



Position of the Board of Directors of PJSC Aeroflot – Russian Airlines (“Aeroflot” or “the Company”) on the agenda of the Annual General Meeting of shareholders, 27 June 2016

1. Approval of the agenda, voting procedures and the composition of the working bodies of Aeroflot’s Annual General Meeting of shareholders.

The position of the Board of Directors:

Following the requirements of Federal Law No 208-FZ of 26 December 1995 on Joint Stock Companies (the “Federal Law on Joint Stock Companies”) and the Company’s Charter, and in accordance with the Board of Directors’ Work Plan for the period from July 2015 through June 2016, the Board of Directors preliminarily considered and recommended at its meeting that the Annual General Meeting of shareholders approve the proposed agenda, voting regulations and composition of the working bodies of Aeroflot’s Annual General Meeting of shareholders.

Recommendation:

The Board of Directors recommends approval of the agenda, voting regulations and the composition of the working bodies of Aeroflot’s Annual General Meeting of shareholders.

2. Approval of Aeroflot’s annual report for 2015.

The position of the Board of Directors:

The Board of Directors preliminarily reviewed Aeroflot’s annual report.

Aeroflot’s annual report, which was prepared in accordance with the Federal Law on Joint Stock Companies, takes into account the requirements of RF Government Resolution No 1214 of 31 December 2010, the Regulation on Disclosure of Information by Issuers of Securities No 454-P of 30 December 2014, approved by the Bank of Russia, concerning the structure and content of the annual report, and the recommendation of the Code of Corporate Governance approved by Letter No 06-52/2463 of the Bank of Russia of 10 April 2014.

Recommendation:

The Board of Directors recommends approval of Aeroflot’s annual report for 2015.

3. Approval of Aeroflot’s annual accounting (financial) statements for 2015.

The position of the Board of Directors:

(1) The Board of Directors preliminarily reviewed Aeroflot’s annual accounting (financial) statements for 2015 according to Russian Accounting Standards (RAS). The Board of Directors read and acknowledged the auditor’s report of 3 February 2016 prepared by the Company’s auditor, BDO Unicon (OGRN 1037739271701), with respect to Aeroflot’s financial statements prepared in accordance with RAS.

In addition, the Board of Directors noted the positive opinion of the Company's Audit Commission regarding Aeroflot's results for 2015.

- (2) The Board of Directors also preliminarily reviewed the consolidated financial statements of Aeroflot and its subsidiaries (the Group) prepared in accordance with International Financial Reporting Standards (IFRS) on the basis of the Company's results for 2015.

In addition, the Board of Directors read and acknowledged the auditor's report of 29 February 2016 prepared by the Company's auditor, PricewaterhouseCoopers Audit (OGRN 1027700148431), with respect to the consolidated financial statements prepared in accordance with IFRS on the Company's results for 2015.

Recommendation:

The Board of Directors recommends approval of the annual accounting (financial) reports for the 2015 financial year.

4. Approval of the distribution of Aeroflot's profits based on the results of the 2015 financial year.

The position of the Board of Directors:

According to Aeroflot's results for the 2015 financial year, the Company recorded a loss of RUB 18,927.8 million.

Therefore, the Board of Directors deems it necessary to recommend that Aeroflot's next Annual General Meeting of shareholders not distribute profits.

Recommendation:

In connection with Aeroflot's loss of RUB 18,927.8 million as a result of its operations in the 2015 financial year, the Board of Directors recommends that Aeroflot's next Annual General Meeting of shareholders not distribute profits.

5. Concerning the size of dividends and the timing and form of payment thereof for 2015 and the setting of the date on which the individuals entitled to receive dividends are to be determined.

The position of the Board of Directors:

According to Aeroflot's results for the 2015 financial year, the Company lost RUB 18,927.8 million.

Therefore, the Board of Directors deems it necessary to recommend that Aeroflot's next Annual General Meeting of shareholders not declare or pay dividends on shares in PJSC Aeroflot based on the results of the 2015 financial year.

Recommendation:

The Board of Directors recommends that, due to its losses, Aeroflot's next Annual General Meeting of shareholders not declare or pay dividends on shares in PJSC Aeroflot based on the results of the 2015 financial year.

6. On approval of a new version of the Regulation on Remuneration of the Members of the Board of Directors of PJSC Aeroflot.

The position of the Board of Directors:

In accordance with the decisions of the Board of Directors, a new version of the Regulation on Remuneration and Compensation Paid to Members of the Board

Directors of PJSC Aeroflot (the “Regulation”) was developed that takes into account the updated parameters for the variable (bonus) portion of the remuneration and long-term stock-option plan for members of the Board of Directors. The applicability of the parameters of the Regulation was synchronised with the corresponding corporate years.

Recommendation:

To approve the Regulation on Remuneration and Compensation Paid to Members of the Board of Directors of PJSC Aeroflot (version No 2).

7. On payment of remuneration to members of Aeroflot’s Board of Directors.

The position of the Board of Directors:

In accordance with Article 64(2) of the Federal Law on Joint Stock Companies and para. 16.8(20) of the Company’s Charter, approval of the amount remuneration and compensation paid to members of the Board of Directors falls within the competence of the General Meeting of shareholders.

Therefore, we recommend that the Annual General Meeting of shareholders approve and pay the members of Aeroflot’s Board of Directors remuneration for 2015, and also approve and pay the members of Aeroflot’s Board of Directors remuneration in accordance with the stock-option plan for 2015.

Remuneration for members of Aeroflot’s Board of Directors for the period from 1 January 2016 through 30 June 2016 should be paid in accordance with the terms of the Regulation on Remuneration and Compensation Paid to the Members of the Board of Directors of PJSC Aeroflot, approved by the Annual General Meeting of shareholders on 27 June 2016.

Recommendation:

It is recommended that the next Annual General Meeting of shareholders approve and pay the members of Aeroflot’s Board of Directors remuneration for 2015, and also approve and pay the members of Aeroflot’s Board of Directors remuneration in accordance with the stock-option programme for 2015.

Remuneration for members of Aeroflot’s Board of Directors for the period from 1 January 2016 through 30 June 2016 should be paid in accordance with the terms of the Regulation on Remuneration and Compensation Paid to the Members of the Board of Directors of PJSC Aeroflot, approved by the Annual General Meeting of shareholders on 27 June 2016.

8. On payment of remuneration to members of Aeroflot’s Audit Commission.

The position of the Board of Directors:

In accordance with Article 85(1) of the Federal Law on Joint Stock Companies and para. 16.8(20) of the Company’s Charter, approval of the amount of remuneration and compensation paid to members of the Board of Directors falls within the competence of the General Shareholders Meeting.

Also, according to Article 8 of the Regulation on the Company’s Audit Commission, approved by the Company’s General Shareholders Meeting on 22 June 2015, the members of the Audit Commission shall be paid remuneration during the period of the execution of their duties by a decision of the General Shareholders Meeting. The amount of the remuneration shall be established by a decision of the General Shareholders Meeting.

Therefore, it is recommended that the next Annual General Meeting of shareholders approve the payment of remuneration for the members of Aeroflot’s Audit Commission.

Recommendation:

It is recommended that the next General Shareholders Meeting approve and pay remuneration to the members of Aeroflot's Audit Commission.

9. Election of Aeroflot's Board of Directors.

The position of the Board of Directors:

In accordance with Article 48(1) and Article 66(1) of the Federal Law on Joint Stock Companies and para. 16.8 of the Company's Charter, the election of the members of the Board of Directors falls within the competence of the General Shareholders Meeting.

According to para. 19.3 of the Company's Charter, the eleven (11) members of the Board of Directors are elected by the General Shareholders Meeting in the manner prescribed by the Federal Law on Joint Stock Companies and by the Company's Charter until the next Annual General Meeting of shareholders.

Recommendation:

The Board of Directors recommends that the next Annual General Meeting of shareholders elect 11 members of Aeroflot's Board from among the candidates proposed by the Company's shareholders.

10. Election of the members of Aeroflot's Audit Commission.

The position of the Board of Directors:

In accordance with Article 48(1) and Article 85(1) of the Federal Law on Joint Stock Companies, para. 16.8 of the Company's Charter, the election of the members of the Company's Audit Commission falls within the competence of the General Shareholders Meeting.

According para. 23.1 of the Company's Charter, in order to exercise oversight over the Company's financial and economic activities, the Company's Audit Commission, consisting of five (5) members, shall be elected by the General Shareholders Meeting, in accordance with the Company's Charter, for a term lasting until the next Annual General Meeting of shareholders.

Recommendation:

The Board of Directors recommends that the next Annual General Meeting of shareholders elect five members to Aeroflot's Audit Commission from among the candidates proposed by the Company's shareholders and in accordance with the brief biographical information on the candidates for Aeroflot's Audit Commission that has been presented to shareholders.

11. Approval of Aeroflot's auditor for 2016.

The position of the Board of Directors:

In accordance with Article 48(1) and Article 86(2) of the Federal Law on Joint Stock Companies and para. 23.10 of the Company's Charter, the General Shareholders Meeting approves the Company's auditor. The Board of Directors has considered the results of the competition for the selection of the auditor.

Recommendation:

The Board of Directors recommends that Aeroflot's next Annual General Meeting of shareholders approve the auditing firm BDO Unicon as the auditor for Aeroflot's annual accounting (financial) statements for 2016, prepared in accordance with Russian Accounting Standards.

The Board of Directors recommends that Aeroflot's next Annual General Meeting of shareholders approve the auditing firm of PricewaterhouseCoopers Audit as the auditor for Aeroflot's (Aeroflot Group) consolidated financial statements for 2016, prepared in accordance with IFRS.

12. On approval of a new version of Aeroflot's Charter.

The position of the Board of Directors:

In 2015, amendments were adopted to the Federal Law on Joint Stock Companies that will enter into force as of 1 July 2016. These amendments are a significant addition to the provisions of the Federal Law on Joint Stock Companies, bringing them into line with the Civil Code of the Russian Federation.

Also, on 19 March 2015, Aeroflot's Board of Directors approved an Action Plan (roadmap) on the improvement of corporate governance practices at Aeroflot (the "Action Plan") that provides for the implementation of the key recommendations of the Corporate Governance Code in Aeroflot's operations.

These legislative amendments and the implementation of the approved Action Plan will require amendments to Aeroflot's Charter.

In accordance with Article 49(3) of the Federal Law on Joint Stock Companies and para. 16.11 of Aeroflot's Charter, a new version of the Charter may be approved by the General Shareholders Meeting only upon the proposal of the Board of Directors.

Recommendation:

The Board of Directors recommends that the next Annual General Meeting of shareholders approve the Charter of PJSC Aeroflot – Russian Airlines (version No 9).

13. On approval of a new version of the Regulation on the General Shareholders Meeting of PJSC Aeroflot.

The position of the Board of Directors:

In 2015, amendments were adopted to the Federal Law on Joint Stock Companies that will enter into force as of 1 July 2016. These amendments are a significant addition to the provisions of the Federal Law on Joint Stock Companies, bringing them into line with the Civil Code of the Russian Federation.

Also, on 19 March 2015, Aeroflot's Board of Directors approved an Action Plan (roadmap) on the improvement of corporate governance practices at Aeroflot (the "Action Plan") that provides for the implementation of the key recommendations of the Corporate Governance Code in Aeroflot's operations.

Changes in legislation and the implementation of the approved Action Plan require changes in the Company's internal documents, including the Regulation on the General Meeting of Shareholders of PJSC Aeroflot – Russian Airlines (the "Regulation on the General Meeting of Shareholders").

In accordance with Article 49(3) of the Federal Law on Joint Stock Companies and with para. 16.11 of Aeroflot's Charter, a new version of the Regulation on the GSM may be approved by the General Shareholders Meeting only upon the proposal of the Board of Directors.

Recommendation:

The Board of Directors recommends approval of the Regulation on the General Shareholders Meeting of PJSC Aeroflot – Russian Airlines (version No 5).

14. Approval of a new version of the Regulation on the Board of Directors of PJSC Aeroflot.

The position of the Board of Directors:

In 2015, amendments were adopted to the Federal Law on Joint Stock Companies that will enter into force as of 1 July 2016. These amendments are a significant addition to the provisions of the Federal Law on Joint Stock Companies, bringing them into line with the Civil Code of the Russian Federation.

Also, on 19 March 2015, Aeroflot’s Board of Directors approved an Action Plan (roadmap) on the improvement of corporate governance practices at Aeroflot (the “Action Plan”) that provides for the implementation of the key recommendations of the Corporate Governance Code in Aeroflot’s operations.

Changes in legislation and the implementation of the approved Action Plan require changes in the Company’s internal documents, including the Regulation on the Board of Directors of PJSC Aeroflot – Russian Airlines (the “Regulation on the Board”).

In accordance with Article 49(3) of the Federal Law on Joint Stock Companies and with para. 16.11 of Aeroflot’s Charter, a new version of the Regulation on the Board may be approved by the General Shareholders Meeting only upon the proposal of the Board of Directors.

Recommendation:

The Board of Directors recommends approval of the Regulation on the Board of Directors of PJSC Aeroflot – Russian Airlines (version No 7).

15. Approval of a new version of the Regulation on the Management Board of PJSC Aeroflot.

The position of the Board of Directors:

In 2015, amendments were adopted to the Federal Law on Joint Stock Companies that will enter into force as of 1 July 2016. These amendments are a significant addition to the provisions of the Federal Law on Joint Stock Companies, bringing them into line with the Civil Code of the Russian Federation.

Also, on 19 March 2015, Aeroflot’s Board of Directors approved an Action Plan (roadmap) on the improvement of corporate governance practices at Aeroflot (the “Action Plan”) that provides for the implementation of the key recommendations of the Corporate Governance Code in Aeroflot’s operations.

Changes in legislation and the implementation of the approved Action Plan require changes in the Company’s internal documents, including the Regulation on the Management Board of PJSC Aeroflot – Russian Airlines (the “Regulation on the Management Board”).

In accordance with Article 49(3) of the Federal Law on Joint Stock Companies and with para. 16.11 of Aeroflot’s Charter, a new version of the Regulation on the Management Board may be approved by the General Shareholders Meeting only upon the proposal of the Board of Directors.

Recommendation:

The Board of Directors recommends approval of the Regulation on the Management Board of PJSC Aeroflot – Russian Airlines (version No 4).

16. On approval of related-party transactions involving Aeroflot, including transactions that may be carried out in the future during the course of Aeroflot's normal business operations.

The position of the Board of Directors:

In accordance with Russian legislation, related-party transactions must be approved in the manner prescribed by Chapter XI of the Federal Law on Joint Stock Companies.

Also, in accordance with Article 83(6) of the Federal Law on Joint Stock Companies, the General Shareholders Meeting may decide on approval of transactions between the Company and related parties that may be concluded in the future during the course of the Company's normal business operations.

In the period until the next Annual General Meeting of shareholders in 2017, Aeroflot plans to conclude a number of transactions with its subsidiaries: Aeromar, Aurora Airlines, and Rossiya Airlines.

These transactions are, for Aeroflot, related-party transactions, since members of Aeroflot's Board of Directors or Management Board are or will be members of the Boards of Directors of the above-mentioned companies.

In addition, there are plans to conclude a transaction with Alfa Insurance regarding liability insurance for the members of the Board of Directors, the members of the Management Board, and representatives of Aeroflot nominated and elected to the Boards of Directors (Supervisory Boards) of Aeroflot subsidiaries, which is also a related-party transaction.

In accordance with Article 83 of the Federal Law on Joint Stock Companies, related-party transactions involving property whose value, according to accounting records, is more than 2 per cent of the book value of the Company's assets according to its financial statements for the preceding reporting period, must be approved by the General Shareholders Meeting.

In addition, Aeroflot already has an established practice of considering at the General Shareholders Meeting issues related to the approval of related-party transactions involving Aeroflot that may be completed in the future during the course of Aeroflot's normal business operations (Annual General Meeting of shareholders from 2008 through 2015.).

In accordance with para. 16.11 of Aeroflot's Charter, decisions by the General Shareholders Meeting to approve such transactions are adopted upon the proposal of the Board of Directors.

Recommendation:

The Board of Directors recommends that the next Annual General Meeting of shareholders approve related-party transactions involving Aeroflot, including transactions that may be completed in the future during the course of Aeroflot's normal business operations.

17. On approval of related-party transactions related to the financing of the acquisition of 10 new regional jets between Sukhoi Civil Aircraft, Sberbank Leasing and Aeroflot.

The position of the Board of Directors:

A contract for the supply of new Sukhoi Superjet 100 regional jets was signed on 7 December 2005 between Sukhoi Civil Aircraft and Aeroflot. In accordance with the terms of this agreement, Sukhoi Civil Aircraft is obliged to supply in 2015-2016 Aeroflot's fleet with 10 new Sukhoi Superjet 100 regional jets (the "Aircraft"), as well

as to arrange the financing for the acquisition of the Aircraft by obtaining funds from leasing companies under the terms provided in the contract.

As a result of Sukhoi Civil Aircraft's search for sources of financing, the only offer with acceptable terms was received in the third quarter of 2015 from Sberbank Leasing. In order to finance the acquisition of 10 new Sukhoi Superjet 100 regional jets (model RRJ-95B) configured for Aeroflot, it is recommended that the next Annual General Meeting of shareholders approve a number of interrelated transactions.

Due to the fact that a member of Aeroflot's Board of Directors, Yury Slusar, is also President of the United Aircraft Corporation (an affiliate of Sukhoi Civil Aircraft), the transaction (a number of interrelated transactions) is a related-party transaction.

In accordance with Article 81(1) and Article 83(4) of the Federal Law on Joint Stock Companies and para. 16.8(13) of Article 16 of Aeroflot's Charter, related-party transactions involving property whose value is more than 2 per cent of the book value of the Company's assets must be approved by the General Shareholders Meeting.

At the same time, in accordance with Article 49(3) of the Federal Law on Joint Stock Companies, decisions on such matters shall be taken by the General Shareholders Meeting only upon the proposal of the Board of Directors.

Recommendation:

The Board of Directors recommends that the next Annual General Meeting of shareholders approve the related-party transactions for financing the acquisition of 10 new regional jets between Sukhoi Civil Aircraft, Sberbank Leasing and Aeroflot.