

APPROVED by

the General Meeting of Shareholders  
of PJSC “Aeroflot” on June \_\_, 2015  
(minutes No. dated June \_\_, 2015)

**Regulations on Remuneration and  
Compensations Payable to Members of the  
Board of Directors of PJSC “Aeroflot”**

## 1. General Provisions

- 1.1. These Regulations on Remuneration and Compensations Payable to Members of the Board of Directors of PJSC “Aeroflot” (hereinafter referred to as the Regulations) set forth the procedure for determining the amounts of remuneration and compensation of expenses payable to members of the Board of Directors and members of the Board of Directors committees for performing their duties and exercising their powers stipulated by the Company’s Articles of Association, Regulations on the Board of Directors and Regulations on the Board of Directors Committees.
- 1.2. These Regulations have been prepared in accordance with the Federal Law “On Joint-Stock Companies”, other legal acts of the Russian Federation, and internal documents of Public Joint-Stock Company “Aeroflot – Russian Airlines” (the "Company").
- 1.3. These Regulations shall be a working document of the Company’s Board of Directors used for preparing recommendations to the General Meeting of the Company’s Shareholders regarding the amount of remuneration and compensation of expenses payable to the Board of Directors members.
- 1.4. The following terms as used in these Regulations shall be construed in accordance with the following definitions:
  - Board member(s) shall mean person(s) elected to the Company’s Board of Directors in accordance with the procedure set forth by the Federal Law “On Joint-Stock Companies”;
  - corporate year shall mean the period commencing on July 1<sup>st</sup> of the current year and ending on June 30<sup>th</sup> of the next year.
- 1.5. These Regulations do not constitute grounds for payment of remuneration (compensation of expenses) to a Board member on a mandatory basis. Payment of remuneration (compensation of expenses) to a Board member for participation in the work of the Board of Directors in the relevant corporate year shall be subject to the decision of the General Meeting of the Company’s Shareholders held after the end of the corporate year for which remuneration is paid.
- 1.6. The calculation period for determining and paying remuneration is one corporate year during which a Board member performed and exercised his or her duties and powers.
- 1.7. Remuneration and compensations shall be paid from the Company’s operating expenses in cash or from the relevant fund of the Company, provided that these payments have been approved by the General Meeting of the Company’s Shareholders.

- 1.8. The Company shall calculate, withhold and pay personal income tax on the remuneration and compensations paid to members of the Board of Directors.

## **2. Restrictions on Payment of Remuneration**

- 2.1. Remuneration and compensations shall not be accrued or paid to any Board member (including the Board Chairman) who is prohibited from participating in the activities of a governing body of a commercial organization on a paid basis or is subject to other restrictions on receiving payments (remuneration and compensation of expenses) from commercial organizations under the current legislation of the Russian Federation.
- 2.2. In the event that the prohibition or restriction on receiving payments from commercial organizations on grounds set forth in the legislation of the Russian Federation is lifted, remuneration and compensations shall be accrued and paid to such Board member starting from the date when the Company is notified by the Board member that the prohibition or restriction has been lifted in accordance with the procedure set forth herein.
- 2.3. A Board member may refuse to receive remuneration provided for in these Regulations, in whole or in part, by sending a relevant statement to the Company's General Director.
- 2.4. Once a written statement stipulated in Paragraph 2.3 has been filed by a Board member, further payment of all types of remuneration to that member shall only be made with his/her written consent.

## **3. Remuneration to the Board Members**

- 3.1. Remuneration payable to a Board member shall consist of a fixed component and a variable component under the long-term incentive program.
- 3.2. The fixed component for a corporate year is:
- 1,800,000 rubles/year – for a Board member,
  - 3,000,000 rubles/year – for the Board Chairman.
- 3.3. There is a system of increments for participation in/management of the Board of Directors committees during a corporate year:
- 3.3.1. 400,000 rubles/year – for membership in one committee;
- 3.3.2. 400,000 rubles /year – for membership in a second committee.  
An increment for membership in a third and further committees is not payable.
- 3.3.3. An increment of 1,000,000 rubles per year in addition to the increments listed in subparagraphs 3.3.1, 3.3.2 above is payable for managing a committee.
- 3.4. The fixed component shall be paid in proportion to the total number of meetings held by the Board of Directors during the corporate year (including those held

in absentia). If a Board member participated in less than 50% of the meetings of the Board of Directors (was absent from physical meeting, video/teleconference meetings, did not submit an absentee ballot/written opinion), the fixed component shall not be paid to the member.

- 3.5. Increments for membership in/management of a committee shall be paid in proportion to the total number of meetings held by the committee during the corporate year. If a Board member who is a member of a committee of the Board participated in less than 70% of the meetings of the committee (was absent from physical meetings, video/teleconference meetings), the increment for membership in/management of that committee shall not be paid to the member.
- 3.6. Remuneration for a corporate year shall be paid to a Board member within no more than 30 calendar days from the date of the General Meeting of the Company's Shareholders that adopted the decision to pay remuneration to members of the Company's Board of Directors.

#### **4. Payment of Compensations**

- 4.1 A Board member shall receive compensation of expenses associated with the performance and exercise of his/her duties and powers as a member of the Board of Directors in the reporting corporate year based on documents evidencing the expenses actually incurred during that year.
- 4.2 Compensation shall be paid within no more than 30 calendar days from the date of the General Meeting of the Company's Shareholders that adopted the decision to pay compensation to members of the Company's Board of Directors.

#### **5. Long-Term Incentive Program for Members of the Board of Directors of PJSC "Aeroflot" (the "Long-Term Program")**

The purpose of the Long-Term Program is to bring together the interests of PJSC "Aeroflot" and its shareholders with those of members of the Board of Directors of PJSC "Aeroflot" by entitling the Board members as participants in the Long-Term Program to receive a cash bonus based on the dynamics in the capitalization of PJSC "Aeroflot" on the stock market, achievement of the target capitalization level, and market capitalization dynamics of the key international competitor airlines. The target under the Long-Term Program is to achieve the Company's capitalization level specified in Appendix No. 1 hereto.

## **5.1. Format, Scope and Terms of the Long-Term Program**

- 5.1.1. The format of the Long-Term Program represents cash remuneration linked to the dynamics in the capitalization of PJSC “Aeroflot” on the stock market, achievement of the target capitalization level, as well as capitalization dynamics of the key international competitor airlines.
- 5.1.2. The target capitalization of PJSC “Aeroflot”, the scope, duration, terms and indicators of the Long-Term Program for the relevant period are set forth in Appendix No. 1 hereto.
- 5.1.3. The Long-Term Program is based on the following three indicators:

**Indicator 1** – positive dynamics in the capitalization of PJSC “Aeroflot” for the relevant year and achievement of the target capitalization level at the end of the Long-Term Program. The methodology for calculating Indicator 1 is provided in Appendix No. 2 hereto.

**Indicator 2** – the place occupied by PJSC “Aeroflot” within the group of five competitors in terms of company capitalization dynamics in the relevant year (Appendix No. 4). The methodology for calculating Indicator 2 is provided in Appendix No. 2 hereto.

**Indicator 3** – dynamics of the capitalization level of PJSC “Aeroflot” as compared to the MICEX index dynamics. The methodology for calculating Indicator 3 is provided in Appendix No. 2 hereto.

## **5.2. Mechanism for Payment of Interim and Final Remuneration Pool under the Long-Term Program**

- 5.2.1. The Long-Term Program provides for interim accruals (based on the results for each interim period). The target interim remuneration level is 150% of fixed remuneration, as defined in Section 3 hereof, for the interim period. The weight of each of the three indicators is 1/3 (i.e. 50% of fixed remuneration for the interim period). The mechanism of interim accruals depending on the level of achievement of each indicator is provided in Appendix No. 2 hereto.
- 5.2.2. Fifty percent of the accrued remuneration pool for the relevant interim period shall be paid to the Board members simultaneously with payment of the basic remuneration based on the performance in the relevant corporate year.
- 5.2.3. Fifty percent of the accrued remuneration pool for the relevant interim period shall not be paid, shall be postponed until the end of the Long-Term Program and shall be paid upon the occurrence of the conditions specified in Appendix No. 2 hereto.

### **5.3. Mechanism of Distribution of Remuneration Pool under the Long-Term Program among Participants**

5.3.1. The portion of the remuneration pool payable to participants of the Long-Term Program for the expired interim period shall be distributed among the current Board members in proportion to the actual amount of their fixed remuneration for the elapsed corporate year determined according to Section 3 of these Regulations.

5.3.2. If at the end of the Long-Term Program (June 2019) the target market capitalization specified in Appendix No. 1 hereto is not achieved, all payments postponed until the end of the program shall not be paid.

5.3.3. If the target market capitalization of 100 billion rubles is achieved at the end of the program (June 2019), the final remuneration pool shall be formed and accrued according to the methodology specified in Appendix No. 1. The calculated final remuneration pool shall include all previously accrued (both paid and deferred) interim payments.

The accrued remuneration pool shall be paid to the Board members in proportion to the actual amount of their fixed remuneration determined according to Section 3 hereof for the duration of the Long-Term Incentive Program (less previously paid interim remunerations).

### **5.4. Miscellaneous**

5.4.1. In the event of any force majeure situations that are beyond the control of the Long-Term Program participants but that prevent the target indicators from being achieved (for example, hostilities, natural disasters, revolutions, etc.), the Board of Directors may initiate a revision of the composition of target indicators and/or target values based on changes in Company's development forecasts and submit them for approval to the general meeting of the Company's shareholders.

5.4.2. In case a Board member is not elected for the next period or his/her powers are terminated early, he/she shall be entitled to receive the payments postponed until the end of the Long-Term Program (deferred remuneration) pursuant to Paragraph 5.3.3 hereof. The amount of deferred remuneration shall be determined in proportion to the fixed remuneration determined according to Section 3 of these Regulations which was paid to that Board member for the duration of the Long-Term Program.

5.4.3. If a Board member participated in less than 50% of the meetings held by the Board of Directors (was physically absent from meetings) during the period that he/she performed and exercised the duties and powers stipulated by the Company's Articles of Association, Regulations on the Board of Directors and Regulations on the Board of Directors Committees, no remuneration under the Long-Term Program shall be paid to him/her.

Appendix No. 1  
to the Regulations on Remuneration and  
Compensations Payable to Members of the  
of Board of Directors of PJSC “Aeroflot”

**Target capitalization, scope, duration, terms and indicators of the Long-Term  
Program of PJSC “Aeroflot”**

1. The target capitalization of PJSC “Aeroflot” in June 2019 shall be 100,000,000,000 (one hundred billion) rubles.
2. Duration of the Long-Term Program: from January 1, 2016 to June 30, 2019. The program is divided into four interim periods:
  - 1) January 1, 2016 – June 30, 2016 (six months)
  - 2) January 1, 2016 – June 30, 2017 (one year)
  - 3) January 1, 2017 – June 30, 2018 (one year)
  - 4) January 1, 2018 – June 30, 2019 (one year)
3. The total remuneration pool under the Long-Term Program for members of the Board of Directors of PJSC “Aeroflot” shall be equal to 0.5% of the increase in the capitalization of PJSC “Aeroflot” for the duration of the Long-Term Program duration (capitalization at the end of the program less capitalization at the beginning of the program).
4. Capitalization at the beginning of the program is determined as the volume weighted average price (VWAP) per share of PJSC “Aeroflot” on the first trading day occurring in the Long-Term Program period multiplied by the total number of shares in the authorized capital of PJSC “Aeroflot”. This figure shall be calculated and fixed at the beginning of the Long-Term Program.
5. Capitalization at the end of the program is determined as the volume weighted average price (VWAP) per share of PJSC “Aeroflot for June multiplied by the total number of shares in the authorized capital of PJSC “Aeroflot”.
6. Deferred payments for each of the four interim periods shall be summed up and paid in a single tranche by decision of the General Meeting of the Company’s Shareholders only if the target capitalization of PJSC “Aeroflot” of 100 billion rubles (VWAP for June 2019) is achieved.

### **Mechanism of remuneration pool accrual under the Long-Term Program**

1. The indicators of the Long-Term Program shall be calculated according to the following methodology:

**Indicator 1** – actual increase in the capitalization of PJSC “Aeroflot” for the relevant year. It is calculated as the volume weighted average capitalization of PJSC “Aeroflot” (VWAP) for June of the relevant interim period of the Long-Term Program less the capitalization of PJSC “Aeroflot” on the first trading day occurring in the relevant interim period.

**Indicator 2** – the place occupied by PJSC “Aeroflot” in the group of competitors in terms of company capitalization dynamics for the elapsed year. It is calculated according to the formula below:

$$\frac{EV_{\text{vwap jun}} - EV_0}{EV_0}$$

where:

$EV_{\text{vwap jun}}$  = volume weighted average capitalization of the relevant company (VWAP) for June (or the last month) of the relevant financial year of the company.

$EV_0$  = capitalization of the relevant company as of the first trading day occurring in the relevant financial year of the company.

The obtained values are arranged in descending order. Indicator 2 is determined as the position occupied by PJSC “Aeroflot” in the row sorted in descending order. In case equal values are obtained for capitalization dynamics, the final place of PJSC “Aeroflot” in the group of competitors shall be resolved in favor of PJSC “Aeroflot”.

**Indicator 3** – capitalization level dynamics of PJSC “Aeroflot” as compared to the MICEX index dynamics. Calculation and comparison of the capitalization level dynamics of PJSC “Aeroflot” and the MICEX index dynamics for the 52 weeks preceding the comparison shall be performed once a year according to the following formulas:

- **Company’s capitalization growth rate** = Company’s capitalization as of the last trading day in the last week of the corporate year included in the calculation / Company’s capitalization as of the first trading day in the first week of the corporate year included in the calculation X 100%.



- **MICEX index growth rate** = Index at closing on the last trading day in the last week of the corporate year included in the calculation / Index at closing on the first trading day in the first week of the corporate year included in the calculation X 100%.

2. The interim remuneration pool under the Long-Term Program for each interim period shall be formed according to an ascending graduated scale depending on the values of Indicator 1, Indicator 2 and Indicator 3 in accordance with the following methodology (see Table 1):

Table 1

Indicator 1 of the bonus pool: If the capitalization of PJSC “Aeroflot” (VWAP) for June of the relevant reporting period is higher than the capitalization of PJSC “Aeroflot” on the first trading day of the relevant reporting period by: <i>(The lower interval limit is not included; the upper limit is included)</i>	Remuneration pool to be accrued for the Board of Directors members under the Long-Term Program, % of fixed remuneration for the period
>20%	50.00%
15-20%	37.50%
10-15%	25.00%
0-10%	12.50%
<0	0.00%

If capitalization decreases during the current interim period, the basis for calculating capitalization growth in the next interim period will be the highest capitalization level achieved in the elapsed periods (high watermark principle).

Indicator 2 of the bonus pool: The place occupied by PJSC “Aeroflot” in the group of competitors in terms of capitalization dynamics for the relevant period (VWAP for June less capitalization on the first trading day of the relevant period) (position in the row sorted in descending order): <i>(The lower interval limit is not included; the upper limit is included)</i>	Remuneration pool to be accrued for the Board of Directors members under the Long-Term Program, % of fixed remuneration for the period
Place in the group: 1	50.00%
Place in the group: 2	37.50%
Place in the group: 3	25.00%

Place in the group: 4	12.50%
Place in the group: 5.6	0.00%

In case equal values are obtained for capitalization dynamics, the final place of PJSC “Aeroflot” in the group of competitors shall be resolved in favor of PJSC “Aeroflot”.

<b>Indicator 3 of the bonus pool:</b> Dynamics of the capitalization level of PJSC “Aeroflot” as compared to the MICEX index dynamics.  <i>(The lower interval limit is not included; the upper limit is included)</i>	Remuneration pool to be accrued for the Board of Directors members under the Long-Term Program, % of fixed remuneration for the period
>20 p.p.	50.00%
15-20 p.p.	37.50%
10-15 p.p.	25.00%
0-10 p.p.	12.50%
<0	0.00%

Appendix No. 3  
to the Regulations on Remuneration and  
Compensations Payable to Members of the  
Board of Directors of PJSC “Aeroflot”

**List of competitors for monitoring capitalization dynamics**

The following competitor airlines have been approved for monitoring capitalization dynamics for the duration of the Long-Term Program:

- Turkish Airlines (Turkey)
- Latam Airlines Group (Chile)
- Qantas (Australia)
- China Eastern Airlines (China)
- Air Canada (Canada)

The Board of Directors may modify this list in case of bankruptcy, delisting, or a material change in the airline market.