



Position of the Board of Directors of Public Joint Stock Company “Aeroflot – Russian Airlines” (PJSC “Aeroflot”, the Company) with respect to the Agenda of the Annual General Meeting of Shareholders of the Company to be held on June 26, 2017

1. Approval of daily schedule, voting procedure and members of working bodies of the annual general meeting of shareholders of PJSC "Aeroflot".

Position of the Board of Directors:

Guided by the provisions of Federal Law No. 208-FZ On Joint Stock Companies dated December 26, 1995 (hereinafter referred to as the Federal Law "On Joint Stock Companies") and the Company’s Articles of Association, and in compliance with the Action Plan of the Board of Directors of the Company for the Period from July 2016 to June 2017, the Board of Directors preliminarily considered at its meeting and recommended to the Annual General Meeting of Shareholders to approve the proposed daily schedule, the voting procedure, the composition of the working bodies of the Annual General Meeting of Shareholders of PJSC “Aeroflot”.

Recommendation:

The Board of Directors recommends that the daily routine, the voting procedure, and the composition of the working bodies of the Annual General Meeting of Shareholders of PJSC “Aeroflot” be approved.

2. Approval of 2016 annual report of PJSC "Aeroflot".

Position of the Board of Directors:

The Board of Directors of the Company preliminarily reviewed the Annual Report of Public Joint Stock Company “Aeroflot – Russian Airlines”.

The Annual Report of PJSC “Aeroflot” is prepared in compliance with the Federal Law "On Joint Stock Companies", it is consistent with the provisions of Decree of the Government of the Russian Federation No. 1214 dated December 31, 2010, Regulations on Disclosure of Information by Issuers of Equity Securities No. 454-P dated December 30, 2014 as approved by the Bank of Russia with respect to the structure and content of the annual report, recommendations of Corporate Governance Code No. 06-52/2463 dated April 10, 2014 approved by the Bank of Russia (hereinafter referred to as the “Corporate Governance Code”).

Recommendation:

The Board of Directors of the Company recommends that the 2016 Annual Report of Public Joint Stock Company “Aeroflot – Russian Airlines” be approved.

3. Approval of the annual accounting (financial) statements of PJSC "Aeroflot" for 2016.

Position of the Board of Directors:

- (1) The Board of Directors of the Company preliminarily reviewed the annual accounting (financial) statements of PJSC “Aeroflot” with respect to the Company’s performance in 2016 prepared in compliance with Russian Accounting Standards (RAS). The Board of Directors acquainted itself with the Audit Report dated February 2, 2017 prepared by JSC

“BDO Unicon” (Primary State Registration Number: 1037739271701), the Company’s Auditor, regarding the accounting statements of PJSC “Aeroflot” prepared in compliance with RAS.

Additionally, the Board of Directors of the Company noted the positive opinion of the Company’s Revision Committee with respect to the business performance of PJSC “Aeroflot” in 2016.

- (2) The Board of Directors of the Company also reviewed the consolidated financial statements of PJSC “Aeroflot” and its subsidiaries (hereinafter referred to as the “Aeroflot Group”) prepared in compliance with International Financial Reporting Standards (IFRS) based on the Company’s business performance in 2016.

In addition, the Board of Directors of the Company acquainted itself with the Audit Report dated March 1, 2017 prepared by JSC “PricewaterhouseCoopers Audit” (Primary State Registration Number: 1027700148431), the Company’s Auditor, regarding the consolidated financial statements of the Aeroflot Group prepared in compliance with IFRS based on the Company’s business performance in 2016.

Recommendation:

The Board of Directors of the Company recommends that the annual accounting (financial) statements based on the Company’s business performance in the financial year 2016 be approved.

4. Approval of distribution of profits of PJSC "Aeroflot" according to results of 2016.

Position of the Board of Directors:

The operating profit of PJSC “Aeroflot” in 2016 totalled RUB 30,616,800,000.

Recommendation:

In connection with the profit received by PJSC "Aeroflot" for the financial year 2016, the Board of Directors recommends the Ordinary Annual General Meeting of Shareholders to approve the distribution of PJSC “Aeroflot” profit for the financial year 2016 (as well as the unused net profit of the preceding period) in accordance with the recommendations of the Board of Directors of PJSC “Aeroflot”, including:

- to pay dividends for 2016 - RUB 19,413,018.00 thousand;
- to pay remuneration to members of the Revision Commission - RUB 3,375.67 thousand;
- to finance capital investments from profits of 2016, repayment of the loss of PJSC "Aeroflot" for 2015, remuneration of employees of PJSC "Aeroflot" according to the results of 2016, as well as replenishment of the Targeted Programs Fund and contingencies - RUB 19,286,115.33 thousand.

5. On the amount of dividends, terms and form of their payment based on the results of 2016, and establishment of the date for which persons entitled to receive dividends are determined.

Position of the Board of Directors:

Based on the business performance of PJSC “Aeroflot” in the financial year 2016, the Company received a profit.

In this regard, the Board of Directors of the Company considers it necessary to recommend the Ordinary Annual General Meeting of Shareholders of PJSC “Aeroflot” to pay dividends on PJSC “Aeroflot” shares and set a date for determining the list of persons entitled to receive dividends.

Recommendation:

In connection with the operating profit received for the financial year 2016, the Board of Directors recommends the Ordinary Annual General Meeting of Shareholders of PJSC "Aeroflot" to:

1. by August 18, 2017, pay dividends in the amount of RUB 17.4795 per share in cash for a total amount of RUB 19,413,018,000 on PJSC "Aeroflot" shares in compliance with the applicable legislation of the Russian Federation.
2. set July 14, 2017 as the date, by which the list of persons entitled to receive dividends on PJSC "Aeroflot" shares shall be determined.

6. On approval of the Regulations on Remuneration and Compensation Payable to Members of the Board of Directors of PJSC "Aeroflot".

Position of the Board of Directors:

In compliance with resolutions of the Board of Directors of the Company, a revised Regulation on Remuneration and Compensations Payable to the Members of the Board of Directors of PJSC "Aeroflot" (hereinafter referred to as the "Regulation"), which applies to obligations arising after January 1, 2016, was developed. The above revised Regulation shall apply for the purposes of the calculation of remuneration for the periods commencing on July 1, 2016.

Recommendation:

To approve the Regulations on Remuneration and Compensation Payable to Members of the Board of Directors of PJSC "Aeroflot".

7. On payment of remuneration to members of the Board of Directors of PJSC "Aeroflot".

Position of the Board of Directors:

In compliance with Paragraph 2 of Article 64 of the Federal Law "On Joint Stock Companies" and Subparagraph 20 of Paragraph 16.8. of the Articles of Association of the Company, the approval of the amount of remuneration and compensations payable to members of the Board of Directors of the Company falls within the competence of the General Meeting of Shareholders of the Company.

In this regard, the Annual General Meeting of Shareholders is invited to adopt resolutions on the payment of a fixed portion of the remuneration to the members of the Board of Directors of PJSC "Aeroflot" for the period from January 1, 2016 to June 30, 2016, approve the amount of the remuneration fund of the members of the Board of Directors PJSC "Aeroflot" under a long-term incentive program for the period from January 1, 2016 to June 30, 2016, as well as to adopt a resolution on the payment of a fixed portion of remuneration to the members of the Board of Directors of PJSC "Aeroflot" for the period from July 1, 2016 to June 30, 2017, with account to possible adjustments based on the outcomes of meetings of the Board of Directors and the Committees of the Board of Directors to be held in June 2017.

Recommendation:

The Ordinary Annual General Meeting of Shareholders is invited to adopt the following resolutions:

1. to approve the amount of payments of a fixed portion of remuneration to the members of the Board of Directors of PJSC "Aeroflot" in compliance with the Regulation on Remuneration and Compensations Payable to the Members of the Board of Directors of PJSC "Aeroflot" for the period from January 1, 2016 to June 30, 2016. The amount of

personal payments is indicated in Bulletin No. 2 of the Annual General Meeting of Shareholders of PJSC "Aeroflot".

2. to approve the amount of the remuneration fund under the long-term incentive programme for the members of the Board of Directors PJSC "Aeroflot" in compliance with the Regulation on Remuneration and Compensations Payable to the Members of the Board of Directors of PJSC "Aeroflot" for the period from January 1, 2016 to June 30, 2016 in the amount of RUB 64.24 mln., of which:

- RUB 32.12 mln. (50%) shall be allocated and laid aside until the termination of the long-term incentive programme;
- RUB 32.12 mln. (50%) shall be payable to the members of the Board of Directors of PJSC "Aeroflot".

The amount of personal payments is indicated in Bulletin No. 2 of the Annual General Meeting of Shareholders of PJSC "Aeroflot".

3. to approve the amount of personal payments of the fixed portion of remuneration to the members of the Board of Directors of PJSC "Aeroflot" in compliance with the Regulation on Remuneration and Compensations Payable to the Members of the Board of Directors of PJSC "Aeroflot" for the period from July 1, 2016 to June 30, 2017.

The amount of personal payments is indicated in Bulletin No. 2 of the Annual General Meeting of Shareholders of PJSC "Aeroflot".

8. On payment of remuneration to members of the Audit Commission of PJSC "Aeroflot".

Position of the Board of Directors:

In compliance with Paragraph 1 of Article 85 of the Federal Law "On Joint Stock Companies" and Subparagraph 20 of Clause 16.8. of the Articles of Association of the Company, approval of the amount of remuneration and compensations payable to the members of the Audit Committee of the Company falls within the competence of the General Meeting of Shareholders of the Company.

Further, in compliance with Article 8 of the Regulation on the Audit Committee of the Company approved by the General Meeting of Shareholders of the Company on June 25, 2015, the members of the Audit Committee shall be paid remuneration during the period of performance of their duties based on the resolution of the General Meeting of Shareholders. The amount of such remuneration shall be established by a resolution of the General Meeting of Shareholders in accordance with the Regulation on Incentives for the Members of the Audit Committee.

In this regard, the next Annual General Meeting of Shareholders of the Company is invited to approve the payment of remuneration to the members of the Audit Committee of PJSC "Aeroflot".

Recommendation:

The Ordinary Annual General Meeting of Shareholders is invited to approve and pay remuneration to the members of the Audit Committee of PJSC "Aeroflot".

The amount of personal payments is indicated in Bulletin No. 2 of the Annual General Meeting of Shareholders of PJSC "Aeroflot".

9. Election of the Audit Commission of PJSC "Aeroflot".

Position of the Board of Directors:

In compliance with Paragraph 1 of Article 48, Paragraph 1 of Article 66 of the Federal Law "On Joint Stock Companies", Clause 16.8. of the Articles of Association of the Company,

the election of the members of the Board of Directors of the Company falls within the competence of the General Meeting of Shareholders of the Company.

According to Clause 19.3. of the Company's Articles of Association, the members of the Company's Board of Directors shall be elected by the General Meeting of Shareholders as per the procedure provided for by the Federal Law On Joint Stock Companies and the Articles of Association of the Company for the period until the next Annual General Meeting of Shareholders; the number of elected members shall be 11 (eleven).

Recommendation:

The Board of Directors of the Company recommends that the Ordinary Annual General Meeting of Shareholders elect 11 (eleven) members of the Board of Directors of PJSC "Aeroflot" from among the nominees proposed by the Company's shareholders.

10. Election of the Audit Commission of PJSC "Aeroflot".

Position of the Board of Directors:

In compliance with Paragraph 1 of Article 48, Paragraph 1 of Article 85 of the Federal Law "On Joint Stock Companies", Subparagraph 8 of Clause 16.8. of the Articles of Association of the Company, the election of the members of the Audit Committee of the Company falls within the competence of the General Meeting of Shareholders of the Company.

According to Clause 23.1. of the Articles of Association of the Company, the General Meeting of Shareholders shall elect the Audit Committee of the Company consisting of 5 (five) members for the period until the next Annual Meeting of Shareholders to monitor the financial and business operations of the Company.

Recommendation:

The Company's Board of Directors recommends that the Ordinary Annual General Meeting of Shareholders elect five members of the Audit Committee of PJSC "Aeroflot" from among the nominees proposed by the Company's shareholders with reference to the brief biographical data of such nominees to the Audit Committee of PJSC "Aeroflot" provided to the shareholders.

11. Approval of auditors of PJSC "Aeroflot" for 2017.

Position of the Board of Directors:

In compliance with Paragraph 1 of Article 48, Paragraph 2 of Article 86 of the Federal Law "On Joint Stock Companies", Clause 23.10. of the Articles of Association of the Company, the General Meeting of Shareholders shall approve the Company's Auditor. The Board of Directors reviewed the results of the conducted auditor selection competitions.

Recommendation:

The Board of Directors of the Company proposes to the Ordinary Annual General Meeting of Shareholders of PJSC "Aeroflot" to approve the audit company CJSC "HLB Vneshaudit" as the Auditor of the 2017 annual accounting (financial) statements of PJSC "Aeroflot" prepared in compliance with RAS.

The Board of Directors of the Company proposes to the Ordinary Annual General Meeting of Shareholders of PJSC "Aeroflot" to approve the audit company of JSC "PricewaterhouseCoopers Audit" as the Auditor of the 2017 consolidated financial statements of PJSC "Aeroflot" (Aeroflot Group) prepared in compliance with IFRS.

12. On approval of a new version of the Articles of Association of PJSC "Aeroflot".

Position of the Board of Directors:

In 2016, amendments were introduced to Federal Law No. 208-FZ "On Joint Stock Companies" dated December 26, 1995 (hereinafter referred to as the Federal Law "On JSC"), which took effect on January 1, 2017. The above amendments, in particular, have significantly changed the procedure for obtaining the consent of the Company's management bodies to the execution of major transactions, as well as related-party transactions.

Further, on March 19, 2015, the Board of Directors of PJSC "Aeroflot" approved the Action Plan ("Roadmap") for the Improvement of Corporate Governance Practices in PJSC "Aeroflot" (hereinafter referred to as the "Action Plan"), which provides for the implementation of key recommendations of the Corporate Governance Code in PJSC "Aeroflot" operations.

In addition, the Auditor in charge of annual monitoring of the quality of corporate governance in the Company submitted recommendations aimed at improving the quality of corporate governance in the Company.

Changes in legislation, implementation of the approved Action Plan, and improvement of the quality of corporate governance in the Company require amendments to the Articles of Association of PJSC "Aeroflot" and other by-laws of the Company regulating the proceedings of the Company's management bodies.

Most of the changes are of technical nature to the extent they literally bring the provisions of the Company's documents in line with changes in legislation.

Recommendation:

The Board of Directors of the Company recommends the Ordinary Annual General Meeting of Shareholders to approve the Articles of Association of Public Joint Stock Company "Aeroflot - Russian Airlines" (Version No. 10).

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

Position of the Board of Directors:

In 2016, amendments were introduced to the Federal Law "On Joint Stock Companies". Such amendments substantially supplement and/or modify certain provisions of the Federal Law "On Joint Stock Companies".

Further, on March 19, 2015, the Board of Directors of PJSC "Aeroflot" approved the Action Plan ("Roadmap") for the Improvement of Corporate Governance Practices in PJSC "Aeroflot" (hereinafter referred to as the "Action Plan"), which provides for the implementation of key recommendations of the Corporate Governance Code in PJSC "Aeroflot" operations.

In addition, the Auditor in charge of annual monitoring of the quality of corporate governance in the Company submitted recommendations aimed at improving the quality of corporate governance in the Company.

Changes in legislation, implementation of the approved Action Plan, and improvement of the quality of corporate governance in the Company require amendments to the by-laws of the Company, including the Regulation of the General Meeting of Shareholders of Public Joint Stock Company "Aeroflot – Russian Airlines" (hereinafter referred to the "GMS Regulation").

In compliance with Paragraph 3 of Article 49, Subparagraph 19 of Paragraph 1 of Article 48 of the Federal Law "On Joint Stock Companies" and Clause 16.11 of the Articles of Association of PJSC "Aeroflot", the revised GMS Regulation shall be approved by the General Meeting of Shareholders of the Company solely on the proposal of the Board of Directors of the Company.

Recommendation:

The Board of Directors of the Company recommends that the Regulation on the General Meeting of Shareholders of Public Joint Stock Company "Aeroflot – Russian Airlines" (Version No. 6) be approved.

14. On approval of a new version of the Regulations on the Board of Directors of PJSC "Aeroflot".

Position of the Board of Directors:

In 2016, amendments were introduced to the Federal Law "On Joint Stock Companies". Such amendments substantially supplement and/or modify certain provisions of the Federal Law "On Joint Stock Companies".

Further, on March 19, 2015, the Board of Directors of PJSC "Aeroflot" approved the Action Plan ("Roadmap") for the Improvement of Corporate Governance Practices in PJSC "Aeroflot" (hereinafter referred to as the "Action Plan"), which provides for the implementation of key recommendations of the Corporate Governance Code in PJSC "Aeroflot" operations.

In addition, the Auditor in charge of annual monitoring of the quality of corporate governance in the Company submitted recommendations aimed at improving the quality of corporate governance in the Company.

Changes in legislation, implementation of the approved Action Plan, and improvement of the quality of corporate governance in the Company require amendments to the by-laws of the Company, including the Regulation of the Board of Directors of Public Joint Stock Company "Aeroflot – Russian Airlines" (hereinafter referred to the "BoD Regulation").

In compliance with Paragraph 3 of Article 49, Subparagraph 19 of Paragraph 1 of Article 48 of the Federal Law "On Joint Stock Companies" and Clause 16.11 of the Articles of Association of PJSC "Aeroflot", the revised BoD Regulation shall be approved by the General Meeting of Shareholders of the Company solely on the proposal of the Board of Directors of the Company.

Recommendation:

The Board of Directors of the Company recommends that the Regulation on the Board of Directors of Public Joint Stock Company "Aeroflot – Russian Airlines" (Version No. 8) be approved.

15. On approval of a new version of the Regulations on the Management Board of PJSC "Aeroflot".

Position of the Board of Directors:

On March 19, 2015, the Board of Directors of PJSC "Aeroflot" approved the Action Plan ("Roadmap") for the Improvement of Corporate Governance Practices in PJSC "Aeroflot" (hereinafter referred to as the "Action Plan"), which provides for the implementation of key recommendations of the Corporate Governance Code in PJSC "Aeroflot" operations.

In addition, the Auditor in charge of annual monitoring of the quality of corporate governance in the Company submitted recommendations aimed at improving the quality of corporate governance in the Company.

The implementation of the approved Action Plan and improvement of the quality of corporate governance in the Company require amendments to the by-laws of the Company, including the Regulation of the Management Board of Public Joint Stock Company "Aeroflot – Russian Airlines" (hereinafter referred to the "MB Regulation").

In compliance with Paragraph 3 of Article 49, Subparagraph 19 of Paragraph 1 of Article 48 of the Federal Law "On Joint Stock Companies" and Clause 16.11 of the Articles of

Association of PJSC “Aeroflot”, the revised MB Regulation shall be approved by the General Meeting of Shareholders of the Company solely on the proposal of the Board of Directors of the Company.

Recommendation:

The Board of Directors of the Company recommends that the Regulation on the Management Board of Public Joint Stock Company “Aeroflot – Russian Airlines” (Version No. 5) be approved.

16. On interested party transactions of PJSC “Aeroflot”.

Position of the Board of Directors:

In compliance with the applicable legislation of the Russian Federation, related-party transactions shall be approved as per the procedure provided for by Chapter XI of the Federal Law "On Joint Stock Companies".

The following transactions are proposed for approval to the Annual General Meeting of Shareholders of PJSC “Aeroflot”:

1. to give consent to the implementation of related-party transactions relating to the provision of a guarantee (surety) to LLC “Pobeda Airlines” by PJSC “Aeroflot” under lease agreements for 8 (eight) new Boeing 737-800 aircraft;
2. to approve (endorse) an amendment to the material terms of the previously approved related-party transaction relating to the commercial management of the load of flights operated by JSC “Rossiya Airlines” (including pricing and sale of air tickets for such flights) by PJSC “Aeroflot” under a code-share/block of seats agreement on the code-share operation of flights based on the model of commuter (regional) transportation, providing for the publication of code-share flights in booking systems under a single PJSC “Aeroflot” code in the SU5950-6999 range, for the period from November 1, 2015 to October 31, 2016;
3. to approve (endorse) an amendment to the material terms of the previously approved related-party transaction relating to the commercial management of the load of flights operated by JSC “Rossiya Airlines” (including pricing and sale of air tickets for such flights) by PJSC “Aeroflot” under a code-share/block of seats agreement on the code-share operation of flights based on the model of commuter (regional) transportation, providing for the publication of code-share flights in booking systems under a single PJSC “Aeroflot” code in the SU5950-6999 range, for the period from November 1, 2016 to October 31, 2017;
4. to approve (endorse) related-party transactions (a set of related transactions) relating to the assignment of the rights and obligations of LLC “Pobeda Airlines” under a transaction with CFM International S.A. concerning the lease (operational lease) of ten new Boeing 737-800 aircrafts with engines for the benefit of PJSC “Aeroflot”;

The above transactions are related-party transactions with respect to PJSC “Aeroflot”, as the members of the Board of Directors/Management Board of PJSC “Aeroflot” are or will be members of the board of directors of each of such companies.

In addition, the Annual General Meeting of Shareholders of PJSC “Aeroflot” is proposed to approve (endorse) the transaction that the Company intends to enter into with OJSC “AlfaStrakhovanie” (Insurer) with respect to the insurance of the liability of: The General Director, members of the Board of Directors, members of the Management Board of PJSC “Aeroflot” and representatives of PJSC “Aeroflot”, nominated and elected to the boards of directors (supervisory boards) of the subsidiaries of PJSC “Aeroflot” and “PJSC Aeroflot”, which is also a related-party transaction.

In compliance with the Federal Law "On Joint Stock Companies" and the Articles of Association of PJSC “Aeroflot”, related-party transactions that meet the criteria established by the Federal Law "On Joint Stock Companies" are subject to approval by the General Meeting of Shareholders of the Company.

In addition to this, in compliance with Paragraph 3 of Article 49 of the Federal Law "On Joint Stock Companies" and Clause 16.11. of the Articles of Association of PJSC "Aeroflot", consent for the implementation of related-party transactions shall be granted by the General Meeting of Shareholders of the Company solely on the proposal of the Board of Directors of the Company.

Recommendation:

The Board of Directors of the Company recommends the Ordinary Annual General Meeting of Shareholders to approve the above related-party transactions of PJSC "Aeroflot". The wording of the resolution on the approval of the above transactions is set out in Paragraph 16 of Bulletin No. 4 for Voting at the Annual General Meeting of Shareholders of PJSC "Aeroflot".