

Conclusion on the major transaction (series of interrelated transactions), settlement of which attracts interest, for rental (leasing) of twenty new jet aircrafts of regional class Sukhoi Superjet 100 between PJSC "Aeroflot", JSC "VEB-Leasing" and JSC "Sukhoi Civil Aircraft".

It is proposed to submit the following item for consideration of the extraordinary General Meeting of PJSC "Aeroflot": the major transaction (series of interrelated transactions), settlement of which attracts interest, for rental (leasing) of twenty new jet aircrafts of regional class Sukhoi Superjet 100 between PJSC "Aeroflot", JSC "VEB-Leasing" and JSC "Sukhoi Civil Aircraft", on the following material terms and conditions.

1. The material terms and conditions of the major transaction (series of interrelated transactions).

Transaction No. 1:

Subject of transaction: rental (leasing) of twenty new jet Aircrafts between PJSC "Aeroflot" and JSC "VEB-Leasing".

Transaction Parties:

PJSC "Aeroflot" - the Lessee,

JSC "VEB-Leasing" - the Lessor.

Leasing period: not more than 144 months from date of commencement of the Aircraft's (rental, leasing) by PJSC "Aeroflot".

Total transaction amount: not more than 945,400,000 (nine hundred and forty-five million four hundred thousand) US dollars.

Date of delivery of the Aircrafts to PJSC "Aeroflot" (with an option to postpone/extend delivery period): July, 2017 – July, 2018.

Monthly lease payment for each Aircraft: not more than 171,000 (one hundred and seventy-one thousand) US dollars (including 18% VAT).

Standby letter of credit: PJSC "Aeroflot" shall furnish a bank guarantee for an amount equal to two monthly rental (lease) payments for each Aircraft.

Reserves for maintenance of the Aircrafts: no reserves subject to conclusion of the agreement on maintenance and repair with the maintenance operator agreed by with JSC "VEB-Leasing" which deals with engines of model SaM146 mounted on each Aircraft (hereinafter – Engines) within the whole rental (leasing) period of the Aircrafts.

Insurance: PJSC "Aeroflot" shall, at its own expense, procure insurance for each Aircraft against the risk of loss (wreckage) and damage and aviation liability insurance with a combined single limit of liability to passengers and third parties of not less than 400,000,000 (four hundred million) US dollars for each occurrence.

Return conditions: The Lessee shall return the Aircraft in such condition which corresponds to its condition within delivery under the Rental (Lease) Contract taking into account normal wear and tear acceptable within regular flight operation, without unrepaired damage, defects, fuel leaks and other technical fluid leaks exceeding the limits stipulated for by operating documentation for each Aircraft. The Aircraft at the return shall be in airworthy condition with performed actions concerning maintenance in order to ensure operation for operation time not less than 7,500 flight hours, 6,000 cycles and 2 calendar years, provided that:

- limited life parts of the Aircraft shall have not less than 70% of residual operation life until their replacement;

- limited life parts of landing gear shall have not less than 1,250 cycles of residual operation life until their replacement;

- each Engine, including limited life parts of the Engine, shall have residual life until the next overhaul not less than 2,000 flight hours and 1,250 cycles;

- auxiliary power unit (APU) shall be in good operating condition and not have any damages

and defects found as a result of boroscopic inspection. All limited life parts of APU shall have not less than 30% of residual operation life till their replacement according to manufacturer's operating documentation.

The Lessee shall return the Aircraft to the Lessor painted in white color (RAL 9003) or under other terms agreed between the parties.

Transaction No. 2:

Subject of transaction: assignment by JSC "VEB-Leasing" to PJSC "Aeroflot" of rights for receipt of standard warranty as well as reimbursement for ground time towards the Aircrafts from JSC "Sukhoi Civil Aircraft".

Transaction Parties: PJSC "Aeroflot", JSC "Sukhoi Civil Aircraft", and JSC "VEB-Leasing".

Standard warranty period: 4 years from the date of delivery of each Aircraft to PJSC "Aeroflot".

Amount of reimbursement for ground time:

No.	Percentage of properly operating Aircrafts fleet within one calendar month preceding the month when defect has been found	Amount of penalty (US dollars) for non-performance of obligations for one Aircraft, US dollars for each full day of delay in fulfillment of obligations
1	Less than 50%	12,000
2	Equal to or more than 50%, but less than 60%	9,000
3	Equal to or more than 60%, but less than 75%	6,000
4	Equal to or more than 75%	3,000

Interested parties and grounds for their interest:

V. Ya. Zingman, a member of the Executive Board of PJSC "Aeroflot", being a member of the Board of Directors of JSC "Sukhoi Civil Aircraft".

2. Possible impact of the major transaction (series of interrelated transactions) on the business of PJSC "Aeroflot" and assessment of feasibility thereof.

There have been 30 jet aircrafts of regional class Sukhoi Superjet 100 in the fleet of PJSC "Aeroflot" from June 2011 to July 2017.

The Long-Term Development Program of the Aeroflot Group from 2015 to 2020 contains the intention of PJSC "Aeroflot" to expand the fleet of Sukhoi Superjet 100 and hold negotiations with JSC "Sukhoi Civil Aircraft" regarding contracting the additional 20 jet aircrafts Sukhoi Superjet 100.

Changes in the 2017-2021 Strategy of the Aeroflot Group were approved by the Board of Directors of PJSC "Aeroflot" in November 2016 and provided for supplies of the aircraft to the fleet of PJSC "Aeroflot" from July 2017 onwards.

In late 2016 - early 2017, PJSC "State Transport Leasing Company" and JSC "VEB-Leasing" submitted their proposals for the leasing of the above-mentioned aircraft to PJSC "Aeroflot" with the simultaneous assignment of the standard aircraft warranty provided by JSC "Sukhoi Civil Aircraft" to PJSC "Aeroflot". The analysis showed that the most advantageous proposal for the aircraft lease was submitted by JSC "VEB-Leasing".

Based on the above, this major transaction will be entered into as part of the integrated development of the fleet of PJSC "Aeroflot" and is in line with the approved Aeroflot Group Development Strategy through 2022. The mentioned aircraft will be supplied to PJSC "Aeroflot" on a rental basis (under lease). The mentioned aircrafts will be supplied new, which will allow PJSC "Aeroflot" to maintain the average age of its aircraft fleet at the existing "low" level. The result of this transaction will be the expansion of the regional route network and satisfaction of the needs of the passenger transportation market, achievement of the production targets of PJSC "Aeroflot", and gaining the relevant income.