Appendixes

APPENDIXES

Statement of management's responsibilities for the preparation and approval of the Consolidated Financial Statements as at and for the year ended 31 December 2017

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

Management is responsible for the preparation of Consolidated Financial Statements that present fairly the consolidated financial position of the Group as at 31 December 2017, and the financial results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

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

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

Management is also responsible for:

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

The Consolidated Financial Statements of the Group as at and for the year ended 31 December 2017 (set out on pages 192-250) were approved on 28 February 2018 and signed on behalf of management by:

V.G. Saveliev
General Director

Sh.R. Kurmashov
Deputy General Director for Commerce and Finance

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 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

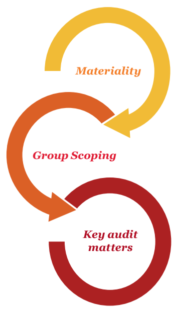
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Our audit approach

Overview



- Overall group materiality: Russian roubles ("RUB") 5,340 million, which represents 1% of revenue for the reporting year.

- We conducted our audit work at three companies of the Group: PJSC Aeroflot, JSC Rossiya Airlines and CJSC Aeromar;
- We also performed audit procedures over individual significant items of the financial statements for LLC Pobeda Airlines;
- In respect of the other Group companies, we primarily performed analytical procedures;
- Our audit scope addressed 99% of the Group's revenue and 96% of the Group's profit before tax.

- Key audit matter 1: classification of aircraft lease arrangements;
- Key audit matter 2: evaluation of goodwill impairment.

We designed our audit by determining materiality and assessing 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. 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 financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

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

Overall group materiality	RUB 5,340 million
How we determined it	1% of revenue for the reporting year
Rationale for the materiality benchmark applied	We chose revenue as the materiality benchmark. Given the volatility of the Group's financial results, revenue represents a more appropriate measure of the size of the business and risks of misstatement than profit before tax. We chose 1% of the benchmark, which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

Key audit matters

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

Independent Auditor's Report
continued

Key audit matter	How our audit addressed the key audit matter
Classification of aircraft lease arrangements See Notes 2, 28 and 40 The Group's companies purchase and use aircraft under financial and operating leases. As at 31 December 2017, the Group's statement of financial position includes liabilities and assets related to aircraft finance lease arrangements in the amount of RUB 96,265 million and RUB 66,485 million, respectively. The undiscounted future minimum lease payments under non-cancellable aircraft operating leases arrangements at the reporting date amounted to RUB 660,581 million. To classify leases, the Group reviews the contract terms under the criteria set by IAS 17, Leases. The Group performs this analysis for each contract. Factors taken into account by the Group when classifying lease arrangements include but are not limited to the following: — Transfer of ownership of aircraft to the Group by the end of the lease term; — The option to purchase the aircraft at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised; — Whether the lease term covers the major part of the economic life of the aircraft even if the title is not transferred; — Whether the present value of the minimum lease payment amounts to at least substantially all of the fair value of the leased asset at the inception of the lease. For classifying lease agreements as operating leases this ration should not exceed determined threshold during classification test performed by the Group. As a basic measure of the fair value of the aircraft, the Group uses the value of the aircraft agreed upon in the respective lease agreement if there are no indicators that it should not be used. For new 2017 lease agreements in which there were indicators that the aircraft value defined in the contract differs from the fair value, the Group involved an independent expert to determine the fair value of the aircraft. We focused on this matter because the classification of leases involves applying significant judgements and estimates regarding the classification criteria underlined above.	Management assessed new aircraft lease arrangements entered in 2017 as operating or finance leases and provided us with the results of the assessment. We reviewed management's assessment and analysed the lease arrangements entered during the reporting period selected on a sample basis for: — transfer of the ownership of aircraft to the Group at the end of the lease term; — the Group's option to purchase the aircraft at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised; — the aircraft lease term represents a major part of the aircraft's economic life. We performed independent calculations to assess whether the interest rate implicit in the lease or the Group's incremental borrowing rate of interest had been reasonably determined. We reviewed whether the present value of minimum lease payments amounted to 90% or more of the fair value of the leased asset. To verify the fair value of Airbus A320s and A321s leased by the Group in 2017, management engaged an external independent appraiser. Based on information on the fair value of the aircraft provided by the independent appraiser and analysis of other information, the Group classified these arrangements as operating leases. We assessed the competence and objectivity of the independent appraiser, as well as the adequacy of the scope of work done. In particular, we performed the following procedures: — review of the methodology used to determine the aircraft value, taking external factors into account; — analysis of the conformity of the technical characteristics of the evaluated aircraft and similar aircraft; — verification of the mathematical correctness of the calculations; — test of the input data (type and production date) on aircraft and the cost of installed additional equipment (provided by management to the external expert). For these items, if the ratio of the minimal lease payment to the fair value of the aircraft was between 80% and 95%, we performed a detailed analysis of all the terms of the lease agreements based on the criteria specified in IAS 17, Leases. We verified that the related disclosures in the consolidated financial statements were consistent with the requirements of IAS 17, Leases. None of the above procedures revealed any inconsistencies in the classification of the lease agreements or any other errors in the presentation of related information in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Evaluation of goodwill impairment See Note 23 As at 31 December 2017, the Group recognised goodwill in the amount of RUB 6 660 million, including RUB 6,502 million allocated to JSC Rossiya Airlines. In accordance with IAS 36, Impairment of Assets, management tests the goodwill for impairment at least once a year. As at 31 December 2017, the Group performed a test for the impairment of goodwill. As a result of the test, there was no need to recognise any impairment loss. We focused on this matter due to the value of the goodwill as well as because the test for impairment involves applying significant judgements and estimates regarding the future results of business operations for each cash generating unit (CGU).	Management performed an impairment test and presented us with the outcome. The testing applied the value-in-use model based on discounted cash flows for the relevant CGU. We performed the following procedures in respect of the impairment model: — We tested the mathematical accuracy of the allocation of goodwill to the Group's companies and the consistency of such allocation with the requirements of IAS 36, Impairment of Assets. — We evaluated and challenged the composition of management's forecasts of future cash flows and the process of their preparation. In particular, we specifically focused on whether all relevant CGUs were identified. — We compared the estimated seat occupancy rates, yield and cost of available seat-kilometre (CASK) rates to the actual rates for 2017. — We assessed the reasonableness of the methodology for cash flow estimation applied to testing and checked the calculations for mathematical accuracy and consistency with the methodology set by IAS 36, Impairment of Assets. — We analysed the key assumptions applied by management to their estimations through their benchmarking against available market data: o aviation fuel prices, exchange rates and assumed long-term growth rate, by comparing them with independent projections; o discount rate, by assessing the weighted average cost of capital for the Group companies and for their peers, subject to required adjustments. — We identified that the results of testing are most sensitive to assumptions in respect of yield, seat occupancy and discount rate. We checked the sensitivity analysis of the key assumptions performed by management to come to the general conclusion on the absence of impairment, by analysing the results with the application of assumptions that, in our opinion, are sufficiently conservative. — We checked the disclosures included in Note 23 to the consolidated financial statements, in terms of their completeness and consistency with the requirements imposed by IAS 36, Impairment of Assets. As a result of these procedures, we came to the conclusion that the key assumptions applied by management for testing goodwill impairment and their conclusion that there was no impairment of goodwill as at the reporting date do not require any adjustments for the presentation of information in the consolidated financial statements.

Independent Auditor's Report
continued

How we tailored our group audit scope

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

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

— PJSC Aeroflot;
— JSC Rossiya Airlines;
— CJSC Aeromar.

The work in respect of material components was performed by the engagement team of AO PricewaterhouseCoopers Audit. We additionally performed substantive testing in respect of revenue for the reporting year for LLC Pobeda Airlines.

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

Other information

Management is responsible for the other information. The other information includes the Annual Report and Issuer's Report for the first quarter of 2018, but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report and Issuer's Report for the first quarter of 2018 will be available to us after the date of the auditor's report.

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

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

Responsibilities of management and those charged with 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.

28 February 2018
Moscow, Russian Federation

AO PricewaterhouseCoopers Audit

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

AUDITED ENTITY:
State registration certificate No. 032.175
issued by Moscow Registration Chamber on 21 June 1994
Certificate of inclusion in the Unified State Register of Legal Entities
issued on 02 August 2002 under No. 1027700092661
119002, Russia, Moscow, 10 Arbat

INDEPENDENT AUDITOR:
State registration certificate N° 008.890, issued by the Moscow Registration Chamber
on 28 February 1992
Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002
under registration N° 1027700148431
Member of Self-regulated organisation of auditors «Russian Union of auditors» (Association)
ORNZ 11603050547 in the register of auditors and audit organisations

Consolidated Statement of Profit or Loss for the year ended 31 December 2017

(All amounts in millions of Russian Roubles, unless otherwise stated)

	Note	2017	2016
Traffic revenue	5	474,916	433,966
Other revenue	6	58,018	61,914
Revenue		**532,934**	**495,880**
Operating costs, excluding staff costs and depreciation and amortisation	7	(394,528)	(354,022)
Staff costs	8	(82,801)	(64,682)
Depreciation and amortisation	19, 22	(14,084)	(13,395)
Other operating income /(expenses), net	9	(1,110)	(527)
Operating costs		**(492,523)**	**(432,626)**
Operating profit		**40,411**	**63,254**
Loss from sale and impairment of investments, net	17	(144)	(2,935)
Finance income	10	7,127	19,802
Finance costs	10	(8,225)	(9,443)
Hedging result	10	(5,613)	(12,310)
Share of results of associates		170	12
Result from disposal of subsidiaries	21	-	(5,099)
Profit before income tax		**33,726**	**53,281**
Income tax	11	(10,666)	(14,455)
PROFIT FOR THE YEAR		**23,060**	**38,826**
Profit for the year attributable to:			
Shareholders of the Company		22,872	37,443
Non-controlling interest		188	1,383
PROFIT FOR THE YEAR		**23,060**	**38,826**
Profit per share – basic and diluted (in Roubles per share)		21.3	35.4
Weighted average number of shares outstanding		1,071.9	1,056.9

Approved on 28 February 2018 and signed on behalf of management

V.G. Saveliev
General Director

Sh.R. Kurmashov
Deputy General Director
for Commerce and Finance

The Consolidated Statement of Profit or Loss should be read in conjunction with the notes set out on pages 200 to 250 which are forming part of the Consolidated Financial Statements

Consolidated Statement of Comprehensive Income for the year ended 31 December 2017

(All amounts in millions of Russian Roubles, unless otherwise stated)

	Note	2017	2016
Profit for the year		**23,060**	**38,826**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Profit from the change in fair value of hedging derivative financial instruments	24	-	4,485
Effect from hedging revenue with foreign currency liabilities	28	11,285	33,773
Deferred tax related to the effect on cash flow hedging instruments recognized in other comprehensive income	11	(2,257)	(7,725)
Other comprehensive income for the year		**9,028**	**30,533**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**32,088**	**69,359**
Total comprehensive income attributable to:			
Shareholders of the Company		31,900	67,976
Non-controlling interest		188	1,383
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**32,088**	**69,359**

The Consolidated Statement of Comprehensive Income should be read in conjunction with the notes set out on pages 200 to 250 which are forming part of the Consolidated Financial Statements

Consolidated Statement of Financial Position as at 31 December 2017

(All amounts in millions of Russian Roubles, unless otherwise stated)

	Note	31 December 2017	31 December 2016
ASSETS			
Current assets			
Cash and cash equivalents	12	45,978	31,476
Short-term financial investments	17	8,931	6,319
Accounts receivable and prepayments	14	92,932	78,172
Current income tax prepayment		3,580	2,679
Aircraft lease security deposits	13	423	320
Expendable spare parts and inventories	16	12,811	10,040
Assets classified as held for sale	20	3,125	1,140
Other current assets	42	422	-
Total current assets		**168,202**	**130,146**
Non-current assets			
Property, plant and equipment	19	97,932	104,897
Prepayments for aircraft	15	13,089	27,830
Deferred tax assets	11	10,396	12,252
Goodwill	23	6,660	6,660
Long-term financial investments	17	3,338	3,306
Intangible assets	22	2,054	1,825
Aircraft lease security deposits	13	1,602	2,181
Investments in associates		329	98
Other non-current assets	18	19,728	10,112
Total non-current assets		**155,128**	**169,161**
TOTAL ASSETS		**323,330**	**299,307**

The Consolidated Statement of Financial Position should be read in conjunction with the notes set out on pages 200 to 250 which are forming part of the Consolidated Financial Statements

	Note	31 December 2017	31 December 2016
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	25	67,953	49,868
Unearned traffic revenue		43,695	39,044
Deferred revenue related to frequent flyer programme	26	1,720	1,607
Provisions for liabilities	27	9,433	5,304
Finance lease liabilities	28	16,015	15,593
Short-term loans and borrowings and current portion of long-term loans and borrowings	29	-	9,309
Liabilities related to assets held for sale	20	2,210	-
Total current liabilities		**141,026**	**120,725**
Non-current liabilities			
Long-term loans and borrowings	29	3,181	11,058
Finance lease liabilities	28	84,674	107,143
Provisions for liabilities	27	16,949	10,791
Deferred tax liabilities	11	68	39
Deferred revenue related to frequent flyer programme	26	3,842	3,623
Other non-current liabilities	30	6,291	5,159
Total non-current liabilities		**115,005**	**137,813**
TOTAL LIABILITIES		**256,031**	**258,538**
Equity			
Share capital	32	1,359	1,359
Treasury shares reserve		-	(3,571)
Accumulated profit on disposal of treasury shares	32	7,864	1,659
Investment revaluation reserve		(5)	(5)
Hedging reserve	24, 28	(25,159)	(34,187)
Retained earnings		81,476	77,198
Equity attributable to shareholders of the Company		**65,535**	**42,453**
Non-controlling interest		1,764	(1,684)
TOTAL EQUITY		**67,299**	**40,769**
TOTAL LIABILITIES AND EQUITY		**323,330**	**299,307**

The Consolidated Statement of Financial Position should be read in conjunction with the notes set out on pages 200 to 250 which are forming part of the Consolidated Financial Statements

Consolidated Statement of Cash Flows for the year ended 31 December 2017

(All amounts in millions of Russian Roubles, unless otherwise stated)

	Note	2017	2016
Cash flows from operating activities:			
Profit before income tax		33,726	53,281
Adjustments for:			
Depreciation and amortisation	19,22	14,084	13,395
Change in impairment provision for accounts receivable and prepayment	9	(338)	2,217
Change in impairment provision for obsolete expendable spare parts and inventory		(99)	216
Change in provision for impairment of property, plant and equipment	19	(24)	(36)
Loss on disposal of property, plant and equipment		852	885
Loss on disposal of subsidiaries	21	-	5,099
Loss on sale and impairment of investments, net		144	2,935
Loss on change in the fair value of derivative financial instruments	10	-	53
Realised hedging	10	5,613	12,310
Change in provisions for liabilities	9,27	11,190	6,628
Interest expense	10	8,179	8,907
Interest income	10	(4,718)	(4,169)
Foreign exchange gain	10	(2,409)	(15,597)
Other finance expense/(income), net	10	46	447
Dividend income		(88)	(29)
Gain on disposal of assets classified as held for sale		(182)	(2,784)
Other operating income, net		(646)	(1,764)
Total operating cash flows before working capital changes		**65,330**	**81,994**
Change in accounts receivable and prepayments		(27,816)	(6,191)
Change in expendable spare parts and inventories		(2,672)	(2,809)
Change in accounts payable and accrued liabilities		24,964	13,387
Total operating cash flows after working capital changes		**59,806**	**86,381**
Change in restricted cash	42	(435)	20
Income tax paid		(13,019)	(13,943)
Income tax refunded		1,080	1,189
Net cash flows from operating activities		**47,432**	**73,647**

	Note	2017	2016
Cash flows from investing activities:			
Deposits return		13,649	9,840
Deposits placement		(16,300)	(10,435)
Proceeds from sale of property, plant and equipment		88	84
Proceeds from sale of subsidiary		-	9
Proceeds from sale of assets held for sale		1,856	6,471
Purchases of property, plant and equipment and intangible assets	19,22	(7,681)	(10,222)
Interest received		4,241	3,065
Dividends received		59	62
Prepayments for aircraft	18	(7,931)	(18,806)
Return of prepayments for aircraft	18	26,274	29,362
Payment of operating lease security deposits	13	(211)	(2,504)
Return of operating lease security deposits	13	325	3,405
Net cash flows from investing activities		**14,369**	**10,331**
Cash flows from financing activities:			
Proceeds from loans and borrowings	29	-	30,885
Repayment of loans and borrowings	29	(17,417)	(72,991)
Proceeds from sale of own shares		9,730	-
Repayment of the principal element of finance lease liabilities	28	(15,513)	(27,024)
Interest paid		(4,762)	(6,954)
Dividends paid		(18,859)	(49)
Repayment on settlement of derivative financial instruments, net	24	-	(4,362)
Net cash used in financing activities		**(46,821)**	**(80,495)**
Effect of exchange rate fluctuations on cash and cash equivalents		(478)	(2,700)
Net increase in cash and cash equivalents		**14,502**	**783**
Cash and cash equivalents at the beginning of the year	12	31,476	30,693
Cash and cash equivalents at the end of the year	**12**	**45,978**	**31,476**
Non-cash transactions as part of the investing activities:			
Property, plant and equipment acquired under finance leases		1,872	2,170

Consolidated Statement of Changes in Equity for the year ended 31 December 2017

(All amounts in millions of Russian Roubles, unless otherwise stated)

		Equity attributable to shareholders of the Company							
	Note	Share capital	Accumulated profit on disposal of treasury shares less treasury shares reserve	Investment revaluation reserve	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total equity
1 January 2016		**1,359**	**(1,912)**	**(5)**	**(64,720)**	**39,755**	**(25,523)**	**(10,597)**	**(36,120)**
Profit for the year		-	-	-	-	37,443	37,443	1,383	38,826
Profit from the change in fair value of derivative financial instruments and the effect of hedge net of related deferred tax	24, 28	-	-	-	30,533	-	30,533	-	30,533
Total other comprehensive income							**30,533**	**-**	**30,533**
Total comprehensive income							**67,976**	**1,383**	**69,359**
Subsidiary company disposal	21	-	-	-	-	-	-	7,579	7,579
Dividends declared		-	-	-	-	-	-	(49)	(49)
31 December 2016		**1,359**	**(1,912)**	**(5)**	**(34,187)**	**77,198**	**42,453**	**(1,684)**	**40,769**
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 the change in fair value of derivative financial instruments and the effect of hedge net of related deferred tax	24, 28	-	-	-	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		-	9,776	-	-	-	9,776	-	9,776
Sale of shares to holders of non-controlling interest		-	-	-	-	-	-	3,589	3,589
Dividends declared		-	-	-	-	(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**

The Consolidated Statement of Changes in Equity should be read in conjunction with the notes set out on pages 200 to 250 which are forming part of the Consolidated Financial Statements

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

(All amounts in millions of Russian Roubles, unless otherwise stated)

1. Nature of the Business

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

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

During 2016 the Group disposed of OJSC Vladivostok Avia and CJSC Aeroflot-Cargo as a result of their liquidation in May and September, respectively (Note 21).

As at 31 December 2017 and 2016, the Government of the Russian Federation (the "RF") as represented by the Federal Agency for Management of State Property owned 51.17% of the Company. The Company's headquarters are located in Moscow at 10 Arbat Street, 119002, RF.

The principal subsidiaries are:

Company name	Registered address	Principal activity	31 December 2017	31 December 2016
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%
CJSC 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")	Orenburg, RF	Airline	100.00%	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 2017	31 December 2016
CJSC Sheremetyevo Bezopasnost	Moscow Region, RF	Aviation security	45.00%	45.00%

The table below provides information on the Group's aircraft fleet as at 31 December 2017 (number of items):

Type of aircraft	Ownership	PJSC Aeroflot	AK Rossiya	AK Aurora	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	13	-	-	-	13
Airbus A330	Finance lease	8	-	-	-	8
Boeing B777	Finance lease	10	-	-	-	10
An-148	Finance lease	-	6	-	-	6
Total aircraft under finance leases		**31**	**15**	**-**	**-**	**46**
SSJ 100	Operating lease	37	-	-	-	37
Airbus A319	Operating lease	-	17	10	-	27
Airbus A320	Operating lease	75	5	-	-	80
Airbus A321	Operating lease	25	-	-	-	25
Airbus A330	Operating lease	14	-	-	-	14
Boeing B737	Operating lease	36	16	-	16	68
Boeing B747	Operating lease	-	9	-	-	9
Boeing B777	Operating lease	6	5	-	-	11
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		**193**	**52**	**18**	**16**	**279**
TOTAL FLEET		**224**	**67**	**25**	**16**	**332**

As at 31 December 2017, 6 An-148 and 1 An-24 aircraft were leased out.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017 (All amounts in millions of Russian Roubles, unless otherwise stated)
continuedd

2. Basis of Preparation and Accounting Policies

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

These Consolidated Financial Statements have been prepared on the historical cost convention except for financial instruments which are initially recognised at fair value, financial assets available for sale and financial instruments measured at fair value through profit or loss, as well as derivative financial instruments to which specific hedge accounting rules are applicable. The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the periods presented in these Consolidated Financial Statements, unless otherwise stated.

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

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

Functional and presentation currency
The functional currency of the Company and its subsidiaries is the Russian 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 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 purchase 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.

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 equity accounted investments,

(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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017 (All amounts in millions of Russian Roubles, unless otherwise stated)
continuedd

Foreign currency translation

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

Translation at year-end rates does not apply to non-monetary items in the Consolidated Statement of Financial Position that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, 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 gain or loss.

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

	Official exchange rates	
	Roubles for 1 US Dollar	Roubles for 1 Euro
Average rate for 2017	58.35	65.90
31 December 2017	57.60	68.87
Average rate for 2016	67.03	74.23
31 December 2016	60.66	63.81

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 passenger 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 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.

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 of all the 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 of 5 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 sell.

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 estimated residual value where applicable) over the remaining 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.

(ii) *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.

(iii) *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.

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

The Group's fleet and other fixed assets have the following useful lives:

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

(v) *Capitalised leasehold improvements:* Capitalised costs that relate to the rented fleet are depreciated over the shorter of: their useful lives and the lease term.

(b) Land, buildings and other plant and equipment

Property, plant and equipment is stated at the historical US Dollar cost recalculated at the exchange rate on 1 January 2007, the date of the change of the functional currency of the Company and its major subsidiaries from the US Dollar to the Russian Rouble or 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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017 (All amounts in millions of Russian Roubles, unless otherwise stated)
continued

(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 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 the outstanding liability and finance charges so as to achieve a constant rate on the finance balance outstanding. Corresponding lease liabilities net of future interest 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.

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 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. In compliance with the customs legislation of the Russian Federation, the Group pays customs duties in instalments, and therefore customs duties payment obligations are initially recognised at amortised cost.

The operating lease agreements include requirements to perform regular repairs and maintenance works during the lease term. Accordingly, the Group 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.

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.

Classification of financial assets
Financial assets have the following categories: a) loans and receivables, b) financial assets available for sale, and c) financial assets measured at fair value through profit or loss, which are recognised in this category from the date of the initial recognition.

Loans and receivables are unquoted on active market non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term.

Derivative financial instruments, including currency and interest rate options, fuel options, and currency and interest rate swaps are carried at their fair value. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year, except for instruments subject to special hedge accounting rules, whose fair value changes are recorded in other comprehensive income.

All other financial assets are included in the *available-for-sale category*, which includes investment securities which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Classification of financial liabilities
Financial liabilities have the following measurement categories: a) held for trading, which also includes financial derivatives, and (b) other financial liabilities. Liabilities held for trading are carried at fair value with changes in value recognised in profit or loss for the year (as finance income or finance costs) in the period in which they arise. Other financial liabilities are carried at amortised cost.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017 (All amounts in millions of Russian Roubles, unless otherwise stated) continued

Financial instruments – key measurement terms

Depending on 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 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.

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 liabilities

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 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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017 (All amounts in millions of Russian Roubles, unless otherwise stated)
continued

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

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.

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.

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

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

Short-term loans and borrowings comprise:

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

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

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

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

The Group 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 tax authorities on an accruals basis. Domestic flights in general are subject to VAT at 10% and international flights are subject to VAT at 0%. Input VAT invoiced by domestic suppliers as well as VAT paid in respect of imported leased aircraft and spare parts may be recovered, subject to certain restrictions, against output VAT. The recovery of input VAT is typically delayed by up to six months and sometimes longer due to compulsory tax audit requirements and other administrative matters. Input VAT claimed for recovery 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'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 (Note 26) within current and non-current liabilities, respectively, in the Group's Consolidated Statement of Financial Position.

The fair value of miles accumulated by Aeroflot-Bonus participants for using services provided by the partners of the programme is recognised as other current and non-current liabilities related to frequent flyer programme (Notes 25 and 30) in accounts payable and accrued liabilities in the Group's Consolidated Statement of Financial Position.

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2017 (All amounts in millions of Russian Roubles, unless otherwise stated)
continued

Other accrued liabilities related to 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.

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 27). Where the effect of the time value of money is significant, the amount of a provision is stated at the present value of the expenditures required to settle the obligation.

Income tax

Income taxes have been provided 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 for consolidated financial reporting purposes. 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 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 payments to employees on retirement. These obligations represent obligations under a defined benefit pension plan. For such plans the pension accounting costs are assessed using the projected unit credit method. Under this method the cost of providing pensions is charged to the Consolidated Statement of Profit or Loss in order to spread the regular cost over the service lives of employees. Actuarial gains and losses are recognised in other comprehensive income immediately. The pension liability for non-retired employees is calculated based on a minimum annual pension payment and do not include increases, if any, to be made by management in the future. Where such post-employment employee benefits fall due more than twelve months after the reporting date they are discounted using a discount rate determined by reference to the government bond yields at the reporting date.

The Group also participates in a defined contribution plan, under which the Group has committed to making additional contributions as a percentage (20% in 2017) of the contribution made by employees choosing to participate in the plan. Contributions made by the Group on defined contribution plans are charged to expenses when incurred. Contributions are also made to the Government Pension fund at the statutory rates in force during the year. Such contributions are 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

he 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 for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. 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 when consumed or capitalised as assets, which are depreciated or amortised. The liability is re-measured at each balance sheet date to its fair value, with all changes recognised immediately in profit or loss.

Treasury shares purchased

Where the Company 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.

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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017 (All amounts in millions of Russian Roubles, unless otherwise stated)
continued

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

Sales representing the value of tickets that have been issued, but which will never be used, are recognised as traffic revenue at the reporting date based on an analysis of historical income from unused tickets. The assessment of the probability that the tickets will not be used is a matter of management judgement. A change in these estimates may require the adjustment to the revenue amount in the Consolidated Statement of Profit or Loss (Note 5) and to the unearned traffic revenue in the Consolidated Statement of Financial Position.

Frequent flyer programme

At the reporting date, the Group estimates and recognises the liability pertaining to air miles earned by Aeroflot Bonus programme members. The estimate has been made based on the statistical information available to the Group and reflects the expected air mile utilisation pattern after the reporting date multiplied by their assessed fair value. The assessment of the fair value of a bonus mile, as well as the management's expectations regarding the amount of miles to be used by Aeroflot Bonus members, are a matter of management judgement. A change in these estimates may require the adjustment of deferred revenue, other current and non-current liabilities related to frequent flyer programme in the Consolidated Statement of Financial Position (Note 26) and adjustment to revenue in the Consolidated Statement of Profit or Loss (Note 5).

Compliance with tax legislation

Compliance with tax legislation, particularly in the Russian Federation, is subject to a significant degree of interpretation and can be routinely challenged 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 42).

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 23.

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 benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on the medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

4. Adoption of New or Revised Standards and Interpretations

New standards and interpretations effective from 1 January 2017

The following amended standards became effective for the Group from 1 January 2017, but did not have any material impact on the Group.

Disclosure Initiative – Amendments to IAS 7 (issued on 29 Jan 2016 and effective for the periods beginning on or after 1 January 2017). The Group has disclosed the required information in Note 37 of these Consolidated Financial Statements;

Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (issued on 19 January 2016 and effective for the periods beginning on or after 1 January 2017);

Annual Improvements to IFRS 2014 – 2016 cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017 for amendments to IFRS 12.

New Accounting standards and Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2018 or later, and which the Group has not early adopted:

IFRS 9 "Financial Instruments: Classification and Measurement" (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). The main differences between the new standard, which may affect the Group's Consolidated Financial Statements at the date of application, are as follows: investments in equity instruments should always be measured at fair value. In this case, management can make a decision that can not be revised on the reflection of changes in fair value in other comprehensive income, if the instrument is not intended for trade. If an equity instrument is held for trade, changes in fair value are recognized in profit or loss. IFRS 9 introduces a new model for recognition of impairment losses: a model of expected credit losses. There is a «three-step» approach based on changing the credit quality of financial assets from the moment of initial recognition. In practice, the new rules mean that organizations, upon initial recognition of financial assets, will immediately recognize losses in the amount of expected credit losses for the 12 months that are not credit impairment losses (or in the amount of expected credit losses for the entire period of the financial instrument for trade receivables). If there has been a significant increase in credit risk, the impairment is estimated based on expected credit losses for the entire life of the financial instrument, rather than on the basis of expected credit losses for 12 months. The model provides for operational simplification of trade receivables and finance lease receivables.

The hedge accounting requirements have been adjusted to be more consistent with accounting of risk management. The standard provides organizations with the option to choose between accounting policies applying the hedge accounting requirements of IFRS 9 and continuing the application of IAS 39 to all hedging instruments, as the standard does not currently include accounting for macro hedging events.

According to IFRS 9, financial assets are to be classified in three valuation categories: subsequently measured at amortized cost, subsequently measured at fair value through profit or loss, which are recognized in Other Comprehensive Income, and measured at fair value through profit or loss. The classification of debt instruments depends on the business model of the organization for the management of financial assets and on whether the contractual cash flows are only payments to the principal and interest.

The Group is currently assessing the impact of this standard on its Consolidated Financial Statements. The assessment will be completed by the release of the Group's Condensed Consolidated Interim Financial Statements for the 1st quarter of 2018.

IFRS 15 "Revenue from contracts with customers" with amendments made on 12 April 2016 (issued on 28 May 2014, effective for annual periods beginning on or after 1 January 2018). 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. 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. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. It is expected that this standard will not have a significant impact on the Group's Consolidated Financial Statements.

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). This interpretation considers how to determine the date of the transaction when applying the standard on foreign currency transactions, IAS 21. The interpretation applies where an entity either pays or receives consideration in advance for foreign currency-denominated contracts. The Group is currently assessing the impact of the interpretation on its Consolidated Financial Statements;

IFRS 16 "Leases" (issued on 13 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. The Group is currently assessing the impact of the interpretation on its Consolidated Financial Statements;

Notes to the Consolidated Financial Statements for the year ended 31 December 2017 (All amounts in millions of Russian Roubles, unless otherwise stated)
continued

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

IFRIC 23 “Uncertainty over Income Tax Treatments” (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019). The Group is currently assessing the impact of the interpretation on its Consolidated Financial Statements;

It is expected that this standard will not have a significant impact on the Group’s Consolidated Financial Statements;

The following other new pronouncements are not expected to have any material impact on the Group when adopted:

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

Amendments to IFRS 2 “Share-based payments” (issued on 20 June 2016 and effective for annual periods on or after 1 January 2018);

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

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

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

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);

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

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

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

5. Traffic Revenue

	2017	2016
Scheduled passenger flights	427,529	403,760
Charter passenger flights	30,861	17,617
Cargo flights	16,526	12,589
Total traffic revenue	**474,916**	**433,966**

6. Other Revenue

	2017	2016
Airline agreements revenue	33,196	35,923
Revenue from partners under frequent flyer programme	11,588	11,846
Refuelling services	199	2,515
In-flight catering services	1,670	1,429
Sales of duty free goods	1,530	1,349
Ground handling and maintenance	1,253	1,382
Hotel revenue	448	491
Other revenue	8,134	6,979
Total other revenue	**58,018**	**61,914**

7. Operating Costs Less Staff Costs and Depreciation and Amortisation

	2017	2016
Aircraft servicing and ground handling	76,332	70,908
Operating lease expenses	65,793	59,563
Aircraft maintenance	36,433	38,236
Sales and marketing expenses	17,749	13,887
Communication expenses	14,795	14,697
Administration and general expenses	18,390	16,407
Passenger services expenses	20,086	16,319
Food cost for in-flight catering	10,425	8,714
Insurance expenses	2,025	2,059
Customs duties	1,520	1,355
Cost of duty-free goods sold	836	732
Other expenses	7,459	9,563
Operating costs less aircraft fuel, staff costs and depreciation and amortisation	**271,843**	**252,440**
Aircraft fuel	122,685	101,582
Total operating costs less staff costs and depreciation and amortisation	**394,528**	**354,022**

8. Staff Costs

	2017	2016
Wages and salaries	63,842	50,885
Pension costs	12,669	10,577
Social security costs	6,290	3,220
Total staff costs	**82,801**	**64,682**

Pension costs include:

- compulsory payments to the Pension Fund of the RF;
- contributions to a non-governmental pension fund under a defined contribution pension plan under which the Group makes additional pension contributions as a fixed percentage (20% for 12 months of 2017; 20% for 12 months of 2016) of the transfers made personally by employees participating in the programme; and
- an increase in the net present value of the future benefits which the Group expects to pay to its employees upon their retirement under defined benefit pension plans.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017 (All amounts in millions of Russian Roubles, unless otherwise stated)
continued

	2017	2016
Payments to the RF Pension Fund	12,650	10,574
Change in liabilities for pension plans	19	3
Total pension costs	**12,669**	**10,577**

9. Other Operating Income and Expenses, Net

	2017	2016
Reimbursement of fuel excise tax	7,889	5,972
Profit on disposal of assets classified as held for sale	182	2,784
Fines and penalties received from suppliers	661	753
Insurance compensation received	49	297
Gain on accounts payable write-off	62	34
Recovery/(accrual) of provision for doubtful accounts receivable (Note 14)	338	(2,217)
Accrual of provision for regular repair and maintenance (Note 27)	(11,986)	(5,261)
Recovery/(accrual) of provision for Group other liabilities (Note 27)	796	(1,367)
Loss on fixed assets disposal and impairment on fixed assets	(828)	(849)
Loss on accounts receivable write-off	(24)	(4)
Other income/(expense), net	1,751	(669)
Total other operating expenses, net	**(1,110)**	**(527)**

10. Finance Income and Costs

	2017	2016
Finance income:		
Interest income on deposits and security deposits	4,718	4,169
Gain on foreign exchange, net	2,409	15,597
Other finance income	-	36
Total finance income	**7,127**	**19,802**

	2017	2016
Finance costs:		
Interest expense	(8,179)	(8,907)
Loss on change in fair value of derivative financial	-	(53)
instruments not subject to hedge accounting (Note 24)	(46)	(483)
Other finance costs	**(8,225)**	**(9,443)**
Total finance costs		

	2017	2016
Realised hedging result:		
Realised loss on hedging derivative instruments (Note 24)	-	(3,994)
Effect of revenue hedging with liabilities in foreign currency (Note 28)	(5,613)	(8,316)
Total result on hedging	**(5,613)**	**(12,310)**

11. Income Tax

	2017	2016
Current income tax charge	11,038	12,931
Deferred income tax	(372)	1,524
Total income tax	**10,666**	**14,455**

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

	2017	2016
Profit before income tax	33,726	53,281
Tax rate applicable in accordance with Russian legislation	20%	20%
Theoretical income tax expense at tax rate in accordance with Russian legislation	(6,745)	(10,656)
Tax effect of items which are not deductible or assessable for taxation purposes:		
Non-taxable income	759	1,076
Non-deductible expenses	(5,052)	(5,042)
Unrecognised current year tax losses	(449)	(1,514)
Recognition of previously unrecognised tax losses	160	1,263
Prior years income tax adjustments	661	418
Total income tax	**(10,666)**	**(14,455)**

Notes to the Consolidated Financial Statements for the year ended 31 December 2017 (All amounts in millions of Russian Roubles, unless otherwise stated) continued

	31 December 2017	Changes for the year	31 December 2016	Changes for the year	31 December 2015
Tax effect of temporary differences:					
Tax losses carried forward	20	(123)	143	70	73
Long-term financial investments	18	(241)	259	58	201
Accounts receivable	67	54	13	(570)	583
Property, plant and equipment	124	(96)	220	191	29
Finance lease liabilities	20,216	(4,345)	24,561	(8,348)	32,909
Accounts payable	8,215	3,321	4,894	882	4,012
Derivative financial instruments	-	-	-	(960)	960
Deferred tax assets before tax set off	**28,660**	**-**	**30,090**	**-**	**38,767**
Tax set off	(18,264)	-	(17,838)	-	(17,135)
Deferred tax assets after tax set off	**10,396**	**-**	**12,252**	**-**	**21,632**

	31 December 2017	Changes for the year	31 December 2016	Changes for the year	31 December 2015
Property, plant and equipment	(14,699)	1,677	(16,376)	541	(16,917)
Customs duties related to the imported aircraft under operating leases	(105)	106	(211)	124	(335)
Long-term financial investments	(43)	(18)	(25)	(15)	(10)
Accounts receivable	(3,485)	(2,245)	(1,240)	(1,239)	(1)
Accounts payable	-	25	(25)	17	(42)
Deferred tax liabilities before tax set off	**(18,332)**	**-**	**(17,877)**	**-**	**(17,305)**
Tax set off	18,264	-	17,838	-	17,135
Deferred tax liabilities after tax set off	**(68)**	**-**	**(39)**	**-**	**(170)**
Movements for the year, net	-	(1,885)	-	(9,249)	
Less deferred tax recognised directly in other comprehensive income	-	2,257	-	7,725	
Deferred income tax income/ (expense) debt for the year	**-**	**372**	**-**	**(1,524)**	

As at 31 December 2017 the Group recognised deferred tax assets from tax losses of subsidiaries in the amount of RUB 20 million (31 December 2016: RUB 143 million).

As at 31 December 2017, the Group did not recognize deferred tax liabilities for temporary differences in the amount of RUB 5,661 million (31 December 2016: RUB 3,970 million) related to investments in subsidiaries, as the Group can control reimbursement periods of these temporary differences and does not plan to reimburse them for the foreseeable future.

Since 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. 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 2017	31 December 2016
Bank deposits denominated in roubles with maturity of less than 90 days	30,093	23,444
Cash on hand and bank accounts denominated in Roubles	12,727	4,639
Cash on hand and bank accounts denominated in US Dollars	1,971	2,293
Cash on hand and bank accounts denominated in Euro	419	317
Cash on hand and bank accounts denominated in other currencies	375	418
Cash in transit	393	365
Total cash and cash equivalents	**45,978**	**31,476**

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets are disclosed in Note 36.

About 49% of the Group's funds are held in 2 highly reliable state-controlled Russian banks – PJSC VTB Bank with long-term credit rating BB+ (S&P rating agency) and PJSC Sberbank (hereinafter "Sberbank") with long-term credit rating BBB- (Fitch rating agency) as at 31 December 2017 (as at 31 December 2016 35% of Group's cash was held in PJSC VTB Bank with long-term credit rating BB+ (S&P rating agency) and "Sberbank" with long-term credit rating BBB- (Fitch rating agency).

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

As at 31 December 2017 the Group had restricted cash of RUB 583 million (31 December 2016: RUB 148 million) recorded as part of other non-current assets in the amount RUB 161 million and as part of other current assets in the amount RUB 422 million in the Group's Consolidated Statement of Financial Position.

13. Aircraft Lease Security Deposits

A security deposit is held with the lessor to secure the lessee's fulfilment of its obligations in full, on a timely basis and in good faith. The security deposit is transferred to the lessor by instalments or in a single instalment. The security deposit is usually equal to three monthly lease payments. The 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 2017 depending on the currency of the security deposit (2016: from 1.9% to 12.6% p.a.).

Notes to the Consolidated Financial Statements for the year ended 31 December 2017 (All amounts in millions of Russian Roubles, unless otherwise stated)
continued

	Aircraft lease security deposits
1 January 2016	**4,790**
Payment of security deposits	2,504
Amortisation charge for the year	380
Return of security deposits during the year	(3,405)
Set off against accounts payable	(983)
Foreign exchange difference	(886)
Reclassification to assets held for sale	20
Other	81
31 December 2016	**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**

	31 December 2017	31 December 2016
Current portion of security deposits	423	320
Non-current portion of security deposits	1,602	2,181
Total aircraft lease security deposits	**2,025**	**2,501**

Analysis of aircraft lease security deposits by their credit quality is presented below:

	31 December 2017	31 December 2016
Major international lease companies	1,994	2,477
Russian lease companies	31	24
Total aircraft lease security deposits	**2,025**	**2,501**

14. Accounts Receivable and Prepayments

	31 December 2017	31 December 2016
Trade accounts receivable	36,853	31,329
Other financial receivables	9,486	8,517
Less: impairment provision	(11,348)	(11,807)
Total financial receivables	**34,991**	**28,039**
Prepayments for delivery of aircraft	25,285	26,341
VAT and other taxes recoverable	15,842	10,905
Prepayments to suppliers	13,803	10,504
Deferred customs duties related to the imported aircraft under operating leases, current portion	397	579
Other receivables	3,152	2,339
Less: impairment provision	(538)	(535)
Accounts receivable and prepayments	**92,932**	**78,172**

As at 31 December 2017 the Group recognised impairment provision for accounts receivable from OJSC Transaero Airlines for passengers transportation, refuelling services, aircraft servicing and ground handling of RUB 7,014 million (31 December 2016: 7,286 million).

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

Deferred customs duties of RUB 397 million as of 31 December 2017 (31 December 2016: RUB 579 million) relate to the current portion of paid customs duties on imported aircraft under operating leases. These customs duties are recognised within operating costs in the Group's Consolidated Statement of Profit or Loss over the term of the operating lease. The non-current portion of the deferred customs duties is disclosed in Note 18.

Financial receivables are analysed by currencies in Note 36.

As at 31 December 2017 and 31 December 2016, sufficient impairment provision was made against accounts receivable and prepayments.

As at 31 December 2017 and 31 December 2016, the current part of prepayments for aircraft include advance payments for the acquisition of the following aircraft:

	31 December 2017		31 December 2016	
Type of aircraft	Number of aircraft, units	Expected delivery date	Number of aircraft, units	Expected delivery date
Boeing B787	22	-	22	2017
Boeing B777	1	2018	1	2017
Airbus A320	10	2018	11	2017
Airbus A321	5	2018	8	2017

As at 31 December 2017, the expected type of lease for these aircraft is not defined.

As at 31 December 2017 possible options for settling on agreement for delivery of 22 Boeing B787 aircraft were under consideration by the Group's management.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017 (All amounts in millions of Russian Roubles, unless otherwise stated)
continued

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

	Impairment provision
1 January 2016	**10,609**
Increase in impairment provision	4,040
Provision use	(484)
Release of provision	(1,823)
31 December 2016	**12,342**
Increase in impairment provision	709
Provision use	(118)
Release of provision	(1,047)
31 December 2017	**11,886**

Financial receivables are analysed by credit quality in Note 36.

15. Non-Current Portion of Prepayments for Aircraft

As at 31 December 2017 and 31 December 2016 non-current portion of prepayments for aircraft were RUB 13,089 million and RUB 27,830 million, respectively. Change of non-current portion of prepayments is due to approaching the contractual period of delivery and payment of new non-current prepayments to suppliers.

Prepayments for aircraft with a delivery date less than 12 months after reporting date is disclosed inside of accounts receivable (Note 14).

As at 31 December 2017 and 31 December 2016 non-current prepayments include advance payments for the acquisition of the following aircraft:

	31 December 2017		31 December 2016	
Type of aircraft	Number of aircraft, units	Expected delivery date	Number of aircraft, units	Expected delivery date
Airbus A350	22	2019-2023	22	2018-2023
Boeing B777	5	2019-2021	-	-
Airbus A320	-	-	10	2018
Airbus A321	-	-	4	2018

As at 31 December 2017, the expected type of lease for these aircraft is not defined.

16. Expendable Spare Parts and Inventories

	31 December 2017	31 December 2016
Expendable spare parts	9,805	7,633
Fuel	738	855
Other inventories	3,337	2,720
Total expendable spare parts and inventories, gross	**13,880**	**11,208**
Less: written-off obsolete expendable spare parts and inventories	(1,069)	(1,168)
Total expendable spare parts and inventories	**12,811**	**10,040**

17. Financial Investments

	31 December 2017	31 December 2016
Available-for-sale investments:		
Available-for-sale securities	3,252	3,252
SITA Investment Certificates	54	52
Total available-for-sale investments	**3,306**	**3,304**
Other long-term investments		
Other	32	2
Total long-term financial investments	**3,338**	**3,306**

As at 31 December 2017 and 31 December 2016, available-for-sale securities are mainly represented by the value of the Group's investment in JSC MASH in the share of 2.428%, a state-related company engaged in servicing of aircraft, passengers and handling cargo of Russian and foreign airlines, and providing non-aviation services to entities operating in Sheremetyevo airport and adjacent area.

Due to the market quotes absence the Group's investment in JSC MASH is measured at historical cost less accumulated impairment losses and recognised in the Consolidated Statement of Financial position in amount 3,203 million as at 31 December 2017 (31 December 2016: RUB 3,203 million).

The following factors taken into account by the Group in assessing the possible impairment of investment in JSC MASH has the most significant impact on the assessment of recoverable value of this investment:

(a) the weighted average cost of capital equal to 13.7% in 2017 (in 2016:16.7%) based on public capital markets data, data about peer companies and the actual cost of capital of JSC MASH determined based on the effective rate in financial statements;

(b) forecasts for macro assumptions based on an Economist Intelligence Unit forecast; ;

(c) passenger traffic growth rates based on data from public sources distributed over the forecast period in accordance with the average annual growth rate of passenger traffic, taking into account the growth of up to 80 million passengers till 2026..

The Group performed a sensitivity analysis of key assumptions used in the financial model of JSC MASH.

As at 31 December 2017, a reasonably possible change in the weighted average cost of capital and passenger traffic growth for JSC MASH does not result in an additional impairment of this investment.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017 (All amounts in millions of Russian Roubles, unless otherwise stated)
continued

	31 December 2017	31 December 2016
Other short-term financial investments:		
Loans issued and promissory notes of third parties	9,435	9,458
Deposits placed in banks for more than 90 days	8,931	6,319
Other short-term investments	5	5
Total other short-term financial investments (before impairment provision)	**18,371**	**15,782**
Less: provision for impairment of short-term financial investments	(9,440)	(9,463)
Total short-term financial investments	**8,931**	**6,319**

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 2017, 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 2017	31 December 2016
Deferred customs duties related to the imported aircraft under operating leases, non-current portion	162	559
Prepaid expenses for operating lease transactions	15,427	5,697
Other non-current assets	4,139	3,856
Total other non-current assets	**19,728**	**10,112**

The Group paid advances in amount of RUB 11,688 million for operating lease of 18 aircraft delivered during 12 months of 2017 (during 12 months of 2016: RUB 6,468 million, 14 aircraft). The above mentioned advances were recognised as part of non-current assets. These assets should be written off to operating lease expenses over the term of the operating lease agreements.

19. Property, Plant and Equipment

	Owned aircraft and engines	Leased aircraft and engines	Land and buildings	Transport, equipment and other	Construction in progress	Total
Cost						
1 January 2016	**4,494**	**106,777**	**10,445**	**20,416**	**4,871**	**147,003**
Additions (i)	2,134	*32*	*26*	*3,603*	*4,138*	*9,933*
Capitalised expenditures	-	1,810	-	-	632	2,442
Disposals	(988)	-	(392)	(1,141)	(3)	(2,524)
Transfers from assets classified as held for sale (note 20)	-	3,613	-	-	-	3,613
Transfers to assets held for sale (note 20)	-	(366)	-	-	(223)	(589)
Transfers	2,507	1,076	52	1,059	(4,694)	-
31 December 2016	**8,147**	**112,942**	**10,131**	**23,937**	**4,721**	**159,878**
Additions (ii)	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 (iii)	2,652	1,325	83	423	(4,483)	-
31 December 2017	**12,583**	**107,176**	**10,151**	**27,606**	**3,627**	**161,143**
Accumulated depreciation						
1 January 2016	**(909)**	**(26,934)**	**(4,758)**	**(9,835)**	**(73)**	**(42,509)**
Charge for the year	(762)	(8,761)	(355)	(2,569)	-	(12,447)
Recovery of impairment provision	25	-	-	11	-	36
Disposals	135	-	143	722	-	1,000
Transfers from assets classified as held (note 20	-	(1,338)	-	-	-	(1,338)
Transfers to assets classified as held for sale (note 20)	-	277	-	-	-	277
31 December 2016	**(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)**
Carrying amount						
31 December 2016	**6,636**	**76,186**	**5,161**	**12,266**	**4,648**	**104,897**
31 December 2017	**9,691**	**66,485**	**4,982**	**13,222**	**3,552**	**97,932**

Notes to the Consolidated Financial Statements for the year ended 31 December 2017 (All amounts in millions of Russian Roubles, unless otherwise stated)
continued

(i) During 2016 additions mainly relate to the purchase of 2 aircraft DHC-8 for JCS Avrora and purchase of equipment in finance leases.

(ii) During 2017 additions mainly relate to the purchase of equipment in finance leases as well as the spare parts for aircraft, used for capital repaires.

(iii) During 2017 transfers primarily relate to 2 aircraft DHC 8 for JCS Avrora.

Capitalised borrowing costs for 12 months 2017 amounted to RUB 1,216 million (2016: RUB 632 million). Capitalisation rate of interest expenses and forex for the period was 4.2% p.a. (2016: 3.2%).

As at 31 December 2017 the cost of fully depreciated property, plant and equipment was RUB 10,033 million (31 December 2016: RUB 6,990 million).

20. Assets Classified as Held for Sale

As at 31 December 2017, 4 Airbus A321 aircraft (31 December 2016: 2 aircraft) operated under finance lease agreements were targeted for disposal; therefore, at the end of the reporting period these assets and related liabilities were classified as held for sale.

As at 31 December 2017, the amount of net assets held for sale amounted to RUB 915 million (31 December 2016: RUB 1,140 million).

	Initial cost of fixed assets	Accumulated depreciation and impairment	Aircraft lease security deposits	Total assets	Total liabilities
1 January 2016	**18,539**	**(10,850)**	**43**	**7,732**	**(7,371)**
Additions	589	(277)	-	312	-
Disposals	(12,466)	7,880	(2)	(4,588)	4,702
Transfers to property, plant, equipment	(3,613)	1,338	(41)	(2,316)	2,669
31 December 2016	**3,049**	**(1,909)**	**-**	**1,140**	**-**

	Initial cost of fixed assets	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
Increase/release of impairment	-	20	20	-
Revaluation	-	-	-	61
31 December 2017	**6,759**	**(3,634)**	**3,125**	**(2,210)**

During 12 months 2017 the Group disposed of 2 Airbus A321 aircraft (during 12 months 2016: 2 Airbus A319 aircraft, 1 Airbus A320 aircraft and 6 Airbus A321 aircraft), profit from disposal of mentioned aircraft amounted to RUB 201 million (during 12 months 2016: to RUB 2,784 million).

21. Disposal of Subsidiaries

On 17 May 2016, the Group disposed of OJSC Vladivostok Avia as a result of liquidation. A loss from the disposal in the amount of RUB 5,726 million was recognised in profit or loss for 12 months of 2016. OJSC Vladivostok Avia did not conduct any significant operating activities in 2016.

On 14 July 2016, the Group sold ALT Rejsebureau A/S. A loss from the sale in the amount of RUB 12 million was recognised in profit or loss for 12 months of 2016.

On 6 September 2016, the Group disposed of CJSC Aeroflot-Cargo as a result of liquidation. A profit from the disposal in the amount of RUB 639 million was recognised in profit or loss for 12 months of 2016. CJSC Aeroflot-Cargo did not conduct any significant operating activities in 2016.

Profit/(loss) on disposal of subsidiaries CJSC Aeroflot-Cargo and OJSC Vladivostok Avia includes the following components:

	CJSC Aeroflot-Cargo	OJSC Vladivostok Avia
Negative net assets of disposed company	5,219	10,326
Non-controlling interest share in negative net assets	–	7,579
Group's share in negative net assets of disposed company	5,219	2,747
Intragroup liabilities, including:		
Accounts payable from disposed subsidiary to the Group	(4,483)	(7,028)
Loan issued by the Group to disposed subsidiary	(97)	(1,445)
Profit/(loss) from disposal	**639**	**(5,726)**

22. Intangible Assets

	Software	Licences	Investments in software and R&D	Trademark and client base	Other	Total
Cost						
1 January 2016	**3,026**	**134**	**1,201**	**1,686**	**39**	**6,086**
Additions	131	-	*133*	-	*3*	*267*
Disposals	(317)	-	(142)	(56)	(6)	(521)
31 December 2016	**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**
Accumulated amortisation						
1 January 2016	**(2,325)**	**(89)**	**-**	**(981)**	**(1)**	**(3,396)**
Charge for the year	(714)	-	-	(229)	(5)	(948)
Disposals	260	-	-	71	6	337
31 December 2016	(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)**
Carrying amount						
31 December 2016	**61**	**45**	**1,192**	**491**	**36**	**1,825**
31 December 2017	**551**	**45**	**789**	**590**	**79**	**2,054**

Notes to the Consolidated Financial Statements for the year ended 31 December 2017 (All amounts in millions of Russian Roubles, unless otherwise stated)
continued

23. Goodwill

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

The aggregate carrying amount of goodwill, allocated to the Groups' business-units as at 31 December 2017 and as at 31 December 2016 is presented in the table below:

CGU name	31 December 2017	31 December 2016
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 l growth rate for the calculation of the terminal value.

AK Rossiya

The discount rate calculation is based on weighted average cost of capital (WACC) and amounts to 12.8% p.a. for the entire forecast period (31 December 2016: 15.8% p.a.).

The growth rate for the terminal value calculation was set at the level of Russia's GDP long-term growth rate of 2.7% p.a. (2016: 1.5% p.a.).

The budget for 2018 of "AK Rossiya" was adopted as a basis to forecasting the cash flows.

The Group's management has conducted a sensitivity analysis of the goodwill impairment test results to changes in rates of return as the most sensitive indicator. In case of decrease of this rate by 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.

24. Derivative Financial Instruments

As at 31 December 2017, there were no derivative financial instruments in the Group's portfolio.

In early 2016, the Group closed cross-currency interest rate swap agreement upon their maturity. For these instruments, the Group applied a cash flow hedge accounting model according to IAS 39, "Financial Instruments: Recognition and Measurement". Up until the date of their expiration during 12 months 2016, the Group recognised profit of RUB 491 million from revaluation of these derivative financial instruments within other comprehensive income together with a corresponding deferred tax liability of RUB 98 million. As a result of the termination of this transaction, accumulated loss of RUB 3,994 million was recognised within financial expenses (Note 10).

At the end of 2016 the currency option contract was closed. Hedge accounting was not applied to this financial instrument. During 12 months 2016 loss on change in fair value of this derivative financial instrument amounted to RUB 53 million and was recognized in Consolidated Statement of Profit or Loss (Note 10).

25. Accounts Payable and Accrued Liabilities

	31 December 2017	31 December 2016
Accounts payable	34,095	23,659
Other financial payables	6,880	6,971
Dividends payable	65	1
Total financial payables	**41,040**	**30,631**
Staff related liabilities	19,434	11,929
Advances received (other than unearned traffic revenue)	1,451	1,147
Other taxes payable	2,626	2,865
Other current liabilities related to frequent flyer programme	2,566	2,518
(Note 26)	836	778
Other payables	**67,953**	**49,868**
Total accounts payable and accrued liabilities		

As at 31 December 2017, staff related liabilities primarily include salary payable, as well as social contribution liabilities of RUB 13,270 million (31 December 2016: RUB 9,106 million) and the unused vacation accrual of RUB 6,071 million.

Financial payables by currency are analysed in Note 36.

26. Deferred Revenue and Other Liabilities Related to Frequent Flyer Programme

Deferred revenue and other accrued liabilities related to the frequent flyer programme (Aeroflot Bonus programme) as at 31 December 2017 and 31 December 2016 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	31 December 2016
Deferred revenue related to frequent flyer programme, current	1,720	1,607
Deferred revenue related to frequent flyer programme, non-current	3,842	3,623
Other current liabilities related to frequent flyer programme (Note 25)	2,566	2,518
Other non-current liabilities related to frequent flyer programme (Note 30)	2,563	2,580
Total deferred revenue and other liabilities related to frequent flyer programme	**10,691**	**10,328**

Notes to the Consolidated Financial Statements for the year ended 31 December 2017 (All amounts in millions of Russian Roubles, unless otherwise stated)
continued

27. Provisions for Liabilities

	Regular repairs and maintenance works	Other provisions	Total provisions
1 January 2016	**10,721**	**3,715**	**14,436**
Additional provision for the year	6,150	2,348	8,498
Release of provision for the year	(1,757)	(1,668)	(3,425)
Recovery of provision for the year	(889)	(981)	(1,870)
Unwinding of the discount	1,562	-	1,562
Foreign exchange gain, net	(2,277)	(286)	(2,563)
Other changes	-	(543)	(543)
31 December 2016	**13,510**	**2,585**	**16,095**
Additional provision for the year	13,197	1,725	14,922
Release of provision for the year	(2,814)	(36)	(2,850)
Recovery of provision for the year	(1,211)	(2,521)	(3,732)
Unwinding of the discount	2,807	-	2,807
Foreign exchange gain, net	(835)	(25)	(860)
31 December 2017	**24,654**	**1,728**	**26,382**

	31 December 2017	31 December 2016
Current liabilities	9,433	5,304
Non-current liabilities	16,949	10,791
Total provisions	**26,382**	**16,095**

Litigations

The Group is a defendant in legal claims of a different nature. Provisions for liabilities represent management's best estimate of probable losses on existing and potential lawsuits (Note 42).

The Group also made a provision of RUB 1,666 million for obligations to pay capitalized social payments stipulated by the legislation of the Russian Federation in connection with the start of a bankruptcy proceedings against JSC Donavia.

Tax risks

The Group makes a provision for contingent liabilities, including accrued fines and penalties based on the best management's estimate of the amount of additional taxes that may be required to be paid (Note 42).

Regular repairs and maintenance works

As at 31 December 2017, the Group made a provision of RUB 24,654 million (31 December 2016: RUB 13,510 million) for regular repairs and maintenance works of aircraft used under operating lease terms.

28. Finance Lease Liabilities

The Group leases aircraft from third and related parties under finance lease agreements (Note 38). The aircraft that the Group have operated under finance lease agreements as at 31 December 2017 are listed in Note 1.

	31 December 2017	31 December 2016
Total outstanding payments on finance lease contracts	111,270	137,395
Future finance lease interest expense	(10,581)	(14,659)
Total finance lease liabilities	**100,689**	**122,736**
Representing:		
Current finance lease liabilities	16,015	15,593
Non-current finance lease liabilities	84,674	107,143
Total finance lease liabilities	**100,689**	**122,736**

	31 December 2017			31 December 2016		
Due for repayment:	Principal	Future interest expense	Total payments	Principal	Future interest expense	Total payments
On demand or within 1 year	16,015	2,841	18,856	15,593	3,662	19,255
Later than 1 year and not later than 5 years	60,435	6,723	67,158	65,792,	8,912	74,704
Later than 5 years	24,239	1,017	25,256	41,351	2,085	43,436,
Total	**100,689**	**10,581**	**111,270**	**122,736**	**14,659**	**137,395**

As at 31 December 2017, the total amount of the finance lease liability relating to leased aircraft and aircraft engines amounted to RUB 96,265 million (31 December 2016 – RUB 118,686 million).

As at 31 December 2017, interest payable amounted to RUB 391 million (31 December 2016: RUB 80 million) is included in accounts payable and accrued liabilities.

The effective interest rate for finance lease during 2017 was 3.0% p.a. (in 2016: 2.9% 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 these hedging relationships, in accordance with IAS 39. At 31 December 2017, finance lease liabilities including those related to assets held for sale in the amount of RUB 96,271 million denominated in US dollars (31 December 2016: RUB 116,219 million) are designated as a hedging instrument for highly probable revenue forecasted for the period of 2017 – 2026 denominated in US dollars. The Group expects that this hedging relationship will be highly effective since the future cash outflows on the finance lease liabilities match the future cash inflows on the revenue being hedged. At 31 December 2017, accumulated foreign currency loss of RUB 31,449 million (before deferred income tax) on the finance lease liabilities, representing an effective portion of the hedge, is deferred in the equity (31 December 2016: RUB 42,734 million). The amount of loss reclassified from the hedging reserve to profit or loss in 2017 was RUB 5,613 million, in 2016 was RUB 8,316 million (Note 10).

In 2017 interest expense on finance leases was RUB 4,073 million (2016: RUB 4,070 million).

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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017 (All amounts in millions of Russian Roubles, unless otherwise stated)
continued

29. Loans and Borrowings

	31 December 2017	31 December 2016
Short-term loans and other borrowings:		4,478
Short-term loans in Euro	-	113
Short-term loans in Russian Roubles	-	4,718
Current portion of long-term loans and borrowings in Russian Roubles	-	9,309
Total short-term loans and borrowings		
Long-term loans and other borrowings:		
Long-term loans in Russian Roubles	2,800	15,381
Long-term loans and borrowings in US dollars	381	395
Less:		
Current portion of long-term loans and borrowings in Russian Roubles	-	(4,718)
Total long-term loans and borrowings	**3,181**	**11,058**

The main changes in loans and borrowings during reporting period

ΓThe Group has opened a non-revolving credit line with PJSC Sberbank (floating interest rate) in the amount of RUB 12,581 million. As at 31 December 2017 payables for mentioned credit line were paid in full (as at 31 December 2016, the outstanding amount was RUB 12,694 million).

The Group has opened a credit line with PJSC Sovcombank (floating interest rate) in the amount of RUB 6,000 million, which can be obtained in Russian Roubles, euro or US dollars. As at 31 December

2017 the outstanding amount was RUB 2,800 million (as at 31 December 2016 the outstanding amount was RUB 2,800 million). The credit line was unsecured and issued for the period up to November 2021.

The Group has opened a credit line with PJSC Bank VTB (floating interest rate) in the amount of US Dollars 250 million, which can be obtained in Russian Roubles, euro or US Dollars. As at 31 December 2017 the loan was paid in full (as at 31 December 2016 the outstanding amount was RUB 4,478 million). The credit line is unsecured and issued for the period up to October 2018.

As at 31 December 2017 and 31 December 2016 the Group had no secured loans or borrowings.

As at 31 December 2017 and 31 December 2016, the fair values of loans and borrowings were not materially different from their carrying amounts.

Exchange bonds program

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

Undrawn commitments

As at 31 December 2017, the Group was able to raise RUB 103,175 million in cash (31 December 2016: RUB 89,247 million) available under existing credit lines granted to the Group by various lending institutions.

30. Other Non-current Liabilities

	31 December 2017	31 December 2016
Other non-current liabilities related to frequent flyer programme (Note 26)	2,563	2,580
Defined benefit pension obligation, non-current portion	922	805
Other non-current liabilities	2,806	1,774
Total other non-current liabilities	**6,291**	**5,159**

31. Non-controlling Interest

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

	2017	2016
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	(532)	948
Accumulated losses attributable to non-controlling interests in subsidiary	(4,221)	(3,689)

The summarised financial information of AK Rossiya is presented below:

	31 December 2017	31 December 2016
Current assets	18,539	12,589
Non-current assets	13,371	13,149
Current liabilities	24,854	17,442
Non-current liabilities	23,938	23,051

	2017	2016
Revenue	94,816	73,193
(Loss)/Income for the year	(2,127)	3,790
Comprehensive income for the year	(2,127)	3,790

As at 31 December 2017 and 2016 there are no significant restrictions in getting access to the subsidiary's assets or using them for settling the subsidiary's obligations.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017 (All amounts in millions of Russian Roubles, unless otherwise stated)
continued

32. Share Capital

As at 31 December 2017 and 31 December 2016, share capital was equal to RUB 1,359 million.

	Number of ordinary shares authorised and issued (shares)	Number of treasury shares (shares)	Number of ordinary shares outstanding (shares)
31 December 2016	1,110,616,299	(53,716,189)	1,056,900,110
31 December 2017	1,110,616,299	-	1,110,616,299

All issued shares are fully paid. In addition to shares that have been placed, the Company is entitled to place another 250,000,000 ordinary registered shares (31 December 2016: 250,000,000 shares) with a par value of RUB 1 per share (31 December 2016: RUB 1 per share). Each ordinary share entitles the bearer to one vote.

In September 2017, the Company sold 53,716,189 its own shares, previously bought out by the subsidiary LLC Aeroflot Finance. These ordinary shares carry voting rights in the same proportion as other ordinary shares.

The Company's shares are listed on Moscow Exchange. As at 31 December 2017 and 31 December 2016, the weighted average price was RUB 139.10 per share and RUB 152.96 per share, respectively.

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 2017 and 31 December 2016, the Group's GDRs were traded on the Frankfurt Stock Exchange at EUR 9.91 per GDR and EUR 11.6 per GDR, respectively.

33. Dividends

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

At the annual shareholders' meeting held on 27 June 2016 it was resolved not to declare and pay dividends for 2015.

34. Operating Segments

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

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

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

Group assets are located mainly in Russian Federation

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

	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 sale and impairment of investments, net	-	-	-	(144)
Finance income	-	-	-	7,127
Finance costs	-	-	-	(8,225)
Hedging result	-	-	-	(5,613)
Share in financial results of associated companies	-	-	-	170
Subsidiaries disposal	-	-	-	-
Profit before income tax	**-**	**-**	**-**	**33,726**
Income tax	-	-	-	(10,666)
Profit for the year	**-**	**-**	**-**	**23,060**
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

Notes to the Consolidated Financial Statements for the year ended 31 December 2017 (All amounts in millions of Russian Roubles, unless otherwise stated)
continued

	Passenger traffic	Other	Inter-segment sales elimination	Total Group
2016				
External sales	492,455	3,425	-	495,880
Inter-segment sales	-	15,953	(15,953)	-
Total revenue	**492,455**	**19,378**	**(15,953)**	**495,880**
Operating profit	**62,207**	**980**	**67**	**63,254**
Loss on sale and impairment of investments, net	-	-	-	(2,935)
Finance income	-	-	-	19,802
Finance costs	-	-	-	(9,443)
Hedging result	-	-	-	(12,310)
Share in financial results of associated companies	-	-	-	12
Subsidiaries disposal	-	-	-	(5,099)
Profit before income tax	**-**	**-**	**-**	**53,281**
Income tax	-	-	-	(14,455)
Profit for the year	**-**	**-**	**-**	**38,826**
31 December 2016				
Segment assets	288,553,	9,221	(13,495)	284,279
Investments in associates	-	98	-	98
Unallocated assets				14,930
Total assets				**299,307**
Segment liabilities	257,270	5,647	(4,419)	258,498
Unallocated liabilities				40
Total liabilities				**258,538**
2016				
Capital expenditures and PP&E additions (Note 19)	11,823	552	-	12,375
Depreciation (Notes 19)	12,109	338	-	12,447

	2017	2016
Passenger revenue:		
International flights from the RF to:		
CIS	11,364	10,446
Europe	57,133	53,244
Middle East and Africa	10,982	9,772
Asia	31,854	32,923
America	12,869	13,144
Total scheduled passenger revenue from flights from the RF	**124,202**	**119,529**
International flights to the RF from:		
CIS	10,992	10,835
Europe	57,523	53,355
Middle East and Africa	10,865	9,665
Asia	34,589	30,695
America	12,966	13,245
Total scheduled passenger revenue from flights to the RF	**126,935**	**117,795**
Domestic scheduled passenger flights	176,141	166,227
Other international flights	251	209
Total scheduled passenger traffic revenue	**427,529**	**403,760**

35. Presentation Of Financial Instruments by Measurement Category

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

	Note	Loans and receivables	Available-for-sale financial assets	Total
Cash and cash equivalents	12	45,978	-	**45,978**
Short-term financial investments	17	8,931	-	**8,931**
Financial receivables	14	34,991	-	**34,991**
Aircraft lease security deposits	13	2,025	-	**2,025**
Long-term financial instruments	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**

Notes to the Consolidated Financial Statements for the year ended 31 December 2017 (All amounts in millions of Russian Roubles, unless otherwise stated) continued

	Note	Other financial liabilities	Total
Financial payables	25	41,040	**41,040**
Finance lease liabilities	28	100,689	**100,689**
Loans and borrowings	29	3,181	**3,181**
Other non-current liabilities	30	306	**306**
Total financial liabilities		**145,216**	**145,216**

Financial assets and liabilities are classified by measurement categories as at 31 December 2016 as follows:

	Note	Loans and receivables	Available-for-sale financial assets	Total
Cash and cash equivalents	12	31,476	-	**31,476**
Short-term financial investments	17	6,318	1	**6,319**
Financial receivables	14	28,039	-	**28,039**
Aircraft lease security deposits	13	2,501	-	**2,501**
Long-term financial instruments	17	2	3,304	**3,306**
Other non-current assets		148	-	**148**
Total financial assets		**68,484**	**3,305**	**71,789**

	Note	Other financial liabilities	Total
Financial payables	25	30,631	**30,631**
Finance lease liabilities	28	122,736	**122,736**
Loans and borrowings	29	20,367	**20,367**
Total financial liabilities		**173,734**	**173,734**

36. Risks Connected with Financial Instruments

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

Liquidity risk

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

The following are the Group's financial liabilities as at 31 December 2017 and 31 December 2016 by contractual maturity (based on the remaining period from the reporting date to the contractual settlement date). The amounts in the table are contractual undiscounted cash flows (including future interest payments) as at respective reporting dates:

	Average interest rate						
	Contractual rate	Effective rate	0–12 months	1–2 years	2–5 years	Over 5 years	Total
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
Liabilities for guarantees issued			1,618	-	-	-	1,618
Total future payments, including future interest payments			**61,754**	**17,817**	**52,765**	**25,687**	**158,023**
31 December 2016							
Loans and borrowings in foreign currency	3.4%	3.4%	4,584	-	-	446	5,030
Loans and borrowings in roubles	11.7%	11.7%	6,085	8,814	3,501	-	18,400
Finance lease liabilities	2.9%	2.9%	19,255	20,998	53,706	43,436	137,395
Financial payables			30,631	-	-	-	30,631
Liabilities for guarantees issued			1,225	-	-	-	1,225
Total future payments, including future interest payments			**61,780**	**29,812**	**57,207**	**43,882**	**192,681**

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 28).

Notes to the Consolidated Financial Statements for the year ended 31 December 2017 (All amounts in millions of Russian Roubles, unless otherwise stated) continued

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

		31 December 2017				31 December 2016			
In millions of Russian Roubles	Note	US Dollar	Euro	Other currencies	Total	US Dollar	Euro	Other currencies	Total
Cash and cash equivalents	12	1,971	419	375	2,765	2,293	317	418	3,028
Financial receivables		18,669	4,106	3,068	25,843	17,915	3,653	3,575	25,143
Aircraft lease security deposits		1,630	-	-	1,630	2,179	-	-	2,179
Other assets		99	68	4	171	83	62	3	148
Total assets		**22,369**	**4,593**	**3,447**	**30,409**	**22,470**	**4,032**	**3,996**	**30,498**
Financial payables		13,858	7,144	3,884	24,886	12,348	5,110	2,558	20,016
Finance lease liabilities		98,513	-	-	98,513	120,254	-	-	120,254
Short-term loans and borrowings and current portion of long-term loans and borrowings	29	-	-	-	-	-	4,478	-	4,478
Long-term loans and borrowings	29	381	-	-	381	395	-	-	395
Total liabilities		**112,752**	**7,144**	**3,884**	**123,780**	**132,997**	**9,588**	**2,558**	**145,143**
Total (liabilities)/assets, net		**(90,383)**	**(2,551)**	**(437)**	**(93,371)**	**(110,527)**	**(5,556)**	**1,438**	**(114,645)**

Strengthening or weakening of listed below currencies against rouble as at 31 December 2017 and 31 December 2016, would change profit after tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant:

	31 December 2017		31 December 2016	
	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%	1,301	20%	1,556
Euro	20%	(408)	20%	(889)
Other currencies	20%	(70)	20%	230

	31 December 2017		31 December 2016	
	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)
Decrease in the rate of currency versus rouble:				
US Dollar	20%	(1,301)	20%	(1,556)
Euro	20%	408	20%	889
Other currencies	20%	70	20%	(230)

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. As at 31 December 2016 the increase in the US dollar rate against rouble by 20% would have led to a reduction in the amount of the Group's equity by RUB 17,684 million. The change of other currencies would have no material impact on equity.

Interest rate risk

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

As at 31 December 2017 and 31 December 2016, the interest rate profiles of the Group's interest-bearing financial instruments were:

	Carrying amount	
	31 December 2017	31 December 2016
Fixed rate financial instruments:		
Financial assets	39,417	30,127
Financial liabilities	(6,621)	(19,098)
Total fixed rate financial instruments	**32,796**	**11,029**
Variable rate financial instruments:		
Financial liabilities	(97,052)	(123,679)
Variable rate financial liabilities	**(97,052)**	**(123,679)**

As at 31 December 2017 and 31 December 2016 the Group had loans and finance lease with variable interest rates. If the variable part of interest rates on loans as at 31 December 2017 and 31 December 2016 were 20% higher or lower than the actual variable part of interest rates for the year, with all other variables held constant, interest expense would not have changed significantly (2016: would not have changed significantly).

Aircraft fuel price risk

The results of the Group's operations are significantly impacted by changes in the price of aircraft fuel.

The increase or decrease in prices for aircraft fuel as at 31 December 2017 and as at 31 December 2016 would result in a change in the financial result in the amounts presented below:

	31 December 2017		31 December 2016	
	Percent of change in price	Effect on profit after tax ((increase)/ decrease)	Percent of change in price	Effect on profit after tax ((increase)/ decrease)
Increase in the price of aircraft fuel	10%	9,815	10%	8,127
Decrease in the price of aircraft fuel	10%	(9,815)	10%	(8,127)

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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017 (All amounts in millions of Russian Roubles, unless otherwise stated)
continued

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

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

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

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

The ratios are as follows:

	As at and for the year ended 31 December 2017	As at and for the year ended 31 December 2016
Total debt	104,792	143,908
Cash and cash equivalents and short-term financial investments	(54,909)	(37,795)
Net debt	49,883	106,113
Equity attributable to shareholders of the Company	65,535	42,453
Total capital	115,418	148,566
EBITDA	56,015	78,004
Net debt/Total capital	0.4	0.7
Total debt/EBITDA	1.9	1.8
Net debt/EBITDA	0.9	1.4

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

There were no changes in the Group's approach to capital management in 2017 and 2016.

Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements in 2017 and 2016, except for 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.

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.

(iv) 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.

(v) When working with banks, a system of credit limits is implemented, taking into account that the credit risks that arise when working with banks are limited, and are assessed as low.

As at 31 December 2017 the total amount of investments into securities was RUB 3,252 million (31 December 2016: RUB 3,252 million), major part of financial receivables amounted to RUB 21,140 million relates to receivables regulated by clearing house (31 December 2016: RUB 19,054 million).

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

	31 December 2017	31 December 2016
Cash and cash equivalents (excluding petty cash) (Note 12)	45,891	31,387
Financial receivables (Note 14)	34,991	28,039
Short-term financial investments (Note 17)	8,931	6,319
Long-term financial investments (Note 17)	3,338	3,306
Aircraft lease security deposits (Note 13)	2,025	2,501
Non-current assets	583	148
Total financial assets exposed to credit risk	**95,759**	**71,700**

Analysis by credit quality of financial receivables is as follows:

	31 December 2017	31 December 2016
Past due impaired receivables		
- less than 45 days overdue	4	89
- 46 days to 90 days overdue	41	75
- 91 days to 2 years overdue	3,571	7,995
- more than 2 years overdue	8,270	4,183
Total impaired receivables	**11,886**	**12,342**

	31 December 2017	31 December 2016
Past due but not impaired		
- less than 90 days overdue	35	33
Total past due but not impaired receivables	**35**	**33**

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

	31 December 2017	31 December 2016
Accounts receivable with investment rating	5,237	3,967
Accounts receivable with non-investment rating	3,510	2,894
Accounts receivable without external rating	26,209	21,145
Total not overdue and not impaired receivables	**34,956**	**28,006**

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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017 (All amounts in millions of Russian Roubles, unless otherwise stated)
continued

Other 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 2017 and as at 31 December 2016, a large portion of cash was placed in two banks, which causes the credit risk concentration for the Group (Note 12).

37. 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 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**
1 January 2016	**68,460**	**164,524**	**4,800**	**237,784**
Cash repayment of liabilities	(45,893)	(30,192)	(4,410)	(80,495)
Forex adjustments	(5,765)	(435)	-	(6,200)
Other changes not related to cash flows	3,565	(11,161)	(389)	(7,985)
31 December 2016	**20,367**	**122,736**	**1**	**143,104**

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

Dividends paid in the amount of RUB 49 million are reflected in changes of other liabilities for 2016.

38. Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument can be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. The best evidence of the fair value is an active quoted market price of a financial instrument.

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

Financial assets carried at amortised cost

The fair value of instruments with a floating interest rate is normally equal to their carrying value. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates effective on debt capital markets for new instruments with similar credit risk and similar maturity. Discount rates used depend on the credit risk of the counterparty. Carrying amounts of financial receivables (Note 14), lease security deposits (Note 13) and deposits for more than 90 days other financial assets and loans issued (Note 17) approximate their fair values, which belong to Level 2 in the fair value hierarchy. Cash and cash equivalents (with exception for cash on hand) belong to level 2 and are carried at amortised cost which is approximately equal to their fair value. The Group's investment in JSC MASH belongs to Level 3 in the fair value hierarchy and are measured at initial cost less accumulated impairment losses due to the absence of quoted prices.

Liabilities carried at amortised cost

The fair value of financial instruments is measured based on the current market quotes, if any. The estimated fair value of unquoted fixed interest rate instruments with stated maturity was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. As at 31 December 2017 and 31 December 2016, the fair values of financial payables (Note 25), finance lease liabilities (Note 28), loans, borrowings and bonds (Note 29) were not materially different from their carrying amounts. The fair values of financial payables, finance lease liabilities and loans and borrowings are categorised as Levels 2, while bonds are categorised as Level 1 in the fair value hierarchy.

39. Related-Party Transactions

Parties are generally considered to be related if they are under common control or if one party has the ability to control the other party or can exercise significant influence 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 2017 and 31 December 2016, the outstanding balances with related parties and income and expense items with related parties for the years ended 31 December 2017 and 31 December 2016 were disclosed below:

Associates

In July 2017, the Group acquired a 25.5% stake in LLC Aeromar-Ufa, which is based at Ufa International Airport. The main activity of the organization is in-flight catering service.

As at 31 December 2017 and 31 December 2016, the outstanding balances with associates and income and expense items with associates for the years ended 31 December 2017 and 31 December 2016 were as follows:

	31 December 2017	31 December 2016
Assets		
Accounts receivable	-	25
Liabilities		
Accounts payable and accrued liabilities	84	120

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

	2017	2016
Transactions		
Sales to associates	6	7
Purchase from associates	1,877	1,564

Purchases from associates consist primarily of aviation security services.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017 (All amounts in millions of Russian Roubles, unless otherwise stated)
continued

Government-related entities

As at 31 December 2017 and 31 December 2016, the Government of the RF represented by the Federal Agency for Management of State Property owned 51.17% of the Company. The Group operates in an economic environment where the entities are directly or indirectly controlled by the Government of the RF through its government authorities, agencies, associations and other organizations, collectively referred to as government-related entities.

The Group decided to apply the exemption from disclosure of individually insignificant transactions and balances with the state and its related parties because the Russian government has control, joint control or significant influence over such parties.

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

- banking services,
- investments in JSC MASH,
- finance and operating lease,
- guarantees on liabilities,
- purchase of aircraft fuel
- purchase of air navigation and airport services, and
- government subsidies including those provided for compensating the losses from passenger flights under two government programmes, i.e. flights to and from European Russia for inhabitants of Kaliningrad region and Far East.

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

	31 December 2017	31 December 2016
Assets		
Cash and cash equivalents	22,539	13,048

The amounts of the Group's finance lease liabilities are disclosed in Note 28. The share of liabilities to the government-related entities is approximately 73% for finance lease (31 December 2016: 71%). The share of the government-related entities in the amount of the future minimum lease payments under non-cancellable operating leases agreements (note 40) is approximately 36% (31 December 2016: 39%). The share of interest expenses on finance lease is approximately 90% and 38% for operating lease expenses (2016: 86% and 32%, respectively).

For the year ended 31 December 2017 the share of the Group's transactions with government-related entities was about than 24% of operating costs, and more than 2% of revenue (2016: about 20% and less than 3%, respectively). These expenses primarily include supplies of motor fuels, aircraft and engines operating lease expenses, as well as the cost of air navigation and aircraft maintenance services at airports.

As at 31 December 2017 the Group issued guarantees for the amount of RUB 1,618 million to a government-related entity to secure obligations under tender procedures (31 December 2016: RUB 1,225 million).

As at 31 December 2017 the government or government-related entities owned non-controlling interest of particular subsidiaries of the Group amounted to RUB 499 million (31 December 2016: RUB 3,523 million).

Transactions with the state also include taxes, levies and customs duties settlements and charges which are disclosed in Notes 7, 8, 9, 11, 14, 17 and 25.

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 compensation in 2017, amounted to RUB 2,317 million. In connection with actualization of the Regulation on Remunerations of PJSC Aeroflot, approved by the Board of Directors after reporting date in April 2017, comparative total amount of compensation for the key management (The Board of Directors, the Management Committee and the key managers of flight and ground personnel who have significant power and responsibilities on key control and planning decisions of the Group) regarding to the expenses of 2016 year amounted to RUB 2,190 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 for key management based on the Company's capitalisation

In 2016 the Group approved bonus programmes for its key management personnel and members of the Company's Board of Directors. These programmes run for 3.5 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 2017, included in accounts payable, was determined based on the expected payment amount for the reporting period from 1 January 2017 till 31 December 2017 and amount of payment deferred till the end of the programmes.

Expenses under bonus programmes amounted to RUB 3,722 million in 2017 and were reflected in labor costs and other financial expenses in the Group's Consolidated Financial Statements of profit or loss Group (in 2016: RUB 1,142 million). As at 31 December 2017, the outstanding amount of the liability under these programmes was RUB 2,558 million (31 December 2016: RUB 1,594 million).

40. Commitments under Operating Leases

Future minimum lease payments under non-cancellable aircraft and other operating lease agreements with third and related parties (Note 39) are as follows:

	31 December 2017	31 December 2016
On demand or within 1 year	73,565	58,191
Later than 1 year and not later than 5 years	272,048	218,479
Later than 5 years	314,968	239,224
Total operating lease commitments	**660,581**	**515,894**

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 2017 are listed in Note 1. The Group received aircraft under operating lease agreements for the term of 1 to 16 years. The agreements are extendable.

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.

41. Capital Commitments

As at 31 December 2017, the Group agreements on future acquisition of property, plant and equipment with third parties amounted to RUB 394,937 million (31 December 2016: RUB 418,671 million).These commitments mainly relate to purchase of 22 Boeing B787 (31 December 2016: 22 aircraft), 22 Airbus A350 (31 December 2016: 22 aircraft), 15 Airbus A320/321 (31 December 2016: 33 aircraft) and 6 Boeing B777 (31 December 2016: 1) aircraft which are expected to be used under operating or finance lease agreements, therefore no cash outflow on entered agreements is expected.

42. Contingencies

Operating Environment of the Group

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. The Russian economy was growing in 2017, after overcoming the economic recession of 2015 and 2016. The economy is negatively impacted by low oil prices, ongoing political tension in the region and international sanctions against certain Russian companies and individuals. The financial markets continue to be volatile. 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.

The Group continues to monitor the situation and executes set of measures to minimize influence of possible risks on operating activity of the Group and its financial position.

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.

Notes to the Consolidated Financial Statements for the year ended 31 December 2017 (All amounts in millions of Russian Roubles, unless otherwise stated)
continued

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

Since 1 July 2015, the Russian Government has decided to decrease VAT on domestic passenger and 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: 1.84 for 2016, 2.08 for 2017.

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

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

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

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

In addition to the above matters, as at 31 December 2017 and 31 December 2016 management estimates that the Group has no possible 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 Consolidated Financial Statements, if these are challenged by the tax authorities.

Insurance

The Group maintains insurance in accordance with the legislation. In addition, the Group 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.

Litigations

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

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

43. Subsequent Events

In February 2018, the Company and the leasing company Aviakapital-Servis (a subsidiary of the State Corporation Rostec) signed a firm contract for the delivery of 50 MS-21 aircraft under lease contract for 12 years.

Entities in which PJSC Aeroflot Holds Shares or Interest as at 31 December 2017

Full and abbreviated name	Stake, %	Purpose	Form	Amount, RUB thousand	Core operations as defined in the Articles of Association	Revenue in 2017, RUB thousand*	Profit (loss) in 2017, RUB thousand*	Dividends received in 2017, 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	94,811,510	4,195,560	–
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	17,491,190	210,702	–
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	73,317	(1,793,552)	–
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	–	(1,795,937)	–
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	20,296,003	3,499,236	1,666,011
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	1,353,613	259,216	49,011

Entities in which PJSC Aeroflot Holds Shares or Interest as at 31 December 2017
continuedd

Full and abbreviated name	Stake, %	Purpose	Form	Amount, RUB thousand	Core operations as defined in the Articles of Association	Revenue in 2017, RUB thousand*	Profit (loss) in 2017, RUB thousand*	Dividends received in 2017, RUB thousand
Limited Liability Company Aeroflot-Finance, LLC Aeroflot–Finance	99.9999	Implement investment projects	stake in share capital	5,729,229	Implementation of financial projects	10,594,995	919,307	1,599,998
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	1,777,351	327,697	–
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	19,492,359	1,443,383	222,830
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	3,354,406	352,844	–
Joint Stock Company International airport Sheremetyevo, JSC MAS	2.43	Implement investment projects	shares	2,259,687	Airport operations	28,504,538	9,987,804	24,398**
Public Joint Stock Company Transport Clearing House, JSC TCH	3.85	Implement investment projects	shares	50	Flight sales settlement services	2,000,781	867,675	20,172***
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	616,929	31,244	–

* According to RAS.
** Including tax on dividends.
*** Net of VAT (13%).

Major Transactions and Interested Party Transactions

Major transactions

In 2017, 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 2017 approved on 29 May 2018 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/.

Interested party transactions

In 2017, PJSC Aeroflot made transactions recognised as interested 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 Interested Party Transactions in 2017 approved on 29 May 2018 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 Instructions

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)**		
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 and implemented 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. 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. 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, measures to further enhance these processes were developed and implemented. 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, reorganized 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. 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. 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. The Company participated in: – 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 – 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. To inform and educate PJSC Aeroflot's employees on preventing and countering corruption, 28 Anti-Corruption information boards were manufactured and placed in unrestricted access areas of PJSC Aeroflot.
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.	

No.	Document type, date, and number	Summary	Execution status
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	Materials designed to raise employees' awareness were prepared, including: – a quick reference card on criminal liability for bribery and commercial bribery, and administrative action for illegal remuneration on behalf of a legal entity – a quick reference card on liability for committing corruption offences – a booklet "What you need to know about the conflict of interest" – a booklet "Why entities need to take measures to prevent and counter corruption?" The following regulations on preventing and countering corruption were developed and updated: – 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 developed (Order No. 224 dated 31 May 2017) – 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) Specific provisions aimed at preventing and countering corruption were added, in particular, to the following internal regulations of PJSC Aeroflot: – Template Regulations on PJSC Aeroflot's Branch, to establish obligations and responsibilities of the directors of branches (Order No. 100 dated 16 March 2017) – 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) – 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) – 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) – 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) – 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 – Template employment contracts with PJSC Aeroflot's employees, to stipulate employees' obligations (Order No. 364 dated 14 September 2017) – 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) – 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) – 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 Furthermore, the following initiatives were implemented: – 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 As part of ongoing anti-corruption efforts, PJSC Aeroflot implements the following initiatives: – 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
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.	

Execution of Presidential and Governmental Instructions
continuedd

No.	Document type, date, and number	Summary	Execution status
			– 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 – 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
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).

No.	Document type, date, and number	Summary	Execution status
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:	
		1. Set up an Advisory Board in charge of independent audit of procurement efficiency	The Advisory Board 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 were developed (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	Commercial launch of the one-stop-shop system took place in April 2017.
		4. Ensure maximum transparency of the activities of the Advisory Board in charge of independent audit of procurement efficiency	Information on the Advisory Board's activities, including minutes of its meetings, is published in the relevant section of the website at http://www.aeroflot.ru/cms/content/soveshchatelnyi-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.

Execution of Presidential and Governmental Instructions
continued

No.	Document type, date, and number	Summary	Execution status
		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 – the customer's obligation to limit the term from signing a contract with SMEs to 20 business days – 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 – the possibility to assign claims under contracts with SMEs to financial institutions	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).
		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: – Overall Productivity KPI with an annual growth of at least 5% until the industry average for foreign peers is achieved in 2018 – Efficient Energy Use KPI with an annual growth of at least 5% until the industry average for foreign peers is achieved in 2018 – Environmental Friendliness KPI not lower than that of foreign peers	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.
2.2	Instruction of the Government of the Russian Federation No. 7377p-P13 dated 7 December 2013	Ensure the efficiency of the customer's interaction with SMEs, including as regards procurement of innovative products.	Execution is in progress taking into account the Company's business specifics.
		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:	Execution is completed. In 2015, e-procurement accounted for 48.296% of total procurement by value.
		– the share of e-procurement in the total annual volume of procurement through public tenders in 2015 should be at least 45%	Execution is completed. In 2016, e-procurement accounted for 56.36% of total procurement by value.
		– the share of e-procurement in the total annual volume of procurement through public tenders in 2016 should be at least 50%	Execution is completed. In 2017, e-procurement accounted for 61.09% of total procurement by value.
		– the share of e-procurement in the total annual volume of procurement through public tenders in 2017 should be at least 60%	Execution is scheduled for 2018.
		– the share of e-procurement in the total annual volume of procurement through public tenders in 2018 should be at least 70%	
		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	Amendments were made. The version of the Regulations on Procurement of Goods, Works, and Services was approved by PJSC Aeroflot's Board of Directors on 20 May 2016 (Minutes No. 67).
		3. Develop a pilot programme of partnership with SME associations	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.
		4. Prepare proposals for simplifying the procurement procedure for SMEs by reducing, simplifying, and standardising the documents required for SMEs participation in customers' procurement	Procurement document templates were approved, with a focus on the procurement procedures in place at the Company (requests for proposals, tender). Document templates were developed taking into account the simplified participation of SMEs in procurement.
		5. Develop a methodology for determining the life cycle of goods, works and services to be procured	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).
		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, hi-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.

Execution of Presidential and Governmental Instructions
continued

No.	Document type, date, and number	Summary	Execution status
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 2017 was published in the unified information system on 26 December 2016, No. 2160197696 (notification No. P2160197696001) and complies with Russian laws (Findings of RSMB Corporation No. OZS-1208/2016 dated 26 December 2016). 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. The CEO of RSMB Corporation Alexander Braverman highly appreciated PJSC Aeroflot's efforts to increase the procurement of goods, works, and services from SMEs; for significant contribution to SMEs development, he also expressed his acknowledgement to PJSC Aeroflot's CEO, Deputy CEO for Legal and Property Matters Vladimir Alexandrov, as well as the Company's employees; Mr Garnov and Ms Mochalova, employees of the Procurement Management Department were noted for being highly professional and competent (Letter No. AB-11/894 dated 24 January 2018, our reference number: 740, date: 29 January 2018).
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	
		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 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.
		5. Annually adjust (update) procurement regulations for purchases of goods, works, and services for the needs of joint-stock companies.	The order does not need to be amended (Order No. 296 dated 23 August 2016).
		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 directives across subsidiaries of joint-stock companies.	The Regulations on 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 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 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 version of the Regulations on Procurement of Goods, Works, and Services (RI-GD-148G) was 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)."
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 was approved by the Board of Directors on 2 December 2014 (Minutes No. 8) and has been updated in line with the 2014 Long-Term Development Programme Development Guidelines of the Federal Agency for State Property Management for Strategic Public Joint-Stock Companies and Federal State Enterprises. 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. Progress Reports on Aeroflot Group's Long-Term Development Programme and Achievement of Key Performance Indicators for 2017 are reviewed and approved by PJSC Aeroflot's Board of Directors on a quarterly basis (Minutes No. 3 dated 28 September 2017 and No. 7 dated 21 December 2017). 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 28 April 2017 (Minutes No. 14). 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 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 updated LDP 2018–2022 of Aeroflot Group was approved by PJSC Aeroflot's Board of Directors on 21 December 2017 (Minutes No. 7).

Execution of Presidential and Governmental Instructions
continued

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. The JSC shall develop and approve: the development strategy the long-term development programme (LDP)	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.
	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 Instruction of the Government of the Russian Federation No. ISh-P13-2747 dated 10 May 2016 (clause 1)	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.
	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.
		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	The Regulations on the Procedure for Developing and Implementing the Innovative Development Programme were approved by PJSC Aeroflot's Board of Directors on 26 November 2015 (Minutes No. 7).
		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 at the Praesidium of the Presidential Council of the Russian Federation on 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).
		the regulations on procurement	The Regulations on 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 28 September 2017 (Minutes No. 3).
		the regulations on committees of the board of directors	The Regulations on the Personnel and Remuneration Committee were approved by PJSC Aeroflot's Board of Directors on 23 December 2016 (Minutes No. 8). The Regulations on the Audit Committee were approved by PJSC Aeroflot's Board of Directors on 28 January 2016 (Minutes No. 10). The Regulations on the Strategy Committee were approved by PJSC Aeroflot's Board of Directors on 1 September 2011 (Minutes No. 3).
		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).
		the 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 valuating non-core assets, as well as disposal methods and procedures.

No.	Document type, date, and number	Summary	Execution status
		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, Aeroflot Group's Risk Register, Aeroflot Group's Risk Map, and Aeroflot Group's Risk Appetite Statement were approved by the resolution of the Board of Directors dated 21 December 2017 (Minutes No. 7).
		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. 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 the 2015–2016 corporate year)	PJSC Aeroflot's Annual Report for 2016 was prepared in line with the directives, approved by PJSC Aeroflot's Board of Directors on 25 May 2017 (Minutes No. 15), and by the General Meeting of Shareholders on 26 June 2017.
		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)	The information is posted in the Company's account on the interdepartmental portal for state property management in the Instructions section – "Instruction No. 17 Long-Term Development Programme" and "Instruction No. 20 The Company's Internal Documents".
4.3	Instruction of the Government of the Russian Federation No. AD-P36-4292 dated 20 July 2016	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): – Quarterly reporting on the implementation of the LDP and achievement of KPIs	These matters are included for consideration in PJSC Aeroflot's Board of Directors action plan for July 2017 – June 2018 (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 2017 are approved by PJSC Aeroflot's Board of Directors (Minutes No. 3 dated 28 September 2017 and No. 7 dated 21 December 2017).
		– 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	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.

Execution of Presidential and Governmental Instructions
continued

No.	Document type, date, and number	Summary	Execution status
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 on 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).	The Board of Directors approved the Regulations on the Procedure for Developing and Implementing the Innovative Development Programme on 26 November 2015 (Minutes No. 7). Aeroflot Group developed the Innovative Development Programme 2025 and obtained its approval from federal executive authorities, the Interdepartmental Committee for Technological Development at the Praesidium of the Presidential Council of the Russian Federation on 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).
5.2	Instruction of the Government of the Russian Federation No. 1471p-P13 dated 3 March 2016	Instructions: – 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	The report on the implementation of PJSC Aeroflot's Innovative Development Programme in 2016 was approved by PJSC Aeroflot's Board of Directors on 29 May 2017 (Minutes No. 16) and submitted to federal executive authorities in line with the Regulations. 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.
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 final assessment of the Innovative Development Programme (IDP) update at PJSC Aeroflot in 2016 totalled 95.33%. 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. 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).

No.	Document type, date, and number	Summary	Execution status
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)	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. Clause 4, section II. The IIKPIs for 2017 were approved for the indicators lower than the actual 2014–2016 values. 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. Clause 4, section III. Instructions: 1) Benchmark own level of technological development and current KPI values against such of the leading foreign peers 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 Clause 15, section III. Following the review of industries' development strategies, ensure update of corporate strategies, LDPs, KPIs, and IDPs.	The proposals on the target IIKPI of Aeroflot Group, as well as proposals on the change in IIKPI calculation method were submitted to the Russian Ministry of Transport (our reference number of the outgoing document: 511-2, date: 17 January 2018). 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 development of the IIKPIs for 2019 was rescheduled for May 2018 (Minutes of the Meeting of the Inter-Agency Working Group on Supporting Innovative Development Priorities of the Praesidium of the Presidential Council for Economic Modernisation and Innovative Development of Russia No. 2 dated 19 September 2017, clause 3, section IV). The updated LDP 2018–2022 of Aeroflot Group was approved by PJSC Aeroflot's Board of Directors on 21 December 2017 (Minutes No. 7).
6	**On the implementation of KPI-based manager bonus system to reduce operating expenses (costs) by at least 2%–3% annually (List of Instructions of the President of the Russian Federation No. Pr-2821 dated 5 December 2014)**		
6.1	Instruction of the Government of the Russian Federation No. 4750p-P13 dated 4 July 2016	On making decisions providing for the following: – Development (update) by companies and their subsidiaries (if any), within one month, of a set of measures (list of measures) as part of the long-term development programme aimed at achieving the KPI of reducing operating expenses (costs) by at least 10% in 2016 taking into account the need to implement the initiatives specified in the Directives of the Government of the Russian Federation No. 2303-p-P13 dated 16 April 2015 – Consideration of management reports on the implementation of the set of measures (list of measures) to reduce operating expenses (costs) at meetings of the boards of directors (supervisory boards) on a quarterly basis – Submission of companies' reports on the implementation of the set of measures (list of measures) to reduce operating expenses (costs) considered and approved by the board of directors (supervisory boards) to industry federal executive authorities on a quarterly basis	The set of measures (list of measures) aimed at achieving the KPI of reducing operating expenses (costs) at Aeroflot Group by at least 2%–3% annually, as well as at determining target measures for the implementation of the above activities was included in the respective section of the LDP on 19 June 2015. In line with the Instruction of the Government on the reducing operating expenses (costs) by at least 10% in 2016, the Operating Expenses Optimisation Programme at the Group was updated on 2 November 2016. The set of measures aimed at reducing operating expenses (costs) in 2016 was reviewed by PJSC Aeroflot's Board of Directors on 20 April 2017 and was considered fully completed (Minutes No. 14). The CASK KPI (for Aeroflot Group) was approved for 2017 (Order No. 465 dated 30 December 2016). Target KPI achievement is guided by the Regulations on PJSC Aeroflot's Key Performance Indicators and does not require the development of separate activities. The values of the operating expenses (costs) KPI are included in the Aeroflot Group's KPI system. The report on the implementation of the set of measures aimed at reducing operating expenses is submitted for approval to PJSC Aeroflot's Board of Directors and submitted to the industry federal executive authority (Federal Agency for State Property Management) on a quarterly basis.

Execution of Presidential and Governmental Instructions
continued

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)	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 2. Approve the programme (updates to the programme) for, and the register of, non-core assets 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 – 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 – 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	The Programme for Non-Core Assets Disposal was approved by JSC Aeroflot's Board of Directors on 26 July 2012 (Minutes No. 1). The updated Programme for Non-Core Assets Disposal (including the Register of Non-Core Assets and the Action Plan on Non-Core Assets Disposal of PJSC Aeroflot) was approved by PJSC Aeroflot's Board of Directors on 17 October 2016 (Minutes No. 3) PJSC Aeroflot's Programme for Non-Core Assets Disposal updated in line with the Guidelines on Identification of Non-Core Assets Disposal, Register of Non-Core Assets (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). The progress reports on the Programme for Non-Core Assets Disposal are reviewed at the meetings of PJSC Aeroflot's Board of Directors on a quarterly basis. The information is posted in the Company's account on the interdepartmental portal for state property management in the Instructions section – "Instruction No. 10 Non-Core Assets Structure Optimisation" within prescribed timelines since 2015.
		– Implement the provisions of these directives across subsidiaries of joint-stock companies	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 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.
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).

No.	Document type, date, and number	Summary	Execution status
8	**On managing intellectual property rights**		
8.1	Clause 34 of the Action Plan to implement the Social and Economic Development Strategy of the Central Federal District until 2012 approved by Resolution of the Government of the Russian Federation No. 2564-r dated 27 December 2012 Instruction of the Government of the Russian Federation No. ISh-P8-800 dated 4 February 2014	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	Regulations on Intellectual Property Rights Management (RI-GD-224) were approved by Order No. 263 dated 29 July 2016. The Action Plan on Intellectual Property Rights Registration was developed and approved for the rights identified during the audit in December 2016. The business process "Intellectual Property Rights Management" (BP-511-003) was approved on 31 March 2017.
	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)	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	The Deputy CEO for Customer Relations was appointed responsible for the implementation of the Regulations on Intellectual Property Rights Management.
	Instruction of the Government of the Russian Federation No. 9177p-P13 dated 12 December 2017	Instructions: 1. Ensure the analysis of IPR management in line with the Recommendations 2. Develop a programme or make amendments to the existing programme (if needed) for IPR management 3. Post and later update the information on the IPR management programme implementation on the interdepartmental portal for state property management	The matter was reviewed at the meeting of PJSC Aeroflot's Board of Directors on 2 February 2018 (Minutes No. 9). In September 2018, the Management Board of PJSC Aeroflot shall: 1. conduct the analysis of intellectual property rights management system of PJSC Aeroflot in line with the Recommendations on Intellectual Property Rights Management in Entities approved by Instruction of the Government of the Russian Federation No. ISh-P8-5594 dated 25 August 2017 (the Recommendations) and submit the results of the analysis at a Board of Directors meeting 2. ensure the update of the Regulations on Intellectual Property Rights Management (RI-GD-224) in line with the Recommendations 3. ensure posting and further updating of the information on the implementation of the Regulations on Intellectual Property Rights Management (RI-GD-224) on the interdepartmental portal for state property management.

Execution of Presidential and Governmental Instructions
continued

No.	Document type, date, and number	Summary	Execution status
9	**On scheduled substitution of imported products (works, services) with those of Russian origin (works, services), having similar specifications and consumer properties**		
9.1	Directives 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 Procurement of Goods, Works and Services (RI-GD-148E) approved by the Board of Directors on 17 October 2016 (Minutes No. 3).
		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 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 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. Pobeda airline – Minutes No. 3-17 dated 31 January 2017. Aurora airline – Minutes No. 11-16 dated 30 November 2016.

No.	Document type, date, and number	Summary	Execution status
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 requirements were considered in the Regulations on Procurement of Goods, Works, and Services (version RI-GD-148F) approved by the Board of Directors on 23 June 2017 (Minutes No. 17). Amendment No. 1 was made to the Guidelines for Determining and Applying Criteria Assessment and Comparing Bidders' Applications (RI-GD-318) (Order No. 296 dated 3 August 2017).
10	**On ensuring priority funding for the social and economic development of the Russian Far East**		
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.
11	**On creating a barrier-free environment for disabled people (Federal Law No. 419-FZ On Amendments to Certain Laws of the Russian Federation Aimed at Social Protection of Disabled People Following Ratification of the Convention on the Rights of Persons with Disabilities dated 1 December 2014, Resolution of the Government of the Russian Federation No. 599 On Procedures and Timelines for Development of Measures to Improve Indicators Reflecting Accessibility of Facilities and Services for Disabled People in Specified Areas of Activity by Federal Executive Authorities, Executive Authorities of Constituent Entities of the Russian Federation and Local Authorities dated 17 September 2015, Resolution of the Government of the Russian Federation No. 1297 On Approval of the Russian State Accessible Environment Programme 2011–2020 dated 1 December 2015, Decree of the Ministry of Transport of the Russian Federation No. 24 On Approval of the Procedure for Provision of Services for Disabled People in Airports and Aircraft dated 15 February 2016)**		

Execution of Presidential and Governmental Instructions
continued

No.	Document type, date, and number	Summary	Execution status
11.1	Instruction of the Ministry of Labour and Social Protection of the Russian Federation No. 13-6/10/V-2014 dated 28 March 2016 (our reference number: 5527, date: 9 July 2015)	Adopt decisions providing for the following: – Establishment of corporate standards (rules) ensuring accessibility of the entity's facilities and services for disabled people – Certification of facilities and services and subsequent approval of plans for step-by-step bringing their accessibility in line with applicable laws – Training (briefings) of relevant employees in ensuring accessibility of the entity's facilities and services for disabled people – Annual (starting from 2017) allocation of funds from the entity's budget and provision of other material resources to fulfil the above obligations	PJSC Aeroflot continues to implement its Action Plan for Ensuring Accessibility of PJSC Aeroflot's Services for Disabled People approved in 2016. PJSC Aeroflot's entire fleet comprising 224 aircraft was fully equipped with wheelchairs. Starting from January 2018, the new B737 aircraft delivered to the airline will have the cockpit design enabling to take on board a passenger on a stretcher. One of the aircraft was modified. The improvements to aircraft in operation are scheduled to end before late 2019 (at the moment, if a stretcher is needed, the Company modifies the flight through changing the aircraft). An agreement was signed to develop design documents to conduct overhauls providing access to PJSC Aeroflot's own sales offices and buildings for disabled people; overhauls are scheduled for 2018. All sections of the website have been enhanced in cooperation with Lab.Ag to assist visually impaired air travellers. Website tests on booking special services for passengers with disabilities have been performed successfully; the service has been commercially launched. Information in the Passengers with Disabilities section of the website has been updated, the Travelling the World Unhampered! video on the airline's rules and services was posted, as well as the questionnaire to assess the flight; the launch of an online chat which will enable passengers to get answers and the help needed in real time is scheduled for March 2018. In December 2017, a hotline for passengers with disabilities was launched in PJSC Aeroflot's Contact Centre – specially trained staff provides qualified help to organise air travel and information support on service matters. 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. 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.
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.	
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 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 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/V-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**		
12.1	Directives 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 Amendments to 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.
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.
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).

Execution of Presidential and Governmental Instructions
continued

No.	Document type, date, and number	Summary	Execution status
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 Government 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 – 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 – 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 – 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	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. 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. 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: – on expanding the practice of targeted training in higher educational institutions specialising in engineering, technology, and technical science – 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.	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	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).
18	**On preparing for the 2018 FIFA World Cup in the Russian Federation (Resolution of the Government of the Russian Federation No. 518 dated 20 June 2013)**		
18.1	Minutes of the Meeting led by Prime Minister of the Russian Federation Dmitry Medvedev No. DM-P9-37pr dated 23 June 2016	On Measures to Implement the Programme to Prepare for the 2018 FIFA World Cup in the Russian Federation (in the Moscow air transport hub).	The matter of preparation for the 2018 FIFA World Cup was reviewed by the Management Board (Minutes No. 28/PrP dated 18 October 2017). The works are conducted in strict compliance with PJSC Aeroflot's Plan on Preparation for the 2018 World Cup dated 8 November 2017 (No. 77/Pl). PJSC Aeroflot made a proposal on transporting fans of the Russian team to the World Cup matches at a special price of RUR 5 (No. GD-1250 dated 20 December 2017). The President of the Russian Federation supported the proposal. The respective activities are under way.

Report on Compliance with the Principles and Recommendations Set Out in the Corporate Governance Code

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	
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. 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.	Full	

Report on Compliance with the Principles and Recommendations Set Out in the Corporate Governance Code
continued

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
1.1.5	Each shareholder was able to freely exercise their voting right in the simplest and most convenient way.	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	
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.	Partial	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, which rules out the possibility of corruption in its transactions. PJSC Aeroflot intends to achieve full compliance with this principle of the Code in the future.
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	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
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.	Partially complied with.	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, which rules out the possibility of corruption in its transactions. PJSC Aeroflot intends to achieve full compliance with this principle of the Code in the future.
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.**			
1.4.1	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	
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	

Report on Compliance with the Principles and Recommendations Set Out in the Corporate Governance Code
continued

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
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 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	
2.1.7	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.	Partial	Attendance at meetings of the Board of Directors and its committees is disclosed in the Annual Report for the reporting period. No assessment of the Board of Directors' performance was run in the reporting period. On the request of the federal executive authorities, the Personnel and Remuneration Committee of PJSC Aeroflot's Board of Directors assesses members of the Board of Directors representing the interests of the state in preparation for their nomination to PJSC Aeroflot's Board of Directors for the following corporate year. PJSC Aeroflot intends to achieve full compliance with this principle of the Code in the future.
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	
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	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
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	
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.	Full	
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 fully 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, and lead by, independent directors) as well as active engagement of the independent directors make implementation of this recommendation redundant.

Report on Compliance with the Principles and Recommendations Set Out in the Corporate Governance Code
continued

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
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.	Not complied with.	No assessment of the Board of Directors' performance was run in 2017. Individual attendance at meetings of the Board of Directors and its committees is factored in remunerations of members of the Board of Directors.
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	
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.	Partial	1. No assessment of the Board of Directors' performance was run in the reporting period. However, individual attendance at meetings of the Board of Directors is factored in remunerations of members of the Board of Directors. PJSC Aeroflot intends to achieve full compliance with this principle of the Code in the future. 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	
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.	Full	
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, 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	
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	

Report on Compliance with the Principles and Recommendations Set Out in the Corporate Governance Code
continued

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
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.	None	Relevant practice is to be introduced.
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	Relevant practice is to be introduced.
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	
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	In addition to the fixed remuneration component, members of the Company's Board of Directors are also paid a variable remuneration component, calculated based on PJSC Aeroflot's capitalisation values, also aligned with long-term interests of PJSC Aeroflot's shareholders.
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	

Report on Compliance with the Principles and Recommendations Set Out in the Corporate Governance Code continued

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
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	
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	
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	

Report on Compliance with the Principles and Recommendations Set Out in the Corporate Governance Code continued

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
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	
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	

No.	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
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 provides for disposal of eight non-core assets (shares, stakes in the share capital of business entities, real estate). PJSC Aeroflot's Board of Directors resolved to retain three assets and to exclude another three assets from the Non-Core Asset Register following their reclassification as core assets. The Programme also contains criteria for classification of assets as non-core, the non-core asset register, information on 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.

Disposal of PJSC Aeroflot's non-core assets in 2017

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
Hotel complex, 3,670 square metres, Republic of Cabo Verde	8231 (hotel, asset card SAP ERP 102000136) 8230 (road, asset card SAP ERP 102000136) 8217 (open swimming pool, asset card SAP ERP 102000136)	1130	9111200010 – revenue from the sale of property, plant and equipment 9121200010 – residual value of the sold property, plant and equipment	13,886.3 (Inv. No. 8231) 0.0 (Inv. No. 8230) 85.8 (Inv. No. 8217)	60,848.2 (Inv. No. 8231) 7,694.1 (Inv. No. 8230) 603.4 (Inv. No. 8217)	56,173.6	Market value (cost of disposal) of the asset is higher than its book value
200 Class A ordinary shares of Sampo plc	-	1150	9111400020 – revenue from the sale of securities traded on the regulated market 9121400020 – costs of the sale of securities traded on the regulated market	544.3	598.4	54.1	Market value (cost of disposal) of the asset is higher than its book value
ВСЕГО				**14,516.4**	**69,744.1**	**56,227.7**	

Contracts to purchase/sell securities/interest in non-core entities signed in 2017

Initiatives to increase/decrease the stake in the share capital of subsidiaries and associates	Change in the stake in the share capital of subsidiaries and affiliates (amount of decrease (–) / increase (+), %)	Reference to the resolution that introduced the change	Benefit
The sale of shares of Sampo plc (Finland)	– 200 Class A ordinary shares	The Programme for Disposal of PJSC Aeroflot's Non-Core Assets approved by PJSC Aeroflot's Board of Directors on 17 October 2016; the Resolution of PJSC Aeroflot's Board of Directors dated 23 June 2017	The shares were sold for RUB 598,400, i.e. above its book value (RUB 544,300).

Operating Data

Aeroflot airline

Indicator	2013	2014	2015	2016	2017
Passenger traffic, thousand PAX	**20,902.4**	**23,610.0**	**26,111.7**	**28,977.9**	**32,845.2**
International Routes	12,294.5	12,468.2	13,445.4	14,873.7	17,154.1
Domestic Routes	8,607.9	11,141.8	12,666.3	14,104.2	15,691.1
Passenger turnover, million RPK	**60,226.3**	**67,121.7**	**74,115.9**	**82,693.3**	**91,809.9**
International Routes	40,614.4	42,676.5	46,774.4	53,339.0	60,669.4
Domestic Routes	19,611.9	24,445.2	27,341.5	29,354.3	31,140.5
Available seat-kilometres, million ASK	**76,444.8**	**85,822.1**	**93,471.1**	**101,757.9**	**112,246.0**
International Routes	52,392.4	56,206.9	60,209.1	67,387.0	75,315.6
Domestic Routes	24,052.4	29,615.2	33,262.0	34,370.9	36,930.4
Passenger load factor, %	**78.8**	**78.2**	**79.3**	**81.3**	**81.8**
International Routes	77.5	75.9	77.7	79.2	80.6
Domestic Routes	81.5	82.5	82.2	85.4	84.3
Cargo and mail carried, thousand tonnes	**176.5**	**145.3**	**135.1**	**175.5**	**226.6**
International Routes	118.0	81.5	74.6	96.1	148.7
Domestic Routes	58.5	63.8	60.5	79.4	77.9
Revenue tonne-kilometres, million TKM	**6,339.9**	**6,722.7**	**7,291.0**	**8,253.1**	**9,316.5**
International Routes	4,306.9	4,236.8	4,571.1	5,264.6	6,199.0
Domestic Routes	2,033.0	2,485.9	2,719.9	2,988.5	3,117.5
Available tonne-kilometres, million TKM	**9,848.7**	**10,660.0**	**11,706.1**	**12,694.6**	**13,676.8**
International Routes	6,821.1	6,983.1	7,548.6	8,412.0	9,228.5
Domestic Routes	3,027.6	3,676.9	4,157.5	4,282.6	4,448.3
Revenue load factor, %	**64.4**	**63.1**	**62.3**	**65.0**	**68.1**
International Routes	63.1	60.7	60.6	62.6	67.2
Domestic Routes	67.1	67.6	65.4	69.8	70.1
Revenue flights	**167,071**	**183,645**	**206,228**	**218,734**	**243,317**
International Routes	98,084	97,668	104,336	110,149	121,003
Domestic Routes	68,987	85,977	101,892	108,585	122,314
Flight hours, hours	**509,058**	**554,659**	**594,863**	**639,524**	**702,807**

Aeroflot Group Operating Data
continue

Rossiya airline

Indicator	2013	2014	2015	2016	2017
Passenger traffic, thousand PAX	**9,084.7**	**9,962.6**	**9,066.9**	**8,800.3**	**11,152.7**
International Routes	4,793.0	4,414.5	2,342.1	2,627.1	4,136.0
Domestic Routes	4,291.7	5,548.1	6,724.7	6,173.2	7,016.7
Passenger turnover, million RPK	**22,171.2**	**21,066.4**	**16,982.1**	**20,482.3**	**28,119.2**
International Routes	14,947.1	12,097.0	5,795.4	8,552.8	13,889.0
Domestic Routes	7,224.1	8,969.4	11,186.7	11,929.5	14,230.2
Available seat-kilometres, million ASK	**28,445.3**	**27,502.0**	**22,913.9**	**25,245.4**	**33,300.9**
International Routes	18,189.0	15,526.4	7,615.0	9,892.2	15,248.2
Domestic Routes	10,256.3	11,975.6	15,298.9	15,353.2	18,052.6
Passenger load factor, %	**77.9%**	**76.6%**	**74.1**	**81.1**	**84.4**
International Routes	82.2%	77.9%	76.1	86.5	91.1
Domestic Routes	70.4%	74.9%	73.1	77.7	78.8
Cargo and mail carried, thousand tonnes	**17.7**	**14.3**	**14.6**	**22.7**	**32.8**
International Routes	2.8	2.3	2.1	1.5	2.2
Domestic Routes	15.0	12.0	12.5	21.2	30.6
Revenue tonne-kilometres, million TKM	**2,043.2**	**1,925.3**	**1,558.3**	**1,936.2**	**2,681.5**
International Routes	1,352.3	1,094.7	526.6	773.4	1,261.8
Domestic Routes	691.0	830.6	1,031.7	1,162.8	1,419.7
Available tonne-kilometres, million TKM	**3,074.7**	**2,919.6**	**2,478.5**	**2,917.0**	**3,948.2**
International Routes	1,947.9	1,625.1	826.2	1,097.2	1,660.3
Domestic Routes	1,126.8	1,294.4	1,652.3	1,819.8	2,287.9
Revenue load factor, %	**66.5%**	**65.9%**	**62.9**	**66.4**	**67.9**
International Routes	69.4%	67.4%	63.7	70.5	76.0
Domestic Routes	61.3%	64.2%	62.4	63.9	62.1
Revenue flights	**81,622**	**89,425**	**82,106**	**68,590**	**75,182**
International Routes	34,790	35,192	20,778	18,511	22,391
Domestic Routes	46,832	54,233	61,328	50,079	52,791
Flight hours, hours	**224,325**	**230,547**	**190,446**	**178,969**	**200,798**

Note. For 2013–2016 consolidated data for Rossiya, Donavia and Orenair airlines.

Pobeda airline

Indicator	2014	2015	2016	2017
Passenger traffic, thousand PAX	**107.4**	**3,089.7**	**4,285.9**	**4,582.9**
International Routes	–	6.2	473.6	875.1
Domestic Routes	107.4	3,083.5	3,812.3	3,707.8
Passenger turnover, million RPK	**134.0**	**4,668.4**	**6,712.9**	**7,929.6**
International Routes	–	12.3	1,050.5	1,913.9
Domestic Routes	134.0	4,656.1	5,662.4	6,015.7
Available seat-kilometres, million ASK	**171.8**	**5,746.3**	**7,605.5**	**8,418.9**
International Routes	–	17.8	1,334.0	2,084.4
Domestic Routes	171.8	5,728.5	6,271.5	6,334.6
Passenger load factor, %	**78.0**	**81.2**	**88.3**	**94.2**
International Routes	–	68.8	78.8	91.8
Domestic Routes	78.0	81.3	90.3	95.0
Cargo and mail carried, thousand tonnes	**0.5**	**0.3**	**0.3**	**6.0**
International Routes	–	–	–	2.0
Domestic Routes	0.5	0.3	0.3	4.0
Revenue tonne-kilometres, million TKM	**12.6**	**420.7**	**604.6**	**725.7**
International Routes	–	1.1	94.5	176.6
Domestic Routes	12.6	419.6	510.1	549.1
Available tonne-kilometres, million TKM	**17.6**	**601.0**	**800.3**	**875.2**
International Routes	–	1.9	140.5	212.5
Domestic Routes	17.6	599.1	659.8	662.7
Revenue load factor, %	**71.6**	**70.0**	**75.6**	**82.9**
International Routes	–	58.2	67.3	83.1
Domestic Routes	71.6	70.0	77.3	82.9
Revenue flights	**735**	**20,057**	**25,668**	**25,761**
International Routes	–	48	3,208	5,062
Domestic Routes	735	20,009	22,460	20,699
Flight hours, hours	**1,476**	**41,016**	**53,892**	**59,831**

Aeroflot Group Operating Data
continue

Aurora airline

Indicator	2013	2014	2015	2016	2017
Passenger traffic, thousand PAX	**1,403.6**	**1,055.2**	**1,124.8**	**1,376.2**	**1,548.2**
International Routes	303.9	213.0	234.7	314.4	384.6
Domestic Routes	1,099.7	842.2	890.1	1,061.8	1,163.7
Passenger turnover, million RPK	**2,875.8**	**1,753.1**	**1,869.7**	**2,221.8**	**2,363.7**
International Routes	551.2	333.4	370.6	490.1	562.1
Domestic Routes	2,324.6	1,419.7	1,499.1	1,731.7	1,801.6
Available seat-kilometres, million ASK	**4,173.6**	**2,337.9**	**2,609.8**	**3,045.2**	**3,244.8**
International Routes	948.3	485.6	647.7	721.1	781.1
Domestic Routes	3,225.3	1,852.3	1,962.1	2,324.1	2,463.7
Passenger load factor, %	**68.9**	**75.0**	**71.6**	**73.0**	**72.8**
International Routes	58.1	68.7	57.2	68.0	72.0
Domestic Routes	72.1	76.6	76.4	74.5	73.1
Cargo and mail carried, thousand tonnes	**10.4**	**6.2**	**6.2**	**7.2**	**7.9**
International Routes	1.1	0.5	0.4	0.4	0.4
Domestic Routes	9.3	5.7	5.8	6.8	7.5
Revenue tonne-kilometres, million TKM	**283.0**	**170.0**	**180.3**	**213.8**	**227.5**
International Routes	51.6	30.8	34.0	44.8	51.3
Domestic Routes	231.4	139.2	146.3	169.0	176.2
Available tonne-kilometres, million TKM	**465.0**	**252.9**	**287.3**	**335.1**	**343.1**
International Routes	103.6	53.5	75.4	84.4	84.4
Domestic Routes	361.4	199.4	211.9	250.7	258.7
Revenue load factor, %	**60.9**	**67.2**	**62.8**	**63.8**	**66.3**
International Routes	49.8	57.6	45.1	53.0	60.8
Domestic Routes	64.0	69.8	69.1	67.4	68.1
Revenue flights	**16,176**	**12,801**	**15,441**	**18,861**	**24,213**
International Routes	4,256	2,852	3,617	4,032	4,969
Domestic Routes	11,920	9,949	11,824	14,829	19,244
Flight hours, hours	**42,875**	**28,695**	**33,281**	**39,390**	**45,673**

GRI Content Index

GRI Standard	Disclosure	Page number
GRI 102 (2016) Standard Disclosures	102-1 Name of the organisation	Title
	102-2 Activities, brands, products, and services	4–7 34–43
	102-3 Location of headquarters	296
	102-4 Location of operations	48–93 http://www.aeroflot.ru/ru-ru/offices
	102-5 Ownership and legal form	About this Report
	102-6 Markets served	34–43 48–93
	102-7 Scale of the organisation	6–7 132–166 192–250
	102-8 Information on employees and other workers	112–119
	102-9 Supply chain	44–45
	102-10 Significant changes to the organisation and its supply chain	192–250
	102-11 Precautionary principle or approach	122–126
	102-12 External initiatives	132–166 122–126
	102-13 Membership of associations	4–17
	102-14 Statement from senior decision-maker	20–23 24–27
	102-16 Values, principles, standards, and norms of behaviour	112–119 132–166
	102-18 Governance structure	132–166
	102-41 Collective bargaining agreements	112–119
	102-45 Entities included in the consolidated financial statements	192–250
	102-46 Defining report content and topic boundaries	About this Report
	102-48 Restatements of information	About this Report
	102-49 Changes in reporting	About this Report
	102-50 Reporting period	About this Report
	102-51 Date of most recent report	About this Report
	102-52 Reporting cycle	About this Report
	102-53 Contact point for questions regarding the report	296
	102-54 Claims of reporting in accordance with the GRI Standards	About this Report
	102-55 GRI content index	About this Report

GRI Content Index
continue

GRI Standard	Disclosure	Page number
201 (2016) **Economic Performance**	103-1 Explanation of the material topic and its boundaries	96–107
	103-2 The management approach and its components	96–107
	103-3 Evaluation of the management approach	192–250
	201-1 Direct economic value generated and distributed	192–250
	201-3 Defined benefit plan obligations and other retirement plans	112–119
203 (2016) **Indirect Economic Impacts**	103-1 Explanation of the material topic and its boundaries	34–43
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
	203-1 Infrastructure investments and services supported	34–43 48–93
	203-2 Significant indirect economic impacts	34–43 119–121
302 (2016) **Energy**	103-1 Explanation of the material topic and its boundaries	122–126
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
	302-1 Energy consumption within the organisation	
303 (2016) **Water**	103-1 Explanation of the material topic and its boundaries	122–126
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
	303-1 Water withdrawal by source	
305 (2016) **Emissions**	103-1 Explanation of the material topic and its boundaries	122–126
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
	305-1 Direct (Scope 1) GHG emissions	
306 (2016) **Effluence and Waste**	103-1 Explanation of the material topic and its boundaries	122–126
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
	306-1 Water discharge by quality and destination	
	306-2 Waste by type and disposal method	
307 (2016) **Environmental Compliance**	103-1 Explanation of the material topic and its boundaries	122–126
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
	307-1 Amount of significant fines and total number of non-monetary sanctions imposed for non-compliance with environmental laws and/or regulations	

GRI Standard	Disclosure	Page number
401 (2016) **Employment**	103-1 Explanation of the material topic and its boundaries	112–119
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
	401-1 New employee hires and employee turnover	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	
403 (2016) **Occupational Health and Safety**	103-1 Explanation of the material topic and its boundaries	118–119
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	
408 (2016) **Child Labour**	103-1 Explanation of the material topic and its boundaries	112–119
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
	408-1 Operations and suppliers at significant risk for incidents of child labour	
409 (2016) **Forced or Compulsory Labour**	103-1 Explanation of the material topic and its boundaries	112–119
	103-2 The management approach and its components	
	103-3 Evaluation of the management approach	
	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	

Glossary

Aviation terminology

Aviation fuel	aviation fuel, lubricants, and special fluids.
Low-Cost Carrier (LCC)	an airline that offers lower fares than traditional airlines, reflecting limited service provision, while also charging additional fees for on-board and airport services.
Routes	domestic routes, international routes.
Code Sharing	agreement on joint commercial operation of a flight by two or more airlines, one of which acts as the operator (operates the flight in addition to selling tickets), while the others act as marketing partners (selling tickets only).
Network Carrier	an airline that, unlike low-cost carriers, offers a wide variety of services through one or more hubs with connecting flights.
Maintenance, Repair and Overhaul (MRO)	Technical maintenance, ongoing repairs, and major renovations to aircraft.
TCH	Transport Clearing House.
Hub	a hub airport is a central connection point for many different flights: passengers and goods are transported from their departure point to a hub, from which they are carried to their final destination on another plane with other passengers and goods from other parts of the world.
BSP/ARC (Billing and Settlement Plan / Airline Reporting Corporation)	settlement systems between agents and airlines, organised by IATA, that facilitate and simplify air transportation sales on neutral forms (not owned by any airline) thereby offering airlines the opportunity to expand their market presence, minimise financial risks and reduce expenses incurred through the maintenance of sales systems. ARC is an analogous system operated in the United States.
GDS (Global Distribution System)	a global computerised booking network used as a single access point by travel agents, online booking websites, or large corporates to book (reserve) tickets on airlines' flights, as well as hotel rooms, rental cars, etc.
NDC (New Distribution Capability)	a new aviation industry standard (standards) being developed by the IATA to provide airlines with more opportunities to sell their services to passengers both via own channels (such as a website or sales offices), and travel agents. Airlines will be able to customise and offer their air products across all sales channels, improve investment performance, and manage air product pricing. The benefits for passengers will include a simple and convenient access to an airline's products and services, as well as the opportunity to compare offers from different airlines on a range of metrics. Travel agents will be able to provide both a wider offering of products and services, and easier access to them.
IATA (International Air Transportation Association)	IATA, founded in 1945, is the prime vehicle for inter-airline cooperation in promoting safe, reliable, secure, and economical air services – for the benefit of the world's consumers.
ICAO (International Civil Aviation Organization)	an international civil aviation body established following the signing of the Chicago Convention on International Civil Aviation in 1944. It is a specialized UN agency responsible for developing international standards, recommended practices and regulations regarding the technical, economic, and legal aspects of international civil aviation.
IOSA (International Operational Safety Audit)	The IATA IOSA program is an internationally recognized and accepted evaluation system designed to assess a company's: organization and operational management, flight operations, engineering and technical maintenance of aircraft, ground service for aircraft, the operational control systems including maintenance management and flight scheduling, on-board service, aviation safety, and provisions for transporting cargo and hazardous cargo.
ISO	The International Organization for Standardization.

Operational terminology

Passenger traffic (PAX)	the number of passengers carried by an airline.
Direct PAX	passengers flying directly between their origin and destination.
Transit PAX	passengers flying with a stop-over in a hub airport on their way from origin to destination.
Passenger-Kilometres	a measure of passenger capacity actually used, representing transport of one passenger seat over a distance of one kilometre.
Available Seat-Kilometres (ASK)	an airline's available passenger capacity, calculated as the sum of the products of the number of seats available for sale on each flight segment and the length of the segment.
Revenue Passenger-Kilometres (RPK)	passenger capacity actually used, calculated as the sum of the products of the number of passengers carried on each flight segment and the length of the segment.
Tonne-Kilometres	a measure of cargo and passenger capacity used, representing the actual transport of one tonne of cargo (passengers at 90 kg per passenger, commercial cargo, and mail) over a distance of one kilometre.
Available Tonne-Kilometres (ATK)	an airline's available cargo and passenger capacity, calculated as the sum of the products of the maximum commercial load in tonnes on each flight segment and the length of the segment. Maximum commercial load is determined based on relevant flight and transportation documents.
Revenue Tonne-Kilometres (TKM)	an airline's available cargo and passenger capacity actually used, calculated as the sum of passenger, mail, and cargo tonne-kilometres.
Passenger Load Factor (PLF)	a measure of an airline's passenger capacity utilisation, calculated as the ratio of revenue passenger-kilometres (RPKs) to available seat-kilometres (ASKs).
Revenue Load Factor	a measure of an airline's passenger and cargo capacity utilisation, calculated as the ratio of revenue tonne-kilometres (TKMs) to available tonne-kilometres (ATKs).
Origin and Departure points (O&D)	locations between which passengers are transported. This term is used in measuring the quantitative indicators of various markets, as defined by arrival and departure points, irrespective of whether direct or transit traffic is involved.

Financial terminology

Unit revenue and cost	key performance measures in the aviation industry, defined as revenue or cost for ASK or RPK:
Yield	the ratio between passenger revenue and revenue passenger-kilometres;
Revenue per Available Seat-Kilometre (RASK)	the ratio between revenue (either passenger revenue or total revenue) and available seat-kilometres;
Cost per Available Seat-Kilometre (CASK)	the ratio between operating expenses and available seat-kilometres.
Total Shareholder Return (TSR)	measures the return on investment for shareholders, taking into account the share price appreciation and dividends paid.
EBITDA	earnings before interest, taxes, depreciation, and amortization. Aeroflot includes customs duties in this indicator.
EBITDAR	earnings before interest, taxes, depreciation, amortization, and operating lease expenses (rent costs). Aeroflot includes customs duties in this indicator.

Contact Information

FULL NAME	Public Joint Stock Company “Aeroflot – Russian Airlines”
ABBREVIATED	PJSC Aeroflot
CERTIFICATE OF REGISTRATION IN THE UNIFIED STATE REGISTER OF LEGAL ENTITIES	issued by the Moscow Department of the Russian Ministry of Taxes and Levies on 2 August 2002, No. 1027700092661
TAXPAYER IDENTIFICATION NUMBER	7712040126
LOCATION	10 Arbat Str., Moscow, Russian Federation
POSTAL ADDRESS	10 Arbat Str., Moscow, 119002, Russian Federation

FOR RUSSIAN RETAIL SHAREHOLDERS	**Corporate Governance Department** Tel./fax: +7 (495) 258-0684 E-mail: emitent@aeroflot.ru
FOR INVESTORS	**Investor Relations** Tel.: +7 (495) 258-0686 E-mail: ir@aeroflot.ru
PRESS SERVICE	Tel.: +7 (499) 500-7387, (495) 752-9071 Fax: +7 (495) 753-8639 E-mail: presscentr@aeroflot.ru
REGISTRAR	**SC “Independent Registrar Company”** Building 5B, 18, Stromynka Street, Moscow, 107076 Tel.: +7 (495) 926-8160 Fax: +7 (495) 926-8178 E-mail: info@nrcreg.ru
SHEREMETYEVO BRANCH OF THE REGISTRAR	Location: Aeroflot Aviation Personnel Training Department, Building 6, Terminal B, Sheremetyevo Airport, Khimki, Moscow Region Tel./fax: +7 (495) 578-3680