

**Conclusion of a major related-party transaction (a series of interrelated transactions) between PJSC Aeroflot, LLC Aviakapital-Service, PJSC Irkut Corporation and State Corporation Rostec, regarding operating lease (leasing) of 50 new MC-21-300 aircraft.**

Propose that PJSC Aeroflot General Shareholders' Meeting considers the major related-party transaction (a series of interrelated transactions) between PJSC Aeroflot, LLC Aviakapital-Service, PJSC Irkut Corporation and State Corporation Rostec, regarding operating lease (leasing) of 50 new MC-21-300 aircraft, concluded under the following material terms:

**1. Material terms of the major related-party transaction (a series of interrelated transactions).**

Transaction No. 1:

**Parties:**

- LLC Aviakapital Service as the Lessor;
- PJSC Aeroflot as the Lessee;

**Subject:** Operating lease (leasing) between the Lessor and the Lessee in respect of fifty (50) new Aircraft with two PurePower® PW1400G high-bypass geared turbofan engines (hereinafter PW1400G MPU) installed on each Aircraft. The manufacturer's/serial number of each Aircraft will be known by the relevant Aircraft delivery date. The transaction will be executed as operating lease (leasing) contracts entered 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 1Q 2020 to 3Q 2026 (with an option to postpone/extend delivery period).

**Lease period:** 12 years in respect of each Aircraft with up to 3 two-year extension options.

**Base rent:** fixed, not to exceed US Dollars four hundred and thirty-seven thousand two hundred and eighty-two (US\$437,282) (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 US Dollars one thousand (US\$1,000) per each US Dollars one hundred thousand (US\$100,000) of additional equipment cost. The rates are based on January 2018 prices and will be escalated in accordance with the formula provided by PJSC Irkut Corporation ("Manufacturer") in respect of each Aircraft at the time of delivery, but not more than 2.6 percent a 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 January 2018 prices, will be escalated at 3 percent a year):**

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

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

For the purposes of determining the engine maintenance provisioning rate, the baseline flight hour to flight cycle ration 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 rate of service fee 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;

Execution 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 with a validity period of not less than 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) Bank guarantee for US Dollars one million five hundred thousand (US\$ 1,500,000) shall be submitted not later than on the Aircraft handover date;

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

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

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

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

**Insurance:**

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

PJSC Aeroflot shall procure Aircraft insurance at its own expense and in accordance with the following requirements:

(a) comprehensive cover from all risks of loss or damage whether in the air or on the ground, at the Agreed Value, with a deductible of not more than US\$ 250,000 or another amount agreed with the Lessor;

(b) comprehensive cover from hostilities and similar risks, including Aircraft confiscation or requisition by the country of registration, at the Agreed Value;

(c) property insurance against all risks (including war and the like 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, at the Agreed Value 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) for at least US Dollars seven hundred and fifty million (US\$ 750,000,000) per Aircraft.

**Transaction price:** not to exceed five billion two hundred and thirty-one million eighty thousand (5,231,080,000) (without VAT).

**Other material terms:** The Lessor shall assure that the Manufacturer receives an EASA type certificate in respect of the Aircraft delivered on or after 01 January 2021.

Transaction No.2:

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

**Parties:**

- PJSC Aeroflot as the Lessee;
- PJSC Irkut Corporation as the Manufacturer;
- “Avia Capital Services” LLC 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 high-bypass geared turbofan engine (hereinafter, PW1400G MPU) or the PD-14 bypass turbofan engine shall be provided either by Pratt & Whitney as the manufacturer of PW1400G MPU or by JSC “UEC-Perm Engines” as the manufacturer of the PD-14 bypass turbofan engine, pursuant 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 (at a flight hour to operating cycle ratio of 3.6):

- First year of operation – 2100 flight hours;
- Second year of operation – 2900 flight hours;
- Third year of operation – 3750 flight hours.

**Dispatch reliability warranty:** applicable guaranteed dispatch reliability levels:

- First year of operation – 96%;
- Second year of operation – 97%;
- Third year of operation – 98.5%.

**Aircraft performance warranties.** The Manufacturer warrants that a new Aircraft carrying designed payload on a three thousand two hundred and forty (3,240) kilometres long flight, with a tail wind of twenty-six (26) kilometres 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 to exceed US\$ 381 per flight hour;

Second reporting period – warranted DMC costs not to exceed US\$ 375 per flight hour;

Third and subsequent reporting periods – warranted DMC costs not to exceed US\$ 359 per flight hour.

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

### Transaction No.3:

**Subject:** Provision by PJSC Irkut Corporation and LLC “Avia Capital Services” to PJSC Aeroflot of an early customer package in respect of the fifty (50) Aircraft.

**Parties:**

- LLC Aviakapital 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 US Dollars forty-five million one hundred and forty-three thousand (US\$45,130,000). 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 1Q2018 prices and will be escalated in accordance with the manufacturer’s formula, but not more than by 2.6 percent a year.

The compensation shall be provided to finance payments for the Manufacturer’s services, as well as payments for purchased or rented 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 assures longer Aircraft flight time than is envisaged by the flight time warranty (i.e. 2100, 2900, 3750 flight hours), the compensation amount shall be reduced proportionately. Actual compensation amounts shall be calculated based on actual flight time following each year of operation.

### Transaction No.4:

**Subject:** A transaction of entering into a Memorandum of execution a lease agreement in respect of 50 MC-21-300 aircraft.

**Parties to the transaction:**

- State Corporation Rostec;
- PJSC Aeroflot.

**Persons interested in the transaction and the grounds for their interest:** member of PJSC Aeroflot Board of Directors M.V. Voevodin, who is also a member of LLC “Aero Capital Services”; member of PJSC Aeroflot Board of Directors Yu.B. Slyusar who is also CEO, Chairman of the Management Board and a member of the Board of Directors of PJSC Irkut Corporation; member of PJSC Aeroflot Board of Directors S.V. Chemezov who is also CEO of Rostekh State Corporation.

**2. Information regarding potential consequences for the operating activities of PJSC Aeroflot following the conclusion of the major related-party transaction (a series of interrelated transactions) and evaluation of its viability.**

Aeroflot Group's 2022 Long-term Development Strategy provides for an expansion of the Company's fleet of medium-haul aircraft.

In December 2017, LLC Aviakapital-Service sent a proposal according to which aircraft delivery is planned for the period between 1Q 2020 and 3Q 2026.

On 01 February 2018, PJSC Aeroflot and State Corporation Rostec signed a Memorandum regarding the signing of an operating lease (leasing) agreement for 50 MC-21-300 aircraft. On top of that, PJSC Aeroflot signed all required operating lease (leasing) agreements with LLC Aviakapital-Service, which come in to force once they receive corporate approval.

MC-21-300 is an innovative medium-haul narrow-body aircraft which has incorporated the latest global developments in the fields of aircraft and engine manufacturing. The aircraft will operate in the largest segment of air transportation. According to stated characteristics, the new aircraft manufactured by PJSC Irkut Corporation meets highest global standards and has a range of unique innovative features.

Based on the aforementioned information, this major transaction is part of the integrated development of the fleet of PJSC Aeroflot and complies with Aeroflot Group's 2022 Strategy. The aircraft will be delivered in accordance with the terms of operating lease (leasing) agreement. The aircraft will be delivered straight from the manufacturer allowing us to maintain the average age of the fleet of PJSC Aeroflot at the current low level.

The transaction will allow us to satisfy the needs of PJSC Aeroflot for medium-haul aircraft, implement PJSC Aeroflot's operational programme and make profit.

CEO of PJSC Aeroflot

Vitaly Saveliev

Deputy CEO for Commerce and Finance

Shamil Kurmashov

APPROVED

Director of the Fleet Planning and  
Development Department.

Mikhail Minaev