UTair Aviation Joint-Stock Company

Consolidated Financial Statements

as at and for the year ended 31 December 2009

Contents

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Independent Auditors' Report

Board of Directors of Utair Aviation Joint-Stock Company

We have audited the accompanying consolidated financial statements of Utair Aviation Joint-Stock Company (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and 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. Except as described in the second paragraph of the Basis for Qualified Opinion, 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.

Basis for Qualified Opinion

In 2009 the Group disposed off its investment in associate, Airport Surgut OJSC (refer note 18), which carried certain items of property, plant and equipment at cost. However, the Group's accounting policy requires certain items to be stated at revalued amounts. When applying the equity method of accounting, no adjustments were made to conform the associate's accounting policy to that of the Group as required by International Financial Reporting Standard IAS 28 *Investments in Associates,* either at date of disposal or as at 31 December 2008. The effect of this departure from International Financial Reporting Standards on investments in equity accounted investees, revaluation reserve, share of profit of equity accounted investees as at and for the year ended 31 December 2008 and on other finance costs for the year ended 31 December 2009 has not been determined.

It was impracticable to satisfy ourselves as to whether the Group has an ultimate controlling party. Accordingly, we were unable to determine whether the disclosure of balances with related parties as at 31 December 2009 and 31 December 2008 and transactions with related parties for the years then ended, which are required to be disclosed by International Financial Reporting Standard IAS 24 *Related Party Disclosures,* are complete.

Qualified Opinion

In our opinion, except for the effects of the matters described in the first paragraph of the Basis of Qualified Opinion, and except for the omission of such disclosure, if any, that might have been determined to be necessary had it been practicable to obtain sufficient appropriate audit evidence as described in the second paragraph of the Basis of Qualified 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 further qualifying our opinion, we draw attention to Note 6 to these consolidated financial statements describing the adjustments the Group has made to the corresponding information for 2008. We have audited those adjustments described in Note 6. In our opinion, such adjustments are appropriate and have been properly applied.

Also without further qualifying our opinion, we draw attention to the fact that the USD* amounts in the accompanying consolidated financial statements, which are presented solely for the convenience of users as described in note 2 (d), do not form part of the consolidated financial statements.

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15 September 2010

	Note	'000 RUR	'000 RUR As restated	'000 RUR As restated	'000 USD*	'000 USD* As restated	'000 USD* As restated
ASSETS							
Non-current assets							
Property, plant and equipment	15	21,267,188	20,176,450	9,790,592	703,182	667,118	323,718
Advances for property, plant and equipment		362,953	354,937	417,415	12,001	11,736	13,801
Goodwill	16	106,849	106,764	-	3,533	3,530	-
Other intangible assets	16	350,341	333,808	9,784	11,584	11,036	324
Investments in equity accounted investees	18	199,488	424,754	143,627	6,596	14,044	4,749
Other investments	19	16,455	14,267	4,768	544	472	158
Loans issued	20	59,370	52,885	-	1,963	1,749	-
Net investments in leases	17	39,770	111,107	75,464	1,315	3,673	2,495
Advances issued other than those issued for property, plant and equipment	21	25,760	3,460,724	1,004,579	852	114,426	33,215
Accounts receivable		1,671	249,067	203,320	56	8,235	6,723
Deferred tax assets	22	68,986	44,808	-	2,280	1,482	-
Total non-current assets		**22,498,831**	**25,329,571**	**11,649,549**	**743,906**	**837,501**	**385,183**
Current assets							
Inventories	23	1,783,985	2,062,858	1,318,266	58,986	68,207	43,587
Trade and other receivables	24	5,741,462	3,879,585	1,968,326	189,837	128,275	65,081
Advances issued other than those issued for property, plant and equipment	21	2,710,879	2,401,355	843,574	89,633	79,399	27,892
Current income tax		288,879	99,325	277,679	9,552	3,284	9,182
Net investments in leases	17	91,028	184,392	122,536	3,010	6,097	4,051
Loans issued	20	794,654	742,090	963,593	26,275	24,537	31,860
Other investments	19	404,983	32,041	59,949	13,390	1,059	1,982
Security deposits	25	6,450,010	-	-	213,264	-	-
Cash and cash equivalents	26	514,586	338,872	236,809	17,014	11,205	7,830
Non-current assets held for sale	8	758,759	452,403	-	25,088	14,958	-
Total current assets		**19,539,225**	**10,192,921**	**5,790,732**	**646,049**	**337,021**	**191,465**
Total assets		**42,038,056**	**35,522,492**	**17,440,281**	**1,389,955**	**1,174,522**	**576,648**

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 18 to 89.

* *The USD equivalent figures are provided for information purposes only and do not form part of the audited financial statements – refer to note 2(d).*

	Note	2009 '000 RUR	2008 '000 RUR As restated	2007 '000 RUR As restated	2009 '000 USD*	2008 '000 USD* As restated	2007 '000 USD* As restated
EQUITY AND LIABILITIES							
Equity							
Share capital	27	3,101,456	3,101,456	3,101,456	102,547	102,547	102,547
Treasury shares		(173,244)	(173,244)	(21,116)	(5,728)	(5,728)	(698)
Surplus from reissuance of treasury shares		13,010	13,010	13,010	430	430	430
Foreign currency translation reserve		117,911	120,050	-	3,899	3,969	-
Revaluation reserve		8,133,733	8,449,185	2,210,544	268,935	279,365	73,090
Retained earnings		(5,313,407)	(5,591,349)	(1,705,357)	(175,683)	(184,873)	(56,386)
Total equity attributable to equity holders of the Company		**5,879,459**	**5,919,108**	**3,598,537**	**194,400**	**195,710**	**118,983**
Non-controlling interest		511,949	489,014	53,333	16,927	16,169	1,763
Total equity		**6,391,408**	**6,408,122**	**3,651,870**	**211,327**	**211,879**	**120,746**
Non-current liabilities							
Loans and borrowings	29	12,548,873	6,270,281	4,833,589	414,918	207,322	159,819
Derivatives	30	98,088	140,249	-	3,244	4,637	-
Trade and other payables	32	117,134	88,596	39,392	3,873	2,929	1,302
Deferred income	34	895,201	612,239	447,250	29,599	20,243	14,788
Employee benefits	31	165,296	127,818	144,092	5,465	4,226	4,764
Deferred tax liabilities	22	1,867,313	1,753,861	662,892	61,741	57,990	21,918
Total non-current liabilities		**15,691,905**	**8,993,044**	**6,127,215**	**518,840**	**297,347**	**202,591**
Current liabilities							
Loans and borrowings	29	13,584,686	15,402,600	4,309,601	449,167	509,275	142,493
Derivatives	30	93,720	96,284	-	3,099	3,184	-
Trade and other payables	32	4,831,012	3,284,045	2,115,750	159,734	108,584	69,956
Deferred income	34	298,400	230,839	180,471	9,866	7,633	5,967
Income tax liabilities		2,659	26,034	-	88	861	-
Taxes payable	35	244,527	536,424	521,083	8,085	17,736	17,229
Advances received	33	886,523	539,720	534,291	29,312	17,845	17,666
Employee benefits	31	13,216	5,380	-	437	178	-
Total current liabilities		**19,954,743**	**20,121,326**	**7,661,196**	**659,788**	**665,296**	**253,311**
Total liabilities		**35,646,648**	**29,114,370**	**13,788,411**	**1,178,628**	**962,643**	**455,902**
Total equity and liabilities		**42,038,056**	**35,522,492**	**17,440,281**	**1,389,955**	**1,174,522**	**576,648**

These consolidated financial statements were approved by management on 15 September 2010 and were signed on its behalf by:

General Director	Chief Accountant
A.Z. Martirosov	O.V. Grabarovskaya

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 18 to 89.

* *The USD equivalent figures are provided for information purposes only and do not form part of the audited financial statements – refer to note 2(d).*

	Note	2009 '000 RUR	2008 '000 RUR As restated	2009 '000 USD*	2008 '000 USD* As restated
Passenger traffic and helicopter services revenue	9	32,510,965	29,816,540	1,074,949	985,860
Other revenue	9	991,960	1,289,236	32,798	42,627
		33,502,925	**31,105,776**	**1,107,747**	**1,028,487**
Operating expenses					
Direct operating expenses	10	(18,362,786)	(20,446,914)	(607,151)	(676,061)
Personnel expenses	11	(6,169,859)	(5,206,960)	(204,002)	(172,164)
Depreciation and amortisation		(2,213,217)	(1,507,190)	(73,178)	(49,834)
Repair expenses		(2,115,555)	(1,248,900)	(69,949)	(41,292)
Commissions		(1,046,749)	(916,131)	(34,610)	(30,291)
Impairment loss	15	-	(1,195,755)	-	(39,537)
Gain on sales of non-current assets held for sale		380,738	32,030	12,589	1,059
Other operating income		98,685	147,729	3,263	4,884
Other operating expenses	12	(2,206,289)	(1,759,748)	(72,949)	(58,185)
		(31,635,032)	**(32,101,839)**	**(1,045,987)**	**(1,061,421)**
Results from operating activities		**1,867,893**	**(996,063)**	**61,760**	**(32,934)**
Net foreign exchange gain / (loss)		667,531	(1,684,000)	22,072	(55,680)
Impairment for doubtful debts	21,24	100,844	(42,746)	3,334	(1,413)
Share of profit of equity accounted investees (net of income tax)		(55,507)	86,583	(1,836)	2,863
Other finance income	13	450,726	129,224	14,903	4,272
Other finance costs	13	(2,843,701)	(1,860,799)	(94,024)	(61,527)
Profit/(loss) before income tax		**187,786**	**(4,367,801)**	**6,209**	**(144,419)**
Income tax (expense)/benefit	14	(97,586)	444,188	(3,227)	14,687
Profit/(loss) for the year		**90,200**	**(3,923,613)**	**2,982**	**(129,732)**
Other comprehensive income					
Foreign currency translation differences		4,371	151,386	145	5,005
Revaluation of property, plant and equipment		-	8,128,558	-	268,764
Revaluation of property, plant and equipment of equity accounted investee		-	34,592	-	1,144
Realisation of property, plant and equipment revaluation reserve		(65,578)	-	(2,169)	-
Income tax on other comprehensive income		13,112	(1,508,062)	434	(49,863)
Other comprehensive income for the year, net of income tax		**(48,095)**	**6,806,474**	**(1,590)**	**225,050**
Total comprehensive income for the year		**42,105**	**2,882,861**	**1,392**	**95,318**

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 18 to 89.

** The USD equivalent figures are provided for information purposes only and do not form part of the audited financial statements – refer to note 2(d).*

	Note	2009 '000 RUR	2008 '000 RUR As restated	2009 '000 USD*	2008 '000 USD* As restated
Profit/(loss) attributable to:					
Owners of the Company		38,044	(4,011,329)	1,258	(132,632)
Non-controlling interest		52,156	87,716	1,724	2,900
Profit/(loss) for the year		**90,200**	**(3,923,613)**	**2,982**	**(129,732)**
Total comprehensive income attributable to:					
Owners of the Company		(16,561)	2,604,302	(547)	86,108
Non-controlling interest		58,666	278,559	1,939	9,210
Total comprehensive income for the year		**42,105**	**2,882,861**	**1,392**	**95,318**
Earnings per share					
Basic and diluted earnings / (loss) per share	28	RUR 0.07	RUR (7.16)	USD* 0.002	USD* (0.24)

These consolidated financial statements were approved by management on 15 September 2010 and were signed on its behalf by:

General Director

A.Z. Martirosov

Chief Accountant

O.V. Grabarovskaya

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 18 to 89.

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'000 RUR

	Attributable to equity holders of the Company								
	Share capital	**Treasury shares**	**Reserve for own shares**	**Foreign currency translation reserve**	**Property, plant and equipment revaluation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2008, as previously reported	3,101,456	(21,116)	13,010	-	3,064,367	(1,929,603)	4,228,114	84,619	4,312,733
Adjustments	-	-	-	-	(853,823)	224,246	(629,577)	(31,286)	(660,863)
Balance at 1 January 2008 (restated)	3,101,456	(21,116)	13,010	-	2,210,544	(1,705,357)	3,598,537	53,333	3,651,870
Total comprehensive income for the year									
Loss for the year as previously stated	-	-	-	-	-	(2,528,596)	(2,528,596)	92,018	(2,436,578)
Adjustments	-	-	-	-	-	(1,482,733)	(1,482,733)	(4,302)	(1,487,035)
Loss for the year as restated	-	-	-	-	-	(4,011,329)	(4,011,329)	87,716	(3,923,613)
Other comprehensive income									
Foreign currency translation differences as previously stated	-	-	-	(141,119)	-	-	(141,119)	(13,005)	(154,124)
Adjustments	-	-	-	261,169	-	-	261,169	44,341	305,510
Foreign currency translation differences as restated	-	-	-	120,050	-	-	120,050	31,336	151,386
Revaluation of property, plant and equipment as previously stated	-	-	-	-	8,798,103	-	8,798,103	159,507	8,957,610
Adjustments	-	-	-	-	(829,052)	-	(829,052)	-	(829,052)
Revaluation of property, plant and equipment as restated	-	-	-	-	7,969,051	-	7,969,051	159,507	8,128,558
Revaluation of property, plant and equipment of equity accounted investees as previously stated	-	-	-	-	-	-	-	-	-
Adjustments	-	-	-	-	34,592	-	34,592	-	34,592
Revaluation of property, plant and equipment of equity accounted investees as restated	-	-	-	-	34,592	-	34,592	-	34,592
Realisation of property, plant and equipment revaluation reserve	-	-	-	-	(256,940)	256,940	-	-	-
Income tax on other comprehensive income as previously stated	-	-	-	-	(1,668,635)	-	(1,668,635)	-	(1,668,635)
Adjustments	-	-	-	-	160,573	-	160,573	-	160,573
Income tax on other comprehensive income as restated	-	-	-	-	(1,508,062)	-	(1,508,062)	-	(1,508,062)
Total other comprehensive income as previously stated	-	-	-	(141,119)	6,872,528	256,940	6,988,349	146,502	7,134,851
Adjustments	-	-	-	261,169	(633,887)	-	(372,718)	44,341	(328,377)
Total other comprehensive income as restated	-	-	-	120,050	6,238,641	256,940	6,615,631	190,843	6,806,474

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 18 to 89.

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'000 RUR	Attributable to equity holders of the Company								
	Share capital	Treasury shares	Reserve for own shares	Foreign currency translation reserve	Property, plant and equipment revaluation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Total comprehensive income for the year as previously stated	-	-	-	(141,119)	6,872,528	(2,271,656)	4,459,753	238,520	4,698,273
Adjustments	-	-	-	261,169	(633,887)	(1,482,733)	(1,855,451)	40,039	(1,815,412)
Total comprehensive income for the year as restated	-	-	-	120,050	6,238,641	(3,754,389)	2,604,302	278,559	2,882,861
Transactions with equity holders, recorded directly in equity									
Contributions by and distributions to owners									
Dividends to equity holders of the Company	-	-	-	-	-	(131,603)	(131,603)	-	(131,603)
Dividends to non-controlling interest	-	-	-	-	-	-	-	(2,984)	(2,984)
Own shares acquired	-	(152,128)	-	-	-	-	(152,128)	-	(152,128)
Total contributions by and distributions to owners	-	(152,128)	-	-	-	(131,603)	(283,731)	(2,984)	(286,715)
Changes in ownership interests in subsidiaries									
Acquisition of minority interest as previously stated	-	-	-	-	-	-	-	25,847	25,847
Adjustments	-	-	-	-	-	-	-	134,259	134,259
Acquisition of minority interest as restated	-	-	-	-	-	-	-	160,106	160,106
Total transactions with equity holders as previously stated	-	(152,128)	-	-	-	(131,603)	(283,731)	22,863	(260,868)
Adjustments	-	-	-	-	-	-	-	134,259	134,259
Total transactions with equity holders as restated	-	(152,128)	-	-	-	(131,603)	(283,731)	157,122	(126,609)
Balance at 31 December 2008 as previously stated	3,101,456	(173,244)	13,010	(141,119)	9,936,895	(4,332,862)	8,404,136	346,002	8,750,138
Adjustments	-	-	-	261,169	(1,487,710)	(1,258,487)	(2,485,028)	143,012	(2,342,016)
Balance at 31 December 2008 as restated	3,101,456	(173,244)	13,010	120,050	8,449,185	(5,591,349)	5,919,108	489,014	6,408,122

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 18 to 89.

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'000 RUR	Attributable to equity holders of the Company								
	Share capital	**Treasury shares**	**Reserve for own shares**	**Translation reserve**	**Property, plant and equipment revaluation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2009	3,101,456	(173,244)	13,010	120,050	8,449,185	(5,591,349)	5,919,108	489,014	6,408,122
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	38,044	38,044	52,156	90,200
Other comprehensive income									
Foreign currency translation differences	-	-	-	(2,139)	-	-	(2,139)	6,510	4,371
Realisation of property, plant and equipment revaluation reserve	-	-	-	-	(384,422)	318,844	(65,578)	-	(65,578)
Income tax on other comprehensive income	-	-	-	-	68,970	(55,858)	13,112	-	13,112
Total other comprehensive income	-	-	-	(2,139)	(315,452)	262,986	(54,605)	6,510	(48,095)
Total comprehensive income for the year	-	-	-	(2,139)	(315,452)	301,030	(16,561)	58,666	42,105
Transactions with shareholders, recorded directly in equity									
Contributions by and distributions to owners									
Dividends to equity holders	-	-	-	-	-	(23,088)	(23,088)	-	(23,088)
Total contributions by and distributions to owners	-	-	-	-	-	(23,088)	(23,088)	-	(23,088)
Changes in ownership interests in subsidiaries									
Disposal of subsidiary	-	-	-	-	-	-	-	(35,731)	(35,731)
Total transactions with owners	-	-	-	-	-	(23,088)	(23,088)	(35,731)	(58,819)
Balance at 31 December 2009	3,101,456	(173,244)	13,010	117,911	8,133,733	(5,313,407)	5,879,459	511,949	6,391,408

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 18 to 89.

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'000 USD*	Share capital	Treasury shares	Reserve for own shares	Translation reserve	Property, plant and equipment revaluation reserve	Retained earnings	Total	Non-controlling interest	Total equity
	Attributable to equity holders of the Company								
Balance at 1 January 2008, as previously reported	102,547	(698)	430	-	101,321	(63,801)	139,799	2,798	142,597
Adjustments	-	-	-	-	(28,231)	7,415	(20,816)	(1,035)	(21,851)
Balance at 1 January 2008 (restated)	120,547	(698)	430	-	73,090	(56,386)	118,983	1,763	120,746
Total comprehensive income for the year									
Loss for the year as previously stated	-	-	-	-	-	(83,607)	(83,607)	3,043	(80,564)
Adjustments	-	-	-	-	-	(49,025)	(49,025)	(143)	(49,168)
Loss for the year as restated	-	-	-	-	-	(132,632)	(132,632)	2,900	(129,732)
Other comprehensive income									
Foreign currency translation differences as previously stated	-	-	-	(4,666)	-	-	(4,666)	(430)	(5,096)
Adjustments	-	-	-	8,635	-	-	8,635	1,466	10,101
Foreign currency translation differences as restated	-	-	-	3,969	-	-	3,969	1,036	5,005
Revaluation of property, plant and equipment as previously stated	-	-	-	-	290,902	-	290,902	5,274	296,176
Adjustments	-	-	-	-	(27,412)	-	(27,412)	-	(27,412)
Revaluation of property, plant and equipment as restated	-	-	-	-	263,490	-	263,490	5,274	268,764
Revaluation of property, plant and equipment of equity accounted investees as previously stated	-	-	-	-	-	-	-	-	-
Adjustments	-	-	-	-	1,144	-	1,144	-	1,144
Revaluation of property, plant and equipment of equity accounted investees as restated	-	-	-	-	1,144	-	1,144	-	1,144
Realisation of property, plant and equipment revaluation reserve	-	-	-	-	(8,496)	8,496	-	-	-
Income tax on other comprehensive income as previously stated	-	-	-	-	(55 172)	-	(55 172)	-	(55 172)
Adjustments	-	-	-	-	5 309	-	5 309	-	5 309
Income tax on other comprehensive income as restated	-	-	-	-	(49 863)	-	(49 863)	-	(49 863)
Total other comprehensive income as previously stated	-	-	-	(4,666)	227,234	8,496	231,064	4,844	235,908
Adjustments	-	-	-	8,635	(20,959)	-	(12,324)	1,466	(10,858)
Total other comprehensive income as restated	-	-	-	3,969	206,275	8,496	218,740	6,310	225,050

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 18 to 89.

* *The USD equivalent figures are provided for information purposes only and do not form part of the audited financial statements – refer to note2(d).*

'000 USD*	Attributable to equity holders of the Company								
	Share capital	Treasury shares	Reserve for own shares	Translation reserve	Property, plant and equipment revaluation reserve	Retained earnings	Total	Non-controlling interest	Total equity
Total comprehensive income for the year as previously stated	-	-	-	(4,666)	227,234	(75,111)	147,457	7,887	155,344
Adjustments	-	-	-	8,635	(20,959)	(49,025)	(61,349)	1,323	(60,026)
Total comprehensive income for the year as restated	-	-	-	3,969	206,275	(124,136)	86,108	9,210	95,318
Transactions with equity holders, recorded directly in equity									
Contributions by and distributions to equity holders									
Dividends to equity holders of the Company	-	-	-	-	-	(4,351)	(4,351)	-	(4,351)
Dividends to non-controlling interest	-	-	-	-	-	-	-	(98)	(98)
Own shares acquired	-	(5,030)	-	-	-	-	(5,030)	-	(5,030)
Total contributions by and distributions to owners	-	(5,030)	-	-	-	(4,351)	(9,381)	(98)	(9,479)
Changes in ownership interests in subsidiaries that do not result in a loss of control									
Acquisition of subsidiary as previously stated	-	-	-	-	-	-	-	855	855
Adjustments	-	-	-	-	-	-	-	4,439	4,439
Acquisition of subsidiary as restated	-	-	-	-	-	-	-	5,294	5,294
Total transactions with owners as previously stated	-	(5,030)	-	-	-	(4,351)	(9,381)	757	(8,624)
Adjustments	-	-	-	-	-	-	-	4,439	4,439
Total transactions with owners as restated	-	(5,030)	-	-	-	(4,351)	(9,381)	5,196	(4,185)
Balance at 31 December 2008 as previously stated	102,547	(5,728)	430	(4,666)	328,555	(143,263)	277,875	11,442	289,317
Adjustments	-	-	-	8,635	(49,190)	(41,610)	(82,165)	4,727	(77,438)
Balance at 31 December 2008 as restated	102,547	(5,728)	430	3,969	279,365	(184,873)	195,710	16,169	211,879

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 18 to 89.

* *The USD equivalent figures are provided for information purposes only and do not form part of the audited financial statements – refer to note2(d).*

'000 USD*	Attributable to equity holders of the Company								
	Share capital	**Treasury shares**	**Reserve for own shares**	**Translation reserve**	**Property, plant and equipment revaluation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January 2009	102,547	(5,728)	430	3,969	279,365	(184,873)	195,710	16,169	211,879
Total comprehensive income for the year									
Profit for the year	-	-	-	-	-	1,258	1,258	1,724	2,982
Other comprehensive income									
Foreign currency translation differences	-	-	-	(70)	-	-	(70)	215	145
Realisation of property, plant and equipment revaluation reserve	-	-	-	-	(12,711)	10,542	(2,169)	-	(2,169)
Income tax on other comprehensive income	-	-	-	-	2,281	(1,847)	434	-	434
Total other comprehensive income	-	-	-	(70)	(10,430)	8,695	(1,805)	215	(1,590)
Total comprehensive income for the year	-	-	-	(70)	(10,430)	9,953	(547)	1,939	1,392
Transactions with owners, recorded directly in equity									
Contributions by and distributions to shareholders									
Dividends to equity holders	-	-	-	-	-	(763)	(763)	-	(763)
Total contributions by and distributions to shareholders	-	-	-	-	-	(763)	(763)	-	(763)
Changes in ownership interests in subsidiaries									
Disposal of subsidiary	-	-	-	-	-	-	-	(1,181)	(1,181)
Total transactions with shareholders	-	-	-	-	-	(763)	(763)	(1,181)	(1,944)
Balance at 31 December 2009	102,547	(5,728)	430	3,899	268,935	(175,683)	194,400	16,927	211,327

These consolidated financial statements were approved by management on 15 September 2010 and were signed on its behalf by:

General Director
A.Z. Martirosov

Chief Accountant
O.V. Grabarovskaya

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 18 to 89.

* *The USD equivalent figures are provided for information purposes only and do not form part of the audited financial statements – refer to note2(d).*

	2009 '000 RUR	2008 '000 RUR As restated	2009 '000 USD*	2008 '000 USD* As restated
Cash flows from operating activities				
Profit/(loss) before income tax	187,786	(4,367,801)	6,209	(144,419)
Adjustments for:				
Depreciation and amortisation	2,213,217	1,507,190	73,178	49,834
Loss on revaluation of property, plant and equipment	-	1,195,755	-	39,537
Loss on disposal of property, plant and equipment	127,768	176,506	4,225	5,836
Finance costs, net	2,347,638	1,687,738	77,623	55,805
Unrealised foreign exchange differences	(974,859)	1,689,674	(32,234)	55,867
Cash from operating activities before changes in working capital and provisions	**3,901,550**	**1,889,062**	**129,001**	**62,460**
Decrease / (increase) in inventories	278,873	(789,492)	9,221	(26,104)
Increase in trade and other receivables	(682,165)	(1,614,379)	(22,555)	(53,378)
Increase in prepayments	(253,519)	(4,013,926)	(8,382)	(132,717)
Increase in trade and other payables	1,438,394	910,718	47,559	30,112
Increase/(decrease) in payables to personnel	50,694	(10,894)	1,676	(360)
Increase in advances received and deferred income	697,326	220,786	23,057	7,300
(Decrease) / increase in taxes payable	(317,931)	41,561	(10,512)	1,374
Acquisition of non-current assets held for resale	(305,138)	(594,806)	(10,089)	(19,667)
Cash flows from/(used in) operations before income taxes and interest paid	**4,808,084**	**(3,961,370)**	**158,976**	**(130,980)**
Income tax paid	(171,949)	(16,791)	(5,686)	(555)
Interest paid	(2,692,798)	(1,539,213)	(89,035)	(50,892)
Net cash from/(used in) operating activities	**1,943,337**	**(5,517,374)**	**64,255**	**(182,427)**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 18 to 89.

* *The USD equivalent figures are provided for information purposes only and do not form part of the audited financial statements – refer to note 2(d).*

	2009 '000 RUR	2008 '000 RUR As restated	2009 '000 USD*	2008 '000 USD* As restated
Cash flows from investing activities				
Acquisition of property, plant and equipment	(3,231,424)	(2,965,068)	(106,844)	(98,038)
Proceeds from sale of property, plant and equipment	250,536	-	8,283	-
Decrease in net investments in leases	-	64,645	-	2,137
Acquisition of intangible assets	(39,563)	-	(1,308)	-
Dividends received	-	3,774	-	125
Interest received	37,988	-	1,256	-
Acquisition of other investments	(6,315,147)	(241)	(208,805)	(8)
Proceeds from sales of investments	5,475,563	35,000	181,045	1,157
Short-term loans provided to third parties	(69,578)	(90,466)	(2,301)	(2,991)
Short-term loans repaid by third parties	10,130	325,793	335	10,772
Deposits	(1,894,000)	-	(62,624)	-
Acquisition of share in equity accounted investees	-	(163,727)	-	(5,414)
Acquisition of subsidiaries	-	(333,059)	-	(11,012)
Net cash used in investing activities	**(5,775,495)**	**(3,123,349)**	**(190,963)**	**(103,272)**
Cash flows from financing activities				
Proceeds from borrowings	46,720,533	22,523,473	1,544,776	744,720
Repayment of borrowings	(42,569,812)	(13,394,097)	(1,407,537)	(442,864)
Dividends paid equity holders of the Company	(23,088)	(79,721)	(763)	(2,636)
Dividends paid to non-controlling holders	(8,002)	(2,984)	(264)	(98)
Repayment of liability under finance lease agreements	(111,759)	(151,757)	(3,695)	(5,018)
Acquisition of treasury shares	-	(152,128)	-	(5,030)
Net cash from financing activities	**4,007,872**	**8,742,786**	**132, 517**	**289,074**
Net increase in cash and cash equivalents	**175,714**	**102,063**	**5,809**	**3,375**
Cash and cash equivalents at 1 January	338,872	236,809	11,205	7,830
Cash and cash equivalents at 31 December	**514,586**	**338,872**	**17,014**	**11,205**

These consolidated financial statements were approved by management on 15 September 2010 and were signed on its behalf by:

General Director

A.Z. Martirosov

Chief Accountant

O.V. Grabarovskaya

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 18 to 89.

** The USD equivalent figures are provided for information purposes only and do not form part of the audited financial statements – refer to note 2(d).*

1 Background

(a) Business environment

Russian 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 contraction in the capital and credit markets and its impact on the Russian economy have further increased the level of economic uncertainty in the environment. These 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.

(b) Organisation and operations

The core businesses of UTair Aviation Joint-Stock Company (the "Company" or "UTair") and its subsidiaries (collectively referred to as the "Group") are passenger and cargo transportation using airplanes and helicopters, helicopter servicies as well as aviation services. The Group operates more than 300 machines. Cargo and passenger aircraft transportation is performed in Russia, CIS and non-CIS countries. The main customers of helicopter services of the Group are mainly Russian oil and gas companies, and the United Nations Organisation (UN) outside of Russia. The main aviation services are: catering, airport services, aircraft repairs and maintenance services, provision of passenger and cargo air transportation and aeronautical personnel training.

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

As at 31 December 2009 and 2008, the Company's ordinary shares were owned by:

Name	2009 % share	2008 % share
La Manche LLC (Russia)	19.99%	19.99%
Triseltco LLC (Russia)	19.84%	19.84%
Polint LLC (Russia)	18.80%	18.80%
Krajel LLC (Russia)	17.00%	17.00%
Individuals	14.20%	14.05%
Other legal entities	6.15%	6.30%
Treasury shares	4.018%	4.018%

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

Entity	Activity	2009 % share	2008 % share
Tsentr realizatsii perevozok i uslug LLC	Ticket sales agency	100.00%	100.00%
UTair-Leasing LLC	Leasing company	100.00%	100.00%
NP Tsentr podgotovki personala	Staff training and assessment	100.00%	100.00%
UTair-Cargo CJSC	Freight service	100.00%	100.00%

Entity	**Activity**	**2009 % share**	**2008 % share**
Tumenaviatekhsnab LLC	Delivery of property, plant, equipment and materials	100.00%	100.00%
ChOP Tsentr aviatsionnoy bezopasnosti LLC	Aircraft security service	100.00%	100.00%
UTair-Finance LLC	Finance services	100.00%	100.00%
UTair-Technique LLC	Repair of aircrafts fleet	100.00%	100.00%
UTair-Ufa LLC	Regional office of Utair	100.00%	100.00%
UTair-Samara LLC	Regional office of Utair	100.00%	100.00%
Tobolskavia LLC	Airport service	100.00%	100.00%
UTair-Express LLC	Air transportation	100.00%	100.00%
Tsentr ekonomicheskikh preobrazovaniy LLC	Investing activities	100.00%	100.00%
UTair-Development LLC	Finance agency, sale/buying of real estate	100.00%	100.00%
UTair South Africa (Pty) Ltd.	Aviation services and maintenance service of fleet of aircraft	100.00%	100.00%
UTair Sierra Leone Limited	Aviation services and maintenance service of fleet of aircraft	100.00%	100.00%
UT Project Services Ltd. (India)	Regional office of Utair, agency services	100.00%	100.00%
West Sib-Capital Limited (Cyprus)	Investing services	100.00%	100.00%
UTair-Irkutsk LLC	Regional office of Utair	100.00%	100.00%
Kirensk-Avia LLC	Airport service	100.00%	100.00%
Ukraine UTair Aviation Company LLC	Air transportations	100.00%	-
Tyumensky nauchno-proizvodstvenniy tsentr aviatsii obschego naznachenia LLC	Research and development	100.00%	100.00%
UTair India Private Limited (India)	Air transportations	100.00%	-
NP Tyumenskoe letno-tekhnicheskoe uchilische grazhdanskoy aviatsii LLC	Training center	100.00%	-
Airport Ust-Kut OJSC	Airport service	85.57%	85.57%
UTair - Engineering OJSC	Repair and service of aircraft fleet	82.17%	82.17%
Aviation del Sur S.A. (Peru)	Aviation services	70.00%	70.00%
Zapadno-sibirskoe agentstvo vozdushnykh soobscheniy LLC	Tickets sales	51.00%	51.00%
UKair LLC	Administrative services	50.00%	50.00%
UTG CJSC	Ground maintenance services	50.00%	50.00%
Ukrainskaya handlingjvaya kompaniya (Ukraine)	Trade in fuel, the organisation of transportation of cargoes	50.00%	50.00%
UTair-Europe s.r.o. (Slovakia)	Aviation services	20.00%	20.00%
UTair Africa (Pty) Ltd.	Aviation services	100.00%	100.00%
HeliExpress LLC	Air transportations, agent services	50.00%	-
UTair-Murmansk LLC	Air transportations, passenger aviation services, agent services, tickets sales	100.00%	-
Utravel LLC	Travel agency services	100.00%	-
Utstar LLC	Advertisement services	99.00%	-

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

2 Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

(b) Basis of measurement

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

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

(c) Functional and presentation currency

The national currency of the Russian Federation is the Russian Rouble ("RUR"), which is the Company's functional currency and the currency in which these consolidated financial statements are presented. All financial information presented in RUR has been rounded to the nearest thousand.

(d) Convenience translation

In addition to presenting the consolidated financial statements in RUR, supplementary information in USD has been presented for the convenience of users of the consolidated financial statements.

All amounts in the consolidated financial statements, including comparatives, are translated from RUR to USD at the closing exchange rate at 31 December 2009 of RUR 30.2442 to USD 1.

(e) Use of estimates and judgments

(i) Judgments

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

The Group determined that the substance of the relationship between the Group and UTG CJSC, with a 50% share belonging to the Group, indicates that UTG CJSC is controlled by the Group. As a result, this entity has been included into the Group's consolidated financial statements as at 31 December 2009 and 2008, because this is a special purpose entity.

In 2007 the Group reduced its share in the Ukrainskaya hendlingovaya kompania (Ukraine) from 100% to 50% due to the specifics of the local legislation. Nevertheless, the Group determined that the substance of the relationship between the Group and Ukrainskaya hendlingovaya kompania indicates that this entity remains under control of the Group. As a result, the entity has been included into the Group's consolidated financial statements as at 31 December 2009 and 2008, because this is special purpose entity.

Group determined that the substance of the relationship between the Group and UTair Europe s.r.o. (Slovakia), with a 20% share belonging to the Group, indicates that UTair Europe s.r.o. (Slovakia) is controlled by the Group. As a result, this entity has been included into the Group's consolidated financial statements as at 31 December 2009 and 2008, because this is a special purpose entity.

(ii) Estimation uncertainty

The preparation of the consolidated financial statements in conformity with IFRSs requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

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

Useful life of property, plant and equipment

The Group assesses the remaining useful lives, residual values and methods of depreciation of items of property, plant and equipment at least at each financial year-end. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. These estimates may have a material impact on the amount of the carrying values of property, plant and equipment and on depreciation recognised in profit and loss.

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the profit and loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to the profit and loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in the profit and loss. For available-for-sale financial assets that are equity securities, the reversal is recognised as other comprehensive income.

Non-financial assets

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, cash generating units to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of cash generated units that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the cash generating unit to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an equity accounted investee is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an equity accounted investee is tested for impairment as a single asset when there is objective evidence that the investment in an equity accounted investee may be impaired.

Despite a number of impairment indicators was identified by the Group in 2008, the determination of the recoverable amount of property, plant and equipment was not performed in 2008 and correspondingly accounted for in the consolidated financial statements. The impairment review was performed in 2009 and the resulting correction of the carrying amount of property, plant and equipment as at 31 December 2008 was made as disclosed in the note 6.

Provisions

The management maintains an allowance for doubtful accounts to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful accounts, management bases its estimates on the ageing of accounts receivable balances and historical write-off experience, customer credit worthiness and changes in customer payment terms. If the financial condition of customers were to deteriorate, actual write-offs might be higher than expected.

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

Post-employment benefits

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

In the event that further changes in the key assumptions are required, the future amounts of the post-employment benefit costs may be affected materially. More details are provided in note 31.

Legal claims

The Group exercises considerable judgment in measuring and recognising provisions and the exposure to contingent liabilities related to pending litigations or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of the final settlement. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists, if available, or with the support of outside consultants, such as actuaries or legal counsel. Revisions to the estimates may significantly affect future operating results.

Current taxes

Russian tax, currency and customs legislation is subject to varying interpretations and changes occurring frequently. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Group’s entities may not coincide with that of the management. As a result, tax authorities may challenge transactions and the Group’s entities may be assessed additional taxes, penalties and interest, which can be significant. The periods remain open to review by the tax and customs authorities with respect to tax liabilities for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. As at 31 December 2009 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax, currency and customs positions will be sustained. More details are provided in note 39(c).

Deferred tax assets and liabilities

The management judgment is required for the calculation of current and deferred income taxes. Deferred tax assets are recognised to the extent that their utilisation is probable. The utilisation of deferred tax assets will depend on whether it is possible to generate sufficient taxable income in respective tax type and jurisdiction.

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

Fair values of assets and liabilities acquired in business combinations

The Group recognises separately, at the acquisition date, the identifiable assets, liabilities and contingent liabilities acquired or assumed in the business combination at their fair values, which involves estimates. Such estimates are based on valuation techniques, which require considerable judgment in forecasting future cash flows and developing other assumptions. More details are provided in note 7.

(f) Changes in accounting policies and presentation

With effect from 1 January 2009, the Group changed its accounting policies in the following areas:

- customer loyalty program;
- determination and presentation of operating segments; and
- presentation of financial statements.

(i) Customer loyalty program

In accordance with IFRIC 13 *Customer Loyalty Programmes*, which became effective for financial statements for 2009, customer loyalty award credits (bonus miles) earned but unused under “Status” frequent flyer programme (see note 34) are to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled.

Previously the Group recorded an estimated liability for the incremental costs associated with providing free transportation under the “Status” frequent flyer programme when a free air ticket or upgrade of service class are earned. Incremental costs included customer service, airport fees, customers nutrition and insurance. The liability was included in trade and other payables, and was adjusted periodically based on awards earned, awards redeemed and changes to the “Status” programme. The costs were included in other operating expenses in the statement of comprehensive income.

In accordance with IFRIC 13 *Customer Loyalty Programmes* bonus miles earned but unused under “Status” frequent flyer programme are deferred using the deferred revenue method to the extent that they are likely to be used on flights of the Group. The fair value of miles accumulated on the Group’s own flights is recognised under deferred revenue (see note 34) and the miles collected from third parties as well as promotional miles are recognised under other liabilities (see note 32,34). The comparative figures have been restated accordingly. The adoption of IFRIC 13 Customer Loyalty Programmes had an impact on the Group's net assets and its financial performance, which is disclosed in note 6.

(ii) Determination and presentation of operating segments

As at 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of International Financial Reporting Standard 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with International Financial Reporting Standard IAS 14 *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

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 CEO 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 CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

(iii) Presentation of financial statements

The Group applies revised IAS 1 *Presentation of Financial Statements* (2007), which became effective as at 1 January 2009. The revised standard requires a presentation of all owner changes in equity to be presented in the statement of changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities, except as explained in note 2(f), which addresses changes in accounting policies.

Some comparative figures have been re-presented to provide comparability with the current year amounts (see note 6).

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) *Acquisition of subsidiaries*

The purchase method of accounting was used to account for the acquisition of subsidiaries by the Group.

The initial accounting for a business combination involves identifying and determining the fair values to be assigned to the acquiree's identifiable assets, liabilities and contingent liabilities and the cost of acquisition. If the initial accounting for a business combination is incomplete by the end of the period in which the combination is effected, the Group accounts for the combination using the provisional values for the items for which the accounting is incomplete. The Group recognizes any adjustments to those provisional values as a result of completing the initial accounting within twelve months from the acquisition date. As a result goodwill or negative goodwill is adjusted accordingly.

Comparative information for the periods before the completion of the initial accounting for the acquisition is presented as if the initial accounting had been completed at the acquisition date.

(iii) Special purpose entities

The Group has established a number of special purpose entities ("SPE"s) for trading and investment purposes. A SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. SPEs controlled by the Group were established under terms that impose strict limitations on the decision-making powers of the SPEs' management and that result in the Group receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to majority of risks incident to the SPE's activities, and retaining the majority of the residual or ownership risks related to the SPE or its assets.

(iv) Investments in associates (equity accounted investees)

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

(v) Transactions eliminated on consolidation

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

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising in retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to RUR at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to RUR at exchange rates at the dates of the transactions.

Foreign currency differences are recognised directly in other comprehensive income. Since 1 January 2005, the Group's date of transition to IFRSs, such differences have been recognised in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss as part of the profit or loss on disposal.

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

(c) Financial instruments

(i) Non-derivative financial instruments

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

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

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

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

Loans and receivables

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

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

Available-for-sale financial assets

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

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses. Investments in equity securities that are not quoted on a stock exchange are principally valued using valuation techniques such as discounted cash flow analysis, option pricing models and comparisons to other transactions and instruments that are substantially the same. Where fair value cannot be reliably measured, investments are stated at cost less impairment losses.

(ii) Non-derivative financial liabilities

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

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

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

The Group has the following non-derivative financial liabilities: loans and borrowings, bank overdrafts, and trade and other payables.

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

(iii) Derivative financial instruments

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised immediately in the profit or loss.

(iv) Share capital

Ordinary shares

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

Treasury Shares

Where the Company or its subsidiaries purchases the Company’s shares, the consideration paid, including any attributable transaction costs, net of income taxes, is deducted from equity as treasury shares until they are cancelled or reissued. No gain or loss is recognised in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Group’s own equity instruments. Where such shares are subsequently sold or reissued, any consideration received is included in equity. Treasury shares are stated at weighted average cost.

Non-controlling interest

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

Losses allocated to minority interest do not exceed the minority interest in the equity of the subsidiaries unless there is a binding obligation of the minority to fund the losses. All such losses are allocated to the Company’s shareholders.

(d) Property, plant and equipment

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

Aircraft, helicopters, engines, land and buildings are initially recognised at cost. Following initial recognition, they are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and accumulated impairment losses. The Group involved independent appraisers to determine the fair value of aircraft, helicopters, engines, land and buildings. The most recent valuation was performed as of 31 December 2008.

A revaluation increase is recognised directly in the revaluation reserve in equity except to the extent that it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss. A revaluation decreasing is recognised in profit or loss except to the extent that it reverses a previous revaluation increase recognised directly in equity, in which case the reversing amount is recognised directly in equity. When a revalued asset is sold, the amount included in the revaluation reserve is transferred to retained earnings.

(ii) Rotables

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

(iii) Construction in progress

Construction in progress is recorded at purchase or construction cost.

(iv) Impairment

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

The carrying amount is reduced to the recoverable amount and the difference is recognised as an expense (impairment loss) in the profit and loss. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset’s recoverable amount.

(v) Depreciation

Depreciation for aircraft, helicopters and engines is calculated using the straight-line method over the remaining useful lives defined in years by independent appraisers for each specific aircraft, helicopter and engine. The remaining useful life varies from 1 to 42 years.

Depreciation for other property, plant and equipment groups is calculated using the straight-line method over the following estimated useful lives:

Buildings	20-57 years
Rotables	5 years
Other	3-8 years

Land is not depreciated.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, annually. Estimates in respect of certain items of plant and equipment were revised in 2009 (see note 15).

(vi) Accounting for major overhauls

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

(vii) Repair and maintenance

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

(viii) Borrowing costs

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised in the cost of relevant asset, during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

(e) Intangible assets

(i) Goodwill

Goodwill that arises on the acquisition of subsidiaries is included in intangible assets.

Acquisitions of subsidiaries

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Subsequent expenditure

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

(iv) Amortisation

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

- patents and trademarks 10-20 years
- software 3-10 years

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(f) Leases (Group as a Lessor)

(i) Finance lease

When assets are leased to the non-Group companies under a finance lease, the present value of the lease payments ("net investment in leases") is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return. The net investment in the lease and the related obligation to purchase the asset are recorded when the lease contract is signed. Any advance payments made by the lessee prior to commencement of the lease reduces the net investment in the lease.

Provisions against net investment in leases are based on the evaluation by the management of the collectability of the net investment in leases. Specific provisions are made against amounts whose recovery has been identified as doubtful. The aggregate provisions made as at the year-end are charged to profit and loss for the year.

(ii) Operating lease

Payments made under operating leases are charged against income in equal instalments over the period of the lease.

(g) Leases (Group as a lessee)

(i) Finance lease

The determination of whether an arrangement is, or contains a lease, is based on the substance of the leased item requires an assessment of whether the fulfilment of the arrangement is dependent on the use of specific asset or assets ant the arrangement conveys the right to use the asset.

Finance leases, which in fact transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are charged to interest expense in the profit and loss.

The depreciation policy for depreciable leased assets is consistent with that for depreciable assets, which are owned. If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term or its useful life.

(ii) Operating lease

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

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle ("FIFO"), and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group’s accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Assets held for sale are not depreciated.

(j) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans, including Russia's State pension fund, are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(ii) Defined benefit plans

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

The liability recognised in the statement of financial position in respect of post-employment benefits is the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

The defined benefit obligation is calculated annually using the projected unit credit method. The present value of the benefits is determined by discounting the estimated future cash outflows using interest rates of high-reliable government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related obligations.

Actuarial gains and losses are recognised in the profit and loss in the period in which they occur. The past service cost is recognised as an expense on a straight line basis over the average period until the benefits become vested.

(iii) Short-term benefits

The Group incurs employee costs related to the provision of benefits such as medical insurance and kindergartens. These amounts principally represent an implicit cost of employment and, accordingly, have been charged to operating expenses.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(k) Provisions

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

Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is realised as a separate asset but only when the reimbursement is virtually certain.

(l) Revenue

Operating revenues comprise the invoiced value of airline and other services, net of any discounts and taxes.

(i) Tickets sold

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

(ii) Other services

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

(iii) Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

(iv) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as other income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the profit and loss over the expected useful life of the relevant asset by equal annual instalments.

(m) Other expenses

(i) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

(ii) Social expenditure

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

(n) Finance income and costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets, and foreign currency gains. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, and impairment losses recognised on financial assets. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

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

(o) Income tax

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(p) Earnings per share

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

(q) Segment reporting

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. All operating segments’ operating results are reviewed regularly by the Group’s CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available (see note 5).

Inter-segment pricing is determined on an arm’s length basis.

(r) New Standards and Interpretations not yet adopted

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.

- 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 rev*isions also address h*ow non-controlling interests in su*bsidiaries 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 Group has not yet analysed the likely impact of the new Standard on its financial position or performance.
- 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.

4 Determination of fair values

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

(a) Property, plant and equipment

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

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

(b) Intangible assets

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

(c) Inventories

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

(d) Investments in equity and debt securities

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

(e) Trade and other receivables

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

(f) Derivatives

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

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

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

(g) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5 Operating segments

Management of the Group is currently in the process of establishing IFRS reporting system. As at 31 December 2009 management did not regularly receive separate financial information for its strategic business units. For this purpose the Group defines two reportable segments: passenger traffic and helicopter services, which are the Group's strategic business units.

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

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

Information regarding the results of each strategic business units is included below. Performance is measured based on business units' profit before income tax. The profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain business units relative to other entities that operate within these industries.

(i) Information about strategic business units

’000 RUR	Passenger traffic 2009	Passenger traffic 2008	Helicopter services 2009	Helicopter services 2008	Total 2009	Total 2008
External revenues	18,924,715	20,724,860	13,648,699	9,200,835	32,573,414	29,925,695
Interest income	282,551	19,676	62,868	353	345,419	20,029
Interest expense	(477,922)	(221,127)	(285,487)	(17,777)	(763,409)	(238,904)
Depreciation and amortisation	(557,152)	(564,093)	(1,521,456)	(713,273)	(2,078,608)	(1,277,366)
Impairment on property, plant and equipment	-	(1,195,755)	-	-	-	(1,195,755)
Share of profit of equity method investees	-	-	(55,507)	86,583	(55,507)	86,583
Profit before tax	(2,958,660)	(5,613,200)	3,985,210	3,523,548	1,026,550	(2,089,652)
Assets	14,712,750	9,034,011	15,848,319	16,569,917	30,561,069	25,603,928
Capital expenditure	827,009	2,345,808	2,883,285	1,653,194	3,710,294	3,999,002
Liabilities	(10,008,290)	(8,033,396)	(6,520,009)	(766,623)	(16,528,299)	(8,800,019)

’000 USD*	Passenger traffic 2009	Passenger traffic 2008	Helicopter services 2009	Helicopter services 2008	Total 2009	Total 2008
External revenues	625,730	685,251	451,284	304,218	1,077,014	989,469
Interest income	9,342	651	2,079	12	11,421	663
Interest expense	(15,802)	(7,311)	(9,439)	(588)	(25,241)	(7,899)
Depreciation and amortisation	(18,422)	(18,651)	(50,306)	(23,584)	(68,728)	(42,235)
Impairment on property, plant and equipment	-	(39,537)	-	-	-	(39,537)
Share of profit of equity method investees	-	-	(1,836)	2,863	(1,836)	2,863
Profit before tax	(97,826)	(185,596)	131,768	116,503	33,942	(69,093)
Assets	486,466	298,702	524,011	547,871	1,010,477	846,573
Capital expenditure	27,344	77,562	95,333	54,662	122,677	132,224
Liabilities	(330,916)	(265,618)	(215,579)	(25,347)	(546,495)	(290,965)

** The USD equivalent figures are provided for information purposes only and do not form part of the audited financial statements – refer to note 2(d).*

(ii) Major customers and geographical area

The breakdown of revenue by types of customers and geographical areas is presented in the note 9.

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

	2009 '000 RUR	2008 '000 RUR	2009 '000 USD*	2008 '000 USD*
Revenues				
Total revenue for strategic business units	32,573,414	29,925,695	1,077,014	989,469
Other revenue	952,911	1,202,539	31,507	39,761
Elimination of inter-units revenue	(23,400)	(22,458)	(774)	(743)
	33,502,925	31,105,776	1,107,747	1,028,487
Profit or loss before income tax				
Total profit/(loss) before tax for strategic business units	1,026,550	(2,089,652)	33,942	(69,093)
Other profit	423,353	1,192,391	13,998	39,424
Elimination of inter-units profits	(330)	(609)	(11)	(20)
Unallocated amounts, including:	(1,261,787)	(3,469,931)	(41,720)	(114,730)
Depreciation and amortisation	(134,609)	(229,824)	(4,451)	(7,599)
Interest income	69,463	90,101	2,297	2,979
Interest expense	(1,924,206)	(1,370,836)	(63,623)	(45,326)
Net foreign exchange gain/(loss)	667,531	(1,684,000)	22,072	(55,680)
Other	60,034	(275,372)	1,985	(9,104)
	187,786	(4,367,801)	6,209	(144,419)
Assets				
Total assets for strategic business units	30,561,069	25,603,928	1,010,477	846,573
Other investments	421,438	46,308	13,934	1,531
Loans issued	854,024	794,975	28,238	26,286
Receivables for operations with securities	746,675	-	24,688	-
Other assets	447,027	340,979	14,782	11,275
Other unallocated amounts (mainly corporate property, plant and equipment)	9,007,823	8,736,302	297,836	288,857
	42,038,056	35,522,492	1,389,955	1,174,522
Liabilities				
Total liabilities for strategic business units	(16,528,299)	(8,800,019)	(546,495)	(290,965)
Other unallocated amounts (mainly loans and borrowings)	(19,118,349)	(20,314,351)	(632,133)	(671,678)
	(35,646,648)	(29,114,370)	(1,178,628)	(962,643)

** The USD equivalent figures are provided for information purposes only and do not form part of the audited financial statements – refer to note 2(d).*

(iv) Other material items 2009

	Strategic business units totals '000 RUR	Adjustments '000 RUR	Consolidated totals '000 RUR	Strategic business units totals '000 USD*	Adjustments '000 USD*	Consolidated totals '000 USD*
Interest income	345,419	69,463	414,882	11,421	2,297	13,718
Interest expense	(763,409)	(1,924,206)	(2,687,615)	(25,241)	(63,623)	(88,864)
Capital expenditure	3,710,294	36,122	3,746,416	122,677	1,194	123,871
Depreciation and amortisation	(2,078,608)	(134,609)	(2,213,217)	(68,728)	(4,450)	(73,178)

(v) Other material items 2008

	Strategic business units totals '000 RUR	Adjustments '000 RUR	Consolidated totals '000 RUR	Strategic business units totals '000 USD*	Adjustments '000 USD*	Consolidated totals '000 USD*
Interest income	20,029	90,101	110,130	663	2,979	3,642
Interest expense	(238,904)	(1,370,836)	(1,609,740)	(7,899)	(45,326)	(53,225)
Capital expenditure	3,999,002	487,192	4,486,194	132,224	16,109	148,333
Depreciation and amortisation	(1,277,366)	(229,824)	(1,507,190)	(42,235)	(7,599)	(49,834)

6 Prior period adjustments

As at 31 December 2008 the Group did not determine a recoverable amount of its property, plant and equipment (see notes 2(e)(ii), 3(d)(iv)). Therefore, a loss from impairment of property, plant and equipment measured at cost was not accounted for, as well as the fair value of certain assets, measured at revalued amount, was overstated.

During the year ended 31 December 2009 management completed the purchase price allocation of Aviacion del Sur S.A. (Peru) (see note 7) acquired in June 2008, which previously was recorded on the basis of provisional accounting.

The Group did not account for its liabilities under the hedge contracts concluded in 2008.

Starting from 1 January 2009 the Group has applied IFRIC 13 *Customer Loyalty Programmes* (see note 34).

** The USD equivalent figures are provided for information purposes only and do not form part of the audited financial statements – refer to note 2(d).*

As a consequence, the comparative figures have been restated accordingly, as stated below.

	Year ended 31 December 2008			
'000 RUR	**As previously stated**	**Changes due to correction of errors**	**Change in accounting policy**	**As restated**
Consolidated statement of financial position				
Property, plant and equipment	21,726,198	(1,549,748)	-	20,176,450
Goodwill	353,184	(246,420)	-	106,764
Other intangible assets	81,137	252,671	-	333,808
Investments in equity accounted investees	390,162	34,592	-	424,754
Deferred tax assets	-	44,808	-	44,808
Total non-current assets	26,793,668	(1,464,097)	-	25,329,571
Inventories	1,997,508	65,350	-	2,062,858
Trade and other receivables	3,875,393	4,192	-	3,879,585
Total current assets	10,123,379	69,542	-	10,192,921
Total assets	36,917,047	(1,394,555)	-	35,522,492
Foreign currency translation reserve	(141,119)	261,169	-	120,050
Revaluation reserve	9,936,895	(1,487,710)	-	8,449,185
Retained earnings	(4,332,862)	(351,141)	(907,346)	(5,591,349)
Total equity attributable to equity holders of the Company	8,404,136	(1,577,682)	(907,346)	5,919,108
Non-controlling interest	346,002	143,012	-	489,014
Total equity	8,750,138	(1,434,670)	(907,346)	6,408,122
Hedge liabilities	-	140,249	-	140,249
Trade and other payables	-	-	88,596	88,596
Deferred income	-	-	612,239	612,239
Deferred tax liabilities	1,950,279	(196,418)	-	1,753,861
Total non-current liabilities	8,348,378	(56,169)	700,835	8,993,044
Hedge liabilities	-	96,284	-	96,284
Trade and other payables	3,308,373	-	(24,328)	3,284,045
Deferred income	-	-	230,839	230,839
Total current liabilities	19,818,531	96,284	206,511	20,121,326
Total liabilities	28,166,909	40,115	907,346	29,114,370
Total equity and liabilities	36,917,047	(1,394,555)	-	35,522,492
Consolidated statement of comprehensive income				
Passenger traffic and helicopter services revenue	30,094,513	-	(277,973)	29,816,540,
Total revenue	31,383,749	-	(277,973)	31,105,776
Direct operating expenses	(19,424,472)		(10,057)	(19,434,529)
Impairment loss	-	(1,195,755)	-	(1,195,755)
Other operating expenses	(1,774,265)	14,517	-	(1,759,748)
Total operating expenses	(30,910,544)	(1,181,238)	(10,057)	(32,101,839)
Results from operating activities	473,205	(1,181,238)	(288,030)	(996,063)
Net foreign exchange loss	(1,573,226)	(110,774)	-	(1,684,000)
Other finance costs	(1,609,741)	(251,058)	-	(1,860,799)
Loss before income tax	(2,536,701)	(1,543,070)	(288,030)	(4,367,801)
Income tax benefit	100,123	344,065	-	444,188
Loss for the year	(2,436,578)	(1,199,005)	(288,030)	(3,923,613),

'000 RUR	**Year ended 31 December 2008**			
	As previously stated	**Changes due to correction of errors**	**Change in accounting policy**	**As restated**
Other comprehensive income				
Foreign currency translation differences	(154,124)	305,510	-	151,386
Revaluation of property, plant and equipment	8,957,610	(829,052)	-	8,128,558
Revaluation of property, plant and equipment of equity accounted investee	-	34,592	-	34,592
Income tax on other comprehensive income	(1,668,635)	160,573	-	(1,508,062)
Other comprehensive income for the year, net of income tax	7,134,851	(328,377)	-	6,806,474
Total comprehensive income for the year	4,698,273	(1,527,382)	(288,030)	2,882,861
Profit attributable to:				
Owners of the Company	(2,528,596)	(1,194,703)	(288,030)	(4,011,329)
Non-controlling interest	92,018	(4,302)	-	87,716
	(2,436,578)	(1,199,005)	(288,030)	(3,923,613)
Total comprehensive income attributable to:				
Owners of the Company	4,459,753	(1,567,421)	(288,030)	2,604,302
Non-controlling interest	238,520	40,039	-	278,559
	4,698,273	(1,527,382)	(288,030)	2,882,861
Earnings per share	(4.51)	(2.14)	(0.51)	(7.16)

'000 RUR	**Year ended 31 December 2007**			
	As previously stated	**Changes due to correction of errors**	**Change in accounting policy**	**As restated**
Consolidated statement of financial position				
Property, plant and equipment revaluation reserve	3,064,367	(853,823)	-	2,210,544
Retained earnings	(1,929,603)	703,638	(479,392)	(1,705,357)
Total equity attributable to equity holders of the Company	4,228,114	(150,185)	(479,392)	3,598,537
Non-controlling interest	84,619	(31,286)	-	53,333
Total equity	4,312,733	(181,471)	(479,392)	3,651,870
Deferred income	-	-	447,250	447,250
Deferred tax liabilities	629,750,	173,066	(139,924)	662,892
Total non-current liabilities	5,646,823	173,066	307,326	6,127,215
Deferred income	-	8,405	172,066	180,471
Total current liabilities	7,480,725	8,405	172,066	7,661,196
Total liabilities	13,127,548	181,471	479,392	13,788,411
Total equity and liabilities	17,440,281	-	-	17,440,281

'000 USD*	Year ended 31 December 2008			
	As previously stated	Changes due to correction of errors	Change in accounting policy	As restated
Consolidated statement of financial position				
Property, plant and equipment	718,359	(51,241)	-	667,118
Goodwill	11,677	(8,147)	-	3,530
Other intangible assets	2,682	8,354	-	11,036
Investments in equity accounted investees	12,900	1,144	-	14,044
Deferred tax assets	-	1,482	-	1,482
Total non-current assets	885,909	(48,408)	-	837,501
Inventories	66,046	2,161	-	68,207
Trade and other receivables	128,138	137	-	128,275
Total current assets	334,723	2,298	-	337,021
Total assets	1,220,632	(46,110)	-	1,174,522
Foreign currency translation reserve	(4,666)	8,635	-	3,969
Revaluation reserve	328,555	(49,190)	-	279,365
Retained earnings	(143,263)	(11,610)	(30,000)	(184,873)
Total equity attributable to equity holders of the Company	277,875	(52,165)	(30,000)	195,710
Non-controlling interest	11,442	4,727	-	16,169
Total equity	289,317	(47,438)	(30,000)	211,879
Hedge liabilities	-	4,637	-	4,637
Trade and other payables	-	-	2,929	2,929
Deferred income	-	-	20,243	20,243
Deferred tax liabilities	64,483	(6,493)	-	57,990
Total non-current liabilities	276,031	(1,856)	23,172	297,347
Hedge liabilities	-	3,184	-	3,184
Trade and other payables	109,389	-	(805)	108,584
Deferred income	-	-	7,633	7,633
Total current liabilities	655,284	3,184	6,828	665,296
Total liabilities	931,315	1,328	30,000	962,643
Total equity and liabilities	1,220,632	(46,110)	-	1,174,522
Consolidated statement of comprehensive income				
Passenger traffic and helicopter services revenue	995,050	-	(9,190)	985,860
Total revenue	1,037,677	-	(9,190)	1,028,487
Direct operating expenses	(642,254)	-	(333)	(642,587)
Impairment loss	-	(39,537)	-	(39,537)
Other operating expenses	(58,665)	480	-	(58,185)
Total operating expenses	(1,022,031)	(39,057)	(333)	(1,061,421)
Operating results	15,646	(39,057)	(9,523)	32,934
Net foreign exchange loss	(52,017)	(3,663)	-	(55,680)
Other finance costs	(53,226)	(8,301)	-	(61,527)
Loss before income tax	(83,875)	(51,021)	(9,523)	(144,419)
Income tax benefit	3,311	11,376	-	14,687
Loss for the year	(80,564)	(39,645)	(9,523)	(129,732)

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’000 USD*	Year ended 31 December 2008			
	As previously stated	**Changes due to correction of errors**	**Change in accounting policy**	**As restated**
Other comprehensive income				
Foreign currency translation differences	(5,096)	10,101	-	5,005
Revaluation of property, plant and equipment	296,176	(27,412)	-	268,764
Revaluation of property, plant and equipment of equity accounted investee	-	1,144	-	1,144
Income tax on other comprehensive income	(55,172)	5,309	-	(49,863)
Other comprehensive income for the year, net of income tax	235,908	(10,858)	-	225,050
Total comprehensive income for the year	155,344	(50,503)	(9,523)	95,318
Profit attributable to:				
Owners of the Company	(83,607)	(39,502)	(9,523)	(132,632)
Non-controlling interest	3,043	(143)	-	2,900
	(80,564)	(39,645)	(9,523)	(129,732)
Total comprehensive income attributable to:				
Owners of the Company	147,457	(51,826)	(9,523)	86,108
Non-controlling interest	7,887	1,323	-	9,210
	155,344	(50,503)	(9,523)	95,318
Earnings per share	(0.15)	(0.07)	(0.02)	(0.24)

’000 USD*	Year ended 31 December 2007			
	As previously stated	**Changes due to correction of errors**	**Change in accounting policy**	**As restated**
Consolidated statement of financial position				
Property, plant and equipment revaluation reserve	101,321	(28,231)	-	73,090
Retained earnings	(63,801)	23,266	(15,851)	(56,386)
Total equity attributable to equity holders of the Company	139,799	(4,965)	(15,851)	118,983
Non-controlling interest	2,798	(1,035)	-	1,763
Total equity	142,597	(6,000)	(15,851)	120,746
Deferred income	-	-	14,788	14,788
Deferred tax liabilities	20,822	5,722	(4,626)	21,918
Total non-current liabilities	186,707	5,722	10,162	202,591
Deferred income	-	278	5,689	5,967
Total current liabilities	247,344	278	5,689	253,311
Total liabilities	434,051	6,000	15,851	455,902
Total equity and liabilities	576,648	-	-	576,648

7 Acquisition of subsidiary

Acquisition of Aviacion del Sur S.A. (Peru)

On 12 June 2008 the Group acquired 70% of voting shares in Aviacion del Sur S.A., a Peruvian company rendering helicopters transportation services in Peru. As at 31 December 2008 the management recorded this acquisition on the basis of provisional accounting. In 2009 the Group finalised its assessment of this acquisition in accordance with IFRS 3, and the adjustments were made to the provisional values, which were accounted retrospectively (refer note 6).

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Taking control of Aviacion del Sur S.A. is expected to enable the Group to gain access to the Central and Latin American helicopter transportation market.

If the acquisition had occurred on 1 January 2008, Group revenue for the year would have been RUR 31,582,336 thousand/USD* 1,044,241 thousand and the net loss for the year would have been RUR 2,422,192 thousand/USD* 80,088 thousand. In determining these figures it has been assumed that the fair value adjustments at 1 January 2008 would have been the same as the fair value adjustments that arose on the date of acquisition.

The following summarizes the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

Identifiable assets acquired and liabilities assumed

The identifiable assets acquired and the liabilities assumed were as follows:

	Carrying amount on acquisition, based on principles comparable to IFRS	**Fair value adjustments**	**Fair value, recognized on acquisition**
’000 RUR	**As restated**	**As restated**	**As restated**
Property, plant and equipment	240,291	371,558	611,849
Intangible assets	-	203,603	203,603
Inventories	26,633	-	26,633
Trade and other receivables	59,087	-	59,087
Cash and cash equivalents	1,229	-	1,229
Loans and borrowings	(6,716)	-	(6,716)
Deferred tax liabilities	(3,352)	(185,553)	(188,905)
Trade and other payables	(184,862)	-	(184,862)
Net identifiable assets, liabilities and contingent liabilities	**132,310**	**389,608**	**521,918**
Non-controlling interest			(160,106)
Goodwill on acquisition			96,606
Consideration paid			334,288
Deferred consideration			125,359
Acquired cash and cash equivalents			(1,229)
Cost of consideration			458,418

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’000 USD*	**Carrying amount on acquisition, based on principles comparable to IFRS** **As restated**	**Fair value adjustments** **As restated**	**Fair value, recognized on acquisition** **As restated**
Property, plant and equipment	7,944	12,286	20,230
Intangible assets	-	6,732	6,732
Inventories	881	-	881
Trade and other receivables	1,954	-	1,954
Cash and cash equivalents	41	-	41
Loans and borrowings	(222)	-	(222)
Deferred tax liabilities	(111)	(6,135)	(6,246)
Trade and other payables	(6,112)	-	(6,112)
Net identifiable assets, liabilities and contingent liabilities	**4,375**	**12,883**	**17,258**
Non-controlling interest			(5,294)
Goodwill on acquisition			3,193
Consideration paid			11,053
Deferred consideration			4,145
Acquired cash and cash equivalents			(41)
Cost of consideration			15,157

8 Non-current assets held for sale

	2009 ’000 RUR	**2008 ’RUR**	**2009 ’000 USD***	**2008 ’000 USD***
As at 1 January	452,403	-	14,958	-
Additions	2,074,736	594,806	68,600	19,666
Disposals	(1,768,380)	(142,403)	(58,470)	(4,708)
As at 31 December	**758,759**	**452,403**	**25,088**	**14,958**

In 2009 and 2008 assets held for sale mainly comprise Mi-171 helicopters and engines for them that have been purchased by the Group for resale and further operating lease back (see note 37).

9 Revenue

	2009 ’000 RUR	**2008 ’000 RUR**	**2009 ’000 USD***	**2008 ’000 USD***
Aircraft transportation services, regular	16,685,408	17,842,006	551,690	589,932
Helicopters transportation services, abroad	9,766,145	5,366,872	322,910	177,451
Helicopters transportation services, inland	3,578,464	3,618,918	118,319	119,657
Aircraft transportation services, charter	1,762,990	2,332,061	58,292	77,107
Airport services	290,643	340,680	9,610	11,264
Technical support and maintenance services	427,315	316,003	14,128	10,449
Other	991,960	1,289,236	32,798	42,627
	33,502,925	**31,105,776**	**1,107,747**	**1,028,487**

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Grants from the regional government were provided to the Group for the execution of regular flights to the several Russian regions. The grants are provided both in the form of cash remuneration to cover the Group's losses from performing such flights and in form of reduced airport duties etc. Since 2005 the Group takes part in a new regional programme where the Group sells tickets at a discount to passengers flying within the Tyumen and other regions. This discount is reimbursed by the regional government. The amount of reimbursement received in 2009 amounted to RUR 217,179 thousand/USD* 7,181 thousand (2008: RUR 399,790 thousand/USD* 13,219 thousand) and is included in regular aircraft transportation services revenue.

In 2009 and 2008 the Group generated revenue from the following major customer groups and geographical areas:

	2009 '000 RUR	2008 '000 RUR	2009 '000 USD*	2008 '000 USD*
Group of customers				
Individual customers	16,685,408	17,842,006	551,690	589,932
United Nations	8,688,545	4,837,199	287,279	159,937
Commercial organizations	8,128,972	8,426,571	268,778	278,618
	33,502,925	**31,105,776**	**1,107,747**	**1,028,487**
Geographical area				
Russia	23,649,584	25,553,346	781,955	844,901
Other countries	9,853,341	5,552,430	325,792	183,586
	33,502,925	**31,105,776**	**1,107,747**	**1,028,487**

10 Direct operating expenses

	2009 '000 RUR	2008 '000 RUR	2009 '000 USD*	2008 '000 USD*
Airport services	3,756,946	3,588,579	124,220	118,653
Rent of air fleet and equipment	2,976,386	1,785,889	98,412	59,049
Travel expenses	1,139,636	1,012,385	37,681	33,474
Spare parts and other materials	1,060,544	1,436,627	35,066	47,501
Passenger servicing	1,091,236	1,031,904	36,081	34,119
Air navigation and meteo services	1,045,172	984,126	34,558	32,539
Freight transportation services	320,767	284,770	10,606	9,416
Custom duties	292,887	135,826	9,684	4,491
UN missions support	252,170	183,730	8,338	6,075
Other direct operating expense	337,660	591,035	11,164	19,542
Direct operating expenses except fuel	**12,273,404**	**11,034,871**	**405,810**	**364,859**
Fuel expenses	6,089,382	9,412,043	201,341	311,202
	18,362,786	**20,446,914**	**607,151**	**676,061**

11 Personnel expenses

	2009 '000 RUR	2008 '000 RUR	2009 '000 USD*	2008 '000 USD*
Remuneration	5,095,559	4,319,424	168,481	142,818
Social insurance charges	1,019,513	905,953	33,709	29,955
Expenses related to defined benefit plans	54,787	(18,417)	1,812	(609)
	6,169,859	**5,206,960**	**204,002**	**172,164**

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12 Other operating expenses

	2009 ’000 RUR	2008 ’000 RUR	2009 ’000 USD*	2008 ’000 USD*
Insurance expenses	374,161	189,857	12,371	6,277
Training expenses	272,554	153,596	9,012	5,079
Consulting, audit and legal expenses	229,371	185,767	7,584	6,142
Taxes	225,962	163,907	7,471	5,419
Bank charges	215,741	150,788	7,134	4,986
Utilities	134,981	80,283	4,463	2,655
Communication services	127,104	126,960	4,203	4,198
Advertising	88,855	139,776	2,938	4,622
Loss from disposal of property, plant and equipment	127,768	176,506	4,225	5,836
Other operating expenses	409,792	392,308	13,548	12,971
	2,206,289	**1,759,748**	**72,949**	**58,185**

13 Other finance income and finance costs

	2009 ’000 RUR	2008 ’000 RUR	2009 ’000 USD*	2008 ’000 USD*
Interest income on available-for-sale financial assets	-	8,849	-	293
Interest income on loans and receivables	141,822	101,281	4,689	3,349
Interest income on security deposits	273,060	-	9,029	-
Unwinding of fair value adjustment on long-term accounts receivable	-	19,094	-	630
Gain from disposal of other investments	35,844	-	1,185	-
Finance income	**450,726**	**129,224**	**14,903**	**4,272**
Interest expense on financial liabilities measured at amortised cost	2,321,016	1,528,091	76,743	50,525
Interest on loans from related parties (note 40)	366,599	81,649	12,121	2,700
Impairment loss on other investments	36,397	-	1,203	-
Dividends	8,002	-	264	-
Loss from disposal of equity accounted investee	15,472	-	512	-
Loss from disposal of subsidiary	35,731	-	1,181	-
Hedge expenses	60,484	251,059	2,000	8,302
Finance costs	**2,843,701**	**1,860,799**	**94,024**	**61,527**

14 Income tax expense

The Group's applicable tax rate is the income tax rate of 20% for Russian companies (2008: 24%). With effect from 1 January 2009, the income tax rate for Russian companies was reduced to 20%.

	2009 '000 RUR	2008 '000 RUR	2009 '000 USD*	2008 '000 USD*
Current tax expense				
Current year	79,095	180,344	2,615	5,963
Adjustment for prior years	(94,042)	70,991	(3,108)	2,347
	(14,947)	**251,335**	**(493)**	**8,310**
Deferred tax expense				
Origination and reversal of temporary differences	37,276	(914,343)	1,232	(30,232)
Reduction in tax rate	-	151,397	-	5,006
Recognition of previously unrecognised tax losses	68,563	-	2,267	-
Change in unrecognised deductible temporary differences	6,694	67,423	221	2,229
	112,533	**(695,523)**	**3,720**	**(22,997)**
Income tax expense excluding tax on share of income tax of equity accounted investees	**97,586**	**(444,188)**	**3,227**	**(14,687)**

(a) Income tax recognised directly in other comprehensive income

'000 RUR	2009			2008		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Revaluation of property, plant and equipment	65,578	(13,112)	52,466	(8,798,103)	1,766,566	(7,031,537)
Change in the tax rate in relation to previous revaluations	-	-	-	-	(97,931)	(97,931)
Revaluation of property, plant and equipment as previously stated	65,578	(13,112)	52,466	(8,798,103)	1,668,635	(7,129,468)
Adjustment	-	-	-	829,052	(160,573)	668,479
Revaluation of property, plant and equipment restated	65,578	(13,112)	52,466	(7,969,051)	1,508,062	(6,460,989)
Revaluation of property, plant and equipment of equity accounted subsidiary	-	-	-	(34,592)	-	(34,592)
Realisation of property, plant and equipment revaluation reserve	318,844	(55,858)	262,986	321,007	(64,067)	256,940
	384,422	**(68,970)**	**315,452**	**(7,682,636)**	**1,443,995**	**(6,238,641)**

’000 USD*	**2009**			**2008**		
	Before tax	**Tax**	**Net of tax**	**Before tax**	**Tax**	**Net of tax**
Revaluation of property, plant and equipment	2,169	(434)	1,735	(290,902)	58,410	(232,492)
Change in the tax rate in relation to previous revaluations	-	-	-	-	(3,238)	(3,238)
Revaluation of property, plant and equipment as previously stated	2,169	(434)	1,735	(290,902)	55,172	(235,730)
Adjustment	-	-	-	27,412	(5,309)	22,103
Revaluation of property, plant and equipment restated	2,169	(434)	1,735	(263,490)	49,863	(213,627)
Revaluation of property, plant and equipment of equity accounted subsidiary	-	-	-	(1,144)	-	(1,144)
Realisation of property, plant and equipment revaluation reserve	10,542	(1,847)	8,695	10,614	(2,118)	8,496
	12,711	**(2,281)**	**10,430**	**(254,020)**	**47,745**	**(206,275)**

Reconciliation of effective tax rate:

	2009		**2008**	
	’000 RUR	**%**	**’000 RUR**	**%**
Profit/(loss) before income tax	**187,786**	**100**	**(4,367,801)**	**100**
Income tax at applicable tax rate	37,557	20	(1,048,272)	(24)
Effect of income taxed at higher rates	5,296	3	1,632	0
Reduction in tax rate	-	-	151,397	3
Non-deductible expenses	73,518	39	312,641	7
Current year losses for which no deferred tax asset was recognised	6,694	4	67,423	2
(Over)/underaccrued in prior years	(25,479)	(14)	70,991	2
	97,586	**52**	**(444,188)**	**(10)**

	2009		**2008**	
	’000 USD*	**%**	**’000 USD***	**%**
Profit/(loss) before income tax	**6,209**	**100**	**(144,419)**	**100**
Income tax at applicable tax rate	1,242	20	(34,660)	(24)
Effect of income taxed at higher rates	175	3	54	0
Reduction in tax rate	-	-	5,006	3
Non-deductible expenses	2,431	39	10,337	7
Current year losses for which no deferred tax asset was recognised	221	4	2,229	2
(Over)/underaccrued in prior years	(842)	(14)	2,347	2
	3,227	**52**	**(14,687)**	**(10)**

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15 Property, plant and equipment

'000 RUR	**Land and buildings**	**Rotables, aircraft, helicopter and engines**	**Other**	**Construction in progress**	**Total**
Cost					
Balance at 1 January 2008	2,979,972	8,133,390	1,731,938	213,272	13,058,572
Acquisitions through business combinations as previously stated	15,437	394,706	24,356	-	434,499
Adjustment	(2,777)	194,525	(14,398)	-	177,350
Acquisitions through business combinations restated	12,660	589,231	9,958	-	611,849
Additions	151,645	3,999,001	288,364	47,184	4,486,194
Disposals	(89,724)	(85,369)	(132,194)	(38,203)	(345,490)
Revaluation as previously stated	3,227,273	3,273,983	-	-	6,501,256
Adjustment	(829,052)	-	-	-	(829,052)
Revaluation restated	2,398,221	3,273,983	-	-	5,672,204
Effect of movements in exchange rates as previously stated	-	-	-	-	-
Adjustment	-	103,501	-	-	103,501
Effect of movements in exchange rates as restated	-	103,501	-	-	103,501
Balance at 31 December 2008 as previously stated	6,284,603	15,715,711	1,912,464	222,253	24,135,031
Adjustment	(831,829)	298,026	(14,398)	-	(548,201)
Balance at 31 December 2008 as restated	**5,452,774**	**16,013,737**	**1,898,066**	**222,253**	**23,586,830**
Depreciation and impairment losses					
Balance at 1 January 2008	(225,399)	(1,912,586)	(1,129,995)	-	(3,267,980)
Depreciation for the year	(92,442)	(1,217,331)	(181,979)	-	(1,491,752)
Accumulated depreciation of property, plant and equipment through acquisition of companies as previously stated	(2,777)	(177,033)	(14,398)	-	(194,208)
Adjustment	2,777	177,033	14,398	-	194,208
Accumulated depreciation of property, plant and equipment through acquisition of companies as restated	-	-	-	-	-
Impairment loss as previously stated	-	-	-	-	-
Adjustment	(386,914)	(536,092)	(272,749)	-	(1,195,755)
Impairment loss as restated	(386,914)	(536,092)	(272,749)	-	(1,195,755)
Disposals	14,733	18,199	88,911	-	121,843
Revaluation	288,926	2,134,338	-	-	2,423,264
Balance at 31 December 2008 as previously stated	(16,959)	(1,154,413)	(1,237,461)	-	(2,408,833)
Adjustments	(384,137)	(359,059)	(258,351)	-	(1,001,547)
Balance at 31 December 2008 as restated	**(401,096)**	**(1,513,472)**	**(1,495,812)**	**-**	**(3,410,380)**

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'000 RUR	**Land and buildings**	**Rotables, aircraft, helicopter and engines**	**Other**	**Construction in progress**	**Total**
Cost					
Balance at 1 January 2009	5,452,774	16,013,737	1,898,066	222,253	23,586,830
Additions	108,174	3,330,349	212,939	94,954	3,746,416
Disposals	(65,792)	(301,265)	(119,246)	-	(486,303)
Disposal of subsidiary	(85,280)	-	-	-	(85,280)
Effect of movements in exchange rates	473	(6,498)	593	-	(5,432)
Balance at 31 December 2009	**5,410,349**	**19,036,323**	**1,992,352**	**317,207**	**26,756,231**
Depreciation and impairment losses					
Balance at 1 January 2009	(401,096)	(1,513,472)	(1,495,812)	-	(3,410,380)
Depreciation for the year	(199,594)	(1,897,765)	(86,855)	-	(2,184,214)
Disposals	901	39,370	67,728	-	107,999
Effect of movements in exchange rates	(70)	(2,014)	(364)	-	(2,448)
Balance at 31 December 2009	**(599,859)**	**(3,373,881)**	**(1,515,303)**	**-**	**(5,489,043)**
Carrying amounts					
At 1 January 2008	**2,754,573**	**6,220,804**	**601,943**	**213,272**	**9,790,592**
As at 31 December 2008 as previously stated	6,267,644	14,561,298	675,003	222,253	21,726,198
Adjustment	(1,215,966)	(61,033)	(272,749)	-	(1,549,748)
At 31 December 2008 as restated	**5,051,678**	**14,500,265**	**402,254**	**222,253**	**20,176,450**
At 31 December 2009	**4,810,490**	**15,662,442**	**477,049**	**317,207**	**21,267,188**

'000 USD*	**Land and buildings**	**Rotables, aircraft, helicopter and engines**	**Other**	**Construction in progress**	**Total**
Cost					
Balance at 1 January 2008	98,530	268,924	57,264	7,052	431,770
Acquisitions through business combinations as previously stated	510	13,050	805	-	14,365
Adjustment	(92)	6,433	(476)	-	5,865
Acquisitions through business combinations as restated	418	19,483	329	-	20,230
Additions	5,014	132,224	9,534	1,561	148,333
Disposals	(2,967)	(2,823)	(4,371)	(1,263)	(11,424)
Revaluation as previously stated	106,707	108,252	-	-	214,959
Adjustments	(27,413)	-	-	-	(27,413)
Revaluation as restated	79,294	108,252	-	-	187,546
Effect of movements in exchange rates as previously stated	-	-	-	-	-
Adjustment	-	3,423	-	-	3,423
Effect of movements in exchange rates as restated	-	3,423	-	-	3,423
Balance at 31 December 2008 as previously stated	207,794	519,627	63,232	7,350	798,003
Adjustment	(27,505)	9,856	(476)	-	(18,125)
Balance at 31 December 2008 as restated	**180,289**	**529,483**	**62,756**	**7,350**	**779,878**

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'000 USD*	**Land and buildings**	**Rotables, aircraft, helicopter and engines**	**Other**	**Construction in progress**	**Total**
Depreciation and impairment losses					
Balance at 1 January 2008	(7,452)	(63,238)	(37,362)	-	(108,052)
Depreciation for the year	(3,056)	(40,250)	(6,017)	-	(49,323)
Accumulated depreciation of property, plant and equipment through acquisition of companies as previously stated	(92)	(5,853)	(476)	-	(6,421)
Adjustment	92	5,853	476	-	6,421
Accumulated depreciation of property, plant and equipment through acquisition of companies as restated	-	-	-	-	-
Impairment loss as previously stated	-	-	-	-	-
Adjustment	(12,794)	(17,725)	(9,018)	-	(39,537)
Impairment loss restated	(12,794)	(17,725)	(9,018)	-	(39,537)
Disposals	487	602	2,940	-	4,029
Revaluation	9,553	70,570	-	-	80,123
Balance at 31 December 2008 as previously stated	(560)	(38,169)	(40,915)	-	(79,644)
Adjustment	(12,702)	(11,872)	(8,542)	-	(33,116)
Balance at 31 December 2008 as restated	**(13,262)**	**(50,041)**	**(49,457)**	**-**	**(112,760)**
Cost					
Balance at 1 January 2009	180,289	529,483	62,756	7,350	779,878
Additions	3,577	110,115	7,041	3,138	123,871
Disposals	(2,175)	(9,961)	(3,943)	-	(16,079)
Disposal of subsidiary	(2,820)	-	-	-	(2,820)
Effect of movements in exchange rates	16	(215)	20	-	(179)
Balance at 31 December 2009	**178,887**	**629,422**	**65,874**	**10,488**	**884,671**
Depreciation and impairment losses					
Balance at 1 January 2009	(13,262)	(50,041)	(49,457)	-	(112,760)
Depreciation for the year	(6,600)	(62,748)	(2,871)	-	(72,219)
Disposals	30	1,302	2,239	-	3,571
Effect of movements in exchange rates	(2)	(67)	(12)	-	(81)
Balance at 31 December 2009	**(19,834)**	**(111,554)**	**(50,101)**	**-**	**(181,489)**
Carrying amounts					
At 1 January 2008	**91,078**	**205,686**	**19,902**	**7,052**	**323,718**
At 31 December 2008 as previously stated	207,234	481,458	22,317	7,350	718,359
Adjustment	(40,207)	(2,016)	(9,018)	-	(51,241)
At 31 December 2008 as restated	**167,027**	**479,442**	**13,299**	**7,350**	**667,118**
At 31 December 2009	**159,053**	**517,868**	**15,773**	**10,488**	**703,182**

As at 31 December 2009 the carrying value of fully depreciated property, plant and equipment was RUR 803,969 thousand/USD* 26,583 thousand (2008: RUR 852,861 thousand/USD* 28,199 thousand).

Expenses capitalised in property, plant and equipment in 2009 amounted to RUR 927,270 thousand/USD* 30,659 thousand (2008: RUR 814,664 thousand/USD* 26,936 thousand).

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(a) Security

At 31 December 2009 properties with a carrying amount of RUR 8,046,415 thousand/USD* 266,048 thousand (2008: RUR 7,387,939 thousand/USD* 244,276 thousand) are subject to a registered debenture to secure bank loans (see note 29).

(b) Operating leases

The Group has entered into operating lease contracts for a number of fixed assets: buildings, installations and aircraft (frames and engines). These leases have an average life of 3 to 5 years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases. Operating lease obligations are disclosed in note 37.

(c) Finance lease

In 2008 the Group entered into aircraft lease agreements under which it has a bargain option to acquire the leased assets at the end of lease term of eight years. The estimated average remaining useful life of leased assets varies from 25 to 42 years. As at 31 December 2009 the carrying value of an aircraft already used by the Group under finance lease was RUR 3,048,195 thousand/ USD* 100,787 thousand (2008: RUR 2,465,932 thousand/USD* 81,534 thousand). Finance lease obligations are disclosed in note 29.

(d) Revaluation of aircrafts, helicopters, engines and buildings

In 2008 the Group commissioned Consulting Company Expert LLC, a third party appraiser, to independently appraise the Group's aircraft, helicopters, engines and buildings as at 31 December 2008. In accordance with the Group's accounting policy these items of property, plant and equipment are accounted for at fair value (see note 3(d)(i)).

As at 31 December 2008 the fair value of aircraft, helicopters, engines, land and buildings was determined to be RUR 21,646,321 thousand/USD* 715,718 thousand, of which RUR 16,199,176 thousand/USD* 535,613 thousand was primarily determined based on the market comparison approach (also referred to as sales comparison approach). This approach considers sales of similar or substitute properties and related market data, and establishes a value estimate by a process involving comparison:

- with an identical object which is being sold in a secondary market;
- with a similar object which is being sold in a secondary market using adjustments, if there is no identical object; or
- with new analogous equipment using adjustments for depreciation in the absence of a secondary market.

The fair value of the remaining items of property, plant and equipment of RUR 5,447,145 thousand/USD* 180,105 thousand was determined based on depreciated replacement cost. This method considers the cost to reproduce or replace the property, plant and equipment, adjusted for physical, functional or economical depreciation and obsolescence. Based on the review for impairment performed by the Group in 2009 in relation to the carrying amount of these items of property, plant and equipment as at 31 December 2008 (refer note 15(e)), their fair value was corrected (refer note 6).

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(e) Impairment loss

The Group performed assessment of the recoverable amount of assets as at 31 December 2008 according to the International Financial Reporting Standard (IAS) 36 “Impairment of assets». The indicators were identified that property, plant and equipment with the carrying amount of RUR 21,588,278 thousand/USD* 713,799 thousand has exceeded its recoverable amount.

The recoverable amount of each cash generating unit was based on the value in use. According to the assessment performed the carrying amount of fixed assets exceeded its recoverable amount by RUR 1,195,755 thousand/USD* 39,537 thousand. The whole amount of the impairment loss related to the Passenger traffic strategic business unit (refer note 5). As a result impairment loss was recognised.

Value in use was determined by discounting the future cash flows generated from the continuing use of the units. The calculation of the value in use was based on the following key assumptions:

- cash flows were calculated based on the actual operating results achieved in both 2008 and 2009. Estimated cash flows of the future years were determined through financial and economical forecasting of operating activities for 8-year period;
- the forecast of production activity was based on a permanent intensity of used assets throughout the forecasting period; as well as their technical conditions and disposal plan. The forecast of passenger traffic was calculated using historical trends;
- revenues forecast was based on performance indicators, average tariffs for 2009 were used for each type of aircrafts. The tariffs for the years after 2009 were adjusted by inflation rate;
- the inflation rate was determined according to the forecast of Ministry of Economical Development of the Russian Federation till 2020;
- in some cases revenues forecast was calculated based on the average growth rate of operating activities and business structure formed in 2009;
- 83% of expenses were forecasted by direct item-by-item modelling based on key factors. Forecasted amount of other expenses was determined based on average trends formed;
- for the purpose of calculation of recoverable amount discount rate of 14.53% was used;
- terminal growth rate of 3.5% was used for calculation of terminal value of assets.

The management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause any material increase or decrease in the impairment loss allocated to property, plant and equipment.

(f) Change in estimates

During the year ended 31 December 2009, the Group concluded an operational efficiency review, which resulted in changes in the expected usage of certain items of property, plant and equipment.

As a result, the expected useful lives of these assets increased and their estimated residual values decreased. This resulted in decrease in annual depreciation expense by RUR 338,858 thousand/USD* 11,204 thousand.

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16 Intangible assets

(a) Goodwill

	2009 ’000 RUR	2008 ’000 RUR	2009 ’000 USD*	2008 ’000 USD*
As at 1 January	106,764	-	3,530	-
Acquisitions through business combinations as previously stated	-	353,184	-	11,678
Adjustment	-	(256,578)	-	(8,485)
Acquisitions through business combinations as restated	-	96,606	-	3,193
Effect of movements in exchange rates	85	10,158	3	337
As at 31 December	106,849	106,764	3,533	3,530

(i) Impairment testing for cash generating units containing goodwill

For the purpose of impairment testing of goodwill (refer note 7), a recoverable amount of net assets of the subsidiary, which represents an individual cash generating unit, was calculated based on its value in use, which was determined with the assistance of independent valuers. Based on the analysis performed, the carrying amount of the cash generating unit does not exceed its recoverable amount, therefore no impairment was allocated to goodwill and recognised in these financial statements.

Value in use was determined by discounting the future cash flows generated from the continuing operations of the subsidiary. Unless indicated otherwise, value in use in 2009 was determined similarly as in 2008. The calculation of the value in use was based on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results in both 2008 and 2009. Cash flows for a further 3-year period were estimated using an annual average growth rate of flight hours of 9% and prices per flight hour of 2%;
- A pre-tax discount rate of 11.55% (2008: 14.34%) was applied in determining the recoverable amount of the cash generating unit. The discount rate was estimated based on past experience, and industry average weighted average cost of capital;
- A terminal value was derived at the end of the 5-year interim period. A terminal rate of 2% was considered in estimating the terminal value for the cash generating unit.

The values assigned to the key assumptions represent management’s assessment of future trends in the industry and are based on both external sources and internal sources.

The management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

(b) Other intangible assets

Other intangible assets in the total amount of RUR 350,341 thousand/USD* 11,584 thousand (2008: RUR 333,808 thousand/ USD* 11,036 thousand) includes customer relationships identified as a result of acquisition of a subsidiary in amount of RUR 260,100 thousand/USD* 8,600

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thousand and RUR 252,671 thousand/USD* 8,354 thousand as at 31 December 2009 and 2008 accordingly (refer note 7).

17 Net investments in leases

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

	2009 ’000 RUR	2008 ’000 RUR	2009 ’000 USD*	2008 ’000 USD*
Gross investments in leases	159,959	368,048	5,289	12,169
Less: unearned finance lease income	(29,161)	(72,549)	(964)	(2,399)
Net investments in leases	**130,798**	**295,499**	**4,325**	**9,770**

The interest rate incremental in the lease agreements varied between 9% and 14% per annum (2008: 9% and 14% per annum) depending on the total amount and duration of the contract as well as other terms. The amounts receivable under the lease agreements are secured by the assets leased out.

Gross investments in leases are paid in RUR. The maturity structure of the net and gross investments in lease is detailed as follows:

	2009		2008	
’000 RUR	**Gross investments**	**Net investments**	**Gross investments**	**Net investments**
Less than 1 year	111,322	91,028	230,361	184,392
1 to 5 years	48,637	39,770	137,687	111,107
Total	**159,959**	**130,798**	**368,048**	**295,499**

	2009		2008	
’000 USD*	**Gross investments**	**Net investments**	**Gross investments**	**Net investments**
Less than 1 year	3,681	3,010	7,616	6,097
1 to 5 years	1,608	1,315	4,553	3,673
Total	**5,289**	**4,325**	**12,169**	**9,770**

18 Equity accounted investees

The Group’s share of loss in its equity accounted investees for the year was RUR 55,507 thousand/USD* 1,836 thousand (2008: RUR 86,583 thousand/USD* 2,863 thousand).

In 2009 and 2008 the Group did not receive dividends from any of its investments in equity accounted investees.

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

** The USD equivalent figures are provided for information purposes only and do not form part of the audited financial statements – refer to note 2(d).*

’000 RUR	Ownership	Total assets	Total liabilities	Revenues	Profit/loss
2008					
Airport Surgut OJSC (Russia)	26.0%	668,563	117,564	1,360,668	88,199
Kondavia CJSC	45.5%	49,831	15,615	66,743	(75)
Nefteyuganskiy Aviaotryad OJSC (Russia)	24.4%	1,551,236	502,651	1,157,808	(202,964)
		2,269,630	**635,830**	**2,585,219**	**(114,840)**
2009					
Airport Surgut OJSC (Russia)	-	-	-	-	-
Kondavia CJSC	45.5%	47,546	13,388	62,639	(57)
Nefteyuganskiy Aviaotryad OJSC (Russia)	24.4%	1,265,437	533,413	1,298,735	(278,258)
		1,312,983	**546,801**	**1,361,374**	**(278,315)**

’000 USD*	Ownership	Total assets	Total liabilities	Revenues	Profit/loss
2008					
Airport Surgut OJSC (Russia)	26%	22,105	3,887	44,989	2,916
Kondavia CJSC	45.5%	1,648	516	2,207	(2)
Nefteyuganskiy Aviaotryad OJSC (Russia)	24.4%	51,290	16,620	38,282	(6,711)
		75,043	**21,023**	**85,478**	**(3,797)**
2009					
Airport Surgut OJSC (Russia)	-	-	-	-	-
Kondavia CJSC	45.5%	1,572	443	2,071	(2)
Nefteyuganskiy Aviaotryad OJSC (Russia)	24.4%	41,841	17,637	42,942	(9,202)
		43,413	**18,080**	**45,013**	**(9,204)**

19 Other investments

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

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

	2009 ’000 RUR	2008 ’000 RUR	2009 ’000 USD*	2008 ’000 USD*
Long-term investments				
Available-for-sale investments	16,455	14,267	544	472
	16,455	**14,267**	**544**	**472**
Short-term investments				
Available-for-sale investments	130,776	32,041	4,324	1,059
Investments held for trading (refer note 29)	274,207	-	9,066	-
	404,983	**32,041**	**13,390**	**1,059**

20 Loans issued

As at 31 December 2009 long-term loans issued of RUR 59,370 thousand/USD* 1,963 thousand (2008: RUR 52,885 thousand/USD* 1,749 thousand) are denominated in USD, bear interest rate of 8% per annum and mature before 10 June 2013.

As at 31 December 2009 short-term loans amounting to RUR 794,654 thousand/USD* 26,275 thousand (2008: RUR 742,090 thousand/USD* 24,537 thousand) are denominated in RUR, bear interest rate of 10% to 12% per annum and mature before 31 December 2010.

For information about the Group's exposure to credit and currency risk see note 36.

21 Advances issued other than those issued for property, plant and equipment

	2009 ’000 RUR	2008 ’000 RUR	2009 ’000 USD*	2008 ’000 USD*
Long-term				
Advances issued under operating lease agreements	-	2,969,355	-	98,179
Advances issued for non-current assets held for sale (refer note 8)	-	491,369	-	16,247
Other	25,760	-	852	-
	25,760	**3,460,724**	**852**	**114,426**
Short-term				
Advances issued under operating lease agreements	-	458,316	-	15,154
Advances issued for non-current assets held for sale (refer note 8)	1,900,102	1,177,787	62,825	38,942
Other	810,777	765,252	26,808	25,303
	2,710,879	**2,401,355**	**89,633**	**79,399**

In 2009 advances issued under operating lease agreements were reclassified to security deposits (refer note 25) as a result of the changes made to lease agreements.

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

	2009 ’000 RUR	2008 ’000 RUR	2009 ’000 USD*	2008 ’000 USD*
1 January	**73,799**	**44,681**	**2,440**	**1,478**
Charged during the year	9,979	29,118	330	962
31 December	**83,778**	**73,799**	**2,770**	**2,440**

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22 Deferred tax assets and liabilities

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**		**Net**	
'000 RUR	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Property, plant and equipment as previously stated	40,629	18	(2,621,369)	(2,464,449)	(2,580,740)	(2,464,431)
Adjustment	-	26,173	-	52,935	-	79,108
Property, plant and equipment as restated	40,629	26,191	(2,621,369)	(2,411,514)	(2,580,740)	(2,385,323)
Intangible assets as previously stated	-	7,867	(106,511)	-	(106,511)	7,867
Adjustment	-	-	-	(75,801)	-	(75,801)
Intangible assets as restated	-	7,867	(106,511)	(75,801)	(106,511)	(67,934)
Investments as previously stated	-	-	(16,051)	-	(16,051)	-
Adjustment	-	-	-	(6,918)	-	(6,918)
Investments as restated	-	-	(16,051)	(6,918)	(16,051)	(6,918)
Inventories	72,134	103,095	(323)	(720)	71,811	102,375
Trade and other receivables	197,175	315,343	(23,023)	(219,203)	174,152	96,140
Deferred revenue as previously stated	259,561	-	(17,647)	-	241,914	-
Adjustment	-	184,678	-	-	-	184,678
Deferred revenue as restated	259,561	184,678	(17,647)	-	241,914	184,678
Trade and other payables as previously stated	283,648	229,629	-	(35,457)	283,648	194,172
Adjustment	-	-	-	12,852	-	12,852
Trade and other payables as restated	283,648	229,629	-	(22,605)	283,648	207,024
Tax loss carry-forwards	115,400	113,600	-	-	115,400	113,600
Other differences as previously stated	44,210	-	(26,160)	-	18,050	-
Adjustment	-	47,305	-	-	-	47,305
Other differences as restated	44,210	47,305	(26,160)	-	18,050	47,305
Tax assets/(liabilities)	1,012,757	1,027,708	(2,811,084)	(2,736,761)	(1,798,327)	(1,709,053)
Set off of tax	(943,771)	(982,900)	943,771	982,900	-	-
Net tax assets/(liabilities)	**68,986**	**44,808**	**(1,867,313)**	**(1,753,861)**	**(1,798,327)**	**(1,709,053)**

	Assets		Liabilities		Net	
’000 USD*	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Property, plant and equipment as previously stated	1,343	1	(86,673)	(81,485)	(85,330)	(81,484)
Adjustment	-	865	-	1,750	-	2,615
Property, plant and equipment as restated	1,343	866	(86,673)	(79,735)	(85,330)	(78,869)
Intangible assets as previously stated	-	260	(3,522)	-	(3,522)	260
Adjustment	-	-	-	(2,506)	-	(2,506)
Intangible assets as restated	-	260	(3,522)	(2,506)	(3,522)	(2,246)
Investments as previously stated	-	-	(531)	-	(531)	-
Adjustment	-	-	-	(229)	-	(229)
Investments as restated	-	-	(531)	(229)	(531)	(229)
Inventories	2,385	3,409	(11)	(24)	2,374	3,385
Trade and other receivables	6,519	10,428	(761)	(7,248)	5,758	3,180
Deferred revenue as previously stated	8,582	-	(583)	-	7,999	-
Adjustment	-	6,106	-	-	-	6,106
Deferred revenue as restated	8,582	6,106	(583)	-	7,999	6,106
Trade and other payables as previously stated	9,378	7,592	-	(1,172)	9,378	6,420
Adjustment	-	-	-	425	-	425
Trade and other payables as restated	9,378	7,592	-	(747)	9,378	6,845
Tax loss carry-forwards	3,816	3,756	-	-	3,816	3,756
Other differences as previously stated	1,462	-	(865)	-	597	-
Adjustment	-	1,564	-	-	-	1,564
Other differences as restated	1,462	1,564	(865)	-	597	1,564
Tax assets/(liabilities)	33,485	33,981	(92,946)	(90,489)	(59,461)	(56,508)
Set off of tax	(31,205)	(32,499)	31,205	32,499	-	-
Net tax assets/(liabilities)	**2,280**	**1,482**	**(61,741)**	**(57,990)**	**(59,461)**	**(56,508)**

(b) Unrecognised deferred tax assets

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

	2009 ’000 RUR	**2008 ’000 RUR**	**2009 ’000 USD***	**2008 ’000 USD***
Tax losses	74,117	67,423	2,450	2,229
	74,117	**67,423**	**2,450**	**2,229**

The tax losses expire in 2018. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

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(c) Movement in temporary differences during the year

’000 RUR	1 January 2009	Recognised in income	Recognised in other comprehensive income	Foreign currency translation reserve	Disposed of	31 December 2009
Property, plant and equipment	(2,385,323)	(220,905)	13,112	(4,541)	16,917	(2,580,740)
Intangible assets	(67,934)	(36,348)	-	(2,229)	-	(106,511)
Investments	(6,918)	(9,133)	-	-	-	(16,051)
Inventories	102,375	(30,564)	-	-	-	71,811
Trade and other receivables	96,140	78,012	-	-	-	174,152
Deferred revenue	184,678	57,236	-	-	-	241,914
Other items	254,329	47,369	-	-	-	301,698
Tax loss carry-forwards	113,600	1,800	-	-	-	115,400
	(1,709,053)	**(112,533)**	**13,112**	**(6,770)**	**16,917**	**(1,798,327)**

’000 RUR	1 January 2008	Recognised in income	Recognised in other comprehensive income	Foreign currency translation reserve	Acquired	31 December 2008
Property, plant and equipment	(1,385,819)	663,027	(1,508,062)	(29,997)	(124,472)	(2,385,323)
Intangible assets	7,867	-	-	(14,720)	(61,081)	(67,934)
Investments	-	(6,918)	-	-	-	(6,918)
Inventories	29,842	72,533	-	-	-	102,375
Trade and other receivables	396,948	(300,808)	-	-	-	96,140
Deferred revenue	139,924	44,754	-	-	-	184,678
Other items	34,746	222,935	-	-	(3,352)	254,329
Tax loss carry-forwards	113,600	-	-	-	-	113,600
	(662,892)	**695,523**	**(1,508,062)**	**(44,717)**	**(188,905)**	**(1,709,053)**

’000 USD*	1 January 2009	Recognised in income	Recognised in other comprehensive income	Foreign currency translation reserve	Disposed of	31 December 2009
Property, plant and equipment	(78,869)	(7,302)	434	(150)	557	(85,330)
Intangible assets	(2,246)	(1,202)	-	(74)	-	(3,522)
Investments	(229)	(302)	-	-	-	(531)
Inventories	3,385	(1,011)	-	-	-	2,374
Trade and other receivables	3,180	2,578	-	-	-	5,758
Deferred revenue	6,106	1,893	-	-	-	7,999
Other items	8,409	1,566	-	-	-	9,975
Tax loss carry-forwards	3,756	60	-	-	-	3,816
	(56,508)	**(3,720)**	**434**	**(224)**	**557**	**(59,461)**

’000 USD*	1 January 2008	Recognised in income	Recognised in other comprehensive income	Foreign currency translation reserve	Acquired	31 December 2008
Property, plant and equipment	(45,821)	21,922	(49,863)	(989)	(4,118)	(78,869)
Intangible assets	260	-	-	(489)	(2,017)	(2,246)
Investments		(229)	-	-	-	(229)
Inventories	987	2,398	-	-	-	3,385
Trade and other receivables	13,125	(9,945)	-	-	-	3,180
Deferred revenue	4,626	1,480	-	-	-	6,106
Other items	1,149	7,371	-	-	(111)	8,409
Tax loss carry-forwards	3,756	-	-	-	-	3,756
	(21,918)	**22,997**	**(49,863)**	**(1,478)**	**(6,246)**	**(56,508)**

23 Inventories

	2009 ’000 RUR	2008 ’000 RUR	2009 ’000 USD*	2008 ’000 USD*
Spare parts	1,166,672	1,238,393	38,575	40,946
Fuel	464,592	610,522	15,361	20,187
Other inventories	450,478	413,176	14,895	13,661
Work in progress	9,833	-	325	-
Finished goods and goods for resale	22,076	2,140	730	71
Allowance for impairment	(329,666)	(201,373)	(10,900)	(6,658)
	1,783,985	**2,062,858**	**58,986**	**68,207**

As at 31 December 2009 inventories in amount of RUR 614,409 thousand/USD* 20,315 thousand (2008: RUR 729,594 thousand /USD* 24,123 thousand) have been pledged as collateral against borrowings (refer note 29).

** The USD equivalent figures are provided for information purposes only and do not form part of the audited financial statements – refer to note 2(d).*

24 Trade and other receivables

	2009 '000 RUR	2008 '000 RUR	2009 '000 USD*	2008 '000 USD*
Trade receivables	2,861,050	2,640,294	94,598	87,299
VAT recoverable	250,161	317,072	8,271	10,484
Other taxes receivable	895,638	295,113	29,614	9,758
Receivables for operations with securities	746,675	-	24,688	-
Receivables from related parties (refer note 40)	512,087	148,455	16,932	4,908
Deferred expenses	64,829	60,512	2,144	2,001
Other accounts receivable	514,542	632,482	17,013	20,912
Less:				
Provision for impairment of trade receivables	(69,680)	(70,407)	(2,304)	(2,328)
Provision for impairment of other receivables	(33,840)	(143,936)	(1,119)	(4,759)
	5,741,462	**3,879,585**	**189,837**	**128,275**

Receivables for operations with securities are amounts receivable from trust account manager for securities which were paid for but were not transferred to the Group as at 31 December 2009.

The following table summarises the changes in the provision for impairment of trade and other receivables as at 31 December:

	2009 '000 RUR	2008 '000 RUR	2009 '000 USD*	2008 '000 USD*
1 January	**214,343**	**200,715**	**7,087**	**6,636**
Reversed during the year	(151,894)	-	(5,022)	-
Charged during the year	41,071	13,628	1,358	451
31 December	**103,520**	**214,343**	**3,423**	**7,087**

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

25 Security deposits

As at 31 December 2009 security deposits in amount of RUR 6,450,010 thousand/USD* 213,264 thousand are under operating lease agreements, which carry interest rate of 6% and are to be returned by a lessor within one year after the balance sheet date.

26 Cash and cash equivalents

	2009 '000 RUR	2008 '000 RUR	2009 '000 USD*	2008 '000 USD*
Bank deposits	226,248	193,378	7,481	6,394
Bank balances	288,338	145,494	9,533	4,811
Cash and cash equivalents in the consolidated statement of cash flows and consolidated statement of financial position	**514,586**	**338,872**	**17,014**	**11,205**

Bank deposits mature within 3 months after the reporting date and can be withdrawn on demand.

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

** The USD equivalent figures are provided for information purposes only and do not form part of the audited financial statements – refer to note 2(d).*

27 Capital and reserves

(a) Share capital

	Number of outstanding ordinary shares (thousand)	Number of treasury shares (thousand)	Share Capital ’000 RUR	Treasury shares at cost ’000 RUR	Premiums or discounts on transactions with treasury shares ’000 RUR
As at 1 January 2008	**568,095**	**9,113**	**3,101,456**	**21,116**	**6,113**
Purchase of treasury shares	(14,079)	14,079	-	152,128	-
As at 31 December 2008	**554,016**	**23,192**	**3,101,456**	**173,244**	**6,113**
Purchase of treasury shares	-	-	-	-	-
As at 31 December 2009	**554,016**	**23,192**	**3,101,456**	**173,244**	**6,113**

	Number of outstanding ordinary shares (thousand)	Number of treasury shares (thousand)	Share capital ’000 USD*	Treasury shares at cost ’000 USD*	Premiums or discounts on transactions with treasury shares ’000 USD*
As at 1 January 2008	**568,095**	**9,113**	**102,547**	**698**	**202**
Purchase of treasury shares	(14,079)	14,079	-	5,030	-
As at 31 December 2008	**554,016**	**23,192**	**102,547**	**5,728**	**202**
Purchase of treasury shares	-	-		-	-
As at 31 December 2009	**554,016**	**23,192**	**102,547**	**5,728**	**202**

As at 31 December 2008 the number of authorised ordinary shares amounted to 577,208,000 (2007: 577,208,000) with a nominal value of 1 RUR per share. All authorised shares have been issued and fully paid.

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

(b) Dividends

Distributable revenues are determined in accordance with the Russian legislation.

The Company’s shares are listed on the Russian Trade System (“RTS”) and the Moscow Interbank Currency Stock Exchange (“MICEX”). On 31 December 2009 the shares of the Company were traded at RUR 10.378 per share (2008: RUR 2.423 per share).

At the reporting date the following dividends have been recommended by the directors, but have not been approved and, therefore, have not been provided for:

	2009 ’000 RUR	2008 ’000 RUR	2009 ’000 USD*	2008 ’000 USD*
0.040 RUR per ordinary share (2008: 0.228 RUR)	23,088	131,603	763	4,351
	23,088	**131,603**	**763**	**4,351**

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28 Earnings per share

The calculation of basic earnings per share at 31 December 2009 was based on the profit attributable to ordinary shareholders, and a weighted average number of ordinary shares outstanding of 554,016 (2008: 560,555), calculated as shown below. The Company has no dilutive potential ordinary shares.

In thousands of shares	**2009**	**2008 Restated**
Issued shares at 1 January	554,016	568,095
Effect of own shares held	-	(7,540)
Weighted average number of shares for the year ended	**554,016**	**560,555**
Profit/(loss) for the year attributable to owners of the Company ’000 RUR	38,044	(4,011,329)
Basic and diluted earnings per share, RUR	**0.07**	**(7.16)**
Profit/(loss) for the year attributable to owners of the Company ’000 USD*	1,258	(132,632)
Basic and diluted earnings per share, USD*	**0.002**	**(0.24)**

29 Loans and borrowings

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

	2009 ’000 RUR	**2008 ’000 RUR**	**2009 ’000 USD***	**2008 ’000 USD***
Non-current liabilities				
Secured bank loans	8,895,512	3,340,881	294,122	110,464
Unsecured bank loans	6,624	-	219	-
Unsecured bond issued	-	385,165	-	12,735
Loan from related parties (refer note 40)	255,821	344,925	8,459	11,405
Finance lease liabilities	2,810,916	2,195,075	92,941	72,578
Unsecured promissory notes issued	580,000	4,235	19,177	140
	12,548,873	**6,270,281**	**414,918**	**207,322**
Current liabilities				
Secured bank overdraft	3,197	-	106	-
Current portion of secured bank loans	9,602,898	11,202,685	317,512	370,408
Unsecured bonds issued	1,637,447	1,000,000	54,141	33,064
Unsecured promissory notes issued	371,414	180,861	12,280	5,980
Loans from related parties (refer note 40)	805,601	2,802,032	26,637	92,647
Liabilities under REPO transactions	563,594	-	18,635	-
Unsecured bank loans	112,789	-	3,729	-
Current portion of finance lease liabilities	487,746	217,022	16,127	7,176
	13,584,686	**15,402,600**	**449,167**	**509,275**

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(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

’000 RUR	Currency	Nominal interest rate	Effective interest rate	Year of maturity	Carrying amount 2009	Carrying amount 2008
Secured bank loan	RUR	11-16%	12.2%	2011	11,387,980	6,767,428
Secured bank loan from related parties	RUR	11-16%	12.2%	2011	557,169	843,242
Secured bank loan	USD	5-9.95%	9.69%	2014	3,623,400	4,364,404
Secured bank loan	USD	LIBOR + 1.6% - 7.75%	3.49%	2010-2013	1,712,510	1,718,477
Secured bank loan	Euro	LIBOR + 5.85%	6.84%	2013	1,777,717	1,693,257
Unsecured bank loan	USD	8%	8%	2010-2011	119,413	-
Liabilities under REPO transactions	RUR			2010	563,594	-
Unsecured promissory notes	RUR	15-16%	15.2%	2010-2011	951,414	185,096
Unsecured promissory notes held by related parties	RUR	15-16%	15.2%	2010-2011	504,253	2,303,715
Unsecured bonds issued	RUR	16.14%	16.14%	2010	1,637,447	1,385,165
Finance lease liabilities	USD	6%	6%	2016	3,298,662	2,412,097
					26,133,559	**21,672,881**

’000 USD*	Currency	Nominal interest rate	Effective interest rate	Year of maturity	Carrying amount 2009	Carrying amount 2008
Secured bank loan	RUR			2011	376,533	223,759
Secured bank loan from related parties	RUR	11-16%	12.2%	2011	18,422	27,881
Secured bank loan	USD	11-16%	12.2%	2014	119,805	144,307
Secured bank loan	USD	5-9.95%	9.69%	2010-2013	56,623	56,820
Secured bank loan	Euro	LIBOR + 1.6% - 7.75%	3.49%	2013	58,779	55,986
Unsecured bank loan	USD	LIBOR + 5.85%	6.84%	2010-2011	3,948	-
Liabilities under REPO transactions	RUR	8%	8%	2010	18,635	-
Unsecured promissory notes	RUR			2010-2011	31,457	6,120
Unsecured promissory notes held by related parties	RUR	15-16%	15.2%	2010-2011	16,674	76 171
Unsecured bonds issued	RUR	15-16%	15.2%	2010	54,141	45,799
Finance lease liabilities	USD	16.14%	16.14%	2016	109,068	79,754
					864,085	**716,597**

** The USD equivalent figures are provided for information purposes only and do not form part of the audited financial statements – refer to note 2(d).*

Bank loans are secured by the following:

- Property, plant and equipment with a carrying amount of RUR 8,046,415 thousand/USD* 266,048 thousand (2008: RUR 7,387,939 thousand/USD* 244,276 thousand);
- inventory with a carrying amount of RUR 614,409 thousand/USD* 20,315 thousand (2008: RUR 729,594 thousand/USD* 24,123 thousand);
- finance lease liabilities are secured by the leased assets, see note 15.

As at the 31 December 2009 unutilized credit line limits amounted to RUR 478,550 thousand/USD* 15,823 thousand nominated in roubles and RUR 90,733 thousand/USD* 3,000 thousand nominated in US dollars (2008: nil).

Liabilities under REPO transactions in the amount of RUR 563,594 thousand/USD* 18,635 thousand are secured by investments held for trading with the carrying amount of RUR 274,207 thousand/USD* 9,066 thousand as at 31 December 2009 (refer note 19). Against the remaining amount of the liability the Group transferred to the lender the promissory notes of own issue.

(b) Finance lease liabilities are payable as follows:

As at 31 December 2009 the Group has entered into finance lease agreements under which ten aircrafts have been received (Note 8) for the duration of five years with subsequent transfer of ownership to the Group on the expiry of the agreement, including a purchase option. The minimum future lease payments under the agreements as well as the present value of the minimum lease payments are presented in the following table:

	2009			**2008**		
’000 RUR	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**
Less than one year	804,869	317,123	487,746	437,375	220,353	217,022
Between one and five years	2,859,574	740,136	2,119,438	1,789,851	639,408	1,150,443
More than five years	750,769	59,291	691,478	1,142,753	98,121	1,044,632
	4,415,212	**1,116,550**	**3,298,662**	**3,369,979**	**957,882**	**2,412,097**

	2009			**2008**		
’000 USD*	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**	**Future minimum lease payments**	**Interest**	**Present value of minimum lease payments**
Less than one year	26,612	10,485	16,127	14,462	7,286	7,176
Between one and five years	94,549	24,472	70,077	59,180	21,142	38,038
More than five years	24,824	1,960	22,864	37,784	3,244	34,540
	145,985	**36,917**	**109,068**	**111,426**	**31,672**	**79,754**

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30 Derivatives

In 2008, the Group had signed agreements, valid till 2012-2014, on hedging of financial risks relating to volatility of interest rates, stipulated in non-renewable credit line contracts and in aircraft operating lease contracts. In accordance with the agreements hedged items are floating rates LIBOR USD 1m, LIBOR USD 3m and LIBOR USD 6m; the type of derivative used is interest rate swap.

Despite the management believes that the effectiveness of the hedge can be reliably measured and the hedge is expected to be highly effective, the hedging relationships do not qualify for hedge accounting since at the inception of the hedge no formal documentation, containing appropriately defined components of hedging relationships, had been prepared.

The fair value of hedge liabilities was determined by discounting the future cash flows to be received or paid as a result of hedge agreements. The calculation of the fair value was based on the following key assumptions:

- Cash flows for 2008 and 2009 were projected based on the amounts and dates of transactions, stipulated in the hedge agreements, and the anticipated LIBOR rates as provided by the Reuters (2009: LIBOR USD 1m – 0.34%, LIBOR USD 3m - 0.414% and LIBOR USD 6m – 0.775%; 2008: LIBOR USD 1m – 0.94%, LIBOR USD 3m – 0.954% and LIBOR USD 6m – 1.215%);
- A discount rate of 9.95% (2008: 11.32%) was applied in determining the fair value of hedge liabilities. The discount rate was estimated based on market interest rate.

The values assigned to the key assumptions are based mainly on external sources of information. The determination of the fair value is sensitive to changes in anticipated LIBOR rates.

Changes in the fair value of hedge liabilities are accounted for in the consolidated statement of comprehensive income for the year as other finance costs.

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

31 Employee benefits

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

The components of net benefit expense recognised in the consolidated statement of comprehensive income for the years ended 31 December 2009 and 2008 and amounts recognised in consolidated statement of financial position as at 31 December 2009 and 2008 are as follows:

	2009 ’000 RUR	2008 ’000 RUR	2009 ’000 USD*	2008 ’000 USD*
Liabilities as at 1 January	**133,198**	**157,996**	**4,404**	**5,224**
Benefit expense	54,787	(18,417)	1,812	(609)
Benefits paid	(9 473)	(6,381)	(314)	(211)
Liabilities as at 31 December, including:	**178,512**	**133,198**	**5,902**	**4,404**
non-current part	165,296	127,818	5,465	4,226
current part	13,216	5,380	437	178

** The USD equivalent figures are provided for information purposes only and do not form part of the audited financial statements – refer to note 2(d).*

(a) Expense recognised in profit or loss

	2009 '000 RUR	2008 '000 RUR	2009 '000 USD*	2008 '000 USD*
Current service costs	11,214	12,744	371	421
Past service costs	32,535	1,919	1,076	63
Interest on obligation	14,630	12,932	484	428
Net actuarial losses recognised in year	(3,592)	(46,012)	(119)	(1,521)
Net post-employment benefit expenses / (gains)	54,787	(18,417)	1,812	(609)

(b) Actuarial assumptions

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

	2009/ %	2008/ %
Discount rate at 31 December	9.5	9.0
Average long-term payroll increase rate	8.0	8.0
Employee turnover rate	2.0	1.21
Probability of a non-working pensioner residing where the Group companies are located	30.0	30.0

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

32 Trade and other payables

	2009 '000 RUR	2008 '000 RUR	2009 '000 USD*	2008 '000 USD*
Non-current				
Frequent Flyer Programme liabilities (refer note 34)	117,134	88,596	3,873	2,929
	117,134	**88,596**	**3,873**	**2,929**
Current				
Trade payables	2,938,661	1,786,703	97,165	59,076
Unused vacation accrual	661,321	577,114	21,866	19,082
Accrued liabilities and other payables	178,875	306,031	5,915	10,119
Accrued payroll	444,599	337,839	14,700	11,170
Payables to related parties (refer note 40)	559,665	187,687	18,505	6,206
Dividends payable	8,846	59,139	292	1,955
Frequent Flyer Programme liabilities (refer note 34)	39,045	29,532	1,291	976
	4,831,012	**3,284,045**	**159,734**	**108,584**

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

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33 Advances received

	2009 '000 RUR	2008 '000 RUR	2009 '000 USD*	2008 '000 USD*
Advances from passengers	587,982	372,419	19,441	12,313
Advances from customers	287,302	143,958	9,499	4,760
Advances from related parties (note 40)	11,239	23,343	372	772
	886,523	**539,720**	**29,312**	**17,845**

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

34 Incentive program liabilities

Liabilities related to frequent flyer programme "Status" has been assessed in accordance with the requirements of IFRIC 13 *Customer Loyalty Programmes*. The amount of deferred revenue comprise the quantity of earned by passengers but unused awards assessed at fair value.

As at 31 December 2009 deferred revenue and other liabilities related to frequent flyer programme "Status" included the following:

	2009 '000 RUR	2008 '000 RUR	2009 '000 USD*	2008 '000 USD*
Deferred revenue, non-current	895,201	612,239	29,599	20,243
Deferred revenue, current	298,400	230,839	9,866	7,633
Other non-current liabilities	117,134	88,596	3,873	2,929
Other current liabilities (refer note 32)	39,045	29,532	1,291	976
	1,349,780	**961,206**	**44,629**	**31,781**

35 Taxes payable

	2009 '000 RUR	2008 '000 RUR	2009 '000 USD*	2008 '000 USD*
Value Added Tax payable	78,413	285,419	2,593	9,437
Property tax	24,466	29,606	809	979
Other taxes and tax provisions	141,648	221,399	4,683	7,320
	244,527	**536,424**	**8,085**	**17,736**

36 Financial instruments and risk management

(a) Overview

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

- credit risk
- liquidity risk
- market risk

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This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. The Group management reviews and agrees policies for managing each of these risks, which are summarised below.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

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

As at 31 December 2009 accounts receivable from the Group's major debtor amounted to RUR 1,350,625 thousand/USD* 44,657 thousand (2008: RUR 982,157 thousand/USD* 32,474 thousand). Management determines risk concentration by reference to a percentage of receivables from particular customers to the total accounts receivable.

(i) Exposure to credit risk

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

	Carrying amount	
'000 RUR	**2009**	**2008**
Long-term other investments	16,455	14,267
Long-term loans issued	59,370	52,885
Long-term receivables	1,671	249,067
Trade receivables	4,530,834	3,206,888
Security deposits	6,450,010	-
Short-term loans issued	794,654	742,090
Short-term other investments	404,983	32,041
Cash and cash equivalents	514,586	338,872
	12,772,563	**4,636,110**

	Carrying amount	
'000 USD*	**2009**	**2008**
Long-term other investments	544	472
Long-term loans issued	1,963	1,749
Long-term receivables	55	8,235
Trade receivables	149,808	106,033
Security deposits	213,264	-
Short-term loans issued	26,275	24,537
Short-term other investments	13,390	1,059
Cash and cash equivalents	17,014	11,205
	422,313	**153,290**

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Impairment losses

The ageing of trade receivables at the reporting date was:

’000 RUR	Gross 2009	Impairment 2009	Gross 2008	Impairment 2008
Trade and other receivables – not overdue	3,344,689	-	2,929,464	-
Trade and other receivables - overdue	1,291,336	(103,520)	740,834	(214,343)
Less than 30 days	891,965	-	369,713	-
From 30 to 60 days	96,201	-	63,411	-
From 60 to 150 days	101,940	-	93,367	-
Over 150 days	201,230	(103,520)	214,343	(214,343)
	4,636,025	**(103,520)**	**3,670,298**	**(214,343)**

’000 USD*	Gross 2009	Impairment 2009	Gross 2008	Impairment 2008
Trade and other receivables – not overdue	110,590	-	96,860	-
Trade and other receivables - overdue	42,698	(3,423)	24,495	(7,087)
Less than 30 days	29,492	-	12,224	-
From 30 to 60 days	3,181	-	2,097	-
From 60 to 150 days	3,371	-	3,087	-
Over 150 days	6,654	(3,423)	7,087	(7,087)
	153,288	**(3,423)**	**121,355**	**(7,087)**

(c) Liquidity risk

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

The Group manages liquidity risk by targeting an optimal ratio between equity and debt capital consistent with the management plans and business objectives. This enables the Group to maintain an appropriate level of liquidity and financial capacity as to minimise borrowing expenses and to achieve an optimal profile of composition and duration of indebtedness. The Group has access to a wide range of debt instruments at competitive rates both in the capital markets and bank sector and coordinates relationships with the banks centrally. At present, the Group believes that it has access to sufficient funding and has also both committed and uncommitted borrowing facilities to meet currently foreseeable borrowing requirements.

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

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements. It is not expected that the cash flows

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included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

2009

’000 RUR	**Carrying amount**	**Contractual cash flows**	**On demand**	**0-3 mths**	**3-12 mths**	**1-5 yrs**	**Over 5 yrs**
Non-derivative financial liabilities							
Secured bank loans	19,058,776	21,685,182	-	1,860,763	9,509,427	10,184,423	130,569
Unsecured bank loans	119,413	124,986	-	20,300	63,289	41,397	-
Unsecured bond issued	1,637,447	1,853,972	-	-	1,853,972	-	-
Finance lease liabilities	3,298,662	4,415,212	-	201,217	603,652	2,859,574	750,769
Payables under REPO transactions	563,594	566,561	-	566,561	-	-	-
Unsecured promissory notes	1,455,667	1,599,264	-	110,593	908,671	580,000	-
Trade and other payables	4,831,012	4,831,012	747,030	2,100,918	1,981,713	1,347	4
	30,964,571	**35,076,189**	**747,030**	**4,860,352**	**14,920,724**	**13,666,741**	**881,342**
Derivative financial liabilities							
Interest rate swaps used for hedging	191,808	228,340	-	-	103,045	125,295	-
	191,808	**228,340**	**-**	**-**	**103,045**	**125,295**	**-**

2009

’000 USD*	**Carrying amount**	**Contractual cash flows**	**On demand**	**0-3 mths**	**3-12 mths**	**1-5 yrs**	**Over 5 yrs**
Non-derivative financial liabilities							
Secured bank loans	630,162	717,004	-	61,525	314,422	336,740	4,317
Unsecured bank loans	3,948	4,133	-	671	2,093	1,369	-
Unsecured bond issued	54,141	61,300	-	-	61,300	-	-
Finance lease liabilities	109,068	145,985	-	6,653	19,959	94,549	24,824
Payables under REPO transactions	18,635	18,733	-	18,733	-	-	-
Unsecured promissory notes	48,131	52,878	-	3,657	30,044	19,177	-
Trade and other payables	159,734	159,734	24,700	69,465	65,524	45	-
	1,023,819	**1,159,767**	**24,700**	**160,704**	**493,342**	**451,880**	**29,141**
Derivative financial liabilities							
Interest rate swaps used for hedging	6,342	7,550	-	-	3,407	4,143	-
	6,342	**7,550**	**-**	**-**	**3,407**	**4,143**	**-**

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2008

’000 RUR	Carrying amount	Contractual cash flows	On demand	0-3 mths	3-12 mths	1-5 yrs	Over 5 yrs
Non-derivative financial liabilities							
Secured bank loans	15,386,808	18,881,857	-	3,655,509	9,456,591	4,732,672	1,037,085
Unsecured bond issued	1,385,165	1,514,657	-	1,028,696	57,334	428,627	-
Finance lease liabilities	2,412,097	3,369,979	-	109,344	328,031	1,789,851	1,142,753
Unsecured promissory notes	2,488,811	2,781,904	11,800	172,992	2,597,112	-	-
Trade and other payables	3,284,036	3,284,036	79,739	1,914,672	1,277,840	11,785	-
	24,956,917	**29,832,433**	**91,539**	**6,881,213**	**13,716,908**	**6,962,935**	**2,179,838**
Derivative financial liabilities							
Interest rate swaps used for hedging	236,542	299,097	-	-	107,193	190,192	1,712
	236,542	**299,097**	**-**	**-**	**107,193**	**190,192**	**1,712**

2008

’000 USD*	Carrying amount	Contractual cash flows	On demand	0-3 mths	3-12 mths	1-5 yrs	Over 5 yrs
Non-derivative financial liabilities							
Secured bank loans	508,752	624,313	-	120,866	312,675	156,482	34,290
Unsecured bond issues	45,799	50,081	-	34,013	1,896	14,172	-
Finance lease liabilities	79,754	111,426	-	3,616	10,846	59,180	37,784
Unsecured promissory notes	82,290	91,981	390	5,720	85,871	-	-
Trade and other payables	108,584	108,584	2,636	63,307	42,251	390	-
	825,181	**986,385**	**3,026**	**227,522**	**453,539**	**230,224**	**72,074**
Derivative financial liabilities							
Interest rate swaps used for hedging	7,821	9,890	-	-	3,544	6,289	57
	7,821	**9,890**	**-**	**-**	**3,544**	**6,289**	**57**

(d) Market risk

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

(i) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group’s subsidiaries. The currencies in which these transactions primarily are denominated are the Euro and the USD.

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

Exposure to currency risk

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

'000 RUR	**USD-denominated 2009**	**Euro-denominated 2009**	**USD-denominated 2008**	**Euro-denominated 2008**
Trade and other receivables	2,263,167	16,349	2,170,765	18,510
Secured deposit	6,450,010	-	-	-
Long-term loans issued	54,500	-	52,885	-
Cash and cash equivalents	252,123	4,163	130,934	8,298
Secured bank loans	(5,332,761)	(1,777,717)	(3,745,513)	(1,702,873)
Finance lease liabilities	(2,887,229)	-	(2,412,097)	-
Trade and other payables	(1,005,969)	(183,293)	(394,763)	(20,156)
Net exposure	**(206,159)**	**(1,940,498)**	**(4,197,789)**	**(1,696,221)**

'000 USD*	**USD-denominated 2009**	**Euro-denominated 2009**	**USD-denominated 2008**	**Euro-denominated 2008**
Trade and other receivables	74,830	541	71,775	612
Secured deposit	213,264	-	-	-
Long-term loans issued	1,802	-	1,748	,-
Cash and cash equivalents	8,336	138	4,329	274
Secured bank loans	(176,323)	(58,779)	(123,842)	(56,304)
Finance lease liabilities	(95,464)	-	(79,754)	-
Trade and other payables	(33,261)	(6,060)	(13,053)	(666)
Net exposure	**(6,816)**	**(64,160)**	**(138,797)**	**(56,084)**

The following significant exchange rates applied during the year:

in RUR	**Average rate**		**Reporting date spot rate**	
	2009	**2008**	**2009**	**2008**
USD 1	31.7231	24.8553	29.1600	30.2900
EUR 1	44.1320	36.4291	41.6900	43.4200

Sensitivity analysis

A strengthening of the RUR, as indicated below, against the following currencies at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008, albeit that the reasonably possible foreign exchange changes rate variances were different, as indicated below.

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	2009		2008	
’000 RUR	**Strengthening of FOREX rate**	**Profit or loss**	**Strengthening of FOREX rate**	**Profit or loss**
USD	10%	(20,616)	10%	(337,201)
USD	20%	(41,232)	20%	(674,403)
EUR	10%	(194,067)	10%	(168,861)
EUR	20%	(388,134)	20%	(337,772)

	2009		2008	
’000 USD*	**Strengthening of FOREX rate**	**Profit or loss**	**Strengthening of FOREX rate**	**Profit or loss**
USD	10%	(682)	10%	(11,149)
USD	20%	(1,364)	20%	(22,299)
EUR	10%	(6,417)	10%	(5,583)
EUR	20%	(12,833)	20%	(11,168)

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

(ii) Interest rate risk

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

The Group borrows on both a fixed and floating rate basis. Floating rates are based on LIBOR, EURIBOR and MosPrime rates as well as set up for regular coupon periods of bond loans based on current market conditions in accordance with the terms of issue documents.

As at 31 December 2009 the share of the Group's liabilities bearing a floating interest rate constituted 21% of the total liabilities (2008: 16.4%).

Profile

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

	Carrying amount	
’000 RUR	**2009**	**2008**
Fixed rate instruments		
Financial assets	7,725,472	841,283
Financial liabilities	(21,005,993)	(17,103,305)
	(13,280,461)	**(16,262,022)**
Variable rate instruments		
Financial assets	-	-
Financial liabilities	(5,319,434)	(4,806,109)
	(5,319,434)	**(4,806,109)**

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	Carrying amount	
’000 USD*	**2009**	**2008**
Fixed rate instruments		
Financial assets	255,436	27,816
Financial liabilities	(694,544)	(565,507)
	(439,108)	**(537,691)**
Variable rate instruments		
Financial assets		
Financial liabilities	(175,883)	(158,910)
	(175,883)	**(158,910)**

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

	Profit or loss 2009		Profit or loss 2008	
’000 RUR	**increase**	**decrease**	**increase**	**decrease**
RUR denominated borrowings	(6,268)	6,268	(13,948)	13,948
USD denominated borrowings	(27,765)	27,765	(4,313)	4,313
USD denominated borrowings with hedged interest rate	(13,475)	13,475	(17,181)	17,181
Hedge liabilities related to credit line agreements	19,320	(19,320)	30,135	(30,135)
Hedge liabilities related to operating lease contracts	22,322	(22,322)	28,438	(28,438)
Cash flow sensitivity (net)	(5,866)	5,866	23,131	(23,131)

	Profit or loss 2009		Profit or loss 2008	
’000 USD*	**increase**	**decrease**	**increase**	**decrease**
RUR denominated borrowings	(207)	207	(461)	461
USD denominated borrowings	(918)	918	(143)	143
USD denominated borrowings with hedged interest rate	(446)	446	(568)	568
Hedge liabilities related to credit line agreements	639	(639)	996	(996)
Hedge liabilities related to operating lease contracts	738	(738)	940	(940)
Cash flow sensitivity (net)	(194)	194	764	(764)

** The USD equivalent figures are provided for information purposes only and do not form part of the audited financial statements – refer to note 2(d).*

(iii) Fuel price risk

The results of the Group's operations may be significantly affected by the fluctuation of jet fuel prices, which is a major expense of the Group. Due to the lack of an acceptable hedging market for fuel prices in Russia, the Group does not have financial instruments to hedge the fuel price risk. The major instrument to mitigate the fuel price risk is conclusion of direct contracts with fuel suppliers, thus receiving significant savings in fuel expenses of the Group.

The Group's profit before tax sensitivity to possible jet fuel (aviation kerosene) price changes, with all other variables held constant, is presented in the table below. In estimating possible changes the Group used the fuel price trend over a three-year period prior to each balance sheet date.

		Effect on profit before income tax	
	Increase, %	**'000 RUR**	**'000 USD***
2009			
Fuel price increase by	5	(308,815)	(10,211)
Fuel price increase by	25	(1,544,077)	(51,054)
2008			
Fuel price increase by	5	(472,895)	(15,636)
Fuel price increase by	25	(2,364,473)	(78,179)

(e) Fair values versus carrying amounts

The carrying amount of financial instruments, consisting of cash, short-term and long-term investments, short-term receivables and payables, long-term receivables and payables, short-term and long-term loans payable, approximately equals their fair value.

Financial instruments the carrying value of which is different from their fair value are presented in the table below:

'000 RUR	**Carrying amount 2009**	**Fair value 2009**	**Carrying amount 2008**	**Fair value 2008**
Assets carried at fair value				
Long-term accounts receivable	1,671	1,671	249,067	280,626
	1,671	**1,671**	**249,067**	**280,626**

'000 USD*	**Carrying amount 2009**	**Fair value 2009**	**Carrying amount 2008**	**Fair value 2008**
Assets carried at fair value				
Long-term accounts receivable	56	56	8,235	9,279
	56	**56**	**8,235**	**9,279**

(f) Fair values hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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’000 RUR	Level 1	Level 2	Total
31 December 2009			
Available-for-sale financial assets	-	147,231	147,231
Financial assets held for trading	274,207	-	274,207
	274,207	147,231	421,438
Derivative financial liabilities	-	(191,808)	(191,808)
	274,207	**(44,577)**	**229,630**
31 December 2008			
Available-for-sale financial assets	-	46,308	46,308
	-	46,308	46,308
Derivative financial liabilities	-	(236,533)	(236,533)
	-	**(190,225)**	**(190,225)**

’000 USD	Level 1	Level 2	Total
31 December 2009			
Available-for-sale financial assets	-	4,868	4,868
Financial assets held for trading	9,066	-	9,066
	9,066	4,868	13,934
Derivative financial liabilities	-	(6,343)	(6,343)
	9,066	**(1,475)**	**7,591**
31 December 2008			
Available-for-sale financial assets	-	1,531	1,531
	-	1,531	1,531
Derivative financial liabilities	-	(7,821)	(7,821)
	-	**(6,290)**	**(6,290)**

(g) Capital management

The Group has no formal policy for capital management but management seeks to maintain a sufficient capital base for meeting the Group’s operational and strategic needs, and to maintain confidence of market participants. This is achieved with efficient cash management, constant monitoring of Group’s revenues and profit, and long-term investment plans mainly financed by the Group’s operating cash flows. With these measures the Group aims for steady profits growth.

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

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

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

37 Operating leases

The Group concluded a number of operating lease agreements. The terms are varied from 1 to 7 years without the right for prolongation. Non-cancellable operating lease rentals are payable as follows:

	2009 ’000 RUR	**2008 ’000 RUR**	**2009 ’000 USD***	**2008 ’000 USD***
Less than one year	2,587,885	2,072,665	85,566	68,531
Between one and five years	4,782,875	5,763,401	158,142	190,562
More than five years	319,402	632,825	10,561	20,924
	7,690,162	**8,468,891**	**254,269**	**280,017**

As at 31 December 2009 RUR 4,144,754 thousand/USD* 137,043 thousand (2008: RUR 5,097,588 thousand/USD* 168,548 thousand) out of the total rent payments related to the contracts nominated in USD. And RUR 49,749 thousand/USD* 1,645 thousand (2008: RUR 4,810 thousand/ USD* 159 thousand) related to the contracts nominated in Euro.

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

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

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

38 Capital commitments

As at 31 December 2009 the Group had contractual commitments to purchase property, plant and equipment for RUR 7,908,146 thousand/USD* 261,476 thousand (2008: RUR 9,183,762 thousand/USD* 303,654 thousand) of which RUR 2,782,754 thousand/USD* 92,010 thousand (2008: RUR 1,985,048 thousand/USD* 65,634 thousand) has been advanced.

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39 Contingencies

(a) Insurance

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

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

(b) Litigation

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

(c) Taxation contingencies

Taxation contingencies in the Russian Federation

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

Russian tax, currency and customs legislation is subject to varying interpretations and changes occurring frequently. Management's interpretation of such legislation as applied to the transaction and activity of the Group may be challenged by the relevant regional and federal authorities. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged.

As such, significant additional taxes, penalties and interest may be assessed. It is not possible to determine amounts of constructive claims or evaluate probability of their negative outcome. The management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax, currency and customs positions will be sustained. However, the interpretation of the legislation by the relevant authorities may be different. In case the authorities would be able to prove their position that may have significant influence on the accompanying Consolidated Financial Statements.

The estimated amount of potential liabilities that can be subject to different interpretations of the tax laws and regulations and are not accrued in the accompanying financial statements could be up to approximately RUR 465 million/USD* 15 million (2008: RUR 465 million/USD* 15 million). Management believes that it is not probable that the ultimate outcome of such matters would result in a liability.

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40 Related party transactions

(a) Management remuneration

Key management personnel comprised directors, members of the Management Board and the Supervisory Council. The total compensation to key management personnel are reported under personnel expenses of the consolidated statement of comprehensive income in 2009 and amounted to RUR 170,090 thousand/USD* 5,624 thousand (2008: RUR 172,738 thousand/USD* 5,711 thousand). Compensation to key management personnel consists of the contractual salary and performance bonus depending on the achieved operating results.

(b) Transactions with other related parties

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

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

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

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

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

	2009 '000 RUR	2008 '000 RUR	2009 '000 USD*	2008 '000 USD*
Trade receivables (note 24):				
Entities with joint control or significant influence over the Group	314,226	59,066	10,390	1,953
Associates	197,727	89,372	6,539	2,954
Other	134	17	3	1
	512,087	**148,455**	**16,932**	**4,908**

The outstanding balances are interest free and short-term, except for where it is specifically noted. Most are related to rendering of transportation services to the related parties. The outstanding balances neither guaranteed nor secured. The settlements are performed in cash. No doubtful debts due from related parties existed as at 31 December 2009 and as at 31 December 2008.

The Group also had cash balances of RUR 18,415 thousand/USD* 609 thousand (2008: RUR 23,041 thousand/USD* 762 thousand) held with entities exercising joint control or significant influence over the Group as at 31 December 2009.

** The USD equivalent figures are provided for information purposes only and do not form part of the audited financial statements – refer to note 2(d).*

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

	2009 '000 RUR	2008 '000 RUR	2009 '000 USD*	2008 '000 USD*
Trade and accounts payable (note 32):				
Entities with joint control or significant influence over the Group	536,139	113,477	17,727	3,752
Associates	16,403	65,591	542	2,169
Other	120	-	4	-
	552,662	**179,068**	**18,273**	**5,921**
Advances received (note 33):				
Entities with joint control or significant influence over the Group	665	5,017	22	166
Associates	4,857	18,317	161	606
Key management personnel	-	9	-	-
Other	5,717	-	189	-
	11,239	**23,343**	**372**	**772**
Loans payable (note 29):				
Entities with joint control or significant influence over the Group	1,061,422	3,146,957	35,096	104,052
	1,061,422	**3,146,957**	**35,096**	**104,052**
Other (note 32):				
Entities with joint control or significant influence over the Group	5,778	8,432	192	279
Associates	1,000	130	33	4
Key management personnel	225	57	7	2
	7,003	**8,619**	**232**	**285**
	1,632,326	**3,357,987**	**53,973**	**111,030**

There were the following related party transactions in 2009 and 2008:

	2009 '000 RUR	2008 '000 RUR	2009 '000 USD*	2008 '000 USD*
Sales – transportation services:				
Entities with joint control or significant influence over the Group	2,542,841	1,902,754	84,077	62,913
Associates	146,815	107,376	4,854	3,550
Key management personnel	172	76	6	3
Other	277	-	9	-
	2,690,105	**2,010,206**	**88,946**	**66,466**
Other sales				
Entities with joint control or significant influence over the Group	74,585	63,169	2,466	2,089
Associates	22,046	6,163	729	204
Other	172	35	6	1
	96,803	**69,367**	**3,201**	**2,294**
Other operating income:				
Entities with joint control or significant influence over the Group	19,596	-	648	-
	2,806,504	**2,079,573**	**92,795**	**68,760**
Direct operating expenses:				
Entities with joint control or significant influence over the Group	1,608,861	3,070,270	53,196	101,516
Associates	162,281	703,455	5,366	23,259
	1,771,142	**3,773,725**	**58,562**	**124,775**

** The USD equivalent figures are provided for information purposes only and do not form part of the audited financial statements – refer to note 2(d).*

	2009 '000 RUR	2008 '000 RUR	2009 '000 USD*	2008 '000 USD*
Other operating expenses:				
Entities with joint control or significant influence over the Group	260,970	292,563	8,629	9,673
Associates	24	10,963	1	362
	260,994	**303,526**	**8,630**	**10,035**
Interest expenses on loans payable:				
Entities with joint control or significant influence over the Group	366,599	81,649	12,121	2,700
Total purchases from related parties	**2,398,735**	**4,158,900**	**79,313**	**137,510**
Proceeds from loans and borrowings:				
Entities with joint control or significant influence over the Group	640,741	3,691,532	21,186	122,058
Repayment of loans and borrowings:				
Entities with joint control or significant influence over the Group	(2,733,120)	(1,266,478)	(90,368)	(41,875)
Net proceeds of borrowings from related parties	**(2,092,379)**	**2,425,054**	**(69,182)**	**80,183**

(c) Pricing policies

Related party transactions are not necessarily based on market prices.

41 Events subsequent to the reporting date

On 30 June 2010 a dividend of RUR 0.11/USD* 0.004 per ordinary share was declared in respect of 2009 to the holders of ordinary shares for the total amount of RUR 63,493 thousand/ USD* 2,099 thousand.

In 2010 the Group entered into operating lease agreements for the following items:

	Number of leased items	Number of items received to date
Mi-8AMT helicopters	7	7
Bombardier CRJ-200 aircrafts	15	6
Boeing 757-200 aircrafts	2	2
Boeing 737-400 aircraft	1	1
	25	16

In July 2010 the Group sold 100% share of interest in its subsidiary ChOP Tsentr aviatsionnoy bezopasnosty LLC. As at 31 December 2009 net assets of the subsidiary in accordance with IFRS equalled to RUR 1,035 thousand/USD* 34 thousand. Different individuals were the buyers of the subsidiary, the total purchase price equalled to RUR 287 thousand/USD* 9 thousand.

On 30 March 2010 the Group placed BO-01 and BO-02 bonds issuances with total nominal value of RUR 3,000,000 thousand/USD* 99,193 thousand. Coupon interest rate was set at 12.5%, bonds were placed for 3 years without interim offer.

In February 2010 the Group placed bonds issuance 3 with the total nominal value of RUR 196,930 thousand/USD* 6,511 thousand which was previously redeemed during the public offer in December 2008.

In July 2010 the Company entered into loan agreement for opening of renewable credit line with Sberbank of Russia (OJSC). The term of the agreement is 3 years. The maximum limit equal to RUR 5,980,000 thousand/USD* 197,724 thousand reducing throughout the period of the contract. The interest rate is determined for each tranche and equal to 10-11% per annum. The contract is secured by pledged fixed assets. The purpose of the loan is financing of the operating activities.

On 30 June 2010 Annual shareholders meeting approved conclusion of credit contracts, credit line contracts with Khanty-Mansiyskiy Bank OJSC for the total amount of RUR 6,100,000 thousand/USD* 201,692 thousand. The maximum period for the contracts was determined as 2 years, the maximum interest rate was determined as 11.25% per annum. The purpose of the loans is financing of the operating activities.

In 2010 year promissory notes issued by the Company were sold to the Broker company “Region” LLC for total amount of RUR 2,680,268 thousand/USD* 88,621 thousand.

Subsequent to the reporting date out of the balance of non-current assets held for sale of RUR 758,759 thousand/USD* 25,088 thousand as at 31 December 2009 the assets for the total cost of RUR 677,083 thousand/USD* 22,387 thousand were sold with net result of RUR 221,638 thousand/USD* 7,328 thousand.