

# OPEN JOINT STOCK COMPANY AEROFLOT – RUSSIAN AIRLINES

**Consolidated Financial Statements** 

as at and for the year ended 31 December 2009



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Statement of Management's Responsibilities for the Preparation and Approval of the Consolidated Financial Statements as at and for the year ended 31 December 2009



The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 2 and 3, 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 Open Joint Stock Company Aeroflot – Russian Airlines and its subsidiaries (the "Group").

Management is responsible for the preparation of consolidated financial statements that present fairly the consolidated financial position of the Group as at 31 December 2009, and the consolidated results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

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

- selecting suitable accounting principles and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether IFRS have been complied with, subject to any material departures being disclosed and explained in the consolidated financial statements; and
- preparing the consolidated financial statements on a 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 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 IFRS;
- maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

The consolidated financial statements as at and for the year ended 31 December 2009 were approved

on 28 May 2010 by:

V. G. Saveliev General Director Sh. R. Kurmashov
Deputy General Director
Finance and Investment



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#### Independent Auditors' Report

To the Board of Directors of Open Joint Stock Company Aeroflot - Russian Airlines

We have audited the accompanying consolidated financial statements of Open Joint Stock Company Aeroflot – Russian Airlines (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The 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 entity's 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 principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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



#### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2009, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

# Emphasis of matter

Without qualifying our report, we draw attention to the fact that during the year the Group changed its accounting policy for its customer loyalty programme referred to as Aeroflot Bonus. The reason for and the effects of the change are described in Note 25 to these consolidated financial statements. We have audited the adjustments described in Note 25 that were applied to restate the statement of financial position as at 1 January 2008 and the 2008 consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to suggest that the adjustments applied are adequate and have been properly applied.

ZAO KPMG

LAO UPUG

28 May 2010

Consolidated Statement of Income for the year ended 31 December 2009 (All amounts in millions of US dollars)



	Notes	2009	2008
Traffic revenue	5	2,818.7	3,950.0
Other revenue	6	527.2	653.4
Revenue		3,345.9	4,603.4
Operating costs	7	(2,383.9)	(3,427.4)
Staff costs	8	(538.9)	(686.6)
Depreciation and amortisation	21, 22	(145.3)	(159.3)
Operating costs		(3,068.1)	(4,273.3)
Operating profit		277.8	330.1
Finance income	9	2.8	4.5
Finance costs	9	(53.1)	(197.0)
Share of results of equity accounted investments	17	6.9	8.4
Other non-operating (expenses)/income, net	10	(28.6)	20.6
Profit before income tax		205.8	166.6
Income tax	11	(120.0)	(142.8)
Profit for the year		85.8	23.8
Assilustable to			
Attributable to: Shareholders of the Company		89.2	42.9
Non-controlling interest		(3.4)	(19.1)
Non-condoming medest		85.8	23.8
Earnings per share, basic and diluted (US cents)		8.1	4.0
Weighted average number of shares outstanding (millions)		1,094.5	1,067.0

V. G. Saveliev General Director Sh. R. Kurmashov
Deputy General Director
Finance and Investment

The consolidated statement of income should be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 49.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2009 (All amounts in millions of US dollars)



	2009	2008
Profit for the year	85.8	23.8
Other comprehensive income:  Loss on revaluation of available-for-sale investments  Exchange differences on translating to presentation currency  Income taxes relating to components of other comprehensive income  Other comprehensive income for the year	(2.3) (24.3) 0.4 (26.2)	(5.4) (178.6) 1.0 (183.0)
Total comprehensive income for the year	59.6	(159.2)
Total comprehensive income attributable to: Shareholders of the Company Non-controlling interest	64.7 (5.1)	(141.7) (17.5)

The consolidated statement of comprehensive income should be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 49.

Consolidated Statement of Financial Position as at 31 December 2009 (All amounts in millions of US dollars)



ASSETS		Notes	2009	2008	1 January 2008
Cash and cash equivalents         12         121.1         144.8         90.6           Short-term investments         13         10.4         9.5         \$4.1           Accounts receivable and prepayments         14         943.8         916.1         1,048.7           Aircraft lease deposits         15         70.0         78.7         104.2           Assets of disposal group classified as held for sale         16         27.3         104.2           Assets of disposal group classified as held for sale         16         27.3         104.2           Assets of disposal group classified as held for sale         16         27.3         1.0           Long-term investments         17         24.5         21.1         20.5           Long-term investments         18         15.6         16.8         21.8           Aircraft lease deposits         19         401.5         24.4         21.6           Other non-current assets         19         401.5         24.4         21.6           Other non-current assets         19         401.5         24.4         21.6           Propayments for aircraft         20         156.3         24.4         21.0           Intangible assets         21         2,167.8					
Same   Cash equivalents   13   10.4   9.5   5.4.1		12	121.1	146.8	90.6
Accounts receivable and prepayments	<del>-</del>				
Actoraft lease deposits					
Street   S		14	J-13.0		
Septembers pairs and intercentarial as held for sale   16   27.3   1,151.7   1,298.3   1,172.6   1,151.7   1,298.3   1,172.6   1,151.7   1,298.3   1,298.3   1,200.5		15	70.0		
Non-current assets   1,172.6   1,151.7   1,298.3	Expendable spare parts and inventories			-	•
Equity accounted investments	Assets of disposal group classified as field for safe	10		1,151.7	1,298.3
Equity accounted investments	Non-current assets				
Long-term investments					
Deferred tax assets		18			
Deferred tax assets					
Other non-current assets   19					
Prepayments for aircraft   20					
Property, plant and equipment					
TOTAL ASSETS					
Mathematical Property   Math		22			
LIABILITIES AND EQUITY   Current liabilities   23   674.5   667.0   627.2     Liabilities   24   186.1   172.9   180.3     Deferred revenue related to frequent flyer programme, current   25   9.0   12.5   13.0     Provisions   26   0.8   22.8   4.0     Provisions   27   156.4   145.4   131.4     Finance lease liabilities   28   111.2   78.0   67.4     Finance lease liabilities   29   819.7   591.1   379.6     Long-term borrowings   27   80.2   40.2     Finance lease liabilities   28   623.5   460.2   531.1     Finance lease liabilities   29   819.7   591.1   379.6     Finance lease liabilities   30   31.0   1.0   379.6     Finance lease liabilities   30   31.0   1.0   379.6     Finance lease liabilities   30   316.0   167.7   186.5			2,040.2	2,190.7	2,100.0
Current liabilities	TOTAL ASSETS		4,020.8	3,350.4	3,398.3
Accounts payable and accrued liabilities Unearned transportation revenue Deferred revenue related to frequent flyer programme, current Current Provisions Short-term borrowings Prinance lease liabilities  Non-current liabilities Long-term borrowings Equity Deferred revenue related to frequent flyer programme, and the state of the company  Equity  Equity  Non-current liabilities  Share capital Treasury stock Accumulative translation reserve Retained earnings Equity  Non-controlling interest  Non-controlling interest  Non-controlling interest  Non-controlling interest  Total equity  1100.  125 9.0 12.5 13.0 12.5 13.0 12.5 13.0 12.5 13.0 12.5 13.0 12.5 13.0 12.5 13.0 12.5 13.0 12.5 13.0 12.5 13.0 12.5 13.0 12.5 13.0 12.5 13.0 12.5 13.0 12.5 13.0 13.0 14.5 14.5 14.5 14.5 14.5 14.5 14.5 14.5					
Accounts payable and accrued transportation revenue Unearned transportation revenue Deferred revenue related to frequent flyer programme, current Provisions Short-term borrowings 27   156.4   145.4   131.4   Finance lease liabilities 28   111.2   78.0   67.4   1,138.0   1,098.6   1,023.3    Non-current liabilities Long-term borrowings 29   819.7   591.1   379.6   Engage to the Company  Non-current liabilities 28   623.5   460.2   531.1   85.5   44.9   33.4   86.8   32.8   86.8   32.8   4.0   86.8   4.0   87.8   4.0   47.4   87.8   4.0   87.8   4		23	674.5	667.0	627.2
Deferred revenue related to frequent flyer programme, current   25   9.0   12.5   13.0     Provisions   26   0.8   22.8   4.0     Provisions   27   156.4   145.4   131.4     Finance lease liabilities   28   111.2   78.0   67.4     Finance lease liabilities   29   819.7   591.1   379.6     Finance lease liabilities   28   623.5   460.2   531.1     Finance lease liabilities   28   623.5   460.2   531.1     Finance lease liabilities   28   623.5   460.2   531.1     Foreign borrowings   26   1.6   2.4   60.9     Provisions   26   1.6   2.4   60.9     Deferred tax liabilities   11   85.5   44.9   33.4     Deferred revenue related to frequent flyer programme, non-current     Other non-current liabilities   30   316.0   167.7   186.5     Characteristic   1,877.0   1,314.5   1,252.3     Equity   31   51.6   51.6   51.6     Treasury stock   31   51.6   51.6   51.6     Accumulated gain on disposal of treasury shares   27.9   31.9   14.1     Investment revaluation reserve   6.4   8.3   12.7     Investment revaluation reserve   27.9   31.9   14.1     Investment revaluation reserve   32   1,037.0   956.6   952.2     Retained earnings   962.6   884.3   1,049.8      Non-controlling interest   43.2   53.0   72.9     Total equity   33.0   3.30.3   3.30.3     Accumulative translation reserve   43.2   53.0   72.9     Total equity   3.30.3   3.30.3   3.30.3     Accumulative translation reserve   43.2   53.0   72.9     Total equity   3.30.3   3.30.3   3.30.3     Accumulative translation reserve   43.2   53.0   72.9     Accumulative translation reserve   3.30.3   3.30.3     Accumulative translation	Accounts payable and accrued habilities				180.3
Current   25   9.0   12.5   13.5	Unearned transportation revenue	24	100.1		
Provisions   26   0.8   22.8   4.0		25	9.0	12.5	13.0
Provisions   Short-term borrowings   27   156.4   145.4   131.4					4.0
Finance lease liabilities    28					131.4
Non-current liabilities   29   819.7   591.1   379.6     Long-term borrowings   28   623.5   460.2   531.1     Provisions   26   1.6   2.4   60.9     Provisions   26   1.6   2.4   60.9     Provisions   27   28   28   28   28     Provisions   28   623.5   440.2   531.1     Provisions   26   1.6   2.4   60.9     Provisions   26   1.6   2.4   60.9     Provisions   27   33.4     Deferred tax liabilities   28   30.7   48.2   60.8     Provisions   30   316.0   167.7   186.5     Provisions   30   316.0   167.7   186.5     Provisions   31   51.6   51.6   51.6     Provisions   31   51.6   51.6   51.6     Provisions   31   51.6   51.6     Provisions   31.5   51.6     Provisions   51.6     Provisions   51.6     Provisions   51.6     Provisi					67.4
Long-term borrowings   29   819.7   391.1   575.0     Finance lease liabilities   28   623.5   460.2   531.1     Provisions   26   1.6   2.4   60.9     Deferred tax liabilities   11   85.5   44.9   33.4     Deferred revenue related to frequent flyer programme, non- current   25   30.7   48.2   60.8     Current   30   316.0   167.7   186.5     Cher non-current liabilities   30   316.0   167.7   186.5     Equity   31   51.6   51.6   51.6     Share capital   31   51.6   (41.0)   (43.8)     Treasury stock   31   (14.6)   (41.0)   (43.8)     Accumulated gain on disposal of treasury shares   27.9   31.9   14.1     Investment revaluation reserve   (145.7)   (123.1)   63.0     Retained earnings   32   1,037.0   956.6   952.2     Equity attributable to shareholders of the Company   962.6   884.3   1,049.8    Non-controlling interest   43.2   53.0   72.9     Total equity   1,005.8   937.3   1,122.7      Total equity   1,005.8   937.3   1,122.7	Finance lease naturiles	20			1,023.3
Long-term borrowings   29   819.7   391.1   575.0     Finance lease liabilities   28   623.5   460.2   531.1     Provisions   26   1.6   2.4   60.9     Deferred tax liabilities   11   85.5   44.9   33.4     Deferred revenue related to frequent flyer programme, non- current   25   30.7   48.2   60.8     Current   30   316.0   167.7   186.5     Cher non-current liabilities   30   316.0   167.7   186.5     Equity   31   51.6   51.6   51.6     Share capital   31   51.6   (41.0)   (43.8)     Treasury stock   31   (14.6)   (41.0)   (43.8)     Accumulated gain on disposal of treasury shares   27.9   31.9   14.1     Investment revaluation reserve   (145.7)   (123.1)   63.0     Retained earnings   32   1,037.0   956.6   952.2     Equity attributable to shareholders of the Company   962.6   884.3   1,049.8    Non-controlling interest   43.2   53.0   72.9     Total equity   1,005.8   937.3   1,122.7      Total equity   1,005.8   937.3   1,122.7	Non-current liabilities				070 (
Finance lease liabilities Provisions Deferred tax liabilities Deferred tax liabilities Deferred revenue related to frequent flyer programme, non-current Other non-current liabilities  Equity Share capital Treasury stock Accumulated gain on disposal of treasury shares Investment revaluation reserve Cumulative translation reserve Retained earnings Equity attributable to shareholders of the Company  Non-controlling interest Total equity  26 1.6 1.6 2.4 60.9 33.4  40.2 33.4  40.2 34.0 2.4 60.9 33.4  48.2 60.8 60.8 31.5 16.7 1,877.0 1,314.5 1,252.3  1,877.0 1,314.5 1,252.3  1,252.3					
Deferred tax liabilities   11   85.5   44.9   33.4					
Deferred tax liabilities   11					
Deferred revenue related to frequent flyer programme, non-current current   25   30.7   48.2   60.8	· · · · · · · · · · · · · · · · ·	11	85.5	44.9	33.4
current       25       30.7       46.2       50.6         Other non-current liabilities       30       316.0       167.7       186.5         Equity       1,877.0       1,314.5       1,252.3         Equity       31       51.6       51.6       51.6         Share capital       31       (14.6)       (41.0)       (43.8)         Treasury stock       31       (14.6)       (41.0)       (43.8)         Accumulated gain on disposal of treasury shares       27.9       31.9       14.1         Investment revaluation reserve       6.4       8.3       12.7         Cumulative translation reserve       (145.7)       (123.1)       63.0         Retained earnings       32       1,037.0       956.6       952.2         Equity attributable to shareholders of the Company       962.6       884.3       1,049.8         Non-controlling interest       43.2       53.0       72.9         Total equity       1,005.8       937.3       1,122.7	Deferred revenue related to frequent flyer programme, non-				<b>60.0</b>
Other non-current liabilities       30       316.0       167.7       180.3         Equity       1,877.0       1,314.5       1,252.3         Equity       31       51.6       51.6       51.6         Share capital       31       (14.6)       (41.0)       (43.8)         Treasury stock       31       (14.6)       (41.0)       (43.8)         Accumulated gain on disposal of treasury shares       27.9       31.9       14.1         Investment revaluation reserve       6.4       8.3       12.7         Cumulative translation reserve       (145.7)       (123.1)       63.0         Retained earnings       32       1,037.0       956.6       952.2         Equity attributable to shareholders of the Company       43.2       53.0       72.9         Non-controlling interest       43.2       53.0       72.9         Total equity       1,005.8       937.3       1,122.7					
Equity Share capital Treasury stock Accumulated gain on disposal of treasury shares Investment revaluation reserve Cumulative translation reserve Retained earnings Equity attributable to shareholders of the Company  Non-controlling interest Total equity  1,877.0 1,874.5 1,122.7 151.6 51.6 51.6 51.6 51.6 51.6 64.8.3 12.7 (43.8) 14.1 63.0 (145.7) (123.1) 63.0 956.6 952.2 1,037.0 962.6 884.3 1,049.8		30			
Share capital       31       31.0       31.0       31.0       (43.8)         Treasury stock       31       (14.6)       (41.0)       (43.8)         Accumulated gain on disposal of treasury shares       27.9       31.9       14.1         Investment revaluation reserve       6.4       8.3       12.7         Cumulative translation reserve       (145.7)       (123.1)       63.0         Retained earnings       32       1,037.0       956.6       952.2         Equity attributable to shareholders of the Company       962.6       884.3       1,049.8         Non-controlling interest       43.2       53.0       72.9         Total equity       1,005.8       937.3       1,122.7			<u>1,877.0</u>	1,314.5	1,252.3
Share capital       31       (14.6)       (41.0)       (43.8)         Treasury stock       27.9       31.9       14.1         Accumulated gain on disposal of treasury shares       27.9       31.9       14.1         Investment revaluation reserve       6.4       8.3       12.7         Cumulative translation reserve       (145.7)       (123.1)       63.0         Retained earnings       32       1,037.0       956.6       952.2         Equity attributable to shareholders of the Company       962.6       884.3       1,049.8         Non-controlling interest       43.2       53.0       72.9         Total equity       1,005.8       937.3       1,122.7		31	51.6	51.6	51.6
Treasury stock       27.9       31.9       14.1         Accumulated gain on disposal of treasury shares       6.4       8.3       12.7         Investment revaluation reserve       (145.7)       (123.1)       63.0         Cumulative translation reserve       32       1,037.0       956.6       952.2         Retained earnings       962.6       884.3       1,049.8         Non-controlling interest       43.2       53.0       72.9         Total equity       1,005.8       937.3       1,122.7					(43.8)
Accumulated gain on disposal of treasury strates   6.4   8.3   12.7	Treasury stock	/ 31	, ,		14.1
Cumulative translation reserve	Accumulated gain on disposal of treasury shares				12.7
Cumulative translation reserve       32       1,037.0       956.6       952.2         Retained earnings       962.6       884.3       1,049.8         Non-controlling interest       43.2       53.0       72.9         Total equity       1,005.8       937.3       1,122.7					· 63.0
Retained earnings       962.6       884.3       1,049.8         Equity attributable to shareholders of the Company       43.2       53.0       72.9         Non-controlling interest       1,005.8       937.3       1,122.7         Total equity       1,005.8       3 308.3		32	•	•	952.2
Non-controlling interest	Retained earnings	.72			1,049.8
Non-controlling interest  Total equity  1,005.8  937.3  1,122.7	Equity attributable to shareholders of the Company				<u></u>
Total equity 1,005.6 957.5 1,122.7	Non-controlling interest				
TOTAL LIABILITIES AND EQUITY 4,020.8 3,350.4 3,398.3			1,005.8	93/.3	1,1 <i>44.1</i> _
	TOTAL LIABILITIES AND EQUITY		4,020.8	3,350.4	3,398.3

The consolidated statement of financial position should be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 49.

Consolidated Statement of Cash Flows for the year ended 31 December 2009 (All amounts in millions of US dollars)



Adjustments to reconcile profit before taxation to net cash provided by operating activities:  Depreciation and amortisation  Depreciation and amortisation  121, 22		Notes	2009	2008
Profit before income tax	Cash flows from operating activities:			
Adjustments to reconcile profit before taxation to net cash provided by operating activities:         159           Depreciation and amortisation         21, 22         145.3         159           Increase in impairment allowance for bad and doubtful debts         14         7.1         3           Accounts receivable write off         2.4         1.         1.           Opecrease/increase in impairment of property, plant and equipment         (7.4)         27.           Loss on disposal of property, plant and equipment         12.5         7.           Decrease in other provisions and other assets impairments         0.8         0           Accounts payable write off         10         (0.7)         (4.5           Share of results in equity accounted investments         17         (6.9)         (8.4           Clain/Joss on disposal of investments         9         (0.1)         1.           Increase/(decrease) in tax and legal provisions         26         (21.5)         (34.5           Increase/(decrease) in tax and legal provisions         26         (21.5)         (34.5           Increase/(decrease) in exchange loss         12.0         15.           Unrealised foreign exchange loss         12.0         15.           Unrealised foreign exchange loss         (1.2)         18			205.8	166.6
Depreciation and amortisation   21, 22   145.3   159.     Degree in impairment allowance for bad and doubtful debts   14   7.1   3.     Accounts receivable write off   2.4   1.     (Decrease)/increase in impairment allowance for obsolete inventory   (3.2)   2.     (Decrease)/increase in impairment of property, plant and equipment   12.5   7.     (Decrease)/increase in impairment of property, plant and equipment   12.5   7.     (Decrease)/increase in impairment of property, plant and equipment   12.5   7.     (Decrease)/increase in impairment of property, plant and equipment   12.5   7.     (Decrease)/increase in impairment of property, plant and equipment   12.5   7.     (Decrease)/increase in impairment of property, plant and equipment   12.5   7.     (Decrease)/increase in impairment of property, plant and equipment   12.5   7.     (Decrease)/increase in impairment of property, plant and equipment   12.5   7.     (Decrease in other provisions and other assets impairments   0.8   10.     (Decrease)/increase in other provisions and other assets impairments   9   (0.1)   1.     (Decrease)/increase in accounted investments   9   (0.1)   1.     (Decrease)/increase in accounted investments   9   (0.1)   1.     (Decrease)/increase in accounts expense   9   41.1   54.     (Decrease)/increase in accounts receivable and prepayments and other non-cash (income)/expenses   12.0   151.     (Decrease)/increase in accounts receivable and prepayments and other non-current assets   12.0   18.     (Decrease)/increase in accounts payable and accrued liabilities   17.2   (48.     (Decrease)/increase//incre				
Depreciation and amortisation   21, 22   145.3   159.   Increase in impairment allowance for bad and doubtful debts   14   7.1   3.   Accounts receivable write off   2.4   1.   (Decrease)/increase in impairment allowance for obsolete inventory   (3.2)   2.   (Decrease)/increase in impairment of property, plant and equipment   (7.4)   27.   Loss on disposal of property, plant and equipment   12.5   7.   Decrease in other provisions and other assets impairments   0.8   Decrease in other provisions and other assets impairments   0.8   Accounts payable write off   10   (0.7)   (4.5   Share of results in equity accounted investments   17   (6.9)   (8.4   Share of results in equity accounted investments   9   (0.1)   1.   Increase/(decrease) in tax and legal provisions   26   (21.5)   (34.4   Increase/(decrease) in tax and legal provisions   26   (21.5)   (34.4   Interest expense   9   41.1   54.   Unrealised foreign exchange loss   12.0   151.   VAT write off   10   21.4   16.   Other non-cash (income)/expenses   12.0   151.   VAT write off   10   21.4   16.   Other non-cash (income)/expenses   427.5   Decrease in expendable spare parts and inventories   5.7   2.3   Increase/(decrease) in accounts receivable and prepayments and other non-current assets   (217.4)   77.   Decrease in expendable spare parts and inventories   5.7   2.3   Increase/ (decrease) in accounts payable and accrued liabilities   17.2   (48.8   Increase) (1.2)   1.3   1.3   Increase/ (decrease) in accounts payable and accrued liabilities   233.0   614   Income tax paid   (9.4)   (142.   Income tax paid   (9.4)				
Increase in impairment allowance for bad and doubtful debts		21, 22	145.3	159.3
Accounts receivable write off (Decrease)/increase in impairment allowance for obsolete inventory (Decrease)/increase in impairment of property, plant and equipment (7.4) (27. (Decrease)/increase in impairment of property, plant and equipment (7.4) (27. (Decrease)/increase in impairment of property, plant and equipment (7.4) (27. (Decrease)/increase in impairment of property, plant and equipment (7.4) (Asso on disposal of property, plant and equipment (8.8) (8.8) (Accounts payable write off (8.9) (8.4) (Ascounts payable write off (8.9) (8.6) (9.7) (1.6) (9.7) (1.6)	Increase in impairment allowance for bad and doubtful debts		7.1	3.9
Decrease   impairment allowance for obsolete inventory   (3.2)   2.			2.4	1.2
Inventory   (3.2)   2.     (Decrease)/increase in impairment of property, plant and equipment   (7.4)   27.     Loss on disposal of property, plant and equipment   12.5   7.     Decrease in other provisions and other assets impairments   0.8     Accounts payable write off   10   (0.7)   (4.5     Share of results in equity accounted investments   17   (6.9)   (8.5     Gain)/loss on disposal of investments   9   (0.1)   1.     Increase/(decrease) in tax and legal provisions   26   (21.5)   (34.5     Impairment expense on assets held for sale   16   20.1     Impairment expense on assets held for sale   9   41.1   54.     Unrealised foreign exchange loss   12.0   151.     Unrealised foreign exchange loss   12.0   151.     Other non-cash (income)/expenses   12.0   18.     Operating profit before working capital changes   427.5   562.     (Increase)/decrease in accounts receivable and prepayments and other non-current assets   5.7   2.3     Increase/(decrease) in accounts payable and accrued liabilities   17.2   (48.5     Increase/(decrease) in accounts payable and accrued liabilities   17.2   (48.5     Increase/(decrease) in accounts payable and accrued liabilities   17.2   (48.5     Increase/(decrease) in accounts payable and accrued liabilities   17.2   (48.5     Increase/(decrease) in accounts payable and accrued liabilities   17.2   (48.5     Increase/(decrease) in accounts payable and accrued liabilities   17.2   (48.5     Increase/(decrease) in accounts payable and accrued liabilities   17.2   (48.5     Increase/(decrease) in accounts payable and accrued liabilities   17.2   (48.5     Increase/(decrease) in accounts payable and accrued liabilities   17.2   (48.5     Increase/(decrease) in accounts payable and accrued liabilities   17.2   (48.5     Increase/(decrease) in accounts payable and accrued liabilities   17.2   (48.5     Increase/(decrease) in accounts payable and accrued liabilities   17.2   (48.5     Increase/(decrease) in accounts payable and accrued liabilities   17.2   (48.5     Increase/(decrea	(Decrease)/increase in impairment allowance for obsolete			
Cocreases   Increase in impairment of property, plant and equipment   12.5   7.			(3.2)	2.5
Comparison   Com	(Decrease)/increase in impairment of property plant and		` '	
Loss on disposal of property, plant and equipment   12.5   7.	· ·		(7.4)	27.2
Decrease in other provisions and other assets impairments   10			• •	7.4
Accounts payable write off Share of results in equity accounted investments (Gain)/loss on disposal of investments (Gain)/loss on disposal of investments 9 (0.1) Increase/(decrease) in tax and legal provisions Impairment expense on assets held for sale Interest expense 9 41.1 Interest expense 9 41.1 Interest expense 10 21.4 Interest expense 10 21.4 Interest expense 10 21.4 Interest expense Interest expense Interest expense Interest expense Increase/(decrease) in accounts receivable and prepayments and other non-current assets Increase / decrease in accounts receivable and prepayments and other non-current assets Increase / (decrease) in accounts payable and accrued liabilities Increase / (decrease) in accounts payable and accrued liabilities Income tax paid Income tax paid Income tax received Income tax received  Net cash flows from operating activities: Proceeds from sale of investments Proceeds from sale of property, plant and equipment Return of aircraft advances Dividends received Income tax received Income	Description of property, plant and equipment			-
Share of results in equity accounted investments 17 (6.9) (8.4 (Gain)/loss on disposal of investments 9 (0.1) 1. Increase/(decrease) in tax and legal provisions 26 (21.5) (34.4 Impairment expense on assets held for sale 16 20.1 Impairment expense on assets held for sale 16 20.1 Interest expense 9 41.1 54. Unrealised foreign exchange loss 12.0 151. VAT write off 10 21.4 16. Other non-cash (income)/expenses 10.2 1.2 18. Operating profit before working capital changes 427.5 562. (Increase)/decrease in accounts receivable and prepayments and other non-current assets 5.7 23. Increase/ (decrease) in accounts payable and accrued liabilities 17.2 (48.1 Income tax paid (9.4) (142. Income tax paid (9.4) (142. Income tax received 4.9 (142. Income tax received 5.6 (14. Income tax received 5.7 (14. Income tax paid of property, plant and equipment 5.6 (14. Income tax paid of property, plant and equipment 5.6 (14. Income tax paid of property, plant and equipment 5.6 (14. Income tax paid of property, plant and equipment 5.6 (14. Income tax paid of property, plant and equipment 5.6 (14. Income tax paid of property, plant and equipment 5.6 (14. Income tax paid of property, plant and equipment 5.6 (14. Income tax paid of property, plant and equipment 5.6 (14. Income tax paid of property, plant and equipment 5.6 (14. Income tax paid plant pla		10	· ·	(4.5)
Cain	Accounts payable write oil			(8.4)
Grain/loss of univesting activities   10   10   10   10   10   10   10   1	Share of results in equity accounted investments		• •	1.3
Interests (querease) in accounts receivable and prepayments and other non-current assets (querease) in accounts payable and accrued liabilities   17.2   18.	(Gain)/loss on disposal of investments			(34.4)
Interest expense 9 41.1 54.  Unrealised foreign exchange loss 12.0 151.  VAT write off 10 21.4 16.  Other non-cash (income)/expenses (1.2) 18.  Operating profit before working capital changes 427.5 562.  (Increase)/decrease in accounts receivable and prepayments and other non-current assets 5.7 23.  Increase/ (decrease) in accounts payable and accrued liabilities 17.2 (48.  Income tax paid (9.4) (142.  Income tax received 4.9  Net cash flows from operating activities:  Proceeds from sale of investments Proceeds from sale of property, plant and equipment 78.9  Return of aircraft advances 78.9  Dividends received (1.4)  Decrease in aircraft lease deposits (1.4)  Purchases of investments, net (23.3) (104.  Lease prepayments	Increase/(decrease) in tax and legal provisions		` '	(5)
12.0   151.				54.7
Owneransed foreign exchange loss         10         21.4         16.           Other non-cash (income)/expenses         (1.2)         18           Operating profit before working capital changes         427.5         562.           (Increase)/decrease in accounts receivable and prepayments and other non-current assets         (217.4)         77           Decrease in expendable spare parts and inventories         5.7         2.3           Increase/ (decrease) in accounts payable and accrued liabilities         17.2         (48.1)           Income tax paid         (9.4)         (142.1)           Income tax received         4.9         (142.2)           Net cash flows from operating activities:         228.5         472.2           Cash flows from investing activities:         20.9         130.2           Proceeds from sale of investments         5.6         6.6           Proceeds from sale of property, plant and equipment         5.6         6.6           Return of aircraft advances         3.2         3.2           Dividends received         3.2         3.2           Decrease in aircraft lease deposits         (1.4)         (23.3)         (104.2)           Lease prepayments         (23.3)         (104.2)		9		151.0
Other non-cash (income)/expenses (1.2) 18 Operating profit before working capital changes 427.5 562  (Increase)/decrease in accounts receivable and prepayments and other non-current assets (217.4) 77 Decrease in expendable spare parts and inventories 5.7 23 Increase/ (decrease) in accounts payable and accrued liabilities 17.2 (48.1) Income tax paid (9.4) (142.1) Income tax received 4.9  Net cash flows from operating activities 228.5 472  Cash flows from investing activities: Proceeds from sale of investments 5.6 6 Return of aircraft advances 78.9 Dividends received 3.2 3.2 Dividends received 3.2 3.2 Decrease in aircraft lease deposits (1.4) Purchases of investments, net (23.3) (104.1) Lease prepayments (0.1)		10		16.8
Operating profit before working capital changes  (Increase)/decrease in accounts receivable and prepayments and other non-current assets  (217.4)  To Decrease in expendable spare parts and inventories  Increase/ (decrease) in accounts payable and accrued liabilities  Increase/ (decrease) in accounts payable and accrued liabilities  Income tax paid  Income tax received  Net cash flows from operating activities  Proceeds from sale of investments  Proceeds from sale of property, plant and equipment  Return of aircraft advances  Dividends received  Decrease in aircraft lease deposits  Purchases of investments, net  Lease prepayments  (217.4)  77  23  448.  49.  149.  140.  150.  60.  160.  170.  1		10		18.0
(Increase)/decrease in accounts receivable and prepayments and other non-current assets (217.4) 77 Decrease in expendable spare parts and inventories 5.7 23 Increase/ (decrease) in accounts payable and accrued liabilities 17.2 (48.1 Income tax paid (9.4) (142.1 Income tax received 4.9  Net cash flows from operating activities: 228.5 472  Cash flows from investing activities: 20.9 130 Proceeds from sale of investments 5.6 6 Return of aircraft advances 78.9 Dividends received 3.2 3 Decrease in aircraft lease deposits (1.4) Purchases of investments, net (23.3) (104.1 Lease prepayments				562.6
other non-current assets       (217.4)       77         Decrease in expendable spare parts and inventories       5.7       23         Increase/ (decrease) in accounts payable and accrued liabilities       17.2       (48.4)         Income tax paid       (9.4)       (142.         Income tax received       4.9       4.9         Net cash flows from operating activities       228.5       472         Cash flows from investing activities:       20.9       130         Proceeds from sale of investments       20.9       130         Proceeds from sale of property, plant and equipment       5.6       6         Return of aircraft advances       78.9       3         Dividends received       3.2       3         Decrease in aircraft lease deposits       (1.4)       1         Purchases of investments, net       (23.3)       (104.         Lease prepayments       (0.       (0.	Operating profit before working capital changes		427.5	302.0
other non-current assets       (217.4)       77         Decrease in expendable spare parts and inventories       5.7       23         Increase/ (decrease) in accounts payable and accrued liabilities       17.2       (48.4)         Income tax paid       (9.4)       (142.         Income tax received       4.9       4.9         Net cash flows from operating activities       228.5       472         Cash flows from investing activities:       20.9       130         Proceeds from sale of investments       20.9       130         Proceeds from sale of property, plant and equipment       5.6       6         Return of aircraft advances       78.9       3         Dividends received       3.2       3         Decrease in aircraft lease deposits       (1.4)       1         Purchases of investments, net       (23.3)       (104.         Lease prepayments       (0.       (0.	(Increase)/decrease in accounts receivable and prepayments and			
Decrease in expendable spare parts and inventories Increase/ (decrease) in accounts payable and accrued liabilities Income tax paid Income tax received Income tax received Income tax received  Net cash flows from operating activities Proceeds from sale of investments Proceeds from sale of property, plant and equipment Return of aircraft advances Dividends received Decrease in aircraft lease deposits Purchases of investments, net Lease prepayments  5.7 23 (48.8 47.2  48.9  17.2  228.5 472  228.5 472  229.9 130 614  29.9 130 614  20.9 130 614  20.9 130 614 614 614 615 616 616 616 617 617 618 618 619 619 619 619 619 619 619 619 619 619				77.7
Increase/ (decrease) in accounts payable and accrued liabilities         17.2         (48.4)           Income tax paid         (9.4)         (142.4)           Income tax received         4.9         4.9           Net cash flows from operating activities         228.5         472           Cash flows from investing activities:         20.9         130           Proceeds from sale of investments         5.6         6           Proceeds from sale of property, plant and equipment         5.6         6           Return of aircraft advances         78.9         3.2         3           Dividends received         3.2         3         3           Decrease in aircraft lease deposits         (1.4)         (23.3)         (104.           Purchases of investments, net         (0.         (23.3)         (104.           Lease prepayments         (0.         (0.         (0.				23.1
Income tax paid Income tax received  Net cash flows from operating activities  Cash flows from investing activities: Proceeds from sale of investments Proceeds from sale of property, plant and equipment Return of aircraft advances Dividends received Decrease in aircraft lease deposits Purchases of investments, net Lease prepayments  104.  142.  142.  142.  143.  144.  154.  164.  164.  164.  164.  164.  164.  164.  164.  164.  164.  164.  165.  166.  167.  167.  167.  168.  169.  1	Increase/ (decrease) in accounts payable and accrued liabilities			(48.8)
Income tax paid Income tax received  Net cash flows from operating activities  Cash flows from investing activities: Proceeds from sale of investments Proceeds from sale of property, plant and equipment Return of aircraft advances Dividends received Decrease in aircraft lease deposits Purchases of investments, net Lease prepayments  4.9  4.9  4.9  4.9  130  141  20.9  130  78.9  78.9  3.2  3  (1.4)  (23.3) (104.	moreuser (desirably in artistant )		233.0	614.6
Income tax received  Net cash flows from operating activities  Cash flows from investing activities:  Proceeds from sale of investments  Proceeds from sale of property, plant and equipment  Return of aircraft advances  Dividends received  Decrease in aircraft lease deposits  Purchases of investments, net  Lease prepayments  228.5  472  20.9  130  78.9  78.9  3.2  3  (1.4)  (23.3)  (104.	Income tay naid		(9.4)	(142.1)
Cash flows from investing activities:  Proceeds from sale of investments  Proceeds from sale of property, plant and equipment  Return of aircraft advances  Dividends received  Decrease in aircraft lease deposits  Purchases of investments, net  Lease prepayments  20.9  130  78.9  78.9  3.2  3  (1.4)  (23.3)  (104.			4.9	
Cash flows from investing activities:  Proceeds from sale of investments  Proceeds from sale of property, plant and equipment  Return of aircraft advances  Dividends received  Decrease in aircraft lease deposits  Purchases of investments, net  Lease prepayments  20.9  130  78.9  78.9  3.2  3  (1.4)  (23.3)  (104.	N.4 and House from operating activities		228.5	472.5
Proceeds from sale of investments Proceeds from sale of property, plant and equipment Return of aircraft advances Dividends received Decrease in aircraft lease deposits Purchases of investments, net Lease prepayments  20.9 6 6 78.9 3.2 3.2 3 (1.4) (23.3) (104.	Net cash hows from operating activities			
Proceeds from sale of investments Proceeds from sale of property, plant and equipment Return of aircraft advances Dividends received Decrease in aircraft lease deposits Purchases of investments, net Lease prepayments  20.9 6 6 78.9 3.2 3.2 3 (1.4) (23.3) (104.	Cash flows from investing activities:		20.0	120 1
Return of aircraft advances  Dividends received  Decrease in aircraft lease deposits  Purchases of investments, net  Lease prepayments  78.9  3.2  3  (1.4)  (23.3)  (104.	Proceeds from sale of investments			6.9
Return of aircraft advances  Dividends received  Decrease in aircraft lease deposits  Purchases of investments, net  Lease prepayments  78.9  3.2  3 (1.4)  (23.3)  (104.	Proceeds from sale of property, plant and equipment			0.9
Dividends received  Decrease in aircraft lease deposits  Purchases of investments, net  Lease prepayments  (1.4)  (23.3)  (104.				20
Decrease in aircraft lease deposits  Purchases of investments, net  Lease prepayments  (1.4)  (23.3)  (0.4)  (0.4)	Dividends received			3.8
Purchases of investments, net  Lease prepayments  (23.3)  (104.			• •	(104.5)
Lease prepayments - (0.			(23.3)	(104.5)
		•	-	(0.4)
Purchases of property, plant and equipment and intangible assets (383.2) (4/5.	Purchases of property, plant and equipment and intangible assets	3	(383.2)	(475.2)
Net cash flows to investing activities (299.3) (439.	Net cash flows to investing activities	· -	(299.3)	(439.3)

The consolidated statement of cash flows should be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 49

Consolidated Statement of Cash Flows for the year ended 31 December 2009 (All amounts in millions of US dollars)



	Note_	2009	2008
Cash flows from financing activities:			
Proceeds from borrowings		647.0	904.0
Sale of treasury stock		18.8	64.3
Purchases of treasury stock		-	(28.8)
Repayment of borrowing		(399.3)	(654.1)
Repayment of the principal element of finance lease liabilities		(101.5)	(75.0)
Interest paid		(107.8)	(104.1)
Dividends paid		(8.9)	(61.7)
Net cash flows from financing activities		48.3	44.6
Effect of exchange rate fluctuations		(3.2)	(21.6)
Net (decrease)/increase in cash and cash equivalents		(25.7)	56.2
Cash and cash equivalents at the beginning of the year		146.8	90.6
Cash and cash equivalents at the beginning of the year	12	121.1	146.8
Supplemental cash flow information: Interest received		2.7	4.5
Non-cash investing and financing activities: Property, plant and equipment acquired under finance leases		321.4	19.3

The consolidated statement of cash flows should be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 49

Consolidated Statement of Changes in Equity for the year ended 31 December 2009 (All amounts in millions of US dollars)



·	Share capital	Treasury stock	Invest- ment revalua- tion reserve	Cumula- tive transla- tion reserve	earnings	Attribu- table to sharehol- ders of the Company	Non- control- ling interest	Total
As at 31 December 2007	51.6	(29.7)	12.7	63.0	1,014.6	1,112.2	72.9	1,185.1
Restatement (Note 25)	-				(62.4)	(62.4)	<u> </u>	(62.4)
As at 1 January 2008	51.6	(29.7)	12.7	63.0	952.2	1,049.8	72.9	1,122.7
Profit/(loss) for the year	-	-	-	<u>-</u>	56.1	56.1	(19.1)	37.0
Foreign currency translation for the year	-	-	-	(180.2)	-	(180.2)	1.6	(178.6)
Loss on investments			44.45			(4.4)		(4.4)
available-for-sale	-	-	(4.4)	-	_	(4.4)		(4,4)
Total comprehensive income						(128.5)	(17.5)	(146.0)
Gain on disposal of								17.9
treasury stock	-	17.9	-	-	-	17.9	-	29.0
Sale of treasury stock	-	29.0	-	-	-	29.0	-	(26.3)
Purchase of treasury stock	-	(26.3)	-	-	(50.0)	(26.3)	(2.4)	, ,
Dividends _					(59.3)	(59.3)	(2.4)	(61.7)
As at 31 December 2008	51.6	(9.1)	8.3	(117.2)	949.0	882.6	53.0	935.6
Restatement (Note 25)	-		<del></del> _	(5.9)	7.6	1.7		1.7
As at 1 January 2009	51.6	(9.1)	8.3	(123.1)	956.6	884.3	53.0	937.3 85.8
Profit/(loss) for the year	-	-	-	-	89.2	89.2	(3.4)	63.6
Foreign currency translation for the year	-	-	-	(22.6)	<b>-</b>	(22.6)	(1.7)	(24.3)
Loss on investments			(1.9)		_	(1.9)		(1.9)
available-for-sale	-	-	(1.9)			(212)		
Total comprehensive income						64.7	(5.1)	59.6
o to the state of								
Gain on disposal of		(4.0)	_	_	_	(4.0)	-	(4.0)
treasury stock	•	26.4	_	_	-	26.4	-	26.4
Sale of treasury stock	•	20.4	_	_	(8.8)	(8.8)	(4.7)	(13.5)
Dividends As at 31 December 2009	51.6	13.3	6.4	(145.7)	1,037.0	962.6	43.2	1,005.8
ris at 31 December 2007								

The consolidated statement of changes in equity should be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 10 to 49

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



#### 1. NATURE OF THE BUSINESS

OJSC Aeroflot – Russian Airlines (the "Company" or "Aeroflot") was formed as a joint stock company following a government decree in 1992. The 1992 decree conferred all the rights and obligations of Aeroflot - Soviet Airlines and its structural units, excluding its operations in Russia and Sheremetyevo Airport, upon the Company, including inter-governmental bilateral agreements and agreements signed with foreign airlines and enterprises in the field of civil aviation.

The principal activities of the Company are the provision of passenger and cargo air transportation services, both domestically and internationally, and other aviation services from its base at Moscow Sheremetyevo Airport. The Company and its subsidiaries (the "Group") also conduct activities comprising airline catering, hotel operations, and the construction of the Sheremetyevo-3 terminal. Associated entities mainly comprise cargo-handling services, fuelling services and duty-free retail businesses.

As at 31 December 2009 and 2008 the Government of the Russian Federation owned 51% of the Company. The Company's headquarters are located in Moscow at 10 Arbat Street.

The principal subsidiary companies are:

Company name	Place of incorporation and operation	Activity	31 December 2009	31 December 2008
CICC Charatal	Moscow region	Hotel	100.00%	100.00%
CJSC Sherotel CJSC Aeroflot Plus	Moscow	Airline	100.00%	100.00%
OJSC Insurance company			100.00%	100.000
Moscow	Moscow	Captive insurance services	100.00%	100.00%
OJSC Donavia	Rostov-on-Don	Airline	100.00%	100.00%
CJSC Aeroflot-Cargo	Moscow	Cargo transportation services	100.00%	100.00%
		Construction of		
OJSC Terminal	Moscow region	Sheremetyevo-3 terminal	52.82%	52.82%
CJSC Aeromar	Moscow region	Catering	51.00%	51.00%
CJSC Nordavia	Arkhangelsk	Airline	51.00%	51.00%
LLC Aeroflot-Finance	Moscow	Finance services	100.00%	-

The significant entities in which the Group holds more than 20% but less than 50% of the equity are:

Company name	Place of incorporation and operation	Activity	31 December 2009	31 December 2008
LLC Airport Moscow CJSC AeroMASH – AB CJSC Aerofirst CJSC TZK Sheremetyevo	Moscow region Moscow region Moscow region Moscow region	Cargo handling Aviation security Trading Fuel trading company	50.0% 45.0% 33.3% 31.0%	50.0% 45.0% 33.3% 31.0%

All the companies listed above are incorporated in the Russian Federation.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



The table below provides information on the Group's aircraft fleet as at 31 December 2009:

Type of aircraft	Ownership	Aeroflot - Russian Airlines (number)	Donavia (number)	Nordavia (number)	Aeroflot- Plus (number)	Group total (number)
Ilyushin Il-96-300	Owned	6		-	_	6
Ilyushin Il-86	Owned	2	-	-	-	2
Tupolev Tu-154	Owned	22*	4	-	-	26
Tupoley Tu-134	Owned	1^		9#	1	11
Antonov An-24	Owned	-	-	2	<u> </u>	2
Total owned	,	31	4	11	1	47
Airbus A-319	Finance lease	4	-	_	-	4
Airbus A-320	Finance lease	1	-	-	-	1
Airbus A-321	Finance lease	16	-	-	-	16
Boeing 737	Finance lease		5	2		
Total finance lease		21	5	2		28
Tupolev Tu-134	Operating lease	_	-	_	1	. 1
Antonov An-24	Operating lease	-	-	3	-	3
Antonov An-26	Operating lease	-	-	1	-	1
Yakovlev-42	Operating lease	-	-	-	2	2
Ilyushin Il-86	Operating lease		1	-	-	1
Airbus A-319	Operating lease	11	-	-	-	11
Airbus A-320	Operating lease	31	-	-	-	31
Airbus A-330	Operating lease	8	_	-	-	8
Boeing B-737	Operating lease	-	5	14	-	19
Boeing B-767	Operating lease	11	-		-	11
McDonnell Douglas MD-11	Operating lease	3				3
Total operating lease		64	6	18	3	91
Total fleet		11 <u>6</u>	15	31	4	166

<sup>\* 21</sup> of these aircraft have been grounded and are now available for sale (Note 16).

# 2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation – The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements are presented in millions of US dollars ("USD"), except where specifically noted otherwise.

All significant subsidiaries directly or indirectly controlled by the Group are included in the consolidated financial statements. A listing of the Group's principal subsidiary companies is set out in Note 1.

The Group maintains its accounting records in Russian roubles ("RUR") and in accordance with Russian accounting legislation and regulations. The accompanying consolidated financial statements are based on the underlying accounting records, appropriately adjusted and reclassified for fair presentation in accordance with IFRS.

<sup># 7</sup> of these aircraft have been grounded and are now available for sale (Note 16).

<sup>^</sup> This aircraft has been grounded and is now available for sale (Note 16).

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



Functional and presentation currency – Since 1 January 2007 the functional currency of the Group is the Russian rouble. The presentation currency of the Group is the US dollar for convenience of foreign users, including the major lessors.

The assets and liabilities, both monetary and non-monetary, have been translated at the closing rate 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 a rate that approximates the actual exchange rates. All exchange differences resulting from translation have been classified as other comprehensive income and transferred to the Group's translation reserve.

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

The assets and liabilities, both monetary and non-monetary, of the subsidiaries of the Company with functional currencies other than the Russian rouble have been translated at the closing rate at the date of each balance sheet presented; income and expense items for all periods presented have been translated at the exchange rates existing at the dates of the transactions or a rate that approximates the actual exchange rates. All exchange differences resulting from translation have been classified as equity and transferred to the Group's translation reserve.

The following table details the exchange rates used to translate Russian roubles to US dollars:

	Exchange rate
As at 31 December 2009 Average rate in 2009 As at 31 December 2008 Average rate in 2008 As at 31 December 2007	30.24 31.72 29.38 24.86 24.55

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments. The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. There have been no changes to accounting policies except for ones associated with IFRIC 13 Customer Loyalty Programme and IFRS 8 Operating Segments which have been described in the frequent flyer programme and operating segments sections of this note.

Consolidation – The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Subsidiaries comprise entities in which the Company, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over their operations. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Subsidiaries are consolidated from the date on which effective control is obtained by the Group and are no longer consolidated from the date of disposal or loss of control.

All intra-group transactions, balances and unrealised surpluses and deficits on transactions between Group companies are eliminated on consolidation. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders is stated at the non-controlling proportion of the fair values of the assets and liabilities acquired adjusted by subsequent changes in the carrying value of net assets of those entities. Losses applicable to the non-controlling in excess of the non-controlling interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling has a binding obligation and is able to make an additional investment to cover the losses.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



Business combinations — The acquisition of subsidiaries is accounted for using the purchase allocation method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquire, plus any costs directly attributable to the business combination. The acquirer's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Purchases of non-controlling interests – The difference between the cost of acquisition and the carrying value of non-controlling interests is recognised as an adjustment to equity.

Investments in associates – Associates in which the Group has significant influence but not a controlling interest are accounted for using the equity method of accounting. Significant influence is usually demonstrated by the Group's owning, directly or indirectly, between 20% and 50% of the voting share capital or by exerting significant influence through other means.

Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. The Group's share of the net income or losses of associates is included in the consolidated statement of income. An assessment of investments in associates is performed when there is an indication that the asset has been impaired or that the impairment losses recognised in prior years no longer exist. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. A listing of the Group's principal associated entities is included in Note 1.

Foreign currency translation — Transactions in currencies other than the functional currency are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies at the balance sheet date are translated into the functional currency at the year end exchange rate. Exchange differences arising from such translation are included in the consolidated statement of income.

Non-current assets and disposal groups held for sale – Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as being met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Any liabilities related to non-current assets to be sold are also presented separately as liabilities in the balance sheet. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



**Revenue recognition** – Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of sales related taxes.

Passenger revenue: Ticket sales are reported as traffic revenue when the transportation service has been provided. The value of tickets sold and still valid but not used by the balance sheet date is reported as unearned transportation revenue. This item is reduced either when the Group completes the transportation service or when the passenger requests a refund. Sales representing the value of tickets that have been issued, but which will never be used, are recognised as traffic revenue at the date the tickets are issued based on an analysis of historical patterns of actual sales data. Commissions, which are payable to the sales agents are recognised as sales and marketing expenses at the same time as revenue from the air transportation to which they relate.

Passenger revenue includes revenue from code-share agreements with certain other airlines. Under these agreements, the Group sells seats on these airlines' flights and those other airlines sell seats on the Group's flights. Revenue from the sale of code-share seats on other airlines are recorded net in Group's passenger revenue in the consolidated statement of income. The revenue from other airlines' sales of code-share seats on the Group's flights is recorded in passenger revenue in the Group's consolidated statement of income.

Cargo revenue: The Group's cargo transport services are recognised as revenue when the air transportation is provided. Cargo sales for which the transportation service has not yet been provided are shown as unearned transportation revenue.

Catering revenue: Revenue is recognised when meal packages are delivered to the aircraft, as this is the date when the risks and rewards of ownership are transferred to customers.

Other revenue: Revenue from bilateral airline agreements is recognised when earned with reference to the terms of each agreement. Hotel accommodation revenue is recognised when the services are provided. Sales of goods and other services are recognised as revenue when the goods are delivered or the service is rendered.

Borrowing costs – All borrowing costs that are directly attributable to the acquisition, construction and production of a qualifying asset form part of the cost of that asset. All other borrowings costs are recognised as an expense in the consolidated statement of income.

Operating segments – As of 1 January 2009 the Group determines and present operating segments based on the information that internally is provided to the General Director, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of IFRS 8 Operating Segments. Previously operating segments were determined and presented in accordance with IAS 14 Segment Reporting. The changed presentation in respect of segment operating disclosures is presented as follows.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the General Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the General Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

**Property, plant and equipment** – Property, plant and equipment is stated at cost, or appraised value, as described below. Depreciation is calculated in order to amortise the cost or appraised value (less estimated salvage value where applicable) over the remaining useful lives of the assets.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



#### (a) Fleet

- (i) Owned aircraft and engines Aircraft and engines owned by the Group as at 31 December 1995 were stated at depreciated replacement cost based upon external valuations denominated in US dollars. Airclaims, an international firm of aircraft appraisers, conducted the valuation. The Group has chosen not to revalue these assets subsequent to 1995. Subsequent purchases are recorded at cost.
- (ii) Finance leased aircraft and engines Where assets are financed through finance leases, under which substantially all the risks and rewards of ownership are transferred to the Group, the assets are treated as if they had been purchased outright. The Group recognises finance leases as assets and liabilities in the balance sheet at amounts equal to the fair value of the leased property at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding obligation, reduced by the capital portion of lease payments made, is included in payables. Custom duties, legal fees and other initial direct costs are added to the amount recognised as an asset. The interest element of lease payments made is included in interest expense in the consolidated statement of income.
- (iii) Capitalised maintenance costs The valuation of aircraft and engines as at 31 December 1995 reflected their maintenance condition, as measured on the basis of previous expenditure on major overhauls and estimated usage since the previous major overhaul. Subsequent expenditure incurred on modernisation and improvements projects that are significant in size (mainly aircraft modifications involving installation of replacement parts) are separately capitalised in the balance sheet. The carrying amount of those parts that are replaced is derecognised from the balance sheet and included in gain or loss on disposals of property, plant and equipment in the Group's consolidated statement of income. Capitalised costs of aircraft checks and major modernisation and improvements projects are depreciated on a straight-line basis to the projected date of the next check or based on estimates of their useful lives. Ordinary repair and maintenance costs are expensed as incurred.
- (iv) Depreciation The Group depreciates fleet assets owned or held under finance leases on a straight-line basis to the end of their estimated useful life. The airframe, engines and interior of an aircraft are depreciated separately over their respective estimated useful lives. The salvage value for airframes of the foreign fleet is estimated at 5% of historical cost, while the salvage value for Russian aircraft is zero. Engines are depreciated on a straight-line basis to the end of the useful life of the related type of aircraft.

Useful lives of the Group's fleet assets are as follows:

Airframes of foreign aircraft
Airframes of Russian aircraft
Engines of foreign aircraft
Engines of Russian aircraft
Engines of Russian aircraft
Interiors

20 years
25-32 years
8 years
8-10 years
5 years

- (v) Capitalised leasehold improvements capitalised costs that relate to the rented fleet are depreciated over the shorter of their useful life and the lease term.
- (b) Land and buildings, plant and equipment

Property, plant and equipment is stated at the historical US dollar cost recalculated at the exchange rate on 1 January 2007, the date of the change of the functional currency of the Company from the US dollar to the Russian rouble. Provision is made for the depreciation of property, plant and equipment based upon expected useful lives or, in the case of leasehold properties, over the duration of the leases using a straight-line basis. These useful lives range from 3 to 50 years. Land is not depreciated.

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# (c) Capital expenditure

Capital expenditures comprise costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction as well as costs of purchase of other assets that require installation or preparation for their use. Depreciation of these assets, on the same basis as for other property assets, commences when the assets are put into operation. Capital expenditures are reviewed regularly to determine whether their carrying value is fairly stated and whether appropriate provision for impairment is made.

# Gain or loss on disposal

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of income.

Impairment of non-current assets - At each balance sheet date the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication of impairment of those assets. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

Lease deposits - Lease deposits represent amounts paid to the lessors of foreign aircraft, which are held as security deposits by lessors in accordance with the provisions of finance and operating lease agreements. These deposits are returned to the Group at the end of the lease period. Lease deposits relating to operating lease agreements are presented as assets in the balance sheet. A portion of these deposits is interest-free. Interest-free deposits are recorded at amortised cost using an average market yield of 6.12%. Lease deposits that are part of finance lease arrangements are presented net as part of the finance lease liability.

Operating leases - Payments under operating leases are charged to the consolidated statement of income in equal annual instalments over the period of the lease. Related direct expenses including custom duties for leased aircraft are amortised using a straight-line method over the term of lease

Financial instruments - Financial assets and financial liabilities carried in the balance sheet include cash and cash equivalents, marketable securities, investments, derivative financial instruments, trade and other accounts receivable, trade and other accounts payable, borrowings and notes payable. The accounting policies on recognition and measurement of these items are disclosed below.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, and gains and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



and settle the liability simultaneously. The result from the realisation of the financial instruments is determined on the FIFO basis.

#### (a) Credit risks

The sale of passenger and freight transportation is largely processed through agencies that are normally linked to country specific clearing systems for the settlement of passenger and freight sales. Clearing centres check individual agents operating outside of the Russian Federation. Individual agents operating within the Russian Federation are checked in-house.

Receivables and liabilities between major airlines, unless otherwise stipulated in the respective agreements, are settled on a bilateral basis or by settlement through an International Air Transport Association ("IATA") clearing house.

#### (b) Fair value

The fair value of financial instruments is determined by reference to various market information and other valuation methods as considered appropriate. At the balance sheet date the fair values of the financial instruments held by the Group did not materially differ from their recorded book values.

# (c) Foreign exchange risk

In 2009 the Group did not manage foreign exchange risk through the use of hedging instruments but rather aimed to broadly match its assets and liabilities in the different currencies to limit exposure. The Group monitors changes in foreign exchange rates to minimise the level of foreign currency exposure and to identify any need for hedging activities.

#### (d) Interest rate risk

The Group's main exposure to interest rate risk is from its finance lease liabilities and short-term borrowings. In 2009 the Group did not use financial hedging instruments to hedge its exposure to the changes in interest rates, as they are not generally available on the Russian market. The Group constantly monitors changes in interest rates to minimise the level of its exposure and to identify any need for hedging activities.

# (e) Non-financial risks - fuel hedging activities

The results of Group's operations can be significantly impacted by changes in the price of aircraft fuel. The Group periodically purchases derivatives such as aircraft fuel options in order to hedge its exposure from future price fluctuations in aircraft fuel. In 2009 the Group did not engage in any fuel hedging activities. The Group does not use derivative instruments for speculative purposes.

Cash and cash equivalents – Cash and cash equivalents consist of cash on hand, balances with banks and short-term interest-bearing accounts which are used in the day to day financing of the Group's airline activities.

Investments – The Group's financial assets have been classified according to IAS 39 Financial Instruments: Recognition and Measurement into the following categories: securities held for trading, held-to-maturity investments, loans and other receivables, and available-for-sale investments. Investments with fixed or determinable payments and fixed maturity, which the Group has the positive intent and ability to hold to maturity, other than loans and receivables, are classified as held-to-maturity investments. Derivative financial instruments and investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading securities. All other investments, other than loans and receivables, are classified as available-for-sale.

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



attributable transaction costs.

Held-to-maturity investments are financial assets excluding derivative contracts which mature on a specified date and which a company has the firm intent and ability to hold to maturity. They are valued at allocated acquisition cost and they are included in long-term assets.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, loans and receivables, and are measured at subsequent reporting dates at fair value. Investments in equity instruments of other companies that do not have a quoted market price are stated at cost less impairment loss, as it is not practicable to determine the fair value of such investments. For derivatives and other financial instruments classified as held for trading, gains and losses arising from changes in fair value are included in the consolidated statement of income for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in other comprehensive income, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the consolidated statement of income for the period. Impairment losses recognised in the consolidated statement of income for debt instruments classified as available-for-sale are not subsequently reversed through the consolidated statement of income. Impairment losses recognised in the consolidated statement of income for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

In 2009 the Group held corporate and Government financial instruments primarily comprising shares and bonds. These are disclosed as held-for-trading investments in Note 13. Gains and losses arising from changes in fair value of held-for-trading investments are recognised in the consolidated statement of income.

The Group assesses on each closing date whether there is any objective evidence that the value of a financial asset item or group of items has been impaired. If there is objective evidence that an impairment loss has arisen for loans and other receivables entered at allocated acquisition cost in the balance sheet or for held-to-maturity investments, the size of the loss is determined as the difference between the book value of the asset item and the present value of expected future cash flows of the said financial asset item discounted at the original effective interest rate. The loss is recognised in the consolidated statement of income.

Loans and receivables – Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are individually recognised at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Because the expected term of an account receivable is short, the value is typically stated at the nominal amount without discounting, which corresponds with the fair value. Uncertain accounts receivable balances are assessed individually and any impairment losses are included in non-operating expenses.

Accounts payable – Trade payables are initially measured at fair value and are subsequently measured at amortised cost and because the expected term of accounts payable is short the value is stated at the nominal amount without discounting, which corresponds with the fair value.

Short-term borrowings - Short-term borrowings comprise:

- Interest bearing borrowings with a term shorter than one year;
- Current portion of interest-bearing long-term borrowings.

These liabilities are measured at amortised cost and reported based on the settlement date.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



Long-term borrowings – Long-term borrowings (i.e. liabilities with a term longer than one year) consist of interest-bearing loans, which are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method as at the settlement date.

Expendable spare parts and inventories – Inventories, including aircraft expendable spare parts, are valued at cost or net realisable value, whichever is lower. The costs are determined on the first-in, first-out ("FIFO") basis. Inventories are reported net of provisions for slow-moving or obsolete items.

Value added taxes – Value added tax ("VAT") related to sales is payable to the tax authorities on an accruals basis. For sales of passenger tickets this is when the tickets are registered for a flight by the customers. Domestic flights are subject to VAT at 18% and international flights are subject to VAT at 0%. Input VAT invoiced by domestic suppliers as well as VAT paid in respect of imported aircraft and spare parts may be recovered, subject to certain restrictions, against output VAT. The recovery of input VAT relating sales at 0% is typically delayed by up to six months and sometimes longer due to compulsory tax audit requirements and other administrative matters. Input VAT claimed for recovery as at the balance sheet date is presented net of the output VAT liability. Recoverable input VAT that is not claimed for recovery in the current period is recorded in the balance sheet as VAT receivable. VAT receivables that are not expected to be recovered within the twelve months from the balance sheet date are classified as long-term assets. VAT balances are not discounted. Where provision has been made for uncollectible receivables, the bad debt expense is recorded at the gross amount of the account receivable, including VAT. The provision for non-recoverable VAT is charged to the consolidated statement of income as a non-operating expense.

Frequent flyer programme – Since 1999 the Group operates a frequent flyer programme referred to as Aeroflot Bonus. Subject to the programme's terms and condition, the miles earned entitle members to a number of benefits such as free flights and flight class upgrades.

In accordance with new IFRIC 13 Customer Loyalty Programmes, which is mandatory from 1 January 2009, miles earned but unused under bonus miles programmes are to be accounted for at fair value using the deferred revenue method. Prior to the adoption, the programme was accounted for under the incremental cost method by recording an estimated liability for the incremental cost associated with providing free transportation pertaining to the programme. The adoption of IFRIC 13 Customer Loyalty Programmes had an impact on the Group's net assets and its financial performance. The effect of the adoption is disclosed in Note 25.

In accordance with IFRIC 13 Customer Loyalty Programmes accumulated but as yet unused bonus miles are deferred using the deferred revenue method to the extent that they are likely to be used on flights of Aeroflot Group. The fair value of miles accumulated on the Group's own flights is recognised under deferred revenue (Note 25) and the miles collected from third parties as well as promotional miles are recognised under other liabilities (Note 23 and Note 30). The comparative figures have been restated accordingly.

**Provisions** – Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the expected timing of cash flows can be estimated and the effect of the time value of money is significant, the amount of a provision is stated at the present value of the expenditures required to settle the obligation.

Income tax – The nominal income tax rate for industrial enterprises in Russia in 2008 was 24%. With effect from 1 January 2009, the income tax rate for Russian companies has been reduced to 20%.

**Deferred income taxes** – Deferred tax assets and liabilities are calculated in respect of temporary differences in accordance with IAS 12 *Income Taxes*. IAS 12 requires the application of the balance sheet liability method for financial reporting and accounting for deferred income taxes. Deferred

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its tax assets and liabilities on a net basis.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply during the period when the asset is to be realised or the liability settled, based on tax rates that have been enacted or substantively enacted as at the balance sheet date. As at 31 December 2009 deferred tax assets and liabilities have been measured at 20%. Deferred tax is charged or credited to the consolidated statement of income, except when it relates to items credited or charged directly to other comprehensive income, in which case the deferred tax is dealt with in equity.

Employee benefits – The Group makes certain payments to employees on retirement or when they otherwise leave the employment of the Group. These obligations, which are unfunded, represent obligations under a defined benefit pension plan. For such plans the pension accounting costs are assessed using the projected unit credit method. Under this method the cost of providing pensions is charged to the consolidated statement of income in order to spread the regular cost over the average service lives of employees. Actuarial gains and losses are recognised in the consolidated statement of income immediately. The pension payments may be increased upon the retirement of an employee based on the decision of management. The pension liability for non-retired employees is calculated based on a minimum annual pension payment and do not include increases, if any, to be made by management in the future. Where such post-employment employee benefits fall due more than twenty months after the balance sheet date they are discounted using a discount rate determined by reference to the average government bond yields at the balance sheet date.

The Group also participates in a defined contribution plan, under which the Group has committed to contribute a certain percentage (15% to 20% in 2009) of the contribution made by employees choosing to participate in the plan. Contributions made by the Group on defined contribution plans are charged to expenses when incurred. Contributions are also made to the Government Pension fund at the statutory rates in force during the year. Such contributions are expensed as incurred.

Treasury shares — The Company's shares, which are held as treasury stock or belong to the Company's subsidiaries, are reflected as a reduction of the Group's equity. The disposal of such shares does not impact net income for the current year and is recognised as a change in the shareholders' equity of the Group. Dividend distributions by the Company are recorded net of the dividends related to treasury shares.

*Dividends* – Dividends are recognised at the date they are declared by the shareholders at a general meeting.

Retained earnings legally distributable by the Company are based on the amounts available for distribution in accordance with applicable legislation and reflected in the statutory financial statements. These amounts may differ significantly from the amounts presented in accordance with IFRS.

Earnings per share – Earnings per share are calculated by dividing the income for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. The Group does not have any potentially dilutive equity instruments.

Contingencies – Contingent liabilities are not recognised in the consolidated financial statements unless they arise as a result of a business combination. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognised in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



### 3. SIGNIFICANT ESTIMATES

The key assumptions concerning the future, and other key sources of estimation uncertainties at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

**Provisions** – Provisions are made when any probable and quantifiable risk of loss attributable to disputes is judged to exist.

Depreciable lives of property, plant and equipment – In reporting property, plant and equipment and intangible assets an assessment of the useful economic life is made at least once a year.

Frequent flyer programme – The Group has estimated the liability pertaining to air miles earned by Aeroflot Bonus programme (Note 2) members. The estimate has been made based on the statistical information available to the Group and reflects the expected air mile utilisation pattern after the balance sheet date multiplied by their assessed fair value.

Compliance with tax legislation — As discussed further in Note 38 compliance with tax legislation, particularly in the Russian Federation, is subject to a significant degree of interpretation and can be routinely challenged by the tax authorities. The management records a provision in respect of its best estimate of likely additional tax payments and related penalties which may be payable if the Group's tax compliance is challenged by the relevant tax authorities.

# 4. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2009, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective.

- Revised IAS 24 Related Party Disclosures (2009) introduces an exemption from the basic disclosure requirements in relation to related party disclosures and outstanding balances, including commitments, for government-related entities. Additionally, the standard has been revised to simplify some of the presentation guidance that was previously non-reciprocal. The revised standard is to be applied retrospectively for annual periods beginning on or after 1 January 2011. The Group has not yet determined the potential effect of the amendment.
- Amendment to IAS 32 Financial Instruments: Presentation Classification of Rights Issues clarifies that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount are classified as equity instruments even if the fixed amount is determined in foreign currency. A fixed amount can be determined in any currency provided that entity offers these instruments pro rata to all of the existing owners of the same class of its own non-derivative equity instruments. The amendment is applicable for annual periods beginning on or after 1 February 2010. The amendment is expected to have no impact on the Group's consolidated financial statements.
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement Eligible Hedged
  Items clarifies how the principles that determine whether a hedged risk or portion of cash flows
  is eligible for designation should be applied in particular situations. The amendment, which
  becomes mandatory for the Group's 2010 consolidated financial statements, with retrospective
  application required, is not expected to have any impact on the consolidated financial
  statements.
- Amendment to IFRS 2 Share-based Payment Group Cash-settled Share-based Payment Transactions which clarifies that the entity receiving goods or services in a share-based payment

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



transaction that is settled by any other entity in the group or any shareholder of such an entity in cash or other assets is required to recognise the goods or services received in its financial statements. Amendment will come into effect on 1 January 2010. The Group has not yet determined the potential effect of the amendment.

- Revised IFRS 3 Business Combinations (2008) and amended IAS 27 (2008) Consolidated and Separate Financial Statements came into effect on 1 July 2009 (i.e. they become mandatory for the Group's 2010 consolidated financial statements). The revisions address, among other things, accounting for step acquisitions, require acquisition-related costs to be recognised as expenses and remove the exception for changes in contingent consideration to be accounted by adjusting goodwill. The revisions also address how non-controlling interests in subsidiaries should be measured upon acquisition and require the effects of transactions with non-controlling interests to be recognised directly in equity.
- Amendments to IFRS 5 Non-current Assets held for Sale and Discontinued Operations which came into effect on 1 July 2009. The amendment clarifies the classification of assets and liabilities on disposal of a subsidiary. The amendment is not expected to have an impact on Group's consolidated financial statements.
- IFRS 9 Financial Instruments will be effective for annual periods beginning on or after 1 January 2013. The new standard is to be issued in several phases and is intended to replace International Financial Reporting Standard IAS 39 Financial Instruments: Recognition and Measurement once the project is completed by the end of 2010. The first phase of IFRS 9 was issued in November 2009 and relates to the recognition and measurement of financial assets. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued.
- Various Improvements to IFRSs have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2010. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

#### TRAFFIC REVENUE

TRAFFIC REVENUE	2000	2008
		2000
G. L. I. I. L.	2,512.4	3,508.9
	211.3	333.6
	95.0	107.5_
Charter passenger flights	2,818.7	3,950.0
OTHER REVENUE	2009	2008
	388.2	477.1
	29.1	63.1
Refuelling services	20.3	25.4
	15.1	22.1
	9.9	15.2
	64.6	50.5
Other revenue	527.2	653.4
	Scheduled passenger flights Cargo Charter passenger flights	Scheduled passenger flights   2,512.4     Cargo

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



2008

2008

2009

#### **OPERATING COSTS** 7.

	2009_	2008
Aircraft and traffic servicing	506.5	594.7
Operating lease expenses	286.7	207.4
Maintenance	270.7	295.1
Sales and marketing	138.7	228.5
Administration and general expenses	126.7	149.8
Passenger services	114.5	142.0
Communication expenses	62.5	65.4
Customs duties	37.6	26.8
	19.8	21.4
Insurance expenses	94.8	145.2
Other expenses	1,658.5	1,876.3
Operating cost excluding aircraft fuel	725.4	1,551.1
Aircraft fuel	2,383.9	3,427.4

#### STAFF COSTS 8.

	2009	2008
Wages and salaries Pension costs Social security costs	459.4 60.6 18.9 538.9	582.7 78.8 25.1 686.6

The Group continued its participation in a non-government pension fund to provide additional pensions to certain of its employees upon their retirement. The pension fund requires contributions from both employees and the Group and is a defined contribution pension plan for the employer.

Furthermore, the Group makes payments, upon retirement, to employees participating in the plan with one or more years' service. These obligations, which are unfunded, represent obligations under a defined benefit pension plan.

Pension costs also include compulsory payments to the Russian Federation Pension Fund ("RFPF"), contributions to a non-government pension fund and an increase in the net present value of the future benefits which the Group expects to pay to its employees upon their retirement under a defined benefit pension plan, as follows:

	2007	
Payments to the RFPF Defined contribution pension plan Defined benefit pension plan	59.7 0.6 0.3 <b>60.6</b>	77.2 0.4 1.2 78.8

# FINANCE INCOME AND COSTS

	2009	2008
Finance income:	2.7	4.5
Interest income on bank deposits	0.1	
Gain on disposal of investments	2.8	4.5
Finance income		

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



		2009	2008
	Finance costs:		(12.4)
	Interest expense on customs duty discounting	(16.6)	(13.4)
	Interest expense on short and long-term borrowings	(15.6)	(16.7) (141.0)
	Foreign exchange loss	(12.0)	(24.6)
	Interest expense on finance lease liabilities	(8.9)	(1.3)
	Loss on disposal of investments	(53.1)	(197.0)
	Finance costs	(33.1)	(157.0)
10.	OTHER NON-OPERATING (EXPENSES)/ INCOME,	NET	
		2009	2008
	Fines and penalties received from suppliers	7.7	1.8
	Insurance compensation received	0.9	1.3
	Accounts payable write-off	0.7	4.5
	Other (expense)/income	(16.5)	29.8
	Non-recoverable VAT write-off	(21.4)	(16.8)
		(28.6)	20.6
11.	INCOME TAX		
		2009	2008
	Current income tax charge	99.2	151.4
	Deferred income tay expense/(henefit)	20.8	(8.6)
	Deferred income tax expense/(benefit)	20.8 120.0	(8.6) 142.8
		120.0	142.8
	Deferred income tax expense/(benefit)  Income before taxation for financial reporting purposes is recond	120.0	142.8 ows: 2008
		120.0 ciled to taxation as follo	142.8 ows:
	Income before taxation for financial reporting purposes is recond	120.0  ciled to taxation as follo  2009  205.8	142.8 ows: 2008
	Income before taxation for financial reporting purposes is reconced Profit before income tax  Tax rate	120.0  ciled to taxation as follo	142.8 ows: 2008 166.6
	Income before taxation for financial reporting purposes is recond	120.0 ciled to taxation as follo 2009 205.8 20%	142.8 ows: 2008 166.6 24%
	Income before taxation for financial reporting purposes is reconced.  Profit before income tax  Tax rate Theoretical tax at rate applicable for each jurisdiction  Tax effect of items which are not deductible or assessable for taxation purposes:	120.0 ciled to taxation as follo 2009 205.8 20%	142.8  ows:  2008  166.6  24% (40.0)
	Income before taxation for financial reporting purposes is recond Profit before income tax  Tax rate Theoretical tax at rate applicable for each jurisdiction  Tax effect of items which are not deductible or assessable for taxation purposes: Effect of income tax rate reduction to 20%	120.0 ciled to taxation as followard for the following series of the following	142.8 ows: 2008 166.6 24%
	Income before taxation for financial reporting purposes is reconcered.  Profit before income tax  Tax rate Theoretical tax at rate applicable for each jurisdiction  Tax effect of items which are not deductible or assessable for taxation purposes:  Effect of income tax rate reduction to 20%  Non-taxable income	120.0 ciled to taxation as followard for the following series of the following series for the fo	142.8 ows: 2008 166.6 24% (40.0)
	Income before taxation for financial reporting purposes is reconced.  Profit before income tax  Tax rate Theoretical tax at rate applicable for each jurisdiction  Tax effect of items which are not deductible or assessable for taxation purposes: Effect of income tax rate reduction to 20% Non-taxable income Non-deductible expenses	120.0 ciled to taxation as followard for the following forms of the following forms of the following forms of the following for the following forms of the following forms of the following for	142.8 ows:  2008 166.6 24% (40.0) 7.5 6.3
	Income before taxation for financial reporting purposes is reconcered.  Profit before income tax  Tax rate Theoretical tax at rate applicable for each jurisdiction  Tax effect of items which are not deductible or assessable for taxation purposes:  Effect of income tax rate reduction to 20%  Non-taxable income	120.0 ciled to taxation as followard for the following series of the following series for the fo	142.8 ows:  2008 166.6 24% (40.0) 7.5 6.3 (89.4)

The Group did not recognise a deferred tax assets of USD 7.8 million (2008: USD 22.1 million) related to CJSC Aeroflot Cargo's tax losses as the subsidiary is not expected to earn sufficient taxable profits in the foreseeable future against which the unused tax losses can be utilised by the Group.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



The Russian corporate profit tax rate has been reduced to 20% from 24%. The new rate is effective from 1 January 2009.

mon i sandary 2005.					
		Movement	2008	Restate-	2000
	2009	for year	restated	ment	2008
Tax effects of temporary differences:	•		•		
Loss carry-forward	45.5	19.1	26.4	-	26.4
Accounts receivable	4.2	1.0	3.2	-	3.2
Property, plant and equipment	2.9	(0.1)	3.0	-	3.0
Accounts payable (Note 25)	1.9	(0.1)	2.0	-	2.0
Long-term investments		(0.3)	0.3	-	0.3
Deferred tax assets	54.5	19.6	34.9	_	34.9
Deletted tax assets					
Property, plant and equipment	(68.8)	(14.0)	(54.8)	-	(54.8)
Customs duties related to aircraft	, ,				
operation leases	(20.9)	(10.3)	(10.6)	-	(10.6)
Long-term investments	(4.0)	0.1	(4.1)	-	(4.1)
Accounts receivable	(4.5)	(5.7)	1.2	=	1.2
Accounts payable (Note 25)	12.7	(10.7)	23.4	15.1	8.3
Deferred tax liabilities	(85.5)	(40.6)	(44.9)	15.1	(60.0)
_					
Movement for the year, net		21.0		•	
Less: Deferred tax recognised					
directly in equity (i)		0.4			
Effect of translation to		40.00			
presentation currency	•	(0.6)			
Deferred tax expense for the		20.0			
year		20.8			
•	2008	Movement	2007	Restate-	
	2008 restated	for year	restated	ment	2007
Tax affects of temporary	Testated	ioi yeai	restated		****
Tax effects of temporary	restated	101 year			,
differences:		26.1	0.3	-	0.3
differences: Loss carry-forward	26.4 3.2		,	-	0.3 1.0
differences: Loss carry-forward Accounts receivable	26.4 3.2	26.1 2.2	0.3	-	0.3 1.0 5.4
differences: Loss carry-forward Accounts receivable Property, plant and equipment	26.4 3.2 3.0	26.1	0.3 1.0	-	0.3 1.0
differences: Loss carry-forward Accounts receivable Property, plant and equipment Accounts payable (Note 25)	26.4 3.2 3.0 2.0	26.1 2.2 (2.4)	0.3 1.0 5.4	-	0.3 1.0 5.4 1.2
differences: Loss carry-forward Accounts receivable Property, plant and equipment Accounts payable (Note 25) Long-term investments	26.4 3.2 3.0	26.1 2.2 (2.4) 0.8 0.3 (0.3)	0.3 1.0 5.4 1.2	-	0.3 1.0 5.4 1.2
differences: Loss carry-forward Accounts receivable Property, plant and equipment Accounts payable (Note 25) Long-term investments Short and long-term borrowings	26.4 3.2 3.0 2.0 0.3	26.1 2.2 (2.4) 0.8 0.3 (0.3)	0.3 1.0 5.4 1.2	-	0.3 1.0 5.4 1.2
differences: Loss carry-forward Accounts receivable Property, plant and equipment Accounts payable (Note 25) Long-term investments	26.4 3.2 3.0 2.0	26.1 2.2 (2.4) 0.8 0.3	0.3 1.0 5.4 1.2 0.3 8.2	-	0.3 1.0 5.4 1.2 - 0.3 8.2
differences: Loss carry-forward Accounts receivable Property, plant and equipment Accounts payable (Note 25) Long-term investments Short and long-term borrowings Deferred tax assets	26.4 3.2 3.0 2.0 0.3	26.1 2.2 (2.4) 0.8 0.3 (0.3)	0.3 1.0 5.4 1.2	-	0.3 1.0 5.4 1.2
differences: Loss carry-forward Accounts receivable Property, plant and equipment Accounts payable (Note 25) Long-term investments Short and long-term borrowings Deferred tax assets  Property, plant and equipment	26.4 3.2 3.0 2.0 0.3 -	26.1 2.2 (2.4) 0.8 0.3 (0.3) 26.7	0.3 1.0 5.4 1.2 0.3 8.2	-	0.3 1.0 5.4 1.2 - 0.3 <b>8.2</b> (67.9)
differences: Loss carry-forward Accounts receivable Property, plant and equipment Accounts payable (Note 25) Long-term investments Short and long-term borrowings Deferred tax assets  Property, plant and equipment Customs duties related to aircraft	26.4 3.2 3.0 2.0 0.3 -	26.1 2.2 (2.4) 0.8 0.3 (0.3) 26.7	0.3 1.0 5.4 1.2 0.3 8.2 (67.9)	-	0.3 1.0 5.4 1.2 0.3 8.2 (67.9)
differences: Loss carry-forward Accounts receivable Property, plant and equipment Accounts payable (Note 25) Long-term investments Short and long-term borrowings Deferred tax assets  Property, plant and equipment Customs duties related to aircraft operation leases	26.4 3.2 3.0 2.0 0.3 - 34.9	26.1 2.2 (2.4) 0.8 0.3 (0.3) 26.7	0.3 1.0 5.4 1.2 0.3 8.2 (67.9)	-	0.3 1.0 5.4 1.2 0.3 8.2 (67.9)
differences: Loss carry-forward Accounts receivable Property, plant and equipment Accounts payable (Note 25) Long-term investments Short and long-term borrowings Deferred tax assets  Property, plant and equipment Customs duties related to aircraft operation leases Long-term investments	26.4 3.2 3.0 2.0 0.3 - 34.9 (54.8)	26.1 2.2 (2.4) 0.8 0.3 (0.3) 26.7	0.3 1.0 5.4 1.2 0.3 8.2 (67.9) (6.2) (7.8) 2.9	-	0.3 1.0 5.4 1.2 0.3 <b>8.2</b> (67.9) (6.2) (7.8) 2.9
differences: Loss carry-forward Accounts receivable Property, plant and equipment Accounts payable (Note 25) Long-term investments Short and long-term borrowings Deferred tax assets  Property, plant and equipment Customs duties related to aircraft operation leases Long-term investments Accounts receivable	26.4 3.2 3.0 2.0 0.3 - 34.9 (54.8) (10.6) (4.1)	26.1 2.2 (2.4) 0.8 0.3 (0.3) 26.7 13.1 (4.4) 3.7	0.3 1.0 5.4 1.2 0.3 8.2 (67.9) (6.2) (7.8) 2.9 45.6		0.3 1.0 5.4 1.2 - 0.3 <b>8.2</b> (67.9) (6.2) (7.8) 2.9 25.8
differences: Loss carry-forward Accounts receivable Property, plant and equipment Accounts payable (Note 25) Long-term investments Short and long-term borrowings Deferred tax assets  Property, plant and equipment Customs duties related to aircraft operation leases Long-term investments Accounts receivable Accounts payable (Note 25)	26.4 3.2 3.0 2.0 0.3 - 34.9 (54.8) (10.6) (4.1) 1.2	26.1 2.2 (2.4) 0.8 0.3 (0.3) 26.7 13.1 (4.4) 3.7 (1.7)	0.3 1.0 5.4 1.2 0.3 8.2 (67.9) (6.2) (7.8) 2.9	-	0.3 1.0 5.4 1.2 0.3 <b>8.2</b> (67.9) (6.2) (7.8) 2.9
differences: Loss carry-forward Accounts receivable Property, plant and equipment Accounts payable (Note 25) Long-term investments Short and long-term borrowings Deferred tax assets  Property, plant and equipment Customs duties related to aircraft operation leases Long-term investments Accounts receivable	26.4 3.2 3.0 2.0 0.3 - 34.9 (54.8) (10.6) (4.1) 1.2 23.4	26.1 2.2 (2.4) 0.8 0.3 (0.3) 26.7 13.1 (4.4) 3.7 (1.7) (22.2) (11.5)	0.3 1.0 5.4 1.2 0.3 8.2 (67.9) (6.2) (7.8) 2.9 45.6		0.3 1.0 5.4 1.2 - 0.3 <b>8.2</b> (67.9) (6.2) (7.8) 2.9 25.8
differences: Loss carry-forward Accounts receivable Property, plant and equipment Accounts payable (Note 25) Long-term investments Short and long-term borrowings Deferred tax assets  Property, plant and equipment Customs duties related to aircraft operation leases Long-term investments Accounts receivable Accounts payable (Note 25) Deferred tax liabilities	26.4 3.2 3.0 2.0 0.3 - 34.9 (54.8) (10.6) (4.1) 1.2 23.4	26.1 2.2 (2.4) 0.8 0.3 (0.3) 26.7 13.1 (4.4) 3.7 (1.7) (22.2)	0.3 1.0 5.4 1.2 0.3 8.2 (67.9) (6.2) (7.8) 2.9 45.6		0.3 1.0 5.4 1.2 - 0.3 <b>8.2</b> (67.9) (6.2) (7.8) 2.9 25.8
differences: Loss carry-forward Accounts receivable Property, plant and equipment Accounts payable (Note 25) Long-term investments Short and long-term borrowings Deferred tax assets  Property, plant and equipment Customs duties related to aircraft operation leases Long-term investments Accounts receivable Accounts payable (Note 25) Deferred tax liabilities  Movement for the year, net	26.4 3.2 3.0 2.0 0.3 - 34.9 (54.8) (10.6) (4.1) 1.2 23.4	26.1 2.2 (2.4) 0.8 0.3 (0.3) 26.7 13.1 (4.4) 3.7 (1.7) (22.2) (11.5)	0.3 1.0 5.4 1.2 0.3 8.2 (67.9) (6.2) (7.8) 2.9 45.6		0.3 1.0 5.4 1.2 - 0.3 <b>8.2</b> (67.9) (6.2) (7.8) 2.9 25.8
differences: Loss carry-forward Accounts receivable Property, plant and equipment Accounts payable (Note 25) Long-term investments Short and long-term borrowings Deferred tax assets  Property, plant and equipment Customs duties related to aircraft operation leases Long-term investments Accounts receivable Accounts payable (Note 25) Deferred tax liabilities  Movement for the year, net Less: Deferred tax recognised	26.4 3.2 3.0 2.0 0.3 - 34.9 (54.8) (10.6) (4.1) 1.2 23.4	26.1 2.2 (2.4) 0.8 0.3 (0.3) 26.7 13.1 (4.4) 3.7 (1.7) (22.2) (11.5)	0.3 1.0 5.4 1.2 0.3 8.2 (67.9) (6.2) (7.8) 2.9 45.6		0.3 1.0 5.4 1.2 - 0.3 <b>8.2</b> (67.9) (6.2) (7.8) 2.9 25.8
differences: Loss carry-forward Accounts receivable Property, plant and equipment Accounts payable (Note 25) Long-term investments Short and long-term borrowings Deferred tax assets  Property, plant and equipment Customs duties related to aircraft operation leases Long-term investments Accounts receivable Accounts payable (Note 25) Deferred tax liabilities  Movement for the year, net	26.4 3.2 3.0 2.0 0.3 - 34.9 (54.8) (10.6) (4.1) 1.2 23.4	26.1 2.2 (2.4) 0.8 0.3 (0.3) 26.7 13.1 (4.4) 3.7 (1.7) (22.2) (11.5) (15.2)	0.3 1.0 5.4 1.2 0.3 8.2 (67.9) (6.2) (7.8) 2.9 45.6		0.3 1.0 5.4 1.2 - 0.3 <b>8.2</b> (67.9) (6.2) (7.8) 2.9 25.8
differences: Loss carry-forward Accounts receivable Property, plant and equipment Accounts payable (Note 25) Long-term investments Short and long-term borrowings Deferred tax assets  Property, plant and equipment Customs duties related to aircraft operation leases Long-term investments Accounts receivable Accounts payable (Note 25) Deferred tax liabilities  Movement for the year, net Less: Deferred tax recognised directly in equity (i)	26.4 3.2 3.0 2.0 0.3 - 34.9 (54.8) (10.6) (4.1) 1.2 23.4	26.1 2.2 (2.4) 0.8 0.3 (0.3) 26.7 13.1 (4.4) 3.7 (1.7) (22.2) (11.5)	0.3 1.0 5.4 1.2 0.3 8.2 (67.9) (6.2) (7.8) 2.9 45.6		0.3 1.0 5.4 1.2 - 0.3 <b>8.2</b> (67.9) (6.2) (7.8) 2.9 25.8
differences: Loss carry-forward Accounts receivable Property, plant and equipment Accounts payable (Note 25) Long-term investments Short and long-term borrowings Deferred tax assets  Property, plant and equipment Customs duties related to aircraft operation leases Long-term investments Accounts receivable Accounts payable (Note 25) Deferred tax liabilities  Movement for the year, net Less: Deferred tax recognised directly in equity (i) Effect of translation to	26.4 3.2 3.0 2.0 0.3 - 34.9 (54.8) (10.6) (4.1) 1.2 23.4	26.1 2.2 (2.4) 0.8 0.3 (0.3) 26.7 13.1 (4.4) 3.7 (1.7) (22.2) (11.5) (15.2) 1.8 4.8	0.3 1.0 5.4 1.2 0.3 8.2 (67.9) (6.2) (7.8) 2.9 45.6		0.3 1.0 5.4 1.2 - 0.3 <b>8.2</b> (67.9) (6.2) (7.8) 2.9 25.8
differences: Loss carry-forward Accounts receivable Property, plant and equipment Accounts payable (Note 25) Long-term investments Short and long-term borrowings Deferred tax assets  Property, plant and equipment Customs duties related to aircraft operation leases Long-term investments Accounts receivable Accounts payable (Note 25) Deferred tax liabilities  Movement for the year, net Less: Deferred tax recognised directly in equity (i) Effect of translation to presentation currency	26.4 3.2 3.0 2.0 0.3 - 34.9 (54.8) (10.6) (4.1) 1.2 23.4	26.1 2.2 (2.4) 0.8 0.3 (0.3) 26.7 13.1 (4.4) 3.7 (1.7) (22.2) (11.5) (15.2)	0.3 1.0 5.4 1.2 0.3 8.2 (67.9) (6.2) (7.8) 2.9 45.6		0.3 1.0 5.4 1.2 - 0.3 <b>8.2</b> (67.9) (6.2) (7.8) 2.9 25.8

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



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(i) The Group holds shares in France Telecom, which are classified as long-term investments available-for-sale. Gains and losses arising from changes in fair value of the France Telecom shares are recognised directly in equity, deferred tax related to them is also dealt with in equity. The movement during 2009 amounted to USD 0.4 million (2008: USD 1.8 million).

A deferred tax liability in relation to temporary differences of USD 49.2 million (31 December 2008: USD 27.5 million) relating to investments in subsidiaries and associates has not been recognised in the consolidated financial statements as the Group is able to control the timing of reversal of the difference, and reversal is not expected in the foreseeable future.

# 12. CASH AND CASH EQUIVALENTS

	2009	2008
Bank accounts denominated in US dollars Bank accounts denominated in Russian roubles Bank accounts denominated in other currencies Bank accounts denominated in Euros Bank deposits Cash in transit and other	47.6 32.1 24.0 8.5 8.5 0.4 121.1	20.4 61.5 23.0 7.3 33.9 0.7

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 34. Most of the funds are held at state owned Russian banks such as Sberbank of the Russian Federation, Vneshtogbank and Vnesheconombank and well known multinational banks such as the Royal Bank of Scotland. All funds are accessible by the Group.

# 13. SHORT-TERM INVESTMENTS

	2009	2008
Held-for-trading investments: Corporate and government bonds	1.8 1.8	3.7 1.4
Corporate shares	3.6	5.1
Other short-term investments: Bank deposits with original maturities exceeding 90 days Promissory notes from third parties Other short-term investments Impairment allowance for short-term investments	5.5 0.3 1.0	1.6 2.3 0.9 (0.4) 4.4
	10.4	9.5

Corporate and government bonds represent bonds denominated in Russian roubles issued by the Government of the Russian Federation and major Russian companies with maturity dates from 2010 to 2019 and yield to maturity rates of 7.3% to 18.0% per annum as at 31 December 2009.

The Group's investments in bonds and shares are reflected at market values at the end of the period based on the last traded prices obtained from the Moscow Interbank Currency Exchange ("MICEX").

Corporate shares are publicly traded shares of Russian companies with readily available market prices.

As at 31 December 2009 the interest rates on bank deposits denominated in Russian roubles, with original maturities exceeding 90 days, were from 3.1% to 14.0% per annum (31 December 2008: 10.0% per annum).

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



# 14. ACCOUNTS RECEIVABLE AND PREPAYMENTS

		2008
VAT and other taxes recoverable Trade accounts receivable Prepayments to suppliers Deferred customs duties related to aircraft operating leases Income tax prepaid Other receivables Accounts receivable and prepayments, gross Impairment allowance for bad and doubtful accounts	410.6 344.7 76.2 44.5 21.9 72.4 <b>970.3</b> (26.5)	401.5 341.3 47.7 27.1 61.7 59.5 938.8 (22.7)
Impairment allowance for bad and doubtur accounts	943.8	916.1

Deferred customs duties of USD 44.5 million (31 December 2008: USD 27.1 million) relate to the current portion of customs duties incurred on importation of aircraft under operating leases. These customs duties are expensed in the consolidated statement of income over the term of the operating lease. The non-current portion of the deferred customs duties is disclosed in Note 19.

As at 31 December 2009 sufficient impairment allowance has been made against accounts receivable and prepayments.

The movement in the Group's impairment allowance for bad and doubtful debts is as follows:

	Impairment allowance
As at 31 December 2007	24.3
	(4.3)
Provision exchange rate	3.9
Increase in impairment allowance for bad and doubtful accounts	(1.2)
Receivables written off during the year as uncollectible  As at 31 December 2008	22.7
The state of the s	(0.9)
Provision exchange rate	7.1
Increase in impairment allowance for bad and doubtful accounts	(2.4)
Accounts receivable written off during the year as uncollectible As at 31 December 2009	26.5

# 15. EXPENDABLE SPARE PARTS AND INVENTORIES

		2008
Expendable spare parts Fuel	48.3 9.8 15.4	57.0 7.8 20.9
Other inventories  Expendable spare parts and inventories, gross  Impairment allowance for obsolete inventory	73.5 (3.5) 70.0	85.7 (7.0) 78.7

# 16. ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

•	2009	2008
Property, plant and equipment Inventory Impairment reserve Foreign currency translation Total Assets of Disposal Group Classified as Held for Sale	42.3 3.7 (20.1) 1.4 27.3	- - -

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



As at 31 December 2009 the Group has made a decision to discontinue flying most of its Tupolev Tu-134 and Tu-154 aircraft fleet (Note 1). Subsequently, a decision was made to sell those aircraft and the related spare parts and engines. The sale is expected in 2010. An impairment loss of USD 20.1 million has been recognised in non-operating expenses on the remeasurement of the aircraft to the lower of their carrying amount and fair value less costs to sell.

#### 17. EQUITY ACCOUNTED INVESTMENTS

	2009		20	008
·	Voting rights	Carrying value	Voting rights	Carrying value
LLC Airport Moscow	50.0%	4.3	50.0%	4.4
CJSC AeroMASH – AB	45.0%	1.6	45.0%	1.5
CJSC Aerofirst	33.3%	4.8	33.3%	4.5
CJSC TZK Sheremetyevo	31.0%	13.3	31.0%	10.2
Other	Various	0.5	Various	0.5
<del>•</del> .		24.5	•	21.1

The summarised financial information in respect of the Group's affiliates accounted for by using the equity method based on their respective financial statements prepared for the years ended 31 December 2009 and 2008 is set out below:

		2009	2008
	77 / 1	168.7	174.7
	Total assets	(98.9)	(115.8)
	Total liabilities Net assets	69.8	58.9
	Group's carrying amount of equity accounted investments	24.5	21.1
		2009	2008
	Revenue	361.6	1,125.2
	Profit for the year	23.5	28.4
	Group's share of profits for the year in equity accounted		
	investments	6.9	8.4
18.	LONG-TERM INVESTMENTS		
10.		2009	2008
	Available-for-sale investments:		
	Shares in France Telecom	12.8	14.4
	Mutual investment funds	0.8	0.8
	SITA Investment Certificates	0.6	0.6
		<u>14.2</u>	15.8
	Other long-term investments:		
	Loans issued and promissory notes from third parties	0.7	0.3
	Other	0.7	. 0.7
		1.4	1.0
		15.6	16.8

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



#### 19. OTHER NON-CURRENT ASSETS

·	2009	2008
Deferred customs duties related to aircraft operating leases	211.6	152.3
VAT recoverable	182.9	76.3
Other	· 7.0	11.8
	401.5	240.4

VAT recoverable primarily includes USD 179.3 million (31 December 2008: USD 76.3 million) related to the acquisition of aircraft.

#### 20. PREPAYMENTS FOR AIRCRAFT

Prepayments for aircraft relate to cash advances made in relation to twenty-two Boeing B-787 (delivery: 2016 – 2019), twenty-two Airbus A-350 (delivery: 2016-2019), twenty-eight Sukhoi Superjet-100 (SSJ) (delivery: 2011 – 2013) aircraft which are expected to be used under operating lease agreements and eight Airbus A-321 (delivery: 2012-2013) aircraft which are expected to be used under finance lease agreements.

# 21. PROPERTY, PLANT AND EQUIPMENT

	Owned aircraft and engines	Leased aircraft and engines	Land and buildings	Plant, equipment and other	in progress (i)	Total
Cost 31 December 2007	579.4	919.8	219.9	254.1	555.6	2,528.8
Additions Capitalised overhaul	40.3	11.7	4.2	34.4	489.2	579.8
costs	30.2	=	_	_	_	30.2
Disposals	(56.2)		(0.2)	(16.4)	(1.8)	(74.6)
Transfers	1.2	0.7	0.9	19.6	(22.4)	-
Foreign currency translation	(97.7)	(153.3)	(36.2)	(48.1)	(162.9)	(498.2)
31 December 2008	497.2	778.9	188.6	243.6	857.7	2,566.0
Additions (ii) Capitalised overhaul	19.5	320.6	2.2	76.2	349.8	768.3
costs	4.3	<del>-</del>	_	-	-	4.3
Disposals (iii)	(241.6)	<del>-</del>	(0.1)	(15.5)	(172.6)	(429.8)
Transfers (iv)	1.4		77.4	39.9	(118.7)	-
Transfers from leased assets to owned asset		(3.3)		-	-	-
Foreign currency translation	(24.7)	(8.0)	(1.4)	(2.3)	(21.2)	(57.6)
31 December 2009	259.4	1,088.2	266.7	341.9	895.0	2,851.2

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



	Owned aircraft and engines	Leased aircraft and engines	Land and buildings	Plant, equipment and other	Construction in progress (i)	Total
Accumulated depreciation 31 December 2007	(398.0)	(153.8)	(96.2)	(170.8)	(1.1)	(819.9)
Charge for the year Impairment Disposals	(49.0) - 46.2	(74.3)	(11.0)	(22.9) - 12.8	(27.8)	(157.2) (27.8) 59.0
Foreign currency translation	65.9	36.8	19.1	28.0	4.4	154.2
31 December 2008	(334.9)	(191.3)	(88.1)	(152.9)	(24.5)	(791.7)
Charge for the year Impairment (v) Disposals (iii) Foreign currency	(50.4) 7.0 186.0	(60.4) - 0.4	(9.1)	(22.3) 0.4 11.1	19.0	(142.2) 26.4 197.6
translation	16.5	2.5	2.3	3.7	1.5	26.5
31 December 2009	(175.8)	(248.8)	(94.8)	(160.0)	(4.0)	(683.4)
Net book value 31 December 2008	162.3	587.6	100.5	90.7	833.2	1,774.3
31 December 2009	83.6	839.4	171.9	181.9	891.0	2,167.8

- (i) Construction in progress mainly includes capital expenditure incurred in relation to the construction of the new Sheremetyevo-3 terminal of USD 839.8 million (2008: USD 645.8 million);
- (ii) The 2009 additions mainly relate to:
  - addition of six Airbus A-321 aircrafts received under finance lease agreements of USD 320.6 million;
  - capital expenditures incurred in relation to the construction of the new Sheremetyevo-3 terminal of USD 202.2 million;
  - increase in prepayments for delivery of sixteen Airbus A-321 aircrafts of USD 101.8 million;
- (iii) The 2009 disposals mainly relate to:
  - transfer of capitalised prepayments of USD 149.8 million related to the delivery of sixteen Airbus A-321 aircraft due to change of lease agreement conditions;
  - transfer of capitalised prepayments of USD 4.0 million related to the delivery of ten Sukhoi SuperJet-100 (SSJ) aircraft due to change of lease agreement conditions;
  - discontinuation of most of the Group's Tupolev Tu-134 and Tu-154 aircraft fleet (Note 16);
- (iv) Transfer from construction in progress mainly includes capital expenditures of USD 84.8 million (2008: USD 74.5 million) related to the construction of the Company's new office building;

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



(v) A full impairment allowance has been made against cash prepayments related to one McDonnell Douglas MD-11 aircraft (Note 21(i)) as it is unlikely that the Group will get any future economic benefits related to this asset. Also impairment allowance of capital expenditures and prepayments for the delivery of two McDonnell Douglas MD-11 aircrafts and capitalised refurbishment expenditure related to MD-11 of USD 19.0 million was writtenoff.

During 2009 the total of USD 69.3 million was capitalised in the cost of property, plant and equipment of which USD 4.5 million related to the portion of foreign currency translation losses on non-Rouble denominated construction loans that were deemed as borrowing costs. The remaining USD 64.8 million (2008: USD 40.9 million) comprised interest accrued on these loans and was fully capitalised in cost of the construction. All amounts related to the new Sheremetyevo-3 terminal.

Refer to Note 29 for property, plant and equipment pledged as collateral for borrowings.

#### 22. INTANGIBLE ASSETS

	Software	Licences	Development in progress	Total
Cost 31 December 2007	-	-	7.8	7.8
Additions	3.6 5.8	5.4	2.2 (5.8)	11.2
Transfers Foreign currency translation	(1.5)	(0.9)	(0.8)	(3.2)
31 December 2008	7.9	4.5	3.4	15.8
Additions	2.2	-	7.6	9.8
Disposal Transfers	2.5 0.1	(0.1)	(2.5) 0.1	0.1
Foreign currency translation	12.7	4.4	8.6	25.7
31 December 2009	12./	70-7		
Accumulated amortisation 31 December 2007	-		-	
Charge for the year Foreign currency translation	(2.1)			(2.1)
31 December 2008	(1.7)			(1.7)
Charge for the year Foreign currency translation	(2.5)	(0.6)		(3.1) (0.2)
31 December 2009	(4.4)	(0.6)	<u> </u>	(5.0)
Net book value	6.2	4.5	3.4	14.1
31 December 2008 31 December 2009	8.3	3.8	8.6	20.7

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



# 23. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2009	2008
Trade accounts payable VAT payable on leased aircraft	253.4 148.8	348.3 91.9
Staff related liabilities	65.5	76.6
Customs duties payable on leased aircraft	89.8	74.2
Advances received (other than unearned transportation revenue)	30.2	27.6
Other taxes payable	13.3	8.1
Other liabilities related to frequent flyer programme (Note 25)	8.2	4.8
Income tax payable	4.1	0.1
Merchandise credits	3.8	4.8
Dividends payable	3.7	2.5
Other payables	53.7	28.1
Onto payaoto	674.5	667.0

As at 31 December 2009 accounts payable and accrued liabilities include the short-term portion of VAT of USD 148.8 million (31 December 2008: USD 91.9 million) and customs duties of USD 89.8 million (31 December 2008: USD 74.2 million) relating to imported leased aircraft, which are payable in equal monthly instalments over a thirty-four-month period from the date these assets were cleared through customs. The long-term portion of VAT payable and customs duties of USD 179.3 million (31 December 2008: USD 76.2 million) and USD 97.6 million (31 December 2008: USD 76.2 million), respectively, relating to the leased aircrafts are disclosed in Note 30.

Staff related payables primarily include salaries and social contribution liabilities of USD 29.4 million (31 December 2008: USD 40.7 million) and the unused vacation accrual of USD 35.1 million (31 December 2008: USD 35.0 million).

The Group's exposure to currency and liquidity risk related to accounts payable and accrued liabilities is disclosed in Note 34.

# 24. UNEARNED TRANSPORTATION REVENUE

As at 31 December 2009 unearned transportation revenue of USD 186.1 million (31 December 2008: USD 172.9 million) comprised passenger transportation revenue of USD 186.1 million (31 December 2008: USD 172.8 million) and cargo transportation revenue of nil (31 December 2008: USD 0.1 million).

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



# 25. DEFERRED REVENUE RELATED TO FREQUENT FLYER PROGRAMME

Deferred revenue related to Aeroflot Bonus as at 31 December 2009 has been assessed in accordance with IFRIC 13 Customer Loyalty Programmes. The amount represents the number of points earned but unused by the Aeroflot Bonus programme members estimated at fair value (Note 2). This represents a change of accounting policy as previously air miles related to the programme have been valued at incremental cost of providing the service to passengers. Consequently, the comparatives have been restated accordingly.

# Consolidated statement of financial position

	1 January 2008		31 D	ecember 2008		
•	Before restate-	Adjust- ments	After restate- ment	Before restate- ment	Adjust- ments	After restate- ment
-	ment	<u> </u>	3,398.3	3,350.4		3,350.4
TOTAL ASSETS	3,398.3	<del></del> .	3,390.3	3,330.4		3,00011
LIABILITIES AND EQUITY					•	
Current liabilities		_		660.0	(0.0)	667.0
Accounts payable and accrued liabilities	629.8	(2.6)	627.2	669.2	(2.2)	172.9
Unearned transportation revenue	180.3	-	180.3	172.9	-	172.9
Deferred revenue related to frequent		40.0	12.0		12.5	12.5
flyer programme, current		13.0	13.0	-	12.3	22.8
Provisions	4.0	-	4.0	22.8 145.4	-	145.4
Short-term borrowings	131.4	-	131.4	78.0	-	78.0
Finance lease liabilities	67.4	10.4	1,023.3	1,088.3	10.3	1,098.6
	1,012.9	10.4	1,023.3	1,000.5		
Non-current liabilities	379.6	_	379.6	591.1	-	591.1
Long-term borrowings	531.1	· _	531.1	460.2	-	460.2
Finance lease liabilities	60.9	_	60.9	2.4	_	2.4
Provisions Deferred tax liabilities	53.2	(19.8)	33.4	60.0	(15.1)	44.9
Deferred revenue related to frequent	35.2	()				
flyer programme, non-current	_	60.8	60.8	_	48.2	48.2
Other non-current liabilities	175.5	11.0	186.5	150.4	17.3	167.7
Offici hou-current manneres	1,200.3	52.0	1,252.3	1,264.1	50.4	1,314.5
Equity						-1'
Share capital	51.6	-	51.6	51.6	-	51.6
Treasury stock	(43.8)	-	(43.8)	(41.0)	-	(41.0)
Accumulated gain on disposal of				21.0		31.9
treasury shares	14.1	-	14.1	31.9		8.3
Investment revaluation reserve	12.7	-	12.7	8.3	(5.0)	(123.1)
Cumulative translation reserve	63.0	_	63.0	(117.2)	(5.9)	956.6
Retained earnings	1,014.6	(62.4)	952.2	1,011.4	(54.8)	930.0
Equity attributable to shareholders of			4 0 4 0 0	0450	(60.7)	884.3
the Company	1,112.2	(62.4)	1,049.8	945.0	(00.7)	
Non-controlling interest	72.9		72.9	53.0		53.0
Total equity	1,185.1	(62.4)	1,122.7	998.0	(60.7)	937.3
TOTAL LIABILITIES AND EQUITY	3,398.3	-	3,398.3	3,350.4	<u> </u>	3,350.4
<del>-</del>						

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



# Consolidated statement of income for the year ended 31 December 2008

_	Before restatement	Adjustments in 2008	After restatement
Traffic revenue	3,948.7	1.3	3,950.0
Other revenue	665.1	(11.7)	653.4
Revenue	4,613.8	(10.4)	4,603.4
Operating costs	(3,429.4)	2.0	(3,427.4)
Staff costs	(686.6)	-	(686.6)
Depreciation and amortisation	(159.3)		(159.3)
Operating costs	(4,275.3)	2.0	(4,273.3)
Operating profit	338.5	(8.4)	330.1
Finance income	4.5	-	4.5
Finance costs	(197.0)	-	(197.0)
Share of results of equity accounted	8.4	_	8.4
investments	0.4	<u>-</u>	0
Other non-operating (expenses)/income,	20.7	(0.1)	20.6
net Profit before income tax	175.1	(8.5)	166.6
Income tax	(138.1)	(4.7)	(142.8)
Profit for the period	37.0	(13.2)	23.8
Attributable to:	56.1	(13.2)	42.9
Shareholders of the Company	(19.1)	(13.2)	(19.1)
Non-controlling interest	37.0	(13.2)	23.8
Earnings per share, basic and diluted (US cents)	5.2	(1.2)	4.0
Weighted average number of shares outstanding (millions)	1,067.0		1,067.0

# As at 31 December 2009 deferred revenue related Aeroflot Bonus are expected to realise as follows:

	2009	2008
Deferred revenue related to frequent flyer programme, current Deferred revenue related to frequent flyer programme, non-current Other current liabilities related to frequent flyer programme (Note 23) Other non-current liabilities related to frequent flyer programme (Note 30)	9.0 30.7 8.2 25.1 73.0	12.5 48.2 4.8 17.3 82.8

The information presented above differs from that reported in the consolidated IFRS financial statements as at 30 June 2009 and 30 September 2009, respectively. As at 31 December 2008 the total USD 82.8 million of frequent flyer programme related liability has been split between deferred revenue and other liabilities in the current consolidated financial statements.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



### 26. PROVISIONS

	2009	2008
As at 1 January Additional provision Release of provision Foreign exchange loss, net	(21.5) (1.3)	64.9 9.1 (48.8) ———————————————————————————————————
As at 31 December	2.4	
	2009	2008
Analysed as: Current liabilities Non-current liabilities	0.8 1.6 2.4	22.8 2.4 25.2

The Group is a defendant in various legal actions. The provision represents management's best estimate of the Group's probable losses relating to various actual and potential legal claims. The Group also provides against tax contingencies and the related interest and penalties based on management's estimate of the amount of the additional taxes that may become due.

The Group has released USD 12.7 million previously provided in relation to a claim by the owner of a cargo plane, which crashed in Italy in October 1996 as the liability has been fully settled in cash.

# 27. SHORT-TERM BORROWING

	2009	2008
Loans denominated in US dollars:		140
Vneshtorgbank - short term portion (Note 29)	15.6	14.0
Natixis (i)	15.0	10.0
Vnesheconombank - short term portion (Note 29)	14.6	12.9
Royal Bank of Scotland (ii)	-	16.0
Société Générale Vostok (iii)	<u> </u>	15.0
WestLB Vostok (iv)	· -	10.1
Alfa-Bank (v)	-	5.5
Other short-term bank loans	4.1	
Olici alort-celli pank loans	49.3	73.5
Loans denominated in Russian roubles: Sberbank of the Russian Federation (vi) Sberbank of the Russian Federation (vii) Raiffeisenbank – short term portion (viii) Gazprombank (ix) Gazprombank (x) Sberbank of the Russian Federation (xi) UniCredit Bank (xii) Other short-term bank loans	66.3 14.7 11.8 11.7 - - 2.6 107.1 156.4	4.3 7.3 11.6 17.3 20.8 5.1 5.5 71.9

(i) The balance as at 31 December 2009 represents a loan of USD 15.0 million issued at an interest rate of LIBOR plus 5.0% per annum. The effective annualised interest rate related to this loan in 2009 was equal to 5.4% per annum. The loan is unsecured;

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



- (ii) The balance as at 31 December 2008 represents a credit line of USD 16.0 million issued at an interest rate of LIBOR plus Margin from 1.45% to 7.0% per annum. The effective annualised interest rate related this credit line in 2009 was equal to 4.7% per annum. During 2009 this credit line was repaid in full. The loan was unsecured;
- (iii) The balance as at 31 December 2008 represents a credit line of USD 15.0 million issued at an interest rate of six month LIBOR plus 4.27% per annum. The effective annualised interest rate related to this credit line in 2009 was equal to 8.65% per annum. During 2009 this credit line was repaid in full. The loan was unsecured;
- (iv) The balance as at 31 December 2008 represents a credit line of USD 10.1 million issued at an interest rate of three month LIBOR plus 3.95% per annum. The effective annualised interest rate related to this credit line in 2009 was equal to 7.46% per annum. During 2009 this credit line was repaid in full. The loan is unsecured;
- (v) The balances as at 31 December 2008 represents two loans for the total of USD 5.5 million issued at interest rates of 15% and 16% per annum. The effective annualised interest rate related to these loans in 2009 was equal to 15.3% per annum. During 2009 these loans were repaid in full. The loans were unsecured;
- (vi) The balance as at 31 December 2009 represents a credit line of USD 66.3 million issued at an interest rate of 11.5% per annum. The effective annualised interest rate related this credit line in 2009 was equal to 11.7% per annum. The loan is unsecured and is from a related party (Note 35);
- (vii) The balance as at 31 December 2009 represents loans for the total amount of USD 14.7 million issued at interest rates of 14% to 19% per annum. The effective annualised interest rate on the total outstanding balance of these loans in 2009 was equal to 18.1% per annum. The loans are secured by a property, plant, equipment and inventory with a carrying value of USD 11.2 million. The loans are from a related party (Note 35);
- (viii) The balance as at 31 December 2009 represents an outstanding amount of USD 11.8 million at a fixed interest rate of three month MosPrime plus 3% per annum. The loan was borrowed in order to finance the Group's working capital requirements. The effective annualised interest rate in 2009 was equal to 15.8% per annum. The loan is unsecured;
- (ix) The balance as at 31 December 2009 represents loans of USD 11.7 million issued at an interest rate of 13.5% to 15.75 per annum. The effective annualised interest rate related to these loans in 2009 was 15.3% per annum. The loans are unsecured and are from a related party (Note 35);
- (x) The balances represent the net amounts due under a series of short-term security sale and repurchase agreements bearing an interest rate of 15.0% per annum. The securities that are subject to the sale and repurchase agreements are pledged as collateral pertaining to these loans. During 2009 this amounts due were repaid in full. The loan is from a related party (Note 35);
- (xi) As at 31 December 2008 USD 20.8 million was payable to Sberbank of the Russian Federation in relation to the credit line issued to the Group. The effective annualised interest rate related to this loan in 2009 was equal to 14.4% per annum. During 2009 this credit line was repaid in full. The loan was unsecured and is from a related party (Note 35);
- (xii) The balances as at 31 December 2008 represent a loan of USD 5.1 million, issued at an interest rate of 10.75% per annum. The loan was borrowed to finance the Group's work capital. The effective annualised interest rate on loan in 2009 was equal to 11.4% per annum. During 2009 this loan was repaid in full. The loans were unsecured.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



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### 28. FINANCE LEASE LIABILITIES

The Group leases aircrafts under finance lease agreements. Leased assets are listed in Note 1 above:

	2009	2008
Total outstanding payments Finance charges	784.2 (49.5)	623.6 (85.4)
Principal outstanding	734.7	538.2
Representing: Current lease liabilities Non-current lease liabilities	111.2 623.5 734.7	78.0 460.2 538.2

	2009				2008	
Due for repayment:	Principal	Finance changes	Total payments	Principal	Finance changes	Total payments
On demand or within one year In two to five years After five years	110.3 337.7 286.7 734.7	11.4 25.4 12.7 <b>49.5</b>	121.7 363.1 299.4 784.2	77.9 255.5 204.8 538.2	20.0 49.8 15.6 <b>85.4</b>	97.9 305.3 220.4 <b>623.6</b>

Interest unpaid as at 31 December 2009 amounted to approximately USD 3.2 million (31 December 2008: USD 3.7 million) and is included in accrued expenses. During 2009 the effective interest rate on these leases was approximately 1.1% per annum (31 December 2008: 3.8% per annum).

The Group's aircraft leases are subject to both positive and negative covenants. In accordance with those covenants, the Group maintains insurance coverage for its leased aircraft.

The Group's aircrafts leased under finance lease agreements are subject to a registered debenture to secure liabilities in relation to their lease.

## 29. LONG-TERM BORROWINGS

	<u> 2009</u> _	2008
Loans denominated in US dollars:	202.2	201.9
Vnesheconombank (i)	383.3	
Vneshtorgbank (ii)	238.0	252.4
Vnesheconombank (iii)	190.4	121.1
	2.8	2.7
Accor	3.3	3.3
Other long-term loans	817.8	581.4
Loans denominated in Russian roubles: Raiffeisenbank – long term portion (Note 27)	<u>-</u>	9.7
	1.9	-
Other long-term loans	819.7	591.1

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



- The balance as at 31 December 2009 relates to a loan of USD 383.3 million borrowed at an (i) interest rate of 9.0% per annum. The agreed interest rate will be effective until 20 August 2018 after which the interest rate will be LIBOR plus 4% per annum. The amount was borrowed in order to finance the construction of the new Sheremetyevo-3 terminal. The sublease of the land is pledged as collateral under a primary loan agreement with a hypothecation value of USD 375.9 million. The loan is from a related party (Note 35);
- The balance as at 31 December 2009 represents an outstanding amount of USD 238.0 million (ii) on a credit line issued by Vneshtorgbank at a fixed interest rate of 7.75% per annum. The amount was borrowed in order to finance the construction of the new Sheremetyevo-3 terminal. The sublease of the land and the construction in progress are pledged as collateral under a secondary loan agreement with hypothecation values of USD 375.9 million and USD 839.8 million, respectively. The loan is from a related party (Note 35);
- The balance as at 31 December 2009 represents an outstanding balance of USD 190.4 million on a credit line issued by Vnesheconombank at a fixed interest rate of 10.56% per annum. The amount was borrowed in order to finance the construction of the new Sheremetyevo-3 terminal. The sublease of the land and the construction in progress are pledged as collateral under a primary loan agreement with hypothecation values of USD 375.9 million and USD 839.8 million, respectively. The loan is from a related party (Note 35).

The borrowings are repayable as follows:

The borrowings are repayable as follows:	2009	2008
O. James des within one year	30.2	34.2
On demand or within one year In two to five years	151.2	239.8
	668.5	351.3
After five years	849.9	625.3
Less: amounts due for settlement within 12 months	(30.2)	(34.2)
Amounts due for settlement after 12 months	819.7	591.1

# 30. OTHER NON-CURRENT LIABILITIES

	2009	2008
TYATE and legged giroroft	179.3	76.2
VAT payable on leased aircraft Custom duties payable on leased aircraft Other liabilities related to frequent flyer programme (Note 25) Defined benefit pension obligation – non-current portion	97.6	63.7
	25.1	17.3
	9.0	9.9
	5.0	0.6
Other non-current liabilities	316.0	167.7

As at 31 December 2009 other non-current liabilities include the long-term portion of VAT of USD 179.3 million (31 December 2008: USD 76.2 million) and customs duties of USD 97.6 million (31 December 2008: USD 63.7 million) relating to imported leased aircraft, which are payable in equal monthly instalments over a thirty-four-month period from the date these assets are cleared through customs.

Customs duties payable on leased aircraft have been discounted using a discount rate between 9.0% and 15.0%.

The short-term portion of the VAT payable and the customs duties of USD 148.8 million (31 December 2008: USD 91.9 million) and USD 89.8 million (31 December 2008: USD 74.2 million), respectively, relating to the imported leased aircraft are disclosed in Note 23.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



### 31. SHARE CAPITAL

	Number of shares authorised and issued	Number of treasury shares	Number of shares outstanding
Ordinary shares of one Russian rouble each: As at 31 December 2008 As at 31 December 2009	1,110,616,299	(27,770,779)	1,082,845,520
	1,110,616,299	(11,040,970)	1,099,575,329

Ordinary shareholders are entitled to one vote per share.

During 2009 the number of treasury shares held by the Group decreased by 16,729,809.

The Company's shares are listed on the Russian Trade System ("RTS") and the Moscow Interbank Currency Exchange ("MICEX") and on 31 December 2009 were traded at USD 1.74 per share. On 28 May 2010 were traded at USD 1.88 per share.

The Company launched a Level 1 Global Depositary Receipts (GDR's) programme in December 2000. The Company signed a depositary agreement with Deutsche Bank Group, allowing the Company's shareholders to swap their shares for GDR's, which trade over-the-counter on US and European markets. The swap ratio was established at 100 shares per GDR. In accordance with the depositary agreement the total volume of the GDR's of the Company cannot exceed 20% of the Company's share capital. In 2001 the Company's GDR's were listed on the New Europe Exchange ("NEWEX") in Vienna and after closing of this stock exchange the GDR's were transferred to the third segment of the stock exchange in Frankfurt. On 31 December 2009 and 28 May 2010 the GDR's were trade at USD 167.85 and USD 184.53 each, respectively.

# 32. RETAINED EARNINGS AND DIVIDENDS

The statutory accounting reports of the Group companies are the basis for profit distribution and other appropriations. For the years ended 31 December 2009 and 31 December 2008, the statutory profits as reported in the statutory financial statements amounted to 1,553 million Russian roubles (49.0 million US dollars) and 5,807 million Russian roubles (233.6 million US dollars), respectively.

	2009	2008
Retained earnings (thousand roubles)	28,470,489	30,287,589
Retained earnings (moustaid roubles)		

At the annual shareholders' meeting held in 20 June 2009 the shareholders approved dividends in respect of 2008, which would be paid to the shareholders between 21 June and 31 December 2009 in the amount of 0.1818 Russian roubles per share (0.73 US cents at the average exchange rate of the year 2008) totalling to 199.9 million Russian roubles (USD 8.1 million at the average exchange rate of the year 2008). The outstanding balance of the dividends payable will be transferred as soon as the relevant shareholders' bank details are collected.

# 33. OPERATING SEGMENTS

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's General Director reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Airline – domestic and international passenger and cargo air transport and other airline services;

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



- Catering includes preparation of food and beverages for air travel;
- Hotels includes operating a hotel;
- Airport terminal includes operating the Sheremetyevo-3 terminal.

There are also other operating segments. However, none of these segments meets any of the quantitative thresholds for determining reportable segments in 2009 and 2008.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment sales revenue and operating profit, as included in the internal management reports that are reviewed by the Group's General Director. Segment sales revenue and operating profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

WILLIAM 611000 111000 111000 111000 111000 111000 111000 111000 111000 111000 111000 111000 111000 111000 111000	Airline	Catering	Hotels	Terminal	Other	Elimi- nations	Total Group
Year ended 31 December	- IRREMITE	<u> </u>					
2009							22150
External sales	3,312.1	12.2	15.1	0.7	5.8	(0.4.4)	3,345.9
Inter-segment sales		<u>76.1</u>	4.8	1.0	2.5	(84.4)	
Total revenue	3,312.1	88.3	19.9	1.7	8.3	(84.4)	3,345.9
Operating profit/(loss) Finance income	279.5	12.4	3.7	(18.0)	(1.2)	1.4	277.8 2.8
Finance costs Share of income in associates Non-operating expenses, net	6.9	-	-	-	-		(53.1) 6.9 (28.6) 205.8
Profit before income tax							203.0
Income tax		·					(120.0)
Profit for the year							85.8
Year ended 31 December 2009						(255.0)	0.006.0
Segment assets	3,141.3	33.8	15.2	964.0	49.9	(277.3)	3,926.9 17.5
Associates	17.5	-	-	-	-	-	76.4
Unallocated assets							70.4
Consolidated total assets							4,020.8
Segment liabilities Unallocated liabilities	616,0	27.8	5.7	33.7	35.7	(53.2)	665.7 2,349.3
Consolidated total liabilities				-			3,015.0
0 1. 1 22 - OT-4-01)	499.2	2.6	0.5	270.1	0.2	_	772.6
Capital expenditure (Note 21) Depreciation and amortisation	140.0	0.9	3.0		0.1	-	145.3
Non-recoverable VAT (Note 10)	21.4	-	-	-	-	-	21.4

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)

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	Airline	Catering	Hotels	Terminal	Other_	Elimi- nations	Total Group
Year ended 31 December	•						
2008 External sales Inter-segment sales	4,570.3	17.6 74.3	22.1 6.7	<u> </u>	(6.6) 4.0	(85.0)	4,603.4
Total revenue	4,570.3	91.9	28.8		(2.6)	(85.0)	4,603.4
Operating profit/(loss) Finance income	327.1	10.7	6.7	(8.6)	(14.8)	9.0	330.1 4.5 (197.0)
Finance costs Share of income in associates Non-operating income, net Profit before income tax	8.4	-	-	-	-	<del>-</del>	8.4 20.6 166.6
Income tax							(142.8)
Profit for the year							23.8
Year ended 31 December							
2008 Segment assets Associates Unallocated assets	2,634.0 13.8	28.2	20.3	734.1 -	44.4	(220.9)	3,240.1 13.8 96.5
Consolidated total assets							3,350.4
Segment liabilities Unallocated liabilities	725.4	19.4	21.4	25.9	28.5	(52.7)	767.9 1,645.2
Consolidated total liabilities							2,413.1
Capital expenditure (Note 21) Depreciation and amortisation	267.3 154.4	2.7 0.9	2.8 3.8	337.2 0.1	0.1	-	610.0 159.3
Non-recoverable VAT (Note 10)	16.8	-	-	-	-	-	16.8

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



·	2009	2008
Scheduled passenger revenue:		
International flights from Moscow to:		600 F
Europe	476.4	689.5
Asia	210.9	293.3 85.1
North America	48.3	85.1 28.5
Other	<u>26.0</u> —	1,096.4
T		1,090.4
International flights to Moscow from:	482.6	684.3
Europe	209.7	300.6
Asia	47.1	84.4
North America	24.4	26.9
Other	763.8	1,096.2
		1,070.2
Domestic flights	942.0	1,248.8
2 02.000.0		
Other international flights	45.0	67.5
Other informational ringues	2,512.4	3,508.9
	2000	2000
	2009	2008
Cargo revenue:		
International flights from Moscow to:	13.7	4.3
Europe	9.9	2.1
Asia	2.2	1.2
North America	1.2	0.2
Other	27.0	7.8
Leave et au al Hights to Massau from:		
International flights to Moscow from:	27.1	56.7
Europe Asia	64.5	57.3
North America	3.3	6.8
Other	0.4	0.2
Otto	95.3	121.0
Od a factor of fisher	45.0	151.4
Other international flights		
Domestic flights	44.0	53.4
Dolliegue Highes	211.3	333.6

# 34. RISK CONNECTED WITH FINANCIAL INSTRUMENTS

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that, 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 entities utilise a detailed budgeting and cash forecasting process to ensure their liquidity is maintained at the appropriate level.

The Group has entered into various agreements with a number of banks in Russia whereby the banks have issued facilities to guarantee the repayment of the Group's commitments related to the existing aircraft lease agreements. As at 31 December 2009 the total value of the guarantees issued amounted to USD 376.1 million (31 December 2008: USD 76.4 million).

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



The following are the contractual maturities of financial liabilities, excluding estimated interest payments and the impact of netting agreements:

0	Average i	nterest rate					
31 December 2009	Contrac-		0-12	1-2	2-5	Over 5	
	tual _	<b>Effective</b>	months	years	years	years	<u>Total</u>
Non-derivative financial							
liabilities:							0.67.4
Loans in US dollars	8.8%	8.8%	49.3	30.7	170.5	616.6	867.1
Loans in Russian roubles	13.2%	13.2%	107.1	1.9	=		109.0
Finance lease liabilities	1.1%	1.1%	111.2	90.5	246.3	286.7	734.7
Customs duties	0%	9.9%	89.8	75.7	21.9	-	187.4
Trade and other payables							
(excluding customs duties)	0%	0%	584.7	132.3	51.0	5.0	773.0
(Oxorading debroarie debute)			942.1	331.1	489.7	908.3	2,671.2
	Average i Contrac-	nterest rate	0-12	1-2	2-5	Over 5	
31 December 2008	tual	Effective	months	years	years	years	<u>Total</u>
Non-derivative financial	-						
liabilities: Loans in US dollars	8.9%	8.9%	73.5	126.2	103.8	351.4	654.9
Loans in Russian roubles	13.3%	13.3%	71.9	9.7	_	٠.	81.6
	3.8%	3.8%	78.0	65.6	189.8	204.8	538.2
Finance lease liabilities	0%	6%	74.2	45.1	18.6	-	137.9
Customs duties	070	070					
Trade and other payables					04.1	50	679.5
(excluding customs duties)	0%	0%	592.8	56.7	24.1	5.9	0/9.5

Customs duties represent discounted liabilities on custom duties regarding finance and operation leases of aircrafts. The effective annualised interest rate is impacted by the date of adding a new aircraft to the fleet of the Group.

As at 31 December 2009 the Group had available USD 81.7 million (31 December 2008: USD 451.2 million) in relation to lines of credit granted to the Group by various lending institutions.

Currency risk – The Group is exposed to currency risk in relation to sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities, which are primarily the Russian rouble. The currencies in which these transactions are primarily denominated are Euro and USD.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)

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

	2009			2008				
	USD	EUR	Other	Total	USD	EUR	Other	Total
Cash and cash equivalents Accounts receivable	47.6	8.5	24.0	80.1	20.4	7.3	23.0	50.7
and prepayments, net	379.2	56.9	55.2	491.3	207.1	47.0	39.4	293.5
Other non-current assets	51.0	0.2	0.4	51.6	87.6		_	87.6
assots	477.8	65.6	79.6	623.0	315.1	54.3	62.4	431.8
Accounts payable and accrued liabilities Finance lease liabilities	125.7	45.0	15.4	186.1	141.0	37.3	15.3	193.6
(current portion)	110.9	-	-	110.9	76.3	-		76.3
Finance lease liabilities (non-current portion)	623.5	-	-	623.5	460.2	-	-	460.2
Short-term borrowings	49.3	-	-	49.3	73.5	_	. <b>-</b>	73.5
Long-term borrowings	817.8	-	-	817.8	581.4	-	-	581.4
Other non-current								
liabilities	4.2	0.2		4.4	- 1 222 1		152	1 205 0
•	1,731.4	45.2	<u>15.4</u>	1,792.0	1,332.4	<u>37.3</u>	15.3	1,385.0
Net assets/(liabilities)	(1,253.6)	20.4	64.2	(1,169.0)	(1,017.3)	<u>17.0</u>	<u>47.1</u>	(953.2)

A 20% strengthening or weakening of the Russian rouble against the following currencies as at 31 December 2009 and 31 December 2008, respectively, would have increased/(decreased) profit before income tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The effect on the Group's equity would be the same as that on the Group's profit.

	2009		2008	
	Percent against RUR	Effect on profit before income tax	Percent against RUR	Effect on profit before income tax
Increase in the rate of exchange to rouble USD Euro Other currencies	20%	(250.7)	20%	(203.5)
	20%	4.1	20%	3.4
	20%	12.8	20%	9.4
Decrease in rate of exchange to rouble USD Euro Other currencies	20%	250.7	20%	203.5
	20%	(4.1)	20%	(3.4)
	20%	(12.8)	20%	(9.4)

Interest rate risk — Changes in interest rates impact primarily loans and borrowings by changing either their value (fixed rate debt) or their future cash flows (variable rate debt). At the time of raising new loans or borrowings management uses judgment to decide whether it believes that a fixed or variable interest rate would be more favourable to the Group over the expected period until maturity.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



As at 31 December 2009 and 31 December 2008 the interest rate profiles of the Group's interest-bearing financial instruments were:

	Carrying amount		
	2009	2008	
Fixed rate instruments Financial assets Financial liabilities	14.1 (977.9) (963.8)	33.9 (709.2) (675.3)	
Variable rate instruments Financial assets Financial liabilities	0.6 (733.0) (732.4)	(565.5) (565.5)	

During the year some of the Group's loans bore variable interest rates (Note 27 and Note 29). If the variable interest rates on borrowings in 2009 were 30% greater or lower that the actual interest rates for the period, with all other variables held constant, interest expense would have been higher or lower by USD 0.9 million (2008: USD 0.8 million).

The interest component of the Group's finance leases primarily accrues at variable interest rates. If in 2009 those rates were 30% greater or lower than what they actually were, with all other variables held constant, interest expense on finance leases for the period would have been different by USD 1.1 million (2008: USD 4.9 million). The effect on the Group's equity would be the same as that on the Oroup's profit.

Capital risk management – Management's policy is to have a strong capital base as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital and the level of dividends to ordinary shareholders.

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

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

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 and investment securities.

The Group conducts transactions with the following major types of counterparties:

- i. The Group has credit risk associated with travel agents and industry settlement organisations. A significant share of the Group's sales takes place via travel agencies. Due to the fact that receivables from agents are diversified the overall credit risk related to agencies is assessed by management as low.
- ii. Receivables from other airlines are carried out through the IATA clearing house. Regular settlements ensure that the exposure to credit risk is mitigated to the greatest extent possible.
- iii. Aircraft suppliers require that security deposits are paid by the Group in relation to the future aircraft deliveries. The Group mitigates this credit risk by performing extensive background checks on suppliers. Only well known and reputable companies are contracted with.
- iv. The Group limits its exposure to credit risk associated with investments by only investing in liquid securities. Management actively monitors the performance and given that the Group only has invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



2009

2008

The maximum exposure to the credit risk net of impairment allowance is set out in the table below:

	2009	2008
Cash and cash equivalents	121.1	146.8
Short-term investments	10.4	9.5
Trade accounts receivable	318.2	318.6
Long-term investments	15.6	16.8
Prepayments for aircraft	156.3	95.5
1 repayments for ancerate	621.6	587.2
	021.0	507.2

Most of the amounts in the total credit risk exposure are current.

## 35. RELATED PARTY TRANSACTIONS

The ultimate controlling party of the Company is the Government of the Russian Federation and all companies controlled by the Government of the Russian Federation are treated as related parties of the Group for the purpose of these consolidated financial statements.

The consolidated financial statements of the Group include the following balances and transaction with related parties:

	2009	2008
Assets		
Russian Government and companies controlled by the Government		0.45
VAT recoverable and customs duties capitalised on leased aircraft	584.3	347.5
Cash and cash equivalents	53.0	66.1
Trade and accounts receivable	57.6	23.6
Bank deposits with maturities less than 90 days	1,5	21.9
Bank deposits with maturity date not exceeding 90 days	2.8	
,	699.2	459.1
Associates		^ 2
Trade and accounts receivable	8.3	9.2
	707.5	468.3
Liabilities Russian Government and companies controlled by the Government		
Russian Government and companies controlled by the Government	813.6	575.4
Long-term borrowings	515.5	306.0
VAT and customs duties payable on leased aircraft	122.9	81.7
Short-term borrowings	24.0	52.8
Trade and other accounts payable	1,476.0	1,015.9
Associates	,	•
Trade and other accounts payable	10.3	3.5
Trade and other accounts payable	1,486.3	1,019.4
	2009	2008
- Land Land Covernment	41.6	43.7
Sales to Government and companies controlled by the Government	9.9	11.1
Sales to associates	51.5	54.8
Purchases from associates	42.0	677.9
Purchases from Government and companies controlled by the	(17.1	571.8
Government	617.1	7/1.0
	0.4	0.3
Dividend income received	31,	
•		

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



Purchases consist primarily of purchases of aircraft fuel as well as air navigation and airport services. In 2009 and 2008 most of the transactions between the Group and its related parties were based on market prices.

The summary of balances and charges relating to the taxes due to the Government of the Russian Federation for the years 2009 and 2008 is presented below:

	2009	2008
Accounts receivable from tax authorities Accounts payable to tax authorities	283.6 20.7	371.0 10.8
	2009	2008
Tax refunds received during the period  Total amount of taxes settled with tax authorities during the period	291.8 223.6	390.6 376.5

The amounts outstanding to and from related parties mainly will be settled in cash. Tax receivable and tax payable might be offset according to Russian tax legislation.

As at 31 December 2009 total amount of guarantees given amount to USD 1.1 million (31 December 2008: USD 1.3 million), guarantees received USD 0.3 million (31 December 2008: USD 0.4 million).

# Compensation of key management personnel

The remuneration of directors and other members of key management (the members of the Board of Directors and Management Committee as well as key managers of flight and ground personnel who have significant power and responsibilities on key control and planning decisions of the Group) consist of short-term benefits including salary and bonuses as well as short-term compensation for serving on the management bodies of Group companies of 2009 amounted to approximately USD 13.8 million (2008: USD 15.6 million).

Such amounts are stated before personal income tax but exclude unified social tax. According to Russian legislation, the Group makes contributions to the Russian State pension fund as part of unified social tax for all its employees, including key management personnel. Government officials, who are directors, do not receive remuneration from the Group.

# 36. COMMITMENTS UNDER OPERATING LEASES

Future minimum lease payments under non-cancellable aircraft and other operating leases are as follows:

	2009	2008
On demand or within one year In two to five years After five years	358.6 1,409.7 1,487.0 3,255.3	269.7 1,254.3 1,068.7 <b>2,592.7</b>
Total minimum payments		

As at 31 December 2008, commitments under operating leases include USD 13.6 million related to lease contracts which were terminated by management in the first half of 2009.

The amounts above represent base rentals payable. Maintenance fees payable to the lessor, based on actual flight hours, and other usage variables are not included in the figures.

For details of the fleet subject to operating leases refer to Note 1.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



## 37. CAPITAL COMMITMENTS

The Group's capital commitments in relation to the acquisition of property, plant and equipment and other services as at 31 December 2009 amounted to approximately USD 665.8 million (31 December 2008: USD 1,397 million). These commitments mainly relate to the finance leases of ten Airbus A-321-200 aircraft, contracts related to the commissioning of the Sheremetyevo-3 terminal and other contracts related to the Group's business.

### 38. CONTINGENCIES

**Political environment** – The Government of the Russian Federation continues to reform the business and commercial infrastructure in its transition to a market economy. As a result laws and regulations affecting businesses continue to change rapidly. These changes are characterised by poor drafting, different interpretations and arbitrary application by the authorities.

Business environment – The Russian Federation has been experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Russian Federation involve risks that typically do not exist in other markets. In addition, the recent contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. 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. The future business environment may differ from management's assessment.

Taxation – Russian tax legislation is subject to varying interpretations and constant changes. Furthermore, the interpretation of the tax legislation by the tax authorities, as applied to the transactions and activities of the Group, may not coincide with that of management. As a result, the tax authorities could challenge transactions and the Group could be assessed additional taxes, penalties and interest, which could be significant. Periods remain open to review by the tax authorities for three years. The Group's management believes that it has adequately provided for all tax liabilities in the consolidated financial statements. However, the risk remains that the relevant authorities could take up differing positions with regard to interpretative issues and the effect could be significant. In addition, tax treatment of air transportation services is relatively less regulated part of Russian taxation.

Legal action – Former members of the Group's management and two Swiss non-bank financial companies that provided treasury and financial services to the Group, are currently under civil and criminal investigation by the Swiss and Russian authorities for potential misconduct related to funds managed under treasury and financial services agreements, which were entered into by the former management of the Group. On 16 November 2006 the court in Moscow considered the Company's claim against two former employees of the Group and an employee of Financial United Corporation and awarded a total of approximately USD 8.2 million in damages to the Group. The Group intends to pursue the recovery of all losses to the fullest extent possible. However, due to remaining uncertainties in collecting already awarded and any possible additional amounts, it has not recognised any assets related to this matter in its consolidated financial statements.

# 39. SUBSEQUENT EVENTS

On 21 October 2009 the Moscow Regional Arbitration Court issued a verdict declaring CJSC Aeroflot-Cargo, a Group subsidiary, insolvent. The verdict comes into force on 5 April 2010. Consequently, the Company has commenced transferring Cargo's business to a newly established department within the Company. All significant liabilities incidental to the court decision have been accounted for in these consolidated financial statements.

Notes to the Consolidated Financial Statements as at and for the year ended 31 December 2009 (All amounts in millions of US dollars)



In January and February 2010 the Company obtained a credit line from Banque Société Générale Vostok for the total amount of USD 60 million at an interest rate of 6-month USD Libor plus 4.5% per annum. The credit line is repayable in July – August 2010.

On 17 February 2010 the Company obtained a loan of 12 billion Roubles from Sberbank of the Russian Federation at 11% per annum. The loan was fully repaid on 13 April 2010.

On 12 April 2010 the Group issued, in two equal instalments, a total of 12,000,000 interest bearing, non-convertible bonds, with a par value of 1,000 Russian roubles per bond. The bonds were issued at par value and mature on 8 April 2013. Coupon payments on the bonds are to be made semi-annually at a rate of 7.75%.

On 26 January 2010 the Company made a decision to purchase 25.8% of its own shares from Natsionalnaya Rezervnaya Korporatsia. Consequently, on 24 February 2010, LLC Aeroflot-Finance, the Company's newly created subsidiary, bought 6.3% of its shares. The remaining 19.5% is currently in the process of being purchased.

On 5 May 2010 LLC Aeroflot-Finance announced its plans to purchase 49% of CJSC Nordavia from minority shareholders. As a result of the acquisition the Company will have a full control over CJSC Nordavia.

The Group is currently considering a possibility of acquiring a number of Russian regional airlines currently controlled by Rostechnologii.

On 7 May 2010 the Company decided to act as the guarantor for a loan facility of 2.5 billion Russian roubles to be issued by Sberbank of the Russian Federation to the Federal State Unitary Enterprise State Transport Company Rossiya. The loan will be issued for the duration of two years and will be denominated in Russian roubles.