UTair Aviation Joint-Stock Company
Consolidated Financial Statements

for the year ended 31 December 2013

Contents

Statement of management's responsibilities for the preparation and approval of the consolidated financial statements for the year ended 31 December 2013

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 4 and 5, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of UTair Aviation Joint-Stock Company and its subsidiaries (the "Group").

In preparing the consolidated financial statements, management is responsible for:

- selecting suitable accounting policies and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether IFRSs have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- preparing the consolidated financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRSs;
- maintaining statutory accounting records in compliance with legislation and accounting standards of the Russian Federation;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- detecting and preventing fraud and other irregularities.

The consolidated financial statements for the year ended 31 December 2013 were approved by management on 30 April 2014 and were signed on their behalf by:

I.V. Petrov	**O.V. Grabarovskaya**
Senior Vice President - Chief Financial Officer	Chief Accountant

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Independent auditor's report

To the Shareholders and Board of Directors of UTair Aviation Joint-Stock Company

We have audited the accompanying consolidated financial statements of UTair Aviation Joint-Stock Company (the Company) and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year 2013, and a summary of significant accounting policies and other explanatory information.

Audited entity's responsibility for the consolidated financial statements

Management of the audited entity is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the audited entity, as well as evaluating the overall presentation of the consolidated financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

As described in Note 28 to consolidated financial statements, the Company recognized revenue from consulting services in "other revenue" in its consolidated statement of comprehensive income for the years 2012 and 2013. We were unable to obtain sufficient appropriate audit evidence about the amount of this revenue to be recognized in the consolidated statement of comprehensive income for the years 2012 and 2013. Consequently, we were unable to determine whether any adjustment to "other revenue" in consolidated financial statements was necessary.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of UTair Aviation Joint-Stock Company and its subsidiaries as at 31 December 2013, and their financial performance and cash flows for the year 2013 in accordance with International Financial Reporting Standards.

Ernst & Young LLC

30 April 2014

	Note	31 December 2013 '000 RUB	31 December 2012 '000 RUB	31 December 2013 '000 USD	31 December 2012 '000 USD
ASSETS					
Non-current assets					
Property, plant and equipment	7	54,498,569	49,591,049	1,665,136	1,632,751
Advances for property, plant and equipment		482,475	831,652	14,743	27,382
Goodwill	8	673,806	576,381	20,587	18,977
Other intangible assets	8	328,559	329,775	10,038	10,858
Investments in equity accounted investees	9	25,450	31,007	778	1,021
Other investments	10	143,233	221,296	4,376	7,286
Loans issued	11	342,436	3,326,638	10,463	109,527
Net investment in finance leases	12	702,868	506,680	21,475	16,682
Other advances issued	13	2,883,489	1,560,618	88,101	51,382
Deferred tax assets	15	166,729	88,386	5,094	2,910
Total non-current assets		**60,247,614**	**57,063,482**	**1,840,791**	**1,878,776**
Current assets					
Inventories	16	4,094,055	3,270,363	125,089	107,674
Trade and other receivables	14	23,159,528	20,888,721	707,611	687,747
Other advances issued	13	3,786,414	3,508,348	115,689	115,510
Income tax receivable		242,439	241,892	7,407	7,964
Net investment in finance leases	12	568,078	404,953	17,357	13,333
Loans issued	11	6,720,120	1,269,815	205,325	41,808
Other investments	10	-	87,370	-	2,877
Security deposits	17	14,297,720	8,685,531	436,849	285,965
Cash and cash equivalents	18	571,449	1,189,105	17,460	39,150
Derivatives	22	-	91,271	-	3,005
Total current assets		**53,439,803**	**39,637,369**	**1,632,787**	**1,305,033**
Assets classified as held for sale	19	49,975	136,812	1,527	4,504
Total assets		**113,737,392**	**96,837,663**	**3,475,105**	**3,188,313**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 6 to 99.

	Note	31 December 2013 ’000 RUB	31 December 2012 ’000 RUB	31 December 2013 ’000 USD	31 December 2012 ’000 USD
EQUITY AND LIABILITIES					
Equity					
Share capital	20	577,208	577,208	20,871	20,871
Treasury shares	20	(1,320,907)	(576,468)	(40,359)	(19,609)
Foreign currency translation reserve		131,859	93,129	794	1,829
Revaluation reserve		18,815,973	20,689,432	574,899	681,185
Investment revaluation reserve		68,772	68,772	2,101	2,264
Result of the assessment of the actuarial obligations		14,264	-	436	-
Retained earnings		(3,062,260)	(954,554)	(93,564)	(31,428)
Total equity attributable to equity holders of the Company		**15,224,909**	**19,897,519**	**465,178**	**655,112**
Non-controlling interests		1,532,134	2,083,944	46,812	68,612
Total equity		**16,757,043**	**21,981,463**	**511,990**	**723,724**
Non-current liabilities					
Loans and borrowings	21	21,434,381	14,965,810	654,901	492,739
Payables in finance leases	21	8,569,478	3,140,021	261,830	103,383
Derivatives	22	-	1,373	-	45
Trade and other payables	23	359,505	616,253	10,984	20,290
Deferred income	24	760,641	403,430	23,240	13,283
Employee benefits	25	233,607	246,810	7,138	8,126
Deferred tax liabilities	15	5,333,781	5,851,436	162,967	192,654
Total non-current liabilities		**36,691,393**	**25,225,133**	**1,121,060**	**830,520**
Current liabilities					
Loans and borrowings	21	41,382,235	29,541,080	1,264,383	972,619
Payables in finance leases	21	2,842,726	1,679,748	86,856	55,305
Derivatives	22	40,018	35,450	1,223	1,167
Trade and other payables	23	12,582,152	12,918,617	384,432	425,338
Deferred income	24	334,514	252,767	10,221	8,322
Income tax payable		15,016	11,179	459	368
Other taxes payable	26	446,565	699,521	13,644	23,031
Advances received	27	2,626,897	4,472,811	80,262	147,264
Employee benefits	25	18,833	19,894	575	655
Total current liabilities		**60,288,956**	**49,631,067**	**1,842,055**	**1,634,069**
Total liabilities		**96,980,349**	**74,856,200**	**2,963,115**	**2,464,589**
Total equity and liabilities		**113,737,392**	**96,837,663**	**3,475,105**	**3,188,313**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 7 to 99.

	Note	2013 '000 RUB	2012 '000 RUB	2013 '000 USD	2012 '000 USD
Passenger traffic and helicopter services revenue	28	72,295,654	67,977,253	2,269,943	2,186,256
Other revenue	28	10,586,434	11,308,988	332,394	363,715
		82,882,088	**79,286,241**	**2,602,337**	**2,549,971**
Operating expenses					
Direct operating expenses	29	(47,399,697)	(47,826,821)	(1,488,259)	(1,538,186)
Personnel expenses	30	(16,249,310)	(14,057,921)	(510,197)	(452,125)
Depreciation and amortisation		(6,213,738)	(5,417,925)	(195,099)	(174,249)
Repair expenses		(5,848,781)	(3,936,737)	(183,640)	(126,611)
Commissions		(2,387,574)	(2,482,606)	(74,965)	(79,845)
Gain on sale of assets classified as held for sale		179,344	214,881	5,632	6,911
Sales-leaseback transactions	31,32	32,909	474,231	1,033	15,252
Other income	32	799,331	670,348	25,097	21,559
Other expenses	32	(5,159,898)	(3,727,989)	(162,011)	(119,898)
		(82,247,414)	**(76,090,539)**	**(2,582,409)**	**(2,447,192)**
Results from operating activities		**634,674**	**3,195,702**	**19,928**	**102,779**
Net foreign exchange gain		67,890	390,775	2,131	12,568
Impairment of doubtful debts	13,14	(264,036)	(27,509)	(8,290)	(885)
Share of profit/(loss) of equity accounted investees (net of income tax)	9	25,134	(154,505)	789	(4,969)
Gain from acquisition of a subsidiary	6	-	1,262,566	-	40,606
Other finance income	33	1,642,768	562,822	51,580	18,101
Other finance costs	33	(7,060,144)	(5,118,025)	(221,675)	(164,604)
(Loss)/profit before income tax		**(4,953,714)**	**111,826**	**(155,537)**	**3,596**
Income tax expense	34	446,728	66,996	14,026	2,155
(Loss)/profit for the year		**(4,506,986)**	**178,822**	**(141,511)**	**5,751**
Other comprehensive income					
Foreign currency translation differences		142,284	(41,852)	(43,217)	38,537
Result of the assessment of the actuarial obligations	25	14,264	-	436	-
Revaluation of property, plant and equipment		5,591	627,345	176	20,176
Investment revaluation reserve		-	85,965	-	2,765
Income tax on realisation of property, plant and equipment revaluation reserve		(1,118)	(142,662)	(35)	(4,588)
Other comprehensive income for the year, net of income tax		**161,021**	**528,796**	**(42,640)**	**56,890**
Total comprehensive (loss)/income for the year		**(4,345,965)**	**707,618**	**(184,151)**	**62,641**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 8 to 99.

	Note	2013 '000 RUB	2012 '000 RUB	2013 '000 USD	2012 '000 USD
(Loss)/profit attributable to:					
Owners of the Company		(4,131,779)	69,566	(129,730)	2,237
Non-controlling interest		(375,207)	109,256	(11,781)	3,514
(Loss)/profit for the year		**(4,506,986)**	**178,822**	**(141,511)**	**5,751**
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(3,921,661)	597,914	(166,355)	56,877
Non-controlling interest		(424,304)	109,704	(17,796)	5,764
Total comprehensive (loss)/income for the year		**(4,345,965)**	**707,618**	**(184,151)**	**62,641**
(Loss)/earnings per share					
Basic and diluted (loss)/earnings per share	35	RUB (7.460)	RUB 0.13	USD (0.234)	USD 0.004

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 9 to 99.

’000 RUB	Attributable to equity holders of the Company								
	Share capital	Treasury shares	Investment revaluation reserve	Translation reserve	Property, plant and equipment revaluation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2012	577,208	(80,933)	-	132,133	22,043,306	(2,278,791)	**20,392,923**	587,045	**20,979,968**
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	69,566	**69,566**	109,256	**178,822**
Other comprehensive income									
Foreign currency translation differences	-	-	-	(39,004)	-	(3,296)	**(42,300)**	448	**(41,852)**
Revaluation of investments	-	-	85,965	-	-	-	**85,965**	-	**85,965**
Revaluation of property, plant and equipment	-	-	-	-	627,345	-	**627,345**	-	**627,345**
Realisation of property, plant and equipment revaluation reserve	-	-	-	-	(1,117,089)	1,117,089	**-**	-	**-**
Income tax on realisation of property, plant and equipment revaluation reserve	-	-	(17,193)	-	106,354	(231,823)	**(142,662)**	-	**(142,662)**
Total other comprehensive income	**-**	**-**	**68,772**	**(39,004)**	**(383,390)**	**881,970**	**528,348**	**448**	**528,796**
Total comprehensive income for the year	**-**	**-**	**68,772**	**(39,004)**	**(383,390)**	**951,536**	**597,914**	**109,704**	**707,618**
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Own shares acquired	-	(495,535)	-	-	-	-	**(495,535)**	**-**	**(495,535)**
Dividends to equity holders	-	-	-	-	-	(75,627)	**(75,627)**	**-**	**(75,627)**
Total contributions by and distributions to owners	**-**	**(495,535)**	**-**	**-**	**-**	**(75,627)**	**(571,162)**	**-**	**(571,162)**
Charges in ownership interest in subsidiaries									
Acquisition of a subsidiary	-	-	-	-	-	-	**-**	194,990	**194,990**
Derecognition of unused put option on non-controlling interest in a subsidiary	-	-	-	-	(970,484)	52,023	**(918,461)**	1,192,205	**273,744**
Derecognition of liability on REPO transactions	-	-	-	-	-	396,304	**396,304**	-	**396,304**
Total charges in ownership interest in subsidiaries	**-**	**-**	**-**	**-**	**(970,484)**	**448,327**	**(522,157)**	**1,387,195**	**865,038**
Total transactions with owners	**-**	**(495,535)**	**-**	**-**	**(970,484)**	**372,700**	**(1,093,319)**	**1,387,195**	**293,876**
Balance at 31 December 2012	**577,208**	**(576,468)**	**68,772**	**93,129**	**20,689,432**	**(954,554)**	**19,897,519**	**2,083,944**	**21,981,463**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 99.

’000 RUB	Attributable to equity holders of the Company									
	Share capital	Treasury shares	Result of the assessment of the actuarial obligations	Investment revaluation reserve	Translation reserve	Property, plant and equipment revaluation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2013	577,208	(576,468)	-	68,772	93,129	20,689,432	(954,554)	**19,897,519**	2,083,944	**21,981,463**
Total comprehensive loss for the year										
Loss for the year	-	-	-	-	-	-	(4,131,779)	**(4,131,779)**	(375,207)	**(4,506,986)**
Other comprehensive income										
Foreign currency translation differences	-	-	-	-	38,370	-	152,651	**191,381**	(49,097)	**142,284**
Result of the assessment of the actuarial obligations	-	-	14,264	-	-	-	-	**14,264**	-	**14,264**
Revaluation of property, plant and equipment	-	-	-	-	-	5,591	-	**5,591**	-	**5,591**
Realisation of property, plant and equipment revaluation reserve	-	-	-	-	-	(2,589,311)	2,589,311	**-**	-	**-**
Income tax on realisation of property, plant and equipment revaluation reserve	-	-	-	-	-	556,633	(557,751)	**(1,118)**	-	**(1,118)**
Total other comprehensive income/(loss)	**-**	**-**	**14,264**	**-**	**38,730**	**(2,027,087)**	**2,184,211**	**210,118**	**(49,097)**	**161,021**
Total comprehensive loss for the year	**-**	**-**	**14,264**	**-**	**38,730**	**(2,027,087)**	**(1,947,568)**	**(3,921,661)**	**(424,304)**	**(4,345,965)**
Transactions with owners, recorded directly in equity										
Own shares acquired	-	(744,439)	-	-	-	-	-	**(744,439)**	-	**(744,439)**
Dividends to equity holders	-	-	-	-	-	-	(115,442)	**(115,442)**	-	**(115,442)**
Total contributions by and distributions to owners	**-**	**(744,439)**	**-**	**-**	**-**	**-**	**(115,442)**	**(859,881)**	-	**(859,881)**
Charges in ownership interest in subsidiaries										
Acquisition of a subsidiary	-	-	-	-	-	-	-	**-**	(8,297)	**(8,297)**
Change in minority interest without loss of control	-	-	-	-	-	153,628	(44,696)	**108,932**	(119,209)	**(10,277)**
Total charges in ownership interest in subsidiaries	**-**	**-**	**-**	**-**	**-**	**153,628**	**(44,696)**	**108,932**	**(127,506)**	**(18,574)**
Total transactions with owners	**-**	**(744,439)**	**-**	**-**	**-**	**153,628**	**(160,138)**	**(750,949)**	**(127,506)**	**(878,455)**
Balance at 31 December 2013	**577,208**	**(1,320,907)**	**14,264**	**68,772**	**131,859**	**18,815,973**	**(3,062,260)**	**15,224,909**	**1,532,134**	**16,757,043**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 99.

’000 USD	Attributable to equity holders of the Company								
	Share capital	Treasury shares	Investment revaluation reserve	Translation reserve	Property, plant and equipment revaluation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 January 2012	20,871	(3,672)	-	2,272	684,658	(70,732)	**633,397**	18,234	**651,631**
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	2,237	**2,237**	3,514	**5,751**
Other comprehensive income									
Foreign currency translation differences	-	-	52	(443)	40,069	(3,391)	**36,287**	2,250	**38,537**
Revaluation of investments (note 10)	-	-	2,765	-	-	-	**2,765**	-	**2,765**
Revaluation of property, plant and equipment	-	-	-	-	20,176	-	**20,176**	-	**20,176**
Realisation of property, plant and equipment revaluation reserve	-	-	-	-	(35,927)	35,927	**-**	-	**-**
Income tax on realisation of property, plant and equipment revaluation reserve	-	-	(553)	-	3,421	(7,456)	**(4,588)**	-	**(4,588)**
Total other comprehensive income	**-**	**-**	**2,264**	**(443)**	**27,739**	**25,080**	**54,640**	**2,250**	**56,890**
Total comprehensive income for the year	**-**	**-**	**2,264**	**(443)**	**27,739**	**27,317**	**56,877**	**5,764**	**62,641**
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Own shares acquired	-	(15,937)	-	-	-	-	**(15,937)**	-	**(15,937)**
Dividends to equity holders	-	-	-	-	-	(2,432)	**(2,432)**	-	**(2,432)**
Total contributions by and distributions to owners	**-**	**(15,937)**	**-**	**-**	**-**	**(2,432)**	**(18,369)**	**-**	**(18,369)**
Charges in ownership interest in subsidiaries									
Acquisition of a subsidiary	-	-	-	-	-	-	**-**	6,271	**6,271**
Derecognition of unused put option on non-controlling interest in a subsidiary	-	-	-	-	(31,212)	1,673	**(29,539)**	38,343	**8,804**
Derecognition of liability on REPO transactions	-	-	-	-	-	12,746	**12,746**	-	**12,746**
Total charges in ownership interest in subsidiaries	**-**	**-**	**-**	**-**	**(31,212)**	**14,419**	**(16,793)**	**44,614**	**27,821**
Total transactions with owners	-	**(15,937)**	**-**	**-**	**(31,212)**	**11,987**	**(35,162)**	**44,614**	**9,452**
Balance at 31 December 2012	**20,871**	**(19,609)**	**2,264**	**1,829**	**681,185**	**(31,428)**	**655,112**	**68,612**	**723,724**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 12 to 99.

’000 USD	**Attributable to equity holders of the Company**									
	Share capital	**Treasury shares**	**Result of the assessment of the actuarial obligations**	**Investment revaluation reserve**	**Translation reserve**	**Property, plant and equipment revaluation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2013	20,871	(19,609)	-	2,264	1,829	681,185	(31,428)	**655,112**	68,612	**723,724**
Total comprehensive loss for the year										
Loss for the year	-	-	-	-	-	-	(129,730)	**(129,730)**	(11,781)	**(141,511)**
Other comprehensive income										
Foreign currency translation differences	-	2,624	-	(163)	(1,035)	(47,463)	8,835	**(37,202)**	(6,015)	**(43,217)**
Result of the assessment of the actuarial obligations	-	-	436	-	-	-	-	**436**	-	**436**
Revaluation of property, plant and equipment	-	-	-	-	-	176	-	**176**	-	**176**
Realisation of property, plant and equipment revaluation reserve	-	-	-	-	-	(81,299)	81,299	**-**	-	**-**
Income tax on realisation of property, plant and equipment revaluation reserve	-	-	-	-	-	17,477	(17,512)	**(35)**	-	**(35)**
Total other comprehensive income/(loss)	**-**	**2,624**	**436**	**(163)**	**(1,035)**	**(111,109)**	**72,622**	**(36,625)**	**(6,015)**	**(42,640)**
Total comprehensive loss for the year	**-**	**2,624**	**436**	**(163)**	**(1,035)**	**(111,109)**	**(57,108)**	**(166,355)**	**(17,796)**	**(184,151)**
Transactions with owners, recorded directly in equity										
Own shares acquired	-	(23,374)	-	-	-	-	-	**(23,374)**	-	**(23,374)**
Dividends to equity holders	-	-	-	-	-	-	(3,625)	**(3,625)**	-	**(3,625)**
Total contributions by and distributions to owners	**-**	**(23,374)**	**-**	**-**	**-**	**-**	**(3,625)**	**(26,999)**	**-**	**(26,999)**
Charges in ownership interest in subsidiaries										
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	(261)	**(261)**
Change in minority interest without loss of control	-	-	-	-	-	**4,823**	**(1,403)**	**3,420**	(3,743)	**(323)**
Total charges in ownership interest in subsidiaries	**-**	**-**	**-**	**-**	**-**	**4,823**	**(1,403)**	**3,420**	**(4,004)**	**(584)**
Total transactions with owners	**-**	**(23,374)**	**-**	**-**	**-**	**4,823**	**(5,028)**	**(23,579)**	**(4,004)**	**(27,583)**
Balance at 31 December 2013	**20,871**	**(40,359)**	**436**	**2,101**	**794**	**574,899**	**(93,564)**	**465,178**	**46,812**	**511,990**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 13 to 99.

	2013 '000 RUB	2012 '000 RUB	2013 '000 USD	2012 '000 USD
Cash flows from operating activities				
(Loss)/profit before income tax	(4,953,714)	111,826	(155,537)	3,596
Adjustments for:				
Depreciation and amortisation	6,214,740	5,417,925	195,131	174,249
Loss/(gain) on disposal of property, plant and equipment	1,124,448	(121,386)	35,305	(3,904)
Finance costs, net	5,417,382	4,916,976	170,095	158,138
Impairment of doubtful debts	264,036	27,509	8,290	885
Share of loss of equity accounted investees (net of income tax)	(25,134)	154,505	(789)	4,969
Gain from acquisition of a subsidiary	-	(1,262,566)	-	(40,606)
Unrealised foreign exchange differences	(1,614,473)	(163,318)	(50,691)	(5,253)
Cash from operating activities before changes in working capital and provisions	**6,427,285**	**9,081,471**	**201,804**	**292,075**
Increase in inventories	(816,096)	(678,416)	(25,624)	(21,819)
Increase in trade and other receivables and net investment in finance leases	(2,829,614)	(4,362,477)	(88,844)	(140,304)
Increase in other advances	(1,538,280)	(2,146,968)	(48,299)	(69,050)
(Decrease)/increase in trade and other payables	(936,168)	2,539,417	(29,394)	81,672
(Decrease)/increase in employee benefits	-	87,475	-	2,813
(Decrease)/increase in advances received and deferred income	(1,406,956)	2,651,015	(44,176)	85,261
Decrease in other taxes payable	(252,956)	(697,947)	(7,942)	(22,447)
Increase of assets classified as held for resale	(70,601)	(787,145)	(2,217)	(25,316)
Cash flows from operations before income taxes and interest paid	**(1,423,386)**	**5,686,425**	**(44,692)**	**182,885**
Income tax paid	(170,718)	(340,175)	(5,360)	(10,941)
Interest paid	(6,893,638)	(4,954,033)	(216,447)	(159,330)
Net cash from (uses in) operating activities	**(8,487,742)**	**392,217**	**(266,499)**	**12,614**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 14 to 99.

	2013 '000 RUB	2012 '000 RUB	2013 '000 USD	2012 '000 USD
Cash flows from investing activities				
Acquisition of property, plant and equipment	(5,605,306)	(5,931,334)	(175,996)	(190,761)
Proceeds from sale of property, plant and equipment	3,946,346	1,975,125	123,908	63,523
Acquisition of intangible assets	(85,460)	(92,112)	(2,683)	(2,962)
Interest received from deposits	382,960	226,434	12,024	7,282
Interest received from other investments held for sale	273,736	332,610	8,595	10,697
Acquisition of other investments	(4,082,299)	(4,886,303)	(128,176)	(157,151)
Proceeds from sale of other investments	5,134,579	4,533,268	161,216	145,797
Loans provided to third parties	(32,998,220)	(7,537,678)	(1,036,080)	(242,424)
Loans repaid by third parties	30,562,477	3,676,689	959,603	118,248
Security deposits	(4,882,245)	(7,581,089)	(153,293)	(243,820)
Acquisition of subsidiaries	(79 052)	(53,817)	(2,482)	(1,731)
Net cash used in investing activities	**(7,432,484)**	**(15,338,207)**	**(233,364)**	**(493,301)**
Cash flows from financing activities				
Proceeds from borrowings	98,739,015	76,520,604	3,100,214	2,461,023
Repayment of borrowings	(79,242,055)	(59,910,679)	(2,488,047)	(1,926,822)
Dividends paid to equity holders of the Company	(105,230)	(74,756)	(3,304)	(2,404)
Repayment of liability under finance lease agreements	(3,344,721)	(1,019,070)	(105,018)	(32,775)
Acquisition of treasury shares	(744,439)	(99,231)	(23,374)	(3,191)
Net cash from financing activities	**15,302,570**	**15,416,868**	**480,471**	**495,831**
Net (decrease)/increase in cash and cash equivalents	**(617,656)**	**470,878**	**(19,393)**	**15,144**
Effect of movements in exchange rates	-	-	(2,297)	1,698
Cash and cash equivalents at 1 January	1,189,105	718,227	39,150	22,308
Cash and cash equivalents at 31 December	**571,449**	**1,189,105**	**17,460**	**39,150**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 15 to 99.

1 Background

(a) Russian business environment

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market.

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis has resulted in uncertainty regarding further economic growth, availability of financing and cost of capital, which could negatively affect the Group's future financial position, results of operations and business prospects. The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. While management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Group's results and financial position in a manner not currently determinable.

(b) Organisation and operations

The core businesses of UTair Aviation Joint Stock Company (the "Company" or "UTair") and its subsidiaries (collectively referred to as the "Group") are passenger and cargo transportation using airplanes and helicopters, helicopter services. The Group operates more than 450 aircraft. Cargo and passenger aircraft transportation is performed in Russia, CIS and non-CIS countries. The main customers of helicopter services of the Group are Russian oil and gas companies, and the United Nations Organisation (UN) outside Russia. The main aviation services are: provision of passenger and cargo air transportation, catering, airport services, aircraft repairs and maintenance services and aeronautical personnel training.

UTair, the parent company, was incorporated as an open joint stock company in the Russian Federation on 28 October 1992. The registered office of the Company is: 628012, Russia, Tyumen oblast, Khanty-Mansiysk, Airport.

As at 31 December Non-State Pension Fund Surgutneftegaz (Russia) owned 60.67% of the Company (2012: 60.67%).

The Company has the following subsidiaries, which are included in the consolidated financial statements:

Entity	Activity	2013 % share	2012 % share
Tsentr realizatsii perevozok i uslug LLC	Ticket sales agency	100.00	100.00
UTair-Leasing LLC	Leasing company	100.00	100.00
NP Tsentr podgotovki personala	Staff training and assessment	100.00	100.00
UTair CJSC (until 22.11.2013 – Utair-Cargo CJSC)	Aviation services	100.00	100.00

Entity	Activity	2013 % share	2012 % share
UTair-Finance LLC	Finance services	100.00	100.00
Technique LLC (until 27.11.2013 – UTair-Technique LLC)	Repair and maintenance of aircraft fleet	100.00	100.00
UTair-Ufa LLC	Regional office of UTair	100.00	100.00
UTair-Samara LLC	Regional office of UTair	100.00	100.00
UTair-Express LLC	Aviation services	100.00	100.00
UTair-Kapital LLC (until 12.11.2013 – Utair-Development LLC)	Finance agency, sale/purchase of real estate	100.00	100.00
UTair South Africa (Pty) Ltd.	Aviation services and maintenance of aircraft fleet	100.00	100.00
UT Project Services Ltd. (India)	Regional office of UTair, agency services	100.00	100.00
WestSib-Capital Limited (Cyprus)	Investing activities	100.00	100.00
UTair-Irkutsk LLC	Regional office of UTair	100.00	100.00
UTair-Murmansk LLC	Regional office of UTair	-	100.00
Ukraine UTair Aviation Company LLC	Aviation services	100.00	100.00
Tyumensky nauchno-proizvodstvenniy tsentr aviatsii obschego naznachenia LLC	Research and development	100.00	100.00
UTair India Private Limited (India)	Aviation services	100.00	100.00
NP Tyumenskoe letno-tekhnicheskoe uchilische grazhdanskoy aviatsii LLC	Training center	100.00	100.00
UTair Africa (Pty) Ltd.	Aviation services	100.00	100.00
UTair Armenia LLC (Armenia)	Regional office of UTair	100.00	100.00
UTair Jug LLC (Russia)	Regional office of UTair	100.00	100.00
Turukhan Aviation Company LLC	Aviation services	100.00	100.00
Ukrainskaya handlingovaya kompania LLC (Ukraine)	Trade in fuel, organisation of cargo transportation	100.00	100.00
Forumavia LLC (Ukraine)	Freight forwarding	100.00	100.00
UTair Leasing Ireland Ltd (Ireland)	Leasing company	100.00	100.00
UTair Investments Ltd (BVI)	Investing activity	100.00	100.00
Utair Engineering AL SAC (Peru)	Repair and maintenance of aircraft fleet	100.00	100.00
TS Technik LLC	Repair and maintenance of aircraft fleet	100.00	100.00
Tobolskavia LLC	Airport services	100.00	100.00
Ural Aviation services LLC	Repair and maintenance of aircraft fleet	100.00	100.00
UTair Sierra Leone Limited	Aviation services and maintenance of aircraft fleet	99.00	99.00
Utstar LLC	Advertising services	99.00	99.00
UTair-Helicopter Services LLC (until 08.08.2013 - Nefteyugansk United Airline Transportation Company OJSC)	Aviation services	96.95	89.85
Helicopteros del Sur S.A. (Peru)	Aviation services	86.00	86.00
Airport Ust-Kut OJSC	Airport services	85.57	85.57
UTair-Engineering OJSC	Repair and maintenance of aircraft fleet	83.13	82.22
PKF KATTEKAVIA LLC		75.00	32.90
Vostok Aviation Company OJSC	Aviation services	52.99	52.99
Zapadno-sibirskoe agentstvo vozdushnykh soobscheniy LLC	Ticket sales	51.00	51.00
UTG CJSC	Ground maintenance services	50.00	50.00

Entity	Activity	2013 % share	2012 % share
HeliExpress LLC	Aviation services, agent services	50.00	50.00
UTair Europe s.r.o. (Slovakia)	Aviation services	20.00	20.00

All subsidiaries of the Group are incorporated under the laws of the Russian Federation except for subsidiaries in South Africa, India, Cyprus, Slovakia, Peru, Ireland, BVI and Ukraine.

(c) Continuity of Operations

The attached consolidated financial statements have been prepared on a going concern basis that contemplates the disposal of assets and satisfaction of liabilities and commitments in the normal course of business conducted by the Group. As of December 31, 2013, the Group's short-term liabilities were RUB 60,288,956 thousand /USD 1,842,055 thousand and exceeded current assets by RUB 6,799,178 thousand/USD 207,741 thousand (December 31, 2012: RUB 49,631,067 thousand / USD 1,634,069 thousand and RUB 9,856,886 thousand / USD 324,532 thousand accordingly). In 2013 net loss was RUB 4,506,986 thousand / USD 141,511 thousand (2012: net profit was RUB 178,822 thousand/ USD 5,751 thousand). In 2013 net loss was RUB 4,506,986 thousand/USD 141,511 thousand (2012: net profit of RUB 178,822 thousand/USD 5,751 thousand). Net cash outflow used in the Group's operating activities in 2013 was RUB 8,487,742 thousand / USD 266,499 thousand (2012: RUB 392,217 thousand / USD 12,614 thousand). Working capital deficit firstly relates to a large-scale Group's investment program on the fleet renewal funded inter alia at the expense of short-term borrowings. As of December 31, 2013, the Group is provided with unused credit limits sufficient to finance working capital deficit (Note 21 and Note 36 (c)). Moreover, the management of the Group believes that the actions it has taken to reduce expenditures (renewal of the fleet and use of high performance aircraft, expansion of airport geographic coverage using its own fuel and introduction of a fueling system in locations with the lowest fuel price, optimization of line and base maintenance program, restructuring of lease portfolio relating to the revision of lease agreements terms, conditions and value, optimization of aircraft insurance costs, restructuring of flight divisions and optimization of personnel number) will have a positive effect on financial results of the Group in future.

The management of the Group believes that through the efforts that have been taken, the Group will have necessary liquidity to continue running its business even after 2014. Therefore, the attached financial statements do not take into consideration adjustments that would need to be made in case the Group is unable to go on as a continuing enterprise.

2 Basis of preparation

(a) Basis of preparation the financial statements

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") for compliance with the requirements of Federal Law on the consolidated financial statements №208-FZ dated 27 July 2010.

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except:

- derivative financial instruments and financial investments classified as available-for-sale are stated at fair value;
- certain items of property, plant and equipment are remeasured at fair value on a regular basis.

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian rouble ("RUB"), which is the Company's functional currency and the currency in which these consolidated financial statements are presented.

In addition, these consolidated financial statements are presented in US dollars ("USD") for the convenience of foreign users. The assets and liabilities, both monetary and non-monetary, have been translated at the exchange rates at the date of each balance sheet presented in accordance with International Accounting Standard ("IAS") 21 *The Effect of Changes in Foreign Exchange Rates*. Income and expense items for all periods presented have been translated at the exchange rates existing at the dates of the transactions or at a rate that approximates the actual exchange rates. Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency reserve in equity.

Any conversion of RUB amounts to USD should not be considered as a representation that RUB amounts have been, could be or will be in the future, converted into USD at the exchange rate shown or at any other exchange rate.

The following table details the exchange rates used to translate RUB to USD:

	Exchange rate:
As at 31 December 2013	32.7292
Average rate in 2013	31.8491
As at 31 December 2012	30.3727
Average rate in 2012	31.0930
As at 1 January 2012	32.1961

All financial information presented in RUB and USD has been rounded to the nearest thousand.

(d) Use of estimates and judgments

(i) Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Consolidation of special purpose entities

The Group determined that the substance of the relationship between the Group and below listed companies, indicates these entities are controlled by the Group. As a result, these entities have been included in the Group's consolidated financial statements as at 31 December 2013 and 2012:

- UTG CJSC - 50% ownership
- UTair Europe s.r.o. (Slovakia) – 20% ownership
- HeliExpress LLC - 50% ownership

Leases – Group as lessee

To provide transportation services the Group leases significant number of aircrafts. Based on the evaluation of terms and conditions of the lease arrangements, the Group accounts for lease arrangements stipulating bargain purchase option at the end of lease term as finance lease, while remaining lease arrangements are accounted for as operating leases.

(ii) Estimation uncertainty

The preparation of consolidated financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of resulting in a material adjustment within the next financial year are discussed below:

Revaluation of property, plant and equipment

The Group measures its property, plant and equipment at revalued amounts with changes in fair value being recognised in other comprehensive income. The Group engaged independent valuation specialists to determine fair value as at 31 December 2011. Besides the comparable market data, the appraiser used a valuation technique based on a discounted cash flow model. Therefore the estimated values are most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The Group believes that the carrying amount of its property, plant and equipment recordered in the consolidated statement of financial position as of 31 December 2013 approximates its fair value as of that date.

Useful life of property, plant and equipment

The Group assesses the remaining useful lives, residual values and methods of depreciation of items of property, plant and equipment at least at each financial year end. If current expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. These estimates may have a material impact on the amount of the carrying values of property, plant and equipment and on depreciation recognised in profit or loss. The Group reassessed remaining useful lives of its property, plant and equipment at the date of their recent revaluation, 31 December 2011. The actual depreciation recordered in the consolidated statement of comprehensive income for the year ended 31 December 2013 was based on these revised useful lives. If it was based on the useful lives before revision, the amount of depreciation would be by RUB 2,738,034 thousand / USD 83,657 thousand higher.

Fair value of financial instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using various valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit. Goodwill acquired in a business combination is allocated to groups of cash generating units that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one cash-generating unit. Corporate assets are allocated to cash-generating units on a reasonable and consistent basis and tested for impairment as part of the testing of the cash-generating unit to which the corporate asset is allocated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Revenue recognition – bonus miles for frequent flyer programme

The group measures fair value of bonus miles provided within the frequent flyer programme "Status", by applying statistical methods. Inputs to the models include making assumptions about expected redemptions rates, the mix of products that will be available for miles redemption in the future and customer preferences. Such estimates are subject to significant uncertainty. More details are provided in Note 3 (v).

Provisions and allowances

Management maintains an allowance for doubtful accounts to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful accounts, management bases its estimates on the aging of accounts receivable balances and historical write-off experience, customer creditworthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected. In 2013 and 2012 there were no changes in the calculation of allowance for doubtful accounts.

The Group makes an allowance for obsolete inventories. Estimates of the net realisable value of inventories are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the balance sheet date to the extent that such events confirm conditions existing at the end of the reporting period.

Post-employment benefits

The Group uses the actuarial valuation method for measurement of the present value of post-employment benefit obligations and related current service cost. This involves the use of demographic assumptions about the future characteristics of current and former employees (rates of employee turnover, disability and early retirement, etc.), as well as financial assumptions (discount rate, future salary increases).

Due to the complexity of the valuation, the underlying assumptions and its long-term nature, post-employment benefit obligations are highly sensitive to changes in these assumptions. In the event that further changes in the key assumptions are required, the future amounts of the post-employment benefit costs may be affected materially. All assumptions are reviewed at each reporting date.

More details are provided in note 25.

Legal claims

The Group exercises considerable judgment in measuring and recognising provisions and the exposure to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the final settlement. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision.

Current taxes

There is uncertainty in relation to interpretation of complex tax legislation, changes in tax legislation as well as amounts and terms of the future taxable income receiving. Taking into account diversity of the Group's operations as well as features and complexity of the existing contractual relations difference, appearing between the actual results and adopted assumptions or future changes of such assumptions may result in future adjustments of recognized in the statements income tax amounts of expenses or gains. On the basis of reasonable assumptions the Group estimates possible consequences of tax inspections. Value of such estimates depends on different factors, for example, results of the previous inspections and different interpretation of the tax legislation by the company-taxpayer and the relative tax authority. Such differences in interpretation may arise in relation to a lot of issues depending on the conditions, prevailing in the country where the Group's companies are registered. More details are provided in note 39 (c).

Deferred tax assets and liabilities

The management judgment is also required for the calculation of current and deferred income taxes. Deferred tax assets are recognised to the extent that their utilisation is probable. The utilisation of deferred tax assets will depend on whether it is possible to generate sufficient taxable income in the respective tax type and jurisdiction. Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized , based upon the likely timing and the level of future taxable profits together with the future tax planning strategies.

Various factors are used to assess the probability of the future utilisation of deferred tax assets, including past operating results, the operational forecast, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from these estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows of the Group may be negatively affected. In the event that an assessment of future utilisation indicates that the carrying amount of deferred tax assets must be reduced, this reduction is recognised in profit or loss.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group entities.

Some comparative figures have been re-presented to provide comparability with the current year amounts.

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2013.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group controls an investee if and only if the Group has: (a) power over the investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect its returns.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(ii) Business combination and goodwill

The acquisition method of accounting was used to account for business combinations.

The initial accounting for a business combination involves identifying and determining the fair values to be assigned to the acquiree’s identifiable assets, liabilities and contingent liabilities and the cost of acquisition. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition costs incurred are expensed and included in other expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated statement of comprehensive income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(iii) Put option on non-controlling interest

Where the acquisition of controlling interest by the Group triggers a legally binding requirement to make an offer to all other shareholders, the put option liability on the non-controlling interest is recognized. Any put options granted to non-controlling interests give rise to a financial liability for the present value of the redemption amount. The Group then performs an analysis, whether the acquisition of controlling interest by the Group provides the parent with a present ownership interest in the shares subject to the put. When a present ownership was not passed to the acquirer, and therefore still resides with the non-controlling interest holders, the non-controlling interest is recognized at the date of a business combination, in accordance with *IFRS 3 Business Combination* at the non-controlling interest's proportionate share of the acquiree's identifiable net assets as of the date of acquisition. The Group then continues to recognize the non-controlling interest within equity in accordance with IAS 27. At the end of reporting period the carrying value of the non-controlling interest is updated for the acquiree's share in the activities of a subsidiary for the reporting period. Then the non-controlling interest is derecognized, a financial liability at the present value of the amount payable upon exercise of the put option is recognized, and any difference is recognized within any component of equity except for non-controlling interest. If the option is then exercised, the liability existing at that date is extinguished by the payment of the exercise price. If the option expires unexercised, the position is unwound such that non-controlling interest is recognised at the amount it would have been, as if the put option was not granted.

(iv) Investments in associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes goodwill recognised at the acquisition and is reduced by the accumulated loss on impairments of the investment. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil, and the recognition of further losses is discontinued, except to the extent that the Group has an obligation or has made payments on behalf of the investee.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the statement of comprehensive income.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

The Group's functional currency is Russian rouble, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to RUB at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to RUB at exchange rates at the dates of the transactions or at the average rate of the ruble for the period, if there were no significant volatility of the ruble.

Foreign currency differences are recognised directly in reserve accumulated translation differences from the translation of other currencies. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

Prior to January 2005, the Group treated goodwill, and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition, as assets and liabilities of the parent. Therefore, those assets and liabilities are already expressed in the functional currency or are non-monetary assets and no further translation differences occur.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

The Group initially recognises loans, receivables and deposits on the date that they are originated. All other financial assets (including financial assets measured at fair value through profit and loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables category comprise the following classes of assets: trade and other receivables as presented in note 14 and cash and cash equivalents as presented in note 18.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group’s cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Group’s investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 2(d)(ii)) and foreign currency differences on available-for-sale debt instruments (see note 3(b)(i)), are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised or impaired, the cumulative gain or loss in equity is reclassified to profit or loss. Unquoted equity instruments whose fair value cannot reliably be measured are carried at cost.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

The Group classifies non-derivative financial liabilities into the other financial liabilities category.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

Financial guarantee contracts

Financial guarantee issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a contract. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

(iii) Derivative financial instruments

Group has derivative instruments which are not designated as effective hedge instruments and which are evaluated at fair value and are classified as either long-term or short-term or divided into current and non-current parts based on the assessment of existing facts and circumstances (i.e. contractual cash flows under basic instruments). Change in the fair value of such instruments is recognised in profit and loss statement within finance expense (finance income). If the Group expects to hold a derivative as an economical hedge instrument (and does not apply hedge accounting) for a period exceeding 12 months following the reporting date, this derivative is classified as long-term (or divided into short-term and long-term components) in accordance with the classification of the basic instrument.

More information about derivative instruments is disclosed in Note 22.

(iv) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Treasury shares

When share capital recognised as equity is repurchased by the Company or its subsidiaries, the amount of the consideration paid, including any attributable costs, net of income taxes, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in retained earnings.

Non-controlling interest

Non-controlling interest represents the interest in subsidiaries not held by the Group. Non-controlling interest at the balance sheet date represents the minority shareholders' portion of the fair value of the identifiable assets and liabilities of the subsidiary at the acquisition date and the minorities' portion of movements in equity since the date of the acquisition. Non-controlling interest is presented within shareholders' equity.

(d) Property, plant and equipment

(i) Aircraft, helicopters, engines, land and buildings

Aircrafts, helicopters, engines, land and buildings are initially recognised in the accounting at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Following initial recognition, they are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and accumulated impairment losses. The Group involved independent appraisers to determine the fair value of aircraft, helicopters, engines, land and buildings. The most recent valuation was performed as of 31 December 2011.

A revaluation increase is recognised directly in the revaluation reserve in other comprehensive income except to the extent that it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss. Decrease of the fixed asset value in the result of its revaluation shall be recognized as the loss in the consolidated comprehensive income statement, except cases when the decrease in value restores the amount at which the value of the same fixed asset was increased in the result of the previous revaluation and recognized directly in the previous comprehensive income; in that case decrease in value shall be recognized as part of the other comprehensive income.

The Group does not recognise an annual transfer from the revaluation reserve to retained earnings for the depreciation relating to the revaluation surplus, due to impracticability of such a disclosure. The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss. When a revalued asset is sold, the amount included in the revaluation reserve is transferred to retained earnings.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement for the period when the asset is derecognised.

(ii) Rotables

Rotables acquired as a part of aircraft and helicopters or separately are recorded as property, plant and equipment and amortised according to their useful lives (mainly 5 years).

(iii) Construction in progress

Construction in progress is recorded at purchase or construction cost.

(iv) Impairment

At each reporting date, management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less cost to sell and its value in use.

The carrying amount is reduced to the recoverable amount and the difference is recognised as an expense (impairment loss) in profit or loss except to the extent that the impairment reverses a previous revaluation surplus on the same asset, in which case the debit to that extent is recognized in other comprehensive income. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's recoverable amount.

(v) Depreciation

Depreciation is based on the cost of an asset or its revalued amount less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of the asset, that component is depreciated separately.

Depreciation for aircraft, helicopters and engines is calculated using the straight-line method over the estimated remaining useful lives defined in years by independent appraisers for each specific aircraft, helicopter and engine, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The remaining useful lives for the current and comparative periods vary from 1 to 42 years.

Depreciation for other property, plant and equipment is calculated using the straight-line method over the following estimated useful lives for the current and comparative periods, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset:

- buildings 20-57 years
- rotables 5 years
- other 3-8 years

Land is not depreciated.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

(vi) Accounting for major overhauls

Consistent with IAS 16 *Property, Plant and Equipment*, the Group identifies as a separate component of its aircraft, helicopters and engines an amount representing major overhaul and depreciates that component over the period to the next major overhaul to reflect the consumption of benefits, which are replaced or restored by the subsequent major overhaul. Amounts spent on major maintenance overhauls are subsequently capitalised as a separate component of an aircraft, helicopter or an engine with a different useful life.

(vii) Repair and maintenance

Repair and maintenance expenditure is expensed as incurred. Major renewals and improvements are capitalised, and the assets replaced are retired. Gains and losses arising from the retirement of property, plant and equipment are included in the consolidated statement of comprehensive income as incurred.

(viii) Borrowing costs

Interest costs on borrowings to finance the construction of property, plant and equipment incurred in relation to the acquisition, construction or production of an asset that requires substantial time to prepare for use or sale according to the Group's intentions, are capitalised as part of the initial cost of related asset. All other borrowing costs are expensed as incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(e) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination are their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

(i) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the profit or loss as incurred.

(ii) Amortisation

An intangible asset could have either indefinite or finite useful live. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible asset from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the assets. The amortisation expense on intangible assets with finite lives is recognised in the income statement as the expense category that is consistent with the function of the intangible assets.

The estimated useful lives for the current and comparative periods are as follows:

- licences and certificates 2-3 years

- customer relationship identified 25 years
- software 3-10 years

Amortisation methods, useful lifes and residual values of intangible assets with finite useful lifes are reviewed at least annually at the financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

(f) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(i) Group as a lessor - finance leases

Leases in which the Group transfers substantially all the risks and benefits of ownership of an asset to lessee are classified as finance leases.

When assets are leased to non-Group companies under a finance lease, the present value of the lease payments ("net investment in finance leases") is recognised as a receivable.

The sales revenue recognised at the commencement of the lease term is the fair value of the asset, or, if lower, the present value of the minimum lease payments accruing to the Group, discounted at a market rate of interest. The cost of sale recognised at the commencement of the lease term is the cost, or carrying amount if different, of the leased property less the present value of the unguaranteed residual value. The difference between the sales revenue and the cost of sale is the selling profit, which is recognised in accordance with the Group's policy for outright sales (see note 3(k)).

The difference between the gross receivable and the present value of the receivable, which is a finance income, is recognised based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease. The net investment in the lease and the related obligation to purchase the asset are recorded when the lease contract is signed. Any advance payments made by the lessee prior to commencement of the lease reduces the net investment in the lease.

Provisions against net investment in leases are based on the evaluation by the management of the collectability of the net investment in leases. Specific provisions are made against amounts which recovery has been identified as doubtful. The change in the provisions made as at the year end is charged against profit or loss.

Settlements on equipment purchased for subsequent lease out are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(ii) Group as a lessor - operating lease

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Payments made under operating leases are charged against income in equal instalments over the period of the lease.

(iii) Group as a lessee - finance leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

The asset received under the finance lease agreement is depreciated over its useful life. However if there is not reasonably certain that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the lease term or its useful life.

(iv) Group as a lessee - operating lease

Leases where substantially all the risks and rewards of ownership of the asset are not transferred to the Group are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Lease incentives received and incremental costs of lease paid (such as related customs expenses) are recognised as an integral part of the total lease expense, over the term of the lease.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of invenrories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition corresponding to its intended use.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Subsequent measurement of inventories is based on FIFO method (first in - first out).

(h) Non-current assets held for sale

The Group classifies non-current assets or disposal groups as assets held for sale if their carrying amount is expected to be recovered primarily through sale rather than through continuing use. The assets, or components of a disposal group, classified as held-for-sale are remeasured at the lower of their carrying amount and fair value less cost to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal is available for immediate sale in its present condition and management must be committed to the sale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

(i) Employee benefits

(i) Defined benefit plans

The Group companies provide additional pensions and other post-employment benefits to its employees in accordance with collective bargaining agreements. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age, the completion of a minimum service period and the amount of the benefits stipulated in the collective bargaining agreements. The entitlement to some benefits is conditional on the period during which a retiree resides at places where the Group is based.

Obligations on payments to the employees after retirement, recognized in the balance sheet, are equal to the current value of the obligations under the defined benefit plan at the balance sheet date less fair value of the plan assets.

The defined benefit obligation is calculated annually by a qualified actuary using the projected unit credit method. The discount rate used in calculation is the yield at the reporting date on investment grade government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

Actuarial gains and losses are recognised immediately in the statement of other comprehensive income and not reclassified to profit or loss in subsequent periods. Past service costs are recognised in profit or loss on the earlier of: the date of the plan amendment or curtailment, and the date that the Group recognises restructuring-related costs.

(j) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is realised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

(k) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(i) Tickets sold

Revenue from sales of tickets for regular flights is recognised in the period in which the service is provided. Unearned revenue represents tickets sold but not yet flown and is included in deferred income (advances from passengers). It is released to profit or loss as related flights occur. Unused non-valid tickets which are not refundable are recognised as revenue.

(ii) Other services

Sales of other services (cargo, charters, helicopter services, airport and technical support services) are recognised in the period in which the services are provided.

(iii) Commissions

The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

(iv) Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and that the Group will comply with the conditions associated with the grant. When the grant relates to an expense item, it is recognised as other income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the consolidated statement of comprehensive income over the expected useful life of the relevant asset in equal annual instalments.

When the Group receives non-monetary grants, the asset and the grant are recorded gross at nominal amounts and released to the income statement over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual installments.

When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grants.

(v) Customer loyalty programme

Customer loyalty award credits (bonus miles) earned but unused under frequent flyer programme “Status” (see note 24) are accounted for as a separate component of the sales transaction in which they are granted, and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the when these bonuses will be used.

Bonus miles earned but unused under the frequent flyer programme “Status” are deferred using the deferred income method to the extent that they are likely to be used on flights of the Group. The fair value of miles accumulated on the Group’s own flights is recognised under deferred income (see note 24) and the miles collected from programme partners as well as promotional miles are recognised under other liabilities (see notes 23, 24).

(l) Other expenses

(i) Social expenditure

To the extent that the Group's contributions to social programmes benefit the community at large and are not restricted to the Group's employees, they are recognised in profit or loss as incurred.

(m) Finance income and costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets, and foreign currency gains. For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Finance costs comprise loan interest costs, amounts reflecting unwinding of discount, exchange rate losses, changes of financial assets fair value as well as recognized losses from financial assets devaluation. Costs related to loan raising that has no direct relation to the acquisition, building or manufacturing of the qualified asset, shall be recognized in income or costs for the period and the method of effective interest rate shall be used.

Foreign currency gains and losses are reported on a net basis.

(n) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current income tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years, expected to be recovered from or paid to the taxation authorities.

(ii) Deferred income tax

Deferred tax is calculated using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

(o) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

(p) New and amended standards and interpretations

The accounting principles adopted in the preparation of annual consolidated financial statements, in line with the principles applied in the preparation of the annual consolidated financial statements for the year ended 31 December 2012, except adopted new standards and interpretations effective on 1 January 2013

The first group uses certain new standards and amendments to existing standards and interpretations. The nature and impact of each the new standards amendments are described below:

- *IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1.* The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings).The amendment has no effect on the financial position or performance of the Group and only adds some changes to the presentation of financial statements.

- *IAS 28 Investments in Associates and Joint Ventures* (as revised in 2011). As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The Group concluded that proposed changes will not affect its financial position and performance, because it has no joint ventures.

- *IFRS 1 First-Time Adoption of IFRS - loans provided by the state – Amendments to IFRS 1.* These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government loans existing at the date of transition to IFRS. The amendment has no impact on the Group, as the Group has no loans provided by the state.

- *IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7.* These amendments require an entity to disclose information about rights to set-off and related arrangements. The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. As far as the Group does not offset the financial instruments in accordance with IAS 32 and does not have netting agreements falling within the scope of the amendment, it has no impact on the Group.

- *IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements.* IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The analysis showed that IFRS 10 has no effect on the consolidated Group.

- *IFRS 12 Disclosure of Interests in Other Entities.* IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but has no impact on the Group's financial position or performance.

- *IFRS 13 Fair Value Measurement*. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The use of IFRS 13 does not have a significant impact on the fair value measurement determined by the Group.

- The Group applied IAS 19 (Revised 2011) retrospectively in the current period in accordance with the transitional provisions set out in the revised standard. IAS 19 (Revised 2011) changes, amongst other things, the accounting for defined benefit plans. Some of the key changes that impacted the Group include the following:

  - All past service costs are recognised at the earlier of when the amendment/curtailment occurs or when the related restructuring or termination costs are recognised. As a result, unvested past service costs can no longer be deferred and recognised over the future vesting period. The amount of unrecognised past service costs was insignificant for these financial statements, therefore comparatives were not restated after transition to IAS 19 (revised 2011).
  -The interest cost used in the previous version of IAS 19 are replaced with a net-interest amount under IAS 19 (Revised 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset at the start of each annual reporting period.
  IAS 19 (Revised 2011) also requires more extensive disclosures. The Group does not provide these disclosures in the consolidated financial statements due to insignificant amounts of the related provisions.

(q) New and Amended Standards and Interpretations

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

- *IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32.* Amendments describe the way how to apply IAS 32 offset criteria in relation to accounting systems (such as united clearing systems) within which mechanisms of non-simultaneous gross-up payments are used, and specify some definitions. It is considered that these amendments shall not effect financial position or financial results of the Group's activity. Amendments shall come into effect in relation to annual accounting periods beginning from January 1, 2014 and after this date.

- *IFRS 9 Financial Instruments: Classification and Measurement.* IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. As a result

Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The Group will analyse the impact of IFRS 9 adoption upon publication of all stages of the project.

- IFRIC Interpretation 21 Levies (IFRIC 21): IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, asidentified by the relevant legislation, occurs. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

- *IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39*. These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

- *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)*. These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.

4 Determination of the fair value

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and for disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Property, plant and equipment

The fair value of property, plant and equipment is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of plant, equipment, fixtures and fittings is based on market approach and cost approaches using quoted market prices for similar items when available.

When no quoted market prices are available, the fair value of property, plant and equipment is primarily determined using depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economical depreciation, and obsolescence.

(b) Intangible assets

The fair value of intangible assets acquired in a business combination is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

(c) Inventories

The fair value of inventories acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

(d) Investments in equity and debt securities

The fair value of available-for-sale financial assets is determined by reference to their quoted closing bid price at the reporting date.

(e) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(f) Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

(g) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5 Strategic business units

During the year ended 31 December 2013, the chief operating decision maker received financial information for the Group’s two strategic business units: passenger traffic and helicopter services, on a quarterly basis.

Passenger traffic includes aircraft regular and charter flights, cargo services. The Group provides aircraft and cargo services on the internal and international airlines using aircraft of various types. The major part of these transportation services is represented by regular flights.

Helicopter services include installation works, forestry surveillance and aerial-chemical services, search and rescue works, urgent medical evacuation, aerial-visual works, monitoring of oil and gas pipelines, as well as passenger transportation services. The main helicopter service provided by the Group abroad is an air-transportation support of peacemaking missions of the UN in a number of countries.

Below is information about resulted activities of each strategic business unit

(i) Information about strategic business units

	Passenger traffic		Helicopter services		Total	
'000 RUB	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
External revenues	53,346,376	49,989,615	20,114,463	19,847,126	**73,460,839**	**69,836,741**
Inter-unit revenues	50,873	58,900	411,445	301,099	**462,318**	**359,999**
Interest income	716	74,750	13,840	1,692	**14,556**	**76,442**
Interest expense	(5,318,968)	(214,883)	(1,590,281)	(1,247,626)	**(6,909,249)**	**(1,462,509)**
Depreciation and amortisation	(1,476,017)	(1,091,682)	(4,737,300)	(4,326,194)	**(6,213,317)**	**(5,417,876)**
Share of loss/(profit) of equity accounted investees	25,134	-	-	(154,505)	**25,134**	**(154,505)**
Profit/(loss) before tax	(15,263,104)	(8,179,303)	(2,211,645)	2,175,593	**(17,474,749)**	**(6,003,710)**
Assets	19,149,403	14,875,349	54,378,284	49,835,154	**73,527,687**	**64,710,503**
Capital expenditure	413,489	1,057,708	12,376,994	892,486	**12,790,483**	**1,950,194**
Liabilities	(73,503,085)	(9,245,217)	(16,770,918)	(16,808,993)	**(90,274,003)**	**(26,054,210)**

	Passenger traffic		Helicopter services		Total	
'000 USD	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
External revenues	1,674,973	1,607,745	631,555	638,315	**2,306,528**	**2,246,060**
Inter-unit revenues	1,597	1,894	12,919	9,684	**14,516**	**11,578**
Interest income	22	2,404	435	54	**457**	**2,458**
Interest expense	(167,005)	(6,911)	(49,932)	(40,126)	**(216,937)**	**(47,037)**
Depreciation and amortisation	(46,344)	(35,110)	(148,742)	(139,137)	**(195,086)**	**(174,247)**
Share of loss/(profit) of equity accounted investees	789	-	-	(4,969)	**789**	**(4,969)**
Profit/(loss) before tax	(479,232)	(274,694)	(69,441)	69,970	**(548,673)**	**(204,724)**
Assets	585,086	477,849	1,661,461	1,640,788	**2,246,547**	**2,118,637**
Capital expenditure	12,983	34,018	388,614	28,703	**401,597**	**62,721**
Liabilities	(2,245,795)	(304,392)	(512,415)	(553,424)	**(2,758,210)**	**(857,816)**

(ii) Major customers and geographical areas

Breakdown of revenue by types of customers and geographical areas is presented in note 28.

(iii) Reconciliations of revenues, profit or loss, assets and liabilities and other material items

	2013 '000 RUB	2012 '000 RUB	2013 '000 USD	2012 '000 USD
Revenues				
Total revenue for strategic business units	73,923,157	70,196,740	2,321,044	2,257,638
Other revenue	9,421,249	9,449,500	295,809	303,911
Elimination of inter-unit revenues	(462,318)	(359,999)	(14,516)	(11,578)
	82,882,088	**79,286,241**	**2,602,337**	**2,549,971**
Profit before income tax				
Total (loss)/profit before tax for strategic business units	(17,474,749)	(6,003,710)	(548,673)	(193,089)
Other profit	9,721,781	9,067,696	305,245	291,631
Elimination of inter-unit profits	(22,015)	(17,143)	(691)	(551)
Unallocated amounts, including:	2,821,269	(2,935,017)	88,582	(94,395)
Depreciation and amortisation	(421)	(49)	(13)	(2)
Interest income	1,549,309	399,709	48,645	12,855
Interest expense	-	(3,651,314)	-	(117,432)
Net foreign exchange gain	563,096	2,266	17,680	73
Other	709,285	314,371	22,270	10,111
	(4,953,714)	**111,826**	**(155,537)**	**3,596**
Assets				
Total assets for strategic business units	73,527,687	64,710,503	2,246,547	2,130,548
Cash placed in trust management	7,038	9,777	215	322
Other investments	143,233	308,666	4,376	10,163
Loans issued	7,062,556	4,596,453	215,788	151,335
Receivables for operations with securities	674,446	1,847	20,607	61
Other assets	31,239,052	21,548,321	954,471	709,463
Other unallocated amounts	1,083,380	5,662,096	33,101	186,421
	113,737,392	**96,837,663**	**3,475,105**	**3,188,313**
Liabilities				
Total liabilities for strategic business units	(90,274,003)	(26,054,210)	(2,758,211)	(857,817)
Other unallocated amounts (mainly loans and borrowings)	(6,706,346)	(48,801,990)	(204,904)	(1,606,772)
	(96,980,349)	**(74,856,200)**	**(2,963,115)**	**(2,464,589)**

(iv) Other material items in 2013

	Strategic business units totals '000 RUB	Adjustments '000 RUB	Consolidated totals '000 RUB	Strategic business units totals '000 USD	Adjustments '000 USD	Consolidated totals '000 USD
Interest income	14,556	735,745	**750,301**	457	23,101	**23,558**
Interest expense	(6,909,249)	-	**(6,909,249)**	(216,937)	-	**(216,937)**
Capital expenditure	12,790,483	2,434,919	**15,225,402**	401,597	76,451	**478,048**
Depreciation and amortisation	(6,213,317)	(421)	**(6,213,738)**	(195,086)	(13)	**(195,099)**

(v) Other material items in 2012

	Strategic business units totals '000 RUB	Adjustments '000 RUB	Consolidated totals '000 RUB	Strategic business units totals '000 USD	Adjustments '000 USD	Consolidated totals '000 USD
Interest income	76,442	228,927	**305,369**	2,458	7,363	**9,821**
Interest expense	(1,462,509)	(3,651,377)	**(5,113,886)**	(47,037)	(117,434)	**(164,471)**
Capital expenditure	1,950,194	4,070,936	**6,021,130**	62,721	130,928	**193,649**
Depreciation and amortisation	(5,417,876)	(49)	**(5,417,925)**	(174,247)	(2)	**(174,249)**

6 Acquisition of and change in ownership of subsidiaries

(a) Acquisition of Nefteyugansk United Airline Transportation Company OJSC

In April 2008 the Group acquired 24,47% of voting shares of Nefteyugansk United Airline Transportation Company PJSC (until 08.08.2013 - Nefteyugansk United Airline Transportation Company OJSC), after such acquisition this share was accounted for by the Group using the equity method. Nefteyugansk United Airline Transportation Company PJSC is registered in Russia and specializes in helicopter operations both inside and outside Russia.

In August 2011 the Group acquired 65,38% share in the equity of Nefteyugansk United Airline Transportation Company PJSC, and as a result obtained control over this company. Control over NUATC PJSC will enable the Group to enlarge its aircraft fleet and expand access to the UN helicopter transportation market.

The acquisition of the subsidiary had the following effect on the Group's assets and liabilities at the date of obtaining control over this subsidiary:

	As at the date of acquisition	
	’000 RUB	**’000 USD**
Property, plant and equipment	2,949,369	94,856
Intangible assets	3	-
Other investments	10	-
Trade and other receivables	549,953	17,688
Inventories	36,258	1,166
Cash and cash equivalents	6,200	199
Trade account payable	(1,038,731)	(33,407)
Loans and borrowings	(132,287)	(4,255)
Deferred tax liability	(450,642)	(14,493)
Fair value of net assets acquired	**1,920,133**	**61,754**
Non-controlling interest	194,990	6,271
Fair value of the previously held equity interest in associate (24.47 %)	402,560	12,947
Consideration paid in the second stage of acquisition	60,017	1,930
Goodwill	**1,262,566**	**40,606**
Cash outflow on acquisition:	-	-
Net cash acquired with the subsidiary	(6,200)	(199)
Cash paid	60,017	1,930
Net cash outflow	**53,817**	**1,731**

The difference between the consideration paid and the fair value of net assets acquired is accounted for as gain from acquisition of the subsidiary. After the acquisition, Nefteyugansk United Airline Transportation Company, PJSC has contributed into the Group’s revenue RUB 449,258 thousand / USD 14,449 thousand, RUB 250,175 thousand into the net profit /loss of USD 8,046 thousand. If the business had been combined in the beginning of the year, the revenue from passenger operations and helicopter services would be RUB 1,610,524 thousand higher/ USD 51,797 thousand and the finacial result would decrease by RUB 857,274 thousand/ USD 27,571 thousand.

Management believes that the Group was able to negotiate a bargain purchase price as a result of its prevailing position in this market segment and the seller's intent to exit the acquiree’s operations.

(b) Acquisition of Production-commercial Company KATEKAVIA, LLC

In September 2012 the Group acquired 32,90% of share in the equity share of Production-commercial company KATEKAVIA, LLC, and after acquisition this share was accounted by the Group according to the equity accounting method. PCC KATEKAVIA, LLC is registered in Russia and specializes in passenger and cargo air transportation.

In September 2013 the Group acquired 42,10% in the capital of PCC KATEKAVIA, LLC and received control over the company. This acquisition will allow the Group to access to the passenger and cargo air transportation market in Krasnoyarsk region.

The acquisition of the subsidiary had the following effect on the Group's assets and liabilities at the date of obtaining control over this subsidiary:

	As at the date of acquisition	
	’000 RUB	’000 USD
Property, plant and equipment	123,856	3,889
Intangible assets	41	1
Inventories	7,596	238
Other investments	13,270	417
Trade and other receivables	58,124	1,825
Cash and cash equivalents	3,278	103
Deferred tax liability	3,141	99
Loans and borrowings	(21,198)	(666)
Trade account payable	(154,919)	(4,864)
Fair value of net assets acquired	**33,189**	**1,042**
Non-controlling interest	(8,297)	(261)
Fair value of the previously held equity interest in associate (32.90 %)	(30,756)	(966)
Consideration paid in the second stage of acquisition	82,330	2,585
Goodwill	**76,466**	**2,400**
Cash outflow on acquisition:		
Net cash acquired with the subsidiary	(3,278)	(103)
Cash paid	82,330	2,585
Net cash outflow	**79,052**	**2,482**

Excess of consideration paid for acquired share in the fair value of net company assets was recognized as a goodwill in the consolidated statement of financial position.

After the acquisition, PCC KATEKAVIA, LLC has contributed into the Group's revenue RUB 390,742 thousand / USD 12,269 thousand, RUB 1,742/ loss of USD 55,000 thousand into the net profit. If the business had been combined at the beginning of the year, the revenue from passenger operations and helicopter services would be RUB 928,509 thousand higher / USD 29,153 thousand and financial result of the Group would increase by RUB 31,696 thousand / USD 995 thousand.

Non-controlling interests

The following table summarizes the financial information of subsidiaries that possess material non-controlling interests ((1) – voting shares; (2) – effective ownership interest):

Entity	Country of registration	Non-controlling interest, % 2013 г. (1)	2013 г. (2)	2012 г (1)	2012 г (2)
Helicopteros del Sur S.A.	Peru	36,55	14,00	36,55	14,00
UTair-Engineering OJSC	Russia	16,87	16,87	17,79	17,79
Vostok Aviation Company OJSC	Russia	47,00	47,00	47,00	47,00

Summarized financial information on the Group companies with substantial non-controlling interests (before elimination of transactions within the Group) are listed below:

	2013 '000 RUB			2013 '000 USD		
	Helicopteros del Sur S.A.	UTair-Engineering	Vostok Aviation Company OJSC	Helicopteros del Sur S.A.	UTair-Engineering	Vostok Aviation Company OJSC
Current assets	1 145 742	1 991 166	317 172	35 007	60 838	9 691
Non-current assets	3 675 558	4 391 008	2 817 231	112 302	134 162	86 077
Current liabilities	(2 511 488)	(7 014 221)	(248 794)	(76 735)	(214 311)	(7 602)
Non-current liabilities	(684 231)	(1 000 576)	(540 599)	(20 906)	(30 571)	(16 517)
Profit	2 330 590	3 985 925	1 438 884	73 176	125 150	45 178
Loss for the year	(244 167)	(1 370 988)	(131 191)	(7 666)	(43 046)	(4 119)
Loss attributable to non-controlling interest	(45 567)	(231 286)	(79 689)	(1 395)	(7 262)	(2 502)
The accumulated non-controlling interests at the end of the reporting period	(658 988)	277 952	(1 112 516)	(20 135)	(8 727)	(34 931)
Dividends paid to non-controlling interest	35 341	-	-	1 110	-	-

	2012 '000 RUB			2012 '000 USD		
	Helicopteros del Sur S.A.	UTair-Engineering	Vostok Aviation Company OJSC	Helicopteros del Sur S.A.	UTair-Engineering	Vostok Aviation Company OJSC
Current assets	1 578 757	1 956 714	356 169	48 237	59 785	10 882
Non-current assets	2 733 022	4 311 636	2 972 806	83 504	131 737	90 830
Current liabilities	(1 543 494)	(4 733 670)	(270 574)	(47 160)	(144 631)	(8 267)
Non-current liabilities	(1 027 062)	(1 797 309)	(576 034)	(31 381)	(54 915)	(17 600)
Profit	2 626 736	4 173 136	1 616 253	82 474	131 028	50 747
Loss for the year	577 831	(262 316)	(54 240)	18 143	(8 236)	(1 703)
Loss attributable to non-controlling interest	(180 802)	(46 666)	-	(5 677)	(1 465)	-
The accumulated non-controlling interests at the end of the reporting period	(704 569)	(216 674)	(1 192 205)	(22 122)	(6 803)	(37 433)

7 Property, plant and equipment

'000 RUB	Land and buildings	Rotables, aircraft, helicopter and engines	Other	Construction in progress	Total
Cost					
Balance at 1 January 2012	6,999,973	50,818,588	2,310,956	379,710	60,509,227
Acquisition through business combinations (Note 6)	376,764	2,533,420	29,715	9,470	2,949,369
Additions	470,419	3,947,613	1,055,395	307,123	5,780,550
Disposals	(75,601)	(1,387,367)	(177,086)	(15,380)	(1,655,434)
Effect of movements in exchange rates	(2,462)	(211,374)	7,050	(85)	(206,871)
Balance at 31 December 2012	**7,769,093**	**55,700,880**	**3,226,030**	**680,838**	**67,376,841**
Depreciation and impairment losses					
Balance at 1 January 2012	(913,435)	(10,988,163)	(1,226,770)	-	(13,128,368)
Depreciation for the year	(335,436)	(4,650,510)	(315,799)	-	(5,301,745)
Disposals	18,234	460,883	129,169	-	608,286
Effect of movements in exchange rates	(2,464)	49,540	(11,041)	-	36,035
Balance at 31 December 2012	**(1,233,101)**	**(15,128,250)**	**(1,424,441)**	**-**	**(17,785,792)**
Cost					
Balance at 1 January 2013	7,769,093	55,700,880	3,226,030	680,838	67,376,841
Acquisition through business combinations (Note 6)	56,148	51,572	15,836	300	123,856
Additions	88,729	14,355,624	1,334,057	(203,832)	15,574,578
Disposals	(18,497)	(6,467,679)	(179,171)	(51,438)	(6,716,785)
Effect of movements in exchange rates	14,354	493,869	12,850	114	521,187
Balance at 31 December 2013	**7,909,827**	**64,134,266**	**4,409,602**	**425,982**	**76,879,677**
Depreciation and impairment losses					
Balance at 1 January 2013	(1,233,101)	(15,128,250)	(1,424,441)	-	(17,785,792)
Depreciation for the year	(316,031)	(5,361,840)	(442,793)	-	(6,120,664)
Disposals	4,052	1,676,961	122,292	-	1,803,305
Effect of movements in exchange rates	(405)	(277,717)	165	-	(277,957)
Balance at 31 December 2013	**(1,545,485)**	**(19,090,846)**	**(1,744,777)**	**-**	**(22,381,108)**
Carrying amounts					
At 1 January 2012	**6,086,538**	**39,830,425**	**1,084,186**	**379,710**	**47,380,859**
At 31 December 2012	**6,535,992**	**40,572,630**	**1,801,589**	**680,838**	**49,591,049**
At 31 December 2013	**6,364,342**	**45,043,420**	**2,664,825**	**425,982**	**54,498,569**

'000 USD	**Land and buildings**	**Rotables, aircraft, helicopter and engines**	**Other**	**Construction in progress**	**Total**
Cost					
Balance at 1 January 2012	217,417	1,578,408	71,778	11,794	1,879,397
Acquisition through business combinations (Note 6)	12,117	81,479	956	304	94,856
Additions	15,129	126,961	33,943	9,878	185,911
Disposals	(2,431)	(44,620)	(5,695)	(495)	(53,241)
Effect of movements in exchange rates	13,560	91,685	5,233	935	111,413
Balance at 31 December 2012	**255,792**	**1,833,913**	**106,215**	**22,416**	**2,218,336**
Depreciation and impairment losses					
Balance at 1 January 2012	(28,371)	(341,289)	(38,103)	-	(407,763)
Depreciation for the year	(10,788)	(149,568)	(10,157)	-	(170,513)
Disposals	586	14,823	4,154	-	19,563
Effect of movements in exchange rates	(2,026)	(22,053)	(2,793)	-	(26,872)
Balance at 31 December 2012	**(40,599)**	**(498,087)**	**(46,899)**	**-**	**(585,585)**
Cost					
Balance at 1 January 2013	255,792	1,833,913	106,215	22,416	2,218,336
Acquisition through business combinations (Note 6)	1,763	1,619	497	9	3,888
Additions	2,786	450,739	41,887	(6,400)	489,012
Disposals	(581)	(203,073)	(5,626)	(1,615)	(210,895)
Effect of movements in exchange rates	(18,085)	(123,655)	(8,243)	(1,395)	(151,378)
Balance at 31 December 2013	**241,675**	**1,959,543**	**134,730**	**13,015**	**2,348,963**
Depreciation and impairment losses					
Balance at 1 January 2013	(40,599)	(498,087)	(46,899)	-	(585,585)
Depreciation for the year	(9,923)	(168,351)	(13,903)	-	(192,177)
Disposals	127	52,653	3,840	-	56,620
Effect of movements in exchange rates	3,174	30,488	3,653	-	37,315
Balance at 31 December 2013	**(47,221)**	**(583,297)**	**(53,309)**	**-**	**(683,827)**
Carrying amounts					
At 1 January 2012	**189,046**	**1,237,119**	**33,675**	**11,794**	**1,471,634**
At 31 December 2012	**215,193**	**1,335,826**	**59,316**	**22,416**	**1,632,751**
At 31 December 2013	**194,454**	**1,376,246**	**81,421**	**13,015**	**1,665,136**

As at 31 December 2013 the cost of fully depreciated property, plant and equipment was RUB 1,219,391 thousand/USD 37,257 thousand (2012: RUB 1,461,774 thousand/USD 48,128 thousand).

Expenses capitalised in property, plant and equipment, which consist of overhaul costs, in 2013 amounted to RUB 1,446,702 thousand/USD 44,202 thousand (2012: RUB 1,327,592 thousand/USD 43,710 thousand).

(a) Security

At 31 December 2013 properties with a carrying amount of RUB 7,047,440 thousand/USD 215,326 thousand (2012: RUB 11,126,408 thousand/USD 359,881 thousand) are pledged to secure bank loans (see note 21).

(b) Operating leases

The Group has entered into operating lease contracts for a number of fixed assets: buildings, installations and aircraft (frames and engines). These leases have an average life of 1 to 7 years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases. Operating lease obligations are disclosed in note 37.

(c) Finance leases

In 2008-2013 the Group entered the aircraft lease agreements under which it has a bargain option to acquire the leased assets at the end of lease term of 3 to 8 years. The estimated average remaining useful life of leased assets varies from 21 to 37 years. As at 31 December 2013 the carrying value of the aircraft used by the Group under finance leases was RUB 19,272,590 thousand/USD 588,850 thousand (2012: RUB 10,551,355 thousand/USD 347,396 thousand). Finance lease obligations are disclosed in note 40.

8 Intangible assets

	Customer relationships '000 RUB	Licences and certificates '000 RUB	Goodwill '000 RUB	Total '000 RUB
Cost				
Balance at 1 January 2012	274,446	334,653	583,524	**1,192,623**
Acquisition through business combinations (Note 6)	-	3	-	**3**
Additions	-	92,112	-	**92,112**
Disposals	-	(1,000)	-	**(1,000)**
Effect of movements in exchange rates	(3,344)	(1,150)	(7,143)	**(11,637)**
Balance at 31 December 2012	**271,102**	**424,618**	**576,381**	**1,272,101**
Depreciation and impairment losses				
Balance at 1 January 2012	(34,833)	(218,820)	-	**(253,653)**
Depreciation for the year	(7,715)	(108,433)	-	**(116,148)**
Effect of movements in exchange rates	-	3,856	-	**3,856**
Balance at 31 December 2012	**(42,548)**	**(323,397)**	**-**	**(365,945)**
Cost				
Balance at 1 January 2013	271,102	424,618	576,381	**1,272,101**
Acquisition through business combinations (Note 6)	-	41	88,194	**88,235**
Additions	-	85,588		**85,588**
Disposals	-	(292)	-	**(292)**
Effect of movements in exchange rates	6,448	1,121	9,231	**16,800**
Balance at 31 December 2013	**277,550**	**511,076**	**673,806**	**1,462,432**
Depreciation and impairment losses				
Balance at 1 January 2013	(42,548)	(323,397)	-	**(365,945)**
Depreciation for the year	(10,699)	(83,377)	-	**(94 076)**
Disposals	-	289	-	**289**
Effect of movements in exchange rates	3,912	(4,247)	-	**(335)**
Balance at 31 December 2013	**(49,335)**	**(410,732)**	**-**	**(460,067)**
Carrying amounts				
At 1 January 2012	**239,613**	**115,833**	**583,524**	**938,970**
At 31 December 2012	**228,554**	**101,221**	**576,381**	**906,156**
At 31 December 2013	**228,215**	**100,344**	**673,806**	**1,002,365**

	Customer relationships '000 USD	Licences and certificates '000 USD	Goodwill '000 USD	Total '000 USD
Cost				
Balance at 1 January 2012	8,524	10,394	18,124	**37,042**
Additions	-	2,962	-	**2,962**
Disposals	-	(32)	-	**(32)**
Effect of movements in exchange rates	402	656	853	**1,911**
Balance at 31 December 2012	**8,926**	**13,980**	**18,977**	**41,883**
Depreciation and impairment losses				
Balance at 1 January 2012	(1,082)	(6,796)	-	**(7,878)**
Depreciation for the year	(248)	(3,488)	-	**(3,736)**
Effect of movements in exchange rates	(71)	(363)	-	**(434)**
Balance at 31 December 2012	**(1,401)**	**(10,647)**	**-**	**(12,048)**
Cost				
Balance at 1 January 2013	8,926	13,980	18,977	**41,883**
Acquisition through business combinations (Note 6)	-	1	2,769	**2,770**
Additions	-	2,687		**2,687**
Disposals	-	(9)	-	**(9)**
Effect of movements in exchange rates	(446)	(1,044)	(1,159)	**(2,649)**
Balance at 31 December 2013	**8,480**	**15,615**	**20,587**	**44,682**
Depreciation and impairment losses				
Balance at 1 January 2013	(1,400)	(10,647)	-	**(12,047)**
Depreciation for the year	(336)	(2,618)	-	**(2,954)**
Disposals	-	9	-	**9**
Effect of movements in exchange rates	229	706	-	**935**
Balance at 31 December 2013	**(1,507)**	**(12,550)**	**-**	**(14,057)**
Carrying amounts				
At 1 January 2012	**7,442**	**3,598**	**18,124**	**29,164**
At 31 December 2012	**7,525**	**3,333**	**18,977**	**29, 835**
At 31 December 2013	**6,973**	**3,065**	**20,587**	**30,625**

(a) Goodwill

Goodwill arose in 2008, 2011 and 2013 on the acquisition of subsidiaries. Goodwill is calculated based on the historical rate.

Segment	**2013 г.**	**2012 г.**
Helicopter services	585,612	576,381
Passenger traffic	88,194	-
	673,806	**576,381**

The total amount of goodwill refers to the helicopter operations segment for which the Group carried out annual impairment testing as of 31 December 2013.

The recoverable amount of a cash-generating unit (CGU) was determined by means of calculating the asset value in use based on estimated future cash flows and financial plans approved by the management for the following year.

Following the goodwill impairment test carried out as of 31 December 2013, no impairment loss was identified.

Key assumptions used for calculation of asset value in use

Calculation of asset value in use in the helicopter operations segment depends mainly on the following figures:

- Cost of flight hour;
- Scope of work;
- Discount rate;
- Estimated inflation of income and expenses.

Cost of flight hour

Estimated values were defined based on published industry indices. Forecast figures are used if the data are publicly available, otherwise historic data forecast is used as indicators of future price change.

Scope of work

Estimated amount of work for goodwill impairment testing purposes is based on the size of owned and leased fleet and the fleet work load rate which rely on historic data.

The following assumptions were made by the management for goodwill impairment testing purposes:

- Amount of helicopter operations outside Russia will increase due to the expansion of the aircraft fleet and amount of work;
- Significant increase in the amount of work in Russia is planned for 2014-2015 due to the expansion of the aircraft fleet, after 2015 the forecast is stable.

Discount rates

A discount rate reflects the current assessment of risks attributable to CGU in terms of the time value of money and specific risks of relative assets which were not included into the cash flow risks. Calculation of the discount rate is based on specific circumstances of the Group and proceeds from the weighted average cost of capital.

A pre-tax discount rate applied to the estimated future cash flows was 11,8% for passenger segment and 12,6% for helicopter services (2012: 10,8% and 10,8%), and cash flows beyond a one-year period were extrapolated with due account of the growth rate equal to 6% (2012: 6%) the forecasted period – 2036 year.

Operating expenses and gross profit

Amounts of operating expenses and gross revenue are based on average figures for the prior periods.

Sensitivity to changes in the assumptions

If estimated cost of flight hour decreases in future periods by more than 10% and such decrease is not compensated by any other factors, goodwill will be impaired in full.

The management believes that currently there is no such reasonable change in the overall production volume and discount rate which would reduce the difference between the CGU recoverable value and carrying amount up to zero.

If the operating expenses increase rate exceeds 9 % and such increase is not compensated by any other factors, goodwill may be impaired.

(b) Other intangible assets

Other intangible assets in the total amount of RUB 328,558 thousand/USD 10,039 thousand (2012: RUB 329,775 thousand/USD 10,858 thousand) include customer relationships identified as a result of acquisition of a foreign subsidiary in 2008 in the amount of RUB 228,215 thousand/USD 6,973 thousand and RUB 228,554 thousand/USD 7,525 thousand as at 31 December 2013 and 2012 accordingly.

9 Equity accounted investees

Changes in the equity accounted investments between 1 January and 31 December 2013 were as follow:

	2013 ’000 RUB	2012 ’000 RUB	2013 ’000 USD	2012 ’000 USD
Balance at 1January	31,007	55,201	1,021	1,715
Revaluation of property, plant and equipment of anassociate at 1 January 2013	-	501,876	-	16,141
Acquisition of investment	65	30,995	2	997
Share of net income (loss) net of income tax	25,134	(154,505)	789	(4,969)
Disposals		-		-
Changes in consolidated Group (note 6)	(30,756)	(402,560)	(966)	(12,947)
Translation difference	-	-	(68)	84
Balance at 31 December	**25,450**	**31,007**	**778**	**1,021**

Increase in investments, registered by the equity accounting method is related to the acquisition of 50% of share in the capital of UTG-Express, CJSC under the acquisition price of 50 thousand rubles in February 2013 and increase of the share in the equity of Tulpar Technic, LLC by 1,5% under the acquisition price of 15 thousand rubles in February 2013.

In September 2013 the Group increased its share in PKF KATEKAVIA LLC to 75%, and the company was included into the consolidated Group (see Note 6).

The following is summarised financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group:

'000 RUB	**Ownership**	**Total assets**	**Total liabilities**	**Revenues**	**Loss**
2012					
«PKF «KATEKAVIA» LLC	32.9%	217,591	203,268	319,651	34
		217,591	**203,268**	**319,651**	**34**
2013					
UTG-Express CJSC	50%	93,712	36,534	297,803	45,797
Tulpar Technik LLC	25.5%	164,484	239,882	253,485	(81,150)
		258,196	**276,416**	**551,288**	**(35,353)**

'000 USD	**Ownership**	**Total assets**	**Total liabilities**	**Revenues**	**Loss**
2012					
«PKF «KATEKAVIA» LLC	32.9%	7,164	6,692	10,280	1
		7,164	**6,692**	**10,280**	**1**
2013					
UTG-Express CJSC	50%	2,863	1,117	9,099	1, 400
Tulpar Technik LLC	25.5%	5,025	7,330	7,745	(2,480)
		7,888	**8,447**	**16,844**	**(1,080)**

10 Other investments

Investments held for trading comprise debt instruments that are mainly listed on the OJSC "Moscow Exchange". The fair value of these investments was determined by reference to their quoted market prices.

	2013 '000 RUB	2012 '000 RUB	2013 '000 USD	2012 '000 USD
Long-term				
Available-for-sale investments	143,233	221,296	4,376	7,286
	143,233	**221,296**	**4,376**	**7,286**
Short-term				
Investments held for trading (classified as at fair value through profit or loss)	-	87,370	-	2,877
	-	**87,370**	**-**	**2,877**

The Group's exposure to credit, currency and interest rate risks related to other investments is disclosed in note 36.

11 Loans issued

This Note provides information about terms and conditions of relative loan agreements issued by the Group and evaluated by their amortized cost.

	2013 '000 RUB	2012 '000 RUB	2013 '000 USD	2012 '000 USD
Non-current loans issued				
Unsecured promissory notes	-	3,079,559	-	101,392
Unsecured loans issued	342,436	247,079	10,463	8,135
	342,436	**3,326,638**	**10,463**	**109,527**
Current loans issued				
Receivables under REPO transactions	-	72,678	-	2,393
Secured loans issued	830,468	776,030	25,374	25,550
Unsecured promissory notes	4,811,994	340,441	147,024	11,209
Unsecured loans issued	1,077,658	80,666	32,927	2,656
	6,720,120	**1,269,815**	**205,325**	**41,808**

Conditions and terms of payments on outstanding loans issued were as follows:

					Carrying amount	
'000 RUB	**Currency**	**Nominal interest rate**	**Effective interest rate**	**Year of maturity**	**31 December 2013**	**31 December 2012**
Receivables under REPO transactions	RUB	-	-	-	-	72,678
Unsecured promissory notes	RUB	0-12%	3%	2014	4,811,994	3,420,000
Secured loans issued	RUB	6%	6%	2014	830,468	776,030
Unsecured loans issued	RUB	0-12%	0%	2013-2017	1,050,822	241,257
Unsecured loans issued	USD	0-3,5%	3%	2013-2014	362,966	78,666
Unsecured loans issued	other	0%	0%	2017-2018	6,306	7,822
					7,062,556	**4,596,453**

’000 USD	Cur-rency	Nominal interest rate	Effective interest rate	Year of maturity	Carrying amount	
					31 December 2013	31 December 2012
Receivables under REPO transactions	RUB	-	-	-	-	2,393
Unsecured promissory notes	RUB	0-12%	3%	2014	147,024	112,601
Secured loans issued	RUB	6%	6%	2014	25,374	25,550
Unsecured loans issued	RUB	0-12%	0%	2013-2017	32,107	7,943
Unsecured loans issued	USD	0-3,5%	3%	2013-2014	11,090	2,590
Unsecured loans issued	other	0%	0%	2017-2018	193	258
					215,788	**151,335**

As at 31 December 2013 secured loans issued are secured by pledge of equity financial instruments of unrelated parties.

As of 31 December 2013 the Group had contractual obligations for issue of unsecured loans for the amount of RUB 75,000 thousand / USD 2,292 thousand (2012: RUB 190,000 thousand/USD 6,256 thousand), which have not yet been received by the relative borrower.

Information about the Group's exposure to credit and foreign exchange risks is disclosed in Note 36.

12 Net investment in finance leases

The net investment in finance leases, resulting from the long-term finance lease agreements entered into by the Group as a lessor through a subsidiary, comprise the following:

	2013 '000 RUB	2012 '000 RUB	2013 '000 USD	2012 '000 USD
Gross investments in leases	1,672,868	1,279,692	51,112	42,133
Less: unearned finance lease income	(401,922)	(368,059)	(12,280)	(12,118)
Net investment in finance leases	**1,270,946**	**911,633**	**38,832**	**30,015**

Rate of return under the lease agreements varies from 15% to 23% per annum (2012: 15% to 21% per annum) depending on the total amount and duration of the contract as well as other terms. The amounts receivable under lease agreements are secured by the leased assets.

Lease payments are payable in RUB. The maturity structure of the net and gross investment in finance leases is as follows:

'000 RUB	2013		2012	
	Gross investment	Net investment	Gross investment	Net investment
Less than 1 year	585,159	568,078	459,361	404,953
1 to 5 years	1,087,709	702,868	820,331	506,680
Total	**1,672,868**	**1,270,946**	**1,279,692**	**911,633**

'000 USD	2013		2012	
	Gross investment	Net investment	Gross investment	Net investment
Less than 1 year	17,878	17,357	15,124	13,333
1 to 5 years	33,234	21,475	27,009	16,682
Total	**51,112**	**38,832**	**42,133**	**30,015**

13 Other advances issued

	2013 '000 RUB	2012 '000 RUB	2013 '000 USD	2012 '000 USD
Long-term				
Advances issued under operating lease agreements	2,805,448	1,544,872	85,717	50,864
Advances issued under finance lease agreements	65,287	-	1,995	-
Other	12,754	15,746	389	518
	2,883,489	**1,560,618**	**88,101**	**51,382**
Short-term				
Advances issued under finance lease agreements	109,199	-	3,336	-
Advances issued under operating lease agreements	1,258,599	1,687,019	38,455	55,544
Other	2,418,616	1,821,329	73,898	59,966
	3,786,414	**3,508,348**	**115,689**	**115,510**

The table below summarises the changes in the provision for impairment of advances issued as at 31 December:

	2013 '000 RUB	2012 '000 RUB	2013 '000 USD	2012 '000 USD
1 January	**79,464**	**90,469**	**2,616**	**2,810**
Utilised during the year	(19,083)	(3,594)	(599)	(116)
Reversed during the year	(68,561)	(89,767)	(2,153)	(2,887)
Charged during the year	226,584	82,356	7,114	2,649
Effect of movements in exchange rates	-	-	(306)	160
31 December	**218,404**	**79,464**	**6,672**	**2,616**

14 Trade and other receivables

	2013 '000 RUB	2012 '000 RUB	2013 '000 USD	2012 '000 USD
Sales-leaseback transaction	792,474	3,970,666	24,213	130,731
Trade receivables	5,181,931	5,587,366	158,328	183,960
Receivables due for consulting and marketing services	14,692,290	9,044,895	448,905	297,798
Receivables from related parties (see note 41)	187,050	130,987	5,715	4,313
Other taxes receivable	127,293	143,073	3,889	4,711
Receivables for operations with securities	12,279	1,513	375	50
VAT recoverable	1,122,947	1,424,129	34,310	46,888
Deferred expenses	54,182	63,634	1,655	2,095
Other accounts receivable	1,174,967	627,478	35,900	20,659
Less:				
Provision for impairment of trade receivables	(149,247)	(87,313)	(4,560)	(2,875)
Provision for impairment of other receivables	(36,638)	(17,707)	(1,119)	(583)
	23,159,528	**20,888,721**	**707,611**	**687,747**

Receivables for operations with securities are amounts receivable from trust account manager for securities which were paid for but had not been transferred to the Group as at the reporting date.

The total amount of current trade and other receivables includes revenue from passenger transportation in the amount of RUB 356,536 thousand/USD 10,894 thousand (2012: RUB 1,073,513 thousand/USD 35,345 thousand) which remains as at 31 December 2013 at transportation sales agent cash desks. This amount of revenue is subject to transfer to the Group's bank account in early January.

The following table summarises the changes in the provision for impairment of trade and other receivables during the year ended 31 December:

	2013 '000 RUB	2012 '000 RUB	2013 '000 USD	2012 '000 USD
1 January	**105,020**	**80,574**	**3,458**	**2,503**
Utilised during the year	(25,148)	(10,474)	(790)	(337)
Reversed during the year	(84,289)	(70,755)	(2,647)	(2,276)
Charged during the year	190,302	105,675	5,975	3,399
Effect of movements in exchange rates	-	-	(317)	169
31 December	**185,885**	**105,020**	**5,679**	**3,458**

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables are disclosed in note 36.

15 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
'000 RUB	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Property, plant and equipment	21,175	14,114	(6,019,069)	(6,544,620)	(5,997,894)	(6,530,506)
Intangible assets	13,476	12,517	(68,882)	(70,143)	(55,406)	(57,626)
Investments	30,198	57,398	(23,634)	(24,327)	6,564	33,071
Inventories	185,881	102,266	(2,498)	(19,421)	183,383	82,845
Trade and other receivables	428,925	412,181	(215,254)	(184,896)	213,671	227,285
Advance received and deferred income	209,271	131,239	(49,261)	(57,084)	160,010	74,155
Trade and other payables	139,160	238,200	-	(45,074)	139,160	193,126
Tax loss carry-forwards	140,051	190,471	-	-	140,051	190,471
Other differences	51,584	34,146	(8,175)	(10,017)	43,409	24,129
Tax assets/(liabilities)	1,219,721	1,192,532	(6,386,773)	(6,955,582)	(5,167,052)	(5,763,050)
Set off of tax	(1,052,992)	(1,104,146)	1,052,992	1,104,146	-	-
Net tax assets/(liabilities)	**166,729**	**88,386**	**(5,333,781)**	**(5,851,436)**	**(5,167,052)**	**(5,763,050)**

	Assets		Liabilities		Net	
'000 USD	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Property, plant and equipment	647	464	(183,905)	(215,477)	(183,258)	(215,013)
Intangible assets	412	412	(2,105)	(2,309)	(1,693)	(1,897)
Investments	923	1,890	(722)	(801)	201	1,089
Inventories	5,679	3,367	(76)	(639)	5,603	2,728
Trade and other receivables	13,105	13,571	(6,577)	(6,088)	6,528	7,483
Advance received and deferred income	6,394	4,321	(1,505)	(1,879)	4,889	2,442
Trade and other payables	4,252	7,843	-	(1,484)	4,252	6,359
Tax loss carry-forwards	4,279	6,271	-	-	4,279	6,271
Other differences	1,576	1,124	(250)	(330)	1,326	794
Tax assets/(liabilities)	37,267	39,263	(195,140)	(229,007)	(157,873)	(189,744)
Set off of tax	(32,173)	(36,353)	32,173	36,353	-	-
Net tax assets/(liabilities)	**5,094**	**2,910**	**(162,967)**	**(192,654)**	**(157,873)**	**(189,744)**

(b) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2013 '000 RUB	2012 '000 RUB	2013 '000 USD	2012 '000 USD
Tax losses	640,687	467,296	19,575	15,385
	640,687	**467,296**	**19,575**	**15,385**

The tax losses expire in 2019-2022. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

(c) Unrecognised deferred tax liability

A deferred tax liability for temporary differences related to investments in subsidiaries has not been recognised as the Group controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future. The amount of contingent liabilities is estimated to be RUB 550,254 thousand / USD 16,812 thousand.

(d) Movement in temporary differences during the year

'000 RUB	1 January 2013	Recognised in profit or loss	Recognised in other comprehensive income	Foreign currency translation reserve	Acquisition of a subsidiary	31 December 2013
Property, plant and equipment	(6,530,506)	550,602	(1,118)	(19,865)	2,993	(5,997,894)
Intangible assets	(57,626)	8,967	-	(6,747)	-	(55,406)
Investments	33,071	(26,507)	-	-	-	6,564
Inventories	82,845	100,538	-	-	-	183,383
Trade and other receivables	227,285	(13,614)	-	-	-	213,671
Advance received and deferred income	74,155	85,855	-	-	-	160,010
Trade and other payables	193,126	(53,966)	-	-	-	139,160
Other items	24,129	19,280	-	-	-	43,409
Tax loss carry-forwards	190,471	(50,420)	-	-	-	140,051
	(5,763,050)	**620,735**	**(1,118)**	**(26,612)**	**2,993**	**(5,167,052)**

'000 RUB	1 January 2012	Recognised in profit or loss	Recognised in other comprehensive income	Foreign currency translation reserve	Acquisition of a subsidiary	31 December 2012
Property, plant and equipment	(6,119,985)	48,280	(17,193)	9,034	(450,642)	(6,530,506)
Intangible assets	(73,853)	14,470	-	1,757	-	(57,626)
Investments	18,063	15,008	-	-	-	33,071
Inventories	140,969	(58,124)	-	-	-	82,845
Trade and other receivables	38,466	188,819	-	-	-	227,285
Advance received and deferred income	111,707	(37,552)	-	-	-	74,155
Trade and other payables	103,238	89,888	-	-	-	193,126
Other items	11,001	13,128	-	-	-	24,129
Tax loss carry-forwards	169,252	21,219	-	-	-	190,471
	(5,601,142)	**295,136**	**(17,193)**	**10,791**	**(450,642)**	**(5,763,050)**

'000 USD	1 January 2013	Recognised in profit or loss	Recognised in other comprehen-sive income	Foreign currency translation reserve	Acquisition of a subsidiary	31 December 2013
Property, plant and equipment	(215,013)	17,288	(35)	14,408	94	(183,258)
Intangible assets	(1,897)	282	-	(78)	-	(1,693)
Investments	1,089	(832)	-	(56)	-	201
Inventories	2,728	3,157	-	(282)	-	5,603
Trade and other receivables	7,483	(428)	-	(527)	-	6,528
Advance received and deferred income	2,442	2,695	-	(248)	-	4,889
Trade and other payables	6,359	(1,694)	-	(412)	-	4,252
Other items	794	605	-	(73)	-	1,326
Tax loss carry-forwards	6,271	(1,583)	-	(409)	-	4,279
	(189,744)	**19,490**	**(35)**	**12,323**	**94**	**(157,873)**

'000 USD	1 January 2012	Recognised in profit or loss	Recognised in other comprehen-sive income	Foreign currency translation reserve	Acquisition of a subsidiary	31 December 2012
Property, plant and equipment	(190,085)	1,553	(553)	(11,435)	(14,493)	(215,013)
Intangible assets	(2,294)	465	-	(68)	-	(1,897)
Investments	561	483	-	45	-	1,089
Inventories	4,379	(1,869)	-	218	-	2,728
Trade and other receivables	1,194	6,073	-	216	-	7,483
Advance received and deferred income	3,470	(1,208)	-	180	-	2,442
Trade and other payables	3,206	2,891	-	262	-	6,359
Other items	342	422	-	30	-	794
Tax loss carry-forwards	5,257	682	-	332	-	6,271
	(173,970)	**9,492**	**(553)**	**(10,220)**	**(14,493)**	**(189,744)**

16 Inventories

	2013 '000 RUB	2012 '000 RUB	2013 '000 USD	2012 '000 USD
Spare parts	2,556,129	1,849,348	78,099	60,888
Fuel	714,943	768,629	21,844	25,307
Work in progress	36,147	13,393	1,104	441
Finished goods and goods for resale	795	3,293	25	108
Other inventories	1,056,258	945,555	32,273	31,132
Allowance for impairment	(270,217)	(309,855)	(8,256)	(10,202)
	4,094,055	**3,270,363**	**125,089**	**107,674**

17 Security deposits

As at 31 December 2013 security deposits in the amount of RUB 14,297,720 thousand/USD 436,849 thousand (2012: RUB 8,685,531 thousand/USD 285,965 thousand) are under operating lease agreements, bear interest rate of 4% per annum (2012: 6% per annum), denominated in USD, and are to be returned by a lessor up to 31 December 2014.

18 Cash and cash equivalents

	2013 '000 RUB	2012 '000 RUB	2013 '000 USD	2012 '000 USD
Ruble denominated cash on hand and balances with banks	275,815	460,724	8,427	15,169
Foreign currency denominated balances with banks	289,536	698,409	8,847	22,994
Other	6,098	29,972	186	987
Cash and cash equivalents in the consolidated statement of cash flows and consolidated statement of financial position	**571,449**	**1,189,105**	**17,460**	**39,150**

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 36.

19 Assets classified as held for sale

	2013 '000 RUB	2012 'RUB	2013 '000 USD	2012 '000 USD
As at 1 January	136,812	156,256	4 504	4,853
Additions	70,601	778,575	2 217	25,634
Disposals	(157,438)	(798,019)	(4 943)	(26,274)
Effect of movements in exchange rates	-	-	(251)	291
As at 31 December	**49,975**	**136,812**	**1,527**	**4,504**

As at 31 December 2013 and 2012 assets classified as held for sale mainly comprise real estate.

20 Capital and reserves

(a) Share capital

	Number of outstanding ordinary shares (thousand)	Number of treasury shares (thousand)	Share capital '000 RUB	Treasury shares at cost '000 RUB	Surplus from reissuance of treasury shares '000 RUB
As at 1 January 2012	**569,161**	**8,047**	**577,208**	**80,933**	**13,010**
Purchase of treasury shares	(30,758)	30,758	-	495,535	-
As at 31 December 2012	**538,403**	**38,805**	**577,208**	**576,468**	**13,010**
Purchase of treasury shares	(98,491)	98,491	-	2,322,700	-
Sale of treasury shares	69,910	(69,910)	-	(1,578,261)	-
As at 31 December 2013	**509,822**	**67,386**	**577,208**	**1,320,907**	**13,010**

	Number of outstanding ordinary shares (thousand)	Number of treasury shares (thousand)	Share capital '000 USD	Treasury shares at cost '000 USD	Surplus from reissuance of treasury shares '000 USD
As at 1 January 2012	**569,161**	**8,047**	**20,871**	**3,672**	**451**
Purchase of treasury shares	(30,758)	30,758	-	15,937	-
As at 31 December 2012	**538,403**	**38,805**	**20,871**	**19,609**	**451**
Purchase of treasury shares	(98,491)	98,491	-	72,928	-
Sale of treasury shares	69,910	(69,910)		(49,554)	-
Foreign currency differences	**-**	**-**	**-**	(2,624)	**-**
As at 31 December 2013	**509,822**	**67,386**	**20,871**	**40,359**	**-**

As at 31 December 2013 the number of authorised ordinary shares amounted to 577,208,000 (2012: 577,208,000) with a nominal value of 1 RUB per share. All authorised shares have been issued and fully paid.

All shares rank equally with regard to the Company's residual assets.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. In respect of the Company's shares that are held by the Group, all rights are suspended until those shares are reissued.

Treasury shares represent ordinary shares held by the Company or by its subsidiaries.

(b) Dividends

In accordance with Russian legislation, the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Principles. As at 31 December 2013, the Company had retained earnings of RUB 2,000,095 thousand/USD 61,110 thousand (2012: RUB 1,738,592 thousand/USD 57,242 thousand), including profit for the current year, of RUB 326,905 thousand/ USD 10,264 thousand (2012: RUB 369,894 thousand/ USD 11,896 thousand).

Profit to be distributed among the Company shareholders is determined according to the Russian legislation.

The Company's shares are listed on the Moscow Exchange ("Moscow Exchange" OJSC), and as of 30 December 2013 traded at RUB 24.039 per share in A1 top level quotation list (2012: RUB 24.634 per share).

The following dividends were declared by the Company:

	2013 '000 RUB	2012 '000 RUB	2013 '000 USD	2012 '000 USD
0.20 RUB per ordinary share for 2013 (for 2012: 0.14 RUB)	115,442	75,627	3,304	2,432
	115,442	**75,627**	**3,304**	**2,432**

21 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk see note 36.

	2013 '000 RUB	2012 '000 RUB	2013 '000 USD	2012 '000 USD
Non-current liabilities				
Unsecured bonds issued	9,823,835	11,191,933	300,155	368,487
Unsecured promissory notes issued	127,482	300,000	3,895	9,877
Finance lease liabilities	8,569,478	3,140,021	261,830	103,383
Secured bank loans	8,963,996	3,471,201	273,884	114,287
Unsecured bank loans	2,519,068	2,676	76,967	88
	30,003,859	**18,105,831**	**916,731**	**596,122**
Current liabilities				
Current portion of secured bank loans	8,450,214	12,678,236	258,186	417,422
Unsecured promissory notes issued	12,991,681	2,926,515	396,945	96,353
Current portion of finance lease liabilities	2,842,726	1,679,748	86,856	55,305
Liabilities under REPO transactions	214,723	-	6,561	-
Unsecured bank overdraft	129,516	58,820	3,957	1,937
Unsecured bank loans	16,343,723	7,906,062	499,362	260,302
Unsecured bonds issued	3,252,378	4,666,720	99,372	153,649
Secured bank loans	-	1,220,000	-	40,168
Secured bank overdraft	-	84,727	-	2,789
	44,224,961	**31,220,828**	**1,351,239**	**1,027,924**

(a) Terms and debt repayment schedule

Terms and conditions of the outstanding loans were as follows:

'000 RUB	Cur-rency	Nominal interest rate	Effective interest rate	Year of maturity	Carrying amount 31 December 2013	31 December 2012
Unsecured bonds issued	RUB	9-12%	10.94%	2014-2016	12,905,597	15,586,238
Unsecured bonds issued	USD	10%	10%	2014-2015	170,616	272,415
Finance lease liabilities	USD	2.4-35.3%	13.37%	2013-2020	7,008,045	4,819,769
Finance lease liabilities	RUB	16.1-20.2%	18.16%	2014-2018	4,404,159	-
Secured bank loans	USD	5-11.5%	5.99%	2014-2017	9,205,187	7,177,202
Secured bank loans	RUB	10-14%	11.64%	2014-2018	8,029,018	9,611,138
Unsecured promissory notes	RUB	6.5-13.89%	9.99%	2014	13,119,163	3,226,515
Unsecured bank loans	USD	3.9-7.5%	5.75%	2014-2017	10,896,521	5,647,722
Secured bank loans, EUR	EUR	8%	8%	2017	180,005	-
Secured bank loans	EUR	EURIBOR +4.35%	-	-	-	411,747
Secured bank loans	USD	LIBOR+ 1.6-2.5%	-	-	-	169,350
Liabilities under REPO transactions	RUB	11%	11%	2014	214,723	-
Unsecured bank overdraft	USD	5.5%	3.99%	2014	60,476	143
Unsecured bank overdraft	RUB	11%	11%	2014	6,191	52,769
Unsecured bank overdraft	EUR	5.5%	5.5%	2014	62,849	5,908
Unsecured bank loans	RUB	8-14%	12.42%	2014-2016	7,966,270	2,261,016
Secured bank overdrafts	RUB	-	-	-	-	84,727
					74,228,820	**49,326,659**

’000 USD	Currency	Nominal interest rate	Effective interest rate	Year of maturity	Carrying amount 31 December 2013	31 December 2012
Unsecured bonds issued	RUB	9-12%	10.94%	2014-2016	394,314	513,166
Unsecured bonds issued	USD	10%	10%	2014-2015	5,213	8,969
Finance lease liabilities	USD	2.4-35.3%	13.37%	2013-2020	214,122	158,688
Finance lease liabilities	RUB	16.1-20.2%	18.16%	2014-2018	134,564	-
Secured bank loans	USD	5-11.5%	5.99%	2014-2017	281,253	236,304
Secured bank loans	RUB	10-14%	11.64%	2014-2018	245,317	316,479
Unsecured promissory notes	RUB	6.5-13.89%	9.99%	2014	400,840	106,232
Unsecured bank loans	USD	3.9-7.5%	5.75%	2014-2017	332,930	185,947
Secured bank loans	EUR	8%	8%	2017	5,500	-
Secured bank loans	EUR	EURIBOR +4.35%	-	-	-	13,556
Secured bank loans	USD	LIBOR+ 1.6-2.5%	-	-	-	5,576
Liabilities under REPO transactions	RUB	11%	11%	2014	6,561	-
Unsecured bank overdraft	USD	5.5%	3.99%	2014	1,848	5
Unsecured bank overdraft	RUB	11%	11%	2014	189	1,737
Unsecured bank overdraft	EUR	5.5%	5.5%	2014	1,920	195
Unsecured bank loans	RUB	8-14%	12.42%	2014-2016	243,399	74,402
Secured bank overdrafts	RUB	-	-	-	-	2,790
					2,267,970	**1,624,046**

As at 31 December 2013 finance lease liabilities include liabilities of RUB 473,875 thousand/ USD 14,479 thousand (2012: RUB 594,435 thousand/ USD 19,571 thousand) under lease agreements with a floating interest rate, set at LIBOR + 4% per annum.

Bank loans are secured by property, plant and equipment with a carrying amount of RUB 7,047,440 thousand/USD 215,326 thousand (2012: RUB 11,126,408 thousand/USD 359,881 thousand). Bank loans are also secured by pledge of future revenues.

Finance lease liabilities are secured by the leased assets, see note 7.

Some of the loan agreements include restrictive covenants with respect to non-current assets change, which is calculated on the basis of the Russian financial statements. Potential immediate revocation of loans can be imposed as a sanction for violation of restrictive covenants. Change of the non-current assets in one of the companies within the Group has formally exceeded the limit due to the sale-lease back transaction resulted in finance leases, which are not recognized as assets according to the Russain accounting standards. As of December 31, 2013, the amount of such loans was RUB 697,835 thousand/USD 21,321thousand with the loan maturities under the contract dated January-March 2014; these loans were payed back in full in accordance with these dates.

As at the 31 December 2013 unutilised RUB-denominated credit lines amounted to RUB 128,271 thousand / USD 3,919 thousand, RUB 880,753 thousand/USD 26,910 thousand denominated in USD and RUB 52,545 thousand/USD 1,605 thousand denominated in EUR (2012: RUB 1,644,101 thousand / USD 54,131 thousand, denominated in USD RUB 9,390,863 thousand/USD 309,188 thousand denominated in USD and RUB 54,495 thousand/USD 1,794 thousand denominated in EUR).

As of 31 December 2013 the Group has registered at Moscow Exchange and available for placement two bond issues with a total nominal value of RUB 3,000,000 thousand / USD 91,661 thousand.

22 Derivatives

(a) Hedging of fair value

As of 31 December 2013 the Group had currency swap agreements for a total conditional amount of USD 39,580 thousand (Peruvian sols 107,420 thousand), under which the Group receives payment at a fixed rate of 2.58 and 2.73 Sols for 1 USD and pays the amount at a market price. The swap is used to hedge a risk of changes of fair value of unacknowledged contractual obligations for purchase of property, plant and equipment. Decrease of a fair value of the currency swap by RUB 115,772 thousand / USD 3,635 was accounted for as financial expense. The fair value of the hedge liabilities amounted to RUB 38 424 thousand / USD 1 174 thousand.

(b) Derivatives

In 2008 the Group executed interest rate swap contracts which it did not designate as effective hedging instruments since the written documentation which properly designates hedging components was not prepared in full at the time when hedging operations commenced.

The Group keeps these derivatives as economic hedging instruments. The total fair value of hedge liabilities was determined by discounting the future cash flows to be received or paid as a result of hedge agreements and made RUB 1,594 thousand / USD 49 thousand.

Changes in the fair value of hedge liabilities are accounted for in profit or loss as other finance costs.

The impact of hedge relationships on the Group's exposure to interest rate risk relating to variable rate instruments is disclosed in note 36.

23 Trade and other payables

	2013 '000 RUB	2012 '000 RUB	2013 '000 USD	2012 '000 USD
Non-current				
Frequent flyer programme liabilities (see note 24(a))	37,966	84,740	1,160	2,790
Trade payables	321,044	531,513	9,809	17,500
Other account payables	495	-	15	-
	359,505	**616,253**	**10,984**	**20,290**
Current				
Trade payables	9,045,103	6,755,031	276,362	222,405
Unused vacation accrual	1,753,261	1,640,215	53,569	54,003
Accrued payroll	1,071,630	931,339	32,742	30,664
Payables to related parties (see note 41)	382,990	264,682	11,702	8,714
Accrued liabilities and other payables	260,683	3,266,955	7,965	107,564
Frequent flyer programme liabilities (see note 24(a))	24,564	54,827	751	1,805
Dividends payable	7,110	5,568	217	183
Other current liabilities	36,811	-	1,124	-
	12,582,152	**12,918,617**	**384,432**	**425,338**

Trade payables include the cost of guarantee issued to an unrelated party to secure contractual obligations for purchase of aircraft by another unrelated party. The guarantee applies in accordance with the contractual payment schedule till the end of 2015.

The Group does not expect any liability to arise in connection with such payment. As at 31 December 2013 the fair value of the guarantee calculated in accordance with IAS 39 based on analysis of credit ratings of similar entities amounted to: non-current part – RUB 217,828 thousand / USD 6,655 thousand, and current part – RUB 167,217 thousand / USD 5,109 thousand.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 36.

24 Deferred income

(a) Incentive programme liabilities

Liabilities related to the frequent flyer programme "Status" have been assessed in accordance with the requirements of IFRIC 13 *Customer Loyalty Programmes*. The amount of deferred income comprises the quantity of bonus miles earned by passengers but unused assessed at fair value, taking into consideration probability of their usage on flights of the Group.

In June 2013 miles were annulled for the first time according to the Status Program rules. Miles, that have not been used within 36 months from the date of the service (date of the flight, first day of the hotel accommodation, first day of the car rent), shall be cancelled at the end of the following quarter if no other terms, published in Status information, are in effect.

As at 31 December 2013 deferred income and other liabilities related to the frequent flyer programme “Status” included the following:

	2013 ’000 RUB	2012 ’000 RUB	2013 ’000 USD	2012 ’000 USD
Deferred income, non-current	245,312	314,412	7,495	10,352
Deferred income, current	158,717	203,424	4,849	6,698
Other non-current liabilities (see note 23)	37,966	84,740	1,160	2,790
Other current liabilities (see note 23)	24,564	54,827	751	1,805
	466,559	**657,403**	**14,255**	**21,645**

(b) Deferred income on sale and finance leaseback

In 2010 and 2013 the Group sold a number of Mi-171, Mi-8 and Ми-26 helicopters (previously classified as non-current assets held for sale, see note 19) and leased them back under finance lease agreements. In accordance with IAS 17 *Leases*, the amount of the gain realised on the sale was recognised as deferred income to be released to profit or loss over the lease term.

As at 31 December 2013 deferred income related to the sale and finance leaseback comprised:

	2013 ’000 RUB	2012 ’000 RUB	2013 ’000 USD	2012 ’000 USD
Deferred income, non-current	515,329	89,018	15,745	2,931
Deferred income, current	175,797	49,343	5,372	1,624
	691,126	**138,361**	**21,117**	**4,555**

25 Employee benefits

Group companies provide additional pensions and other post-employment benefits to its employees in accordance with collective agreements. Defined benefits consist of lump-sum amounts payable at the retirement date and certain regular post-retirement payments. These benefits generally depend on years of service, level of compensation and amount of pension payment under the collective bargaining agreement. The Group pays the benefits when they fall due for payment.

The components of net benefit expense recognised in other comprehensive income for the year ended 31 December 2013 and in profit and loss for the year ended 31 December 2012, as well as amounts recognised in consolidated statement of financial position as at 31 December 2013 and 2012 are as follows:

	2013 ’000 RUB	2012 ’000 RUB	2013 ’000 USD	2012 ’000 USD
Liabilities as at 1 January	**266,704**	**179,229**	**8,781**	**5,567**
Benefit expense	5,866	87,112	185	2,802
Benefits paid	(20,130)	(12,199)	(632)	(392)
Acquisitions	-	12,562	-	404
Effect of movements in exchange rates	-	-	(621)	400
Liabilities as at 31 December, including:	**252,440**	**266,704**	**7,713**	**8,781**
non-current part	233,607	246,810	7,138	8,126
current part	18,833	19,894	575	655

The movement in the benefit obligation and transformation to the benefit liability was as follows:

	2013 ’000 RUB	2012 ’000 RUB	2013 ’000 USD	2012 ’000 USD
Liabilities as at January 1	**266,704**	**179,229**	**8,781**	**5,567**
Interest cost on benefit obligation	18,946	15,898	595	511
Current service cost	21,744	13,687	683	440
Past service cost	-	15,749	-	507
Benefits paid	(20,130)	(12,199)	(632)	(392)
Actuarial (gains)/losses on obligation	(34,824)	48,272	(1,093)	1,553
Acquisition	-	12,562	-	404
Effect of movements in exchange rates	-	-	(621)	405
As at December 31, including:	**252,440**	**273,198**	**7,713**	**8,995**
Unrecognized past service cost	-	(6,494)	-	(214)
Benefit Liabilities	**252,440**	**266,704**	**7,713**	**8,781**

Amounts for the reporting and previous four periods are as follows:

	’000 RUB				
	2013	**2012**	**2011**	**2010**	**2009**
Defined benefit obligation	252,440	273,198	180,516	240,161	215,037
Experience adjustment on plan liabilities	(3,628)	(11,861)	(35,302)	(630)	(5,605)

	’000 USD				
	2013	**2012**	**2011**	**2010**	**2009**
Defined benefit obligation	7,713	8,995	5,607	7,880	7,110
Experience adjustment on plan liabilities	(111)	(391)	(1,096)	(21)	(185)

(a) Expense recognised in profit or loss within personnel expenses

	2013 ’000 RUB	2012 ’000 RUB	2013 ’000 USD	2012 ’000 USD
Current service costs	21,744	13,687	683	441
Past service costs	-	21,248	-	683
Interest on obligation	18,946	15,898	595	511
Net actuarial losses/(gains) recognised in year	(34,824)	36,642	(1,093)	1,178
Net post-employment benefit expenses	**5,866**	**87,475**	**185**	**2,813**

(b) Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	2013 %	2012 %
Discount rate at 31 December	7.7	7.2
Average long-term payroll increase rate	7.0	7.5
Benefit increase rate	5.5	6.0

Assumptions regarding future mortality are based on published statistics and mortality tables. The retirement age in Russia is currently 60 for men and 55 for women.

26 Taxes payable

	2013 ’000 RUB	2012 ’000 RUB	2013 ’000 USD	2012 ’000 USD
Value added tax payable	61,112	340,742	1,867	11,219
Social insurance charges	192,007	159,359	5,867	5,247
Personal income tax	133,170	98,759	4,069	3,252
Property tax	18,089	50,570	553	1,665
Contributions to pension fund	20,655	6,315	631	208
Other taxes and tax provisions	21,532	43,776	657	1,440
	446, 565	**699,521**	**13,644**	**23,031**

27 Advances received

	2013 ’000 RUB	2012 ’000 RUB	2013 ’000 USD	2012 ’000 USD
Advances from passengers	1,198,235	1,097,881	36,611	36,147
Advances from customers	1,423,870	3,368,176	43,505	110,895
Advances from related parties (see note 41)	4,792	6,754	146	222
	2,626,897	**4,472,811**	**80,262**	**147,264**

Advances from customers comprised amounts received for transportation services which will be rendered later. Advances from passengers comprised the tickets sold but not yet flown and the amounts to be paid to other airlines for future joint flights.

28 Revenue

	2013 ’000 RUB	2012 ’000 RUB	2013 ’000 USD	2012 ’000 USD
Aircraft transportation services, regular	43,413,539	40,699,033	1,363,101	1,308,945
Revenues under agreements with UN	9,325,788	9,794,527	292,811	315,007
Helicopters transportation services, inland	9,887,009	8,553,776	310,433	275,103
Aircraft transportation services, charter	8,889,149	7,727,056	279,102	248,514
Repair and maintenance services	482,807	1,039,606	15,159	33,435
Airport services	297,362	163,255	9,337	5,252
Passenger traffic and helicopter services revenue	**72,295,654**	**67,977,253**	**2,269,943**	**2,186,256**
Consulting and marketing services	9,250,750	9,263,773	290,456	297,938
Other	1,335,684	2,045,215	41,938	65,777
	82,882,088	**79,286,241**	**2,602,337**	**2,549,971**

Grants from the regional government were provided to the Group for the execution of regular flights to several Russian regions. The grants are provided both in the form of cash remuneration to cover the Group’s losses from performing such flights and in the form of reduced airport duties, etc. Since 2005 the Group has taken part in a new regional programme where the Group sells tickets at a discount to passengers flying within the Tyumen and other region,s. This discount is reimbursed by the regional government. The amount of reimbursement received in 2013 amounted to RUB 1,151,330 thousand/USD 36,150 thousand (2012: RUB 519,654 thousand/USD 16,713 thousand) and is included in regular aircraft transportation services revenue.

In 2011 the Company entered into the consulting services agreement and in 2013 recognized revenue and related accounts receivable from this contract in amount of RUB 8 887 275 thousand/USD279 043 thousand (2012: RUB 9,176,752 thousand/USD 295 139 thousand, accounts receivable of RUB 9,044,895 thousand/USD 279,636 thousand and loss from exchange rate changes of RUB 131,857 thousand/USD 4,077 thousand) (Note 14).

In 2013 and 2012 the Group generated revenue from the following major customer groups and geographical areas:

	2013 '000 RUB	2012 '000 RUB	2013 '000 USD	2012 '000 USD
Group of customers				
Individual customers	43,413,539	40,699,033	1,363,101	1,308,945
Commercial organizations	32,610,440	31,843,619	1,023,905	1,024,142
United Nations	6,858,109	6,743,589	215,331	216,884
	82,882,088	**79,286,241**	**2,602,337**	**2,549,971**
Geographical area				
Russia	58,363,727	58,811,016	1,832,508	1,891,455
Other countries	24,518,361	20,475,225	769,829	658,516
	82,882,088	**79,286,241**	**2,602,337**	**2,549,971**

29 Direct operating expenses

	2013 '000 RUB	2012 '000 RUB	2013 '000 USD	2012 '000 USD
Airport services	9,011,380	7,876,151	282,940	253,309
Rent of air fleet and equipment	8,755,396	8,849,728	274,902	284,621
Air navigation and meteo services	3,662,411	3,289,201	114,993	105,786
Passenger servicing	2,899,457	3,117,074	91,036	100,250
Travel expenses	2,472,183	2,285,300	77,622	73,499
Freight transportation services	951,039	2,193,490	29,861	70,546
Spare parts and other materials	478,587	1,415,040	15,027	45,510
Custom duties	424,622	297,972	13,332	9,583
UN missions support	278,644	312,548	8,749	10,052
Other direct operating expense	790,198	258,079	24,811	8,301
Direct operating expenses except fuel	**29,723,917**	**29,894,583**	**933,273**	**961,457**
Fuel expenses	17,675,780	17,932,238	554,986	576,729
	47,399,697	**47,826,821**	**1,488,259**	**1,538,186**

30 Personnel expenses

	2013 '000 RUB	2012 '000 RUB	2013 '000 USD	2012 '000 USD
Remuneration	12,827,130	11,168,416	402,747	359,194
Social insurance charges	3,422,180	2,802,030	107,450	90,118

	2013 ’000 RUB	2012 ’000 RUB	2013 ’000 USD	2012 ’000 USD
Expenses related to defined benefit plans (see note 25)	-	87,475	-	2,813
	16,249,310	**14,057,921**	**510,197**	**452,125**

31 Sales-leaseback transaction

In 2013 the Group performed a sale-leaseback transaction in respect of its 9 helicopters. As of 31 December 2013 nine helicopters were leased back of lease term for the period from 34-60 months. The carrying amount of assets sold in 2013 comprised RUB 3,214,706 thousand/USD 100,936 thousand (2012: RUB 697,069 thousand/USD 22,418 thousand), and the sales revenue comprised RUB 3,808,109 thousand/USD 119,567 thousand (2012: RUB 1,171,300 thousand/USD 37,670 thousand).

32 Other operating income and expenses

Other operating income comprised:

	2013 ’000 RUB	2011 ’000 RUB	2013 ’000 USD	2011 ’000 USD
Indemnities and penalties	444,868	497,299	13,968	15,994
Other operating income	235,477	173,049	7,393	5,565
Income from cancellation of finance lease agreement	118,986	-	3,736	-
	799,331	**670,348**	**25,097**	**21,559**

Other operating expenses comprised:

	2013 ’000 RUB	2012 ’000 RUB	2013 ’000 USD	2012 ’000 USD
Loss from disposal of property, plant and equipment	1,303,986	567,726	40,943	18,259
Consulting, audit and legal expenses	529,223	462,147	16,617	14,863
Insurance expenses	489,219	520,037	15,361	16,725
Bank charges	483,067	298,987	15,167	9,616
Utilities	415,600	409,871	13,049	13,182
Training expenses	413,235	508,132	12,975	16,342
Taxes other than income tax	357,508	351,260	11,225	11,297
Communication services	259,577	171,825	8,150	5,526
Advertising	112,881	104,546	3,544	3,362
Other operating expenses	762,693	333,458	23,947	10,726
	5,126,989	**3,727,989**	**160,978**	**119,898**

33 Other finance income and finance costs

	2013 ’000 RUB	2012 ’000 RUB	2013 ’000 USD	2012 ’000 USD
Interest income on loans issued	750,301	243,564	23,558	7,833
Gain from disposal of other investments	591,334	190,647	18,567	6,131
Hedge income	-	66,806	-	2,149
Interest income on security deposits	-	61,805	-	1,988
Income from unwinding of discount for receivables	301,133	-	9,455	-
Other finance income	**1,642,768**	**562,822**	**51,580**	**18,101**
Interest expense on financial liabilities measured at amortized cost	6,909,250	5,113,886	216,937	164,471
Unwinding of discount for liabilities	18,820	3,491	591	112
Dividends	13,437	648	422	21
Hedge expenses	118,637	-	3,725	-
Other finance costs	**7,060,144**	**5,118,025**	**221,675**	**164,604**

34 Income tax expense

The Group’s applicable tax rate is the income tax rate of 20% for Russian companies.

	2013 ’000 RUB	2012 ’000 RUB	2013 ’000 USD	2012 ’000 USD
Current tax expense				
Current year	174,008	228,140	5,464	7,337
	174,008	**228,140**	**5,464**	**7,337**
Deferred tax expense				
Origination and reversal of temporary differences	(1,192,470)	(572,752)	(37,441)	(18,421)
Corrections of prior years	(68,953)	(189,680)	(2,165)	(6,100)
Current year losses for which no deferred tax asset was recognised	640,687	467,296	20,116	15,029
	(620,736)	**(295,136)**	**(19,490)**	**(9,492)**
Income tax expense, excluding share of income tax of equity accounted investees	**(446,728)**	**(66,996)**	**(14,026)**	**(2,155)**

(a) Income tax recognised directly in other comprehensive income

’000 RUB	2013			2012		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Revaluation of property, plant and equipment	(5,591)	1,118	(4,473)	(627,345)	125,469	(501,876)
Investment revaluation reserve	-	-	-	(85,965)	17,193	(68,772)
Realisation of property, plant and equipment revaluation reserve	2,589,311	(557,751)	2,031,560	1,117,089	(231,823)	885,266
	(2,583,720)	**(556,633)**	**2,027,087**	**403,779**	**(89,161)**	**314,618**

’000 USD	2013			2012		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Revaluation of property, plant and equipment	(176)	35	(141)	(20,176)	4,035	(16,141)
Investment revaluation reserve	-	-	-	(2,765)	553	(2,212)
Realisation of property, plant and equipment revaluation reserve	81,299	(17,512)	63,787	35,927	(7,456)	28,471
	81,123	**(17,477)**	**63,646**	**12,986**	**(2,868)**	**10,118**

Reconciliation of effective tax rate:

	2013		2012	
	’000 RUB	%	’000 RUB	%
(Loss)/profit before income tax	**(4,953,714)**	**100**	**111,826**	**100**
Income tax at applicable tax rate	(990,745)	20	22,365	20
Effect of income taxed at higher rates	81,682	(2)	64,303	58
Reduction tax rates	(24,656)	-	-	-
Non-deductible expenses	382,553	(8)	(151,499)	(135)
Current year losses for which no deferred tax asset was recognised	173,391	(4)	187,515	168
Underaccrued in prior years	(68,953)	1	(189,680)	(171)
	(446,728)	**7**	**(66,996)**	**(60)**

	2013		2012	
	’000 USD	%	’000 USD	%
(Loss)/profit before income tax	**(155,537)**	**100**	**3,596**	**100**
Income tax at applicable tax rate	(31,107)	20	719	20
Effect of income taxed at higher rates	2,565	(2)	2,068	58
Reduction tax rates	(774)	-	-	-
Non-deductible expenses	12,011	(8)	(4,872)	(135)
Current year losses for which no deferred tax asset was recognised	5,444	(4)	6,030	168
Underaccrued in prior years	(2,165)	1	(6,100)	(171)
	(14,026)	**7**	**(2,155)**	**(60)**

35 (Loss)/earnings per share

The calculation of basic earnings/(loss) per share at 31 December 2013 was based on the profit/(loss) attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding of 550,518 thousand (2012: 536,036 thousand), calculated as shown below. The Company has no dilutive potential ordinary shares.

In thousands of shares	**2013**	**2012**
Issued shares at 1 January	564,787	569,161
Effect of own shares held	(14,269)	(33,125)
Weighted average number of shares for the year ended 31 December	**550,518**	**536,036**
(Loss)/profit for the year attributable to owners of the Company, '000 RUB	(4,131,779)	69,566
Basic and diluted (loss)/earnings per share, RUB	**(7,460)**	**0.13**
(Loss)/profit for the year attributable to owners of the Company, '000 USD	(129,730)	2,237
Basic and diluted (loss)/earnings per share, USD	**(0,234)**	**0.004**

36 Financial instruments and risk management

(a) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements. The Group's management reviews and approves policies for managing each of these risks, which are summarised below.

Risk management framework

The Supervisory Council of the Company has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Supervisory Council oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The credit risk arising from the Group's normal commercial operations is controlled by each operating unit within group-approved procedures for evaluating the reliability and solvency of each counterparty, including receivable collection. The analysis of credit risk exposure is performed at the Group level according to set guidelines and measurement techniques to qualify and monitor counterparty risk.

The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The requirement for an impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data.

As at 31 December 2013 accounts receivable from the Group's major debtor amounted to RUB 14,692,290 thousand/USD 448,905 thousand (2012: RUB 9,044,895 thousand/USD 297,797 thousand). Management determines risk concentration by reference to a percentage of receivables from particular customers to the total accounts receivable.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount			
	2013 ’000 RUB	**2012 ’000 RUB**	**2013 ’000 USD**	**2012 ’000 USD**
Long-term loans issued	342,436	3,326,638	10,463	109,527
Long-term net investments in leases	702,868	506,680	21,475	16,682
Long-term other investments	143,233	221,298	4,376	7,286
Long-term receivables	78,041	15,384	2,384	507
Trade and other receivables	21,855,106	19,257,885	667,757	634,052
Security deposits	14,297,720	8,685,531	436,849	285,965
Short-term loans issued	6,720,120	1,269,815	205,325	41,808
Short-term net investments in leases	568,078	404,953	17,357	13,333
Short-term other investments	-	87,370	-	2,877
Cash and cash equivalents	571,449	1,189,105	17,460	39,150
	45,279,051	**34,964,659**	**1,383,445**	**1,151,187**

Impairment losses

The ageing of trade and other receivables at the reporting date was:

’000 RUB	Gross 2013	Impairment 2013	Gross 2012	Impairment 2012
Not past due	21,535,822	-	18,088,155	-
Overdue	583,210	(185,885)	1,290,134	(105,020)
less than 30 days	246,733	-	425,259	-
from 30 to 60 days	69,480	-	306,518	-
from 60 to 150 days	47,088	-	363,847	-
over 150 days	219,909	(185,885)	194,510	(105,020)
	22,119,032	**(185,885)**	**19,378,289**	**(105,020)**

’000 USD	Gross 2013	Impairment 2013	Gross 2012	Impairment 2012
Not past due	658,001	-	595,540	-
Overdue	17,819	(5,679)	42,476	(3,458)
less than 30 days	7,538	-	14,001	-
from 30 to 60 days	2,123	-	10,092	-
from 60 to 150 days	1,439	-	11,979	-
over 150 days	6,719	(5,679)	6,404	(3,458)
	675,820	**(5,679)**	**638,016**	**(3,458)**

The Group believes that the unimpaired amounts that are past due by are still collectible, based on historic payment behaviour and analyses on the underlying customers’ credit ratings.

Based on historic default rates, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables; most of accounts receivable relate to customers that have a good track record with the Group.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Group’s treasury department in accordance with the Group’s policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group’s Supervisory Council on an annual basis, and may be updated throughout the year subject to approval of the Group’s Finance Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty’s failure to make payments.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group’s reputation.

The Group manages liquidity risk by targeting an optimal ratio between equity and debt capital consistent with the management plans and business objectives. This enables the Group to maintain an appropriate level of liquidity and financial capacity as to minimise borrowing expenses and to achieve an optimal profile of composition and duration of indebtedness. The Group has access to a wide range of debt instruments at competitive rates both in the capital markets and bank sector and coordinates relationships with the banks centrally.

As of 31 December 2013 the Group's current liabilities amounted to RUB 60,288,956 thousand / USD 1,842,055 thousand and exceeded the Group's current assets by RUB 6,799,178 thousand / USD 207,741 thousand (December 31, 2012: RUB 49,631,067 thousand/USD 1,634,069 thousand and RUB 9,856,886 thousnad/ USD 324,532 thousand accordingly). Net loss for 2013 amounted to RUB 4,506,986 thousand/USD 141,511 thousand (2012: net profit of RUB 178,822 thousand/USD 5,751 thousand). Net cash outflow used in operating activity in 2013 amounted to RUB 8,487,742 thousand/USD 266,499 thousand (2012: net cash inflow of RUB 263,237 thousand/USD 12,614 thousand). Working capital deficit firstly relates to a large-scale investment program of the Group on the fleet renewal funded inter alia at the expense of short-term borrowings.

At present, the Group believes that it has access to sufficient funding and has also both utilised and unutilised borrowing facilities to timely redeem or refinance outstanding short-term debt as well as to meet currently foreseeable borrowing requirements. In particular, the Group is continuously working with the financial market to maintain the fixed limits in banks and to open new letter of credit limits (Note 21). In addition, the Group has two bond issues registered earlier with a total nominal value of RUB 3 billion., which can be placed within a short period of time given the demand in the financial market subject to the conditions satisfactory to the UTair Group.

The Group has been present in the financial market since 2004 and throughout these years it has formed its investor market which includes banks, management companies and non-state pension funds which actively buy the Group's bonds. All bond issues are included into A1 level quotation lists which ensures a wide range of investors from among those who can acquire only securities included into the top level quotation lists (A1).

One of the forms of operational funds raising is bill debts which have been actively used since 2003. The Company has fixed limits for promissory notes in a number of banks and investment companies and it is continuously working with them to keep such limits current (holds meetings, provides financial and economical information to enable the investors to monitor the fixed limits).

The flawless credit history of the Company is another critical factor which means absence of violated obligations both for repayment of debts and payment of interest throughout the entire period of operation in the debt market which is highly appreciated by the financial community.

Effective management of the liquidity risk has the objective of ensuring both availability of adequate funding to meet short-term requirements and due obligations, and a sufficient level of flexibility in order to fund the development plans of the Group’s business, maintaining an adequate finance structure in terms of debt composition and maturity. This implies the adoption of a strategy for pursuing an adequate loan portfolio (particularly availability of committed borrowing facilities) and the maintenance of adequate cash.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

2013

’000 RUB	Carrying amount	Contractual cash flows	On demand	0-3 mths	3-12 mths	1-5 yrs	Over 5 yrs
Non-derivative financial liabilities							
Secured bank loans	17,414,211	18,871,610	-	4,810,066	4,531,180	9,530,364	-
Finance lease liabilities	11,412,203	15,524,357	-	1,044,672	2,856,478	11,402,206	221,001
Trade and other payables	12,842,316	12,842,318	5,588,113	4,880,918	2,013,782	359,500	5
Unsecured bonds issued	13,076,213	15,449,631	-	3,461,957	1,204,106	10,783,568	-
Unsecured promissory notes	13,119,163	13,949,575	-	1,811,271	11,988,304	150,000	-
Unsecured bank loans	18,862,790	19,574,330	-	5,243,709	11,744,971	2,584,214	1,436
Unsecured bank overdrafts	129,516	130,549	-	7,753	122,796	-	-
Liabilities under REPO transactions	214,723	218,735	-	218,735	-	-	-
	87,071,135	**96,561,105**	**5,588,113**	**21,479,081**	**34,461,617**	**34,809,852**	**222,442**
Derivative financial liabilities							
Interest rate swaps used for hedging	40,018	40,195	-	1,771	38,424	-	-
	40,018	**40,195**	**-**	**1,771**	**38,424**	**-**	**-**

2013

’000 USD	Carrying amount	Contractual cash flows	On demand	0-3 mths	3-12 mths	1-5 yrs	Over 5 yrs
Non-derivative financial liabilities	532,070	576,599	-	146,966	138,445	291,188	-
Secured bank loans							
Finance lease liabilities	346,686	474,327	-	31,919	87,276	348,380	6,752
Trade and other payables	392,381	392,381	170,738	149,130	61,529	10,984	-
Unsecured bonds issued	399,527	472,044	-	105,776	36,790	329,478	-
Unsecured promissory notes	400,840	426,212	-	55,341	366,288	4,583	-
Unsecured bank loans	576,329	598,069	-	160,215	358,853	78,957	44
Unsecured bank overdrafts	3,957	3,989	-	237	3,752	-	-
Liabilities under REPO transactions	6,561	6,683	-	6,683	-	-	-
	2,660,351	**2,950,304**	**170,738**	**656,267**	**1,052,933**	**1,063,570**	**6,796**
Derivative financial liabilities							
Interest rate swaps used for hedging	1,223	1,228	-	54	1,174	-	-
	1,223	**1,228**	**-**	**54**	**1,174**	**-**	**-**

2012

’000 RUB	**Carrying amount**	**Contractual cash flows**	**On demand**	**0-3 mths**	**3-12 mths**	**1-5 yrs**	**Over 5 yrs**
Non-derivative financial liabilities							
Secured bank loans	17,369,437	18,927,282	-	2,995,333	12,350,576	3,581,373	-
Finance lease liabilities	4,819,769	6,280,352	-	622,392	1,653,905	4,004,055	-
Trade and other payables	13,395,294	13,395,294	9,230,740	3,294,389	247,747	622,394	24
Unsecured bonds issued	15,858,653	18,829,432	-	573,768	5,721,145	12,534,519	-
Unsecured promissory notes	3,226,515	3,226,515	-	551,189	2,375,326	300,000	-
Unsecured bank loans	7,908,738	8,222,814	-	339,457	7,881,921	1,436	-
Unsecured bank overdrafts	58,820	64,038	-	7,314	56,724	-	-
Secured bank overdrafts	84,727	93,142	-	86,831	6,311	-	-
	62,721,953	**69,038,869**	**9,230,740**	**8,470,673**	**30,293,655**	**21,043,777**	**24**
Derivative financial liabilities							
Interest rate swaps used for hedging	36,823	22,369	-	8,914	12,082	1,373	-
	36,823	**22,369**	**-**	**8,914**	**12,082**	**1,373**	**-**

2012

’000 USD	**Carrying amount**	**Contractual cash flows**	**On demand**	**0-3 mths**	**3-12 mths**	**1-5 yrs**	**Over 5 yrs**
Non-derivative financial liabilities							
Secured bank loans	571,877	623,167	-	98,619	406,634	117,914	-
Finance lease liabilities	158,688	206,777	-	20,492	54,454	131,831	-
Trade and other payables	441,031	441,031	303,916	108,465	8,157	20,492	1
Unsecured bonds issued	522,135	619,946	-	18,891	188,365	412,690	-
Unsecured promissory notes	106,231	106,231	-	18,148	78,206	9,877	-
Unsecured bank loans	260,390	270,730	-	11,176	259,507	47	-
Unsecured bank overdrafts	1,937	2,109	-	241	1,868	-	-
Secured bank overdrafts	2,789	3,067	-	2,859	208	-	-
	2,065,078	**2,273,058**	**303,916**	**278,891**	**997,399**	**692,851**	**1**
Derivative financial liabilities							
Interest rate swaps used for hedging	1,212	736	-	293	398	45	-
	1,212	**736**	**-**	**293**	**398**	**45**	**-**

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's subsidiaries. The currencies in which these transactions primarily are denominated are euro and USD.

The Group seeks to bring its financial liabilities in foreign currency in line with export net sales, thus mitigating currency risk. The Group does not have formal arrangements to mitigate foreign exchange risks of the Group's operations (disclosed in note 22).

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

'000 RUB	**USD-denominated 2013**	**EUR-denominated 2013**	**USD-denominated 2012**	**EUR-denominated 2012**
Trade and other receivables	16,809,946	368,103	11,907,934	1,048,757
Security deposits	14,297,720	-	8,685,531	-
Cash and cash equivalents	173,408	2,820	260,475	10,395
Short-term loans issued	278,198	-	-	-
Investments in finance leases	-	116,304	-	-
Finance lease liabilities	(7,008,045)	-	(4,819,769)	-
Secured bank loans and overdrafts	(20,162,184)	(242,855)	(13,226,617)	(418,032)
Trade and other payables	(2,141,948)	(417,128)	(1,794,611)	(1,246,422)
Net exposure	**2,247,095**	**(172,756)**	**1,012,943**	**(605,302)**

'000 USD	**USD-denominated 2013**	**EUR-denominated 2013**	**USD-denominated 2012**	**EUR-denominated 2012**
Trade and other receivables	513,607	11,247	382,060	34,530
Security deposits	436,849	-	285,965	-
Cash and cash equivalents	5,298	86	8,576	342
Short-term loans issued	8,500	-	-	-
Investments in finance leases	-	3,554	-	-
Finance lease liabilities	(214,122)	-	(158,688)	-
Secured bank loans and overdrafts	(616,030)	(7,420)	(435,477)	(13,763)
Trade and other payables	(65,445)	(12,745)	(59,086)	(41,038)
Net exposure	**68,657**	**(5,278)**	**23,350**	**(19,929)**

The following significant exchange rates applied during the year:

in RUB	**Average rate**		**Reporting date spot rate**	
	2013	**2012**	**2013**	**2012**
USD 1	31,8491	31,0930	32,7292	30,3727
EUR 1	42,3129	39,9524	44,9699	40,2286

Sensitivity analysis

A strengthening of the RUB, as indicated below, against the following currencies at 31 December would have increased profit or loss by the amounts shown below. There would have been no impact directly on equity. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012.

	2013		2012	
’000 RUB	**Strengthening of RUB**	**Profit or loss**	**Strengthening of RUB**	**Profit or loss**
USD	-10.21%	229,397	5%	419,686
USD	20%	(449,408)	10%	839,372
EUR	-8.63%	(14,911)	5%	30,265
EUR	20%	34,551	10%	60,530

	2013		2012	
’000 USD	**Strengthening of RUB**	**Profit or loss**	**Strengthening of RUB**	**Profit or loss**
USD	-10.21%	7,203	5%	13,818
USD	20%	(14,111)	10%	27,636
EUR	-8.63%	(468)	5%	752
EUR	20%	1,085	10%	1,505

A weakening of the RUB against the above currencies at 31 December would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

(ii)* *Interest rate risk

Interest rate changes affect the market value of financial assets and liabilities of the Group and the level of finance expenses. The Group's policies concerning interest rate risk management comprise risk reduction concurrently with the attainment by the Group of a finance structure, which was determined and approved pursuant to the plans of management. Borrowing requirements of the Group companies are pooled by the Group’s central finance department in order to manage net positions and enhance finance portfolio consistently with management’s plans while maintaining a level of risk exposure within prescribed limits.

The Group borrows on both a fixed and floating rate basis. Floating rates are based on LIBOR and EURIBOR rates.

As at 31 December 2013 the share of the Group's liabilities bearing a floating interest rate constituted 0.6% of the total liabilities (2012: 2.5%).

Profile

At the reporting date the interest rate profile of the Group’s interest-bearing financial instruments was:

	Carrying amount			
	2013 '000 RUB	2012 '000 RUB	2013 '000 USD	2012 '000 USD
Fixed rate instruments				
Financial assets	21,497,576	14,193,617	656,832	467,315
Finance lease liabilities	(10,938,329)	(4,225,334)	(334,207)	(139,116)
Other financial liabilities	(62,816,615)	(43,925,793)	(1,919,284)	(1,446,226)
	(52,257,368)	**(33,957,510)**	**(1,596,659)**	**(1,118,027)**
Variable rate instruments				
Finance lease liabilities	(473,875)	(594,435)	(14,479)	(19,571)
Other financial liabilities	(40,018)	(617,920)	(1,223)	(20,345)
	(513,893)	**(1,212,355)**	**(15,702)**	**(39,916)**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not have affected profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. There would have been no impact directly on equity. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

	Profit or loss 2013		Profit or loss 2012	
'000 RUB	**Increase**	**Decrease**	**Increase**	**Decrease**
EUR-denominated borrowings	-	-	(4,109)	4,109
USD-denominated borrowings with hedged interest rate	(4,739)	4,739	(7,634)	7,634
Hedge liabilities related to credit line agreements	-	-	208	(208)
Hedge liabilities related to lease contracts	707	(707)	6,068	(6,068)
Cash flow sensitivity (net)	**(4,032)**	**4,032**	**(5,467)**	**5,467**

	Profit or loss 2013		Profit or loss 2012	
'000 USD	**Increase**	**Decrease**	**Increase**	**Decrease**
EUR-denominated borrowings	-	-	(135)	135
USD-denominated borrowings with hedged interest rate	(145)	145	(251)	251
Hedge liabilities related to credit line agreements	-	-	8	(8)
Hedge liabilities related to lease contracts	22	(22)	200	(200)
Cash flow sensitivity (net)	**(123)**	**123**	**(178)**	**178**

(e) Fair values hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

'000 RUB	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2013				
Financial assets held for trading	-	153,510	65,458	**218,968**
	-	**153,510**	**65,458**	**218,968**
Derivative financial liabilities	-	(40,018)	-	**(40,018)**
Guarantee issued (Note 23)	-	(385,045)	-	**(385,045)**
	-	**(271,553)**	**65,458**	**(206,095)**
31 December 2012				
Available-for-sale financial assets	-	144,878	76,418	**221,296**
Financial assets held for trading	-	-	87,370	**87,370**
	-	**144,878**	**163,788**	**308,666**
Derivative financial liabilities	-	(36,823)	-	**(36,823)**
Guarantee issued (Note 23)	-	(396,504)	-	**(396,504)**
	-	**(288,449)**	**163,788**	**(124,661)**

'000 USD	**Level 1**	**Level 2**	**Level 3**	**Total**
31 December 2013				
Financial assets held for trading	-	4,690	2,000	**6,690**
	-	**4,690**	**2,000**	**6,690**
Derivative financial liabilities	-	(1,223)	-	**(1,223)**
Guarantee issued (Note 23)	-	(11,764)	-	**(11,764)**
	-	**(8,297)**	**2,000**	**(6,297)**
31 December 2012				
Available-for-sale financial assets	-	4,770	2,516	**7,286**
Financial assets held for trading	-	-	2,877	**2,877**
	-	**4,770**	**5,393**	**10,163**
Derivative financial liabilities	-	(1,212)	-	**(1,212)**
Guarantee issued (Note 23)	-	(12,988)	-	**(12,988)**
	-	**(9,430)**	**5,393**	**(4,037)**

Financial assets available for sale as of 31 December 2013 in the amount of RUB 218,968 thousand / USD 6,690 thousand are accounted for at the initial cost and include unlisted promissory notes acquired in 2013. The Group management believes that the fair value of the above securities at the end of year did not change significantly between the date of the promissory note acquisition and the reporting date, therefore it is likely not to differ significantly from their carrying amount.

(f) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Board of Directors reviews the Group's performance and establishes key performance indicators.

Capital includes equity attributable to the equity holders of the parent company. The Group manages its capital structure and adjusts it by dividend payments to shareholders and purchase of treasury shares. The Group monitors the compliance of the amount of statutory general reserve and makes allocations of profits to this reserve. In addition, the Group monitors distributable profits on a regular basis and determines the amounts and timing of dividend payments.

The Group's debt to capital ratio at the end of the reporting period was as follows:

	2013 '000 RUB	2012 '000 RUB	2013 '000 USD	2012 '000 USD
Total liabilities	96,980,349	74,856,200	2,963,114	2,464,588
Less: cash and cash equivalents	(571,449)	(1,189,105)	(17,460)	(39,150)
Net debt	96,408,900	73,667,095	2,945,654	2,425,438
Total equity	16,757,043	21,981,463	511,991	723,724
Debt to capital ratio at 31 December	**5.75**	**3.35**	**5.75**	**3.35**

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

37 Operating leases

The Group concluded a number of operating lease agreements. The terms vary from one to seven years without a unilateral prolongation right. Non-cancellable operating lease rentals are payable as follows:

	2013 '000 RUB	2012 '000 RUB	2013 '000 USD	2012 '000 USD
Less than one year	7,579,737	6,153,141	231,589	202,588
Between one and five years	21,417,937	17,868,649	654,398	588,313
More than five years	12,582,783	9,422,784	384,451	310,239
	41,580,457	**33,444,574**	**1,270,438**	**1,101,140**

As at 31 December 2013 RUB 39,193,541 thousand/USD 1,197,510 thousand (2012: RUB 30,926,515 thousand/USD 1,018,234 thousand) out of total rent payments relates to the contracts denominated in USD; and RUB 73,348 thousand/USD 2,241 thousand (2012: RUB 56,365 thousand/USD 1,856 thousand) relates to the contracts nominated in euro.

To perform its activities the Group uses runways and some equipment (mainly air navigation) which is in the ownership of the Russian Federation. Runways are not subject to privatization according to the Decree of the President of the Russian Federation number 2284 dated 24 December 1993. The Group concluded rental agreements and/or free usage agreements for runways and equipment for 50 years with the Administration of State Property Committees of several regions of the Russian Federation. The land plots on which the runways are situated are also rented by the Group from the Russian Federation, the term is 50 years.

Upon the termination of the agreements the property is to be transferred to the government. However, the Group has a priority right for prolongation of the agreements. The agreements can be terminated ahead of schedule based on the mutual agreement of the parties, court decision or by act of law.

No rent payments are provided in the agreements. The Group is obliged to maintain the property in an appropriate condition, perform repairs and other necessary works in time. Significant modernisation and reconstruction of the rented property is recognised as property, plant and equipment and depreciated over the lower of the remaining useful life and the remaining rental period.

38 Capital commitments

As at 31 December 2013 the Group had contractual commitments to purchase property, plant and equipment for RUB 334,017 thousand/USD 10,205 thousand (2012: RUB 7,348,800 thousand/USD 241,954 thousand), of which RUB 573,839 thousand/USD 17,533 thousand (2012: RUB 1,055,582 thousand/USD 34,754 thousand) had been advanced.

39 Contingencies

(a) Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its plant facilities, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group property or relating to Group operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

The Group fulfils requirements of the law of the Russian Federation on obligatory insurance and has specific assets insurance policies which are pledged under the loan agreements. The Group insures the aircraft, helicopters, flight personnel, and transportation civil liability.

(b) Litigation

The Group in its ordinary course of business is subject of, or party to, various pending or threatened legal actions. The outcomes of the litigation, where there are probable future outflows of economic benefits, are accrued by the Group in these consolidated financial statements. No other significant litigation is outstanding as at the reporting date.

(c) Taxation contingencies

The major part of the Group's tax expense relates to taxation in the Russian Federation.

Russian tax, currency and customs legislation as currently in effect is vaguely drafted and is subject to varying interpretations, selective and inconsistent application and changes, which can occur frequently, at short notice and may apply retrospectively. Management's interpretation of such legislation as applied to the transactions and activity of the [Group] may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation and application of this legislation and assessments., It is therefore possible that transactions and activities of the Group that have not been challenged in the past may be challenged at any time in the future. As a result, significant additional taxes, penalties and interest may be assessed by the relevant authorities. Fiscal periods remain open and subject to review by the tax authorities for a period of three calendar years immediately preceding the year in which the decision to conduct a tax review is taken. Under certain circumstances tax reviews may cover longer periods.

New transfer pricing law was introduced in Russia and became effective from 1 January 2012. According to this law tax authorities may challenge pricing methods and accrue additional tax liabilities if prices in the controlled transactions deviate from the market level. In cases where the domestic transaction resulted in an accrual of additional tax liabilities for one party, another party could correspondingly adjust its profit tax liabilities according to the special notification issued by the authorized body in due course. In 2012 the Group determined its tax liabilities arising from “controlled” transactions making appropriate transfer pricing adjustments (where applicable).

It is not possible to determine amounts of constructive claims or evaluate probability of their negative outcome. Management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax, currency and customs positions will be sustained. However, the interpretation of the legislation by the relevant authorities may be different. In case the authorities would be able to prove their position that may have significant influence on the consolidated financial statements.

The estimated amount of potential liabilities that could be subject to different interpretations of the tax laws and regulations and are not accrued in the consolidated financial statements could be up to approximately RUB 232,633 thousand/USD 7,108 thousand (2012: RUB 204,401 thousand/USD 6,730 thousand). Management believes that it is possible, but not probable, that an outflow of economic resources will be required to settle the obligations.

(d) Guarantees

As at 31 December 2013 the Group has a guarantee issued to an unrelated party in connection with the contractual obligations for purchase of aircraft by another unrelated party.

The Group does not expect any liability to arise in connection with this agreement.

The fair value of the guarantee calculated in accordance with IAS 39 based on analysis of credit ratings of similar entities is included into the «Trade and other payables» line for an amount of RUB 385,045 thousand / USD 11,765 thousand (2012: RUB 396,504 thousand/USD 13,055 thousand) (Note 23).

40 Finance lease liabilities are payable as follows:

As at 31 December 2013 the Group has entered into finance lease agreements under which 67 aircraft have been received (see note 7) with a bargain purchase option to acquire the leased assets at the end of the lease term of 3 to 8 years and option to buy leased assets before the end of the lease. The minimum future lease payments under the agreements as well as the present value of the minimum lease payments are presented in the following table:

	2013			2012		
’000 RUB	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**
Less than one year	3,901,150	(1,058,423)	2,842,727	2,276,297	(596,549)	1,679,748
Between one and five years	11,402,206	(3,044,448)	8,357,758	4,004,055	(864,034)	3,140,021
Over five years	221,001	(9,282)	211,719	-	-	-
	15,524,357	**(4,112,153)**	**11,412,204**	**6,280,352**	**(1,460,583)**	**4,819,769**

	2013			2012		
’000 USD	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**
Less than one year	119,194	(32,339)	86,855	74,945	(19,640)	55,305
Between one and five years	348,380	(93,019)	255,361	131,831	(28,448)	103,383
Over five years	6,753	(284)	6,469	-	-	-
	474,327	**(125,642)**	**348,685**	**206,776**	**(48,088)**	**158,688**

41 Related party transactions

(a) Control relationships

As at 31 December 2013 the Company’s immediate and ultimate controlling party is a Non-State Pension Fund Surgutneftegaz.

(b) Management remuneration

Key management personnel comprise directors, members of the Management Board and the Supervisory Council. The total compensation to key management personnel is reported under personnel expenses in the consolidated statement of comprehensive income for the year ended 31 December 2013 and amounted to RUB 320 152 thousand/USD 10 052 thousand (2012: RUB 270,391 thousand/USD 8,696 thousand). Compensation to key management personnel consists of the contractual salary and performance bonus depending on the achieved operating results.

(c) Transactions with other related parties

In accordance with IAS 24 *Related Parties Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not. Transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

For the purpose of these financial statements, the following related parties were identified in accordance with IAS 24 *Related Party Disclosures*:

- parties which exercise joint control or significant influence over the Group;
- associates, i.e. enterprises over which the Group has significant influence and which is neither a subsidiary nor a party in a joint venture;
- key management personnel;
- other.

The outstanding amounts due from related parties were as follows as at 31 December:

	2013 ’000 RUB	2012 ’000 RUB	2013 ’000 USD	2012 ’000 USD
Trade receivables (note 14):				
Entities with joint control or significant influence over the Group	175,427	96,595	5,360	3,182
Associates	1,506	785	46	26
Other	10,117	33,607	309	1,105
	187,050	**130,987**	**5,715**	**4,313**

The outstanding balances are interest free and short-term, except for where it is specifically noted. Most relate to the rendering of transportation services to the related parties. The outstanding balances are neither guaranteed nor secured. The settlements are performed in cash. No doubtful debts due from related parties existed as at 31 December 2013 and as at 31 December 2012.

The outstanding amounts due to related parties were as follows as at 31 December:

	2013 '000 RUB	2012 '000 RUB	2013 '000 USD	2012 '000 USD
Trade and accounts payable (note 23):				
Entities with joint control or significant influence over the Group	371,016	264,018	11,336	8,693
Associates	11,094	-	339	-
Other	140	73	4	2
	382,250	**264,091**	**11,679**	**8,695**
Advances received (note 27):				
Entities with joint control or significant influence over the Group	4,288	6,752	131	222
Associates	502	2	15	-
Other	2	-	-	-
	4,792	**6,754**	**146**	**222**
Other (note 23):				
Entities with joint control or significant influence over the Group	27	37	1	1
Associates	636	-	20	-
Key management personnel	77	554	2	18
	740	**591**	**23**	**19**
	387,782	**271,436**	**11,848**	**8,936**

There were the following related party transactions in 2013 and 2012:

	2013 '000 RUB	2012 '000 RUB	2013 '000 USD	2012 '000 USD
Sales – transportation services:				
Entities with joint control or significant influence over the Group	83,748	88,009	2,630	2,831
Associates	27,526	264,369	864	8,503
Other	-	-	-	-
	111,274	**352,378**	**3,494**	**11,334**
Other sales				
Entities with joint control or significant influence over the Group	174,029	286,439	5,464	9,212
Associates	11,191	178,077	351	5,727
Key management personnel	171	280	5	9
Other	3,142	372	100	12
	188,533	**465,168**	**5,920**	**14,960**
Other operating income:				
Entities with joint control or significant influence over the Group	193,600	13,629	6,078	438
Associates	-	1,099	-	35
Key management personnel	57	-	2	-
	193,657	**14,728**	**6,080**	**473**
Total sales to related parties	**493,464**	**832,274**	**15,494**	**26,767**
Direct operating expenses:				
Entities with joint control or significant influence over the Group	2,373,507	1,656,819	74,524	53,286
Associates	109,642	405,107	3,443	13,029
Key management personnel	18,574	-	583	-
Other	3,706	14,336	116	461
	2,505,429	**2,076,262**	**78,666**	**66,776**
Other operating expenses:				
Entities with joint control or significant influence over the Group	37,935	28,327	1,191	908
Associates	1,232	87	39	3
Key management personnel	21,632	545	679	18
Other	-	8	-	-
	60,799	**28,877**	**1,909**	**929**
Total purchases from related parties	**2,566,228**	**2,105,139**	**80,575**	**67,705**

(d) Pricing policies

Related party transactions are not necessarily based on market prices.

42 Events subsequent to the reporting date

The Group has taken delivery of two aircraft Boeing 737-800 Next-Generation aircraft as part of its 2011 contract with Boeing for a total of 40 jets.

The Group put into operations its newest Mi-8AMT helicopter, the 37th to join the fleet. The helicopter was delivered as part of the contract between UTair and the Ulan-Ude Aviation Plant, now part of Russian Helicopters, signed in 2011.

The Group has received two aircraft Airbus A321 in accordance with a contract for 20 such aircraft signed in 2012.

The Group entered into a credit line agreement with OAO "Sberbank" in the amount of 16 billion rubles.

In February Ural Aviation Services, the Group subsidiary, was certified by the European Aviation Safety Agency(EASA) to perform maintenance works for the aircraft registered in Europe or in countries outside the EU that accept EASA requirements for aircraft maintenance.

In March 2014 the Group redeemed its first and second BO-06 and BO-07 bonds issues with a total nominal value of RUB 3 bln., and paid the last of its twelve coupons, and thus the Group performed its obligations to the securities' holders in full.

11 March the Supervisory Board of AK, the Company granted a mandate to the management of the Company to work on to the perspective of the additional issue of shares. Currently this issue is being worked out, the management is preparing a plan of measures with a view to making proposals to the Supervisory Board in May and approval at the annual shareholders meeting in June.

In April 2014, the Group has fulfilled its obligations on purchase of bonds issues BO-06 and BO-07 upon demand of their holders on the terms of public offer, with the possibility of subsequent issue. The total number of the bonds redeemed under the offer was 2 594 739 with the total nominal value of 2 595 million roubles.

Subsequent to 31 December 2013, the economic and political uncertainty in Ukraine significantly increased. Furthermore, between 1 January 2014 and 30 April 2014, the Ukrainian Hryvnia devalued to major foreign currencies by approximately 20%. International rating agencies have downgraded sovereign debt ratings for Ukraine.
The combination of the above mentioned events negatively affects operating activities of the subsidiaries in Ukraine, whose revenues for 2013 year was 3 273 million rubles.

These and any further negative developments in Ukraine could adversely impact results and financial position of the Group and its Ukrainian subsidiaries in a manner not currently determinable.