



The Position Paper of the Board of Directors of
Public Joint Stock Company Aeroflot – Russian Airlines
(Aeroflot, PJSC, hereinafter – the “Company”)
on the Agenda of the Annual General Meeting of Company’s Shareholders
Held on June 25, 2018

1. Approval of the workday schedule, the voting rules, and the composition of the working bodies at the Annual General Meeting of Shareholders of Aeroflot, PJSC.

The Position Paper of the Board of Directors:

Following the requirements of the Federal Law No. 208 On Joint-Stock Companies dated 26.12.1995 (hereinafter – the “Federal Law On Joint-Stock Companies”) and the Articles of Association of the Company, and in accordance with the Activity Plan of the Board of Directors for the period July 2017-June 2018, at its meeting, the Board of Directors has preliminarily considered and recommended the Annual General Meeting of Shareholders to approve the proposed workday schedule, voting rules, the composition of the working bodies of the Annual General Meeting of Shareholders of Aeroflot, PJSC.

Recommendation:

The Board of Directors of the Company recommends approving the workday schedule, the voting rules, and the composition of the working bodies of the Annual General Meeting of Aeroflot, PJSC.

2. Approval of the Annual Report for 2017 of Aeroflot, PJSC.

The Position Paper of the Board of Directors:

The Board of Directors of the Company has preliminarily considered the Annual Report of Public Joint Stock Company Aeroflot - Russian airlines.

The Annual Report of Aeroflot, PJSC, is prepared in accordance with the Federal Law On Joint-Stock Companies; it takes into account the requirements of Resolution No. 1214 of the Government of the Russian Federation, the Regulations No. 454-II On Disclosure of Information by Issuers of Issue-grade Securities approved by the Bank of Russia on 30.12.2014 concerning the structure and content of the Annual Report, the Recommendations No. 06-52/2463 of the Corporate Governance Code approved by the Bank of Russia on 10.04.2014 (hereinafter – the “Corporate Governance Code”).

Recommendation:

The Board of Directors recommends approving the Annual Report of Public Joint Stock Company Aeroflot – Russian Airlines for 2017.

3. Approval of the Annual Accounting (Financial) Statement for 2017 of Aeroflot, PJSC.

The Position Paper of the Board of Directors:

- (1) The Board of Directors of the Company has preliminarily considered the Annual Accounting (Financial) Statement of Aeroflot, PJSC, on the results of operations for 2017 prepared

according to Russian Accounting Standards (hereinafter – “RAS”). The Board of Directors of the Company has reviewed the auditor opinion dated 02.02.2018 prepared by the Company’s auditor – HLB Vnesaudit, CJSC (PSRN (Primary State Registration Number) 1027739314448), with respect to the Accounting Statement of Aeroflot, PJSC, prepared in accordance with RAS.

In addition, the Board of Directors of the Company took into account the positive opinion of the Audit Committee of the Company on the results of operations of Aeroflot, PJSC, for 2017.

- (2) The Board of Directors of the Company has also reviewed the Consolidated Financial Statement of Aeroflot, PJSC, and its controlled entities (hereinafter – “Aeroflot Group”) prepared in accordance with International Financial Reporting Standards (IFRS) on the results of the Company’s operations for 2017.

In addition, the Board of Directors of the Company has reviewed the auditor opinion dated 28.02.2018 prepared by the Company’s auditor – PricewaterhouseCoopers Audit, JSC, (PSRN (Primary State Registration Number) 1027700148431) with respect to the Consolidated Financial Statement of Aeroflot Group, prepared in accordance with IFRS on the results of the Company’s operations for 2016.

Recommendation:

The Board of Directors of the Company recommends adopting the annual Accounting (Financial) Statement for the fiscal year 2017.

4. Ratification of the procedure of distribution of profits earned by Aeroflot, PJSC, in 2017.

The Position Paper of the Board of Directors:

The Company has earned a profit, according to the results of operations of Aeroflot, PJSC, for 2017.

Recommendation:

In connection with the profit in the amount of 28,443,453.00 thousand RUB earned by Aeroflot, PJSC, as of the results of its operations for 2017, the Board of Directors recommends the next regular Annual General Meeting of Shareholders to approve the procedure of distribution of profits of Aeroflot, PJSC, as of the results of financial year 2017 (as well as unexpended net profit of the previous period) in accordance with the recommendations of the Board of Directors of Aeroflot, PJSC, including:

- For the dividend payment for 2017 – 14,221,775.00 thousand RUB;
- For the remuneration to be paid to the members of the Audit Committee – 3,334.45 thousand RUB;
- For funding capital investments from the profits earned in 2017, the remuneration to be paid to the employees of Aeroflot, PJSC, as of the results 2017, the recoveries of the negative impact of retroactive adjustments for 2014-2016 due to the changes made to the accounting policy in 2017, and for the replenishment of the fund for financing the purpose-oriented programs and contingent expenses – 14,218,343.55 thousand RUB.

5. On the amount, dates, and form of the dividends to be paid on the results of 2017 performance and on the date on which the persons entitled to dividends shall be determined.

The Position Paper of the Board of Directors:

According to the results of operations of Aeroflot, PJSC, for financial year 2017, the Company received a profit in the amount of 28,443,453.00 thousand RUB.

In connection therewith, the Board of Directors of the Company considers it necessary to recommend to the next regular Annual General Meeting of Shareholders of Aeroflot, PJSC, to pay dividends on the shares of Aeroflot, PJSC, and set a date on which the persons entitled to dividends will be determined.

Recommendation:

The Board of Directors of the Company recommends the next regular Annual General Meeting of Shareholders of Aeroflot, PJSC, in connection with the profit in the amount of 28,443,453.00 thousand RUB earned as of the results of the operations for financial year 2017, the following:

1. To pay dividends on shares of Aeroflot, PJSC, as of the results of financial year 2017 in the amount of 12.8053 rubles per share in cash, in the total amount of 14,221,775.00 thousand RUB by August 10, 2018, in accordance with the procedure set forth in the current Laws of the Russian Federation.
2. To determine July 6, 2018, as the date on which the persons entitled to dividends on shares of Aeroflot, PJSC, shall be determined.

6. On the remuneration to be paid to the members of the Board of Directors of Aeroflot, PJSC.

The Position Paper of the Board of Directors:

In accordance with Clause 2 of Article 64 of the Federal Law On Joint-Stock Companies and Subclause 20 of Clause 16.8 of the Articles of Association of the Company, approval of the amount of remuneration and compensation paid to the members of the Board of Directors of the Company shall be within the competence of the General Meeting of Shareholders of the Company.

In connection therewith, the Annual General Meeting of Shareholders is invited to make decisions on approval of the amount of personal payments of fixed remuneration to the members of the Board of Directors of Aeroflot, PJSC, under the Regulation On Remuneration and Compensation Paid to Members of the Board of Directors of Aeroflot, PJSC, for the period from 01.07.2017 to 30.06.2018 (taking into account the actual personal participation in the meetings of the Board of Directors and Committees of the Board of Directors of Aeroflot, PJSC, in June 2018); on approval of the amount of personal extra payments of fixed remuneration to the members of the Board of Directors of Aeroflot, PJSC, according to the Regulation On Remuneration and Compensation Paid to Members of the Board of Directors of Aeroflot, PJSC, for the period from 01.07.2016 to 30.06.2017; on approval of the amount of the interim remuneration pool under the long-term incentive program according to Clause 5.2.1. of the Regulation on Remuneration and Compensations Paid to Members of the Board of Directors of Aeroflot, PJSC (approved as amended by the Decision of the Annual General Meeting of Shareholders of Aeroflot, PJSC, on 26.06.2017), for the interim period from 01.07.2016 to 30.06.2017.

Recommendation:

The next regular Annual General Meeting of Shareholders is invited to make the following decisions:

1. To approve the amount of personal payments of fixed remuneration to the members of the Board of Directors of Aeroflot, PJSC, according to the Regulation on Remuneration and Compensation Paid to Members of the Board of Directors of Aeroflot, PJSC, for the period from 01.07.2017 to 30.06.2018. The amount of personal payments is specified in Bulletin No. 2 of the Annual General Meeting of Shareholders of Aeroflot, PJSC.
2. To approve the amount of personal extra payments of fixed remuneration to the members of the Board of Directors of Aeroflot, PJSC, according to the Regulation on Remuneration

and Compensation Paid to Members of the Board of Directors of Aeroflot, PJSC, for the period from 01.07.2016 to 30.06.2017. The amount of the personal extra payments is specified in Bulletin No. 2 of the Annual General Meeting of Shareholders of Aeroflot, PJSC.

3. To approve the amount of the interim remuneration pool under the long-term incentive program according to Clause 5.2.1. of the Regulation on Remuneration and Compensations Paid to Members of the Board of Directors of Aeroflot, PJSC (approved as amended by the Decision of the Annual General Meeting of Shareholders of Aeroflot, PJSC, on 26.06.2017), for the interim period from 01.07.2016 to 30.06.2017 payable in equal installments in two stages. The amount of personal payments is specified in Bulletin No. 2 of the Annual General Meeting of Shareholders of Aeroflot, PJSC.

7. On the remuneration to be paid to the members of the Audit Committee of Aeroflot, PJSC.

The Position Paper of the Board of Directors:

In accordance with Clause 1 of Article 85 of the Federal Law On Joint-Stock Companies and Subclause 20 of Clause 16.8. of the Articles of Association of the Company, the approval of the amount of remuneration and compensation paid to the members of the Audit Committee of the Company shall be within the competence of the General Meeting of Shareholders of the Company.

In addition, according to Article 8 of the Regulation On Audit Committee of the Company, approved by the General Meeting of Shareholders of the Company on 25.06.2015, on the grounds of the Decision of the General Meeting of Shareholders, the remuneration shall be paid to the members of the Audit Committee during the performance of their duties. The amount of such remuneration shall be determined by the Decision of the General Meeting of Shareholders.

In connection therewith, the next regular Annual General Meeting of Shareholders of the Company is invited to approve the amount of payment of remuneration to the members of the Audit Committee of Aeroflot, PJSC.

Recommendation:

The next regular Annual General Meeting of Shareholders is invited to approve the amount of remuneration to the members of the Audit Committee of Aeroflot, PJSC.

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

8. Election of the members of the Board of Directors of Aeroflot, PJSC.

The Position Paper of the Board of Directors:

In accordance with Clause 1 of Article 48 of the Federal Law On Joint-Stock Companies and Clause 16.8. of the Articles of Association of the Company, the election of the members of the Board of Directors of the Company shall be within the competence of the General Meeting of Shareholders.

In accordance with Clause 19.3. of the Articles of Association of the Company, the members of the Board of Directors of the Company shall be elected by the General Meeting of Shareholders in accordance with the procedure set forth in the Federal Law On Joint-Stock Companies and in the Articles of Association of the Company for a period till the next regular Annual General Meeting of Shareholders in a number of eleven (11) persons.

Recommendation:

The Board of Directors recommends the Annual General Meeting of Shareholders to elect eleven (11) members of the Board of Directors of Aeroflot, PJSC, from among the twelve (12) candidates proposed by the Shareholders of the Company.

9. Election of members of the Audit Committee of Aeroflot, PJSC.

The Position Paper of the Board of Directors:

In accordance with Clause 1 of Article 48 of the Federal Law On Joint-Stock Companies and Subclause 8 of Clause 16.8. of the Articles of Association of the Company, the election of the Audit Committee of the Company shall be 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 in accordance with the Articles of Association of the Company consisting of five (5) persons to monitor the financial and economic activities of the Company for a period up to the next regular Annual Meeting of Shareholders.

Recommendation:

The Board of Directors recommends the Annual General Meeting of Shareholders to elect five (5) members of the Audit Committee of Aeroflot, PJSC, from among the candidates proposed by the shareholder of the Company and in accordance with the candidates' curriculum vitae presented to the shareholders, to be the members for the Audit Committee of Aeroflot, PJSC.

10. Approval of the auditors of Aeroflot, PJSC, for 2018.

The Position Paper of the Board of Directors:

In accordance with Clause 1 of Article 48, Clause 2 of Article 86 of the Federal Law On Joint-Stock Companies and Clause 23.10. of the Articles of Association of the Company, the General Meeting of Shareholders shall approve the auditor of the Company. The Board of Directors reviewed the results of the auditor selection procedure.

Recommendation:

The Board of Directors of the Company invites the next regular Annual General Meeting of Shareholders of Aeroflot, PJSC, to approve HLB Vneshaudit, JSC, as the auditor of the annual accounting (financial) statement of Aeroflot, PJSC, prepared in accordance with RAS for 2018.

The Board of Directors of the Company invites the next regular Annual General Meeting of Shareholders of Aeroflot, PJSC, to approve PricewaterhouseCoopers Audit, JSC, as the auditor of the consolidated financial statement of Aeroflot, PJSC (Aeroflot Group), prepared in accordance with IFRS for 2018.

11. On transactions of Aeroflot, PJSC (issues Nos. 11-14).

The Position Paper of the Board of Directors:

In accordance with the current Laws of the Russian Federation, major transactions, as well as transactions of interest, shall be agreed in accordance with the procedure set forth in the Federal Law On Joint-Stock Companies.

The Annual General Meeting of Shareholders of Aeroflot, PJSC, is invited to agree on the following transactions:

1. The transaction of interest between Aeroflot, PJSC, and AlfaStrakhovanie, JSC (hereinafter

– the “Insurer”), on the insurance of liability of the Director General, the members of the Board of Directors, the members of the Management Board, and the representatives of Aeroflot, PJSC, nominated and elected to the boards of directors (supervisory boards) of Aeroflot, PJSC, and its subsidiaries.

2. The transaction of interest for the commercial control by Aeroflot, PJSC, over the loading of flights operated by Rossiya Airlines, JSC (including pricing and sale of tickets for such flights) under the Codeshare/Block Space Agreement on the basis of the commuter (regional) carriage model providing for the publication of joint flights in booking systems under the SU uniform code of Aeroflot, PJSC, – in the range of SU5950-6999.

3. The transaction of interest for the commercial control by Aeroflot, PJSC over the loading of flights operated by Aurora Airlines, JSC (including pricing and sale of tickets for such flights) under the Codeshare/Block Space Agreement on the basis of the commuter (regional) carriage model providing for the publication of joint flights in booking systems under the SU uniform code of Aeroflot, PJSC, – in the range of SU5400-5799.

4. The major transaction of interest (a set of interrelated transactions) for the operating lease of fifty new MC-21-300 aircraft.

The specified transactions for the commercial control by Aeroflot, PJSC, over the loading of flights, operated by Rossiya Airlines, JSC, and Aurora Airlines, JSC, shall be the transaction of interests to Aeroflot, PJSC, as the members of the Board of Directors/Management Board of Aeroflot, PJSC, are or will be the members of the board of directors of such companies. At the same time, these transactions shall be the major transactions.

In addition, Annual General Meeting of Shareholders of Aeroflot, PJSC, is invited to agree (endorse) the transaction, which the company plans to conclude with AlfaStrakhovanie, OJSC, (the Insurer) on the insurance of liability of the Director General, the members of the Board of Directors, the members of the Management Board, and the representatives of Aeroflot, PJSC, nominated and elected to the boards of directors (supervisory boards) of Aeroflot, PJSC, and its subsidiaries, which also shall be the transaction of interest.

The Annual General Meeting of Shareholders of Aeroflot, PJSC, is invited to agree (endorse) the major transaction of interest for the operating lease of fifty new MC-21-300 aircraft.

In accordance with the Federal Law On Joint-Stock Companies and the Articles of Association of Aeroflot, PJSC, the major transactions as well as the transaction of interests, which meet the criteria established by the Federal Law On Joint-Stock Companies, are subject to endorsement by General Meeting of Shareholders of the Company.

At the same time, in accordance with Clause 3 of Article 49 of the Federal Law On Joint-Stock Companies, and Clause 16.11. of the Articles of Association of Aeroflot, PJSC, the decision on the approval of transaction of interests shall be made by the General Meeting of Shareholders of the Company upon the proposal of the Board of Directors of the Company only.

The relevant conclusions about major transactions contained in the materials provided to the shareholders of Aeroflot, PJSC, in preparation for the holding of the next regular Annual General Meeting of Shareholders of Aeroflot, PJSC.

Recommendation:

The Board of Directors of the Company recommends the next regular Annual General Meeting of Shareholders to agree (endorse) all the transactions submitted for consideration by the next regular Annual General Meeting of Shareholders of Aeroflot, PJSC. The wording of the decisions in relation to the approval of the specified transactions is set forth in Bulletin Nos. 4 and 5 for the Annual General Meeting of Shareholders of Aeroflot, PJSC.