

APPROVED
By the Board of Directors of PJSC "Aeroflot",
Minutes No. 5 of 20 November 2017.

Conclusion on the major transaction, settlement of which attracts interest, of commercial administration of PJSC "Aeroflot" for flight loading of JSC "Rossiya Airlines" within the agreement on jointly operating flights "code sharing/block of seats"

It is proposed to submit the following item for consideration of the extraordinary General Meeting of PJSC "Aeroflot": on the major transaction, settlement of which attracts interest, of commercial administration of PJSC "Aeroflot" for flight loading of JSC "Rossiya Airlines" *within* the agreement on jointly operating flights "code sharing/block of seats" on the following material terms and conditions.

1. Material conditions

Transaction Parties: PJSC "Aeroflot" as a Marketing Partner, JSC "Rossiya Airlines" as a Partner-Operator;

Subject: commercial administration of PJSC "Aeroflot" for flight loading of JSC "Rossiya Airlines" (including pricing and selling of air tickets for such flights) within the agreement on jointly operating flights "code sharing/block of seats" based on the model of "commuter" (regional) traffic contemplating publication of jointly operating flights in reservation systems under the single code PJSC "Aeroflot" - SU within the range SU5950-6999;

Price: not more than 71,500,000,000 (seventy-one billion five hundred million) rubles (excluding VAT) for predicted traffic volume of about 30,000 double flights carried out by JSC "Rossiya Airlines" within stated period;

Term: from 1/11/2017 to 31/10/2018

Interested parties and grounds for their interest: D.P. Saprykin, a member of the Board of Directors of PJSC "Aeroflot", being the General Director, Chairman of the Executive Board and a member of the Board of Directors of JSC "Rossiya Airlines", V. Ya. Zingman, a member of the Executive Board of PJSC "Aeroflot", being a member and the chairman of the Board of Directors of JSC "Rossiya Airlines".

2. Possible impact of the transaction on the business of PJSC "Aeroflot" and assessment of feasibility thereof.

1) JSC Rossiya Airlines (Partner-Operator) and PJSC "Aeroflot" (Marketing Partner) have been jointly operating a number of flights under the single code of PJSC "Aeroflot" for a long time under the "code sharing/block of seats" agreement. It is proposed to enter into such agreement for a new term.

Subject matter of such agreement will be the commercial administration of PJSC "Aeroflot" for flight loading of JSC "Rossiya Airlines" (including pricing and selling of air tickets for such flights) within the agreement on jointly operating flights "code sharing/block of seats" based on the model of "commuter" (regional) traffic contemplating publication of jointly operating flights in reservation systems under the single code PJSC "Aeroflot" - SU within the range SU5950-6999.

The Partner-Operator is a party to the "code sharing" agreement that is responsible for the implementation of the agreed joint flights program while assigning the right to sell 100 % of the seats on its aircraft to the Marketing Partner. Thus, the commercial administration of joint flights (sale of seats, tariff policy, flight revenue management) is performed by the Marketing Partner.

2) The basis for the mutual settlement between the airlines is the agreed flight rate calculated on the basis of the unit costs per aircraft seat for each individual transportation route.

Many years of cooperation under such agreement (code-sharing/block of seats) have made it possible to implement a model of integrated centralized strategic management of the Aeroflot

Group: sales, revenue management and cost reductions, establishment of a single route network and development of the aircraft fleet, and have made it possible to expand the presence on the air transportation market and improve the commercial passengers and luggage load on certain routes. JSC "Rossiya Airlines" continues performing operational activities, and the transfer of the functions assigned to PJSC "Aeroflot" allows JSC "Rossiya Airlines" to concentrate on its objectives: improved production efficiency, flight safety and reduced unit costs and expenses, and allows PJSC "Aeroflot" to make full use of available tools of commercial administration of the Group's flights and ensure an increase in the Group's passenger flows and cost reduction

This collaboration model offers the following benefits:

- creation of the Group's single route network using the network effect, which allows to increase the passenger flows;
- application of all existing commercial agreements with partners to the flights of JSC "Rossiya Airlines" to boost sales growth;
- reduction the expenses of the Aeroflot Group on information technologies and flight distribution;

Thus, this transaction is beneficial for PJSC "Aeroflot" and has a positive impact on the Aeroflot Group as a whole.