works, and Services (RI-GD-148E) was approved by the resolution of the Board of Directors dated 17 October 2016 (Minutes No. 3). The current version of the Regulations (RI-GD-148G) includes the above provisions. The current version of the Regulations (RI-GD-148) includes the above provisions. The directives are complied with by the subsidiaries in line with the Resolution of PJSC Aeroflot's Board of Directors dated 17 October 2016 (Minutes No. 3).
3.3	Instruction of the Government of the Russian Federation No. 7704p-P13 On Expanding the Use of Factoring when Executing Agreements for the Supply of Goods (Performance of Works, Provision of Services) dated 11 October 2016 (our reference number: 7711, date: 17 October 2016)	Amend the Company's procurement regulations to establish procedures for sale of receivables (factoring) when executing agreements for the supply of goods (performance of works, provision of services) signed by the Company and small and medium-sized enterprises based on purchases made using methods specified in the procurement regulations excluding tenders as defined in Russian civil laws.	The amendments are stipulated by the version of the Regulations on the Procurement of Goods, Works, and Services (RI-GD-148G) approved by the Board of Directors on 28 September 2017 (Minutes No. 3): "Clause 6.1.5. When conducting procurement procedures involving SMEs only, the customer shall ensure: f) the possibility to assign the claims under procurement contracts with mandatory inclusion in this contract of the terms stipulated by clause 20.23 of RI-GD-148X to a company (financial agent) which signed a loan agreement with a SME against assignment of the claims (factoring agreements)." Clause 19.24 of the current version of the Regulations on Procurement (RI-GD-148) includes the respective procedure.

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4	On long-term planning and operational performance improvement at state-owned companies (List of Instructions of the President of the Russian Federation No. Pr-3013 dated 27 December 2014)		
4.1	List of Instructions of the President of the Russian Federation No. Pr-3086 dated 27 December 2013 Instruction of First Deputy Prime Minister of the Russian Federation Igor Shuvalov No. 4955p-P13 dated 17 July 2014	Instructions: → Develop and approve the Long-Term Development Programme (the LDP) → Audit the implementation of the LDP and approve a relevant audit standard → Amend the regulations on remuneration of the sole executive body	Aeroflot Group's Development Strategy 2025 (LDP) was approved by the Board of Directors on 2 December 2014 (Minutes No. 8) and has been updated in line with the 2014 LDP Development Guidelines of the Federal Agency for State Property Management for Strategic Public Joint stock Companies and Federal State Enterprises. The updated LDP of Aeroflot Group was approved by PJSC Aeroflot's Board of Directors on 21 December 2017 (Minutes No. 7). The Standard on, and Terms of Reference for, Auditing the Implementation of the of Aeroflot Group's LDP were developed and approved by PJSC Aeroflot's Board of Directors on 29 January 2015 (Minutes No. 10). The Regulations on Updating and Managing the Implementation of Aeroflot Group's Long-Term Development Programme were approved by Order No. 126 dated 27 March 2017 and updated by Order No. 182 dated 26 April 2018. Progress Reports on Aeroflot Group's Long-Term Development Programme and Achievement of Key Performance Indicators for 2017 and 2018 are reviewed and approved by PJSC Aeroflot's Board of Directors on a quarterly basis (Minutes No. 3 dated 28 September 2017, No. 7 dated 21 December 2017, No. 1 dated 5 July 2018, and No. 5 dated 27 September 2018). The audit of the LDP implementation at Aeroflot Group in 2016 was conducted by BDO Unicon; the report was reviewed by PJSC Aeroflot's Board of Directors on 20 April 2017 (Minutes No. 14). The audit of the LDP implementation at Aeroflot Group in 2017 was conducted by BDO Unicon; the report was reviewed by PJSC Aeroflot's Board of Directors on 26 April 2018 (Minutes No. 13). The Regulations on PJSC Aeroflot's Key Performance Indicators and the list of KPIs were approved by PJSC Aeroflot's Board of Directors on 28 April 2016 (Minutes No. 15) and introduced by Order No. 203 dated 28 June 2016; the updated Regulations on KPIs were approved by the Board of Directors on 29 May 2018 (Minutes No. 15). The Terms of Reference for Auditing the Implementation of the of Aeroflot Group's and Achievement of Key Performance Indicators for 2017 were approved by PJSC Aeroflot's Board of Directors on 26 October 2017 (Minutes No. 4). The Terms of Reference for Auditing the Implementation of the of Aeroflot Group's and Achievement of Key Performance Indicators for 2018 were approved by PJSC Aeroflot's Board of Directors on 27 September 2017 (Minutes No. 5). The updated LDP 2018–2022 of Aeroflot Group was approved by PJSC Aeroflot's Board of Directors on 21 December 2017 (Minutes No. 7).

No.	Document type, date, and number	Summary	Execution status
4.2	Instruction of the President of the Russian Federation No. Pr-3013 dated 27 December 2014 Methodology for Analysis of Implementation of Internal Regulations approved in line with the List of Instructions of the President of the Russian Federation No. Pr-3013 dated 27 December 2014 (developed by the Russian Ministry of Economic Development)	1. 1. The JSC shall develop and approve: → the development strategy → the long-term development programme (LDP)	Aeroflot Group's Long-Term Development Programme 2025 (LDP) was approved by the Board of Directors on 2 December 2014 (Minutes No. 8) and has been updated in line with the 2014 LDP Development Guidelines of the Federal Agency for State Property Management for Strategic Public Joint stock Companies and Federal State Enterprises. The updated LDP 2018–2022 of Aeroflot Group was approved by PJSC Aeroflot's Board of Directors on 21 December 2017 (Minutes No. 7). Aeroflot Group's Strategy was approved by the Board of Directors on 27 September 2018 (Minutes No. 5)
	Instruction of the Government of the Russian Federation No. 2007p-P13 dated 6 April 2015	→ the procedures for the development and approval of LDP auditing standards	The Standard on Auditing the Implementation of Aeroflot Group's LDP was developed and approved by PJSC Aeroflot's Board of Directors on 29 January 2015 (Minutes No. 10).
	Instruction of the President of the Russian Federation No. Pr-769 dated 26 April 2016	→ the regulations on key performance indicators (KPIs)	The Regulations on PJSC Aeroflot's Key Performance Indicators and the list of KPIs were approved by PJSC Aeroflot's Board of Directors on 28 April 2016 (Minutes No. 15) and introduced by CEO's Order No. 203 dated 28 June 2016. The updated Regulations on PJSC Aeroflot's Key Performance Indicators were approved by PJSC Aeroflot's Board of Directors on 28 September 2017 (Minutes No. 3) and introduced by Order No. 452 dated 22 November 2017. The updated Regulations on KPIs were approved by the Board of Directors on 29 May 2018 (Minutes No. 15).
	Instruction of the Government of the Russian Federation No. ISh-P13-2747 dated 10 May 2016 (clause 1)		
	Instruction of the Government of the Russian Federation No. AD-P36-4292 dated 20 July 2016 (clause 6)	→ the regulations on operational and investment performance improvement and cost reduction	The Regulations on Operational and Investment Performance Improvement and Cost Reduction was approved by PJSC Aeroflot's Board of Directors on 21 December 2015 (Minutes No. 8) and introduced by Order No. 153 dated 19 May 2016.
	Instruction of the Government of the Russian Federation No. ISh-P13-8144 dated 30 December 2016	→ the investment programme.	Aeroflot Group's Investment Programme makes part of the Group's LDP and is approved as part of the annual budget. The Investment Programme for 2019 was approved by PJSC Aeroflot's Board of Directors on 13 December 2018 (Minutes No. 10).
		→ the regulations on internal audit	The Regulations on Internal Audit at Aeroflot Group were approved by PJSC Aeroflot's Board of Directors on 1 October 2015 (Minutes No. 4).
		→ the regulations on the quality management system	The Operational Quality Guidelines have been in place at PJSC Aeroflot since 15 May 2004 (No. 16/I dated 6 May 2014) and the revised Guidelines were approved by PJSC Aeroflot's Board of Directors on 2 February 2018 (Minutes No. 9).
		→ the regulations on the procedure for developing and implementing the innovative development programme	Execution is completed. The Regulations on the Procedure for Developing (Updating) and Implementing the Innovative Development Programme were approved by PJSC Aeroflot's Board of Directors on 26 November 2015 (Minutes No. 7). Following the consolidation of subsidiary airlines, the new Regulations on the Procedure for Developing (Updating) and Implementing the Innovative Development Programme (RI-GD-285) were developed and approved by PJSC Aeroflot's Board of Directors on 31 October 2018 (Minutes No. 7) instead of the Regulations on the Procedure for Developing and Implementing the Innovative Development Programme. The Regulations are available on the interdepartmental portal for state property management; the questionnaire has been updated.

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	→	the regulations on the formation and use of the sponsorship and charity funds	The Regulations on the Formation and Use of the Charity Fund were introduced by Order No. 74 dated 16 March 2016 and the revised Regulations were approved by PJSC Aeroflot's Board of Directors on 28 September 2017 (Minutes No. 3). The Regulations on the Formation and Use of the Sponsorship Fund were introduced by Order No. 94 dated 29 March 2016 and the new version was approved by PJSC Aeroflot's Board of Directors on 28 September 2017 (Minutes No. 3).
	→	the innovative development programme	Aeroflot Group developed the Innovative Development Programme 2025 and obtained its approval from federal executive authorities, the Interdepartmental Committee for Technological Development of the Praesidium of the Presidential Council of the Russian Federation for Economic Modernisation and Innovative Development of Russia as specified in the Regulations. PJSC Aeroflot's Board of Directors approved the Programme on 25 August 2016 (Minutes No. 1). Following the consolidation of subsidiary airlines, and implementation of the directive to conduct Technological Development Benchmarking of PJSC Aeroflot against international peers, the Board of Directors passed a resolution to update the Innovative Development Programme by 31 January 2019. The update of the 2018 version of the Innovative Development Programme was completed, and the results were reviewed by the Board of Directors and Management Board (Minutes No. 12 dated 7 February 2019). The Board of Directors passed a resolution to update the Innovative Development Programme in 2019 in pursuance of Minutes of Meeting No. 2 of the Government Commission for Economic Modernisation and Innovative Development headed by Dmitry Medvedev, dated 22 October 2018. The Minutes read: "by 31 December 2019, update innovative development programmes of partially state-owned companies for the period until 2024 taking into account the activities and targets of national projects (programmes), including Research, Education, Digital Economy of the Russian Federation, International Cooperation and Exports, Small and Medium-Sized Businesses and Support for Individual Entrepreneurs, Labour Productivity and Employment Support, as well as the Strategy for the Scientific and Technological Development of the Russian Federation until 2035 and the action plans (roadmaps) of the National Technological Initiative."
	→	the regulations on procurement	The Regulations on the Procurement of Goods, Works, and Services have been in place at PJSC Aeroflot since 4 April 2012, the revised Regulations were approved by PJSC Aeroflot's Board of Directors on 22 January 2019 (RI-GD-148, Minutes No. 11).
	→	the regulations on committees of the board of directors	The Regulations on the Personnel and Remuneration Committee of PJSC Aeroflot's Board of Directors were approved by PJSC Aeroflot's Board of Directors on 23 December 2016 (Minutes No. 8). The Regulations on the Audit Committee of PJSC Aeroflot's Board of Directors were approved by PJSC Aeroflot's Board of Directors on 28 January 2016 (Minutes No. 10). The Regulations on the Strategy Committee of PJSC Aeroflot's Board of Directors were approved by PJSC Aeroflot's Board of Directors on 25 May 2018 (Minutes No. 14).
	→	the regulations on remuneration of the JSC's management, members of the board of directors, members of the revision committee, including a section providing that the JSC's sole executive bodies' remuneration and responsibility shall be subject to the achievement of the KPIs detailed in the LDP	The Regulations on Remuneration and Compensation Payments to the Members of the Board of Directors of PJSC Aeroflot were approved by the Annual Meeting of Shareholders on 26 June 2017 (Minutes No. 40).

No.	Document type, date, and number	Summary	Execution status
	→	tthe regulations on non-core assets disposal	PJSC Aeroflot has in place a Programme for Non-Core Assets Disposal which includes the procedure for identifying and evaluating non-core assets, as well as disposal methods and procedures.
	→	the programme for non-core assets disposal	The Programme for Non-Core Assets Disposal of JSC Aeroflot was approved by JSC Aeroflot's Board of Directors on 26 July 2012 (Minutes No. 1). The updated Programme for Non-Core Assets Disposal of PJSC Aeroflot was approved by PJSC Aeroflot's Board of Directors on 21 December 2017 (Minutes No. 7).
	→	the programme on energy saving and efficiency	The JSC Aeroflot's Energy Saving and Environmental Performance Programme until 2020 was approved by JSC Aeroflot's Board of Directors on 18 August 2008 (Minutes No. 2).
	→	the procedure for using voluntary environmental protection tools	The Procedure for Using Voluntary Environmental Protection Tools is set up in the Environmental Management Guidelines in place since 30 January 2010. The updated Environmental Management Guidelines were approved and introduced by Order No. 39 dated 10 February 2016.
	→	the regulations on the risk management system	The Regulations on Aeroflot Group's Risk Management System were approved by the Board of Directors on 21 December 2017 (Minutes No. 7). Aeroflot Group's Risk Register, Aeroflot Group's Risk Map, and Aeroflot Group's Risk Appetite Statement are approved by the Board of Directors on an annual basis (Minutes No. 7 dated 21 December 2017, Minutes No. 10 dated 13 December 2018).
	2. Submit to federal executive authorities the analysis of internal documents implementation by 1 March on an annual basis		The report on the implementation of the List of Instructions of the President of the Russian Federation No. Pr-3013 dated 27 December 2014 was submitted to the Russian Ministry of Transport within prescribed timelines (our reference number of the outgoing document: 401-28, date: 1 March 2019). The interactive versions of questionnaires and the information on the development and approval of mandatory internal documents at PJSC Aeroflot are posted in the Company's account on the interdepartmental portal for state property management.
	3. Modify the structure of the Company's annual report by adding information on areas and amounts of sponsorship and charitable contributions made by the Company, its subsidiaries, and associates during the reporting period (starting from reporting for 2015/2016 corporate year)		Aeroflot Group's 2017 LDP progress report was prepared in line with the directives, approved by PJSC Aeroflot's Board of Directors on 26 April 2018 (Minutes No. 13), and by the General Meeting of Shareholders on 25 June 2018.
	4. The Company and its subsidiaries and associates shall submit reports on the utilization of the sponsorship and charity fund through the interdepartmental portal for state property management on the Internet on a quarterly basis (by the 15th day of the month following the reporting quarter, starting from reporting for Q4 2015)		

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4.3	Instruction of the Government of the Russian Federation No. AD-P36-4292 dated 20 July 2016	<p>Boards of directors shall approve the plans stipulating consideration of the following matters at the meetings of the boards of directors (after preliminary consideration by the personnel and remuneration committee and the investment committee, starting from the next reporting period in 2016):</p> <ul style="list-style-type: none">→ Quarterly reporting on the implementation of the LDP and achievement of KPIs→ Assessment of expected KPIs, analysis of reasons for difference between actual and target KPIs→ Adoption of a remedial plan in case of significant difference between actual and target KPIs→ Approval of the amount of quarterly and annual remuneration based on KPI achievement	<p>These matters are included for consideration in PJSC Aeroflot's Board of Directors action plan for 2018–2019 (based on the results of the reporting period). Progress Reports on Aeroflot Group's Long-Term Development Programme and Achievement of Key Performance Indicators are reviewed and approved by PJSC Aeroflot's Board of Directors on a quarterly basis. Quarterly progress reports on Aeroflot Group's LDP for 2018 are approved by PJSC Aeroflot's Board of Directors (Minutes No. 1 dated 5 July 2018 and No. 5 dated 27 September 2018).</p> <p>Quarterly reports on achievement of key performance indicators include assessment of expected KPIs, analysis of reasons for difference between actual and target KPIs, and a remedial plan (in case of significant difference between actual and target KPIs). PJSC Aeroflot's Board of Directors approves the amount of bonus payments to PJSC Aeroflot's management following KPI achievement during the reporting period.</p>
5	On developing (updating) innovative development programmes Guidelines on Adjusting Innovative Development Programmes approved by Deputy Prime Minister of the Russian Federation Arkady Dvorkovich (No. AD-P36-621 dated 9 February 2016)		
5.1	Minutes of the Meeting of the Praesidium of the Presidential Council of the Russian Federation for Economic Modernisation and Innovative Development of Russia No. 2 dated 17 April 2015 (sub-clause a, clause 2, section II) (our reference number: 3907, date: 14 May 2015)	On the need to update (develop) and approve innovative development programmes subject to the Guidelines (Appendix 1 to the Minutes).	Execution is completed. Aeroflot Group developed the Innovative Development Programme 2025, obtained its approval from federal executive authorities, and approved by the Interdepartmental Committee for Technological Development of the Praesidium of the Presidential Council for Economic Modernisation and Innovative Development of Russia as specified.
5.2	Instruction of the Government of the Russian Federation No. 1471p-P13 dated 3 March 2016	<p>Instructions:</p> <ul style="list-style-type: none">→ Approve the innovative development programme developed (updated) in line with the Guidelines approved by Instruction No. DM-P36-7563 and the Regulations approved by Instruction No. DM-P36-7563→ Annually report on the implementation of innovative development programmes to federal executive bodies in line with the Regulations	<p>Execution is completed. Aeroflot Group developed the Innovative Development Programme 2025 and obtained its approval from federal executive authorities, the Interdepartmental Committee for Technological Development of the Praesidium of the Presidential Council of the Russian Federation for Economic Modernisation and Innovative Development of Russia as specified in the Regulations. PJSC Aeroflot's Board of Directors approved the Programme on 25 August 2016 (Minutes No. 1).</p> <p>The report on the implementation of PJSC Aeroflot's Innovative Development Programme in 2017 was approved by PJSC Aeroflot's Board of Directors on 26 April 2018 (Minutes No. 13) and submitted to federal executive authorities in line with the Regulations. The report for 2018 is currently being prepared, the deadline for its submittal to federal executive authorities is 1 May 2019.</p>

No.	Document type, date, and number	Summary	Execution status
5.3	Instruction of the Government of the Russian Federation No. 1472p-P13 dated 3 March 2016	Starting from 2016, include the integrated key performance indicator reflecting innovation performance in the list of key performance indicators within long-term development programmes and in the list of key performance indicators for the senior management, and take this integrated KPI into account when calculating the amount of incentive remuneration for the Company's management including the Company's sole executive body.	The Integrated Innovation Key Performance Indicator (IIKPI) (for Aeroflot Group) has been included in the KPI list of Aeroflot Group's Long-Term Development Programme and PJSC Aeroflot's KPIs for senior management since 2016 and is taken into account when determining the amount of senior management's (including CEO's) bonus payments for KPI achievement in the reporting period. To implement the decisions made at the Meeting of the Inter-Agency Working Group on Supporting Innovative Development Priorities of the Praesidium of the Presidential Council for Economic Modernisation and Innovative Development of Russia, a List of Instructions (No. 47/PI dated 30 June 2017) was developed.
5.4	Minutes of the Meeting of the Inter-Agency Working Group on Supporting Innovative Development Priorities of the Praesidium of the Presidential Council for Economic Modernisation and Innovative Development of Russia chaired by Deputy Prime Minister of the Russian Federation Arkady Dvorkovich No. 1 dated 14 April 2017 (our reference number: 3912, date: 17 May 2017)	<p>Clause 4, section I. Ensure the review of the rating, as well as the proposals of state-owned companies' senior management on quality improvement of preparation and implementation of their innovative development programmes (the IDP) at the meetings of the Board of Directors.</p> <p>Clause 2, section II. The IIKPIs for 2017 were approved for the indicators lower than the actual 2014–2016 values.</p> <p>Ensure the target IIKPI approval for 2018 for the indicators not lower than the average value for the past five years (2013–2017) by 1 March 2018.</p> <p>Clause 9, section III. Instructions: 1. Benchmark own level of technological development and current KPI values against such of the leading foreign peers</p> <p>2. Develop proposals on the IIKPIs for 2019 based on the specified assessment and submit them for approval to federal executive authorities by 1 December 2017</p> <p>Clause 15, section III. Following the review of industries' development strategies, ensure update of corporate strategies, LDPs, KPIs, and IDPs.</p>	<p>Execution is completed.</p> <p>The final assessment of the Innovative Development Programme (IDP) implementation quality at PJSC Aeroflot in 2017 totalled 95.33% according to Minutes of Meeting No. 3-D01 dated 15 February 2017 of the Interdepartmental Committee. The results of the independent assessment of the IDP implementation quality, as well as proposals on improving the quality of IDP preparation and implementation were reviewed at the meeting of PJSC Aeroflot's Board of Directors on 28 September 2017 (Minutes No. 3).</p> <p>Execution is completed. The IIKPIs for 2017 were approved by Minutes of the Meeting No. 1 dated 14 April 2017 of the Inter-Agency Working Group.</p> <p>Execution is completed. The IIKPIs for 2018 were approved by Minutes of the Meeting No. 1 dated 27 February 2018 of the Inter-Agency Working Group.</p> <p>Execution is completed. On 27 December 2017, the Company signed an agreement with Lomonosov Moscow State University for the research activities on PJSC Aeroflot's Innovative Development Benchmarking against international peers to include its results in the IDP. The level of technological development and current KPI values at PJSC Aeroflot was benchmarked against those of the leading foreign peers. The results were reviewed by PJSC Aeroflot's Board of Directors and Management Board on 31 October 2018 (Minutes No. 7).</p> <p>Execution is completed. Proposals on the IIKPIs for 2019 were reviewed by the Board of Directors on 31 October 2018 and submitted to federal executive authorities.</p> <p>Following the benchmarking of the level of technological development and current KPI values at PJSC Aeroflot against those of the leading foreign peers, no strategy or LDP revision is needed. The proposals were approved by the Board of Directors on 31 October 2018.</p>

No.	Document type, date, and number	Summary	Execution status
5.5	Instruction of the Government of the Russian Federation No. 3262p-P13 dated 27 April 2018	<p>Instructions:</p> <p>1. Benchmark the Company's level of technological development and current KPI values against those of the leading foreign peers in accordance with the Guidelines on Benchmarking the Level of Technological Development and KPI Values for partially state-owned joint stock companies, state-owned enterprises, state-owned companies and federal state unitary enterprises against the level of technological development and KPI values of leading peers, approved by the Inter-Agency Working Group on Supporting Innovative Development Priorities of the Praesidium of the Presidential Council for Economic Modernisation and Innovative Development of Russia (the Inter-Agency Working Group) (Minutes No. 2 dated 19 September 2017).</p> <p>2. Submit to the Russian Ministry of Economic Development and the federal executive agency coordinating the Company's activities:</p> <ul style="list-style-type: none"> → results of benchmarking the level of technological development → proposed amendments to the Innovative Development Programme and the Long-Term Development Programme → proposals on the integrated key performance indicators (IHKPIs) for 2019. <p>Submit the materials specified in clause 2 of these directives by 1 November 2018</p>	<p>The results of PJSC Aeroflot's technological (innovative) development benchmarking against international peers were approved by the Board of Directors on 31 October 2018 (Minutes No. 7).</p> <p>The information was submitted to the Russian Ministry of Transport (our reference number of the outgoing document: 511-75, date: 17 October 2018; our reference number of the outgoing document: 511-88, date: 1 November 2018; our reference number of the outgoing document: 511-104, date: 10 December 2018).</p>

No.	Document type, date, and number	Summary	Execution status
6	On the implementation of KPI-based manager bonus system to reduce operating expenses (costs) by at least 2%–3% annually (List of Instructions of the President of the Russian Federation No. Pr-2821 dated 5 December 2014)		
6.1	Instruction of the Government of the Russian Federation No. 4750p-P13 dated 4 July 2016	<p>On making decisions providing for the following:</p> <ul style="list-style-type: none"> → Development (update) by companies and their subsidiaries (if any), within one month, of a set of measures (list of measures) as part of the long-term development programme aimed at achieving the KPI of reducing operating expenses (costs) by at least 10% in 2016 taking into account the need to implement the initiatives specified in the Directives of the Government of the Russian Federation No. 2303-p-P13 dated 16 April 2015 → Consideration of management reports on the implementation of the set of measures (list of measures) to reduce operating expenses (costs) at meetings of the boards of directors (supervisory boards) on a quarterly basis → Submission of companies' reports on the implementation of the set of measures (list of measures) to reduce operating expenses (costs) considered and approved by the board of directors (supervisory boards) to industry federal executive authorities on a quarterly basis 	<p>The set of measures (list of measures) aimed at achieving the KPI of reducing operating expenses (costs) at Aeroflot Group by at least 2%–3% annually, as well as at determining target measures for the implementation of the above activities was included in the respective section of the LDP on 19 June 2015 and updated on 21 December 2017 (Minutes No. 7).</p> <p>In line with the Instruction of the Government on the reducing operating expenses (costs) by at least 10% in 2016, the Operating Expenses Optimisation Programme at the Group was updated on 2 November 2016.</p> <p>The set of measures aimed at reducing operating expenses (costs) in 2016 was reviewed by PJSC Aeroflot's Board of Directors on 20 April 2017 and fully completed (Minutes No. 14).</p> <p>The CASK KPI (for Aeroflot Group) was approved for 2017 (Order No. 465 dated 30 December 2016). Target KPI achievement is guided by the Regulations on PJSC Aeroflot's Key Performance Indicators and does not require the development of separate activities.</p> <p>The values of the operating expenses (costs) KPI are included in the Aeroflot Group's KPI system.</p> <p>Taking into account the seasonal factor of the passenger traffic, the KPI is set with a 1-year lag. The information on the KPI is published on the interdepartmental portal of the Federal Agency for State Property Management on a quarterly basis.</p> <p>To confirm the KPI achievement, quarterly reports on performance against Aeroflot Group's budget are submitted to the Board of Directors. Since Q1 2018, the investor community has access to quarter-on-quarter KPI progress reports.</p>

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No.	Document type, date, and number	Summary	Execution status
7	On disposal of non-core assets(Paragraph 4, sub-clause c, clause 2 of Decree of the President of the Russian Federation No. 596 dated 7 May 2012 On Long-Term National Economic Policy, Instruction of the Government of the Russian Federation No. ISh-P13-668 dated 31 January 2014 and No. DM-P13-8542 dated 19 November 2014, Instruction of President of the Russian Federation Vladimir Putin No. 348 dated 22 February 2016)		
7.1	Paragraph 4, sub-clause c, clause 2 of Decree of the President of the Russian Federation No. 596 dated 7 May 2012 On Long-Term National Economic Policy Instruction of the Government of the Russian Federation No. 4863p-P13 dated 7 July 2016 Guidelines on Identification of Non-Core Assets Disposal (approved by Instruction of the Government of the Russian Federation No. ISh-P13-4065 dated 7 July 2016) Guidelines on Identification and Disposal of Non-Core Assets (approved by Resolution of the Government of the Russian Federation No. 894-r dated 10 May 2017)	<div>1. Develop (update) programmes for the disposal of the joint stock company's non-core assets and the register of the joint stock company's non-core assets in line with the Guidelines</div> <div>2. Approve the programme (updates to the programme) for, and the register of, non-core assets</div> <div>3. Instructions: → Approve the annual plan for the implementation of the programme for disposal of the joint stock company's non-core assets broken down by quarter and publish the plan on the interdepartmental portal for state property management</div>	<div>The Programme for Non-Core Assets Disposal was approved by JSC Aeroflot's Board of Directors on 26 July 2012 (Minutes No. 1).</div> <div>The updated Programme for Non-Core Assets Disposal (including the Register of Non-Core Assets and the Action Plan on Non-Core Assets Disposal of PJSC Aeroflot) was approved by PJSC Aeroflot's Board of Directors on 17 October 2016 (Minutes No. 3).</div> <div>PJSC Aeroflot's Programme for Non-Core Assets Disposal updated in line with the Guidelines on Identification of Non-Core Assets Disposal, Register of Non-Core Assets (Appendix 1 to the Programme), and Action Plan on Non-Core Assets Disposal (Appendix 2 to the Programme) were approved by PJSC Aeroflot's Board of Directors on 21 December 2017 (Minutes No. 7).</div> <div>The information on the progress of the non-core asset programme is quarterly posted in the Company's account on the interdepartmental portal for state property management in the Instructions section – "Instruction No. 10 Non-Core Assets Structure Optimisation" within prescribed timelines since 2015.</div>
		<div>→ Consider the joint stock company's progress reports on the programme at the meetings of the board of directors (supervisory board) on a quarterly basis and publish the relevant materials signed by the joint stock company's authorised person on the interdepartmental portal for state property management</div> <div>→ Timely publish all the necessary well-developed information on disposal of non-core assets as specified by the Federal Agency for State Property Management on the interdepartmental portal for state property management</div> <div>→ Implement the provisions of these directives across subsidiaries of joint stock companies</div>	<div>The audit of assets was conducted in the Company's subsidiaries, following which non-core assets were identified in Rossiya airline and included in the Rossiya airline's Programme for Non-Core Assets Disposal (Rossiya airline's Board of Directors on 31 March 2017). The Board of Directors of Rossiya airline decided to review the progress report on the Programme on a quarterly basis on 12 July 2017. The respective materials are reviewed by the Board of Directors of Rossiya airline within prescribed timelines.</div>

No.	Document type, date, and number	Summary	Execution status
7.2	Instruction of the Government of the Russian Federation No. 6604p-P13 dated 18 September 2017	By 1 November 2017, amend the employment contract with the sole executive body of the joint stock company (the person performing his/her duties) in terms of including provisions on personal responsibility for untimely disclosure of information or disclosure of misleading information on non-core assets disposal on the interdepartmental portal for state property management.	The resolution on amending the employment agreement with PJSC Aeroflot's CEO was passed by the Board of Directors on 1 February 2018 (Minutes No. 8).
8	On managing intellectual property rights		
8.1	Instruction of the Government of the Russian Federation No. ISh-P8-800 dated 4 February 2014 Recommendations on Intellectual Property Rights (the IPR) Management (approved by Instruction of the Government of the Russian Federation No. ISh-P8-5594 dated 25 August 2017)	<div>1. Develop and approve Key Regulations on IPR Management and an Action Plan on their implementation in line with the Recommendations of the Federal Agency for State Property Management and the company's innovative development programme</div> <div>2. Appoint the official responsible for the efficient operation of the IPR management system, and the implementation of the Key Regulations and the Action Plan</div>	<div>Execution is completed. Regulations on Intellectual Property Rights Management (RI-GD-224) were approved by Order No. 263 dated 29 July 2016.</div> <div>In 2018, the new Regulations on Intellectual Property Rights Management were developed (instead of the Regulations on Intellectual Property Rights Management approved by Order No. 263 dated 29 July 2016) in line with the Recommendations. The Regulations were approved by PJSC Aeroflot's Board of Directors on 28 September 2018 (Minutes No. 6).</div> <div>The Action Plan on Intellectual Property Rights Registration was developed and approved for the rights identified during the audit in December 2016 (No. 511-6/PI dated 12 December 2017). The business process "Intellectual Property Rights Management" (BP-511-003) was approved on 31 March 2017.</div> <div>Execution is completed. The Deputy CEO for Customer Relations was appointed responsible for the implementation of the Regulations on Intellectual Property Rights Management.</div>
8.2	Instruction of the Government of the Russian Federation No. 9177p-P13 dated 12 December 2017	<div>Instructions: 1. Ensure the analysis of IPR management in line with the Recommendations</div> <div>2. Develop a programme or make amendments to the existing programme (if needed) for IPR management</div> <div>3. Post and later update the information on the IPR management programme implementation on the interdepartmental portal for state property management</div>	<div>Execution is completed. The matter of the IPR management was reviewed at the meeting of PJSC Aeroflot's Board of Directors on 2 February 2018 (Minutes No. 9).</div> <div>→ The analysis of intellectual property rights management system of PJSC Aeroflot was conducted in line with the Recommendations on Intellectual Property Rights Management in Entities approved by Instruction of the Government of the Russian Federation No. ISh-P8-559 dated 25 August 2017 and the results of the analysis were submitted to the Board of Directors.</div> <div>→ The results were considered by PJSC Aeroflot's Board of Directors on 28 September 2018 (Minutes No. 6).</div> <div>Execution is completed. The new Regulations on Intellectual Property Rights Management were developed (instead of the Regulations on Intellectual Property Rights Management (RI-GD-224) approved by Order No. 263 dated 29 July 2016) in line with the Recommendations. The Regulations were approved by PJSC Aeroflot's Board of Directors on 28 September 2018 (Minutes No. 6).</div> <div>Execution is completed. The Regulations on Intellectual Property Rights Management are available on the interdepartmental portal for state property management, the questionnaire has been updated.</div>

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No.	Document type, date, and number	Summary	Execution status
8.3	Directive of the Government of the Russian Federation No. 7050p-P13 dated 30 August 2018 (our reference number: 8901, date: 17 September 2018)	Inventory of intellectual property aimed at further organisation of measures to identify property owned by a joint stock company, ensure its legal protection, include it into the balance sheet as intangible assets for further integration into the company's economic activities, and to assess the value of rights where needed.	Execution is completed. The matter was reviewed at the meeting of PJSC Aeroflot's Board of Directors on 28 September 2018 (Minutes No. 6). The Management Board has been instructed to take inventory of intellectual property in 2019. The inventory of intellectual property has been scheduled for 2019 (currently, all relevant materials have been submitted to the Management Board for approval). Following the results of the Management Board's efforts, procurement processes will take place to select a service provider.
9	On scheduled substitution of imported products (works, services) with those of Russian origin (works, services), having similar specifications and consumer properties		
9.1	Instruction of the Government of the Russian Federation No. 4972p-P13 dated 11 July 2016 (our reference number: 5553, date: 25 July 2016)	Instructions: 1. Amend the regulations on the joint stock company's procurement processes so as to ensure the following: 1.1 Procurement requirements and other local regulations, which are subject to approval when making any purchases of the computer and database software available, irrespective of the type of agreement, on physical media and/or in electronic form through communication channels and of the right to use the software, including temporary use, shall provide for submission of bids offering only such software which is included in the unified register of Russian computer and database software (the Register) that was developed in line with Article 12.1 of Federal Law No. 149-FZ On Information, Information Technology and Information Protection dated 27 July 2006, except in the following cases: a) The register does not include data on software which belongs to the same class of software as the software offered for purchase b) The software, which is included in the register and belongs to the same class of software as the software offered for purchase, is uncompetitive (its functions, specifications and/or performance characteristics do not meet the requirements set out by a customer for the software offered for purchase)	The requirements were included in PJSC Aeroflot's Regulations on the Procurement of Goods, Works, and Services (RI-GD-148E) approved by the Board of Directors on 17 October 2016 (Minutes No. 3). The current version of the Regulations on the Procurement (RI-GD-148) includes the requirements.

No.	Document type, date, and number	Summary	Execution status
		1.2. If a purchase is subject to the above exceptions, publish information on each such purchase with a rationale explaining inability to comply with restrictions imposed on foreign-made software on the joint stock company's website in a dedicated procurement section within seven calendar days after publication of information on procurement on the joint stock company's website or dedicated websites on the Internet used by the joint stock company for procurement (bidding platforms)	The information is posted on PJSC Aeroflot's website in the prescribed order.
		2. Implement the above approach across subsidiaries directly and/or indirectly controlled by the joint stock company by more than 50% in total	The matter was reviewed at the meeting of PJSC Aeroflot's Board of Directors on 17 October 2016 (Minutes No. 3). The Company's Management Board has been instructed to set up the approval of similar amendments to the regulations on the procurement of goods, works, and services of its subsidiaries directly and/or indirectly controlled by PJSC Aeroflot by more than 50% in total. These requirements have been included in the regulations on the procurement of goods, works, and services of the subsidiaries and approved by their boards of directors. Rossiya airline – Minutes No. 8-2017 dated 23 March 2017. The current version of the Regulations on the Procurement (I-GD-241-18 dated 17 December 2018) includes the requirements. Pobeda airline – Minutes No. 3-17 dated 31 January 2017. The current version of the Regulations on the Procurement dated 26 December 2018 includes the requirements. Aurora airline – Minutes No. 11-16 dated 30 November 2016. The current version of the Regulations on the Procurement (RI-GD-014 dated 17 December 2018) includes the requirements.
9.2	Instructions of the Government of the Russian Federation No. DM-P9-87pr dated 25 November 2013, No. AD-P9-9176 dated 12 December 2014, No. ISh-P13-1419 dated 5 March 2015, and No. 1346p-P13 dated 5 March 2015	Instructions: 1. Prepare a set of measures aimed at planned and scheduled substitution of imported products (works, services) with those of Russian origin, having similar specifications and consumer properties, to be used in investment projects and day-to-day operations, based on economic and technological feasibility principles and technological justification 2. Inclusion of the set of measures and the indicator values of the above activities implementation in the Company's Long-Term Development Programme	The set of measures aimed at planned and scheduled substitution of imported products (works, services) with those of Russian origin, having similar specifications and consumer properties, to be used in investment projects and day-to-day operations, based on economic and technological feasibility principles and technological justification was included in Aeroflot Group's LDP (Appendix C) on 15 May 2015, amended on 4 June 2015, and updated on 21 December 2017.
9.3	Instruction of the Government of the Russian Federation No. 6558p-P13 dated 5 September 2016	Ensure the amendments in the joint stock company's procurement policy to give priority to purchases of Russian-made innovative construction materials	The set of measures aimed at planned and scheduled substitution of imported products (works, services) with those of Russian origin, having similar specifications and consumer properties, to be used in investment projects and day-to-day operations, based on economic and technological feasibility principles and technological justification was included in Aeroflot Group's LDP (Appendix C) on 15 May 2015, amended on 4 June 2015, and updated on 21 December 2017.

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No.	Document type, date, and number	Summary	Execution status
9.4	Instruction of the Government of the Russian Federation No. 10068p-P13 dated 6 December 2018	1. Arrange for preparation and approval by the Board of Directors of an action plan for 2018–2021 to foster joint stock company migration to using mainly domestic software, and identify: → Technologies → Action Plan for 2018–2021 to foster joint stock company migration to using mainly domestic software (the Plan for 2018–2021), including the following details:	The matter was reviewed at the meeting of PJSC Aeroflot's Board of Directors on 22 January 2019 (Minutes No. 11).
		→ Authorised officer (at least a deputy head of the joint stock company's executive body) in charge of the implementation of the measures to foster the joint stock company migration to using mainly domestic software	Execution is in progress. The plan was submitted to ICT Competence Center for approval.
		→ Organisational and technical measures to foster the joint stock company migration to using mainly domestic software within prescribed timelines	Execution is completed. Kirill Bogdanov has been appointed.
		→ Investments specifying the timelines, volumes and sources of financing to foster the joint stock company migration to using mainly domestic software	Execution is in progress.
		→ Setting KPIs for the migration to using mainly domestic software	In line with the resolution of the Management Board dated 22 February 2019 (Minutes No. 4), a KPI on Achievement of Targets for Using Domestic Software with a 5% weight was added for Deputy CEO for Information Technologies. This KPI will be decomposed across the units of the IT function.
		2. Including the measures to foster the joint stock company migration to using mainly domestic software in its long-term development programme as part of the import substitution initiatives	Execution is in progress.
		3. Implementing the above approach across subsidiaries directly and/ or indirectly controlled by the joint stock company by more than 50% in total	Execution is in progress.
		4. Submit information to the Ministry of Digital Development, Communications and Mass Media of the Russian Federation on a quarterly basis by the 10th day of the month following the reporting quarter through publishing reports on the implementation of these directives and the Plan for 2018–2021 on the interdepartmental portal for state property management to the extent and in the manner prescribed in the appendix to the directive	Execution is in progress.

No.	Document type, date, and number	Summary	Execution status
10		On ensuring priority funding for the social and economic development of the Russian Far East List of Instructions of the President of the Russian Federation following the Eastern Economic Forum dated 4 September 2015 (No. Pr-1891 dated 17 September 2015), Guidelines on Approval of Plans and Targeted Programmes of State-Owned Enterprises, State-Owned Companies, and Other Organisations by the Ministry for the Development of the Russian Far East (approved by Resolution of the Government of the Russian Federation No. 1502 dated 27 December 2016), Resolution of the Government of the Russian Federation No. 232 dated 6 March 2018 On Amending the Resolution of the Government of the Russian Federation No. 1502 dated 27 December 2016	
10.1	List of Instructions of the President of the Russian Federation following the Eastern Economic Forum Instructions of the Government of the Russian Federation No. DM-P16-6658 dated 30 September 2015 and No. 4531p-P13 dated 28 June 2016	Instructions: → Amend development plans including long-term development programmes, strategies and investment programmes of the Company (the Strategic Documents) so as to add to them dedicated sections (dedicated measures) ensuring priority funding (development of such measures, if necessary) for the social and economic development of the Russian Far East → Align strategic documents with state programmes of the Russian Federation (in line with the appended list)	A dedicated section on Ensuring Priority Funding for the Social and Economic Development of the Russian Far East was added to Aeroflot Group's Long-Term Development Programme 2016–2021 on 7 July 2016.The section was updated on 21 December 2017.
10.2	Instruction of the Government of the Russian Federation No. 3538p-P13 dated 25 May 2017	Instructions: 1. Develop and approve the Procedure for Approval of Investment Programmes (Projects) to Develop Infrastructure in the Far Eastern Federal District by the Ministry for the Development of the Russian Far East (the Approval) 2. Ensure the alignment of the above mentioned Procedure for Approval with the guidelines approved by Resolution of the Government of the Russian Federation No. 1502 On Approval of Investment Programmes and Other Projects to Develop Infrastructure in the Far East Implemented by State-Owned Enterprises, State-Owned Companies, and Other State-Owned Organisations by the Ministry for the Development of the Russian Far East dated 27 December 2016 3. Publish the adopted Procedure for Approval on the interdepartmental portal for state property management	The Procedure for Approval of PJSC Aeroflot's Investment Programme and Other Projects to Develop Infrastructure in the Far Eastern Federal District implemented by PJSC Aeroflot was adopted by PJSC Aeroflot's Board of Directors on 23 June 2017 (Minutes No. 17). Execution is completed. The information has been published on the interdepartmental portal.

No.	Document type, date, and number	Summary	Execution status
11.2	Instruction of the Ministry of Labour and Social Protection the Russian Federation No. 13-6/10/V-5159 dated 26 July 2016 Minutes of the Meeting led by Minister of Labour and Social Protection of the Russian Federation Maxim Topilin No. 1/13/23b dated 15 July 2016 (our reference number: 5821, date: 2 August 2016)	Develop roadmaps to improve accessibility of facilities and services for disabled people using the recommendations developed by the Ministry of Labour and Social Protection of the Russian Federation by 30 December 2016.	In-flight entertainment programme has been implemented for visually and hearing impaired passengers, which now contains eight films with subtitles and/or audio descriptions. Briefing on the seat, flight safety instructions, and in-flight services is provided to visually impaired passengers in information brochures translated into Braille. Passengers using a wheelchair who need additional back support are provided with a shoulder belt restraint if ordered in advance. This service is currently being tested. The professional development system was expanded with a new online training course for flight attendants which takes into account recommendations on diverse categories of disabled passengers. The second version of the standard for servicing passengers with disabilities is being updated; the second audit has been conducted on the compliance of the standard of servicing passengers with disabilities in place at PJSC Aeroflot.
11.3	Minutes of the Meeting led by Deputy Minister of Transport of the Russian Federation Alexey Tsydenov No. ATs-109 dated 9 August 2016 (our reference number: 6719, date: 6 September 2016)	Recommend business entities providing transport services to execute the following by 1 December 2016: 1. Confer functions on one of the deputy chief executives of the entity (company) and one of the business units in relation to the development and implementation of internal management decisions to comply with applicable laws requiring accessibility of transport infrastructure facilities, vehicles and the entity's/company's transport services for disabled people 2. Adopt internal regulations to establish procedures for ensuring accessibility of transport infrastructure facilities, vehicles and transport services for disabled people 3. Arrange for training and retraining (professional development) of employees (instructors) at entities (companies) by educational institutions for transport across the professional development programmes developed by the Industry Resource Training and Methodology Centre of Transport Accessibility for Disabled Persons at the Institute of International Transport Communications of the Moscow State University of Railway Engineering (MIIT) 4. Issue the entity's/company's executive document implementing initiatives to stop, starting from 1 June 2016, phasing in of facilities, equipment and vehicles (upon construction, overhaul, upgrade, purchase) which are not fully adapted for use by disabled people in line with Rules SP-59.13330.2012	In 2017, a positive trend was noted in the development of ground services for passengers with disabilities in the Russian airports within PJSC Aeroflot's route network. In the context of infrastructure restrictions, the issue of providing airports with passenger boarding and disembarking equipment has become urgent. Ambulifts and other equipment is missing in the airports of: Abakan (scheduled for 2019), Voronezh, Magnitogorsk (stairclimber), Murmansk (scheduled for March 2018), Novokuznetsk, Orenburg (stairclimber), Saratov (scheduled for 2019), Stavropol (stairclimber), and Syktyvkar (stairclimber scheduled for 2020). Checked and carry-on baggage allowances have been increased. Without additional payments for the baggage, the number of seats, and weight, in line with the travel class, fare and the terms of fare families, a passenger can take on board a wheelchair and one more means of transportation provided that it is used by a disabled person. As carry-on baggage, a passenger can also take on board: → crutches, a cane, a walker, a rollator, and removable prosthetic arms and/or legs → a folding wheelchair, which can be safely placed under the seat in front or in the locker → a gaseous oxygen tank for medical purposes → a portable oxygen concentrator, which can be safely placed under the seat in front or in the locker → medical equipment for the in-flight life support of the passenger.

EXECUTION OF PRESIDENTIAL AND GOVERNMENTAL DECREES

No.	Document type, date, and number	Summary	Execution status
		5. Develop and approve corporate plans for step-by-step improvement of indicators reflecting accessibility for disabled people in relation of existing facilities used to provide services for disabled people, as well as for simultaneous creation of suitably adjusted conditions (until overhaul or upgrade are completed) for them to provide services in line with the rule of Part 4, Article 15 of Federal Law No. 181-FZ On Social Protection of Disabled People in the Russian Federation dated 24 November 1995	
11.4	Instruction of the Government of the Russian Federation No. OG-P12-7731 dated 16 December 2016	Arrange for annual monitoring of roadmaps implementation.	
11.5	Instruction of the Ministry of Labour and Social Protection of the Russian Federation No. 13-6/10/P-6702 dated 10 October 2017	By 10 November 2017, submit information on measures taken in 2017 to implement the UN Convention on the Rights of Persons with Disabilities, Federal Law No. 419-FZ dated 1 December 2014, as well as proposals on improving PJSC Aeroflot's interaction mechanisms with government authorities in line with further enhancement of a barrier-free environment in passenger air travel.	
12	On implementing occupational standards in PJSC Aeroflot Resolution of the Government of the Russian Federation No. 584 dated 27 June 2016 On Specifics of Implementing Occupational Standards in Terms of Mandatory Requirements for State-Owned Off-Budget Funds of the Russian Federation, State-Owned or Municipal Institutions, State-Owned or Municipal Companies, State-Owned Enterprises, State-Owned Companies and Businesses in Which Federal or Municipal Authorities Have Over 50% Shareholding (the Resolution)		
12.1	Instruction of the Government of the Russian Federation No. 5119p-P13 dated 14 July 2016 (our reference number: 5555, date: 25 July 2016)	Implement occupational standards in joint stock companies subject to Federal Law No. 122-FZ On Amending the Labour Code of the Russian Federation dated 2 May 2015 and Articles 11 and 73 of the Federal Law On Education in the Russian Federation through the approval and implementation of relevant plans, and make provision for considering the performance of the implementation of occupational standards when assessing and rewarding joint stock companies' HR management. Request to convene meetings of boards of directors (supervisory boards) of joint stock companies at least every six months and include the implementation of occupational standards in joint stock companies in agendas.	The matter was considered at the meeting of the Board of Directors on 25 August 2016 (Minutes No. 15). The action plan to implement occupational standards in PJSC Aeroflot was approved by the Management Board on 9 December 2016 (Minutes No. 34). Order No. 434 dated 22 December 2016 established a dedicated task force to implement occupational standards at PJSC Aeroflot. Reports on implementation of occupational standards in PJSC Aeroflot's operations are regularly (once every six months) submitted to the Board of Directors. The information has been posted in PJSC Aeroflot's account on the interdepartmental portal for state property management in the Instructions section – "Instruction No. 24 Introduction of Professional Standards".

No.	Document type, date, and number	Summary	Execution status
13	On implementation of the Corporate Governance Code		
13.1	Instructions of the Government of the Russian Federation No. ISh-P13-5859 dated 31 July 2014, No. 5667-P13 dated 2 September 2014, and No. 1109p-P13 dated 26 February 2015	On Approving the Action Plan (Roadmap) on Implementation of the Corporate Governance Code.	The Action Plan (Roadmap) to Improve Corporate Governance Practices was approved by PJSC Aeroflot's Board of Directors on 19 March 2015 (Minutes No. 14). The progress report on the Action Plan (Roadmap) to Improve Corporate Governance Practices at PJSC Aeroflot as at December 2016 was considered by the Board of Directors on 22 December 2016 (Minutes No. 7). The information on the status of the Corporate Governance Code principles implementation at PJSC Aeroflot in 2016 was referred to the Federal Agency for State Property Management. The progress report on the implementation of the Corporate Governance Code provisions as at December 2017 was reviewed by the Board of Directors on 21 December 2017. The Board of Directors simultaneously approved the Corporate Governance Code of PJSC Aeroflot (Minutes No. 7).
14	On establishing the unified treasury of the Company, its subsidiaries, and associates		
14.1	Instruction of the Government of the Russian Federation No. 5110p-P13 dated 8 August 2014 Instruction of the Government of the Russian Federation No. 1796p-P13 dated 26 March 2015	1. Ensure the operation of the unified treasury of the Company, its subsidiaries, and associates providing the centralised management of financial flows of the group of companies, minimisation of financial risks and operating expenses, and maximisation of the return on investment of available resources 2. Instructions: → Develop and approve the structure of the unified treasury of the Company, its subsidiaries, and associates (the Group) → Develop and approve internal documents of the group regulating operations of the Treasury and a financial flow management system → Conduct annual analysis of the results of establishing the unified treasury of the Company, its subsidiaries, and associates → Submit the report on the analysis to the Ministry of Finance of the Russian Federation and the Federal Financial Monitoring Service by 15 September on an annual basis	Regulations on the Unified Treasury were approved on 29 May 2015 (RI-04-078 No. 151/I). Procedure for Implementation of Key Treasury Functions as Part of Operation of the Unified Treasury was approved on 29 May 2015 (RI-04-079 No. 152/I). Conducting an annual analysis of the results of establishing the Unified Treasury of Aeroflot Group was approved by the Board of Directors decision dated 23 April 2015 (Minutes No. 15). The analysis of the results of establishing the Unified Treasury of Aeroflot Group, its subsidiaries, and associates is conducted on a regular basis. The report on the 2016 analysis was submitted to the Russian Ministry of Finance and the Federal Financial Monitoring Service on 13 September 2017 (our reference number of the outgoing document: 403-1403). The report on the 2017 analysis was submitted to the Russian Ministry of Finance and the Federal Financial Monitoring Service (our reference number of the outgoing document: 403-1206, date: 13 September 2018).
15	On increasing labour productivity, creating and upgrading highly productive jobs		
15.1	Clause 6, section 2 of the Action Plan approved by the Resolution of the Russian Federation No. 1250-r dated 9 July 2014 Instruction of the Government of the Russian Federation No. 7389p-P13 dated 31 October 2014	Instructions: → Develop a set of measures (list of measures) aimed at increasing labour productivity within the Company (list of measures) with target indicators for the above measures implementation → Include the list of measures, the target indicators for the above measures implementation, and the labour productivity indicator (LPI) in the long-term development programme	The list of measures aimed at increasing labour productivity has been included in Aeroflot Group's LDP (as an Appendix to Aeroflot Group's LDP) since 2015. The list of measures aimed at increasing labour productivity (the Appendix to Aeroflot Group's LDP) was approved by PJSC Aeroflot's Board of Directors on 21 December 2017 (Minutes No. 7). The Labour Productivity Indicator (for Aeroflot Group) has been included in the KPI list of Aeroflot Group's Long-Term Development Programme and PJSC Aeroflot's KPIs for management and is taken into account when determining the amount of management's (including CEO's) bonus payments for KPI achievement.

EXECUTION OF PRESIDENTIAL AND GOVERNMENTAL DECREES

No.	Document type, date, and number	Summary	Execution status
		<div>→ Include target LPIs in the list of key performance indicators for management which must be considered when making remuneration and HR decisions, and ensure that LPI achievement is aligned with the Company's management remuneration</div> <div>→ Make amendments to the employment agreement (contract) with the Company's sole executive body by including the responsibility to achieve the LPIs determined in the Company's long-term development programme</div> <div>→ Complete the annual federal statistical monitoring form "Labour Productivity in Partially State-Owned Non-Financial Corporations" via the Company's account on the interdepartmental portal for state property management, in line with Order of the Federal State Statistics Service No. 576 dated 23 September 2014</div>	The Labour Productivity KPI achievement (for Aeroflot Group) is considered by PJSC Aeroflot's Board of Directors on a quarterly basis. Information on KPI achievement is annually posted in the Company's account on the interdepartmental portal for state property management in the Instructions section – "Instruction No. 19 Increasing Labour Productivity".
16	On including the key metrics for adequate talent pipeline in the long-term development programme, including engineering and technical positions necessary to implement the key measures of the programme		
16.1	Sub-clause b, clause 2 of the List of Instructions of the President of the Russian Federation following the Meeting of the Presidential Council for Science and Education on 23 June 2014 (No. Pr-1627 dated 1 July 2014) Instruction of the Government of the Russian Federation No. OG-P8-5496 dated 22 July 2014	Develop and submit proposals as prescribed: <div>→ – on expanding the practice of targeted training in higher educational institutions specialising in engineering, technology, and technical science</div> <div>→ – on preparing methods to assess the need for engineering and technical talent of Russian regions, industries, and major employers in the medium and long term.</div>	The proposals have been submitted (our reference number of the outgoing document: 12-1342, date: 23 September 2014).
16.2	Instruction of the Government of the Russian Federation No. 7439p-P13 dated 5 November 2014	Include the key metrics for adequate talent pipeline in the long-term development programme, including engineering and technical positions necessary to implement the key measures of the programme	The key metrics of PJSC Aeroflot's need for talent are described in the respective section of the Long-Term Development Programme (6.9. Talent Pipeline Plan) approved by PJSC Aeroflot's Board of Directors on 21 December 2017 (Minutes No. 7).
17	On ensuring achievement of the joint stock company's key performance indicators		
17.1	Clause 5 of List of Instructions of the President of the Russian Federation No. Pr-1474 dated 5 July 2013	Ensure that state corporations, state enterprises, state and unitary enterprises, as well as enterprises where the Russian Federation's or a Russian region's aggregate stake exceeds 50% of the charter capital adopt key performance indicators to assess management performance which must be considered when making remuneration and HR decisions	The target KPIs for PJSC Aeroflot's management are approved by the Board of Directors on an annual basis. The information has been posted in PJSC Aeroflot's account on the interdepartmental portal for state property management in the Instructions section – "Instruction No. 18 Key Performance Indicators".

No.	Document type, date, and number	Summary	Execution status
18	Decree of the President of the Russian Federation No. 583 On Conducting a Year of Volunteer in the Russian Federation dated 6 December 2017; Decree of the Government of the Russian Federation No. 102 dated 27 January 2018		
18.1	Minutes of the Meeting of the organising committee for the Year of Volunteers in Russia No. 1 dated 21 December 2018	2.11 Recommend that PJSC Aeroflot and Russian Railways jointly with the Directorate arrange for a campaign for the Year of Volunteer through audio-visual advertising on transport units 5.6 Recommend that PJSC Aeroflot and Russian Railways help organise the transportation of participants to federal-level events held as part of the Key Event Plan of the Year of Volunteer in the Russian Federation	From 10 May 2018 to 31 December 2018, on-board information texts comprised a section on the Year of Volunteer in the Russian Federation. Senior flight attendants announced information texts on the Year of Volunteer on all PJSC Aeroflot's flights. The video on the Year of Volunteer was uploaded to PJSC Aeroflot's stationary and portable entertainment systems.
19	List of Instructions of the President of the Russian Federation No. Pr-1921 dated 21 September 2015 following a meeting with members of Russia's professional skills national team on 1 September 2015		
19.1	Instruction of the Government of the Russian Federation No. OG-P8-6629 dated 29 September 2015	d) Jointly with state-owned enterprises and joint stock companies in which the Russian Federation has over 50% shareholding, conduct industry professional skills competitions in line with the WorldSkills standards, and arrange for annual training of teams with respective competencies to promote their participation in international competitions in line with the WorldSkills standards	The Best in Trade professional skills competitions are held on an annual basis – in 2018, its participants represented 30 trades (our reference number of the outgoing document: 011-34, date: 5 October 2018). While preparing tasks for the competition, the WorldSkills standards and methodology were considered for some trades. The Young Professionals list of the Agency of Development of Professional Communities and Skilled Workers (WorldSkills Russia) does not comprise the following trades: flight attendant, pilot, aircraft mechanic, dog handler, forklift driver, and baggage handler, which prevents the Company's employees from taking part in international competitions.
20	Digital transformation of the transportation industry		
20.1	Instruction of the Government of the Russian Federation No. MA-P9-7291 dated 25 October 2018	Submit proposals on the preparation of requirements for the automated IT system for air transport regulation, the respective databases, the telecommunications network ensuring the functioning of the above mentioned automated system, its operator, and the measures to protect the information it may contain and the procedure for its functioning	The proposals were submitted to the Russian Ministry of Transport (our reference number of the outgoing document: GD-1136, date: 23 November 2018).
20.2	Minutes of the Meeting led by Prime Minister of the Russian Federation Dmitry Medvedev No. DM-P9-59pr dated 23 November 2018	Clause 8. By 25 January 2019, submit proposals on the introduction of customer service digital technologies at airports considering the compliance with aviation security requirements.	The proposals were submitted to the Russian Ministry of Transport (our reference number of the outgoing document: GD-1243, date: 18 December 2018).

Report on Compliance with the Principles and Recommendations of the Corporate Governance Code Approved by the Bank of Russia

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
1.1.	The company ensures fair and equitable treatment of all shareholders in exercising their corporate governance right.			
1.1.1.	The company ensures the most favourable conditions for its shareholders to participate in the general meeting, develop an informed position on agenda items of the general meeting, coordinate their actions, and voice their opinions on items considered.	1. The company's internal document approved by the general meeting of shareholders and governing the procedures for holding the general meeting is publicly available. 2. The company provides accessible means of communication via hotline, e-mail or online forum for shareholders to voice their opinions and submit questions on the agenda in preparing for the general meeting. The company performed the above actions in advance of each general meeting held in the reporting period.	Full	
1.1.2	The procedure for giving notice of, and providing relevant materials for, the general meeting enables shareholders to properly prepare for attending the general meeting.	1. The notice of an upcoming general shareholders meeting is posted (published) online at least 30 days prior to the date of the general meeting. 2. The notice of an upcoming meeting specifies the meeting venue and documents required for admission. 3. Shareholders were given access to the information on who proposed the agenda items and who proposed nominees to the company's board of directors and the revision committee.	Full	
1.1.3	In preparing for, and holding of, the general meeting, shareholders were able to receive clear and timely information on the meeting and related materials, put questions to the company's executive bodies and the board of directors, and to communicate with each other	1. In the reporting period, shareholders were able to put questions to members of executive bodies and directors before and during the annual general meeting. 2. The position of the board of directors (including dissenting opinions entered into the minutes) on each agenda item of general meetings held in the reporting period was included in the materials to the general meeting of shareholders. 3. The company gave duly authorised shareholders access to the list of persons entitled to attend the general meeting, as from the date of its receipt by the company, for all general meetings held in the reporting period.	Full	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
1.1.4	There were no unjustified difficulties preventing shareholders from exercising their right to request that a general meeting be convened, to propose nominees to the company's governing bodies, and to make proposals for the agenda of the general meeting.	1. In the reporting period, shareholders were able to submit, within at least 60 days after the end of the relevant calendar year, proposals for the agenda of the annual general meeting.	Full	
1.1.5	2. In the reporting period, the company did not reject any proposals for the agenda or nominees to the company's governing bodies due to misprints or other insignificant flaws in the shareholder's proposal.	An internal document (internal policy) of the company provides that each participant of the general meeting may request a copy of the ballot filled out by them and certified by the counting commission before the end of the relevant meeting.	Full	
1.1.6	The procedure for holding a general meeting set by the company provides equal opportunities for all persons attending the meeting to voice their opinions and ask questions.	1. General meetings of shareholders held in the reporting period in the form of a meeting (i.e. joint presence of shareholders) provided for sufficient time for making reports on and for discussing agenda items. 2. Nominees to the company's governing and control bodies were available to answer questions of shareholders at the meeting at which their nominations were put to vote. 3. When passing resolutions on preparing and holding general meetings of shareholders, the board of directors considered using telecommunication means for remote access of shareholders to general meetings in the reporting period.	Full	
1.2.	Shareholders are given equal and fair opportunities to share profits of the company in the form of dividends.			
1.2.1	The company has designed and put in place a transparent and clear mechanism to determine the dividend amount and payout procedure.	1. The company has drafted and disclosed a dividend policy approved by the board of directors. 2. If the company's dividend policy uses reporting figures to determine the dividend amount, then relevant provisions of the dividend policy take into account the consolidated financial statements.	Full	
1.2.2	The company does not resolve to pay out dividends if such payout, while formally compliant with law, is economically unjustified and may lead to a false representation of the company's performance.	The company's dividend policy clearly identifies financial/economic circumstances under which the company shall not pay out dividends.	Full	
1.2.3	The company does not allow for dividend rights of its existing shareholders to be impaired.	In the reporting period, the company did not take any actions that would lead to the impairment of the dividend rights of its existing shareholders.	Full	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
1.2.4	The company makes every effort to prevent its shareholders from using other means to profit (gain) from the company other than dividends and liquidation value.	To prevent shareholders from using any means to profit (gain) from the company other than dividends and liquidation value, the company's internal documents provide for controls to timely identify and approve deals with affiliates (associates) of the company's substantial shareholders (persons entitled to use votes attached to voting shares) where the law does not formally recognise such deals as related-party transactions.	Full	Actually complied with. The relevant restriction is set out in the Corporate Governance Code of PJSC Aeroflot (paragraph 3.2.1). In addition, PJSC Aeroflot signed up to the Anti-Corruption Charter of the Russian Business and approved the Anti-Corruption Policy, which rules out the possibility of corruption in its transactions. PJSC Aeroflot also has in place the Procedure for Preparation, Signing, Amendment, Execution, and Termination of PJSC Aeroflot's Agreements, which stipulates inspection and control of all PJSC Aeroflot's agreements by a number of units including the Department for Economic Security. In line with the above mentioned Procedure, the inspection of a potential counterparty's chain of beneficiaries is mandatory and rules out the possibility of making transactions at PJSC Aeroflot without proper corporate approval.
1.3.	The corporate governance framework and practices ensure equal conditions for all shareholders owning the same type (class) of shares, including minority and non-resident shareholders, and their equal treatment by the company.			
1.3.1	The company has created conditions for fair treatment of each shareholder by the company's governing and control bodies, including conditions that rule out abuse by major shareholders against minority shareholders.	In the reporting period, procedures for management of potential conflicts of interest among substantial shareholders were efficient, while the board of directors paid due attention to conflicts, if any, between shareholders.	Full	
1.3.2	The company does not take any actions that lead or may lead to artificial redistribution of corporate control.	No phantom shares were issued or used to vote in the reporting period.	Full	
1.4.	Shareholders are provided with reliable and effective means of recording their rights to shares and are able to freely dispose of their shares without any hindrance.			
1.4	Shareholders are provided with reliable and effective means of recording their rights to shares and are able to freely dispose of their shares without any hindrance.	The company's registrar maintains the share register in an efficient and reliable way that meets the needs of the company and its shareholders.	Full	
2.1.	The board of directors provides strategic management of the company, determines key principles of, and approaches to, setting up a corporate risk management and internal control framework, monitors performance by the company's executive bodies, and performs other key functions.			
2.1.1	The board of directors is responsible for appointing and dismissing executive bodies, including for improper performance of their duties. The board of directors also ensures that the company's executive bodies act in accordance with the company's approved development strategy and core lines of business.	1. The board of directors has the authority stipulated in the articles of association to appoint and remove members of executive bodies and to set out the terms and conditions of their contracts. 2. The board of directors reviewed the report(s) by the sole executive body or members of the collective executive body on the implementation of the company's strategy.	Full	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.1.2	The board of directors sets key long-term targets for the company, assesses and approves its key performance indicators and key business goals, as well as the strategy and business plans for the company's core lines of business.	At its meetings in the reporting period, the board of directors reviewed strategy implementation and updates, approval of the company's financial and business plan (budget), and criteria and performance (including interim) of the company's strategy and business plans.	Full	
2.1.3	The board of directors defines the company's principles and approaches to risk management and internal controls.	1. The board of directors defined the company's principles and approaches to risk management and internal controls. 2. The board of directors assessed the company's risk management and internal controls in the reporting period.	Full	
2.1.4	The board of directors determines the company's remuneration and reimbursement (compensation) policy for its directors, members of executive bodies, and other key executives.	1. The company developed and put in place a remuneration and reimbursement (compensation) policy (policies), approved by the board of directors, for its directors, members of executive bodies, and other key executives. 2. At its meetings in the reporting period, the board of directors discussed matters related to such policy (policies).	Full	
2.1.5	The board of directors plays a key role in preventing, identifying, and resolving internal conflicts between the company's bodies, shareholders and employees.	1. The board of directors plays a key role in preventing, identifying, and resolving internal conflicts. 2. The company set up mechanisms to identify transactions leading to a conflict of interest and to resolve such conflicts.	Full	
2.1.6	The board of directors plays a key role in ensuring that the company is transparent, timely and fully discloses its information, and provides its shareholders with unhindered access to the company's documents.	1. The board of directors approved the company's information policy regulations. 2. The company identified persons responsible for implementing the information policy.	Full	
2.1.7	The board of directors controls the company's corporate governance practices and plays a key role in material corporate events of the company.	In the reporting period, the board of directors reviewed the company's corporate governance practices.	Full	
2.2.	The board of directors is accountable to the company's shareholders.			
2.2.1.	Performance of the board of directors is disclosed and made available to the shareholders.	1. The company's annual report for the reporting period includes the information on individual attendance at board of directors and committee meetings. 2. The annual report discloses key performance assessment results of the board of directors in the reporting period.	Full	1. Attendance at meetings of the Board of Directors and its committees is disclosed in the Annual Report for the reporting period. 2. In the reporting period, PJSC Aeroflot's Board of Directors carried out a self-assessment (for more details see the Annual Report).
2.2.2	The chairman of the board of directors is available to communicate with the company's shareholders.	The company has in place a transparent procedure enabling shareholders to forward questions and express their position on such questions to the chairman of the board of directors.	Full	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.3.	The board of directors manages the company in an efficient and professional manner and is capable of making fair and independent judgements and adopting resolutions in the best interests of the company and its shareholders.			
2.3.1	Only persons of impeccable business and personal reputation who have knowledge, expertise, and experience required to make decisions within the authority of the board of directors and essential to perform its functions in an efficient way are elected to the board of directors.	1. The procedure for assessing the board of directors performance established in the company includes, inter alia, assessment of professional qualifications of directors. 2. In the reporting period, the board of directors (or its nomination committee) assessed nominees to the board of directors for required experience, expertise, business reputation, absence of conflicts of interest, etc.	Full	
2.3.2	The company's directors are elected via a transparent procedure that enables shareholders to obtain information on nominees sufficient to judge on their personal and professional qualities.	Whenever the agenda of the general meeting of shareholders included election of the board of directors, the company provided to shareholders the biographical details of all nominees to the board of directors, the results of their assessment carried out by the board of directors (or its nomination committee), and the information on whether the nominee meets the independence criteria set forth in Recommendations 102–107 of the Code, as well as the nominees' written consent to be elected to the board of directors.	Full	
2.3.3	The board of directors has a balanced membership, including in terms of directors' qualifications, experience, expertise, and business skills, and enjoys its shareholders' trust.	As part of assessment of the board of directors' performance run in the reporting period, the board of directors reviewed its requirements to professional qualifications, experience, and business skills.	Full	
2.3.4	The company has a sufficient number of directors to organise the board of directors' activities in the most efficient way, including ability to set up committees of the board of directors and enable the company's substantial minority shareholders to elect a nominee to the board of directors for whom they vote.	As part of assessment of the board of directors' performance run in the reporting period, the board of directors considered whether the number of directors met the company's needs and shareholders' interests.	Full	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.4.	The board of directors includes a sufficient number of independent directors.			
2.4.1	An independent director is a person who is sufficiently professional, experienced, and independent to develop their own position, and capable of making unbiased judgements in good faith, free of influence by the company's executive bodies, individual groups of shareholders or other stakeholders. It should be noted that a nominee (elected director) who is related to the company, its substantial shareholder, substantial counterparty or competitor of the company, or related to the government, may not be considered as independent under normal circumstances.	In the reporting period, all independent directors met all independence criteria set out in Recommendations 102–107 of the Code, or were deemed independent by resolution of the board of directors.	Full	
2.4.2	The company assesses compliance of nominees to the board of directors and reviews compliance of independent directors with independence criteria on a regular basis. In such assessment, substance should prevail over form.	1. In the reporting period, the board of directors (or its nomination committee) made a judgement on independence of each nominee to the board of directors and provided its opinion to shareholders. 2. In the reporting period, the board of directors (or its nomination committee) reviewed, at least once, the independence of incumbent directors listed by the company as independent directors in its annual report. 3. The company has in place procedures defining the actions to be taken by directors if they cease to be independent, including the obligation to timely notify the board of directors thereof.	Full	
2.4.3	Independent directors make up at least one third of elected directors.	Independent directors make up at least one third of directors.	Partial	Two of the eleven members of the Board of Directors elected by PJSC Aeroflot's Extraordinary General Meeting of Shareholders on 23 October 2018, Igor Kamenskoy and Vasily Sidorov, meet the independence criteria in full. In accordance with the recommendations of the Corporate Governance Code, PJSC Aeroflot's Board of Directors shall include at least three independent directors. PJSC Aeroflot seeks to achieve full compliance with this provision of the Code in the future and uses its best efforts to explain to its shareholders the importance of increasing the number of independent directors serving on the Board of Directors. At the same time, it should be noted that the Russian Federation has a 51.173% stake in PJSC Aeroflot.

REPORT ON COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS
OF THE CORPORATE GOVERNANCE CODE APPROVED BY THE BANK OF RUSSIA

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.4.4	Independent directors play a key role in preventing internal conflicts in the company and in ensuring that the company performs material corporate actions.	Independent directors (with no conflicts of interest) run a preliminary assessment of material corporate actions implying a potential conflict of interest and submit the results to the board of directors.	Full	Material corporate actions undergo preliminary assessment by the Audit Committee of the Board of Directors that is mainly made up of independent directors.
2.5.	The chairman of the board of directors ensures that the board of directors discharges its duties in the most efficient way.			
2.5.1	The board of directors is chaired by an independent director, or a senior independent director supervising the activities of other independent directors and interacting with the chairman of the board of directors is appointed from among the elected independent directors.	1. The board of directors is chaired by an independent director, or a senior independent director is appointed from among the independent directors. 2. The role, rights and duties of the chairman of the board of directors (and, if applicable, of the senior independent director) are duly set out in the company's internal documents.	None	The balanced composition of the Board of Directors and the comprehensive preliminary review of the matters brought before the Board of Directors (in particular, by committees made up of independent directors) as well as active engagement of the independent directors make implementation of this recommendation redundant. Moreover, the current Board of Directors includes two independent directors, and appointing one of them senior is not viable.
2.5.2	The chairman of the board of directors maintains a constructive environment at meetings, enables free discussion of agenda items, and supervises the execution of resolutions passed by the board of directors.	Performance of the chairman of the board of directors was assessed as part of assessment of the board of directors' performance in the reporting period.	Full	In the reporting period, PJSC Aeroflot's Board of Directors carried out a self-assessment.
2.5.3	The chairman of the board of directors takes all steps necessary for the timely provision to directors of information required to pass resolutions on agenda items.	The company's internal documents set out the duty of the chairman of the board of directors to take all steps necessary for the timely provision to directors of materials for the agenda of a board meeting.	Full	
2.6.	Directors act reasonably and in good faith in the best interests of the company and its shareholders, on a fully informed basis and with due care and diligence.			
2.6.1	Directors pass resolutions on a fully informed basis, with no conflict of interest, subject to equal treatment of the company's shareholders, and assuming normal business risks.	1. The company's internal documents provide that a director should notify the board of directors of any existing conflict of interest as to any agenda item of the meeting of the board of directors or its committee, prior to discussion of the relevant agenda item. 2. The company's internal documents provide that a director should abstain from voting on any item in connection with which they have a conflict of interest. 3. The company has in place a procedure enabling the board of directors to get professional advice on matters within its remit at the expense of the company.	Full	
2.6.2	The rights and duties of directors are clearly stated and incorporated in the company's internal documents.	The company adopted and published an internal document that clearly defines the rights and duties of directors.	Full	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.6.3	Directors have sufficient time to perform their duties.	1. Individual attendance at board and committee meetings, as well as time devoted to preparation for attending meetings, was recorded as part of the procedure for assessing the board of directors in the reporting period. 2. Under the company's internal documents, directors notify the board of directors of their intentions to be elected to governance bodies in other entities (apart from the entities controlled by, or affiliated to, the company), and of their election to such bodies.	Full	1. In the reporting period, PJSC Aeroflot's Board of Directors carried out a self-assessment. Personal attendance at the meetings of the Board of Directors and its committees is taken into account when determining the remuneration of the members of the Board of Directors. 2. The relevant responsibility of the Board of Directors' members is set out in the Company's internal documents.
2.6.4	All directors have equal access to the company's documents and information. Newly elected directors are furnished with sufficient information about the company and performance of the board of directors as soon as possible.	1. Under the company's internal documents, directors are entitled to access documents and make requests on the company and its controlled entities, while executive bodies of the company should furnish all relevant information and documents. 2. The company has in place a formalised induction programme for newly elected directors.	Full	
2.7.	Meetings of the board of directors, preparation for such meetings, and attendance by directors ensure efficient performance by the board of directors.			
2.7.1	Meetings of the board of directors are held as needed, taking into account the scale of operations and goals of the company at a particular time.	The board of directors held at least six meetings in the reporting year.	Full	
2.7.2	Internal regulations of the company formalise a procedure for the preparation and holding of the board meetings, enabling directors to properly prepare for such meetings.	The company has an approved internal document that describes the procedure for arranging and holding meetings of the board of directors and sets out, in particular, that the notice of the meeting is to be given, as a rule, at least five days prior to such meeting.	Full	
2.7.3	The format of the meeting of the board of directors is determined taking into account the importance of its agenda items. The most important matters are dealt with at meetings of the board of directors held in person.	The company's articles of association or internal document provides for the most important matters (as per the list set out in Recommendation 168 of the Code) to be passed at in-person meetings of the board of directors.	Full	
2.7.4	Resolutions on most important matters relating to the company's operations are passed at a meeting of the board of directors by a qualified majority or by a majority of all elected directors.	The company's articles of association provide for resolutions on the most important matters set out in Recommendation 170 of the Code to be passed at a meeting of the board of directors by a qualified majority of at least three quarters or by a majority of all elected directors.	Full	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.8.	The board of directors sets up committees to preview the most important matters of the company's business.			
2.8.1	To preview matters related to controlling the company's financial and business activities, it is recommended to set up an audit committee comprised of independent directors.	1. The board of directors set up an audit committee comprised solely of independent directors. 2. The company's internal documents set out the tasks of the audit committee, including those listed in Recommendation 172 of the Code. 3. At least one member of the audit committee represented by an independent director has experience and knowledge of preparing, analysing, assessing, and auditing accounting (financial) statements. 4. In the reporting period, meetings of the audit committee were held at least once a quarter.	Partial	1. The Audit Committee is headed by an independent director. The majority of the Committee members are independent directors. After PJSC Aeroflot's shareholders elect the necessary number of independent directors to PJSC Aeroflot's Board of Directors, the Committee will be duly formed. 2. The Committee's responsibilities outlined in Recommendation 172 of the Code are set forth in the Company's internal documents. 3. All members of the Audit Committee have expertise in preparation, analysis, assessment and audit of accounting (financial) statements. 4. The Committee holds meetings at least once a month.
2.8.2	To preview matters related to adopting an efficient and transparent remuneration scheme, a remuneration committee was set up, comprised of independent directors and headed by an independent director who is not the chairman of the board of directors.	1. The board of directors set up a remuneration committee comprised solely of independent directors. 2. The remuneration committee is chaired by an independent director who is not the chairman of the board of directors. 3. The company's internal documents set out the tasks of the remuneration committee, including those listed in Recommendation 180 of the Code.	Partial	PJSC Aeroflot set up its Personnel and Remuneration Committee, headed by, and predominantly comprised of, independent directors.
2.8.3	To preview matters related to talent management (succession planning), professional composition and efficiency of the board of directors, a nomination (appointments and personnel) committee was set up, predominantly comprised of independent directors.	1. The board of directors has set up a nomination committee (or its tasks listed in Recommendation 186 of the Code are fulfilled by another committee), predominantly comprised of independent directors. 2. The company's internal documents set out the tasks of the nomination committee (or the tasks of the committee with combined functions), including those listed in Recommendation 186 of the Code.	Full	
2.8.4	Taking into account the company's scope of business and level of risks, the company's board of directors made sure that the composition of its committees is fully in line with the company's business goals. Additional committees were either set up or not deemed necessary (strategy committee, corporate governance committee, ethics committee, risk management committee, budget committee, health, safety, and environment committee, etc.).	In the reporting period, the board of directors considered whether the composition of its committees was in line with the board's tasks and the company's business goals. Additional committees were either set up or not deemed necessary.	Full	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.8.5	Committees are composed so as to enable comprehensive discussions of matters under preview, taking into account the diversity of opinions.	1. Committees of the board of directors are headed by independent directors. 2. The company's internal documents (policies) include provisions stipulating that persons who are not members of the audit committee, the nomination committee, and the remuneration committee may attend committee meetings only by invitation of the chairman of the respective committee.	Full	
2.8.7	Committee chairmen regularly report to the board of directors and its chairman on the performance of their committees.	In the reporting period, committee chairmen regularly reported to the board of directors on the performance of committees.	Full	
2.9.	The board of directors ensures performance assessment of the board of directors, its committees and members of the board of directors.			
2.9.1	The board of directors' performance assessment is aimed at determining the efficiency of the board of directors, its committees and members, consistency of their work with the company's growth requirements, as well as at bolstering the work of the board of directors and identifying areas for improvement.	1. Self-assessment or external assessment of the board of directors' performance carried out in the reporting period included performance assessment of committees, individual directors, and the board of directors in general. 2. Results of self-assessment or external assessment of the board of directors' performance carried out in the reporting period were reviewed at the in-person meeting of the board of directors.	Full	The results of the self-assessment of the Board of Directors were reviewed at the meeting of the Board of Directors on 29 May 2018 (Minutes No. 15 dated 29 May 2018).
2.9.2	Performance of the board of directors, its committees, and members is assessed regularly at least once a year. An external advisor is engaged at least once in three years to conduct an independent assessment of the board of directors' performance.	The company engaged an external advisor to conduct an independent assessment of the board of directors' performance at least once over the last three reporting periods.	None	The matter is considered taking into account the self-assessment of members of the Board of Directors conducted in the reporting period. In addition, the external assessment of the Board of Directors' performance is carried out by third-party companies.
3.1	The company's corporate secretary ensures efficient ongoing interaction with shareholders, coordinates the company's efforts to protect shareholder rights and interests, and supports efficient performance of the board of directors.			
3.1.1	The corporate secretary has the expertise, experience, and qualifications sufficient to perform his/her duties, as well as an impeccable reputation and the trust of shareholders.	1. The company adopted and published an internal document – regulations on the corporate secretary. 2. The biographical data of the corporate secretary are published on the corporate website and in the company's annual report with the same level of detail as for members of the board of directors and the company's executives.	Full	
3.1.2	The corporate secretary is sufficiently independent of the company's executive bodies and has the powers and resources required to perform his/her tasks.	The board of directors approves the appointment, dismissal, and additional remuneration of the corporate secretary.	Full	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
4.1.	Remuneration payable by the company is sufficient to attract, motivate, and retain people with competencies and qualifications required by the company. Remuneration payable to directors, executive bodies, and other key executives of the company is in compliance with the approved remuneration policy of the company.			
4.1.1	The amount of remuneration paid by the company to directors, executive bodies, and other key executives creates sufficient incentives for them to work efficiently, while enabling the company to engage and retain competent and qualified specialists. At the same time, the company avoids unnecessarily high remuneration, as well as unjustifiably large gaps between remunerations of such persons and the company's employees.	The company has in place an internal document (internal documents) – the policy (policies) on remuneration of directors, executive bodies, and other key executives, which clearly defines (define) the approaches to remuneration of such persons.	Full	
4.1.2	The company's remuneration policy is devised by the remuneration committee and approved by the board of directors. The board of directors, assisted by the remuneration committee, ensures control over the introduction and implementation of the company's remuneration policy, revising and amending it as required.	During one reporting period, the remuneration committee reviewed the remuneration policy (policies) and its (their) introduction practices to provide relevant recommendations to the board of directors as required.	Full	
4.1.3	The company's remuneration policy includes transparent mechanisms for determining the amount of remuneration due to directors, executive bodies, and other key executives of the company, and regulates all types of expenses, benefits, and privileges provided to such persons.	The company's remuneration policy (policies) includes (include) transparent mechanisms for determining the amount of remuneration due to directors, executive bodies, and other key executives of the company, and regulates (regulate) all types of expenses, benefits, and privileges provided to such persons.	Full	
4.1.4	The company defines a policy on reimbursement (compensation) of expenses, detailing a list of reimbursable expenses and specifying service levels that directors, executive bodies, and other key executives of the company may claim. Such policy can make part of the company's remuneration policy.	The remuneration policy (policies) defines (define) the rules for reimbursement of expenses incurred by directors, executive bodies, and other key executives of the company.	Full	
4.2.	Remuneration system for directors ensures alignment of financial interests of directors with long-term financial interests of the shareholders.			
4.2.1	The company pays fixed annual remuneration to its directors. The company does not pay remuneration for attending particular meetings of the board of directors or its committees. The company does not apply any form of short-term motivation or additional financial incentive for its directors.	Fixed annual remuneration was the only form of monetary remuneration payable to directors for their service on the board of directors during the reporting period.	Partial	PJSC Aeroflot has in place the Long-Term Incentive Programme for members of PJSC Aeroflot's Board of Directors providing for a variable component of remuneration, which depends on PJSC Aeroflot's capitalisation, in addition to the fixed component. Starting from 1 January 2019, the launch of a new Long-Term Incentive Programme based on the level of PJSC Aeroflot's operational KPIs has been planned.

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
4.2.2	Long-term ownership of the company's shares helps align the financial interests of directors with long-term interests of shareholders to the utmost. At the same time, the company does not link the right to dispose of shares to performance targets, and directors do not participate in stock option plans.	If the company's internal document(s) – the remuneration policy (policies) stipulates (stipulate) provision of the company's shares to members of the board of directors, clear rules for share ownership by board members are to be defined and disclosed, aimed at stimulating long-term ownership of such shares.	Full	
4.2.3	The company does not provide for any extra payments or compensations in the event of early termination of directors' tenure, resulting from the change of control or any other reasons whatsoever.	The company does not provide for any extra payments or compensations in the event of early termination of directors' tenure, resulting from the change of control or any other reasons whatsoever.	Full	
4.3	The company reviews its performance and the personal contribution of each executive to the achievement of such performance when determining the amount of a fee payable to members of the executive bodies, and other key executives of the company.			
4.3.1	Remuneration due to members of executive bodies, and other key executives of the company is determined in a manner providing for reasonable and justified ratio of the fixed and variable components of remuneration, depending on the company's results and the employee's personal contribution.	1. In the reporting period, annual performance results approved by the board of directors were used to determine the amount of the variable component of remuneration due to members of executive bodies, and other key executives of the company. 2. During the latest assessment of the system of remuneration of members of executive bodies, and other key executives of the company, the board of directors (remuneration committee) made sure that the company applies an efficient ratio of the fixed and variable remuneration components. 3. The company has in place a procedure that guarantees return to the company of bonus payments illegally received by members of executive bodies, and other key executives of the company.	Full	
4.3.2	The company has in place a long-term incentive programme for members of executive bodies, and other key executives of the company with the use of the company's shares (options and other derivative instruments where the company's shares are the underlying asset).	1. The company has in place a long-term incentive programme for members of executive bodies, and other key executives of the company with the use of the company's shares (financial instruments based on the company's shares). 2. The long-term incentive programme for members of executive bodies, and other key executives of the company implies that the right to dispose of shares and other financial instruments used in this programme takes effect at least three years after such shares or other financial instruments are granted. The right to dispose of such shares or other financial instruments is linked to the company's performance targets.	Full	

REPORT ON COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE APPROVED BY THE BANK OF RUSSIA

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
4.3.3	The compensation (golden parachute) payable by the company in case of early termination of powers of members of executive bodies or key executives at the company's initiative, provided that there have been no actions in bad faith on their part, does not exceed the double amount of the fixed component of their annual remuneration.	In the reporting period, the compensation (golden parachute) payable by the company in case of early termination of the powers of executive bodies or key executives at the company's initiative, provided that there have been no actions in bad faith on their part, did not exceed the double amount of the fixed component of their annual remuneration.	Full	
5.1.	The company has in place effective risk management and internal controls providing reasonable assurance in the achievement of the company's goals.			
5.1.1	The company's board of directors determined the principles of and approaches to organising risk management and internal controls at the company.	Functions of different governing bodies and units of the company in risk management and internal controls are clearly defined in the company's internal documents / relevant policy approved by the board of directors.	Full	
5.1.2	The company's executive bodies ensure establishment and continuous operation of effective risk management and internal controls at the company.	The company's executive bodies ensured the distribution of functions and powers related to risk management and internal controls between the heads (managers) of business units and departments accountable to them.	Full	
5.1.3	The company's risk management and internal controls ensure an objective, fair, and clear view of the current state and future prospects of the company, the integrity and transparency of the company's reporting, as well as reasonable and acceptable risk exposure.	1. The company has in place an approved anti-corruption policy. 2. The company established an accessible method of notifying the board of directors or the board's audit committee of breaches or any violations of the law, the company's internal procedures, and conduct code.	Full	
5.1.4	The company's board of directors takes necessary measures to make sure that the company's risk management and internal controls are consistent with the principles of, and approaches to, its setup determined by the board of directors, and that the system is functioning efficiently.	In the reporting period, the board of directors or the board's audit committee assessed the performance of the company's risk management and internal controls. Key results of this assessment are included in the company's annual report.	Full	
5.2	The company performs internal audit for regular independent assessment of the reliability and performance of risk management and internal controls and the corporate governance practice.			
5.2.1	The company set up a separate business unit or engaged an independent external organisation to carry out internal audits. Functional and administrative reporting lines of the internal audit department are delineated. The internal audit unit functionally reports to the board of directors.	1. To perform internal audits, the company set up a separate business unit – internal audit division, functionally reporting to the board of directors or to the audit committee, or engaged an independent external organisation with the same line of reporting.	Full	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
5.2.2	The internal audit division assesses the performance of the internal controls, risk management, and corporate governance. The company applies generally accepted standards of internal audit.	1. In the reporting period, the performance of the internal controls and risk management was assessed as part of the internal audit procedure. 2. The company applies generally accepted approaches to internal audit and risk management.	Full	
6.1.	The company and its operations are transparent for its shareholders, investors, and other stakeholders.			
6.1.1	The company developed and implemented an information policy ensuring efficient exchange of information by the company, its shareholders, investors, and other stakeholders.	1. The company's board of directors approved an information policy developed in accordance with the Code's recommendations. 2. The board of directors (or one of its committees) reviewed the matters of the company's compliance with its information policy at least once in the reporting period.	Full	
6.1.2	The company discloses information on its corporate governance framework and practice, including detailed information on compliance with the principles and recommendations of the Code.	1. The company discloses information on its corporate governance and general principles of corporate governance, including disclosure on its website. 2. The company discloses information on the membership of its executive bodies and board of directors, independence of the directors and their membership in the board of directors' committees (as defined by the Code). 3. If the company has a controlling person, the company publishes a memorandum of the controlling person setting out this person's plans for the company's corporate governance.	Full	
6.2.	The company makes timely disclosures of complete, updated, and reliable information to allow shareholders and investors to make informed decisions.			
6.2.1	The company discloses information based on the principles of regularity, consistency and promptness, as well as availability, reliability, completeness, and comparability of disclosed data.	1. The company's information policy sets out approaches to, and criteria for, identifying information that can have a material impact on the company's evaluation and the price of its securities, as well as procedures ensuring timely disclosure of such information. 2. If the company's securities are traded on foreign organised markets, the company ensured concerted and equivalent disclosure of material information in the Russian Federation and in the said markets in the reporting year. 3. If foreign shareholders hold a material portion of the company's shares, the relevant information was disclosed both in the Russian language and one of the most widely used foreign languages in the reporting period.	Full	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
6.2.2	The company avoids a formalistic approach to information disclosure and discloses material information on its operations, even if disclosure of such information is not required by law.	1. In the reporting period, the company disclosed annual and 6M financial statements prepared under the IFRS. The company's annual report for the reporting period included annual financial statements prepared under the IFRS, along with the auditor's report. 2. The company discloses complete information on its capital structure, as stated in Recommendation 290 of the Code, in its annual report and on the corporate website.	Full	
6.2.3	The company's annual report, as one of the most important tools of its information exchange with shareholders and other stakeholders, contains information enabling assessment of the company's annual performance results.	1. The company's annual report contains information on the key aspects of its operational and financial performance. 2. The company's annual report contains information on the environmental and social aspects of the company's operations.	Full	
6.3	The company provides information and documents requested by its shareholders in accordance with principles of fairness and ease of access.			
6.3.1	The company provides information and documents requested by its shareholders in accordance with principles of fairness and ease of access.	The company's information policy establishes the procedure for providing shareholders with easy access to information, including information on legal entities controlled by the company, as requested by shareholders.	Full	
6.3.2	When providing information to shareholders, the company ensures reasonable balance between the interests of particular shareholders and its own interests consisting in preserving the confidentiality of important commercial information which may materially affect its competitive edge.	1. In the reporting period, the company did not refuse any shareholder requests for information, or such refusals were justified. 2. In cases defined by the information policy, shareholders are warned of the confidential nature of the information and undertake to maintain its confidentiality.	Full	
7.1.	Actions that materially affect or may affect the company's share capital structure and its financial position and accordingly the position of its shareholders ("material corporate actions") are taken on fair terms ensuring that the rights and interests of the shareholders and other stakeholders are observed.			
7.1.1	Material corporate actions include reorganisation of the company, acquisition of 30% or more of the company's voting shares (takeover), execution by the company of major transactions, increase or decrease of the company's authorised capital, listing or de-listing of the company's shares, as well as other actions which may lead to material changes in the rights of shareholders or violation of their interests. The company's articles of association provide for a list (criteria) of transactions or other actions classified as material corporate actions within the authority of the company's board of directors.	1. The company's articles of association include a list of transactions or other actions deemed to be material corporate actions, and their identification criteria. Resolutions on material corporate actions are referred to the jurisdiction of the board of directors. When execution of such corporate actions is expressly referred by law to the jurisdiction of the general meeting of shareholders, the board of directors presents relevant recommendations to shareholders. 2. According to the company's articles of association, material corporate actions include at least: company reorganisation, acquisition of 30% or more of the company's voting shares (in case of takeover), entering in major transactions, increase or decrease of the company's authorised capital, listing or de-listing of the company's shares.	Full	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
7.1.2	The board of directors plays a key role in passing resolutions or making recommendations on material corporate actions, relying on the opinions of the company's independent directors.	The company has in place a procedure enabling independent directors to express their opinions on material corporate actions prior to approval thereof.	Full	
7.1.3	When taking material corporate actions affecting the rights or legitimate interests of shareholders, equal terms and conditions are guaranteed for all shareholders of the company; if the statutory procedure designed to protect shareholders' rights proves insufficient, additional measures are taken to protect their rights and legitimate interests. In doing so, the company is guided by the corporate governance principles set forth in the Code, as well as by formal statutory requirements.	1. Due to specifics of the company's operations, the company's articles of association contain less stringent minimal criteria for material corporate actions than required by law. 2. All material corporate actions in the reporting period were duly approved before they were taken.	Full	
7.2	The company performs material corporate actions in such a way as to ensure that shareholders timely receive complete information about such actions, allowing them to influence such actions and guaranteeing adequate protection of their rights when performing such actions.			
7.2.1	Information about material corporate actions is disclosed with explanations of the grounds, circumstances, and consequences.	In the reporting period, the company disclosed information about its material corporate actions in due time and in detail, including the grounds for, and timelines of, such actions.	Full	
7.2.2	Rules and procedures related to material corporate actions taken by the company are set out in the company's internal documents.	1. The company's internal documents set out a procedure for engaging an independent appraiser to estimate the value of assets either disposed of or acquired in a major transaction or a related-party transaction. 2. The company's internal documents set out a procedure for engaging an independent appraiser to estimate the value of shares acquired and bought back by the company. 3. The company's internal documents provide for an expanded list of grounds on which members of the company's board of directors, as well as other persons as per the applicable law, are deemed to be related parties to the company's transactions.	Partial	No internal documents are in place; however, relevant procedures are put into practice. PJSC Aeroflot intends to achieve full compliance with this principle of the Code in the future.

Information About the Programme for Disposal of Non-Core Assets

The Programme for Disposal of PJSC Aeroflot's Non-Core Assets (version No. 7) was approved by PJSC Aeroflot's Board of Directors on 21 December 2017 (Minutes No. 7). The Programme contains criteria for classification of assets as non-core, the non-core asset register, information on encumbrances, book and market value, approach to selecting assets for disposal, as well as disposal methods, procedures and timescales.

The non-core assets owned by PJSC Aeroflot include property and property rights which are outside its flight services, but may be closely related to the development of the Company's end product.

The Company's approach to technological (non-core) assets that have a significant impact on the core business of PJSC Aeroflot:

- Compare benefits from these assets (discounts, reduction in prices and rates, improvement of PJSC Aeroflot's product quality) with the cost of ownership
- Monitor the effectiveness of corporate control

Assets are sold if ownership is found to be ineffective and the corporate control – insufficient.

Technological assets that have a low impact on the core business of PJSC Aeroflot are evaluated in terms of the cost of, and the need for, ownership, based on non-production criteria (achievement of non-commercial objectives, type of business, goodwill, etc.). These assets are disposed of if the effect of ownership is insignificant.

Real estate assets are analysed to determine their highest and best use for the airline's operational and commercial activities.

There were no contracts to purchase/sell securities/interest in non-core entities signed in 2018..

Disposal of PJSC Aeroflot's non-core assets in 2018

№	Asset	Inventory number	Asset balance sheet item containing the asset as at the reporting date prior its disposal	Accounting items (analytics included) containing asset disposal income and expense	Book value of the asset, RUB thousand	Actual cost of disposal, RUB thousand	Actual cost of disposal vs book value, RUB thousand	Reason for discrepancies
1	Office space, 219 square metres, Georgia, Tbilisi	25764 asset card SAP ERP 102000058	1150	9111200010 - revenue from the sale of property, plant and equipment; 9121200010 - residual value of the sold property, plant and equipment	4,215,248.2	22,269,389.9	18,054,141.7	Market value (cost of disposal) of the asset is higher than its book value
TOTAL					4,215,248.2	22,269,389.9	18,054,141.7	

Operating Data

Aeroflot airline

Indicator	2014	2015	2016	2017	2018
Passenger traffic, thousand PAX	23,610.0	26,111.7	28,977.9	32,845.2	35,762.5
International Routes	12,468.2	13,445.4	14,873.7	17,154.1	18,213.9
Domestic Routes	11,141.8	12,666.3	14,104.2	15,691.1	17,548.6
Passenger turnover, million RPK	67,121.7	74,115.9	82,693.3	91,809.9	97,955.8
International Routes	42,676.5	46,774.4	53,339.0	60,669.4	64,044.1
Domestic Routes	24,445.2	27,341.5	29,354.3	31,140.5	33,911.7
Available seat-kilometres, million ASK	85,822.1	93,471.1	101,757.9	112,246.0	121,661.9
International Routes	56,206.9	60,209.1	67,387.0	75,315.6	81,464.7
Domestic Routes	29,615.2	33,262.0	34,370.9	36,930.4	40,197.2
Passenger load factor, %	78.2	79.3	81.3	81.8	80.5
International Routes	75.9	77.7	79.2	80.6	78.6
Domestic Routes	82.5	82.2	85.4	84.3	84.4
Cargo and mail carried, thousand tonnes	145.3	135.1	175.5	226.6	223.8
International Routes	81.5	74.6	96.1	148.7	152.3
Domestic Routes	63.8	60.5	79.4	77.9	71.5
Revenue tonne-kilometres, million TKM	6,722.7	7,291.0	8,253.1	9,316.5	9,861.7
International Routes	4,236.8	4,571.1	5,264.6	6,199.0	6,515.4
Domestic Routes	2,485.9	2,719.9	2,988.5	3,117.5	3,346.3
Available tonne-kilometres, million TKM	10,660.0	11,706.1	12,694.6	13,676.8	14,630.7
International Routes	6,983.1	7,548.6	8,412.0	9,228.5	9,880.4
Domestic Routes	3,676.9	4,157.5	4,282.6	4,448.3	4,750.3
Revenue load factor, %	63.1	62.3	65.0	68.1	67.4
International Routes	60.7	60.6	62.6	67.2	65.9
Domestic Routes	67.6	65.4	69.8	70.1	70.4
Revenue flights	183,645	206,228	218,734	243,317	273,177
International Routes	97,668	104,336	110,149	121,003	134,291
Domestic Routes	85,977	101,892	108,585	122,314	138,886
Flight hours, hours	554,659	594,863	639,524	702,807	778,795

OPERATING DATA

Rossiya airline

Indicator	2014	2015	2016	2017	2018
Passenger traffic, thousand PAX	9,962.6	9,066.9	8,800.3	11,152.7	11,140.3
International Routes	4,414.5	2,342.1	2,627.1	4,136.0	4,352.9
Domestic Routes	5,548.1	6,724.7	6,173.2	7,016.7	6,787.4
Passenger turnover, million RPK	21,066.4	16,982.1	20,482.3	28,119.2	29,600.9
International Routes	12,097.0	5,795.4	8,552.8	13,889.0	14,795.8
Domestic Routes	8,969.4	11,186.7	11,929.5	14,230.2	14,805.0
Available seat-kilometres, million ASK	27,502.0	22,913.9	25,245.4	33,300.9	34,178.5
International Routes	15,526.4	7,615.0	9,892.2	15,248.2	16,423.2
Domestic Routes	11,975.6	15,298.9	15,353.2	18,052.6	17,755.3
Passenger load factor, %	76.6%	74.1	81.1	84.4	86.6
International Routes	77.9%	76.1	86.5	91.1	90.1
Domestic Routes	74.9%	73.1	77.7	78.8	83.4
Cargo and mail carried, thousand tonnes	14.3	14.6	22.8	32.8	33.2
International Routes	2.3	2.1	1.5	2.2	2.8
Domestic Routes	12.0	12.5	21.3	30.6	30.4
Revenue tonne-kilometres, million TKM	1,925.3	1,558.3	1,936.2	2,681.5	2,824.2
International Routes	1,094.7	526.6	773.4	1,261.8	1,349.2
Domestic Routes	830.6	1,031.7	1,162.8	1,419.7	1,475.0
Available tonne-kilometres, million TKM	2,919.6	2,478.5	2,917.0	3,948.2	4,053.0
International Routes	1,625.1	826.2	1,097.2	1,660.3	1,791.3
Domestic Routes	1,294.4	1,652.3	1,819.8	2,287.9	2,261.7
Revenue load factor, %	65.9%	62.9	66.4	67.9	69.7
International Routes	67.4%	63.7	70.5	76.0	75.3
Domestic Routes	64.2%	62.4	63.9	62.1	65.2
Revenue flights	89,425	82,106	68,590	75,182	73,478
International Routes	35,192	20,778	18,511	22,391	23,539
Domestic Routes	54,233	61,328	50,079	52,791	49,939
Flight hours, hours	230,547	190,446	178,969	200,798	200,802

Note. For 2014–2016 consolidated data for Rossiya, Donavia and Orenair airlines.

Pobeda airline

Indicator	2014	2015	2016	2017	2018
Passenger traffic, thousand PAX	107.4	3,089.7	4,285.9	4,582.8	7,184.8
International Routes	–	6.2	473.6	875.0	1,765.9
Domestic Routes	107.4	3,083.5	3,812.3	3,707.7	5,418.9
Passenger turnover, million RPK	134.0	4,668.4	6,712.9	7,929.4	13,105.2
International Routes	–	12.3	1,050.5	1,913.8	3,829.5
Domestic Routes	134.0	4,656.1	5,662.4	6,015.6	9,275.7
Available seat-kilometres, million ASK	171.8	5,746.3	7,605.5	8,419.0	13,925.2
International Routes	–	17.8	1,334.0	2,084.4	4,122.1
Domestic Routes	171.8	5,728.5	6,271.5	6,334.6	9,803.1
Passenger load factor, %	78.0	81.2	88.3	94.2	94.1
International Routes	–	68.8	78.8	91.8	92.9
Domestic Routes	78.0	81.3	90.3	95.0	94.6
Cargo and mail carried, thousand tonnes	0.5	0.3	0.3	6.0	38.5
International Routes	–	–	–	2.0	15.5
Domestic Routes	0.5	0.3	0.3	4.0	23.0
Revenue tonne-kilometres, million TKM	12.6	420.7	604.6	725.7	1,258.2
International Routes	–	1.1	94.5	176.6	377.9
Domestic Routes	12.6	419.6	510.1	549.1	880.3
Available tonne-kilometres, million TKM	17.6	601.0	800.3	875.2	1,432.5
International Routes	–	1.9	140.5	212.5	419.9
Domestic Routes	17.6	599.1	659.8	662.7	1,012.5
Revenue load factor, %	71.6	70.0	75.6	82.9	87.8
International Routes	–	58.2	67.3	83.1	90.0
Domestic Routes	71.6	70.0	77.3	82.9	86.9
Revenue flights	735	20,057	25,668	25,761	40,430
International Routes	–	48	3,208	5,062	10,082
Domestic Routes	735	20,009	22,460	20,699	30,348
Flight hours, hours	1,476	41,016	53,892	59,830	98,286

OPERATING DATA

Aurora airline

Indicator	2014	2015	2016	2017	2018
Passenger traffic, thousand PAX	1,055.2	1,124.8	1,376.2	1,548.2	1,622.7
International Routes	213.0	234.7	314.4	384.6	404.6
Domestic Routes	842.2	890.1	1,061.8	1,163.7	1,218.1
Passenger turnover, million RPK	1,753.1	1,869.7	2,221.8	2,363.7	2,488.5
International Routes	333.4	370.6	490.1	562.1	580.2
Domestic Routes	1,419.7	1,499.1	1,731.7	1,801.6	1,908.3
Available seat-kilometres, million ASK	2,337.9	2,609.8	3,045.2	3,244.8	3,309.0
International Routes	485.6	647.7	721.1	781.1	833.1
Domestic Routes	1,852.3	1,962.1	2,324.1	2,463.7	2,475.9
Passenger load factor, %	75.0	71.6	73.0	72.8	75.2
International Routes	68.7	57.2	68.0	72.0	69.6
Domestic Routes	76.6	76.4	74.5	73.1	77.1
Cargo and mail carried, thousand tonnes	6.2	6.2	7.2	7.9	8.3
International Routes	0.5	0.4	0.4	0.4	0.5
Domestic Routes	5.7	5.8	6.8	7.5	7.8
Revenue tonne-kilometres, million TKM	170.0	180.3	213.8	227.5	239.1
International Routes	30.8	34.0	44.8	51.3	53.0
Domestic Routes	139.2	146.3	169.0	176.2	186.0
Available tonne-kilometres, million TKM	252.9	287.3	335.1	343.1	360.2
International Routes	53.5	75.4	84.4	84.4	93.6
Domestic Routes	199.4	211.9	250.7	258.7	266.6
Revenue load factor, %	67.2	62.8	63.8	66.3	66.4
International Routes	57.6	45.1	53.0	60.8	56.6
Domestic Routes	69.8	69.1	67.4	68.1	69.8
Revenue flights	12,801	15,441	18,861	24,213	24,370
International Routes	2,852	3,617	4,032	4,969	5,495
Domestic Routes	9,949	11,824	14,829	19,244	18,875
Flight hours, hours	28,695	33,281	39,390	45,673	45,663

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Glossary

Aviation terminology

Aviation fuel – aviation fuel, lubricants, and special fluids.

Low-Cost Carrier (LCC) – an airline that offers lower fares than traditional airlines, reflecting limited service provision, while also charging additional fees for on-board and airport services.

Routes – domestic routes, international routes.

Code Sharing – agreement on joint commercial operation of a flight by two or more airlines, one of which acts as the operator (operates the flight in addition to selling tickets), while the others act as marketing partners (selling tickets only).

Network Carrier – an airline that, unlike low-cost carriers, offers a wide variety of services through one or more hubs with connecting flights.

Maintenance, Repair, and Overhaul (MRO) – Technical maintenance, ongoing repairs, and major renovations to aircraft.

TCH – Transport Clearing House.

Hub – a hub airport is a central connection point for many different flights: passengers and goods are transported from their departure point to a hub, from which they are carried to their final destination on another plane with other passengers and goods from other parts of the world.

BSPI/ARC (Billing and Settlement Plan / Airline Reporting Corporation) – settlement systems between agents and airlines, organised by IATA, that facilitate and simplify air transportation sales on neutral forms (not owned by any airline) thereby offering airlines the opportunity to expand their market presence, minimise financial risks and reduce expenses incurred through the maintenance of sales systems. ARC is an analogous system operated in the United States.

GDS (Global Distribution System) – a global computerised booking network used as a single access point by travel agents, online booking websites, or large corporates to book (reserve) tickets on airlines' flights, as well as hotel rooms, rental cars, etc.

NDC (New Distribution Capability) – a new aviation industry standard (standards) being developed by the IATA to provide airlines with more opportunities to sell their services to passengers both via own channels (such as a website or sales offices), and travel agents. Airlines will be able to customise and offer their air products across all sales channels, improve investment performance, and manage air product pricing. The benefits for passengers will include a simple and convenient access to an airline's products and services, as well as the opportunity to compare offers from different airlines on a range of metrics. Travel agents will be able to provide both a wider offering of products and services, and easier access to them.

IATA (International Air Transportation Association) – IATA, founded in 1945, is the prime vehicle for inter-airline cooperation in promoting safe, reliable, secure, and economical air services – for the benefit of the world's consumers.

ICAO (International Civil Aviation Organization) – an international civil aviation body established following the signing of the Chicago Convention on International Civil Aviation in 1944. It is a specialized UN agency responsible for developing international standards, recommended practices and regulations regarding the technical, economic, and legal aspects of international civil aviation.

IOSA (International Operational Safety Audit) – The IATA IOSA program is an internationally recognized and accepted evaluation system designed to assess a company's: organization and operational management, flight operations, engineering and technical maintenance of aircraft, ground service for aircraft, the operational control systems including maintenance management and flight scheduling, on-board service, aviation safety, and provisions for transporting cargo and hazardous cargo.

ISO – The International Organization for Standardization.

Operational terminology

Passenger traffic (PAX) – the number of passengers carried by an airline:

Direct PAX – passengers flying directly between their origin and destination.

Transit PAX – passengers flying with a stop-over in a hub airport on their way from origin to destination.

Passenger-Kilometres/Tonne-Kilometres – metrics used in the aviation industry to measure operating performance:

Available Seat-Kilometres (ASK) – a measure of an airline's carrying capacity offered for the market, derived from multiplying the available seats on any given aircraft by the number of kilometres flown on a given flight. ASK is measured in seat-kilometres;

Revenue Passenger-Kilometres (RPK) – a measure of available capacity actually used, calculated by multiplying the number of paying passengers on any given flight by the distance travelled. RPK is measured in passenger-kilometres;

Available Tonne-Kilometres (ATK) – a measure of an airline's total capacity (both passenger and cargo), calculated by multiplying the capacity in number of tonnes available for the transportation of passengers and cargo by the distance flown. ATK is measured in tonne-kilometres;

Revenue Tonne-Kilometres (TKM) – a measure of an airline's cargo and passenger carriage capacity utilisation, calculated by multiplying of tonne of freight (passengers, calculated at 90 Kg per passenger) by the distance flown. RTK is measured in tonne-kilometres.

Passenger Load Factor (PLF) – a measure for an airline's capacity utilisation, defined as the ratio between RPK and ASK.

Revenue Load Factor – the ratio between the number of tonne kilometres and the available tonne kilometres.

Origin and Departure points (O&D) – locations between which passengers are transported. This term is used in measuring the quantitative indicators of various markets, as defined by arrival and departure points, irrespective of whether direct or transit traffic is involved.

Financial terminology

Unit revenue and cost – key performance measures in the aviation industry, defined as revenue or cost for ASK or RPK:

Yield – the ratio between passenger revenue and revenue passenger-kilometres;

Revenue per Available Seat-Kilometre (RASK) – the ratio between revenue (either passenger revenue or total revenue) and available seat-kilometres;

Cost per Available Seat-Kilometre (CASK) – the ratio between operating expenses and available seat-kilometres.

Total Shareholder Return (TSR) – measures the return on investment for shareholders, taking into account the share price appreciation and dividends paid.

EBITDA – earnings before interest, taxes, depreciation, and amortization. Aeroflot includes customs duties in this indicator.

EBITDAR – earnings before interest, taxes, depreciation, amortization, and operating lease expenses (rent costs). Aeroflot includes customs duties in this indicator.

Contact Information

Full name

Public Joint Stock Company “Aeroflot – Russian Airlines”

Abbreviated

PJSC Aeroflot

Certificate of registration in the Unified State Register of Legal Entities

issued by the Moscow Department of the Russian Ministry of Taxes and Levies
on 2 August 2002, No. 1027700092661

Taxpayer Identification Number

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