

Memorandum of Understanding

Delegations representing the Aeronautical Authorities of the State of Israel and of the Russian Federation (hereinafter referred as "the Parties"), met in Israel, on 11th & 12th of February 2014, for consultations on several topics related to Air Transport. Delegation lists are attached as Appendix A. The meeting took place in a cordial and constructive atmosphere, reflective of the excellent relations between the two countries on a wide range of issues.

The Parties have discussed and reached the following understandings:

I. Implementation of Protocols regarding Special Security measures in Civil Aviation

1. The Israeli Party expressed its grave concern regarding the delay in the implementation of the Protocols signed between the Federal Air Transport Agency of the Ministry of Transport of the Russian Federation and the Civil Aviation Authority of the State of Israel on November 30th 2012, and January 31st 2013. Specifically, the subject of work permits for El Al Security Managers has not yet been resolved and paragraph 2 (h) of the Protocol of November 30, 2013, which specifically states that the Security Managers will be El Al employees and may initially hold an Israeli citizenship without any prior conditions or processes, is not honored.
2. This situation has come to the point that El Al is unable to replace current Security Managers in Russia which are scheduled to end their service in Russia and are supposed to be replaced by new personnel. The shortage in Security Managers is so severe that if the work permits for the intended new Security Managers will not be issued by Summer season 2014, the Israeli party is seriously concerned that the operations of Israeli airlines in the Russian Federation might be jeopardized.
3. The Russian Party replied that they will convey this matter to the relevant responsible Russian Authorities. The Parties agreed to facilitate dedicated discussions between the relevant competent authorities in the earliest convenient time.



II. Amending Protocol

1. The Parties agreed to amend the Air Transport Agreement between the Government of the Russian Federation and the Government of the State of Israel signed on 13 September 1993 (hereinafter referred to as "the Agreement") by a Protocol attached in Appendix B (hereinafter referred to as "the Protocol"), which was initiated by both Parties.

2. The Parties agreed to complete their respective internal procedures for the formal signature of the Protocol as early as possible. Pending its formal signing and entry into force, the Parties came to the understanding that after the satisfactory resolution of the security issue mentioned in paragraph 1 above, the Aeronautical Authorities will act in accordance with the provisions of the Protocol.

III. Annex of the Agreement

The Parties agreed to replace the Annex of the Agreement and read as follows:

"ANNEX

a. Route schedule

1. The designated airlines of the Russian Federation shall be entitled to operate international scheduled air services in both directions on the routes specified hereunder:

Points of origin	Intermediate points	Points of destination	Points beyond
Any Point or Points in the territory of the Russian Federation	Any points	Any point or Points in the territory of the State of Israel	Any points

2. The designated airlines of the State of Israel shall be entitled to operate international scheduled air services in both directions on the routes specified hereunder:

Points of origin	Intermediate points	Points of destination	Points beyond
Any point or Points in the territory of the State of Israel	Any points	Any Point or Points in the territory of the Russian Federation	Any points

b. Notes

1. Intermediate points and points beyond the territories of the States of the Contracting Parties shall be subject to an agreement between the Aeronautical Authorities of the States of the Contracting Parties.
2. Intermediate points and points beyond may be omitted by the designated airlines of the States of the Contracting Parties at their discretion.
3. The airlines of each Contracting Party may serve points in the territories of the Contracting Parties in any combination and in any order.
4. The right of the designated airline of the State of one Contracting Party to transport passengers, cargo and mail between the points in the territory of the State of the other Contracting Party and the points in the territory of third countries (exercise of fifth freedom traffic right) shall be subject to an agreement between the Aeronautical Authorities of the States of the Contracting Parties.
5. Any operation along Trans-Siberian, Transpolar and Trans Asian Air Route networks in the airspace of the Russian Federation shall be subject to a separate agreement between the Aeronautical Authorities of the States of the Contracting Parties.
6. The total capacity to be provided on the agreed services by the designated airlines of the Contracting Parties shall be agreed between or approved by, the Aeronautical Authorities of the Contracting Parties before the commencement of the operations, and thereafter according to anticipated traffic requirements. The designated airlines of each Contracting Party shall submit their envisaged flight schedules for approval to the Aeronautical Authorities of the other Contracting Party at least forty five (45) days prior to operation of the agreed services. The same procedure shall apply to any modification thereof.
7. Supplementary flights may be carried out based on preliminary request of the designated airlines, submitted to the Aeronautical Authorities of the Contracting Party of destination at least five working days prior to the operation of such flights.
8. In operating or holding out the air services on the specified routes, the designated airline(s) of the States of the Contracting Parties may enter into commercial and/or co-operative marketing arrangements including, but not limited to, blocked-space, code-sharing arrangements, with any other airline, including an airline of a third

country, provided that:

- a) the operating airline in such arrangements holds the appropriate operating authorisation and traffic rights;
- b) both the operating and marketing airlines hold the appropriate route rights;
- c) no service shall be operated by an airline of one country for the carriage of passengers between a point in the territory of the other country and a point in a third country, or between two points in the territory of the other country, unless that operating airline has traffic rights between those two points;
- d) in respect of each ticket sold, the purchaser is informed at the point of sale which airline will operate each flight forming part of the service;
- e) the activities mentioned are carried out in accordance with the laws and regulations applicable in each country, including those governing competition;
- f) the relevant airline has secured any necessary approvals from its own authorities, for the purposes of ensuring that the code-sharing arrangement is consistent with bilateral arrangements with any relevant third country; and
- g) code-sharing arrangements will be subject to approval by the Aeronautical Authorities of both Contracting Parties."

IV. Capacity Entitlement

1. Frequencies- passenger scheduled services - The designated airlines of each Contracting Party shall have the right to operate up to a total of thirty six (36) weekly frequencies on the route between Tel Aviv and Moscow and v.v.. This number constitutes of the previous twenty one (21) scheduled weekly frequencies which were entitled by the previous arrangements and fifteen (15) new scheduled weekly frequencies which shall replace the previous charter frequencies in the above mentioned route.

In Addition, the designated airlines of each Contracting Party shall have the right to operate unlimited frequencies on all other agreed routes.

2. Frequencies- all cargo scheduled services - The designated airlines of each Contracting Party shall have the right to operate up to a total of seven (7) weekly frequencies of all-cargo flights on the agreed routes.
3. The Parties agreed that the operation of ad-hoc or sporadic flights by designated airlines on the agreed routes will be considered as scheduled flights within the frequency entitlement mentioned above, and operating permits will be granted and honoured by the Aeronautical Authorities, accordingly.
4. Passenger Charter Services - operations of Passenger Charter services shall be subject to prior approval from the relevant Aeronautical Authorities of the

Contracting Parties. Airlines from both Contracting Parties shall not be allowed to offer seats and or capacity for sale by the use of Computer Reservations Systems (CRS').

5. All Cargo Charter Services- operations of all cargo Charter services shall be subject to prior approval from the relevant Aeronautical Authorities of the Contracting Parties.
6. All charter services shall be operated in accordance with the national legislation applicable to charter services. The charter services shall be permitted on a reciprocal basis with no favourable conditions for airlines of one Party over the airlines of the other Party.
7. Operation along the Trans-Siberian route and over the Southern part of the Russian Federation -The Parties agreed as follows:
 - a. The rights to operate along the Trans-Siberian route and over the Southern part of the Russian Federation are granted to up to two (2) designated airlines of Israel.
 - b. The total frequency entitlement for these operations for passenger services shall be fourteen (14) frequencies per week, on the following routes:
 - i. Tel Aviv – Hong Kong and v.v.
 - ii. Tel Aviv – Beijing and v.v.
 - iii. Tel Aviv – Shanghai and v.v.
 - iv. Tel Aviv – Seoul and v.v.
 - v. Tel Aviv – Tokyo and v.v.
 - vi. Tel Aviv – Osaka and v.v.
 - c. The total frequency entitlement for these operations for all cargo services between Israel through intermediate points in Europe to points in the far east shall be up to a total of twelve (12) frequencies per week, along the following routes:

Tel Aviv – Amsterdam, Luxemburg, Brussels, Liege – (Almaty) – Points in the Far East and v.v.
 - d. The designated airlines are entitled to perform the operation by any type of aircraft subject to a commercial agreement with Aeroflot – Russian Airlines.

V. New Air Services Agreement

1. The Parties have made significant progress on a draft text of a new Air Services Agreement (hereinafter: "new ASA") which eventually may replace, pending the conclusion of an agreed upon text, signature and ratification, the Agreement and its Amending Protocol. The draft text of the new ASA is

attached in Appendix C.

2. The Contracting Parties agreed to continue negotiations with the purpose of concluding and finalizing the text of the new ASA.

VI. Double Payment for overflying the Trans-Siberian, Transpolar and Trans Asian Air Route networks

1. The Israeli Party expressed its reservation for the double payment for overflying the Trans-Siberian, Transpolar and Trans Asian Air Route networks within the Russian airspace. Specifically, the Israeli Party questioned why the Israeli airlines are forced to conduct a commercial agreement and pay royalties to Aeroflot Russian airline, a direct competitor, for overflying these routes. The Israeli Party has expressed its desire to bring this regime to an end in the future and will address this issue in future consultations.
2. The Russian Party explained that this regime is applicable to all of the airlines operating along these routes, in accordance with the provisions of the respective bi-lateral agreements.

VII. Further liberalization

1. The Russian Party expressed its opinion and desire that according to the protocol of the meeting of the co-chairmen of the Russian-Israeli commission of trade and economic cooperation dated 9 December 2013, that the capacity limitations mentioned in Section IV paragraph 1 above should be removed. The Russian party strongly believed that the further removal of capacity limitations shall be beneficial to the development of the economic, cultural, and other relations between the two countries.
2. The Israeli Party replied that for a fully liberalized aviation environment to exist, certain basic foundations regarding fair competition, prohibition of subsidy, removal of other limitations, etc., should exist. The Israeli Party stressed that the liberalization achieved in this round of discussions is suited to the current aviation relations between the Parties.

VIII. Entry into Force

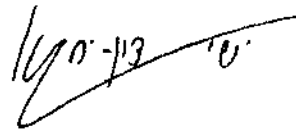
1. Entry into Force - this Memorandum of Understanding shall enter into force as from the date of entry into force of the Protocol. From that date, the capacity entitlement specified in this Memorandum of Understanding shall supersede all previous capacity or frequency arrangements regarding scheduled or

non-scheduled flights, including for Operations along the Trans-Siberian route and over the Southern part of the Russian Federation, between the Aeronautical Authorities of the State of Israel and of the Russian Federation.

2. After the satisfactory resolution of the Security issue mentioned in paragraph 1 above, the Aeronautical Authorities will act in accordance with the provisions of the MOU, including the Protocol and the revised Annex of the Agreement.

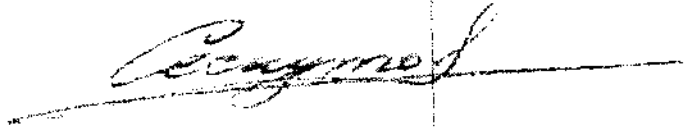
Done in the English language at Tel Aviv on 12th of February 2014.

For the Aeronautical Authority of
the State of Israel



Ishay Don Yehiya
Director, International Relations &
Air Transport Division
Civil Aviation Authority of the
State of Israel

For the Aeronautical Authority of the
Russian Federation



Sergey A. Seskutov
Deputy Director,
Department of State Policy in Civil
Aviation
Ministry of Transport of the Russian
Federation

List of Delegations

Delegation of the State of Israel

Mr. Ishay Don Yehiya	Head of Delegation Director, International Relations & Air Transport Division, Civil Aviation Authority of the State of Israel
Mr. Ron Halfon	Advocate, Legal Adviser's Department (Aviation) Ministry of Transport and Road Safety, State of Israel
Mr. Asher Yarden	Director, Economic Department 3 (Asia, Pacific, Euro-Asia and International Economic Organizations) Economic Affairs Division Ministry of Foreign Affairs
Ms. Naomi Elimelech Shamra	Advocate, Treaties Department Office of the Legal Advisor Ministry of Foreign Affairs
Mr. Dani Morag	Deputy Director, International Relations & Air Transport Division, Civil Aviation Authority of the State of Israel
Ms. Adina Hoffman	Chief, Scheduled Flights Unit, International Relations & Air Transport Division, Civil Aviation Authority of the State of Israel
Ms. Esti Steiner	Chief, Charter Flights Unit, International Relations & Air Transport Division, Civil Aviation Authority of the State of Israel
Mr. Sami Shahrabany	El Al Israeli Airlines Ltd.
Mr. Igor Vaisbrud	El Al Israeli Airlines Ltd.
Ms. Osnat Issan	CAL Cargo Airlines Ltd.

Delegation of the Russian Federation

Mr. Sergey A. Seskutov	Head of Delegation Deputy Director Department of State Policy in Civil Aviation Ministry of Transport of the Russian Federation;
Mr. Eduard Y. Vertianov	Counselor, Head of Trade & Economic Mission At the Embassy of the Russian Federation
Mr. Alexander V. Shatalin	Chief-expert of Air Services Division, Department of State Policy in Civil Aviation Ministry of Transport of the Russian Federation;
Ms. Viktoria A. Kuzovleva	Leading-expert of Air Services Division, Department of State Policy in Civil Aviation Ministry of Transport of the Russian Federation;
Mr. Alexander I. Delezha	Transaero
Mr. Leonid A. Dushatin	Aeroflot
Mr. Andrew V. Mikhailov	Aeroflot
Mr. Vladimir A. Bondarev	Rossiya Airlines
Mr. Anton V. Eremin	S7 "Siberia"
Mr. Igor V. Chernyshov	S7 "Siberia"
Mr. Yuriy A. Mikhin	VIM Airlines
Ms. Asiya Madyarova	UTair airlines
Mr. Alexey V. Leonov	Group of Companies Volga-Dnepr
Mr. Marian Shenker	Aircompany Yakutia
Mr. Kamil Feyzrakhmanov	Domodedovo Airport
Mr. Yuri Gutchenko	Vnukovo Airport

Appendix B

Protocol between the Government of the State of Israel and the Government of the Russian Federation on Amendments to the Air Transport Agreement between the Government of the Russian Federation and the Government of the State of Israel

The Government of the State of Israel and the Government of the Russian Federation (hereinafter referred to as "the Contracting Parties");

Recalling the Air Transport Agreement between the Government of the Russian Federation and the Government of the State of Israel signed on 13 September, 1993 (hereinafter referred to as "the Agreement");

Recognizing the need to further develop air services between the State of Israel and the Russian Federation;

Have agreed as follows:

Article 1

1. In Article 3 (THE RIGHTS) paragraph 1 of the agreement the term "The airline" shall be replaced by the term "An airline".
2. Paragraph 4 of Article 3 (THE RIGHTS) of the Agreement shall be deleted.

Article 2

Article 4 (DESIGNATION OF AIRLINES) paragraph 1 of the Agreement shall be replaced and read as follows:

"1. Each Contracting Party shall have the right to designate in writing to the other Contracting Party through diplomatic channels, an airline or airlines for the purpose of operating the agreed services on the specified routes."

Article 3

Article 9 (CAPACITY) of the Agreement shall be deleted.

Article 4

Article 10 (TARRIFS) of the Agreement shall be replaced to read as follows:

1. The tariffs applicable between the territories of the Parties shall be individually established at reasonable levels, due regard being paid to all relevant factors including the cost of operation, the interest of users, reasonable profit, class of service and when it is deemed suitable, the tariffs of other airlines operating over whole or part of the specified routes.
2. The Aeronautical Authorities of either Party may require tariffs for an agreed service to be filed for approval (in such form as they may separately require), in which case such filing shall be submitted at least thirty (30) days before the proposed effective date, unless those Aeronautical Authorities permit the filing to be made on a short notice.
3. Where it is proposed that the Aeronautical Authorities of one or either of the Parties proposed to intervene in a tariff that has been filed, the primary objectives of such intervention shall be:
 - a) Prevention of unreasonably discriminatory prices or practices;
 - b) Protection of consumers from prices that are unreasonably high or restrictive because of the abuse of a dominant position;
 - c) Protection of airlines from prices to the extent that they are artificially low because of direct or indirect government subsidy; and
 - d) Protection of airlines from prices that are low, where evidence exists as to an intent of eliminating competition."

Article 5

1. The present Protocol forms an integral part of the Agreement.
2. The interpretation of the present Protocol shall be in accordance with the terms and provisions of the Agreement.
3. The present Protocol shall enter into force in accordance with Article 21 (ENTRY INTO FORCE) of the Agreement and shall remain in force as long as the Agreement remains in force.

In witness whereof, the undersigned, being duly authorized thereto by their Governments have signed the present Protocol.

Done at _____ in two authentic copies, this (date) _____ day of (month) _____, 2014, which corresponds to the _____ day of (month) _____ of the year 5774 in the Hebrew calendar, in the Hebrew, Russian and English languages, all three texts being equally authentic. In case of divergence of interpretation, the English text shall prevail.

For the Government
of the State of Israel

For the Government
of the Russian Federation