



## API Voting Recommendations for Annual General Shareholders Meeting

Company: PJSC Aeroflot (AFLT)

Meeting date: June 26, 2018

Record date: May 31, 2018

### Company Overview

PJSC Aeroflot is the parent company of Aeroflot Group. The Group consists of several airlines: Aeroflot, Rossiya airlines, Aurora Airlines and Pobeda Airlines.

As of December 31, 2017, the authorized capital of PJSC Aeroflot amounting to RUB 1,110,616,299 consisted of 1,110,616,299 common registered uncertificated shares with a nominal value of RUB 1 each. The Company has not placed any preferred shares.

The biggest shareholder of PJSC Aeroflot is the Russian Federation represented by the Federal Agency for State Property Management (Rosimushchestvo) which owns 51.2% of the total number of the Company's common shares. 45.2% of the total number of common shares are free floating.

No.	AGM agenda item	API recommendation
1.	<a href="#">Approval of the agenda, voting procedure, members of the working bodies of the Annual General Shareholders Meeting of PJSC Aeroflot</a>	FOR
2.	<a href="#">Approval of the annual report of PJSC Aeroflot for 2017</a>	FOR
3.	<a href="#">Approval of the annual accounting (financial) statements of PJSC Aeroflot for 2017</a>	FOR
4.	<a href="#">Approval of the distribution of profits earned by PJSC Aeroflot in 2017</a>	FOR
5.	<a href="#">Amount, time, form of payment for 2017 dividends, determining the dividend record date</a>	FOR
6.	<a href="#">Payment of remuneration to the members of the Board of Directors of PJSC Aeroflot</a>	FOR

7.	<a href="#">Payment of remuneration to the members of the Audit Commission of PJSC Aeroflot</a>	<b>FOR</b>
8.	<a href="#">Election of members of the Board of Directors of PJSC Aeroflot</a>	API recommends voting <b>FOR</b> <b>Alexey Germanovich</b> and <b>Lars Eric Anders Bergström</b> (API-supported independent directors)*
9.	<a href="#">Election of members of the Audit Commission of PJSC Aeroflot</a>	API recommends voting <b>FOR</b> on all candidates
10.	<a href="#">Approval of the auditors of PJSC Aeroflot for 2018</a>	<b>FOR</b>
11.	<a href="#">Approval of a related-party transaction: liability insurance for PJSC Aeroflot, its Directors and Officers in 2018-2021</a>	<b>FOR</b>
12.	<a href="#">Approval of a major related party transaction: commercial management by PJSC Aeroflot of the passenger load on flights operated by Rossiya airlines JSC under the Codehare/Block Space Agreement</a>	<b>FOR</b>
13.	<a href="#">Approval of a major related party transaction: commercial management by PJSC Aeroflot of the passenger load on flights operated by JSC Aurora Airlines under the Codehare/Block Space Agreement</a>	<b>FOR</b>
14.	<a href="#">Approval of a major related party transaction (a series of interrelated transactions) for the operating lease of fifty (50) new MC-21-300 aircraft</a>	<b>AGAINST, or abstain from voting on this agenda item**</b>

\* The API recommends that the shareholders vote FOR the independent directors **Alexey Germanovich** and **Lars Bergström** nominated by API members. Members of the Board of Directors are elected by cumulative voting.

\*\* In the API's view, the terms and conditions of the currently proposed transactions are not optimal for the Company. The purchase of new Russian-made aircraft at prices close to the prices of the most reliable counterparts already in operation by Aeroflot, taking into account all the risks of using new models, as exemplified, among other things, by the SSJ project, should be viewed as economically unjustified. In our opinion, the terms and conditions of such a transaction could be considered as fair and profitable for the Company if MC-21 were priced at least 20-30% below the most in-demand counterparts. Being the first major purchaser of the MC-21 model, Aeroflot is in a strong position to negotiate more favorable terms of the transaction, which, however, may be substantially weakened by the management team amid a potential conflict of interests of the principal shareholder expectedly interested in the development of own aircraft industry.

Independent Board members Alexey Germanovich and Lars Bergström voted ABSTAINED on this issue discussed at the Board meeting on May 29, 2018.

Shareholders abstaining from voting or voting "Against" on this agenda item have the right to request the repurchase of their shares to the extent of no more than 10% of the Company's net assets.

In-depth review of the Annual General Meeting agenda:

1-3.	AGM agenda item	API recommendation
1.	<a href="#">Approval of the agenda, voting procedure, members of the working bodies of the Annual General Shareholders Meeting of PJSC Aeroflot</a>	FOR
2.	<a href="#">Approval of the annual report of PJSC Aeroflot for 2017</a>	FOR*
3.	<a href="#">Approval of the annual accounting (financial) statements of PJSC Aeroflot for 2017</a>	FOR

\*The API notes the non-disclosure of the remuneration payable individually to Management Board members subject to the achievement of target KPIs in the Company's annual report.

We recommend that the Board of Directors pay attention to the need to disclose the bonus part of the remuneration paid to Management Board members and its dependence on the achievement of the target KPIs. The remuneration paid to the Management Board members for 2017 (including the salaries, compensations and bonuses) amounted to RUB 694.8 million. The amount of remuneration under the long-term incentive program reached RUB 2,238.4 million.

**AGENDA ITEMS 1-3 DETAILS:**

The annual report of PJSC Aeroflot for 2016 contains information on the key performance indicators achieved in 2017, development prospects, a description of the key risk factors, information on related party transactions, a report on compliance with the Corporate Governance Code recommended for application by the Bank of Russia and other information.

The accuracy of the accounting (financial) statements of PJSC Aeroflot is confirmed by an audit report provided by the audit firms (JSC HLB Vnesaudit engaged to audit the Company's annual accounting statements according to Russian Accounting Standards / RAS, JSC PricewaterhouseCoopers Audit engaged to audit the consolidated IFRS financial statements), as well as an opinion of the Audit Commission of PJSC Aeroflot.

Please find below Aeroflot Group's key financial and operational performance indicators according to IFRS standards:

Item	2016	2017	Change, year-on-year
Revenue (billion rubles)	495.9	532.9	7.5%
Operating costs (billion rubles)	432.6	492.5	13.8%
Operating profit (billion rubles)	63.3	40.4	-36.2%
Profit/loss for the period (billion rubles)	38.8	23.1	-40.5%
Profit margin, %	7.8	4.3	-3.5 p.p.
EBITDA (billion rubles)	78.0	56.0	-28.2%
EBITDA margin (%)	15.7	10.5	-5.2 p.p.
Net debt (billion rubles)	106.1	49.9	-53%
Net debt to EBITDA ratio	1.4	0.89	-0.51

Aeroflot Group's revenue for 2017 increased by 7.5% against the 2016 level, mainly resulting from an increase in the number of passengers.

However, net profit earned in 2017 decreased by 40% year-on-year to RUB 23 billion. The result was impacted by a change in the competitive environment as foreign carriers re-entered the Russian market and flights to Turkey were resumed.

Operating expenses (unadjusted for fuel costs) increased by 11.7% year-on-year to RUB 369,838 million.

In 2017, jet fuel costs increased by 20.8% year-on-year to RUB 122,685 million. The growth was driven by higher average fuel prices in ruble terms in the wake of changes in oil prices and exchange rates, as well as an increase in traffic and flight hours.

The Company's EBITDA decreased by 28.2% against the previous year to RUB 56,015 million, the EBITDA margin reaching 10.5%.

The Company's debt burden decreased as a result of the scheduled and early repayment of loans and credits, as well as revaluation of finance lease liabilities due to the Russian ruble strengthening against the US dollar as at December 31, 2017 compared with the end of 2016.

#### DRAFT RESOLUTIONS ON AGENDA ITEMS 1-3:

ITEM 1. Approve the agenda, voting procedure, members of the working bodies of the Annual General Shareholders Meeting of PJSC Aeroflot.

ITEM 2. Approve the annual report of PJSC Aeroflot for 2017.

ITEM 3. Approve the annual accounting (financial) statements of PJSC Aeroflot for 2017.

4-5.	AGM agenda item	API recommendation
4.	<a href="#">Approval of the distribution of profits earned by PJSC Aeroflot in 2017</a>	FOR
5.	<a href="#">Amount, time, form of payment for 2017 dividends, determining the dividend record date</a>	FOR*

\* The API notes that the meeting materials do not include a calculation of dividend payments according to the methodology provided for by the Dividend Policy Regulations of PJSC Aeroflot.

#### AGENDA ITEMS 4-5 DETAILS:

According to the Dividend Policy Regulations, Aeroflot Group's consolidated net profit according to international financial reporting standards (IFRS) shall be used as the base for calculating dividend payments at PJSC Aeroflot.

The decision on the amount of dividends shall be based on a specially developed system of factors used as indicators, taking into account the results achieved in the reporting year, the debt burden and the Group's medium-term financial plan. Under the current version of the Regulations, the target dividend payout ratio is set equal to 25% of the Group's IFRS net profit.

The Board of Directors of PJSC Aeroflot recommended that the shareholders resolve to earmark RUB 14.222 billion (about 60% of the Group's IFRS net profit) for the payment of 2017 dividends. The dividend per share of PJSC Aeroflot will reach RUB 12.8053. Compared with the previous year, the amount of dividend payments has decreased by RUB 5.191 billion (- 27%) resulting from lower profits earned in 2017.

#### DRAFT RESOLUTIONS ON AGENDA ITEMS 4-5:

ITEM 4. Approve the distribution of profits earned by PJSC Aeroflot in the 2017 financial year in the amount of RUB 28,443,453.00 thousand according to the recommendations of the Board of Directors of PJSC Aeroflot, including:

- RUB 14,221,775.00 thousand for the payment of 2017 dividends;
- RUB 3,334.45 thousand for the payment of remuneration to the members of the Audit Commission;
- RUB 14,218,343.55 thousand for funding capital investments out of the profits earned in 2017, paying remuneration to employees of PJSC Aeroflot based on the results of 2017, mitigating the negative impact of retroactive adjustments in relation to 2014-2016 due to changes in the accounting policy in 2017, and replenishing the Fund for financing purpose-oriented programs and unexpected expenses.

ITEM 5.

1. Pay the dividends on shares of PJSC Aeroflot based on the results of the 2017 financial year in the amount of RUB 12.8053 per share in cash, for a total amount of RUB 14,221,775.00 thousand, on or before August 10, 2018, according to the procedure provided for by the current laws of the Russian Federation.
2. Set July 6, 2018 as the dividend record date, i.e. the date on which the persons entitled to dividends on shares of PJSC Aeroflot will be determined.

6.	AGM agenda item	API recommendation
	<a href="#">Payment of remuneration to the members of the Board of Directors of PJSC Aeroflot</a>	FOR*

\* The API notes that the meeting materials do not include a calculation of the amount of remuneration payable to members of the Board of Directors, its fixed and variable portions, according to the methodology provided for by the Regulations on the Remuneration and Compensations Payable to Members of the Board of Directors of PJSC Aeroflot.

AGENDA ITEM 6 DETAILS:

The procedure of formation and payment of remuneration to members of the Board of Directors of PJSC Aeroflot is established by the Regulations on Remuneration and Compensation Payable to Members of the Board of Directors of PJSC Aeroflot. The remuneration payable to Board members consists of a fixed base fee and additional variable bonuses. The main factor determining the amount of fixed remuneration payable to Board members of PJSC Aeroflot is their performance on the Board and its committees. The variable (bonus) remuneration component directly depends on the Company's capitalization on the Moscow Exchange compared with the MICEX Index behavior.

DRAFT RESOLUTION ON AGENDA ITEM 6:

1. Approve the amount of personal payments of fixed remuneration to the members of the Board of Directors of PJSC Aeroflot, according to the Regulations on the Remuneration and Compensations Payable to Members of the Board of Directors of PJSC Aeroflot, for the period from July 1, 2017 to June 30, 2018 for a total amount of no more than RUB 77,750,695, in particular:

- |                               |                |
|-------------------------------|----------------|
| 1. Lars Erik Anders Bergström | RUB 8,181,818  |
| 2. Mikhail Voevodin           | RUB 8,181,818  |
| 3. Alexey Germanovich         | RUB 10,380,000 |
| 4. Igor Kamenskoy             | RUB 10,380,000 |
| 5. Dmitriy Peskov             | RUB 8,400,000  |
| 6. Mikhail Poluboyarinov      | RUB 9,000,000  |
| 7. Vitaliy Saveliev           | RUB 0          |
| 8. Dmitry Saprykin            | RUB 0          |
| 9. Vasilij Sidorov            | RUB 10,380,000 |
| 10. Yuriy Slyusar             | RUB 6,847,059  |
| 11. Sergey Chemezov           | RUB 6,000,000  |

2. Approve the amount of personal payments of fixed remuneration to the members of the Board of Directors of PJSC Aeroflot, according to the Regulations on the Remuneration and Compensations Payable to Members of the Board of Directors of PJSC Aeroflot, for the period from July 1, 2016 to June 30, 2017 as follows:

- |                       |               |
|-----------------------|---------------|
| 1. Mikhail Alekseev   | RUB 1,050,000 |
| 2. Alexey Germanovich | RUB 1,050,000 |
| 3. Igor Kamenskoy     | RUB 30,000    |
| 4. Roman Pakhomov     | RUB 30,000    |
| 5. Dmitriy Peskov     | RUB 1,650,000 |

6. Vitaliy Saveliev	RUB 0
7. Dmitry Saprykin	RUB 0
8. Vasiliy Sidorov	RUB 30,000
9. Yuriy Slyusar	RUB 2,700,000
10. Sergey Chemezov	RUB 3,847,059.

These maximum amounts of fixed remuneration for the period from July 1, 2017 to June 30, 2018 may be adjusted taking into account the actual personal participation in meetings of the Board of Directors and Board Committees of PJSC Aeroflot in June 2018.

3. Approve the size of the interim remuneration pool according to the long-term incentive program according to clause 5.2.1. of the Regulations on the Remuneration and Compensations Payable to Members of the Board of Directors of PJSC Aeroflot\* for the interim period from July 1, 2016 to June 30, 2017 in the amount of RUB 187,281,100 payable in equal installments in two stages as follows.

3.1. The first part of the remuneration in the amount of RUB 93,640,550 shall be paid to the members of the Board of Directors of PJSC Aeroflot in July 2018 as follows:

1. Mikhail Alekseev	RUB 9,270,500
2. Kirill Androsov	RUB 10,246,750
3. Alexey Germanovich	RUB 11,409,850
4. Igor Kamenskoy	RUB 12,336,900
5. Roman Pakhomov	RUB 12,336,900
6. Dmitriy Peskov	RUB 9,983,650
7. Vitaliy Saveliev	RUB 0
8. Dmitry Saprykin	RUB 0
9. Vasiliy Sidorov	RUB 12,336,900
10. Yuriy Slyusar	RUB 8,557,400
11. Sergey Chemezov	RUB 6,711,700.

*\*) The terms of the long-term incentive program for members of the Board of Directors are specified in the revised version of the Regulations on the Remuneration and Compensations Payable to Members of the Board of Directors of PJSC Aeroflot approved by a resolution of the Annual General Shareholders Meeting of PJSC Aeroflot on June 26, 2017. As a result of recalculation based on the new version of the Regulations on the Remuneration and Compensations Payable to Members of the Board of Directors of PJSC Aeroflot, the amount of fixed remuneration payable to Kirill Androsov for the period from July 1, 2016 to June 30, 2017 was reduced by RUB 900,000. Given that the fixed portion of the remuneration was previously paid to the Board members, the amount payable to Kirill Androsov from the remuneration pool under the long-term incentive program for the period from July 1, 2016 to June 30, 2017 was accordingly reduced by RUB 900,000.*

3.2. The second part of the remuneration in the amount of RUB 93,640,550 shall be paid to the members of the Board of Directors of PJSC Aeroflot in July 2019 as follows:

1. Mikhail Alekseev	RUB 9,270,500
2. Kirill Androsov	RUB 10,246,750
3. Alexey Germanovich	RUB 11,409,850
4. Igor Kamenskoy	RUB 12,336,900
5. Roman Pakhomov	RUB 12,336,900
6. Dmitriy Peskov	RUB 9,983,650
7. Vitaliy Saveliev	RUB 0
8. Dmitry Saprykin	RUB 0
9. Vasiliy Sidorov	RUB 12,336,900
10. Yuriy Slyusar	RUB 8,557,400
11. Sergey Chemezov	RUB 6,711,700.

7.	AGM agenda item	API recommendation
	<a href="#">Payment of remuneration to the members of the Audit Commission of PJSC Aeroflot</a>	<b>FOR</b>

#### AGENDA ITEM 7 DETAILS:

The amount of remuneration payable to members of the Audit Commission shall be established by a resolution of the General Shareholders Meeting according to the Regulations on Incentives for Audit Commission members. It should be noted that no remuneration or compensations are payable to Audit Commission members that are public officers.

#### DRAFT RESOLUTION ON AGENDA ITEM 7:

Approve the amount of remuneration to the members of the Audit Commission of PJSC Aeroflot as follows:

1. Igor Belikov	RUB 1,867,294
2. Mikhail Sorokin	RUB 0
3. Ekaterina Nikitina	RUB 1,467,159
4. Sergey Ubugunov	RUB 0
5. Vasily Shipilov	RUB 0

8.	AGM agenda item	API recommendation
	<a href="#">Election of members of the Board of Directors of PJSC Aeroflot</a>	API recommends voting <b>FOR</b> <b>Alexey Germanovich</b> and <b>Lars Eric Anders Bergström</b> (API-supported independent directors)*

#### AGENDA ITEM 8 DETAILS:

According to the Company's Articles of Association, the Board of Directors consists of 11 members. The shareholders have nominated 12 candidates.

The API recommends that the shareholders vote FOR the independent directors nominated by API members.

No.	Name	Candidate's employer / position (as of nomination date)	Nominated by / Equity stake, %	Years on the Board	Status
1.	Mikhail Voevodin	Director General, Public Joint Stock Company VSMPPO-AVISMA Corporation	Russian Federation (represented by the Federal Agency for State Property Management / Rosimushchestvo), Limited Liability Company Avia Capital Service	1	non-executive director
2.	Alexey Germanovich*	Member of the Management Board, Endowment Asset Management Fund "Development of St-Petersburg State University"	The Russian Prosperity Fund, The Prosperity Quest Fund, The Prosperity Cub Fund, Prosperity Capital SICAV	4	independent director
3.	Igor Kamensky	Managing Director, Limited Liability Company "Renaissance Broker".	Russian Federation (represented by the Federal Agency for State Property Management)	4	independent director

4.	Lars Erik Anders Bergström*	Senior Counsel, UB Företagsrådgivning AB, Stockholm, Sweden	The Russian Prosperity Fund, The Prosperity Quest Fund, The Prosperity Cub Fund, Prosperity Capital SICAV	1	independent director
5.	Alexander Nazarov	Director General, RT Business Development limited liability company	Limited Liability Company Avia Capital Service	0	independent director
6.	Roman Pakhomov	Director General, Limited Liability Company Avia Capital Service	Limited Liability Company Avia Capital Service	4	non-executive director
7.	Dmitriy Peskov	Director of the Young Professionals section, autonomous nonprofit Organization "Agency for Strategic Initiatives to Promote New Projects"	Russian Federation (represented by the Federal Agency for State Property Management)	4	non-executive director
8.	Mikhail Poluboyarinov	First Deputy Chairman, Management Board member, Bank for Development and Foreign Economic Affairs (Vnesheconombank)	Russian Federation (represented by the Federal Agency for State Property Management)	1	non-executive director
9.	Vitaliy Saveliev	Director General, Public Joint Stock Company Aeroflot – Russian Airlines.	Russian Federation (represented by the Federal Agency for State Property Management)	9	executive director
10.	Vasiliy Sidorov	Director General, Limited Liability Company "Agency for Recapitalization of Infrastructure and Long-Term Assets".	Russian Federation (represented by the Federal Agency for State Property Management)	5	independent director
11.	Yuriy Slyusar	President, Public Joint Stock Company United Aircraft Corporation	Russian Federation (represented by the Federal Agency for State Property Management)	3	non-executive director
12.	Sergey Chemezov	Director General, State Corporation for Assistance to Development, Production and Export of Advanced Technology Industrial Product "Rostec"	Russian Federation (represented by the Federal Agency for State Property Management), Limited Liability Company Avia Capital Service	7	non-executive director

Members of the Board of Directors are elected by cumulative voting.

\*The API officially supports the candidates at the Annual General Meeting.

Details on the API's engagement with independent directors are provided on the official API website:

<http://api-russia.org>.

All independent directors supported by the API are open to direct contact with shareholders; please contact us for further information.

127473 Москва, 1-й Шемиловский пер., д. 17, оф. 11  
Тел./факс +7 495 510-53-06  
[api-russia.org/ru](http://api-russia.org/ru)

127473 Moscow, 1st Schemilovsky per., 17, office 11  
Tel/fax +7 495 510-53-06  
[api-russia.org](http://api-russia.org)



#### DRAFT RESOLUTION ON AGENDA ITEM 8:

Elect eleven members of the Board of Directors of PJSC Aeroflot from among the following candidates:

1. Mikhail Voevodin;
2. Alexey Germanovich;
3. Igor Kamenskoy;
4. Lars Erik Anders Bergström;
5. Alexander Nazarov;
6. Roman Pakhomov;
7. Dmitriy Peskov;
8. Mikhail Poluboyarinov;
9. Vitaliy Saveliev;
10. Vasiliy Sidorov;
11. Yuriy Slyusar;
12. Sergey Chemezov.

9.	AGM agenda item	API recommendation
	<a href="#">Election of members of the Audit Commission of PJSC Aeroflot</a>	API recommends voting <b>FOR</b> on all candidates

#### AGENDA ITEM 9 DETAILS:

The Company's Audit Commission consists of 5 (five) members. All the candidates are nominated by Russia's Federal Agency for State Property Management (Rosimushchestvo) and currently serve on the commission. Not a single candidate is employed by the Company; besides, experts independent from the Company are included in the list of candidates.

No.	Name	Candidate's employer / position (as of nomination date)
1.	Igor Belikov	Director, Nonprofit Partnership "Russian Institute of Directors"
2.	Ekaterina Nikitina	Advisor to the President of PJSC Transneft
3.	Sergey Ubugunov	Head of department unit, Ministry of Transport of the Russian Federation
4.	Mikhail Sorokin	Head of department unit, Federal Agency for State Property Management (Rosimushchestvo)
5.	Vasily Shipilov	Deputy Head of department, Ministry of Economic Development of the Russian Federation

Audit Commission members are elected by a simple majority of votes.

#### DRAFT RESOLUTION ON AGENDA ITEM 9:

Elect five members of the Audit Commission of PJSC Aeroflot from among the following candidates:

1. Igor Belikov
2. Ekaterina Nikitina
3. Sergey Ubugunov
4. Mikhail Sorokin
5. Vasily Shipilov

10.	AGM agenda item	API recommendation
	<a href="#">Approval of the auditors of PJSC Aeroflot for 2018</a>	<b>FOR*</b>

#### AGENDA ITEM 10 DETAILS:

The Board of Directors proposed that the General Shareholders Meeting approve JSC HLB Vneshaudit as the auditor of the annual accounting (financial) statements of PJSC Aeroflot for 2018 prepared in accordance with the Russian accounting standards, JSC PricewaterhouseCoopers Audit as the auditor of the consolidated financial statements of PJSC Aeroflot (Aeroflot Group) for 2018 prepared in accordance with IFRS.

\* The materials for the meeting do not disclose information on the competitive auditor selection procedures, including the selection participants, their bids, information on the cost of services. We therefore recommend that the Board of Directors of the Company revise its policy of disclosing materials for the general shareholders meeting.

#### DRAFT RESOLUTION ON AGENDA ITEM 10:

1. Approve the audit firm JSC HLB Vneshaudit as the auditor of the annual accounting (financial) statements of PJSC Aeroflot for 2018 prepared in accordance with the Russian accounting standards.
2. Approve the audit firm JSC PricewaterhouseCoopers Audit as the auditor of the consolidated financial statements of PJSC Aeroflot (Aeroflot Group) for 2018 prepared in accordance with IFRS.

11.	AGM agenda item	API recommendation
	<a href="#">Approval of a related-party transaction: liability insurance for PJSC Aeroflot, its Directors and Officers in 2018-2021</a>	<b>FOR</b>

#### AGENDA ITEM 11 DETAILS:

We recommend that the shareholders vote in the affirmative (FOR) on the liability insurance of the Director General, members of the Board of Directors, the Management Board of PJSC Aeroflot, representatives of PJSC Aeroflot nominated and elected to the Boards of Directors (Supervisory Boards) of PJSC Aeroflot, its subsidiaries and affiliates. The liability insurance is essential for safeguarding the property interests of the Company, members of the Board of Directors and officers of the Company and its subsidiaries.

#### DRAFT RESOLUTION ON AGENDA ITEM 11:

Approve (give consent to) the transaction between PJSC Aeroflot and AlfaStrakhovanie PLC (the Insurer) for the liability insurance of the Director General, members of the Board of Directors, the Management Board of PJSC Aeroflot, representatives of PJSC Aeroflot nominated and elected to the Boards of Directors (Supervisory Boards) of PJSC Aeroflot, its subsidiaries and affiliates, qualifying as a related-party transaction, in the period from July 16, 2018 to July 15, 2021, with an annual insurance limit of USD 100,000,000 (one hundred million US dollars) and the following insurance objects:

- insurance, to the extent of the liability of any insured person for financial losses incurred by other persons, of property interests of such a person related to the risk of having to compensate for financial losses incurred by other persons; insurance, to the extent of any and all expenses of any insured person, of property interests of such an insured person related to the risk of incurrence of any costs and expenses. No deductible is applicable;
- insurance of property interests of PJSC Aeroflot related to the risk of any costs/expenses for reimbursement of any damage which PJSC Aeroflot may incur in connection with any claim brought against any insured person. The deductible is equal to 50,000 US dollars;

- insurance, to the extent of the liability of PJSC Aeroflot for any financial losses incurred by other persons, of property interests of PJSC Aeroflot related to the risk of obligation to reimburse other persons for financial losses incurred by them. The deductible is equal to 100,000 US dollars;  
with a total insurance premium of 289,500 (two hundred and eighty nine thousand five hundred) US dollars.

Parties related to the transaction and grounds for recognizing their related party interest: Director General, members of the Board of Directors, members of the Management Board of PJSC Aeroflot, representatives of PJSC Aeroflot nominated and elected to the Boards of Directors (Supervisory Boards) of the subsidiaries of PJSC Aeroflot whose liability is insured under the terms of the insurance transaction.

12-13.	AGM agenda item	API recommendation
12.	<a href="#">Approval of a major related party transaction: commercial management by PJSC Aeroflot of the passenger load on flights operated by Rossiya airlines JSC under the Codehare/Block Space Agreement</a>	FOR
13.	<a href="#">Approval of a major related party transaction: commercial management by PJSC Aeroflot of the passenger load on flights operated by JSC Aurora Airlines under the Codehare/Block Space Agreement</a>	FOR

#### AGENDA ITEMS 12-13 DETAILS:

The transactions proposed for approval are related-party transactions for PJSC Aeroflot, given that the members of the Board of Directors/Management Board of PJSC Aeroflot are or will become members of the Board of Directors at each of the specified companies. The transactions will be effected in the normal course of business of PJSC Aeroflot with companies operating within the consolidation perimeter of Aeroflot Group.

#### DRAFT RESOLUTIONS ON AGENDA ITEMS 12-13:

ITEM 12. Approve (give consent to) a major related-party transaction for the commercial management by PJSC Aeroflot of the passenger load on flights operated by Rossiya Airlines, JSC (including the pricing and sales of tickets for such flights), under the Codeshare/Block Space Agreement on the joint operation of flights based on a commuter (regional) air services model providing for the publication of code-share flights in reservation systems under PJSC Aeroflot's single code "SU" within the range of SU5950-6999, carried out on the following material terms:

Parties to the transaction: PJSC Aeroflot (as a Marketing Partner), Rossiya Airlines, JSC (as an Operation Partner);

Subject of transaction: commercial management by PJSC Aeroflot of the passenger load on flights operated by Rossiya Airlines, JSC (including the pricing and sales of tickets for such flights), under the Codeshare/Block Space Agreement on the joint operation of flights based on a commuter (regional) air services model providing for the publication of code-share flights in reservation systems under PJSC Aeroflot's single code "SU" within the range of SU5950-6999;

Term: from November 1, 2018 to October 31, 2019;

Price: not exceeding RUB 74,260,000,000 (seventy-four billion two hundred and sixty million rubles) (net of VAT), for the projected volume of carriage of about 30,000 turnaround flights carried out by Rossiya Airlines, JSC during the specified period;

Parties related to the transaction and grounds for recognizing their related party interest: Dmitry Saprykin, a member of the Board of Directors of PJSC Aeroflot, who simultaneously serves as Director General, Chairman of the Management Board and a member of the Board of Directors of Rossiya Airlines, JSC; Vadim Zingman, a member of the Management Board of PJSC Aeroflot, who simultaneously serves as a member of the Board of Directors of Rossiya Airlines, JSC.

ITEM 13. Approve (give consent to) a major related-party transaction for the commercial management by PJSC Aeroflot of the passenger load on flights operated by JSC Aurora Airlines (including the pricing and sales of tickets for such flights), under the Codeshare/Block Space Agreement on the joint operation of flights based on a commuter (regional) air services model providing for the publication of code-share flights in reservation systems under PJSC Aeroflot's single code "SU" within the range of SU5400-5799, carried out on the following material terms:

Parties to the transaction: PJSC Aeroflot (as a Marketing Partner), JSC Aurora Airlines (as an Operation Partner);

Subject of transaction: commercial management by PJSC Aeroflot of the passenger load on flights operated by JSC Aurora Airlines (including the pricing and sales of tickets for such flights), under the Codeshare/Block Space Agreement on the joint operation of flights based on a commuter (regional) air services model providing for the publication of code-share flights in reservation systems under PJSC Aeroflot's single code "SU" within the range of SU5400-5799;

Term: from November 1, 2018 to December 31, 2019;

Price: not exceeding RUB 74,250,000,000 (seventy-four billion two hundred and fifty million rubles) (net of VAT), for the projected volume of carriage of about 32,000 turnaround flights carried out by JSC Aurora Airlines during the specified period;

Parties related to the transaction and grounds for recognizing their related party interest: Vladimir Antonov and Vadim Zingman who serve as members of the Board of Directors of JSC Aurora Airlines.

14.	AGM agenda item	API recommendation
	<a href="#">Approval of a major related party transaction (a series of interrelated transactions) for the operating lease of fifty (50) new MC-21-300 aircraft</a>	<b>AGAINST, or abstain from voting on this agenda item</b>

**AGENDA ITEM 14 DETAILS:**

Aeroflot has signed an agreement with Russia's Rostec Corporation for the purchase of 50 MC-21 airliners which will be manufactured by Rostec Corporation's subsidiary (Irkut) and supplied to Aeroflot in 2020-2026. The total maximum contract price is set equal to 5.2 billion US dollars, including operating lease payments, manufacturer warranties and certain aircraft operation and maintenance costs for the 12-year period. According to the Russian corporate law, this transaction is subject to approval by the shareholders meeting.

The API believes that the transaction, if effected on the currently proposed terms, is not optimal for the company. MC-21 is a newly developed commercial aircraft for series manufacture. At an early stage of operation, the buyer usually faces uncertainties and risks persisting until the new technology and the end product are proven to be safe, efficient and reliable. We note that the price of MC-21 applying to this transaction is generally commensurate with the price of comparable Boeing (B737-800) and Airbus (A320/321) airliners having a long track record of safety, efficiency and reliability, additionally proven during their successful operation by the Company. With this in mind, also considering the natural need and ambition of the Company's principal owner (the Government of Russia) to develop the domestic manufacture of civil aircraft, it seems logical that the terms of the transaction should be determined solely on the arm's length basis, taking into account all the risks arising from the purchase of a completely new Russian-made airliner, so as to enable the manufacturer to stay highly competitive in future. In our view, the terms and conditions of such a transaction could be considered as fair and profitable for the Company if MC-21 were priced at least 20-30% below the most in-demand counterparts. Being the first major purchaser of the MC-21 model, Aeroflot is in a strong position to negotiate more favorable terms of the transaction, which, however, may be substantially weakened by the management team amid a potential conflict of interests of the principal shareholder expectedly interested in the development of own aircraft industry.

Independent Board members Alexey Germanovich and Lars Bergström voted ABSTAINED on this issue discussed at the Board meeting on May 29, 2018.

**Shareholders abstaining from voting or voting "Against" on this agenda item have the right to request the repurchase of their shares to the extent of no more than 10% of the Company's net assets.**

#### DRAFT RESOLUTION ON AGENDA ITEM 14:

Approve (give consent to) a major related-party transaction (a series of interrelated transactions) for the operating lease of new MC-21-300 aircraft (hereinafter called "Aircraft").

1.1. A transaction for the operating lease by PJSC Aeroflot of 50 (fifty) new Aircraft from LLC Avia Capital Service on the following material terms:

Parties to the transaction:

- LLC Avia Capital Service as the Lessor;
- PJSC Aeroflot as the Lessee;

Subject of transaction: operating lease by the Lessee from the Lessor of fifty (50) new Aircraft with two PurePower® PW1400G main high-bypass geared turbofan engines (hereinafter PW1400G MPU) installed on each Aircraft. The manufacturer/serial number of each Aircraft will be known by the relevant Aircraft delivery date. The transaction is formalized by operating lease contracts entered into in respect of each Aircraft. The Lessee has the option of choosing PD-14 as an alternative bypass turbofan engine instead of PW1400G MPUs starting from the twenty-sixth Aircraft.

Scheduled Aircraft delivery period: from the 1<sup>st</sup> quarter of 2020 to the 3<sup>rd</sup> quarter of 2026 (with an option to postpone/extend the delivery period).

Lease Period: 12 years for each Aircraft, with up to 3 two-year extension options.

Base Rent: a fixed amount not exceeding 437,282 (four hundred and thirty-seven thousand two hundred and eighty-two US dollars (net of VAT) per Aircraft per month.

In the case of additional equipment installation and additional equipment financing by the Lessor, the Base Rent shall increase by one thousand (1,000) US dollars per hundred thousand (100,000) US dollars of the cost of such additional equipment.

The rates are specified in terms of January 2018 prices and will be escalated in accordance with the formula provided by PJSC Irkut Corporation (hereinafter called the "Manufacturer") in respect of each Aircraft at the time of delivery, but not more than by 2.6 percent per year.

Security deposit: The Lessee shall pay the Lessor a security deposit of 2 monthly rent payments in respect of each Aircraft.

Maintenance provisioning rates (in terms of January 2018 prices, to be escalated at 3 percent per year):

- airframe: not more than 12,500 US dollars per calendar month;
- each engine: not more than 155 US dollars per flight hour of the respective engine in a calendar month;
- each engine's set of life-limited parts: not more than 175 US dollars per operating cycle of the respective engine in a calendar month;
- auxiliary propulsion unit (APE): 15 US dollars per hour from APE start to shutdown in a given calendar month;
- chassis: not more than 3,700 US dollars per calendar month.

The engine maintenance provisioning rate will be additionally adjusted annually based on the actual ratio of the flight hour to the Lessee's operating cycle in respect of a particular engine, and a coefficient.

For the purpose of determining the engine maintenance provisioning rate, the baseline flight hour to flight cycle ratio is assumed to be 2.5:1

The Lessee shall be relieved from its maintenance provisioning obligations in respect of the engines and in respect of the APE if:

(i) a trilateral Aircraft maintenance agreement entered into with an Aircraft maintenance provider recommended by the Manufacturer provides for a flight hour-based service fee rate and includes scheduled and unforeseen repairs, with the cost of such repairs to be covered by the rate agreed between the Lessee and the maintenance provider;

The signing of such trilateral agreement shall not be intentionally delayed by either the Lessor, or the Lessee. The Lessor may not influence the size of the flight hour-based fee rate agreed between the Lessee and the

maintenance provider, or any other terms affecting the interaction between the Lessee and the maintenance provider under the trilateral agreement.

(ii) The trilateral agreement shall also contain a clause whereby the Lessee's rights under the contract with the maintenance provider shall lapse to the Lessor if the Lessee defaults on its obligations under the Aircraft operating lease agreement, and the Lessor gives an appropriate written notice to the maintenance provider);

(iii) the terms and conditions of the trilateral engine and APE maintenance contract may include bringing the engines and the APE to a condition prescribed by the Aircraft return clauses of the Aircraft operating lease agreements;

(iv) the Lessee shall be relieved from its maintenance provisioning obligations only during the effective period of the contract with the approved maintenance provider, and only in respect of those maintenance provision allocations that relate to the activities covered by the maintenance contract.

The Lessee may substitute a bank guarantee effective within at least one hundred and eighty (180) days for maintenance provisioning allocations, and shall make sure that such bank guarantee remains effective throughout the entire lease period of each Aircraft.

The Lessee shall extend the bank guarantee for not less than one hundred and eighty (180) days not later than ten (10) days before its expiration, and shall submit the original bank guarantee to the Lessor.

The Lessee shall submit a bank guarantee as a substitute for maintenance provisioning allocations, in accordance with the time frames and amounts set out below:

(i) the bank guarantee amounting to one million five hundred thousand (1,500,000) US dollars shall be submitted on or before the Aircraft handover date;

(ii) the bank guarantee shall be increased to three million (3,000,000) US dollars after 12 months from the Aircraft handover date;

(iii) the bank guarantee shall be increased to four million five hundred thousand (4,500,000) US dollars after 24 months from the Aircraft handover date;

(iv) the bank guarantee shall be increased to six million thousand (6,000,000) US dollars after 36 months from the Aircraft handover date;

(v) the bank guarantee shall be increased to seven million five hundred thousand US dollars (7,500,000) after 48 months from the Aircraft handover date.

Insurance:

The agreed value of each Aircraft equals 105% of the Aircraft price paid by the Lessor to the Manufacturer (hereinafter referred to as the "Agreed Price").

PJSC Aeroflot shall procure Aircraft insurance at its own expense and subject to the following requirements:

(a) comprehensive insurance covering all risks of loss or damage whether in the air or on the ground, at the Agreed Price, with a deductible of not more than 250,000 US dollars or another amount fixed with the Lessor's consent;

(b) comprehensive insurance covering hostilities and similar risks, including Aircraft confiscation or requisition by the country of registration, amounting to the Agreed Price;

(c) property insurance against all risks (including war and similar risks, except when the Aircraft is on the ground or moves from place to place other than in the air) in relation to all engines and parts not installed on the Aircraft, amounting to the Agreed Price that shall fully cover replacement costs, including engine testing and operating risks;

(d) third-party liability insurance, property damage insurance, as well as insurance of liability in relation to passengers, luggage, cargo and postal items, and Lessee's general third-party liability (including Manufacturer's liability) amounting to at least seven hundred and fifty million (750,000,000) US dollars per Aircraft.

Transaction price: not to exceed five billion two hundred and thirty-one million eighty thousand (5,231,080,000) US dollars (net of VAT).

Other material terms: The Lessor shall make sure that the Manufacturer receives an EASA type certificate in respect of the Aircraft delivered on or after January 1, 2021.

1.2. A transaction for providing standard and special Aircraft quality warranties on the following material terms:

Subject of transaction: assignment by LLC Avia Capital Services in favor of PJSC Aeroflot of the rights to receive standard and special Aircraft warranties from PJSC Irkut Corporation.

Parties to the transaction:

- PJSC Aeroflot as the Lessee;
- PJSC Irkut Corporation as the Manufacturer;
- LLC Avia Capital Services as the Lessor.

Aircraft warranties to be provided by the Manufacturer:

Standard Aircraft quality warranty. Effective period: 48 months and 5 days after delivery of the covered Aircraft (hereinafter, the Warranty Period), with the exception of life-limited parts covered by the warranty. The warranty covering the PurePower® PW1400G main high-bypass geared turbofan engines (hereinafter, PW1400G MPU) or the PD-14 bypass turbofan engine shall be provided either by Pratt & Whitney, the manufacturer of PW1400G MPU, or by JSC UEC-Perm Engines, the manufacturer of the PD-14 bypass turbofan engine, subject to a separate agreement to be entered into between the Lessee and the manufacturer of the relevant engine.

Special warranties.

Flight time warranty: applicable three-year period of achieving the world's average guaranteed flight time (for a flight hour to operating cycle ratio equal to 3.6):

- 2,100 flights hours in the first year of operation;
- 2,900 flights hours in the second year of operation;
- 3,750 flights hours in the third year of operation.

Dispatch reliability warranty: applicable guaranteed dispatch reliability levels:

- 96% for the first year of operation;
- 97% for the second year of operation;
- 98.5% for the third year of operation.

Aircraft performance warranties.

The Manufacturer warrants that a new Aircraft carrying designed payload on a three thousand two hundred and forty (3,240) kilometers long flight, with a tail wind of twenty-six (26) kilometers per hour, will consume not more than nine thousand eight hundred and sixty-five (9,865) kilograms of fuel.

Aircraft frame structural elements reliability warranty.

Effective period: twelve (12) hours from each Aircraft delivery date.

The Manufacturer shall assume warranty liabilities for the items fabricated by the Manufacturer or based on the Manufacturer's design documentation in relation to the Aircraft frame carrying elements.

Aircraft maintenance cost (DMC) warranty (the DMC Warranty). The Manufacturer warrants that the Lessee's costs of Aircraft maintenance on a per flight hour basis (excluding costs associated with the maintenance of PW1400G engine and dual flow PD14 turbojet engines), calculated for the Lessee's Aircraft fleet, shall not exceed the guaranteed maintenance cost in respect of subsequent reporting periods of twelve months each.

First reporting period: warranted DMC costs not more than 381 US dollars per flight hour;

Second reporting period – warranted DMC costs not more than 375 US dollars per flight hour;

Third and subsequent reporting periods – warranted DMC costs not more than 359 US dollars per flight hour.

Effective period: ten (10) years from the first Aircraft delivery date.

1.3. A transaction for the provision by PJSC Irkut Corporation to PJSC Aeroflot of an early customer package in respect of the Aircraft on the following material terms:

Subject of transaction: provision by PJSC Irkut Corporation to PJSC Aeroflot of an early customer package in respect of the Aircraft.

Parties to the transaction:

- LLC Avia Capital Service as the Lessor;

- PJSC Aeroflot as the Lessee;
- PJSC Irkut Corporation as the Manufacturer.

Early customer package: to compensate the Lessee for the reduced guaranteed flight time of the first twenty (20) Aircraft during the first three years of their operation, the Manufacturer undertakes to provide compensation of a total amount of forty-five million one hundred and forty-three thousand (45,130,000) US dollars. The amount of such compensation shall be calculated in respect of each Aircraft depending on the actual flight time in a year. The amount is indicated in terms of prices effective in the first quarter of 2018 and will be escalated in accordance with the manufacturer's formula, but not more than by 2.6 percent per year.

The compensation shall be provided to finance payments for the Manufacturer's services, as well as payments for purchased or leased additional optional equipment, ground support equipment, to build a stock of replacement parts and to provide training to the Lessee's personnel.

If the Manufacturer ensures longer Aircraft flight time than envisaged by the flight time warranty (i.e. 2,100, 2,900, 3,750 flight hours), the amount of compensation shall be reduced proportionately. Actual compensation amounts shall be calculated based on actual flight time following each year of operation.

1.4. A transaction for the conclusion of a Memorandum on the signing of a lease agreement in respect of 50 MC-21-300 aircraft.

Parties to the transaction:

- Rostec Corporation;
- PJSC Aeroflot.

Parties related to the transaction and grounds for recognizing their related party interest: Mikhail Voevodin, a member of the Board of Directors of PJSC Aeroflot, who also serves as a member of the Board of Directors of LLC Aero Capital Service; Yuriy Slyusar, a member of the Board of Directors of PJSC Aeroflot, who also serves as President, Chairman of the Management Board and a member of the Board of Directors of PJSC Irkut Corporation; Sergey Chemezov, a member of the Board of Directors of PJSC Aeroflot, who also serves as CEO of Rostec Corporation.

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The Voting Recommendations are based on the Annual General Meeting reference materials published on the website of PJSC Aeroflot. For questions and/or comment, please contact us at: +7 (495) 510-5306 or via email: [polovnev@api-russia.org](mailto:polovnev@api-russia.org).