

	JSC Aeroflot Dividend Policy	RI-GD-235 page 1 of 10
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APPROVED

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of JSC Aeroflot
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JSC Aeroflot Dividend Policy

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	JSC Aeroflot Dividend Policy	RI-GD-235 page 2 of 10
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	JSC Aeroflot Dividend Policy	RI-GD-235 page 3 of 10
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Contents

1. General provisions	4
2. Principles of the dividend policy	4
3. Calculation of dividend, framework for approving (announcing) dividend payment.....	5
4. Parties eligible to receive dividends and method for payment of dividends	8
5. Disclosure to shareholders and other stakeholders information about the Company's dividend policy	9
6. Responsibility for incomplete and/or late payment of dividends	10
7. Final provisions	10

 АЭРОФЛОТ Российские авиалинии	JSC Aeroflot Dividend Policy	RI-GD-235 page 4 of 10
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1. General provisions

- 1.1. This dividend policy (the “Policy”) was developed in accordance with the Civil Code of the Russian Federation, the Federal Law on Joint Stock Companies, Russian Federation regulations, the JSC Aeroflot (the “Company”) Charter and internal regulations.
- 1.2. The Policy was developed with the goal of providing the greatest degree of transparency possible for shareholders and other stakeholders with regards to the mechanisms used to determine the size of dividends and their payment, and it establishes a framework for the Board of Directors of the Company for developing recommendations on distribution of profits, including payment of dividends, for the General Meeting of Shareholders.
- 1.3. The Company’s dividend policy is the sum of the principles and measures aimed at upholding shareholders’ rights to receive a portion of the Company’s profit.
- 1.4. A dividend is part of the Company’s profits after tax (the Company’s net profit) divided among shareholders in proportion to the number and in accordance with the type of shares they own.
- 1.5. The decision to pay dividends for any category of shares is a right, and not an obligation, of the Company.
- 1.6. The decision to pay (the announcement of) dividends is taken by the General Meeting of Shareholders of the Company. The record date for shareholders who have the right to receive a dividend is determined by a decision of the General Meeting of Shareholders based on a recommendation by the Board of Directors.
- 1.7. The Company is required to pay dividends that have been announced. The Company is responsible to shareholders for the failure to fulfil this requirement in accordance with prevailing Russian Federation legislation.
- 1.8. No part of this policy should be considered a recommendation to the General Meeting of Shareholders.
- 1.9. The General Meeting of Shareholders has the right not to agree with the size of the dividend recommended by the Board of Directors, or to take a decision not to pay a dividend for a given period.
- 1.10. The size of the dividend may not be greater than the amount recommended by the Board of Directors.
- 1.11. The Company’s dividend policy is based on strict adherence to the rights of shareholders as set out in prevailing Russian Federation legislation, the Company’s charter and internal documents, as well as the balance of interests between the shareholders and the Company, and it aims to increase the prosperity of the Company’s shareholders by increasing both the share price and dividend payments.

2. Principles of the dividend policy

- 2.1. The main principles of the dividend policy are:
- Adherence to prevailing Russian Federation legislation, the Company’s charter and internal documents, and compliance of the Company’s practice of accruing and paying dividends with Russian Federation legislation;
 - Adhering to the rights and interests of shareholders;
 - The aspiration to adhere to high standards of corporate governance;
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	JSC Aeroflot Dividend Policy	RI-GD-235 page 5 of 10
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- Ensuring that the interest in increasing the Company's profitability is mutually shared by management and shareholders;
- Enhancing the Company's investment case;
- Providing for increases in the size of dividend payments in the event of growth in the Company's net profit;
- The aspiration to provide shareholders with the most convenient way to receive dividends;
- The aspiration to pay out dividends quickly;
- Providing the greatest degree of transparency possible with regards to the mechanisms for determining the dividend size.

3. Calculation of dividend, framework for approving (announcing) dividend payment

3.1. The Company has the right to decide to approve (announce) dividends for shares in circulation based on the results of the first quarter, half year, nine months and (or) the financial year, if the Russian Law on Joint Stock Companies does not state otherwise.

3.2. The decision to pay (announce) dividends based on the results of the first quarter, half year, or first nine months of the financial year (interim dividends) must be made no later than three months following the end of the given period.

3.3. The decision to pay (announce) dividends on shares and their payment is conducted in accordance with the restrictions established in article 43 of the Federal Law on Joint Stock Companies.

3.4. The suitability of paying (announcing) dividends for a given reporting period is initially considered by the Company's Management Board.

3.5. The Board of Directors of the Company considers the recommendations of the Management Board with regards to the allocation the Company's profit, and establishes a recommendation for the General Meeting of Shareholders on the size of dividends to be paid on shares as well as establishing the record date for shareholders eligible to receive dividends for the given period.

3.6. The basis for calculating JSC Aeroflot's dividend payments is the Aeroflot Group consolidated net profit in accordance with International Financial Reporting Standards (IFRS) ("Aeroflot Group" consists of JSC Aeroflot and its subsidiaries).

3.7. The Company considers its priority to be the payment of dividends of 25% of Aeroflot Group's consolidated net profit in accordance with IFRS, although the final decision regarding the size of the dividend is determined in accordance with clause 3.8 of this document.

3.8. The method to determine the recommended amount of the Company's net profit to be paid out as dividends is as follows:

3.8.1. To determine the base amount of dividends the following coefficients will be used (based on the consolidated financial results of the Group in accordance with IFRS):

a) Availability of funds for financing investment activities

$$C1 = \frac{C\&E + OCF}{ICF + FL}$$

where

	JSC Aeroflot Dividend Policy	RI-GD-235 page 6 of 10
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C&E – cash and cash equivalents as of the end of the reporting period;

OCF – forecasted amount of operating cash flow for the three subsequent years following the reporting period;

ICF – forecasted amount of cash flow from investment activities for the three subsequent years following the reporting period;

FL – forecasted amount of payments for finance leases (including interest payments) for the three subsequent years following the reporting period.

b) Availability of funds for paying down debt.

$$C2 = \frac{FCF}{Debt}$$

where

FCF – average amount of free cash flow for the three subsequent years following the reporting period, calculated as the difference between average operating cash flow (OCF) and average investment cash flow (ICF) during the period;

Debt – total of credits and loans, finance lease liabilities, operating lease liabilities (calculated as costs of operating leases for the reporting period multiplied by 7) minus the amount of cash and cash equivalents on hand at the end of the reporting period.

c) Level of indebtedness.

$$C3 = \frac{Debt}{EBITDAR}$$

where

Debt – as defined above;

EBITDAR – operating profit, amortization, customs duties and operating lease expenses.

3.8.2. Depending on the value of the coefficients indicated in clause 3.8.1, the base amount of dividends will be follows:

a) Dividends of 25% or more of Aeroflot Group consolidated net profit in accordance with IFRS for the reporting period if all the following conditions are met:

- C1 is greater than or equal to 1.8;
- C2 is greater than or equal to 0.12;
- C3 is less than or equal to 4.2.

b) Dividends of up to 20% of Aeroflot Group consolidated net profit in accordance with IFRS earned in the reporting period if at least one of the following conditions are met:

- One or more of the three coefficients (C1, C2 and C3) does not satisfy the conditions laid out in point a) of clause 3.8.2;
- One or more of the coefficients (C1, C2 and C3) does not satisfy the conditions laid out below in point c) of clause 3.8.2;

c) Dividends of up to 15% of Aeroflot Group consolidated net profit in accordance with IFRS earned in the period if all of the following conditions are met:

- C1 is less than or equal to 1.0;
- C2 is less than or equal to 0.07;
- C3 is greater than or equal to 5.5.

	JSC Aeroflot Dividend Policy	RI-GD-235 page 7 of 10
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3.8.3. In determining its recommendations for the Company's General Meeting of Shareholders on the amount of dividends, the Board of Directors shall take into account:

- the base amount of dividends as determined by clause 3.8.2
- the amount of net profit for the financial year earned by the Company;
- availability and sufficiency of financial resources for the payment of dividends;
- the Company's capital expenditure plan, including the need for financing to renew the Company's fleet and implement the Company's approved strategy;
- expenditure plan for subsidiary and related companies;
- other factors that may influence the size of dividends.

3.8.4. Additionally, in preparing its recommendation on dividends for the Company's General Meeting of Shareholders, the Board of Directors will take into account the position of Russian Federation governmental bodies, including that of the Government of the Russian Federation, composed on behalf of the Russian Federation (as a shareholder of the Company) in the form of directives for its representatives on the Company's Board of Directors.

3.9. The Company's General Meeting of Shareholders makes its decision on the payment (announcement) of dividends based on the recommendation of the Board of Directors.

3.10. The following should be contained in the draft decision of the Company's General Meeting of Shareholders regarding the payment (announcement) of dividends:

- class of stock to which the announcement of dividends relates;
- total size of dividends;
- amount of dividends per share of the given class of stock;
- the form in which the dividends will be paid;
- the record date for shareholders who have the right to receive the dividends.

3.11. The amount of dividends to be paid are announced inclusive of the taxes to be withheld from shareholders under prevailing Russian Federation legislation.

4. Parties eligible to receive dividends and method of payment of dividends

4.1. Dividends shall be paid to parties that owned shares of the relevant share class (type) or parties exercising rights to shares in accordance with federal law as of the close of business on the record date set by the Company's General Meeting of Shareholders.

Parties registered in the registrar (except nominee shareholders) and those parties whose shares are held by a nominee shareholder are included in the list of shareholders that have the right to receive dividends.

4.2 In the event that one share of the Company is owned by several parties, dividends are divided between them proportionate to their ownership, unless an agreement between these parties dictates otherwise.

4.3 Dividends are paid in the form of money. Payment of dividends is made in non-cash form by the Company, by a registrar that maintains the Company shareholders registry, or by a banking institution.

4.4 Dividends are to be paid to nominee shareholders and to trustees who are securities market professionals, and are on the Company's shareholder register, within 10 (ten) business days of the record date, and to other parties on the shareholder register within 25 (twenty-five) business days of the record date.

	JSC Aeroflot Dividend Policy	RI-GD-235 page 8 of 10
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4.5 The sum paid as dividends to each shareholder of the Company is calculated by multiplying the dividend due per share by the number of shares owned by the shareholder, with each class of shares calculated discreetly.

4.6 The Company's executive bodies shall ensure that dividends are paid to shareholders on time and in full.

4.7 Shareholders that are legal entities are paid dividends by transferring funds to the bank accounts indicated in the Company's shareholder register.

Shareholders who are individuals are paid via a postal funds transfer to the postal address of the shareholder specified in the Company's shareholder register, or to the shareholder's bank account if an application is made to that effect by the shareholder.

4.8 In order for dividends to be paid directly to a bank account, the shareholder must submit full bank account details to the Company's shareholder register using the registered individual form.

To receive dividends by money order, shareholders should provide their complete mailing address to the Company's shareholder register using the registered individual form.

In the event that a shareholder of the Company has incorrectly indicated their bank details or postal address, the Company shall not be liable for non-receipt of dividends to such shareholders.

4.9 Dividends shall be paid to shareholders following deduction of relevant taxes.

4.10 All shareholders have the right to apply to the Company with a request to provide information on his/her inclusion/exclusion in the list of persons entitled to receive dividends, as well as the amount of dividends to be paid, the procedure for calculating and withholding taxes on the amount of dividends, or other terms and conditions of dividend payments.

The Company shall, within seven (7) working days of receiving such a request, prepare and submit a response to the shareholder.

4.11 The obligation of the Company to pay dividends to shareholders is considered fulfilled on the date at which funds are accepted by the federal postal service or on the date at which funds are received by the banking institution where the account is held by the person entitled to receive such dividends.

4.12 Any shareholder who has not received declared dividends due to the fact that the Company or the registrar lack precise or complete address information or bank details, or in connection with a delinquency of the creditor, is entitled to apply for the payment of such dividends (unclaimed dividends) within three years from the date of the decision on their payment, unless a longer period of time is established by the Company's charter.

After such a period, declared and unclaimed dividends shall be returned to the Company's retained earnings, and any obligation to pay them expires.

5. Disclosure to shareholders and other stakeholders information about the Company's dividend policy

5.1. The Company ensures transparency of the dividend policy by posting the corresponding information on the Company's official website: <http://www.aeroflot.ru/>.

 АЭРОФЛОТ Российские авиалинии	JSC Aeroflot Dividend Policy	RI-GD-235 page 9 of 10
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5.2. Information subject to publication on the Company's official website includes this Policy, as well as amendments and additions to it.

5.3. Materials to be submitted to shareholders in preparation for the General Meeting of Shareholders shall contain all necessary information about the presence or absence of conditions that would influence a decision (announcement) on payment of dividends.

5.4. In addition to the information disclosed by the Company in accordance with legislative requirements, the Company shall publish information regarding the decision of the General Meeting of Shareholders of the Company to pay dividends, including the amount, timing, form and manner of payment of such dividends, as a separate press release on the official website of the Company: <http://www.aeroflot.ru/>.

The statement published by the Company concerning decisions taken by the Company's General Meeting of Shareholders on payment of dividends and their amount, timing, form and manner of payment must contain information that gives shareholders a clear and unambiguous understanding of the payment of dividends.

This statement for shareholders shall also explain their responsibility to inform the registrar in the event that their banking or mailing address has changed, as well as the consequences of non-compliance with this obligation.

5.5. In the event that an agent is engaged to pay the dividends, the Company shall inform the shareholders of this engagement of agent(s) for the payment of dividends, including of their replacement and the end of their engagement term, by publishing the relevant information on Company's official website: <http://www.aeroflot.ru/>.

6. Responsibility for incomplete and/or late payment of dividends

6.1. The Company is to pay dividends to the extent and within the timeframe established by the General Meeting of Shareholders and the Company's Charter.

6.2. Responsibility for the full and timely payment of declared dividends is upon the Company's General Director.

6.3. In the event that the Company does not carry out these obligations, it shall be liable in accordance with the prevailing legislation of the Russian Federation, and shareholders are entitled to demand fulfilment of the obligations through the courts.

6.4. In accordance with Russian legislation, the Company is not liable for damages incurred due to non-payment of dividends to those shareholders who fail to submit to the Company's registrar their bank and mailing details or information regarding the change of such details.

7. Final Provisions

7.1. This Policy may be approved, amended and supplemented by the Board of Directors of the Company. Such decision shall be taken in the manner prescribed by law and/or the Company's Charter.

7.2. This Policy shall enter into force upon its approval by the Board of Directors of the Company.

	JSC Aeroflot Dividend Policy	RI-GD-235 page 10 of 10
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7.3. Issues not covered by this Policy shall be governed by the applicable laws of the Russian Federation and the Company's bylaws.

Issues not covered by prevailing legislation of the Russian Federation and the Company's bylaws, should be resolved on the basis of the principle of the rights and interests of shareholders.

7.4. In the event that individual provisions of this Policy come into conflict with the prevailing legislation of the Russian Federation and/or the Company's Charter, they become invalid, and shall be subject to the application of the relevant rules of the legislation of the Russian Federation and/or the Company's Charter.

7.5. The invalidity of individual provisions of this Policy shall not entail the invalidity of the other rules and/or provisions in general.

Deputy General Director
for Finance, Network and Revenue Management

S.R. Kurmashov
