

PJSC "Aeroflot - Russian Airlines"

BOARD AUDIT COMMITTEE

1, Arbat str., Moscow

Approved
at the meeting of the Board Audit Committee of
PJSC "Aeroflot - Russian Airlines"
30 May 2019, Minutes No. 10

OPINION

of Audit Committee of the Board of Directors of PJSC "Aeroflot - Russian Airlines" on the Company's Financial and Economic Performance for the Year 2018

This Opinion has been prepared and is submitted to the Company's Board of Directors and the annual General Meeting of the Company's Shareholders in accordance with the Regulations on the Audit Committee of the Board of Directors of PJSC "Aeroflot - Russian Airlines", the requirements of the laws of the Russian Federation and regulatory legal acts.

The Audit Committee (hereinafter referred to as the Committee) submitted to the Board of Directors and Executive Board of the Company recommendations aimed at ensuring the efficient management and control in the field of financial and economic activities of the Company, as well as recommendations on the issues related to financial, commercial and other risks associated with the transactions and operations of the Company, its subsidiaries, accounting management, financial planning and budgeting. The increased attention to certain areas of financial and economic activities of the Company should be noted.

During the reporting year, the Committee carried out an ongoing analysis of the Company's financial performance, as well as of certain aspects of the Company's activities, in cooperation with Internal Audit Department, Risk Management Department, the Company's RAS and IFRS auditors, executive bodies of the Company on the basis of presented operational and accounting data of the quarterly reporting and the results of internal audits.

The Committee paid attention to the work on improving the management system of subsidiary airlines in order to improve the Company's operational efficiency.

Further practical implementation of the risk management and internal control system (SURiVK) in "Aeroflot" Group and bringing SURiVK in line with the best practices and decisions of the Board of Directors was also continued. Work on the project to transform and improve the status of internal audit within "Aeroflot" Group was successfully performed.

The Committee focused on the topic of financial and operational hedging of market risks.

With the direct participation of the Committee, Risk Management Department conducted additional analysis of the risks existing in "Aeroflot" Group, which resulted in the approval of an updated risk management standard implementing a unified risk management methodology in "Aeroflot" Group. Annual updating of Risk Registers of PJSC "Aeroflot" was carried out and Risk Registers of all subsidiaries were developed. A methodology for quantitative assessment of risk appetite for market risks, as well as a methodology for quantitative assessment of the cost of flight delays was developed. The process of monthly reporting of subsidiaries within the risk management system was organized.

The Committee, through Internal Audit Department, carried out random inspections of the organization and application of internal control procedures in the Company, as well as directly inspected operations related to the implementation of the plan (preparation and execution of the budget and capital investment plan of the Company in the context of individual projects and articles), individual major projects and transactions.

On the basis of the information provided and available to the Committee and its members, no facts of fraud, corruption, violations of the provisions on affiliation by the Company management or members of the Company's Board of Directors were revealed during the reporting period.

The Committee considered the Annual Report on the Financial and Economic Performance of the Company for 2018 including the balance sheet as at 31 December 2018, profit and loss statement for 2018 and annexes to the balance sheet, as well as the opinion of the Company's auditor and the Audit Commission presented as part of the annual statements for 2018, and recommends that the Board of Directors and the annual General Meeting of Shareholders approve the financial performance results for the year 2018 presented by the Company.