

Draft

APPROVED

by the General Meeting of Shareholders
of PJSC “Aeroflot” on June ____, 2016
(Minutes No. dated June 2016)

**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” (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 committees in connection with the performance of duties and exercise of powers conferred by the Company’s Articles of Association, the Regulations on the Company’s Board of Directors and the Regulations on Committees of the Company’s Board of Directors.
- 1.2. These Regulations have been developed 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 are a working document of the Company’s Board of Directors used to make recommendations to the Company’s General Meeting of Shareholders concerning amounts of remuneration and compensation of expenses to be paid to members of the Board of Directors.
- 1.4. The following terms as used these Regulations shall be construed in accordance with the following definitions:
 - Board member(s) shall mean a 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 1st of the current year and ending on June 30th 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 Shareholders held after the end of the corporate year for which the remuneration is paid.
- 1.6. The calculation period for determining and paying remuneration is one corporate year during which a Board member performed his/her duties and exercised his/her powers.
- 1.7. Reimbursement and compensations shall be paid from the Company’s current expenses in cash or from the relevant fund of the Company, provided that these payments have been approved by the Company’s General Meeting of Shareholders.
- 1.8. The Company shall calculate, withhold and pay personal income tax on remuneration and compensations paid to members of the Board of

Directors.

- 1.9. These Regulations shall enter into force on January 1, 2016 and shall remain in force until amended or repealed.

2. Restrictions on Payment of Remuneration

- 2.1. Remuneration 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 the grounds provided for by 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 the manner provided by these Regulations.
- 2.3. Remuneration shall not be accrued or paid to any Board members (including the Board Chairman) who are members of the Company's executive bodies (General Director, Executive Board of the Company).
- 2.4. A Board member may waive the remuneration stipulated herein, in whole or in part, by sending a relevant statement to the Company's General Director.
- 2.5. Once the written statement provided in paragraph 2.4 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 (including increments) and a variable component under the long-term incentive programme.
- 3.2. The fixed component of remuneration for a corporate year shall be determined by summing up the basic fixed portion and increments for performing additional functions (chairmanship of the Board of Directors, leadership of a Board committee, membership in a Board committee).
- 3.3. The basic fixed portion is set at 1,800,000 roubles per year for all Board members, including the Board Chairman.
- 3.4. Increments for performing additional functions shall be calculated by multiplying the basic fixed portion by the applicable multiplier.

The following increments are set for chairmanship of the Board of Directors, membership in a Board committee and leadership of a Board committee during a corporate year:

- 3.4.1. The basic fixed portion multiplied by 1.5 – for membership in one committee;
 - 3.4.2. The basic fixed portion multiplied by 1.25 – for membership in a second committee.
 - 3.4.3. The basic fixed portion multiplied by 1.0 – for membership in a third committee.
 - 3.4.4. The increment payable for leadership of a Board committee is equal to the basic fixed portion multiplied by 2.. In this case, a separate increment for membership in that committee shall not be accrued or paid.
 - 3.4.5. The increment payable for chairmanship of the Board of Directors is equal to the basic fixed portion multiplied by 4.5.
- 3.4. The fixed component of remuneration 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 Board meetings (was absent from physical meetings or 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/leadership of a Board 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 or video/teleconference meetings, did not submit an absentee ballot/written opinion), the increment for membership in/leadership of the committee shall not be paid to the member.
- 3.6. Remuneration for a corporate reporting year shall be paid to a Board member within 30 calendar days from the date of the General Meeting of 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 be compensated for expenses incurred in carrying out his/her duties and exercising his/her 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, but not to exceed 180 thousand roubles per year, which represents about 10% of the basic remuneration.

4.2 Compensation shall be paid within 30 calendar days from the date of the General Meeting of Shareholders that adopted the decision to pay compensation to members of the Company's Board of Directors.

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

The goal of the Long-Term Programme is to bring together the interests of the Company and its shareholders with those of members of the Board of Directors by entitling the Board members as participants in the Long-Term Programme to receive a cash bonus linked to the dynamics of the Company's capitalization on the stock market, achievement of the target capitalization level, as well as the market capitalization dynamics of the key international competitor airlines. The target of the Long-Term Programme is to achieve the defined target capitalization.

5.1. Format, Scope and Terms of the Long-Term Programme

5.1.1. The format of the Long-Term Programme represents cash remuneration linked to the dynamics of the Company's capitalization on the stock market, achievement of the target capitalization level and the capitalization dynamics of the key international competitor airlines.

5.1.2. The Company's target capitalization and the scope, duration, terms and indicators of the Long-Term Programme for the relevant period are set out in Appendix No.1 hereto.

5.1.3. The Long-Term Programme is based on the following three indicators:

Indicator 1: positive dynamics of the Company's capitalization for the relevant year and achievement of the target capitalization level at the end of the Long-Term Programme. 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 Company's capitalization 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 Programme

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

5.3. Mechanism for Distribution of the Remuneration Pool under the Long-Term Programme among Participants

- 5.3.1. The portion of the remuneration pool payable to participants in the Long-Term Programme 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 in accordance with section 3 hereof.
- 5.3.2. If the target market capitalization specified in Appendix No. 1 hereto is not achieved at the end of the Long-Term Programme (June 2019), the payments deferred until the end of the programme shall not be paid.
- 5.3.3. If the defined target market capitalization is achieved at the end of the programme (June 2019), the final remuneration pool shall be formed and accrued according to the methodology set out 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 in accordance with section 3 hereof.

5.4. Miscellaneous

- 5.4.1. In the event of force majeure situations that are beyond the control of

participants in the Long-Term Programme and which make it impossible to achieve the target indicators (for example, hostilities, natural disasters, revolutions, etc.), the Board of Directors may initiate a revision of the composition of target indicators and/or their target values based on changes in forecasts for the Company's development and submit them for approval to the Company's General Meeting of Shareholders.

- 5.4.2. In case a Board member is not elected for the next term or his/her powers are terminated early, he/she shall be entitled to receive the payments deferred until the end of the Long-Term Programme (deferred remuneration) in accordance with paragraph 5.3.3. hereof. The amount of deferred remuneration shall be determined in proportion to the fixed remuneration determined in accordance with section 3 hereof that was paid to that Board member for the duration of the Long-Term Programme.
- 5.4.3. If a Board member participated in less than 50% of the meetings held by the Board of Directors (was absent from physical meetings or video/teleconference meetings, did not submit an absentee ballot/written opinion) during the period when he/she performed the duties and exercised the powers stipulated by the Company's Articles of Association, the Regulations on the Board of Directors of the Company and the Regulations on Committees of the Board of Directors of the Company, he/she shall not be paid remuneration under the Long-Term Programme.

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

Target Capitalization, Scope, Duration, Terms and Indicators of the Long-Term Programme of PJSC “Aeroflot”

1. The target capitalization of PJSC “Aeroflot” in June 2019 shall be RUB 100,000,000,000 (one hundred billion roubles).
2. Duration of the Long-Term Programme: from January 1, 2016 to June 30, 2019. The programme is divided into four interim periods:
 - 1) January 1, 2016 – June 30, 2016 (six months)
 - 2) July 1, 2016 – June 30, 2017 (one year)
 - 3) July 1, 2017 – June 30, 2018 (one year)
 - 4) July 1, 2018 – June 30, 2019 (one year)
3. The total remuneration pool under the Long-Term Programme 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 Programme (capitalization at the end of the programme minus capitalization at the beginning of the programme).
4. Capitalization at the beginning of the programme is determined as the volume weighted average closing price per share of PJSC “Aeroflot” on the first trading day occurring in the Long-Term Programme period multiplied by the total number of shares comprising the share capital of PJSC “Aeroflot”. This figure shall be calculated and fixed at the beginning of the Long-Term Programme as an Appendix hereto and constitute an integral part hereof.
5. Capitalization at the end of the programme is determined as the volume weighted average closing price (VWAP) per share of PJSC “Aeroflot” for June multiplied by the total number of shares comprising the share capital of PJSC “Aeroflot”.
6. Deferred payments for each of the four interim periods shall be summed up and paid as a single tranche by decision of the Company’s General Meeting of

Shareholders only if the target capitalization of PJSC “Aeroflot” of RUB 100 billion (VWAP for June 2019) has been achieved.

Appendix No. 2
to the Regulations on Remuneration
and Compensations Payable to
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of PJSC “Aeroflot”

Mechanism of Remuneration Pool Accrual under the Long-Term Programme

1. Indicators of the Long-Term Programme 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 Programme minus 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 (VWAP) of the relevant company 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 defined as the position occupied by PJSC “Aeroflot” in the series arranged 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 favour of PJSC “Aeroflot”.

Indicator 3: dynamics of the Company’s capitalization as compared to the MICEX index dynamics. Calculation and comparison of the capitalization dynamics of PJSC “Aeroflot” and the MICEX index for the 52 weeks preceding the comparison shall be carried out once in a corporate year according to the

following formulas:

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

2. The interim remuneration pool under the Long-Term Programme 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 using 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 members under the Long-Term Programme, % 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 the increase in capitalization in the next interim period will be the highest capitalization level achieved in the elapsed periods (high watermark principle).

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|---|---|
| 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 minus capitalization on the first trading day of the relevant period) (position in the series arranged 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 members under the Long-Term Programme, % 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 favour of PJSC “Aeroflot”.

| | |
|---|---|
| Indicator 3 of the bonus pool: Dynamics of the Company’s capitalization 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 members under the Long-Term Programme, % 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
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List of Competitor Companies for Monitoring Capitalization Dynamics

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

- 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.