

**PJSC “AEROFLOT – RUSSIAN AIRLINES”
AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

Moscow, 10 Arbat st.

Approved
by the meeting of the Audit Committee of the Board of
Directors
PJSC “Aeroflot – Russian Airlines”
May 22, 2017, Minutes No. 8

REPORT

**Of the Audit Committee of the Board of Directors of PJSC “Aeroflot - Russian Airlines”
on financial and business performance of the Company in 2016**

This Report was prepared and submitted to the Board of Directors of the Company and to the Annual General Meeting of Shareholders of the Company in compliance with the Regulation on the Audit Committee of the Board of Directors of PJSC “Aeroflot – Russian Airlines”, the provisions of the law of the Russian Federation and regulatory legal acts.

The Audit Committee submitted to the Board of Directors and the Management Board of the Company the recommendations aimed at ensuring the effective management and control of the Company’s financial and business operations, as well as recommendations on matters related to financial, commercial and other risks associated with the Company’s transactions and operations, its subsidiaries, and accounting, financial planning and budgeting management. It should be noted that the controls of the Company’s financial and business operations have been consolidated.

The Audit Committee carried out a regular review of the Company’s financial performance during the reporting year in cooperation with the Internal Audit Department, the Company’s RAS and IFRS auditors, and the Company’s management bodies on the basis of the submitted operational and accounting data of quarterly reports.

The Audit Committee paid close attention to the work to improve the subsidiary management system in order to enhance the efficiency of the Company’s operations.

Additionally, the implementation of policy continued to strengthen the risk management and internal control system (RM & ICS) in the Aeroflot Group and bring the RM & ICS in line with best practices. The work on the project for the transformation of internal audit within the Aeroflot Group and the improvement of its status was successfully completed.

With the direct involvement of the Audit Committee, an analysis was carried out of the risks the Aeroflot Group is exposed to, following which the Risk Register and the Risk Map of the Aeroflot Group were prepared and approved by the Board of Directors.

Particular attention was paid to the development of an integrated financial hedging system in PJSC “Aeroflot” and the development and approval of relevant rules and procedures.

The Audit Committee also carried out random checks of the development and implementation of internal control procedures in the Company, including operations related to the implementation of the plan (preparation and execution of the Company’s budget and capital investment plan in terms of individual projects and items) and specific major projects and transactions.

Based on the information provided and available to the Audit Committee and its members, no occurrences of fraud, corruption, violations of affiliation provisions by the Company’s management or members of the Board of Directors of the Company were detected during the reporting period.

The Audit Committee reviewed the 2016 Annual Report on the Company’s Financial and Business Performance as part of the balance sheet dated December 31, 2016, the 2016 statement of financial results, and annexes to the balance sheet, as well as the report of the Company’s auditor and the Audit Committee submitted as part of the 2016 annual statements, and recommends that the Board of Directors and the Annual Meeting of Shareholders approve the financial performance by the Company in 2016 as submitted.

Head of the Audit Committee

V.V. Sidorov