OPEN JOINT STOCK COMPANY
AEROFLOT – RUSSIAN AIRLINES

Condensed Consolidated Interim Financial Statements
as at and for the nine-month period ended 30 September 2013
(UNREVIEWED)

Contents

(All amounts are presented in millions of US dollars, unless otherwise stated)

	Notes	Three-month period ended 30 September 2013	Three-month period ended 30 September 2012	Nine-month period ended 30 September 2013	Nine-month period ended 30 September 2012
Traffic revenue	4	2,594.3	2,148.4	6,259.0	5,311.0
Other revenue	5	305.8	257.7	773.7	709.7
Revenue		**2,900.1**	**2,406.1**	**7,032.7**	**6,020.7**
Operating costs	6	(1,790.3)	(1,677.5)	(4,904.7)	(4,492.1)
Staff costs	7	(315.3)	(329.9)	(1,003.9)	(898.5)
Depreciation and amortisation	14,15	(85.9)	(69.7)	(248.8)	(196.8)
Other income/(expenses), net	8	(25.8)	(2.0)	(25.5)	(8.2)
Operating costs		**(2,217.3)**	**(2,079.1)**	**(6,182.9)**	**(5,595.6)**
Operating profit		**682.8**	**327.0**	**849.8**	**425.1**
Finance income	9	28.5	85.7	73.5	78.5
Finance costs	9	(36.5)	(35.6)	(230.9)	(93.5)
Share of results of equity accounted investments		0.7	1.0	1.1	1.5
Profit before income tax		**675.5**	**378.1**	**693.5**	**411.6**
Income tax	10	(131.8)	(89.0)	(148.3)	(115.4)
Profit for the period		**543.7**	**289.1**	**545.2**	**296.2**
Attributable to:					
Shareholders of the Company		522.4	284.1	527.3	319.2
Non-controlling interest		21.3	5.0	17.9	(23.0)
		543.7	**289.1**	**545.2**	**296.2**
Basic earnings per share (US cents)		**49.5**	**27.2**	**50.0**	**30.6**
Diluted earnings per share (US cents)		**49.4**	**27.0**	**49.9**	**30.3**
Weighted average number of basic shares outstanding (millions)	23	**1,055.3**	**1,043.9**	**1,053.6**	**1,043.0**
Weighted average number of diluted shares outstanding (millions)		**1,057.6**	**1,053.7**	**1,057.0**	**1,054.3**

V. G. Saveliev
General Director

Sh. R. Kurmashov
Deputy General Director for Finance
and Network and Revenue Management

The condensed consolidated interim statement of income is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 7 to 27.

(All amounts are presented in millions of US dollars, unless otherwise stated)

	Notes	Three-month period ended 30 September		Nine-month period ended 30 September	
		2013	**2012**	**2013**	**2012**
Profit for the period		**543.7**	**289.1**	**545.2**	**296.2**
Other comprehensive income/ (loss), that may be realised as profit or loss in subsequent periods:					
(Loss)/gain on hedging instruments	16	(1.3)	16.3	(23.5)	22.8
Deferred tax on loss/(gain) on hedging instruments	10	0.9	(3.0)	(1.0)	(3.2)
Exchange differences on translation to presentation currency		4.4	87.7	(113.0)	64.3
Other comprehensive (loss)/income for the period		**4.0**	**101.0**	**(137.5)**	**83.9**
Total comprehensive income for the period		**547.7**	**390.1**	**407.7**	**380.1**
Total comprehensive income/(loss) attributable to:					
Shareholders of the Company		529.0	392.2	380.8	406.5
Non-controlling interest		18.7	(2.1)	26.9	(26.4)

The condensed consolidated interim statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 7 to 27.

(All amounts are presented in millions of US dollars, unless otherwise stated)

	Notes	30 September 2013	31 December 2012
ASSETS			
Current assets			
Cash and cash equivalents		758.9	496.2
Short-term investments		7.7	4.8
Accounts receivable and prepayments	11	1,900.2	1,553.4
Income tax receivable		3.1	68.8
Aircraft lease deposits		14.2	8.1
Expendable spare parts and inventories		142.0	141.1
Assets held for sale		-	60.1
		2,826.1	**2,332.5**
Non-current assets			
Equity accounted investments		3.8	3.2
Long-term investments		188.6	200.2
Aircraft lease deposits		29.9	35.4
Deferred tax assets		86.6	95.7
Other non-current assets	12	217.8	270.4
Prepayments for aircraft	13	270.8	445.6
Property, plant and equipment	14	2,745.9	2,435.9
Intangible assets	15	94.6	108.7
Derivative financial instruments	16	85.0	92.5
Goodwill		205.9	225.8
		3,928.9	**3,913.4**
TOTAL ASSETS		**6,755.0**	**6,245.9**
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	17	1,190.1	989.1
Unearned transportation revenue		444.4	502.9
Deferred revenue related to frequent flyer programme	18	12.4	11.8
Provisions		39.8	4.4
Short-term borrowings	20	120.6	466.0
Finance lease liabilities	19	268.1	246.3
Liabilities associated with assets classified as held for sale		-	25.5
		2,075.4	**2,246.0**
Non-current liabilities			
Long-term borrowings	21	280.4	240.0
Finance lease liabilities	19	1,995.9	1,635.4
Provisions		2.9	3.0
Deferred tax liabilities		29.3	73.7
Deferred revenue related to frequent flyer programme	18	47.4	45.2
Derivative financial instruments	16	146.8	145.4
Other non-current liabilities	22	186.0	230.9
		2,688.7	**2,373.6**
Equity			
Share capital	23	51.6	51.6
Treasury stock	23	(112.2)	(129.5)
Accumulated gain on disposal of treasury shares		50.3	49.2
Investment revaluation reserve		(0.4)	(0.4)
Cumulative translation reserve		(289.6)	(167.6)
Hedge reserve	16	(7.9)	17.0
Share based payment's reserve		2.0	6.8
Retained earnings		2,433.8	1,948.1
Equity attributable to shareholders of the Company		**2,127.6**	**1,775.2**
Non-controlling interest		(136.7)	(148.9)
Total equity		**1,990.9**	**1,626.3**
TOTAL LIABILITIES AND EQUITY		**6,755.0**	**6,245.9**

The condensed consolidated interim statement of financial position is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 7 to 27.

(All amounts are presented in millions of US dollars, unless otherwise stated)

	Notes	Nine-month period ended 30 September 2013	2012
Cash flows from operating activities:			
Profit before income tax		693.5	411.6
Adjustments to reconcile profit before taxation to net cash provided by operating activities:			
Depreciation and amortisation	14, 15	248.8	196.8
Change in impairment allowance for bad and doubtful debts	11	(25.2)	(2.6)
Accounts receivable write-off	8	1.7	1.0
Change in impairment allowance for obsolete inventory		0.8	(0.1)
Reversal of impairment relating to property, plant and equipment	14	(0.4)	(0.3)
Non-cash transactions, related to assets held for sale		(0.4)	-
Loss on disposal of property, plant and equipment		2.6	8.0
Accounts payable write-off	8	(1.1)	(5.6)
Share of results in equity accounted investments		(1.1)	(1.5)
(Gain)/loss on disposal of investments	1	(10.7)	9.4
Change in provision for impairment of investments		(0.4)	-
Change in legal and tax provisions		36.5	2.8
Loss/(gain) on revaluation of hedging instruments	9	17.3	(2.5)
Interest expense	9	89.9	84.1
Unrealised foreign exchange loss/(gain)	9	107.2	(66.6)
Write-off/(reversal of write-off) of VAT receivable	8	0.6	(0.1)
Share based payment's reserve		-	1.7
Changes in other provisions and impairment of other assets		(3.6)	(1.5)
Other non-cash income		(5.2)	(2.2)
(Gain)/loss on hedging instruments, net	9	(34.0)	-
Dividend income		(3.5)	(3.0)
Operating profit before working capital changes		**1,113.3**	**629.4**
Change in accounts receivable and prepayments and other non-current assets		(259.5)	(132.5)
Change in expendable spare parts and inventories		(10.5)	(25.8)
Change in accounts payable and accrued liabilities		146.6	231.8
Change in restricted cash		(1.8)	-
		988.1	**702.9**
Income tax paid		(86.7)	(93.8)
Income tax received		0.3	21.9
Net cash flows from operating activities		**901.7**	**631.0**
Cash flows from investing activities:			
Proceeds from sale of investments		4.0	18.4
Purchases of investments		(6.9)	(9.3)
Proceeds from sale of equity accounted investments		-	1.7
Proceeds from sale of property, plant and equipment		1.7	82.1
Purchases of property, plant and equipment and intangible assets		(100.8)	(133.7)
Dividends received		1.8	3.4
Predelivery lease prepayments, net		95.8	32.2
Net cash flows used in investing activities		**(4.4)**	**(5.2)**

The condensed consolidated interim statement of cash flows is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 7 to 27.

(All amounts are presented in millions of US dollars, unless otherwise stated)

	Note	Nine-month period ended 30 September 2013	2012
Cash flows from financing activities:			
Proceeds from borrowings		172.7	484.0
Repayment of borrowings		(444.6)	(629.0)
Sale of treasury stock		9.4	4.8
Repayment of the principal element of finance lease liabilities		(237.9)	(199.9)
Interest paid		(65.9)	(48.3)
Dividends paid		(37.3)	(58.2)
Proceeds from derivative financial instruments		5.8	7.3
Sale of treasury stock to non-controlling party		0.4	-
Net cash flows used in financing activities		**(597.4)**	**(439.3)**
Effect of exchange rate fluctuations		(37.2)	17.4
Net increase in cash and cash equivalents		**262.7**	**203.9**
Cash and cash equivalents at the beginning of the period		496.2	393.1
Cash and cash equivalents at the end of the period		**758.9**	**597.0**
Non-cash investing and financing activities:			
Property, plant and equipment acquired under finance leases		588.5	483.8

The condensed consolidated interim statement of cash flows is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 7 to 27.

(All amounts are presented in millions of US dollars, unless otherwise stated)

	Share capital	Treasury stock	Investment revaluation reserve	Cumulative translation reserve	Hedge reserve	Share based payment reserve	Retained earnings	Attributable to shareholders of the Company	Non-controlling interest	Total
1 January 2012	**51.6**	**(83.4)**	**(0.3)**	**(274.1)**	**(6.8)**	**10.7**	**1,790.7**	**1,488.4**	**(84.2)**	**1,404.2**
Profit/(loss) of the period	-	-	-	-	-	-	319.2	319.2	(23.0)	296.2
Exchange differences on translation to presentation currency	-	-	(0.1)	67.8	-	-	-	67.7	(3.4)	64.3
Gain recognised from hedging instrument	-	-	-	-	19.6	-	-	19.6	-	19.6
Total comprehensive income								**406.5**	**(26.4)**	**380.1**
Share based payments	-	-	-	-	-	(0.1)	-	(0.1)	-	(0.1)
Gain on disposal of treasury stock	-	3.0	-	-	-	-	-	3.0	-	3.0
Other movements of treasury stock	-	4.8	-	-	-	-	-	4.8	-	4.8
Exchange differences on translation to presentation currency	-	(5.4)	-	-	-	-	-	(5.4)	-	(5.4)
Dividends	-	-	-	-	-	-	(62.4)	(62.4)	(2.7)	(65.1)
30 September 2012	**51.6**	**(81.0)**	**(0.4)**	**(206.3)**	**12.8**	**10.6**	**2,047.5**	**1,834.8**	**(113.3)**	**1,721.5**
1 January 2013	**51.6**	**(80.3)**	**(0.4)**	**(167.6)**	**17.0**	**6.8**	**1,948.1**	**1,775.2**	**(148.9)**	**1,626.3**
Profit of the period	-	-	-	-	-	-	527.3	527.3	17.9	545.2
Exchange differences on translation to presentation currency	-	-	-	(122.0)	-	-	-	(122.0)	9.0	(113.0)
Loss recognised from hedging instrument	-	-	-	-	(24.5)	-	-	(24.5)	-	(24.5)
Total comprehensive income								**380.8**	**26.9**	**407.7**
Disposal of subsidiaries	-	-	-	-	- -	-	-	-	(11.0)	(11.0)
Share based payments	-	-	-	-	-	(4.8)	-	(4.8)	-	(4.8)
Gain on disposal of treasury stock	-	9.7	-	-	-	-	-	9.7	-	9.7
Other movements of treasury stock	-	4.2	-	-	-	-	-	4.2	-	4.2
Exchange differences on translation to presentation currency	-	4.5	-	-	(0.4)	-	-	4.1	-	4.1
Sales of shares to non-controlling parties	-	-	-	-	-	-	-	-	0.4	0.4
Dividends	-	-	-	-	-	-	(41.6)	(41.6)	(4.1)	(45.7)
30 September 2013	**51.6**	**(61.9)**	**(0.4)**	**(289.6)**	**(7.9)**	**2.0**	**2,433.8**	**2,127.6**	**(136.7)**	**1,990.9**

The condensed consolidated interim statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 7 to 27.

(All amounts are presented in millions of US dollars, unless otherwise stated)

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 and hotel operations. Associated entities mainly comprise aviation security services and providing other related services.

As at 30 September 2013 and 31 December 2012 the Government of the Russian Federation owned 51% of the Company.

The Company's headquarter located in Moscow at 10 Arbat Street, 119002, Russian Federation.

The principal subsidiary companies are:

Company name	Place of incorporation and operation	Main activity	30 September 2013	31 December 2012
OJSC Donavia (Donavia)	Rostov-on-Don	Airline	100.00%	100.00%
OJSC AK Rossiya (Rossiya)	St. Petersburg	Airline	75% minus one share	75% minus one share
OJSC Vladivostok Avia (Vladavia)	Vladivostok region	Airline	52.16%	52.16%
OJSC Aurora Airlines (Aurora)*	Yuzhno Sakhalinsk	Airline	100.00%	100.00%
OJSC Orenburgskie avialinii (Orenavia)	Orenburg	Airline	100.00%	100.00%
CJSC Aeroflot-Cargo (Aeroflot-Cargo)	Moscow	Cargo transportation services	100.00%	100.00%
LLC Aeroflot-Finance (Aeroflot-Finance)	Moscow	Finance services	100.00%	100.00%
CJSC Aeromar (Aeromar)	Moscow region	Catering	51.00%	51.00%
CJSC Aerofirst (Aerofirst)	Moscow region	Trading	-	66.67%
CJSC Sherotel (Sherotel)	Moscow region	Hotel	100.00%	100.00%

* previously OJSC AK Sahalinskiye aviatrassi (SAT)

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	30 September 2013	31 December 2012
CJSC AeroMASH – AB	Moscow region	Aviation security	45.00%	45.00%

During 2013 the Group disposed its stake in CJSC Aerofirst. As at 31 December 2013 the subsidiary was classified as held for sale. The gain on disposal of the subsidiary in the amount of USD 10.7 million was recognised in profit and loss.

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

(All amounts are presented in millions of US dollars, unless otherwise stated)

1. NATURE OF THE BUSINESS (CONTINUED)

The table below provides information on the Group's aircraft fleet as at 30 September 2013 (number of aircraft):

Type of aircraft	Type of ownership	Aeroflot	Donavia	Rossiya	Orenavia	Vladavia	Aurora	Group total
Il-96-300	Owned	6	-	-	-	-	-	6
An-24	Owned	-	-	-	-	-	1	1
Mi-8	Owned	-	-	-	-	3*	1	4
Total owned		**6**	**-**	**-**	**-**	**3**	**2**	**11**
Airbus A-319	Finance lease	4	-	9	-	-	-	13
Airbus A-320	Finance lease	1	-	-	-	-	-	1
Airbus A-321	Finance lease	21	-	-	-	-	-	21
Airbus A-330	Finance lease	8	-	-	-	-	-	8
Boeing B-737	Finance lease	-	-	-	-	-	2	2
Boeing B-777	Finance lease	4	-	-	-	-	-	4
An-148	Finance lease	-	-	6	-	-	-	6
Tu-204	Finance lease	-	-	-	-	6	-	6
Total finance lease		**38**	**-**	**15**	**-**	**6**	**2**	**61**
SSJ 100	Operating lease	10	-	-	-	-	-	10
Airbus A-319	Operating lease	11	7	7	-	-	-	25
Airbus A-320	Operating lease	50	-	9	-	6	-	65
Airbus A-321	Operating lease	2	-	-	-	-	-	2
Airbus A-330	Operating lease	14	-	-	-	-	-	14
Boeing B-737	Operating lease	1	3	-	21	-	1	26
Boeing B-767	Operating lease	5	-	3	-	-	-	8
Boeing B-777	Operating lease	-	-	-	3	-	-	3
MD-11	Operating lease	3	-	-	-	-	-	3
DHC 8 S-300	Operating lease	-	-	-	-	-	4	4
DHC 8 S-200	Operating lease	-	-	-	-	-	2	2
Total operating lease		**96**	**10**	**19**	**24**	**6**	**7**	**162**
Total fleet		**140**	**10**	**34**	**24**	**15**	**11**	**234**

* - one of these aircraft is not operational as at 30 September 2013.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements for the nine months ended 30 September 2013 have been prepared in accordance with IAS 34 *'Interim Financial Reporting'*. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with IFRS.

Details of the exchange rates used to translate account balances and operations in Russian rouble to Euro ("EUR") and US Dollar ("USD") as follows:

	EUR rate	USD rate
Closing rate as at 30 September 2013	43.65	32.35
Closing rate as at 31 December 2012	40.23	30.37
Average rate for nine months of 2013	41.65	31.62
Average rate for nine months of 2012	39.83	31.10

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS

The accounting policies adopted for preparation of the condensed consolidated interim financial statements are consistent with those of the previous financial year ended 31 December 2012 except as described below.

New standards and interpretations effective from 1 January 2013

Some of new standards, interpretations and amendments to standards listed in consolidated financial statements for the year ended 31 December 2012 became mandatory from 1 January 2013. These new or revised standards affected the Group's preparation and disclosure of information.

Amendments to IAS 1 'Presentation of financial statements'. According to these amendments companies have to distinguish entries within other comprehensive income in two categories, based on possibility of re-classification of these entries as profit and loss in future periods. The suggested title used by IAS 1 has changed to 'Statement of profit or loss and other comprehensive income'.

IFRS 10 'Consolidated financial statements'. Under IFRS 10, subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

IFRS 13 'Fair value measurement'. IFRS 13 measurement and disclosure requirements are applicable for the annual periods 31 December 2013 year end. The Group has included the disclosures required by IAS 34.16A(j).

IAS 19 (revised) 'Employee benefits'. From 1 January 2013 the Group has applied amendments to the standard retrospectively in accordance with the transition provisions of the standard. Revised standard IAS 19 changed significantly method of defined benefit pension plan expenses recognition and valuation, as well as changed requirements to employee benefit disclosure. Influence of revised IAS 19 on items of condensed consolidated interim financial statements is immaterial.

Other new or revised standards are not affected the condensed consolidated interim financial statements.

Income tax expenses

Income tax expenses are recognised in interim periods on the basis of the best accounting estimate of average rate of income tax, expected for the full financial year.

New standards and interpretations

Some of new standards and amendments to standards disclosed in consolidated financial statements for the year ended 31 December 2012, are applicable for annual periods starting 1 January 2014, and have not been early adopted by the Group. Those standards and interpretations are not expected to affect significantly the Group's financial statements.

Moreover, the following amendments to the standards, effective for annual periods starting 1 January 2014, were issued during the period from April to June 2013, and were not early adopted by the Group:

IFRIC 21 'Levies' (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014).

(All amounts are presented in millions of US dollars, unless otherwise stated)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)

New standards and interpretations (continued)

Amendments to IAS 36 'Recoverable Amount Disclosures for Non-Financial Assets' (issued 29 May 2013 and effective for annual periods starting 1 January 2014; execution ahead of time is permitted if IAS 13 is used with reference to the same accounting and comparative period). These amendments cancel requirement of recoverable amount disclosure, if cash-flow generating unit includes goodwill or intangible assets with indefinite useful life provided that loss of value is missing.

Amendments to IAS 39 – 'Novation of Derivatives and Continuation of Hedge Accounting' (issued 27 September 2013 and effective for annual periods starting 1 January 2014). These amendments allow to continue accounting of hedges, when derivative accounted for as hedge is renewed (i.e. when parties agree on replacing initial counteragent by a new one) for clearing with central counteragent according to the legislative or statutory act in case special conditions are adhered.

The Group is currently assessing the impact of the mentioned amendments on disclosures and financial statements of the Group.

Critical accounting estimates, and judgements in applying accounting policies

The Group when preparing condensed consolidated interim financial statements makes estimates, judgements and assumptions that affect implementation of accounting policy and reported amounts of assets and liabilities, gains and losses. Actual results may deviate from declared estimates. Judgements regarding accounting policy provisions and methods of valuation applied by management when preparing these condensed consolidated interim financial statements correspond to the ones used when preparing the consolidated financial statements for the year ended 31 December 2012, and as at this date, except for changes in accounting estimates with respect to amount of income tax expenses.

4. TRAFFIC REVENUE

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2013	**2012**	**2013**	**2012**
Scheduled passenger flights	2,376.5	1,884.1	5,615.1	4,685.1
Charter passenger flights	153.6	173.0	414.0	367.8
Cargo	64.2	91.3	229.9	258.1
	2,594.3	**2,148.4**	**6,259.0**	**5,311.0**

5. OTHER REVENUE

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2013	**2012**	**2013**	**2012**
Airline revenue agreements	142.1	117.7	405.2	329.6
Refuelling services	21.6	16.4	50.0	60.1
Catering services	8.3	15.2	23.2	29.2
Ground handling and maintenance	6.8	7.4	20.0	21.4
Sales of duty free goods	-	46.6	13.3	124.6
Hotel revenue	2.8	4.0	9.6	12.8
Other revenue	124.2	50.4	252.4	132.0
	305.8	**257.7**	**773.7**	**709.7**

(All amounts are presented in millions of US dollars, unless otherwise stated)

6. OPERATING COSTS

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2013	**2012**	**2013**	**2012**
Aircraft and traffic servicing	409.3	364.4	1,099.7	952.3
Operating lease expenses	152.3	145.6	444.2	414.5
Maintenance	162.3	168.6	442.0	422.6
Sales and marketing	105.5	86.2	283.4	232.0
Administration and general expenses	50.3	65.2	163.9	178.4
Passenger services	61.9	53.7	153.0	109.9
Communication expenses	50.4	37.8	137.5	109.5
Food and beverages	41.6	39.3	115.9	93.5
Customs duties	10.5	10.4	32.5	32.7
Insurance expenses	9.9	10.3	28.4	29.1
Cost of duty free goods sold	-	22.6	6.1	58.1
Other expenses	49.8	53.6	120.6	174.5
Operating cost excluding aircraft fuel	**1,103.8**	**1,057.7**	**3,027.2**	**2,807.1**
Aircraft fuel	686.5	619.8	1,877.5	1,685.0
	1,790.3	**1,677.5**	**4,904.7**	**4,492.1**

7. STAFF COSTS

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2013	**2012**	**2013**	**2012**
Wages and salaries	260.8	280.0	828.7	729.6
Pension costs	46.3	38.3	138.6	129.6
Social security costs	8.2	11.6	36.6	39.3
	315.3	**329.9**	**1,003.9**	**898.5**

Pension costs include compulsory payments to the Russian Federation Pension Fund (“RFPF”), contributions to a non-government pension fund under a defined contribution plan, 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:

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2013	**2012**	**2013**	**2012**
Payments to the RFPF	45.8	37.9	137.8	127.0
Defined benefit pension plan	0.3	0.3	0.5	2.4
Defined contribution pension plan	0.2	0.1	0.3	0.2
	46.3	**38.3**	**138.6**	**129.6**

(All amounts are presented in millions of US dollars, unless otherwise stated)

8. OTHER INCOME/(EXPENSES), NET

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2013	**2012**	**2013**	**2012**
Fines and penalties received	1.1	2.6	8.5	7.7
Insurance compensation received	2.7	0.9	4.6	1.5
Accounts payable write-off	1.1	2.3	1.1	5.6
VAT (write-off)/reversal of write-off	(0.6)	-	(0.6)	0.1
Accounts receivable write-off	(1.4)	(1.0)	(1.7)	(1.0)
Other income/(expenses), net	(28.7)	(6.8)	(37.4)	(22.1)
	(25.8)	**(2.0)**	**(25.5)**	**(8.2)**

9. FINANCE INCOME AND COSTS

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2013	**2012**	**2013**	**2012**
Finance income:				
Gain on hedging instrument (Note 16)	4.1	-	50.5	-
Interest income	5.8	3.6	11.8	9.4
Gain on disposal of assets held for sale	-	-	11.1	-
Gain from revaluation of hedge instruments	-	3.2	-	2.5
Foreign exchange gain	18.6	78.9	-	66.6
Other finance income	-	-	0.1	-
Finance income	**28.5**	**85.7**	**73.5**	**78.5**
Finance costs:				
Foreign exchange loss	-	-	(107.2)	-
Interest expense on finance lease liabilities	(21.0)	(13.3)	(55.1)	(40.0)
Interest expense on loans and borrowings	(8.9)	(13.1)	(33.7)	(43.0)
Loss on revaluation of hedging instruments (Note 16)	(3.0)	-	(17.3)	-
Loss on hedging instrument	(3.0)	-	(16.5)	-
Interest expense on customs duty discounting	(0.3)	(0.4)	(1.1)	(1.1)
Loss on disposal and impairment of investments	(0.3)	(8.8)	-	(9.4)
Finance costs	**(36.5)**	**(35.6)**	**(230.9)**	**(93.5)**

10. INCOME TAX

Income tax expense is recognised based on the management's best estimate of the average annual income tax rate. The estimated average annual effective income tax rate used for the nine months ended 30 September 2013 was 21% (9 months of 2012: 28%). The change in effective income tax rate was caused mainly due to reduction of non-deductible expenses of Aeroflot during the period.

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2013	**2012**	**2013**	**2012**
Current income tax charge	118.4	70.7	186.7	134.9
Deferred income tax expense/(benefit)	13.4	18.3	(38.4)	(19.5)
	131.8	**89.0**	**148.3**	**115.4**

During the reporting period changes in deferred tax assets amounted to USD 1.0 million (9 months of 2012: USD 3.2 million) related to change in fair value of hedging instrument were recognised in these condensed consolidated interim financial statements within other comprehensive income.

(All amounts are presented in millions of US dollars, unless otherwise stated)

11. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	30 September 2013	31 December 2012
Trade accounts receivable	850.8	630.4
VAT and other taxes recoverable	346.6	276.3
Prepayments to suppliers	335.2	365.1
Prepayments for aircraft (Note 13)	294.2	233.7
Deferred customs duties related to aircraft operating leases	31.1	36.7
Other receivables	118.9	119.0
Accounts receivable and prepayments, gross	**1,976.8**	**1,661.2**
Impairment allowance for bad and doubtful accounts	(76.6)	(107.8)
	1,900.2	**1,553.4**

Changes in the 'Prepayments for aircraft' line item reflect approaching aircraft delivery dates as well as the refund of prepayments related to the delivery of aircraft in the current period.

Deferred customs duties of USD 31.1 million (31 December 2012: USD 36.7 million) relate to the current portion of customs duties incurred on aircraft imported under operating lease agreemnts. These customs duties are expensed in the condensed consolidated interim statement of income over the term of the operating lease. The non-current portion of the deferred customs duties is disclosed in Note 12.

As at 30 September 2013 and 31 December 2012 sufficient impairment allowance has been made by the Group against accounts receivable and prepayments. Gains from recovery of impairment allowance for bad and doubtful accounts were recognised within other income/(expenses).

12. OTHER NON-CURRENT ASSETS

	30 September 2013	31 December 2012
VAT recoverable on acquisition of aircraft	76.3	106.3
Deferred customs duties related to aircraft operating leases	92.8	122.6
Other non-current assets	48.7	41.5
	217.8	**270.4**

13. PREPAYMENTS FOR AIRCRAFT

Prepayments for aircraft which are expected to be delivered after twelve months relate to cash advances made in relation to twenty-two Boeing B-787 (delivery: 2016 – 2019), twenty-two Airbus A-350 (delivery: 2018-2023), sixteen Sukhoi Superjet SSJ-100 (delivery: 2014 – 2015) aircraft which are expected to be used under operating lease agreements and six Boeing B-777 (delivery: 2015-2016) which are expected to be used under finance lease agreements.

Prepayment for aircraft, which are expected to be delivered within twelve months after the reporting date, is disclosed as part of accounts receivable. Changes in non-current part of prepayments reflect expected dates of delivery of aircraft, as well as new long-term prepayments issued to suppliers.

(All amounts are presented in millions of US dollars, unless otherwise stated)

14. PROPERTY, PLANT AND EQUIPMENT

	Owned aircraft and engines	Leased aircraft and engines	Land and buildings	Plant, equipment and other	Construction in progress	Total
Cost						
1 January 2012	**191.3**	**1,700.8**	**361.5**	**334.6**	**179.6**	**2,767.8**
Additions and capitalised overhaul costs	14.7	685.8	4.2	58.6	81.0	844.3
Disposals	(14.2)	(18.7)	(14.6)	(19.2)	(228.0)	(294.7)
Transfers	-	-	3.0	13.0	(16.0)	-
Transfers to assets held for sale	-	-	(14.8)	(4.9)	-	(19.7)
Foreign currency translation	11.5	118.0	21.2	20.7	7.1	178.5
31 December 2012	**203.3**	**2,485.9**	**360.5**	**402.8**	**23.7**	**3,476.2**
Additions and capitalised overhaul costs (i)	22.6	585.7	3.4	56.2	33.9	701.8
Disposals (ii)	(23.0)	(32.7)	(0.1)	(11.7)	-	(67.5)
Transfers	-	-	0.5	7.0	(7.5)	-
Foreign currency translation	(12.4)	(164.0)	(22.1)	(25.7)	(2.0)	(226.2)
30 September 2013	**190.5**	**2,874.9**	**342.2**	**428.6**	**48.1**	**3,884.3**
Accumulated depreciation and impairment						
1 January 2012	**(119.9)**	**(394.0)**	**(115.8)**	**(167.4)**	**(0.5)**	**(797.6)**
Charge for the year	(23.4)	(165.5)	(12.9)	(43.5)	-	(245.3)
Impairment	(0.1)	-	-	0.4	-	0.3
Disposals	11.6	18.7	6.7	14.1	-	51.1
Transfers to assets held for sale	-	-	1.5	1.7	-	3.2
Foreign currency translation	(7.5)	(27.0)	(6.9)	(10.6)	-	(52.0)
31 December 2012	**(139.3)**	**(567.8)**	**(127.4)**	**(205.3)**	**(0.5)**	**(1,040.3)**
Charge for the period	(21.7)	(158.6)	(8.7)	(39.9)	-	(228.9)
Impairment	-	-	-	0.4	-	0.4
Disposals (ii)	21.8	32.7	-	8.7	-	63.2
Foreign currency translation	8.3	37.5	8.0	13.3	0.1	67.2
30 September 2013	**(130.9)**	**(656.2)**	**(128.1)**	**(222.8)**	**(0.4)**	**(1,138.4)**
Net book value						
31 December 2012	**64.0**	**1,918.1**	**233.1**	**197.5**	**23.2**	**2,435.9**
30 September 2013	**59.6**	**2,218.7**	**214.0**	**205.9**	**47.7**	**2,745.9**

(i) The 2013 additions mainly relate to addition of four Boeing B-777 with a carrying value of USD 570.1 million received under finance lease agreements.

(ii) The 2013 disposals mainly relate to disposals of cabins of Boeing B-767 and three aircraft Boeing B-737-500.

Total amount of additions of property, plant and equipment for the 9 months of 2013 was USD 701.8 million (9 months 2012: USD 618.8 million).

(All amounts are presented in millions of US dollars, unless otherwise stated)

15. INTANGIBLE ASSETS

	Software	Licences	Development in progress	Trademarks and client base	Other	Total
Cost						
1 January 2012	**49.3**	**4.1**	**12.1**	**52.3**	**0.1**	**117.9**
Additions	13.1	-	13.1	-	-	26.2
Disposal	-	-	-	-	-	-
Transfers	4.9	-	(4.9)	-	-	-
Foreign currency translation	3.1	0.3	0.9	3.2	-	7.5
31 December 2012	**70.4**	**4.4**	**21.2**	**55.5**	**0.1**	**151.6**
Additions (i)	4.0	-	8.7	-	-	12.7
Disposal	(0.1)	-	(0.4)	-	-	(0.5)
Transfers	-	-	-	-	-	-
Foreign currency translation	(4.2)	(0.3)	(1.5)	(3.4)	-	(9.4)
30 September 2013	**70.1**	**4.1**	**28.0**	**52.1**	**0.1**	**154.4**
Accumulated amortisation						
1 January 2012	**(14.8)**	**(1.6)**	-	**(1.1)**	**-**	**(17.5)**
Charge for the year	(14.0)	(0.6)	-	(9.2)	-	(23.8)
Foreign currency translation	(1.2)	(0.1)	-	(0.3)	-	(1.6)
31 December 2012	**(30.0)**	**(2.3)**	**-**	**(10.6)**	**-**	**(42.9)**
Charge for the period	(12.8)	(0.4)	-	(6.8)	-	(20.0)
Foreign currency translation	2.1	0.1	-	0.9	-	3.1
30 September 2013	**(40.7)**	**(2.6)**	**-**	**(16.5)**	**-**	**(59.8)**
Net book value						
31 December 2012	**40.4**	**2.1**	**21.2**	**44.9**	**0.1**	**108.7**
30 September 2013	**29.4**	**1.5**	**28.0**	**35.6**	**0.1**	**94.6**

(i) Additions mainly include expenditures incurred in relation to the purchase of SAP and SIRAX program licenses and related implementation costs.

Total amount of additions of intangible assets for the 9 months of 2013 was USD 12.7 million (9 months 2012: USD 16.8 million).

16. DERIVATIVE FINANCIAL INSTRUMENTS

The Group makes an assessment and analysis of financial instruments' fair value regularly for preparation of the consolidated financial statements or upon request.

16. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments accounted as hedging instruments

The following instruments have been assessed as being effective hedging instruments for IAS 39 purposes.

a) Cross-currency interest rate swap

In April and May 2013 the Group has entered into two cross-currency interest rate swap agreements with one of the major banks operating in Russia to hedge some of its Euro denominated revenues from potential future RUB/EUR exchange rate fluctuations. Loss from change of fair value of the hedge instrument amounted to USD 9.5 million with corresponding deferred tax asset of USD 2.4 million have been reported in the condensed consolidated interim statement of comprehensive income.

Similar deals entering into in 2010 were closed in the first half-year period of 2013 due to expiry of contracts. Decrease in the hedge reserve due to termination of these deals of USD 15.3 million is accounted through profit and loss for the period ended 30 September 2013. A corresponding deferred tax liability as a result of a change in deferred tax for the reported period of USD 3.1 million has been reported in the condensed consolidated interim statement of income. On termination of these deals the Group recognised gain amounted to USD 31.0 million and loss amounted to USD 7.9 million.

The fair value of financial instruments has been determined using observable parameters (level 2). Assessment of fair value was made based on discounted cash flows determined in agreements. MOSPRIME rate was used as a discount factor for cash flows in Russian roubles and EURIBOR rate used as a discount factor for cash flows in Euro.

b) Interest rate swap

In June 2011 the Group entered into an agreement with a Russian bank to hedge a risk related to increase of LIBOR rate which is mainly used for finance lease agreements. In accordance with the terms of the agreement the Group fixes interest payment related to 21 ongoing financial lease contracts. As the result of change in fair value of the hedge gain in the amount of USD 1.3 million with corresponding deferred tax liability of USD 0.3 million has been reported in the condensed consolidated interim statement of comprehensive income. Expenses from this deal recognised during nine month period ended 30 September 2013 amounted to USD 1.8 million.

The fair value of financial instruments has been determined using market observable parameters (level 2) and based on discounted cash flows determined in agreements. MOSPRIME rate was used as a discount factor and forward rates were based on comparable deals on active market at the valuation date. Management estimates that the related cash flows will occur through the period up to June 2014.

Financial instruments have not been accounted as hedging instruments

The derivative instruments listed below are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivative instruments are included in profit and loss for the reporting period.

a) Fuel options

In September and October 2012 and in September 2013, the Group entered into agreements with four Russian banks to hedge a portion of its fuel costs. Losses from decrease of fair value of these hedge instruments at 30 September 2013 amounted to USD 8.3 million and have been recognised in profit and loss of the period. One fuel option deal concluded in December 2010 was terminated in the beginning of 2013. Income recognised from this deal is insignificant.

(All amounts are presented in millions of US dollars, unless otherwise stated)

16. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Financial instruments have not been accounted as hedging instruments (continued)

a) Fuel options (continued)

The fair value of financial instruments has been determined using the Monte-Carlo valuation model with market observable parameters (level 3). The following basic data was used to estimate fair value:

- spot price of Brent oil based on comparable deals on active market at the valuation date;
- forecast for Brent oil price based on analysts expectations for the option's duration period;
- volatility based on comparable deals in historical period;
- MOSPRIME rate.

b) Currency options

In November and December 2012 and in August and September 2013, the Group entered into agreements with three Russian banks to hedge the risk of negative changes in the exchange rates. Change in fair value of the hedging instrument reflected in the profit and loss account amounted to a loss of USD 9.0 million.

The fair value of financial instruments has been determined using the Monte-Carlo and Black-Scholes models with market observable parameters (level 3). Following basic data was used for fair value determination:

- spot rate based on comparable deals on active market at the valuation date;
- forward foreign currency rates based on analysts expectations for the option's duration period;
- volatility based on comparable deals in historical period;
- USD LIBOR rate.

The gain on fuel and currency options occurred during the period ended 30 September 2013 amounted to USD 19.5 million and the loss amounted to USD 6.8 million.

Change in fair value of derivative instruments determined with market level 3 observable parameters:

	Nine-month period ended 30 September 2013
As at 1 January 2013	**33.7**
Change in fair value of financial instruments included in profit and loss (Note 9)	12.7
Acquisition of new financial instruments (Note 9)	4.6
Foreign currency translation for the period (Note 9)	(2.4)
As at 30 September 2013	**48.6**

17. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	30 September 2013	**31 December 2012**
Trade accounts payable	700.9	464.8
Staff related liabilities	170.6	182.6
VAT payable on leased aircraft	122.5	104.0
Other taxes payable	43.8	23.0
Income tax payable	34.6	18.1
Other liabilities related to frequent flyer programme (Note 18)	27.9	31.7
Advances received (other than unearned transportation revenue)	18.2	52.1
Customs duties payable on leased aircraft	7.0	10.3
Dividends payable	4.2	0.7
Other payables	60.4	101.8
	1,190.1	**989.1**

(All amounts are presented in millions of US dollars, unless otherwise stated)

17. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (CONTINUED)

As at 30 September 2013 accounts payable and accrued liabilities include the short-term portion of VAT of USD 122.5 million (31 December 2012: USD 104.0 million) and customs duties of USD 7.0 million (31 December 2012: USD 10.3 million) relating to imported aircraft under finance and operating leases, 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 have been included in other non-current liabilities (Note 22).

Staff related payables include salaries and social contribution liabilities of USD 107.4 million (31 December 2012: USD 86.1 million) and the unused vacation accrual of USD 26.3 million (31 December 2012: USD 55.4 million).

18. DEFERRED REVENUE RELATED TO FREQUENT FLYER PROGRAMME

Deferred revenue related to Aeroflot Bonus loyalty program as at 30 September 2013 and 31 December 2012 represents the number of points earned but not used by the Aeroflot Bonus programme members estimated at fair value.

	30 September 2013	31 December 2012
Non-current liabilities related to frequent flyer programme (Note 22)	81.7	93.0
Deferred revenue related to frequent flyer programme, non-current part	47.4	45.2
Current liabilities related to frequent flyer programme (Note 17)	27.9	31.7
Deferred revenue related to frequent flyer programme, current part	12.4	11.8
	169.4	**181.7**

19. FINANCE LEASE LIABILITIES

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

	30 September 2013	31 December 2012
Total outstanding payments	2,729.0	2,233.0
Finance charges	(465.0)	(351.3)
Principal outstanding	**2,264.0**	**1,881.7**
Representing:		
Current lease liabilities	268.1	246.3
Non-current lease liabilities	1,995.9	1,635.4
	2,264.0	**1,881.7**

	30 September 2013			31 December 2012		
Due for repayment:	Principal	Finance charges	Total payments	Principal	Finance charges	Total payments
On demand or within one year	268.1	83.5	351.6	246.3	65.4	311.7
In two to five years	906.5	247.4	1,153.9	771.8	191.7	963.5
After five years	1,089.4	134.1	1,223.5	863.6	94.2	957.8
	2,264.0	**465.0**	**2,729.0**	**1,881.7**	**351.3**	**2,233.0**

As at 30 September 2013 accrued interests in the amount of USD 7.7 million (31 December 2012: USD 3.6 million) have been included in accounts payable and accrued liabilities. During nine months of 2013 the effective interest rate on finance lease was approximately 4.1% per annum (9 months 2012: 4.0% per annum).

(All amounts are presented in millions of US dollars, unless otherwise stated)

20. SHORT-TERM LOANS AND BORROWINGS

	30 September 2013	31 December 2012
Loans denominated in US dollars:		
Citibank International PLC, short term portion (Note 21)	24.2	24.3
	24.2	**24.3**
Bonds denominated in Russian roubles:		
Bonds, short term portion (Note 21)	6.3	402.1
	6.3	**402.1**
Loans denominated in Russian roubles:		
Bank BFA, short term portion (Note 21)	62.7	-
Sberbank of the Russian Federation*, short term portion (Note 21)	23.3	23.5
Iturup Bank (i)	3.8	3.9
Bank Forshtadt	-	9.9
Other short term bank loans	-	1.0
	89.8	**38.3**
Loans denominated in other currencies:		
Eurasia Investment Promotion Co., short term portion (Note 21)	0.2	0.5
Sberbank of the Russian Federation* (ii)	0.1	0.8
	0.3	**1.3**
	120.6	**466.0**

* Government-related entities

(i) The balance as at 30 September 2013 represents loans of USD 3.8 million issued at 9.45% per annum. The loans are secured by property with a value of USD 1.6 million;

(ii) The balance as at 30 September 2013 represents a loan of USD 0.2 million issued at 9.6% per annum. The loan is secured by property with a carrying value of USD 4.9 million and land rent rights.

21. LONG-TERM LOANS AND BORROWINGS

	30 September 2013	31 December 2012
Loans denominated in US dollars:		
Citibank International PLC, long-term portion (i)	26.4	44.5
Accor	2.9	2.9
Other long-term loans	3.5	3.4
	32.8	**50.8**
Bonds denominated in Russian roubles		
Bonds, long-term portion (ii)	154.6	-
	154.6	**-**
Loans denominated in Russian roubles:		
AB Rossiya (iii)	46.4	49.4
Bank BFA, long-term portion (iv)	30.9	98.8
Sberbank of the Russian Federation*, long-term portion (v)	15.5	40.2
	92.8	**188.4**
Loans denominated in other currency:		
Eurasia Investment Promotion Co., long-term portion (vi)	0.2	0.8
	0.2	**0.8**
	280.4	**240.0**

* Government-related entities

(All amounts are presented in millions of US dollars, unless otherwise stated)

21. LONG-TERM LOANS AND BORROWINGS (CONTINUED)

(i) The balance as at 30 September 2013 represents a loan of USD 26.4 million issued at an interest rate of LIBOR plus 3.5% per annum. The Group uses this commercial loan facility for the purpose of partially funding its leasing agreements;

(ii) During the nine months of 2013 the Group repaid bonds with nominal value of RUB 12,000 million and issued new bonds with nominal value of RUB 5,000 million. The balance as at 30 September 2013 relating to these bonds amounted to USD 154.6 million borrowed at an interest rate of 8.3% per annum. Yield to maturity as at the end of the reporting period is 8.01%. The bonds are unsecured;

(iii) The balance as at 30 September 2013 represents a loan of USD 46.4 million issued at an interest rate of 10.6% per annum. The loan is unsecured;

(iv) The balance as at 30 September 2013 represents loans of USD 30.9 million issued at interest rates ranging from 11.9% to 12.4% per annum. The loans are secured by property with a carrying value of USD 17.7 million and land rent rights;

(v) The balance as at 30 September 2013 represents loans of USD 15.5 million issued at interest rates ranging from 10.0% to 13.75% per annum. The loans are secured by a property and land with a carrying value of USD 13.8 million;

(vi) The balance as at 30 September 2013 represents a loan of USD 0.2 million issued at an interest rate of 7.4% per annum. The loan is secured by a property with a carrying value of USD 0.1 million.

The borrowings are repayable as follows:

	30 September 2013	31 December 2012
On demand or within one year	116.7	451.2
In two to five years	280.4	233.7
After five years	-	6.3
	397.1	**691.2**
Less: amounts due for settlement within 12 months	(116.7)	(451.2)
Amounts due for settlement after 12 months	**280.4**	**240.0**

As at 30 September 2013 and 31 December 2012, the carrying value of short-term bank loans and loans with floating interest rates approximately represented their fair value.

Fair value of loans and borrowings with fixed interest rates, excluding bonds, was determined based on expected cash flows. As at 30 September 2013, the fair value of long-term loans with fixed interest rates exceeded their carrying value by about USD 5.1 million (as at 30 December 2012 by about USD 8.7 million).

22. OTHER NON-CURRENT LIABILITIES

	30 September 2013	31 December 2012
Non-current liabilities related to frequent flyer programme (Note 18)	81.7	93.0
VAT payable on leased aircraft	76.3	105.2
Defined benefit pension obligation – non-current portion	22.3	14.9
Custom duties payable on leased aircraft	3.1	8.4
Other non-current liabilities	2.6	9.4
	186.0	**230.9**

(All amounts are presented in millions of US dollars, unless otherwise stated)

22. OTHER NON-CURRENT LIABILITIES (CONTINUED)

As at 30 September 2013 other non-current liabilities included the long-term portion of VAT of USD 76.3 million (31 December 2012: USD 105.2 million) and customs duties of USD 3.1 million (31 December 2012: USD 8.4 million) relating to imported aircraft under finance and operating leases, 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 9.8% and 12.0% per annum. The short-term portion of the VAT payable and the customs duties as at 30 September 2013 have been included in the Group's accounts payable (Note 17).

23. SHARE CAPITAL

Ordinary shares with nominal value of one Russian rouble each:	**Number of shares authorised and issued**	**Number of treasury shares**	**Number of shares outstanding**
As at 31 December 2012	1,110,616,299	(62 814 444)	1 047 801 855
As at 30 September 2013	1,110,616,299	(55 242 729)	1 055 373 570

Ordinary shareholders are entitled to one vote per share.

During the nine months of 2013 the number of treasury shares held by the Group decreased by 7,571,715 shares due to execution of share option programme. The Company's shares are listed on the Moscow Exchange and on 30 September 2013 were traded at USD 1.68 per share. On 27 November 2013 shares were traded at USD 1.73 per share.

The Company launched a Level 1 Global Depositary Receipts (GDR's) programme in December 2000. On 30 September 2013 and 27 November 2013 the GDR's were trading at USD 159.17 and USD 165.09 each, respectively.

24. DIVIDENDS

At the annual shareholders' meeting OJSC Aeroflot held on 24 June 2013 the shareholders approved dividends in respect of 2012, in the amount of 1.1636 Russian roubles per share (3.7 US cents at the average exchange rate of the year 2012) totalling 1,292,375 thousand Russian roubles (USD 41.6 million at the average exchange rate of the year 2012).

25. OPERATING SEGMENTS

The Group has three 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;
- Catering – includes preparation of food and beverages for air travel;
- Hotels – includes operating a hotel.

(All amounts are presented in millions of US dollars, unless otherwise stated)

25. OPERATING SEGMENTS (CONTINUED)

There are also other operating segments. However, none of these segments meet any of the quantitative thresholds for determining reportable segments during the first nine months of 2013 and 2012. 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.

	Airline	Catering	Hotels	Other	Elimi-nations	Total Group
Nine-month period ended 30 September 2013						
External sales	6,983.1	22.5	13.6	13.5	-	7,032.7
Inter-segment sales	0.3	198.8	17.3	6.1	(222.5)	-
Total revenue	**6,983.4**	**221.3**	**30.9**	**19.6**	**(222.5)**	**7,032.7**
Operating profit/(loss)	820.6	26.4	6.5	2.4	(6.1)	849.8
Finance income						73.5
Finance costs						(230.9)
Share of result in associates						1.1
Profit before income tax						**693.5**
Income tax						(148.3)
Profit for the period						**545.2**

	Airline	Catering	Hotels	Other	Elimi-nations	Total Group
Nine-month period ended 30 September 2012						
External sales	5,849.6	29.4	16.8	124.9	-	6,020.7
Inter-segment sales	2.4	153.0	9.5	-	(164.9)	-
Total revenue	**5,852.0**	**182.4**	**26.3**	**124.9**	**(164.9)**	**6,020.7**
Operating profit/(loss)	391.0	29.3	5.4	6.5	(7.1)	425.1
Finance income						78.5
Finance costs						(93.5)
Share of income in associates						1.5
Profit before income tax						**411.6**
Income tax						(115.4)
Profit for the period						**296.2**

(All amounts are presented in millions of US dollars, unless otherwise stated)

25. OPERATING SEGMENTS (CONTINUED)

	Airline	Catering	Hotels	Other	Elimi-nations	Total Group
Three-month period ended 30 September 2013						
External sales	2,888.6	7.1	4.4	-	-	2,900.1
Inter-segment sales	-	78.5	6.4	1.4	(86.3)	-
Total revenue	**2,888.6**	**85.6**	**10.8**	**1.4**	**(86.3)**	**2,900.1**
Operating profit/(loss)	659.1	18.3	2.2	2.0	1.2	682.8
Finance income						28.5
Finance costs						(36.5)
Share of result in associates						0.7
Profit before income tax						**675.5**
Income tax						(131.8)
Profit for the period						**543.7**

	Airline	Catering	Hotels	Other	Elimi-nations	Total Group
Three-month period ended 30 September 2012						
External sales	2,337.7	15.2	6.6	46.6	-	2,406.1
Inter-segment sales	0.9	59.6	2.8	-	(63.3)	-
Total revenue	**2,338.6**	**74.8**	**9.4**	**46.6**	**(63.3)**	**2,406.1**
Operating profit/(loss)	306.1	15.6	2.3	6.2	(3.2)	327.0
Finance income						85.7
Finance costs						(35.6)
Share of income in associates						1.0
Profit before income tax						**378.1**
Income tax						(89.0)
Profit for the period						**289.1**

26. RISKS CONNECTED WITH FINANCIAL INSTRUMENTS

Since IAS 34 ‘*Interim Financial Reporting’* does not require explicitly the inclusion of information that would be presented in annual financial statements under IFRS 7 ‘*Financial Instruments: Disclosures’*, and the Group’s financial risk management objectives and policies have not been significantly changed since 31 December 2012, the Group decided to disclose selective items that are exposed to different types of risks in the condensed consolidated interim financial statements.

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’s 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.

(All amounts are presented in millions of US dollars, unless otherwise stated)

26. RISKS CONNECTED WITH FINANCIAL INSTRUMENTS (CONTINUED)

As at 30 September 2013 the Group had USD 689.3 million (31 December 2012: USD 959.6 million) available as credit lines granted to the Group by various banks.

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 period.

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.

Fair value of finance instruments disclosed at amortised cost. As at 30 September 2013 and 31 December 2012 fair value of the following financial assets and liabilities nearly equal to their balance value, as they are, basically, short-term:

- Cash and cash equivalents;
- Trade accounts receivable;
- Accounts payable, accrued liabilities and short-term loans.

Fair value of non-current loans with fixed interest rate and bonds is disclosed in Note 21.

27. RELATED PARTY TRANSACTIONS

The condensed consolidated interim financial statements of the Group include the following balances and transaction with related parties, in general represented by associated companies and companies under the control of Group's minority shareholders:

	30 September 2013	31 December 2012
Assets		
Cash and cash equivalents	1.4	0.2
Trade accounts receivable	0.7	0.4
	2.1	**0.6**
Liabilities		
Trade and other accounts payable	2.5	2.4
	2.5	**2.4**

(All amounts are presented in millions of US dollars, unless otherwise stated)

27. RELATED PARTY TRANSACTIONS (CONTINUED)

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2013	**2012**	**2013**	**2012**
Sales to associates	-	0.1	0.4	1.5
Purchases from associates	11.1	12.0	31.2	28.6

Purchases consists primarily of aviation security services provided by associated companies of the Group. The amounts outstanding between the Group and its related parties will be settled generally in cash.

Government-related entities

The Group operates in an economic regime where the entities directly or indirectly controlled by Government of Russian Federation through its government authorities, agencies, affiliations and other organizations, collectively referred to as government-related entities. The Group has transactions with other government-related entities including but not limited to sales, purchase of air navigation and airport services.

Information on main credits and loans obtained from the banks controlled by Russian government are disclosed in Notes 20, 21.

Liabilities on financial and operating leases are disclosed in Notes 19 and 28. The share of amount due to state-owned companies for financial leases is about 20%, for operating leases it accounts for about 12%.

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 salary and bonuses as well as mid-term compensations, for the first nine months of 2013 amounted to approximately USD 17.6 million (9 months 2012: USD 18.6 million).

These amounts are stated before personal income tax but exclude mandatory social taxes. According to Russian legislation, the Group makes contributions to the Russian State pension fund as part of mandatory social taxes for all its employees, including key management personnel.

During 2010, the Group initiated a share option programme for its key executives. The program will run for three years and will be exercised in three tranches granted over the three-year period from 1 January 2011 through to 31 December 2013. The vesting requirement of the share option programme is the continuous employment of participants during the vesting period. The fair value of services received in return for the share option granted is measured by reference to the fair value of the share option granted, which is determined using the Black-Scholes model. The following variables have been used in the model: the market share price at the grant date of USD 1.9, the expected volatility of 40% and a risk free interest rate of 5%. The outstanding amount at the end of the reporting period is USD 2.0 million (31 December 2012: USD 6.8 million).

Compensation to key management personnel is mostly short-term, except for future retirement benefits under defined pension plans. For key management personnel payments under the above pension plans are calculated based on general rules.

(All amounts are presented in millions of US dollars, unless otherwise stated)

28. COMMITMENTS UNDER OPERATING LEASES

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

	30 September 2013	31 December 2012
On demand or within one year	590.0	538.3
In two to five years	2,227.0	1,832.7
After five years	2,205.7	1,294.2
Total minimum payments	**5,022.7**	**3,665.2**

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.

29. CAPITAL COMMITMENTS

The Group's capital commitments in relation to the acquisition of property, plant and equipment and other services as at 30 September 2013 amounted to approximately USD 1,346.3 million (31 December 2012: USD 1,921.2 million). These commitments mainly relate to three (31 December 2012: five) Airbus A-321-200, twelve (31 December 2012: sixteen) Boeing B-777 which are expected to be used under finance lease agreements.

30. CONTINGENCIES

Political environment – The Government of the Russian Federation continues to reform the business and commercial infrastructure. 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 Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation. 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.

Business activity of the Group on provision of domestic or international passenger and cargo air transportation services is subject to seasonal fluctuations with peak on second and third quarters of the year.

Taxation **–** The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation.

30. CONTINGENCIES (CONTINUED)

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

The amended Russian transfer pricing legislation, which has been effective from 1 January 2012, is to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development. Management has prepared transfer pricing documentation to comply with the new legislation and believes that the pricing policies and implemented procedures are sufficient to be in compliance with the legislation.

Changes in tax laws or their application with respect to matters such as transfer pricing could significantly increase the Group's effective tax rate.

In 2012 – 2013 the tax authorities challenged the approach of some of the Group's subsidiaries on the application of VAT rules to one type of operations. The Group filed a claim against tax authorities and did not recognise this tax liability as at 30 September 2013. It is possible that such approach could be challenged by tax authorities for other Group companies. The impact of any such challenge cannot be reliably estimated by the management, however it may be significant.

Legal proceedings. During the reporting period, the Group was involved in a number of court proceedings (both as a plaintiff and a defendant) arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding which could have a material effect on the results of operations or the financial position of the Group.

As at 30 September 2013 the Group recognised provisions amounting to USD 25.3 million for the claim for payments to employees for flying at night and working in harmful conditions. These expenses were recognised within other operating expenses.

31. SUBSEQUENT EVENTS

In October 2013 the Group established LLC Dobrolet as a100% subsidiary of OJSC Aeroflot. LLC Dobrolet was established as low-cost airline.

During the period from October to November 2013 the Group received one Boeing B-737, one Airbus A-320 and one Airbus A-321 under operational lease agreements.